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Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

GREENLIT BRANDS PTY LIMITED

ACN

612 890 874

Lodgement details

Registered agent number

35831

Registered agent name

STEINHOFF ASIA PACIFIC LIMITED

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date

30-09-2019

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

1072048000

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

993542000

How many employees are employed by the large proprietary company and the entities that it controls?

8906

How many members does the large proprietary company have?

1

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

No

Details of current auditor or auditors

Current auditor

Date of appointment **15-06-2017**

Name of auditor

PRICEWATERHOUSECOOPERS

Address

**ONE INTERNATIONAL TOWERS SYDNEY
WATERMANS QUAY
BARANGAROO NSW 2000**

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Agent

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been authenticated by
Name STEINHOFF ASIA PACIFIC LIMITED
This form has been submitted by
Name Caroline ATTAR
Date 29-01-2020

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Greenlit Brands Pty Limited
ABN 21 612 890 874

Annual report
For the year ended 29 September 2019

Greenlit Brands Pty Limited
ABN 21 612 890 874

Annual report - 29 September 2019

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Greenlit Brands Pty Limited and the entities it controlled at the end of, or during, the year ended 29 September 2019.

Directors

The following persons held office as directors of Greenlit Brands Pty Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

H Bouygues (appointed 13 November 2019)
L Du Preez (appointed 6 February 2019)
M Ford
M Gordon
P Dieperink (resigned 6 February 2019)
T Schaafsma
D Singh (appointed 6 February 2019)
D Van Der Merwe (resigned 6 February 2019)

Principal activities

The principal activities of the Group during the year were the retailing and importing of clothing, footwear, other soft goods, manchester and homewares and the retailing, importing and manufacturing of furniture.

Dividends - Greenlit Brands Pty Limited

No dividends were paid during the financial year and no recommendations have been made subsequent to the end of the year (2018: Nil).

Review of operations

The underlying, continuing operations of the Group have delivered an EBITDA of $49,579,000 in the 2019 year, a decrease from the prior year (2018: $69,550,000).

Total revenue from continuing operations for the financial year was $1,072,048,000 (2018: $1,025,571,000). Continuing operations exclude the General Merchandise segment which is classified as a Discontinued operation.

	Year ended	
	29 September 2019 $'000	30 September 2018 $'000
Underlying profit before tax	**6,432**	31,942
Depreciation, impairment and amortisation	**22,272**	23,343
Net finance costs	**20,875**	14,265
Underlying EBITDA	**49,579**	69,550

Underlying profit before tax is prior to Restructuring and other non-recurring costs. These costs are detailed in note 6.

The Group has successfully achieved further operational and strategic milestones during a year which has demonstrated the resilience of the Group's key assets in a tighter retail trading environment. The directors take confidence from improved market and trading conditions in the second half of the year and continued exceptional growth in ecommerce sales following investment and amalgamation of expertise in this area from across the Group.

Review of operations (continued)

During the year ended 29 September 2019 the Group has completed the purchase of a number of locally used trademarks from parent company entities ensuring unfettered ownership and use of its brands and removing ongoing exposure to royalty expenditure. Despite funding the trademarks acquisition through a mix of external and related party borrowings, the Group has significantly reduced external debt levels across the year in accordance with the debt retirement plans outlined in the prior year.

The Group completed the planned sales of some non-retail investments, including distribution centre assets which were sold at significant gains to carrying values. The Group continues to explore further non-retail asset sales opportunities to facilitate re-deployment of capital into core retail brands or to further retire borrowings.

The "General Merchandise" segment, comprising Greenlit Brands General Merchandise Pty Ltd and all its subsidiaries, was sold by the Group on 2 December 2019. Accordingly, these operations have been classified as Discontinued Operations within the financial statements.

The divestment of the General Merchandise division is in line with the Group's strategy of focusing on its core Household Goods which comprises leading, vertically integrated, furniture retail, logistics and manufacturing businesses in Australia and New Zealand, including Fantastic Furniture, Freedom, Snooze, Plush, OMF, Unitrans and FutureSleep. Following the sale of the General Merchandise segment, the Group comprises a total of 319 retail stores with more than 3,800 employees across Australia and New Zealand

In conjunction with the General Merchandise divestment process, and to ensure the most appropriate arrangements going forward, the Group successfully re-financed its external borrowings with a syndicate of Australian banks extending the tenor of facilities to 31 December 2020 and maintaining the normal commercial terms already in place. The refinance maintained parent group debt on a subordinated basis with no requirement to service with cash interest.

The Group remains financially and operationally independent from its parent group, Steinhoff International Holdings NV ('SINV'). The Group continues to carefully and methodically consider various options around separation from its ownership by SINV.

Matters subsequent to the end of the financial year

Other than those detailed above, no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results or the state of affairs of the Group or economic entity in subsequent financial years.

Significant changes in the state of affairs

There have been no other significant changes in the state of affairs of the Group during the year.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in these financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group recognises the importance attached to all environmental issues, and the need to establish clear goals and strategies to implement and monitor environmental programs, practices and responsibilities. The Group endeavours to comply with all environmental laws and regulations and adopts internal standards, where necessary, to conform with the above. The directors are not aware of any breaches in State or Commonwealth environmental regulations.

Insurance of officers

During the financial year, one of the Group's controlled entities paid a premium to insure all officers of Greenlit Brands Pty Limited and its controlled entities.

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 4.

Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

M Ford
Director

M Gordon
Director

Sydney
26 December 2019

Auditor's Independence Declaration

As lead auditor for the audit of Greenlit Brands Pty Limited for the year ended 29 September 2019, 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 Greenlit Brands Pty Limited and the entities it controlled during the period.

Eddie Wilkie

Eddie Wilkie
Partner
PricewaterhouseCoopers

Sydney
20 December 2019

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Greenlit Brands Pty Limited
ABN 21 612 890 874

Annual report - 29 September 2019

This financial report is the consolidated financial report of the consolidated entity consisting of Greenlit Brands Pty Limited and its subsidiaries. A list of material subsidiaries is included in note 29.

The financial report is presented in Australian dollars ($).

The financial report was authorised for issue by the directors on 20 December 2019. The directors have the power to amend and reissue the financial report.

	Notes	Year ended 29 September 2019 $'000	30 September 2018 $'000
Revenue from contracts with customers from continuing operations	5	**1,072,048**	1,025,571
Expenses from continuing operations			
Raw materials and consumables used		**(599,839)**	(531,931)
Advertising and media expenses		**(52,877)**	(55,170)
Depreciation, impairment and amortisation expense	6	**(22,272)**	(23,343)
Employee benefits expense		**(221,026)**	(207,111)
Property expenses - Rent and Outgoings		**(104,484)**	(101,573)
Other expenses		**(43,729)**	(59,657)
Finance costs	6	**(21,389)**	(14,844)
		6,432	31,942
Restructuring and other non-recurring costs	6	**(177,970)**	(26,604)
(Loss) profit before income tax from continuing operations		**(171,538)**	5,338
Income tax benefit/(expense)	7	**7,590**	(5,810)
Loss from continuing operations		**(163,948)**	(472)
Loss from discontinued operations	8	**(124,550)**	(32,180)
Loss after income tax		**(288,498)**	(32,652)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges, net of tax	22(a)	**614**	10,307
Exchange differences on translation of foreign operations	22(a)	**143**	(1,454)
Other comprehensive income for the year, net of tax		**757**	8,853
Total comprehensive loss for the year		**(287,741)**	(23,799)
Total comprehensive (loss) income for the year is attributable to:			
Owners of Greenlit Brands Pty Limited		**(287,741)**	(23,799)
		(287,741)	(23,799)
Total comprehensive (loss) income for the year attributable to owners of Greenlit Brands Pty Limited arises from:			
Continuing operations		**(163,191)**	8,381
Discontinued operations		**(124,550)**	(32,180)
		(287,741)	(23,799)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Greenlit Brands Pty Limited
Consolidated statement of financial position
As at 29 September 2019

	Notes	29 September 2019 $'000	30 September 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**15,028**	44,728
Trade and other receivables	10	**34,243**	47,111
Inventories	11	**183,075**	398,025
Derivative financial instruments	13	**6,072**	11,909
Credit card receivables	12	**-**	8,700
Assets held for sale	8(a)(ii)	**261,095**	-
Total current assets		**499,513**	510,473
Non-current assets			
Receivables	10	**602**	1,844
Property, plant and equipment	14	**71,014**	249,344
Deferred tax assets	15	**7,754**	48,047
Intangible assets	16	**414,659**	551,309
Total non-current assets		**494,029**	850,544
Total assets		**993,542**	1,361,017
LIABILITIES			
Current liabilities			
Trade and other payables	17	**177,878**	303,148
Borrowings	18	**149**	2,396
Provisions	19	**16,282**	14,066
Credit card securitisation liability	12	**-**	9,010
Employee benefit obligations	20	**25,889**	39,929
Liabilities directly associated with assets classified as held for sale	8(a)(ii)	**217,052**	-
Total current liabilities		**437,250**	368,549
Non-current liabilities			
Payables	17	**15,291**	48,654
Borrowings	18	**434,689**	493,821
Provisions	19	**18,061**	55,903
Employee benefit obligations	20	**2,378**	6,458
Total non-current liabilities		**470,419**	604,836
Total liabilities		**907,669**	973,385
Net assets		**85,873**	387,632
EQUITY			
Contributed equity	21	**375,000**	375,000
Reserves	22(a)	**(15,061)**	(1,800)
(Accumulated losses)/retained earnings	22(c)	**(274,066)**	14,432
Total equity		**85,873**	387,632

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

	Contributed equity $'000	Other reserves $'000	(Accumulated losses)/ Retained earnings $'000	Total equity $'000
Balance at 2 October 2017	375,000	(10,653)	47,084	411,431
Loss for the year	-	-	(32,652)	(32,652)
Other comprehensive income	-	8,853	-	8,853
Total comprehensive income/(loss) for the year	**-**	**8,853**	**(32,652)**	**(23,799)**
Balance at 30 September 2018	**375,000**	**(1,800)**	**14,432**	**387,632**
Balance at 1 October 2018	375,000	(1,800)	14,432	387,632
Loss for the year	-	-	(288,498)	(288,498)
Other comprehensive income	-	757	-	757
Total comprehensive income/(loss) for the year	**-**	**757**	**(288,498)**	**(287,741)**
Transactions with owners in their capacity as owners:				
Employee share schemes - value of employee services	-	(299)	-	(299)
Capital return	-	(13,719)	-	(13,719)
	-	(14,018)	-	(14,018)
Balance at 29 September 2019	**375,000**	**(15,061)**	**(274,066)**	**85,873**

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

	Notes	Year ended 29 September 2019 $'000	30 September 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**2,279,269**	2,244,259
Payments to suppliers and employees (inclusive of GST)		**(2,246,883)**	(2,187,340)
		32,386	56,919
Interest received		**2,051**	4,174
Interest paid		**(18,402)**	(26,270)
Income taxes refund (paid)		**-**	7,364
Net cash inflow from operating activities		**16,035**	42,187
Cash flows from investing activities			
Payments for property, plant and equipment and computer software		**(25,249)**	(36,863)
Payments for intangibles		**(52,631)**	(2,937)
Proceeds from disposal of subsidiary (net of cash disposed)		**-**	9,714
Proceeds from sale of property, plant and equipment		**164,153**	1,266
Cash and cash equivalents reclassified to assets held for sale	8(a)(ii)	**(16,376)**	-
Net cash inflow (outflow) from investing activities		**69,897**	(28,820)
Cash flows from financing activities			
Net (payments to)/proceeds from borrowings		**(115,623)**	21,489
Net cash (outflow) inflow from financing activities		**(115,623)**	21,489
Net (decrease) increase in cash and cash equivalents		**(29,691)**	34,856
Cash and cash equivalents at the beginning of the financial year		**44,728**	9,844
Effects of exchange rate changes on cash and cash equivalents		**(9)**	28
Cash and cash equivalents at the end of the financial year	9	**15,028**	44,728

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Greenlit Brands Pty Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Greenlit Brands Pty Limited is a for-profit entity for the purpose of preparing the financial report.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The consolidated financial report of the Greenlit Brands Pty Limited Group complies with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 October 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*
- AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*

The Group had to change its accounting policies following the adoption of AASB 9 and AASB 15. This is disclosed in note 2. The other amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the future years.

(iii) Financial period

These financial statements are for the year from 1 October 2018 to 29 September 2019 (2018: 2 October 2017 to 30 September 2018).

(iv) Historical cost convention

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value.

(v) Going concern

The financial statements of the Group have been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of Greenlit Brands Pty Limited ('company' or 'parent entity') as at 29 September 2019 and the results of all subsidiaries for the year then ended. Greenlit Brands Pty Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(g)).

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.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial report of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial report is presented in Australian dollars, which is Greenlit Brands Pty Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. 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 or 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.

(iii) Group companies

The results and financial position of foreign operations (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition

The Group's revenue mainly comprises of sales of goods in-store and online. Revenue is recognised to the extent that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Sales revenue represents revenue earned from the sale and delivery of products and is recognised when control of the product has passed to the customer.

Sale of goods - retail

The Group operates a chain of retail stores selling clothing, footwear, other soft goods, manchester, homewares and furniture. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

It is the Group's policy to sell its products to the end customer with a limited right of return. Therefore, 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 steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The Group's obligation to repair or replace faulty products under standard warranty terms is recognised as a provision, see note 19.

Sale of fabric and leather protection

Some retail brands within the Group offer customers an option to purchase an extended fabric and leather protection warranty, this offer in some brands is made on behalf of an external provider. For internally run programmes the input method is used to recognise this warranty over time based on the period the warranty covers. A contract liability is recognised as 'unearned income' until the warranty period has lapsed.

Franchise fees

The Group grants to franchisees the non-exclusive right to operate the business under variable price contracts. Revenue from franchisee's is recognised at the point in time when the franchise fee is generated and receivable.

Sale of goods - customer loyalty programme (deferred revenue)

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they expire 12 months after the initial sale.

A contract liability is recognised until the points are redeemed or expire.

(e) Income tax

The income tax expense or revenue for the year 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company's subsidiaries 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.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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 report. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. 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 or 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or 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.

(f) Leases

Leases of plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The plant and equipment is depreciated over years ranging from 5 - 8 years.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 25). Payments made under operating leases are charged to profit or loss in the years in which they are incurred, as this represents the pattern of benefits derived from the lease assets over the year of the lease.

Incentives received on entering into operating leases are recognised as liabilities and brought to account over the year of the lease.

The present value of future payments for surplus leased space under non-cancellable operating leases is recognised as a liability, net of estimated sub-leasing revenue, in the year in which it is determined that some or all of the leased space will be of no future benefit to the consolidated entity.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations (except for acquisitions of entities under common control), 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
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

1 Summary of significant accounting policies (continued)

(g) Business combinations (continued)

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. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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 business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

The excess of the consideration transferred and the amount of any minority interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share 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 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(h) Accounting for business combinations under common control

Common control transactions are specifically scoped out of AASB 3 *Business Combinations.* Common control transactions are accounted for in the consolidated accounts prospectively from the date of obtaining the ownership interest. The directors have elected to use existing book values of assets and liabilities of the entities subject to the business combination and record the difference between the purchase price paid by the company and the existing book value of the entity acquired immediately prior to the business combination as a reserve within equity described as common control reserve. Where equity instruments are issued as part of the consideration, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

1 Summary of significant accounting policies (continued)

(i) Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell 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 year.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated 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 consolidated statement of financial position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. The Group applies the AASB 9 simplified apporach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Previous accounting policy for impairment of trade receivables

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of purchased inventory includes the cost of purchase plus handling costs and freight to get the inventory into store. Costs are assigned to individual items of stock on the basis of weighted average cost.

1 Summary of significant accounting policies (continued)

(l) Inventories (continued)

The cost of manufactured inventory is the cost of raw materials, labour and an appropriate portion of fixed and variable overhead expenses.

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal Group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal Group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal Group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(n) Investments and other financial assets

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated statement of financial position (note 10).

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

1 Summary of significant accounting policies (continued)

(o) Derivatives and hedging activities (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13 Movements in the hedging reserve in shareholder's equity are shown in note 22(a). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the years when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(p) 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.

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 year in which they are incurred.

Land is not depreciated. Depreciation on other 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 lease term as follows:

• Buildings	40 years
• Plant, fixtures and fittings	2 -20 years
• Leasehold improvements	3 -12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

The cost of improvements to or on leasehold properties is amortised over the unexpired year of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 5 to 8 years.

1 Summary of significant accounting policies (continued)

(q) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. 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.

(ii) Franchise Acquisition Costs

Amounts paid in consideration for the termination of franchise agreements on the acquisition of previously franchised stores are capitalised and written off over the remaining year of the terminated agreement, inclusive of any option entitlement. The amortisation year is reflective of each acquisition.

(iii) Computer Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future year financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 4 to 10 years.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 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.

(s) 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 year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

(t) Borrowing costs

Borrowing costs include:
- interest on bank overdrafts and short term and long term borrowings,
- amortisation of discounts or premiums relating to borrowings,
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings, and
- finance charges.

1 Summary of significant accounting policies (continued)

(u) 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 can be 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 year. 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.

(v) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave that are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are 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 of high quality corporate bonds with terms that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in assumptions are recognised in profit or loss.

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 date, regardless of when the actual settlement is expected to occur.

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(w) Contributed equity

Ordinary shares are classified as equity.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(y) Maintenance and repairs

Routine operating maintenance, repair costs and minor renewals are charged as expenses as they are incurred.

1 Summary of significant accounting policies (continued)

(z) 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 consolidated 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.

(aa) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ab) Reclassifications

Certain accounts in prior years are reclassified to be consistent with current year classifications.

(ac) Parent entity financial information

The financial information for the parent entity, Greenlit Brands Pty Limited, disclosed in note 30, has been prepared on the same basis as the consolidated financial report, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial report of Greenlit Brands Pty Limited. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity's investment in a subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Greenlit Brands Pty Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Greenlit Brands Pty Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Greenlit Brands Pty Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

2 Changes in accounting policies

(a) AASB 9 Financial Instruments

The Group has adopted AASB 9: *Financial Instruments* with an initial application date of 1 October 2018. AASB 9 requires retrospective application with some exceptions (eg hedge accounting in terms of the Standard). There were no financial assets/liabilities which the company had previously designated as fair value through profit or loss under AASB 139 that were subject to reclassification upon the application of AASB 9: *Financial Instruments: Recognition and Measurement*. There were no financial assets/liabilities which the Group has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

(i) Impairment of financial assets

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the company to account for expected credit loss since initial recognition. A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss. The application of the expected credit loss model had no impact on the impairment of trade receivables.

(b) AASB 15 Revenue from Contracts with Customers

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 October 2018. AASB 15 introduced a 5 step approach to revenue recognition. The Group's accounting policies for its revenue streams are disclosed in detail in note 1(d). Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group.

3 Financial risk management

Risk management is carried out by senior management under policies approved by the Board of Directors which provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

The Group's activities expose it to a variety of financial risks market risk including currency risk and interest rate risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used as hedging instruments, i. e. not for trading or other speculative purposes. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange risk and aging analysis for credit risk.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from recognised and future payables not denominated in Australian dollars.

This risk is managed through the use of forward exchange contracts for known liabilities and a portion of estimated foreign currency purchases.

The Group is exposed to foreign exchange risk mainly from inventory purchased from overseas suppliers largely in US dollars. The Group enters into forward exchange contracts to hedge the exchange rate risk. Under the forward exchange contracts, the Group agrees to exchange specified amounts of various currencies at an agreed future date at a specified exchange rate.

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	Year ended	
	29 September 2019 $'000	30 September 2018 $'000
Amounts recognised in profit or loss from continuing operations		
Net foreign exchange loss included in other expenses	**(259)**	(1,327)
Net gains recognised in other comprehensive income (note 22(a))		
Cash flow hedges	**614**	10,307
Translation of foreign operations	**143**	(1,454)

Exposure

The Group has entered into forward exchange contracts to protect against exchange rate variances relating to anticipated future cash flows relating to anticipated purchases of inventory amounting to US dollar forward contracts of US$218,775,841 for A$311,197,906, USD dollar forward contracts of US$17,752,838 for NZ$24,891,975 and Pound Sterling forward contracts of £51,630 for A$93,145 (30 September 2018: US$235,248,190 for A$313,580,616, USD dollar forward contracts of US$18,167,725 for NZ$26,299,502 and Pound Sterling forward contracts of £2,288,822 for A$4,099,167).

Hedge accounting has been adopted. The hedge accounting policy is outlined in note 1(o).

3 Financial risk management (continued)

(b) Credit risk

(i) Impaired trade receivables

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. See note 1(k) for information on how loss allowance is calculated for trade receivables. Refer to note 10(a) for information on the loss allowance.

(c) Liquidity risk

(i) Financing arrangements

At the reporting date, the Group had financing arrangements as detailed in note 18.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less loss allowance of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Derivative financial instruments are recognised at fair value at 29 September 2019 and are classified as level 2 in the fair value measurement hierarchy. There are no other assets and liabilities measured and recognised at fair value at 29 September 2019.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

(ii) Income taxes

The Group makes certain estimates and judgements in determining the income tax expense for financial statement purposes. These estimates and judgements occur in the calculation of certain tax assets and liabilities.

Deferred income tax assets and liabilities are measured using tax rates enacted at balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised or where it relates to tax losses where there exists convincing evidence that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that these conditions are not met.

(iii) Carrying value of store's property, plant and equipment and onerous lease provisioning

The performance of retail stores is reviewed annually or more frequently if events or changes in circumstances indicate that the store's property, plant and equipment might be impaired and an onerous lease provision required. The recoverability of a store's property, plant and equipment and assessment of whether an onerous lease provision is required is based on a value-in-use calculation which requires the use of assumptions.

5 Revenue from contracts with customers from continuing operations

	Year ended	
	29 September 2019 $'000	30 September 2018 $'000
From continuing operations		
Sales revenue		
Sale of goods	**1,020,526**	977,540
Other revenue		
Franchise fees, delivery fees and other	**51,008**	47,452
Interest from loans and bank balances	**514**	579
	51,522	48,031
	1,072,048	1,025,571

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	Year ended	
	29 September 2019 $'000	30 September 2018 $'000
Timing of revenue recognition		
At a point in time	**1,069,561**	1,023,240
Over time	**2,487**	2,331
	1,072,048	1,025,571

(b) Assets and liabilities related to contracts with customers

	29 September 2019 $'000	30 September 2018 $'000
Contract liability - deposits received in advance	**(44,367)**	(40,964)
Contract liability - deferred income	**(13,028)**	(11,021)
Total current contract liabilities	**(57,395)**	(51,985)

The above contract liabilities have been recognised as part of trade and other payables (Note 17).

6 Expenses from continuing operations

	29 September 2019 $'000	30 September 2018 $'000
Total depreciation, impairment and amortisation expenses*	**181,756**	23,343

* Including $159,484,000 (2018: $nil) of impairment expense which is also included in Restructuring and other non-recurring expenses below.

	29 September 2019 $'000	30 September 2018 $'000
Restructuring and other non-recurring costs		
Employee benefits expenses	**1,999**	11,376
Impairment expense	**159,484**	-
Property expenses - Rent	**6,818**	-
Other expenses	**9,669**	15,228
	177,970	26,604

In addition to the restructuring and non-recurring items noted in the table above, the Group received a one-off gain on disposal of the Kings Park distribution centre offset by non-recurring costs associated with exiting excess inventories in the Freedom AU brand and the closure/conversion of some stores in the Snooze brand.

	Year ended 29 September 2019 $'000	30 September 2018 $'000
Finance expenses		
Interest and finance charges paid/payable	**21,389**	14,844
Other expenses		
Net (gain)/loss on disposal of property, plant and equipment	**(24,874)**	335

7 Income tax expense (benefit)

The Group makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of certain tax assets and liabilities.

(a) Income tax expense (benefit)

	Year ended 29 September 2019 $'000	Year ended 30 September 2018 $'000
Current tax expense	**743**	3
Deferred tax expense (benefit) relating to the origination and reversal of termporary differences	**4,423**	(1,889)
Adjustments for current tax of prior periods	**(7)**	22
	5,159	(1,864)
Income tax expense/(benefit) is attributable to:		
- continuing operations	**(7,590)**	5,810
- discontinued operations	**12,749**	(7,674)
	5,159	(1,864)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax expense/(benefit)

	Year ended 29 September 2019 $'000	Year ended 30 September 2018 $'000
(Loss) profit from continuing operations before income tax benefit	**(171,538)**	5,338
(Loss) from discontinuing operations before income tax benefit	**(111,801)**	(39,854)
	(283,339)	(34,516)
Tax at the Australian tax rate of 30% (2018: 30%)	**(85,002)**	(10,355)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**93,737**	4,457
Sub-total	**8,735**	(5,898)
Difference in overseas tax rates	**112**	60
Current year tax losses and temporary differences not recognised	**1,413**	216
Adjustments for current tax of prior periods	**(7)**	22
Deferred tax expense relating to change in tax legislation	**-**	4,287
Previously unrecognised tax losses now recouped to reduce current tax expense	**(5,094)**	(551)
Total income tax expense (benefit)	**5,159**	(1,864)

7 Income tax expense (benefit) (continued)

(c) Tax losses

	Year ended 29 September 2019 $'000	Year ended 30 September 2018 $'000
Unused tax losses for which no deferred tax asset has been recognised	**44,545**	40,254
Potential tax benefit at applicable tax rates	**12,473**	11,271

The unused tax losses were incurred by New Zealand subsidiaries.

8 Discontinued operations

	Year ended 29 September 2019 $'000	Year ended 30 September 2018 $'000
Loss after tax from discontinued operations		
Greenlit Brands General Merchandise Pty Limited (see note (a))	**(124,550)**	(16,988)
Spotco (see note (b))	**-**	(15,616)
Poco (see note (c))	**-**	424
Loss after tax from discontinued operations	**(124,550)**	(32,180)

(a) Discontinued operations - Greenlit Brands General Merchandise Pty Limited

Subsequent to year-end, Greenlit Brands Pty Limited sold Greenlit Brands General Merchandise Pty Limited and its related entities, thus its operations in 2019 and 2018 have been included in discontinued operations. Refer to note 28 for details of the subsequent events.

(i) Financial performance

The financial performance presented are for the year ended 29 September 2019 and the year ended 30 September 2018.

	Year ended 29 September 2019 $'000	Year ended 30 September 2018 $'000
Revenue from contracts with customers	**994,641**	1,007,672
Expenses	**(1,106,442)**	(1,032,106)
Loss before income tax	**(111,801)**	(24,434)
Income tax (expense) benefit	**(12,749)**	7,446
Loss after income tax of discontinued operations	**(124,550)**	(16,988)
Loss recognised on the re-assessment of the carrying value of assets prior to reclassification to assets held for sale	**(119,629)**	-

8 Discontinued operations (continued)

(a) Discontinued operations - Greenlit Brands General Merchandise Pty Limited (continued)

(i) Financial performance (continued)

	Year ended 29 September 2019 $'000	30 September 2018 $'000
Net cash flows attributable to the operating, investing and financing activities of discontinued operations	**(5,262)**	12,690

(ii) Assets and liabilities classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations of Greenlit Brands General Merchandise Pty Limited and its controlled entities:

	29 September 2019 $'000
Cash	**16,376**
Credit card receivables	**7,555**
Inventories	**189,685**
Derivative financial instruments	**7,294**
Deferred tax assets	**35,702**
Other assets	**4,483**
Total assets	**261,095**
Trade and other payables	**(137,807)**
Employee benefit obligations	**(35,226)**
Borrowings	**(4,920)**
Provisions	**(39,099)**
Total liabilities	**(217,052)**
Net assets	**44,043**

(b) Discontinued operations - Spotco

(i) Description

In prior year, the Group disposed of Spotco Holdings Pty Limited. The exit costs have been included in the discontinued operations in 2018.

(ii) Financial performance

The financial performance presented are for the period ended 29 July 2018 (date of disposal).

8 Discontinued operations (continued)

(b) Discontinued operations - Spotco (continued)

(ii) Financial performance (continued)

	Year ended 29 September 2019 $'000	30 September 2018 $'000
Revenue	-	8,254
Expenses (including $13,899,000 impairment of goodwill)	-	(24,280)
Loss before income tax	-	(16,026)
Income tax benefit	-	410
Loss after income tax of discontinued operations	-	(15,616)

(iii) Details of the sale of the subsidiary

	29 September 2019 $'000	30 September 2018 $'000
Consideration received or receivable:		
Cash	-	10,938
Total disposal consideration	-	10,938
Carrying amount of net assets sold	-	(10,938)
Gain on sale before income tax	-	-
Income tax expense on gain	-	-
Gain on sale after income tax	-	-

(c) Discontinued operations - POCO

The Poco Australia Pty Ltd's operations ceased in 2018 and thus its operation has been included in discontinued operations.

(i) Financial performance

The financial performance presented are for the year ended 30 September 2018.

	Year ended 29 September 2019 $'000	30 September 2018 $'000
Revenue	-	1,317
Expenses	-	(711)
Profit (loss) before income tax	-	606
Income tax (expense) benefit	-	(182)
Profit (loss) after income tax of discontinued operations	-	424

9 Cash and cash equivalents

	29 September 2019 $'000	30 September 2018 $'000
Current assets		
Cash and cash equivalents	**15,028**	44,728

10 Trade and other receivables

	29 September 2019			30 September 2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	**23,965**	**1,980**	**25,945**	26,842	1,946	28,788
Loss allowance (see note 3(b))	**(2,406)**	**(1,980)**	**(4,386)**	(2,698)	(1,602)	(4,300)
	21,559	**-**	**21,559**	24,144	344	24,488
Loans to key management personnel	**176**	**-**	**176**	168	-	168
Other receivables	**3,701**	**602**	**4,303**	9,595	1,500	11,095
Prepayments	**8,807**	**-**	**8,807**	13,204	-	13,204
	34,243	**602**	**34,845**	47,111	1,844	48,955

Further information relating to loans to related parties and key management personnel is set out in note 26.

(a) Impaired trade receivables

Movements in the current provision for loss allowance of trade receivables and loans to customers that are assessed for impairment collectively are as follows:

	29 September 2019 $'000	30 September 2018 $'000
Balance at the start of the year	**4,300**	4,111
Loss allowance recognised during the year	**572**	2,212
Receivables written off during the year as impaired trade receivables	**(486)**	-
Disposal of subsidiary	**-**	(2,023)
Balance at the end of the year	**4,386**	4,300

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired receivables.

	Year ended 29 September 2019 $'000	30 September 2018 $'000
Impairment losses		
- Movement in loss allowance (net of foreign exchange)	**572**	2,212

11 Inventories

	29 September 2019 $'000	30 September 2018 $'000
Current assets		
Raw materials at cost and realisable value*	**8,545**	10,444
Finished goods at cost and realisable value*	**174,530**	387,581
	183,075	398,025

* The General Merchandise group's inventories as at 29 September 2019 of $189,685,000 are included in assets held for sale (Note 8(a)(ii)).

12 Credit card receivables and securitisation liability

	29 September 2019 $'000	30 September 2018 $'000
Current assets		
Credit card receivables	**-**	9,010
Provision for impairment	**-**	(310)
	-	8,700
Current liabilities		
Credit card securitisation liability	**-**	(9,010)

13 Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes. The Group has the following derivative financial instruments:

	29 September 2019 $'000	30 September 2018 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**6,072**	11,909
Total current derivative financial instrument assets	**6,072**	11,909

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting year.

The Group's accounting policy for its cash flow hedges is set out in note 1(o). Further information about the derivatives used by the Group is provided in note 3(a).

(ii) Fair value measurements

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 3(d).

14 Property, plant and equipment

	Construction in progress $'000	Land & buildings $'000	Plant, fixtures and fittings $'000	Leasehold improvements $'000	Total $'000
At 1 October 2018					
Cost	6,869	137,572	243,368	186,678	574,487
Accumulated depreciation	-	(13,632)	(155,346)	(156,165)	(325,143)
Net book amount	6,869	123,940	88,022	30,513	249,344
Year ended 29 September 2019					
Opening net book amount	6,869	123,940	88,022	30,513	249,344
Exchange differences	1	-	107	53	161
Additions	11,977	-	8,438	4,834	25,249
Disposals	(6)	(92,770)	(949)	(516)	(94,241)
Impairment loss	(2,096)	(13,640)	(43,853)	(12,817)	(72,406)
Transfers including to intangible assets	(10,640)	-	(2,641)	11,932	(1,349)
Depreciation charge	-	(1,795)	(21,570)	(12,379)	(35,744)
Closing net book amount	6,105	15,735	27,554	21,620	71,014
At 29 September 2019					
Cost	6,105	19,919	133,640	73,193	232,857
Accumulated depreciation	-	(4,184)	(106,086)	(51,573)	(161,843)
Net book amount	6,105	15,735	27,554	21,620	71,014

(a) Leased assets

Plant, fixtures and fittings includes the following amounts where the Group is a lessee under a hire purchase lease:

	29 September 2019 $'000	30 September 2018 $'000
Cost	**1,251**	5,243
Accumulated depreciation	**(411)**	(1,455)
Net book amount	**840**	3,788

(ii) Non-current assets pledged as security

Refer to note 18(a) for information on non-current assets pledged as security by the Group.

(c) Impairment tests for property, plant and equipment

Property, plant and equipment is allocated to the Group's cash generating units (CGUs) identified according to the Group's operations.

The recoverable amount of a CGU is determined based on value in use calculations. An impairment charge is taken on CGUs where the carrying value of property, plant and equipment exceeds the projected future discounted cash flows.

14 Property, plant and equipment (continued)

(c) Impairment tests for property, plant and equipment (continued)

The carrying amounts of certain assets have been reduced to their recoverable amounts through recognition of an impairment charge against plant, fixtures and fittings and leasehold improvements. This charge has been disclosed as part of depreciation, amortisation and impairment in the consolidated statement of comprehensive income.

(d) Construction in progress

Construction in progress includes property, plant and equipment and software projects. On completion of the projects, the fixed assets are analysed and the fixed assets are transferred to the appropriate categories.

15 Deferred tax assets

	29 September 2019 $'000	30 September 2018 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**4,917**	8,599
Employee benefits	**20,820**	20,829
Provisions	**29,400**	21,570
Other items	**(218)**	9,850
Capitalised expenses	**1,717**	1,796
Hedging reserve	**(2,230)**	(2,063)
Property, plant and equipment	**9,689**	10,080
Lease incentives	**11,583**	11,626
Unearned income	**3,602**	2,360
Intangible assets - brands	**(35,824)**	(36,600)
Total deferred tax assets	**43,456**	48,047
Less: transfer to assets held for sale	**(35,702)**	-
Net deferred tax assets	**7,754**	48,047

Movements	Total $'000
At 2 October 2017	51,166
(Charged)/credited	
- to profit or loss	1,889
- to other comprehensive income	(3,694)
- disposal of subsidiaries	(1,314)
At 30 September 2018	48,047

Movements	**Total $'000**
At 1 October 2018	48,047
(Charged)/credited	
- to profit or loss	(4,423)
- to other comprehensive income	(168)
- reclassified to assets held for sale	(35,702)
At 29 September 2019	7,754

16 Intangible assets

	Goodwill $'000	Intangible assets - brands $'000	Computer software $'000	Franchise acquisition costs $'000	Total $'000
At 1 October 2018					
Cost	413,846	122,000	74,730	650	611,226
Accumulated amortisation and impairment	(5,504)	-	(53,879)	(534)	(59,917)
Net book amount	408,342	122,000	20,851	116	551,309
Year ended 29 September 2019					
Opening net book amount	408,342	122,000	20,851	116	551,309
Exchange differences	-	-	(3)	-	(3)
Additions	-	86,281	2,099	532	88,912
Disposals	-	-	(3)	-	(3)
Transfers from property, plant and equipment	-	-	1,349	-	1,349
Amortisation charge	-	(3,050)	(6,587)	(185)	(9,822)
Impairment charge	(182,920)	(30,000)	(4,163)	-	(217,083)
Closing net book amount	225,422	175,231	13,543	463	414,659
At 29 September 2019					
Cost	379,410	178,281	50,616	1,182	609,489
Accumulated amortisation and impairment	(153,988)	(3,050)	(37,073)	(719)	(194,830)
Net book amount	225,422	175,231	13,543	463	414,659

17 Trade and other payables

	29 September 2019			30 September 2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade payables	**51,219**	**-**	**51,219**	132,766	-	132,766
Royalty payable	**7,168**	**-**	**7,168**	10,438	-	10,438
Unearned income	**57,395**	**-**	**57,395**	51,985	-	51,985
Amounts due to related party	**2,762**	**-**	**2,762**	613	-	613
Lease incentives and straight line liabilities	**5,125**	**15,291**	**20,416**	8,934	41,654	50,588
Other payables	**54,209**	**-**	**54,209**	98,412	7,000	105,412
	177,878	**15,291**	**193,169**	303,148	48,654	351,802

18 Borrowings

	29 September 2019			30 September 2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Bank loans	**-**	**6,054**	**6,054**	916	115,632	116,548
Trade finance	**-**	**44,907**	**44,907**	-	53,476	53,476
Lease liabilities (note 25)	**149**	**-**	**149**	1,480	149	1,629
	149	**50,961**	**51,110**	2,396	169,257	171,653
Other loans	**-**	**-**	**-**	-	64	64
Loans payable to related parties	**-**	**383,728**	**383,728**	-	324,500	324,500
	-	**383,728**	**383,728**	-	324,564	324,564
Total borrowings	**149**	**434,689**	**434,838**	2,396	493,821	496,217

The lease liabilities are effectively secured as the rights to the leased assets recognised in the statement of financial position revert to the lessor in the event of default.

Trade finance relates to the financing of inventory purchases.

The bank loans have a term to October 2020 and the related party loans (which are subordinate to the bank loans) have terms of between one and a half and one and three quarter years. Refer to note 28 for events occurring after the reporting period.

The Australian entities within the Group are jointly and severally liable for the bank facilities detailed in section below.

The recently refinanced external bank loans expire at the end of December 2020 while the related party loans (which are subordinate to the external bank loans) expire in 2021 - refer to events occurring after the reporting period in note 28.

All external bank loans are guaranteed by the operating entities in the Group.

Financing arrangements and security for borrowings from non related parties

The Group had access to the following undrawn non-related party borrowing facilities at the reporting date:

	29 September 2019 $'000	30 September 2018 $'000
Floating rate		
Bank loans and overdrafts*	**196,574**	253,166
Used at balance date		
Bank loans and overdrafts*	**69,676**	180,662
Unused at balance date		
Bank loans and overdrafts	**126,898**	72,504

* Includes $4,656,794 facilities utilised by Postie, a subsidiary of Greenlit Brands General Merchandise Pty Limited as at 29 September 2019, which is currently classified as Held for Sale.

18 Borrowings (continued)

(a) Secured liabilities and assets pledged as security

Greenlit Brands Pty Limited and its material operating and non-operating subsidiaries have in place existing cross guarantees and security which has been granted in favour of security trustees to secure the related and non-related party secured obligations. The secured obligations constitute obligations owed to lenders under a syndicated loan facility, lenders under various bilateral facilities, related parties and hedge providers providing hedging, in each case, provided to Greenlit Brands Household Goods Pty Ltd and/or other subsidiaries of Greenlit Brands Pty Limited. The security consists of general security deeds which grant security over all the assets of the respective security provider. In addition, real property mortgages have been granted over any freehold property of a security provider where that freehold property has a value in excess of A$5 million.

19 Provisions

	29 September 2019			30 September 2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Make good provision *(i)*	**2,513**	**7,644**	**10,157**	3,202	12,892	16,094
Onerous contracts *(ii)*	**5,285**	**4,068**	**9,353**	3,151	35,960	39,111
Warranty provision *(iii)*	**8,484**	**6,349**	**14,833**	7,713	7,051	14,764
	16,282	**18,061**	**34,343**	14,066	55,903	69,969

Information about individual provisions

(i) Make good provision

A provision of has been recognised for the estimated costs of dismantling and removing items and restoring the site on which property, plant and equipment is located to its original condition.

(ii) Onerous contracts

The provision is in relation to the lease agreements for retail premises across Australia. The provision represents the lesser of the amount payable upon termination of the lease agreements or the discounted net cash out flow expected to be incurred up to the end of the lease.

(iii) Warranty provision

Across its business units the Group offers a limited warranty for product sales that provides customers with a warranty period against defects. Provisions for warranty claims and all associated costs are recorded at the time products are sold and are reviewed and adjusted by management periodically to reflect actual and anticipated experience.

19 Provisions (continued)

(a) Movements in provisions

Movements in each class of provision during the financial year, are set out below:

2019	Make good provision $'000	Onerous contracts $'000	Warranty provision $'000	Total $'000
Carrying amount at the start of the period	16,094	39,111	14,764	69,969
Credited to provision	4,037	1,518	6,221	11,776
Amounts used during the period	(953)	(2,374)	(6,152)	(9,479)
Additional provision charged to plant and equipment	1,176	-	-	1,176
Provisions reclassified as held for sale	(10,197)	(28,902)	-	(39,099)
Carrying amount at end of year	10,157	9,353	14,833	34,343

20 Employee benefit obligations

	29 September 2019			30 September 2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Leave obligations (a)	**25,889**	**2,378**	**28,267**	39,929	6,458	46,387

(a) Leave obligations

The leave obligations cover the Group's liability for long service leave and annual leave.

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave 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 of $25,889,000 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 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	29 September 2019 $'000	30 September 2018 $'000
Long service leave expected to be settled after 12 months	**7,184**	12,516

21 Contributed equity

(a) Share capital

	29 September 2017 Shares	30 September 2018 Shares	29 September 2019 $'000	30 September 2018 $'000
Ordinary shares				
Authorised, issued and fully paid	**375,000,001**	375,000,001	**375,000**	375,000

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

22 Reserves and (accumulated losses)/ retained earnings

(a) Reserves

	29 September 2019 $'000	30 September 2018 $'000
Hedging reserve - cash flow hedges	**6,534**	5,920
Share-based payments	**-**	299
Common control reserve	**(19,173)**	(19,173)
Foreign currency translation reserve	**(2,422)**	(2,565)
Capital reserve	**-**	13,719
	(15,061)	(1,800)

The following table shows a breakdown of the movements in these reserves during the period. A description of the nature and purpose of each reserve is provided below the table.

	29 September 2019 $'000	30 September 2018 $'000
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	**5,920**	(4,387)
Movement (net of tax)	**614**	10,307
Closing balance	**6,534**	5,920
Share-based payments		
Opening balance	**299**	299
Employee share plan (benefit)/expense	**(299)**	-
Closing balance	**-**	299

22 Reserves and (accumulated losses)/ retained earnings (continued)

(a) Reserves (continued)

	29 September 2019 $'000	30 September 2018 $'000
Common control reserve		
Opening balance	**(19,173)**	(19,173)
Disposal of subsidiaries	**-**	-
Closing balance	**(19,173)**	(19,173)
Foreign currency translation reserve		
Opening balance	**(2,565)**	(1,111)
Currency translation differences arising during the year	**143**	(1,454)
Closing balance	**(2,422)**	(2,565)
Capital reserve		
Opening balance	**13,719**	13,719
Capital return	**(13,719)**	-
Closing balance	**-**	13,719

(b) Nature and purpose of reserves

(i) Hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in note 1(o). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

(ii) Share-based payments

The share-based payments reserve is used to recognise the value of equity benefits provided to employee and directors as part of their remuneration and other parties as part of their compensation for services.

(iii) Common control reserve

Any differences between the cost of acquisition (fair value of consideration paid), and the amount at which assets and liabilities acquired are recorded for business combinations under common control (refer to note 1(h)) have been recognised in the common control reserve.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(v) Capital reserve

Capital contributions received/paid by the Group are accumulated in a separate reserve within equity.

22 Reserves and (accumulated losses)/ retained earnings (continued)

(c) (Accumulated losses)/retained earnings

Movements in (accumulated losses)/retained earnings were as follows:

	29 September 2019 $'000	30 September 2018 $'000
Opening balance	**14,432**	47,084
Net loss for the year	**(288,498)**	(32,652)
Closing balance	**(274,066)**	14,432

23 Dividends

(a) Ordinary shares

No dividends were paid during the year.

(b) Exempting credits

	29 September 2019 $'000	30 September 2018 $'000
Exempting credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	**88,251**	88,378

24 Contingencies

Contingent liabilities

Cross guarantees are given by Greenlit Brands Pty Limited and other group entities, as described in note 27.

Guarantees

For information about guarantees given by entities within the Group, please refer to notes 18, 27 and 30.

Various subsidiaries of the consolidated entity have given guarantees in respect of rental leases and other arrangements amounting to $13,908,337 (2018: $6,275,000).

25 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	29 September 2019 $'000	30 September 2018 $'000
Property, plant and equipment	**4,078**	6,795

(b) Lease commitments

(i) Operating leases

	29 September 2019 $'000	30 September 2018 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**242,023**	232,320
Later than one year but not later than five years	**620,490**	626,007
Later than five years	**231,595**	239,922
	1,094,108	1,098,249
Representing:		
Non-cancellable operating leases	**1,094,108**	1,098,249
	1,094,108	1,098,249
Sub-lease payments		
Future minimum lease payments expected to be recovered in relation to non-cancellable sub-leases of operating leases detailed above	**32,584**	37,478

(ii) Hire purchase

	29 September 2019 $'000	30 September 2018 $'000
Commitments in relation to hire purchase leases are payable as follows:		
Within one year	**150**	1,525
Later than one year but not later than five years	**-**	150
Minimum lease payments	**150**	1,675
Future finance charges	**(1)**	(46)
Recognised as a liability	**149**	1,629
Representing lease liabilities:		
Current (note 18)	**149**	1,480
Non-current (note 18)	**-**	149
	149	1,629

26 Related parties

(a) Parent entities

The immediate parent entity is Steinhoff UK Holdings Limited (incorporated in the United Kingdom), which owns 100% of the issued ordinary shares of Greenlit Brands Pty Limited. The ultimate parent entity is Steinhoff International Holdings NV (incorporated in the Netherlands).

(b) Subsidiaries

Interests in material subsidiaries are set out in note 29.

(c) Key management personnel compensation

	Year ended	
	29 September 2019 $	30 September 2018 $
Key management personnel compensation	**10,204,777**	17,220,469

Amounts due from key management personnel on 29 September 2019 amounted to $176,073 (2018: $168,411).

The amounts due from key management personnel are under normal commercial terms.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	Year ended	
	29 September 2019 $	30 September 2018 $
Purchases of services	**8,105,280**	5,892,065
Brand royalties	**10,331,451**	12,755,513
Interest expense on loans from related parties	**18,454,042**	12,783,185

(e) Outstanding balances arising from transactions with related parties

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

	29 September 2019 $	30 September 2018 $
Current payables		
Current payable from related parties arising from transactions with related parties detailed above	**(11,375,460)**	(9,016,210)

26 Related parties (continued)

(f) Loans to/from related parties

	29 September 2019 $	30 September 2018 $
Loans from related parties		
Beginning of the period	**324,500,000**	333,824,000
Loans advanced	**50,000,000**	-
Loans repayments made	**-**	(9,324,000)
Interest capitalised into the principal	**9,227,883**	-
End of year	**383,727,883**	324,500,000

27 Deed of cross guarantee

Greenlit Brands Pty Limited, Greenlit Brands General Merchandise Pty Ltd (formerly know as Pepkor South East Asia Pty Limited), Fantastic Holdings Limited, Fantastic Furniture Pty Limited, Fantastic Furniture (Licensing) Pty Limited, FHL Distribution Centre Pty Ltd, Royal Comfort Bedding Pty Limited, Fantastic Metal Furniture Manufacturers Pty Limited, Plush-Think Sofas Pty Limited, Original Mattress Factory Pty Limited, Fantastic Property Pty Limited, Best Buy Furniture Pty Limited, The Package Deal Kings Pty Limited, Fantastic Furniture Share Plan Pty Limited, White Label Investments Pty Ltd, White Label Innovations Pty Ltd, State Marketing and Innovation Corporation Pty Ltd, Steinhoff Asia Pacific Holdings Pty Limited, Steinhoff Commercial Holdings Pty Ltd, Greenlit Brands Corporate Solutions (formerly known as Bravoscar Wholesaling Pty Ltd), A.C.N. 108 395 651 Pty Ltd, Bravoscar Finance Company Pty Limited, POCO Australia Pty Ltd, Futuresleep Pty Limited (formerly known as "Steinhoff Bedding Australia Pty Limited"), Steinhoff Asia Pacific Limited, Panda Sofa Pty Ltd, G&G Furniture Imports Pty Limited, Steinhoff Pacific Pty Limited, Steinhoff Australia Pty Ltd, Bay Leather Republic Pty Ltd, Big Brand Outlet Pty Ltd, Freedom Furniture Australia Pty Limited, Snooze Management Pty Ltd, Snooze Sleep Well Pty Ltd, Freedom Home & Cafe Pty Ltd, F.G.L. Property T'ee Pty Limited, Unitrans Asia Pacific Pty Ltd, Prosequi Pty. Limited, Bayswiss Pty Limited, Swiss Delicatessen & Restaurant Pty Ltd, Swiss Deli Retail Pty. Limited, Reconquista Pty Limited, Beyong the Square Promotions Pty Ltd, Bayteak Pty Limited, Freedom Bedroom Pty Limited, Bossanenja Pty Limited, Lonaka Manufacturing Pty Limited, GLB Household Goods IP Company Pty Limited (formerly known as "Asteria Australia Pty Limited"), Freedom Brands Pty Limited, Aigls Pty Limited, Freedom Properties Holding Pty. Limited, Moore Park Bedding Pty Ltd, Freedom Property WA No.2 Pty. Limited, Unitrans Property Pty Limited, PSEA Direct Pty Ltd (formerly known as Pepkor Direct Pty Limited), Best & Less Pty Limited, Harsyn Pty Ltd, Harrin Australia Pty Ltd, PSEA Dept.Stores Pty Ltd, Harris Scarfe Financial Services Pty Ltd, Bronsonbay Proprietary Limited, Allens Stores Pty Limited, Harris Scarfe Insurance Pty Ltd, Mozi Australia Pty Limited, Storecon Pty Limited, The Kidstore Pty Limited and Epiross Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*.

27 Deed of cross guarantee (continued)

(a) Consolidated statements of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'Closed Group' for the purposes of the Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Greenlit Brands Pty Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 29 September 2019 of the closed group.

	Year ended 29 September 2019 $'000	Year ended 30 September 2018 $'000
Consolidated statement of comprehensive income		
Revenue from continuing operations	**1,017,006**	974,956
Total expenses	**(1,164,184)**	(957,151)
Finance costs	**(21,404)**	(14,711)
Loss before income tax	**(168,582)**	3,094
Loss from discontinued operations before income tax	**(112,567)**	(40,078)
Income tax (expense)/benefit	**(5,157)**	1,867
Loss for the year	**(286,306)**	(35,117)

	Year ended 29 September 2019 $'000	Year ended 30 September 2018 $'000
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**45,504**	67,845
Loss for the year	**(286,306)**	(35,117)
Removed member's from the deed of cross guarantee	**-**	12,776
(Accumulated losses) retained earnings at the end of the financial year	**(240,802)**	45,504

27 Deed of cross guarantee (continued)

(b) Consolidated statement of financial position

Set out below is the consolidated statement of financial position as at 29 September 2019 of the Closed Group.

	29 September 2019 $'000	30 September 2018 $'000
Current assets		
Cash and cash equivalents	**13,802**	30,475
Trade and other receivables	**44,990**	55,062
Inventories	**171,258**	372,616
Derivative financial instruments	**6,072**	21,205
Assets classified as held for sale	**245,522**	-
Total current assets	**481,644**	479,358
Non-current assets		
Receivables	**602**	1,497
Property, plant and equipment	**60,257**	236,570
Deferred tax assets	**7,754**	48,047
Intangible assets	**414,187**	551,046
Total non-current assets	**482,800**	837,160
Total assets	**964,444**	1,316,518
Current liabilities		
Trade and other payables	**129,603**	236,937
Borrowings	**147**	5,192
Provisions	**42,946**	52,621
Liabilities directly associated with assets classified as held for sale	**201,279**	-
Total current liabilities	**373,975**	294,750
Non-current liabilities		
Borrowings	**434,022**	489,243
Provisions	**20,292**	61,619
Payables	**14,149**	48,654
Total non-current liabilities	**468,463**	599,516
Total liabilities	**842,438**	894,266
Net assets	**122,006**	422,252
Equity		
Contributed equity	**375,000**	375,000
Reserves	**(12,192)**	1,748
(Accumulated losses)/retained earnings	**(240,802)**	45,504
Total equity	**122,006**	422,252

28 Events occurring after the reporting period

The "General Merchandise" segment, comprising Greenlit Brands General Merchandise Pty Ltd and all its subsidiaries, was sold by the Group on 2 December 2019. Accordingly, these operations have been classified as Discontinued Operations within the financial statements.

In conjunction with the General Merchandise divestment process, and to ensure the most appropriate arrangements going forward, the Group successfully re-financed its external borrowings with a syndicate of Australian banks extending the tenor of facilities to 31 December 2020 and maintaining the normal commercial terms already in place. The refinance maintained parent group debt on a subordinated basis with no requirement to service with cash interest.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

29 Interests in subsidiaries

Material subsidiaries

The Group's principal subsidiaries at 29 September 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	**Place of business/ country of incorporation**	**Ownership interest held by the Group**	
		2019 %	2018 %
Greenlit Brands Household Goods Pty Limited	Australia	**100**	100
Fantastic Holdings Limited	Australia	**100**	100
Greenlit Brands General Merchandise Pty Limited	Australia	**100**	100
Freedom Furniture New Zealand Ltd	New Zealand	**100**	100
Postie Plus Group Ltd	New Zealand	**100**	100
Best & Less Pty Limited	Australia	**100**	100
PSEA Dept. Stores Pty Limited	Australia	**100**	100
Plush-Think Sofas Pty Limited	Australia	**100**	100
Snooze Management Pty Limited	Australia	**100**	100
Snooze Sleep Well Pty Limited	Australia	**100**	100
Steinhoff Asia Pacific Limited (trading as Freedom Furniture Australia)	Australia	**100**	100

The other Australian wholly-owned subsidiaries of the above are detailed in note 27.

30 Parent entity financial information

(a) Summary financial information

The individual financial report for the parent entity show the following aggregate amounts:

	29 September 2019 $'000	30 September 2018 $'000
Balance sheet		
Current assets	**1,491**	2,440
Non-current assets	**224,684**	530,878
Total assets	**226,175**	533,318
Current liabilities	**(2,250)**	(466)
Non-current liabilities	**(166,071)**	(160,000)
Total liabilities	**(168,321)**	(160,466)
Net assets	**57,854**	372,852
Shareholders' equity		
Issued capital	**375,000**	375,000
Accumulated losses	**(317,146)**	(2,148)
	57,854	372,852
Loss for the year	**(314,998)**	(6,584)
Total comprehensive loss	**(314,998)**	(6,584)

(b) Guarantees entered into by the parent entity

The parent entity is party to the cross guarantee arrangement detailed in note 27.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 29 September 2019.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 29 September 2019, the parent entity did not have any contractual commitments.

In the directors' opinion:

(a) the financial report and notes set out on pages 5 to 49 is in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards - Reduced Disclosure Requirements, 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 29 September 2019 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) at the date of declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 27 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 27; and

This declaration is made in accordance with a resolution of directors.

M Ford
Director

M Gordon
Director

Sydney
20 December 2019

Independent auditor's report

To the members of Greenlit Brands Pty Limited

Our opinion

In our opinion:

The accompanying financial report of Greenlit Brands Pty 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 29 September 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 29 September 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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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Other information

The directors are responsible for the other information. The other information comprises the information included in the directors' report for the year ended 29 September 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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.

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 – Reduced Disclosure Requirements 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.

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.

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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Eddie Wilkie

Eddie Wilkie
Partner

Sydney
20 December 2019