Adore Beauty Pty Ltd

ABN: 38 123 655 783

General Purpose Reduced Disclosure Requirements
Financial Statements for the year ended 30 June 2019

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Directors' Report

The Directors of Adore Beauty Pty Ltd (the Company) present their report together with the financial statements of the Company for the year ended 30 June 2019.

Director details

The following persons were Directors of Adore Beauty Pty Ltd during or since the end of the financial year:

- James Height
- Katy Morris

Principal activities

During the year, the principal activity of the Company was retail online cosmetic. There have been no significant changes in the nature of these activities during the year.

Review of operations

The profit of the Company for the financial year after providing for income tax amounted to $951,185 (2018: $1,671,090).

A review of the operations of the Company during the financial year and the results of those operations found that during the year, the Company continued to engage in its principal activities, the results of which are disclosed in the attached financial statements.

Significant changes in the state of affairs

There were no significant changes in the state of affairs during the year.

Dividends

In respect of the current year, a fully franked dividend of $553,473 was paid (2018: $350,000).

Events arising since the end of the reporting period

On the 13th of September 2019, Adore Beauty Pty Ltd sold a 60 per cent stake of the business to Quadrant Private Equity.

Apart from the 60% sale noted above, there are no other matters or circumstances that have arisen since the end of the year that has significantly affected or may significantly affect either:

- the Company's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future years.

Likely developments

There are no likely developments in the operations of the Company or likely developments that would impact the expected results of those operations in future financial periods.

Directors' Report

Unissued shares under option

Unissued ordinary shares of Adore Beauty under option at the date of this report are:

Date options granted	Expiry date	Exercise price of shares ($)		Number under option
01/06/2019	01/06/2029	$	0.00112994	855
01/09/2017	01/09/2029	$	0.00013400	7,653
15/09/2017	15/09/2027	$	0.00013400	7,653
Total under option				**16,161**

All options expire on the earlier of their expiry date or termination of the employee's employment. These options have been alloted to indiviuals on condition that they serve specified time periods as an employee of the Company or meet performance obligations for their relevant position before becoming entitled to exercise the option

Shares issued on the exercise of options

During or since the end of the financial year, the Company did not issue ordinary shares as a result of the exercise of options.

Environmental legislation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Indemnities given to, and insurance premiums paid for officers

The company has not indemnified the directors of the Company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company has not paid a premium in respect of a contract to insure the directors of the Company against a liability to the extent permitted by the Corporations Act 2001.

Indemnities given to, and insurance premiums paid for auditors

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 3 of this financial report and forms part of this Directors' Report.

Proceedings on behalf of the Company

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

Signed in accordance with a resolution of the Directors.

James Height
Director

Katy Morris
Director

Dated this 2nd th day of October 2019

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Auditor's Independence Declaration

To the Directors of Adore Beauty Pty Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Adore Beauty Pty Ltd for the year ended 30 June 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Cgangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 2 October 2019

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	2019	2018
		$	$
Revenue	4	**73,186,509**	52,766,517
Cost of sales		**(51,220,597)**	(36,825,244)
Gross profit		**21,965,912**	15,941,273
Other income		**134,070**	98,972
Marketing expenses		**(7,062,540)**	(4,607,220)
Occupancy costs		**(486,644)**	(266,533)
Administrative expenses		**(8,146,286)**	(5,399,844)
Other expenses		**(3,805,242)**	(2,431,857)
Finance costs	5	**(1,256,516)**	(984,873)
Profit before income tax expense		**1,342,754**	2,349,918
Income tax (expense)/benefit	6	**(391,569)**	(678,828)
Net profit for the year		**951,185**	1,671,090
Other comprehensive income for the year		**-**	-
Total comprehensive profit for the year		**951,185**	1,671,090

Statement of Financial Position

As at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current			
Cash and cash equivalents	7	**1,935,233**	1,836,632
Trade and other receivables	8	**495,785**	396,566
Inventories	9	**7,127,755**	6,073,156
Current tax asset		**25,484**	-
Other current assets	10	**677,178**	867,523
Total Current Assets		**10,261,435**	9,173,877
Non-Current			
Property, plant and equipment	11	**964,739**	351,987
Deferred tax asset		**175,564**	77,313
Intangible assets	12	**649,406**	429,225
Total Non-Current Assets		**1,789,709**	858,525
Total Assets		**12,051,144**	10,032,402
Liabilities			
Current			
Trade and other payables	13	**7,333,346**	5,755,453
Borrowings	14	**1,418,963**	284,456
Current tax liabilities		**-**	669,408
Employee benefits and provisions	15	**341,493**	230,114
Total Current Liabilities		**9,093,802**	6,939,431
Non-Current			
Borrowings	16	**576,659**	1,110,000
Total Non-Current Liabilities		**576,659**	1,110,000
Total Liabilities		**9,670,461**	8,049,431
Net Assets		**2,380,683**	1,982,971
Equity			
Issued capital	17	**100**	100
Retained earnings		**2,380,583**	1,982,871
Total Equity		**2,380,683**	1,982,971

Statement of Changes in Equity

For the year ended 30 June 2019

	Issued Capital $	Retained Earnings $	Total $
Balance at 1 July 2017	100	661,781	661,881
Profit for the year	-	1,671,090	1,671,090
Dividends paid	-	(350,000)	(350,000)
Balance at 30 June 2018	100	1,982,871	1,982,971
Balance at 1 July 2018	**100**	**1,982,871**	**1,982,971**
Profit for the year	**-**	**951,185**	**951,185**
Dividends paid	**-**	**(553,473)**	**(553,473)**
Balance at 30 June 2019	**100**	**2,380,583**	**2,380,683**

This statement should be read in conjunction with the notes to the financial statements.

Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash Flow from Operating Activities			
Receipts from customers		**80,405,941**	52,245,297
Payment to suppliers and employees		**(76,646,906)**	(49,617,960)
Interest received		**1,117**	10,925
Bank fees		**(1,180,540)**	(936,907)
Income tax paid		**(1,184,712)**	(342,439)
Net cash used in operating activities		**1,394,900**	1,358,916
Cash Flow from Investing Activities			
Payment for property, plant and equipment		**(836,239)**	(292,420)
Payment for intangibles		**(431,777)**	(266,959)
Net cash used in investing activities		**(1,268,016)**	(559,379)
Cash Flow from Financing Activities			
Receipt/(repayment) of borrowings		**601,166**	(23,284)
Interest paid		**(75,976)**	(47,967)
Dividend paid		**(553,473)**	(350,000)
Net cash provided by financing activities		**(28,283)**	(421,251)
Net increase in cash held		**98,601**	378,286
Cash at beginning of year		**1,836,632**	1,458,346
Cash at end of year	7	**1,935,233**	1,836,632

Notes to the Financial Statements

For the year ended 30 June 2019

1 General information and statement of compliance

The Company has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001. Adore Beauty Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 3 October 2019.

2 Summary of significant accounting policies

Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

New or amended Accounting Standards and Interpretations adopted

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

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 9 Financial Instruments

The company has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

AASB 9 Financial Instruments (continued)
Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

In accordance with the transitional provisions of AASB 9 comparative figures have not been restated. The adoption of AASB 9 has not had a material impact on the amounts recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers
The company has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 15 has been adopted using the modified restrospective approach. The adoption of AASB 15 has not had a material impact on the amounts recognised in the financial statements.

Comparatives

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

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

Revenue

Revenue arises from the sale of goods in the course of ordinary activities.

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Company often enters into transactions involving a range of the Company's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of goods (applies to periods ending 30 June 2018 or earlier)

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery or when the goods are securely stored on the customer's behalf.

Interest income

Interest income and expenses are reported on an accrual basis using the effective interest method.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Depreciation is charged so as to write-off the costs of assets, over their estimated useful lives, using the straight-line method, on the following basis:

Office Equipment	2.5% - 20%
Computer Software	50%
Motor Vehicles	25%
Website	25%

Fully depreciated assets still in use are retained in the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amounts of an asset and is recognised in the statement of profit or loss.

Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss and comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

Financial instruments (applies to periods ending 30 June 2018 and earlier)

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition.

All financial assets except for those at fair value through profit or loss (FVTPL) are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

The Company enters into a variety of derivative financial instruments to manage its exposure to commodity price risk and foreign exchange rate risk via futures and forwards. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently remeasured to their fair value at each reporting date. The resultant gain or loss is recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits.

All transactions with owners of the Company are recorded separately within equity.

Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, annual leave, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

Other long-term employee benefits

The Company's liabilities for long service leave are included in other long term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Notes to the Financial Statements

For the year ended 30 June 2019

2 Summary of significant accounting policies (continued)

Goods and Services Tax (continued)

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

Trade & other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Intangible assets

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their uselife life of 10 years.

Subsequent measurement

All intangible assets are account for using the cost model whereby capitalised costs are amortised on a straight- line basis over their estimated useful lives, as these are considered finite. Residual values and useful lives are reviewed at each reporting date.

3 Critical accounting judgements, estimates and assumptions

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

Allowance for expected credit losses

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

Estimation of useful lives of assets

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

Notes to the Financial Statements

For the year ended 30 June 2019

3 Critical accounting judgements, estimates and assumptions

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or down.

Impairment of property, plant and equipment

The company assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Notes to the Financial Statements

For the year ended 30 June 2019

4 Revenue

	2019	2018
	$	$
Sale of products	**73,186,509**	52,766,517
Total sales revenue	**73,186,509**	52,766,517

5 Finance costs

	2019	2018
	$	$
Bank fees	**1,180,540**	936,907
Interest expense	**75,976**	47,966
Total finance costs	**1,256,516**	984,873

6 Income tax expense

	2019	2018
	$	$
Income tax expense/(benefit)		
Current tax	**489,820**	668,508
Deferred tax	**(98,251)**	10,320
Income tax expense for continuing operations	**391,569**	678,828
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	**1,342,754**	2,349,918
Tax at the statutory rate of 30%	**402,826**	704,976
Add tax effect of:		
- non-deductible expenses	**394,460**	196,486
- expense subject to R&D tax offset	-	92,462
	797,286	993,924
Less tax effect of:		
- Disallowed expenses	**307,466**	206,756
- R&D tax offset	**-**	118,660
- Deferred tax adjustment	**98,251**	(10,320)
Income tax expense/(benefit) attributable to loss from ordinary activities	**391,569**	678,828

7 Cash and cash equivalents

	2019	2018
	$	$
Cash at bank and on hand	**1,935,233**	1,836,632
	1,935,233	1,836,632

Notes to the Financial Statements

For the year ended 30 June 2019

8 Trade receivables

	2019 $	2018 $
Current		
Trade receivables	**20,994**	16,262
Allowance for expected credit losses	**-**	-
Other receivables	**474,791**	380,304
	495,785	396,566

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Company's trade and other receivables have been reviewed for indicators of impairment.

9 Inventories

	2019 $	2018 $
Finished Goods	**7,127,755**	6,073,156
	7,127,755	6,073,156

Write down of inventories to net relisable value during the year were $nil (2018: $nil).

10 Other current assets

	2019 $	2018 $
Current		
Prepayments	**674,329**	750,248
Security deposit	**2,849**	117,275
	677,178	867,523

Notes to the Financial Statements

For the year ended 30 June 2019

11 Property, plant and equipment

	2019	2018
	$	$
Warehouse equipment, refurbishment and WMS capital - at cost	**729,221**	18,772
Less: Accumulated depreciation	**(102,437)**	-
	626,784	18,772
Motor vehicles- at cost	**-**	21,391
Less: Accumulated depreciation	**-**	(14,623)
	-	6,768
Office equipment - at cost	**315,322**	271,284
Less: Accumulated depreciation	**(87,532)**	(52,815)
	227,790	218,469
Computer, equipment and software - at cost	**243,158**	187,979
Less: Accumulated depreciation	**(132,993)**	(80,001)
	110,165	107,978
Total property, plant & equipment	**964,739**	351,987

Reconciliations

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

	Warehouse equipment	Motor vehicles	Office equipment	Computer, equipment and software	Total
Balance at 1 July 2017	-	9,024	78,670	25,674	113,368
Additions	72,772	-	167,836	51,812	292,420
Disposals/Transfers out	(54,000)	-	-	54,000	-
Depreciation	-	(2,256)	(28,037)	(23,508)	(53,801)
Balance at 30 June 2018	**18,772**	**6,768**	**218,469**	**107,978**	**351,987**
Balance at 1 July 2018	18,772	6,768	218,469	107,978	351,987
Additions	710,449	-	53,310	72,480	836,239
Disposals/Transfers out	-	(21,391)	(9,272)	(17,301)	(47,964)
Disposals depreciation written off	-	15,193	7,694	15,201	38,088
Depreciation	(102,437)	(570)	(42,411)	(68,193)	(213,611)
Balance at 30 June 2019	**626,784**	**-**	**227,790**	**110,165**	**964,739**

The company has bank guarantees provided of $223,104 (2018: $82,224)

Notes to the Financial Statements

For the year ended 30 June 2019

12 Intangible assets

	2019	2018
	$	$
Patents, trademarks and other rights at cost	**5,958**	5,958
Less: Accumulated amortisation	**(2,563)**	(1,967)
	3,395	3,991
Computer website at cost	**1,437,271**	1,010,046
Less: Accumulated amortisation	**(795,124)**	(589,110)
	642,147	420,936
Borrowing costs at cost	**4,552**	6,250
Less: Accumulated amortisation	**(688)**	(1,952)
	3,864	4,298
Total Intangible Assets	**649,406**	429,225

Reconciliations

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

	Patents, trademarks and other rights	**Computer website**	**Borrowing costs**	**Total**
Balance at 1 July 2018	3,991	420,936	4,298	429,225
Additions	-	427,225	4,552	431,777
Disposals	-	-	-	-
Amortisation	(596)	(206,014)	(4,986)	(211,596)
Balance at 30 June 2019	**3,395**	**642,147**	**3,864**	**649,406**

13 Trade and other payables

	2019	2018
	$	$
Current		
Trade payables	**6,975,835**	4,920,236
GST payable	**(6,719)**	-
Accrued expense	**71,824**	297,784
Other payables	**292,406**	537,433
	7,333,346	5,755,453

Notes to the Financial Statements

For the year ended 30 June 2019

14 Borrowings - Current

	2019	2018
	$	$
Unsecured liabilities:		
Other loans	**(818)**	(52,616)
	(818)	(52,616)
Secured liabilities:		
Bank loans	**1,102,439**	-
Other loans	**317,342**	337,072
	1,419,781	337,072
Total current borrowings	**1,418,963**	284,456

The company has bank guarantee provided of $220,255 (2018: $82,224).

15 Employee Benefits and Provisions - Current

	2019	2018
	$	$
Long service leave	**66,605**	17,008
Provision for annual leave	**274,888**	213,106
	341,493	230,114

16 Borrowings - Non Current

	2019	2018
	$	$
Secured liabilities:		
Bank loans	**576,659**	1,110,000
	576,659	1,110,000

The company has bank guarantee provided of $220,255 (2018: $82,224).

17 Issued capital

	2019	2018
	$	$
Issued capital		
750,000 (2018: 750,000) Ordinary shares	**100**	100
	100	100

18 Commitments for expenditure

Operating Lease Commitments	**2019**	2018
	$	$
Commitments in relation to operating leases of land and buildings:		
Not later than one year	**599,945**	258,288
Later than one year but no later than five years	**630,509**	295,939
Greater than five years	**-**	-
Minimum lease payments	**1,230,454**	**554,227**

Notes to the Financial Statements

For the year ended 30 June 2019

19 Contingent Liabilities

The Company had no contingent assets or contingent liabilities at as 30 June 2019 (2018: $nil).

20 Key management personnel disclosures

	2019	2018
	$	$
Compensation		
The aggregate compensation made to directors and other members of key management personnel of the company is set out below:	**1,073,589**	725,755
Aggregate compensation	**1,073,589**	725,755

21 Related party transactions

	2019	2018
	$	$
Transactions with related parties		
Payments to Findation	**10,526**	7,863

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

22 Events after the reporting period

On the 13th of September 2019, Adore Beauty Pty Ltd sold a 60 per cent stake of the business to Quadrant Private Equity.

No other matters or circumstances have arisen since 30 June 2019 that significantly affect, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

23 Company details

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

421 High Street
Northcote, VIC 3070

Directors' Declaration

1 In the opinion of the Directors of Adore Beauty Pty Ltd.

a The financial statements and notes of Adore Beauty Pty Ltd are in accordance with the Corporations Act 2001, including:

i Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

ii Complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b There are reasonable grounds to believe that Adore Beauty Pty Ltd will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

James Height
Director

Katy Morris
Director

Dated this 2nd th day of October 2019

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Independent Auditor's Report

To the Directors of Adore Beauty Pty Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Adore Beauty Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 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, 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*. The Directors' responsibility also includes 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 Company's ability 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

cgangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 2 October 2019