# Step One Clothing Pty Ltd

**ABN 34 616 696 318**

## Annual Report - 30 June 2019

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**Directors' report**
**30 June 2019**

The Director presents his report, together with the financial statements, on the Company for the year ended 30 June 2019.

**Directors**
The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Greg Taylor
Tim Taylor (resigned 16 May 2019)

**Principal activities**
During the financial year the principal continuing activities of the consolidated entity consisted of online retail sales of men's underwear.

**Dividends**
Dividends paid during the financial year were as follows:

| | 2019 $ | 2018 $ |
|---|---|---|
| Final dividend for the year ended 30 June 2019 | 80,003 | - |

**Review of operations**
The profit for the Company after providing for income tax amounted to $1,574,611 (30 June 2018: $123,125).

**Significant changes in the state of affairs**
There were no significant changes in the state of affairs of the Company during the financial year.

**Matters subsequent to the end of the financial year**
Subsequent to the end of the financial year Step One Clothing Pty Ltd (the 'head entity') and its Australian wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the Director believes it would be likely to result in unreasonable prejudice to the Company.

**Environmental regulation**
The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Indemnity and insurance of auditor**
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.

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

On behalf of the Directors

Greg Taylor
Director

30 April 2021

**Step One Clothing Pty Ltd**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Revenue** | | | |
| Sales revenue | | 7,717,732 | 1,384,695 |
| Cost of sales | | (1,596,911) | (299,171) |
| Gross profit | | 6,120,821 | 1,085,524 |
| Interest revenue calculated using the effective interest method | | 3,800 | 61 |
| **Expenses** | | | |
| Depreciation expense | | (610) | - |
| Distribution and fulfilment expense | | (537,030) | (121,407) |
| Advertising and marketing expense | | (2,324,854) | (524,683) |
| Merchant fees | | (250,933) | (39,638) |
| Administration expense | | (836,985) | (230,029) |
| **Profit before income tax expense** | | 2,174,209 | 169,828 |
| Income tax expense | 5 | (599,598) | (46,703) |
| **Profit after income tax expense for the year attributable to the owners of Step One Clothing Pty Ltd** | 16 | 1,574,611 | 123,125 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year attributable to the owners of Step One Clothing Pty Ltd** | | 1,574,611 | 123,125 |
| | | **Cents** | **Cents** |
| Basic earnings per share | 26 | 157,461 | 12,313 |
| Diluted earnings per share | 26 | 157,461 | 12,313 |

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

**Step One Clothing Pty Ltd**
**Statement of financial position**
**As at 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 2,629,423 | 366,823 |
| Inventories | 7 | 340,651 | 17,990 |
| Related party receivables | 8 | 750 | 750 |
| Other assets | 9 | 369,044 | 146,082 |
| Total current assets | | 3,339,868 | 531,645 |
| **Non-current assets** | | | |
| Plant and equipment | 10 | 3,050 | 1,563 |
| Deferred tax asset | 5 | 107,174 | 13,442 |
| Total non-current assets | | 110,224 | 15,005 |
| **Total assets** | | 3,450,092 | 546,650 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 593,631 | 274,914 |
| Contract liabilities | 12 | 360,775 | 46,380 |
| Income tax payable | 5 | 725,919 | 42,435 |
| Employee benefits | 13 | 5,448 | 1,996 |
| Related party payables | 14 | 140,003 | 60,300 |
| Total current liabilities | | 1,825,776 | 426,025 |
| **Non-current liabilities** | | | |
| Deferred tax liability | 5 | 12,925 | 4,947 |
| Employee benefits | 13 | 1,608 | 503 |
| Total non-current liabilities | | 14,533 | 5,450 |
| **Total liabilities** | | 1,840,309 | 431,475 |
| **Net assets** | | 1,609,783 | 115,175 |
| **Equity** | | | |
| Issued capital | 15 | 1,000 | 1,000 |
| Retained earnings | 16 | 1,608,783 | 114,175 |
| **Total equity** | | 1,609,783 | 115,175 |

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

**Step One Clothing Pty Ltd**
**Statement of changes in equity**
**For the year ended 30 June 2019**

| | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|
| Balance at 1 July 2017 | 1,000 | (8,950) | (7,950) |
| Profit after income tax expense for the year | - | 123,125 | 123,125 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 123,125 | 123,125 |
| Balance at 30 June 2018 | 1,000 | 114,175 | 115,175 |

| | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|
| Balance at 1 July 2018 | 1,000 | 114,175 | 115,175 |
| Profit after income tax expense for the year | - | 1,574,611 | 1,574,611 |
| Other comprehensive income for the year, net of tax | - | - | - |
| Total comprehensive income for the year | - | 1,574,611 | 1,574,611 |
| *Transactions with owners in their capacity as owners:* | | | |
| Dividends paid (note 17) | - | (80,003) | (80,003) |
| Balance at 30 June 2019 | 1,000 | 1,608,783 | 1,609,783 |

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

**Step One Clothing Pty Ltd**
**Statement of cash flows**
**For the year ended 30 June 2019**

| | Note | 2019 $ | 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 8,552,967 | 1,529,907 |
| Payments to suppliers and employees (inclusive of GST) | | (6,289,902) | (1,213,220) |
| Interest received | | 3,800 | 61 |
| Income taxes paid | | (1,868) | (8,912) |
| Net cash from operating activities | 25 | 2,264,997 | 307,836 |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | 10 | (2,097) | (1,563) |
| Net cash used in investing activities | | (2,097) | (1,563) |
| **Cash flows from financing activities** | | | |
| Receipts from related parties | | 79,703 | - |
| Repayments to related parties | | - | (60,750) |
| Dividends paid | 17 | (80,003) | - |
| Net cash used in financing activities | | (300) | (60,750) |
| Net increase in cash and cash equivalents | | 2,262,600 | 245,523 |
| Cash and cash equivalents at the beginning of the financial year | | 366,823 | 121,300 |
| Cash and cash equivalents at the end of the financial year | 6 | 2,629,423 | 366,823 |

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

## Note 1. General information

The financial statements cover Step One Clothing Pty Ltd as an individual entity. The financial statements are presented in Australian dollars, which is Step One Clothing Pty Ltd's functional and presentation currency.

Step One Clothing Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

5/69 Reservoir Street
Surrey Hills NSW 2010

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 April 2021.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**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 been early adopted from 1 July 2017.

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 early adopted AASB 9 from 1 July 2017. 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'). 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.

## Note 2. Significant accounting policies (continued)

*AASB 15 Revenue from Contracts with Customers*
The company has early adopted AASB 15 from 1 July 2017. 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 16 Leases*
The Company has early adopted AASB 16 from 1 July 2017. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

### Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') in order to meet the needs of the shareholder. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Foreign currency translation
The financial statements are presented in Australian dollars, which is Step One Clothing Pty Ltd's functional and presentation currency.

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

**Note 2. Significant accounting policies (continued)**

**Revenue recognition**
The Company recognises revenue as follows:

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

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

*Sale of goods*
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Amounts disclosed as revenue are net of sales returns and trade discounts.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

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

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

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

**Impairment of non-financial assets**
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

## Note 2. Significant accounting policies (continued)

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

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

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

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

## Note 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.

*Coronavirus (COVID-19) pandemic*
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

*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.

## Note 4. Operating segments

*Identification of reportable operating segments*
The company is organised into one (1) geographical region as its operating segment, as it was exclusively operating out of Australia during the current and previous financial year. This operating segment is based on the internal reports that are reviewed and used by the Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews net profit. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

## Note 4. Operating segments (continued)

*Operating segment information*

| **2019** | Australia $ | Total $ |
|---|---|---|
| **Revenue** | | |
| Sales to external customers | 7,717,732 | 7,717,732 |
| Other revenue | 3,800 | 3,800 |
| **Total revenue** | 7,721,532 | 7,721,532 |
| | | |
| **EBITDA** | 2,174,819 | 2,174,819 |
| Depreciation and amortisation | (610) | (610) |
| **Profit before income tax expense** | 2,174,209 | 2,174,209 |
| Income tax expense | | (599,598) |
| **Profit after income tax expense** | | 1,574,611 |

| **2018** | Australia $ | Total $ |
|---|---|---|
| **Revenue** | | |
| Sales to external customers | 1,384,695 | 1,384,695 |
| Other revenue | 61 | 61 |
| **Total revenue** | 1,384,756 | 1,384,756 |
| | | |
| **EBITDA** | 169,828 | 169,828 |
| **Profit before income tax expense** | 169,828 | 169,828 |
| Income tax expense | | (46,703) |
| **Profit after income tax expense** | | 123,125 |

*Accounting policy for operating segments*

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## Note 5. Income tax

| | 2019 $ | 2018 $ |
|---|---|---|
| *Income tax expense* | | |
| Current tax | 685,352 | 51,347 |
| Deferred tax | (85,754) | (4,644) |
| Aggregate income tax expense | 599,598 | 46,703 |
| Deferred tax included in income tax expense comprises: | | |
| Increase in deferred tax assets | (93,732) | (9,591) |
| Increase in deferred tax liabilities | 7,978 | 4,947 |
| Deferred tax | (85,754) | (4,644) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 2,174,209 | 169,828 |
| Tax at the statutory tax rate of 27.5% | 597,907 | 46,703 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Trademark application fees | 1,691 | - |
| Income tax expense | 599,598 | 46,703 |

| | 2019 $ | 2018 $ |
|---|---|---|
| *Deferred tax asset* | | |
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Contract liabilities | 99,213 | 12,755 |
| Employee benefits | 1,940 | 687 |
| Other payables | 6,021 | - |
| Deferred tax asset | 107,174 | 13,442 |
| Movements: | | |
| Opening balance | 13,442 | 3,851 |
| Credited to profit or loss | 93,732 | 9,591 |
| Closing balance | 107,174 | 13,442 |

**Note 5. Income tax (continued)**

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Deferred tax liability* | | |
| Deferred tax liability comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Inventories | 12,925 | 4,947 |
| Deferred tax liability | 12,925 | 4,947 |
| Movements: | | |
| Opening balance | 4,947 | - |
| Charged to profit or loss | 7,978 | 4,947 |
| Closing balance | 12,925 | 4,947 |

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Provision for income tax* | | |
| Provision for income tax | 725,919 | 42,435 |

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

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

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

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

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

## Note 6. Cash and cash equivalents

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Current assets* | | |
| Cash on hand | 1,000 | 1,000 |
| Cash at bank | 2,628,423 | 365,823 |
| | 2,629,423 | 366,823 |

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

## Note 7. Inventories

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Current assets* | | |
| Stock on hand - at cost | 293,652 | - |
| Stock in transit - at cost | 46,999 | 17,990 |
| | 340,651 | 17,990 |

*Accounting policy for inventories*
Stock on hand and in transit are stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Note 8. Related party receivables

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Current assets* | | |
| Amounts due from related parties | 750 | 750 |

Refer to note 23 for further information on related party transactions.

## Note 9. Other assets

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Current assets* | | |
| Prepayments | 225,000 | - |
| Deposits | 144,044 | 146,082 |
| | 369,044 | 146,082 |

## Note 10. Plant and equipment

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Non-current assets* | | |
| Computer and office equipment - at cost | 3,660 | 1,563 |
| Less: Accumulated depreciation | (610) | - |
| | 3,050 | 1,563 |

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

| | Computer & office equipment<br>$ | Total<br>$ |
|---|---|---|
| Balance at 1 July 2017 | - | - |
| Additions | 1,563 | 1,563 |
| Balance at 30 June 2018 | 1,563 | 1,563 |
| Additions | 2,097 | 2,097 |
| Depreciation expense | (610) | (610) |
| Balance at 30 June 2019 | 3,050 | 3,050 |

*Accounting policy for plant and equipment*
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

| | |
|---|---|
| Computer and office equipment | 6 years |
| | 2-5 years |

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

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

## Note 11. Trade and other payables

| | 2019<br>$ | 2018<br>$ |
|---|---:|---:|
| *Current liabilities* | | |
| Trade payables | 526,088 | 154,335 |
| Other payables | 67,543 | 120,579 |
| | 593,631 | 274,914 |

Refer to note 18 for further information on financial instruments.

*Accounting policy for trade and 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 the agreed credit terms.

## Note 12. Contract liabilities

| | 2019<br>$ | 2018<br>$ |
|---|---:|---:|
| *Current liabilities* | | |
| Deferred revenue | 360,775 | 46,380 |

*Accounting policy for contract liabilities*
Contract liabilities represent the company's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the company recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the company has transferred the goods to the customer.

## Note 13. Employee benefits

| | 2019<br>$ | 2018<br>$ |
|---|---:|---:|
| *Current liabilities* | | |
| Annual leave | 5,448 | 1,996 |
| *Non-current liabilities* | | |
| Long service leave | 1,608 | 503 |

*Accounting policy for employee benefits*

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

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

## Note 14. Related party payables

| | 2019 $ | 2018 $ |
|---|---|---|
| *Current liabilities* | | |
| Amounts due to related parties | 140,003 | 60,300 |

Refer to note 23 for further information on related party transactions.

## Note 15. Issued capital

| | 2019 Shares | 2018 Shares | 2019 $ | 2018 $ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 1,000 | 1,000 | 1,000 | 1,000 |

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

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

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

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

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

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

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 16. Retained earnings

| | 2019 $ | 2018 $ |
|---|---|---|
| Retained earnings/(accumulated losses) at the beginning of the financial year | 114,175 | (8,950) |
| Profit after income tax expense for the year | 1,574,611 | 123,125 |
| Dividends paid (note 17) | (80,003) | - |
| Retained earnings at the end of the financial year | 1,608,783 | 114,175 |

## Note 17. Dividends

*Dividends*
Dividends paid during the financial year were as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Final dividend for the year ended 30 June 2019 | 80,003 | - |

*Franking credits*

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 27.5% | 1,869 | - |
| Franking credits available for subsequent financial years based on a tax rate of 27.5% | 1,869 | - |

*Accounting policy for dividends*
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

## Note 18. Financial instruments

***Financial risk management objectives***
The company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company'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 company. The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

***Market risk***

*Foreign currency risk*
The Company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

The Company is not exposed to any significant foreign currency sensitivity from its existing financial liabilities.

*Price risk*
The Company is not exposed to any significant price risk.

*Interest rate risk*
The Company is not exposed to any significant interest rate risk.

***Credit risk***
The Company is not exposed to any significant credit risk.

## Note 18. Financial instruments (continued)

The Company has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Company based on recent sales experience, historical collection rates and forward-looking information that is available.

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

### *Liquidity risk*

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*

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

| **2019** | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 526,088 | - | - | - | 526,088 |
| Other payables | - | 67,543 | - | - | - | 67,543 |
| Related party payables | - | 140,003 | - | - | - | 140,003 |
| Total non-derivatives | | 733,634 | - | - | - | 733,634 |

| **2018** | Weighted average interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 154,335 | - | - | - | 154,335 |
| Other payables | - | 120,579 | - | - | - | 120,579 |
| Related party payables | - | 60,300 | - | - | - | 60,300 |
| Total non-derivatives | | 335,214 | - | - | - | 335,214 |

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

### *Fair value of financial instruments*

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 19. Key management personnel disclosures

*Directors*
The following persons were Directors of Step One Clothing Pty Ltd during the financial year:

Greg Taylor
Tim Taylor (resigned 16 May 2019)

*Compensation*
The aggregate compensation made to Directors and other members of key management personnel of the Company is set out below:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Short-term employee benefits | 241,054 | 115,744 |

## Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Audit services - Grant Thornton* | | |
| Audit of the financial statements | 35,000 | 15,000 |
| | | |
| *Other services - Grant Thornton* | | |
| Preparation of the financial statements | 5,000 | 5,000 |
| Taxation services | 19,716 | - |
| | 24,716 | 5,000 |
| | 59,716 | 20,000 |

## Note 21. Contingent liabilities

The company had no contingent liabilities as at 30 June 2019 and 30 June 2018.

## Note 22. Commitments

The company had no commitments as at 30 June 2019 and 30 June 2018.

## Note 23. Related party transactions

*Parent entity*
Step One Clothing Pty Ltd is the parent entity.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 19.

*Transactions with related parties*
There were no transactions with related parties during the current and previous financial year.

## Note 23. Related party transactions (continued)

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

| | 2019 $ | 2018 $ |
|---|---|---|
| Current receivables: | | |
| Receivables from key management personnel | 750 | 750 |
| | | |
| Current payables: | | |
| Payables to parent entity | (80,003) | - |
| Payables to key management personnel | (60,000) | (60,000) |
| Payables to other related party | - | (300) |

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

## Note 24. Events after the reporting period

Subsequent to the end of the financial year Step One Clothing Pty Ltd (the 'head entity') and its Australian wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

## Note 25. Reconciliation of profit after income tax to net cash from operating activities

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit after income tax expense for the year | 1,574,611 | 123,125 |
| | | |
| Adjustments for: | | |
| Depreciation | 610 | - |
| | | |
| Change in operating assets and liabilities: | | |
| Increase in inventories | (322,661) | (17,990) |
| Increase in deferred tax assets | (93,732) | (9,591) |
| Increase in prepayments | (225,000) | - |
| (Decrease)/Increase in deposits | 2,038 | (146,082) |
| Increase in trade and other payables | 318,717 | 262,113 |
| Increase in contract liabilities | 314,395 | 46,380 |
| Increase in provision for income tax | 683,484 | 42,435 |
| Increase in deferred tax liabilities | 7,978 | 4,947 |
| Increase in employee benefits | 4,557 | 2,499 |
| | | |
| Net cash from operating activities | 2,264,997 | 307,836 |

## Note 26. Earnings/loss per share

| | 2019 $ | 2018 $ |
|---|---|---|
| Profit after income tax attributable to the owners of Step One Clothing Pty Ltd | 1,574,611 | 123,125 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings/loss per share | 1,000 | 1,000 |
| Weighted average number of ordinary shares used in calculating diluted earnings/loss per share | 1,000 | 1,000 |
| | **Cents** | **Cents** |
| Basic earnings per share | 157,461 | 12,313 |
| Diluted earnings per share | 157,461 | 12,313 |

*Accounting policy for earnings/loss per share*

*Basic earnings/loss per share*
Basic earnings/loss per share is calculated by dividing the profit/loss attributable to the owners of Step One Clothing Pty Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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

**Step One Clothing Pty Ltd**
**Directors' declaration**
**30 June 2019**

In the Directors' opinion:

- the attached financial statements and notes comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and other mandatory professional reporting requirements;

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

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

Greg Taylor
Director

30 April 2021

Grant Thornton

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# Independent Auditor's Report

## To the Members of Step One Clothing Pty Ltd

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Step One Clothing 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 Step One Clothing Pty Ltd:

a presents fairly, in all material respects, the Company's financial position as at 30 June 2019 and of its performance and cash flows for the year then ended; and

b complies with Australian Accounting Standards (including the Australian Accounting Interpretations).

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

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

### Responsibilities of management and those charged with governance for the financial report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards. This responsibility also includes such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### 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: https://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

A C Pitts
Partner – Audit & Assurance

Melbourne, 30 April 2021