

1. Company details

Name of entity:	Step One Clothing Limited
ABN:	34 616 696 318
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	5.7% to	35,893
Profit from ordinary activities after tax attributable to the owners of Step One Clothing Limited	up	238.2% to	5,275
Profit for the half-year attributable to the owners of Step One Clothing Limited	up	238.2% to	5,275

Dividends

There were no dividends paid, recommended or declared during the current financial period.

During the previous financial period, a dividend of \$4,800,000 was paid on 30 September 2021 prior to the initial public offering representing 3.2 cents per ordinary share.

Comments

The profit for the Group after providing for income tax amounted to \$5,275,000 (31 December 2021: loss of \$3,816,000).

Step One focused on business profitability in preference to revenue growth in this reporting period. Revenue decreased 5.7% on the prior comparative period however the non-IFRS measure of proforma EBITDA increased 0.5% to \$7,473,000 (31 December 2021: \$7,434,000). Gross profit as a percent of revenue decreased to 80.7% (31 December 2021: 83.1%) however this remained consistent with the 80.7% achieved in 2H22. Customers who have purchased Step One products increased by 136,000 to 1,237,000.

Cash holdings of \$32,550,000 provide financial capacity to pursue expansion when global trading conditions are more supportive of growth.

Refer to the Review of operations in the Directors' report for further commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	29.11	26.06
Net tangible assets per ordinary security, has been calculated as follows:		
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Net assets	54,003	48,346
Less: Intangibles	(47)	(53)
Net tangible assets	53,956	48,293

	Number	Number
Total shares issued	<u>185,340,291</u>	<u>185,340,291</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of Step One Clothing Limited for the half-year ended 31 December 2022 is attached.

11. Signed

Approved for release by the Board of Directors



Signed _____

Date: 22 February 2023

David Gallop AM
Chair
Sydney

Step One Clothing Limited

ABN 34 616 696 318

Interim Report - 31 December 2022

Step One Clothing Limited
Contents
31 December 2022

STEP ONE

Directors' report	2
Auditor's independence declaration	4
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9
Directors' declaration	14
Independent auditor's review report to the members of Step One Clothing Limited	15

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Step One Clothing Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were Directors of Step One Clothing Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

David Gallop AM
Gregory Taylor
Richard Dennis
Michael Reddie
Catherine Thompson

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of an online, direct to customer, innerwear brand.

Review of operations

The profit for the Group after providing for income tax amounted to \$5,275,000 (31 December 2021: loss of \$3,816,000).

Revenue for the financial half-year was \$35,893,000 (31 December 2021: \$38,076,000), a decrease of 5.7% on the previous corresponding period ('pcp').

Step One attracted over 7.0m (31 December 2021: 7.1m) website visits with an average conversion rate of 5.0% (31 December 2021: 6.3%).

There were 136,000 first-time customers in the period bringing the total to over 1,237,000. Customer retention remains high, with over 63.5% of orders being placed by returning customers.

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Pre-IPO dividend of 3.2 cents per ordinary share	-	4,800

There were no dividends paid, recommended or declared since the end of the current financial half-year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts

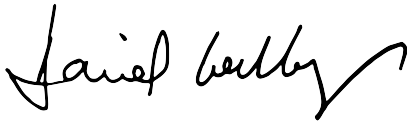
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



David Gallop AM
Chair



Gregory Taylor
Director and Chief Executive Officer

22 February 2023
Sydney

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
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Auditor's Independence Declaration

To the Directors of Step One Clothing Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Step One Clothing Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 22 February 2023

Step One Clothing Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

STEP ONE

	Note	Consolidated	
		31 Dec 2022	31 Dec 2021
		\$'000	\$'000
Sales revenue		35,893	38,076
Cost of goods sold		<u>(6,925)</u>	<u>(6,424)</u>
Gross margin		<u>28,968</u>	<u>31,652</u>
Interest income calculated using the effective interest method		111	-
Expenses			
Advertising and marketing expense		(11,916)	(14,930)
Distribution and fulfilment expense		(4,472)	(4,415)
Employee benefits and contractor expenses		(1,999)	(1,399)
Share-based payment expense	4	(165)	(6,505)
Depreciation and amortisation expense		(11)	(3)
Merchant and transaction fees		(1,262)	(947)
Net foreign exchange income/(loss)		1	(394)
Professional, legal and insurance fees		(785)	(1,194)
Listing and capital raise fees		-	(3,927)
Administration expense		<u>(897)</u>	<u>(469)</u>
Profit/(loss) before income tax expense		7,573	(2,531)
Income tax expense		<u>(2,298)</u>	<u>(1,285)</u>
Profit/(loss) after income tax expense for the half-year attributable to the owners of Step One Clothing Limited		5,275	(3,816)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(78)</u>	<u>222</u>
Other comprehensive income/(loss) for the half-year, net of tax		<u>(78)</u>	<u>222</u>
Total comprehensive income/(loss) for the half-year attributable to the owners of Step One Clothing Limited		<u>5,197</u>	<u>(3,594)</u>
		Cents	Cents
Basic earnings per share	5	2.85	(2.36)
Diluted earnings per share	5	2.79	(2.36)

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

Step One Clothing Limited
Consolidated statement of financial position
As at 31 December 2022

STEP ONE

	Note	Consolidated 31 Dec 2022 \$'000	30 Jun 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	32,550	34,110
Trade and other receivables		269	42
Inventories	7	26,705	25,383
Other assets		1,228	1,013
Total current assets		<u>60,752</u>	<u>60,548</u>
Non-current assets			
Property, plant and equipment		60	19
Intangibles		47	50
Deferred tax asset		3,026	2,569
Total non-current assets		<u>3,133</u>	<u>2,638</u>
Total assets		<u>63,885</u>	<u>63,186</u>
Liabilities			
Current liabilities			
Trade and other payables	8	7,266	12,043
Contract liabilities		1,214	1,507
Income tax payable		1,158	779
Employee benefits		217	197
Total current liabilities		<u>9,855</u>	<u>14,526</u>
Non-current liabilities			
Employee benefits		27	19
Total non-current liabilities		<u>27</u>	<u>19</u>
Total liabilities		<u>9,882</u>	<u>14,545</u>
Net assets		<u>54,003</u>	<u>48,641</u>
Equity			
Issued capital	9	52,496	52,496
Reserves	10	181	94
Retained profits/(accumulated losses)		1,326	(3,949)
Total equity		<u>54,003</u>	<u>48,641</u>

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

Step One Clothing Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

STEP ONE

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2021	1	173	3,854	4,028
Loss after income tax expense for the half-year	-	-	(3,816)	(3,816)
Other comprehensive income for the half-year, net of tax	-	222	-	222
Total comprehensive income/(loss) for the half-year	-	222	(3,816)	(3,594)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 9)	52,532	-	-	52,532
Share-based payments	-	180	-	180
Dividends paid (note 11)	-	-	(4,800)	(4,800)
Balance at 31 December 2021	<u>52,533</u>	<u>575</u>	<u>(4,762)</u>	<u>48,346</u>

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2022	52,496	94	(3,949)	48,641
Profit after income tax expense for the half-year	-	-	5,275	5,275
Other comprehensive loss for the half-year, net of tax	-	(78)	-	(78)
Total comprehensive income/(loss) for the half-year	-	(78)	5,275	5,197
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments reserve	-	165	-	165
Balance at 31 December 2022	<u>52,496</u>	<u>181</u>	<u>1,326</u>	<u>54,003</u>

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

Step One Clothing Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

STEP ONE

	Note	Consolidated	
		31 Dec 2022	31 Dec 2021
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		40,158	40,818
Payments to suppliers and employees (inclusive of GST)		<u>(39,656)</u>	<u>(42,138)</u>
		502	(1,320)
Interest received		111	-
Income taxes paid		<u>(2,063)</u>	<u>(3,702)</u>
Net cash used in operating activities		<u>(1,450)</u>	<u>(5,022)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(50)</u>	-
Net cash used in investing activities		<u>(50)</u>	-
Cash flows from financing activities			
Proceeds from issue of shares	9	-	40,000
Share issue transaction costs		-	(5,800)
Dividends paid	11	-	(4,800)
Repayment of borrowings		<u>-</u>	<u>3,409</u>
Net cash from financing activities		<u>-</u>	<u>32,809</u>
Net increase/(decrease) in cash and cash equivalents		(1,500)	27,787
Cash and cash equivalents at the beginning of the financial half-year		34,110	10,845
Effects of exchange rate changes on cash and cash equivalents		<u>(60)</u>	<u>54</u>
Cash and cash equivalents at the end of the financial half-year	6	<u><u>32,550</u></u>	<u><u>38,686</u></u>

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

Note 1. General information

The financial statements cover Step One Clothing Limited as a group consisting of Step One Clothing Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year. Step One Clothing Limited and its subsidiaries together are referred to in these financial statements as the 'Group'. The financial statements are presented in Australian dollars, which is Step One Clothing Limited's functional and presentation currency.

Step One Clothing Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2
120 Chalmers Street
Surry Hills NSW 2010

A description of the nature of the Group'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 22 February 2023. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment: online retail sales. The determination of this operating segment is based on the internal reports that are reviewed and used by the Chief Executive Officer and Chief Financial Officer (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews sales revenue from sale of goods recognised at a point in time. 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 3. Operating segments (continued)

Major customers

During the current and previous financial half-year, no individual customer contributed more than 10 per cent of the Group's revenue.

Disaggregation of revenue by geographical regions

The Group operates in Australia, United Kingdom and United States of America. Revenue is attributed to the country where the goods are delivered. All sales revenue is from sale of goods recognised at a point in time.

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Australia (including export sales)	24,113	25,601
United Kingdom	10,619	11,031
United States of America	1,161	1,444
	<u>35,893</u>	<u>38,076</u>

Non-current assets by Geographical regions

There are no geographical non-current assets exclusive of financial instruments, and deferred tax assets.

Note 4. Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Share-based payment expense</i>		
Phantom share units ('PSU') liability revaluation prior to settlement	-	5,770
Payment under the terms of the PSU	-	306
Management share options	165	180
Directors' shares issued in lieu of fees	-	249
	<u>165</u>	<u>6,505</u>

Note 5. Earnings per share

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit/(loss) after income tax attributable to the owners of Step One Clothing Limited	<u>5,275</u>	<u>(3,816)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	185,340,291	161,716,075
Adjustments for calculation of diluted earnings per share:		
Rights over ordinary shares	2,183,178	-
Options over ordinary shares	1,671,781	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>189,195,250</u>	<u>161,716,075</u>

Note 5. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	2.85	(2.36)
Diluted earnings per share	2.79	(2.36)

At 31 December 2021, 2,100,000 options were excluded from the diluted earnings per share calculation as they were anti-dilutive. Nil exclusions in 31 December 2022.

Note 6. Cash and cash equivalents

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	22,472	24,110
Cash on deposit	10,078	10,000
	<u>32,550</u>	<u>34,110</u>

Note 7. Inventories

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current assets</i>		
Stock on hand - at cost	27,090	23,957
Less: Provision for inventory obsolescence	(615)	(239)
	<u>26,475</u>	<u>23,718</u>
Stock in transit - at cost	230	1,665
	<u>26,705</u>	<u>25,383</u>

The inventory provision was increased in the period after charging \$376,000 (31 December 2021:\$nil).

Note 8. Trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	2,447	8,802
Sales taxes (net)	3,004	2,426
Accruals and other payables	1,815	815
	<u>7,266</u>	<u>12,043</u>

The Sales Tax liability includes \$1,860,000 (30 June 2022:\$1,860,000) to be paid to the Australian Taxation Office for GST refunds claimed on costs incurred from some GST registered vendors.

Note 9. Issued capital

	Consolidated			
	31 Dec 2022 Shares	30 Jun 2022 Shares	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Ordinary shares - fully paid	<u>185,340,291</u>	<u>185,340,291</u>	<u>52,496</u>	<u>52,496</u>

Note 10. Reserves

	Consolidated	
	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Foreign currency translation reserve	(235)	(157)
Share-based payments reserve	<u>416</u>	<u>251</u>
	<u>181</u>	<u>94</u>

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency translation \$'000	Share-based payment \$'000	Total \$'000
Balance at 1 July 2022	(157)	251	94
Foreign currency translation	(78)	-	(78)
Share-based payments	-	165	165
Balance at 31 December 2022	<u>(235)</u>	<u>416</u>	<u>181</u>

Note 11. Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Pre-IPO dividend of 3.2 cents per ordinary share	<u>-</u>	<u>4,800</u>

There were no dividends paid, recommended or declared since the end of the current financial half-year.

Note 12. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2022 and 30 June 2022.

Note 13. Events after the reporting period


No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-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 made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



David Gallop AM
Chair



Gregory Taylor
Director and Chief Executive Officer

22 February 2023
Sydney

Independent Auditor's Review Report

To the Members of Step One Clothing Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Step One Clothing Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the Directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Step One Clothing Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of Step One Clothing Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 22 February 2023