

## 1. Company details

|                   |  |
|-------------------|--|
| Name of entity:   | Step One Clothing Limited                |
| ABN:              | 34 616 696 318                           |
| Reporting period: | For the half-year ended 31 December 2021 |
| Previous period:  | For the half-year ended 31 December 2020 |

## 2. Results for announcement to the market

|   |      |           | \$'000  |
|---|------|-----------|---------|
| Revenues from ordinary activities   | up   | 11.7% to  | 38,076  |
| Loss from ordinary activities after tax attributable to the owners of Step One Clothing Limited | down | 183.6% to | (3,816) |
| Loss for the half-year attributable to the owners of Step One Clothing Limited                  | down | 183.6% to | (3,816) |

### Dividends

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

### Comments

The loss for the Group after providing for income tax amounted to \$3,816,000 (31 December 2020: profit of \$4,564,000).

On 1 November 2021, the Company successfully listed on the Australian Securities Exchange ('ASX') with the code STP.

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

## 3. Net tangible assets

|   | Reporting period<br>Cents | Previous period<br>Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | <u>26.06</u>              | <u>5.70</u>              |

Net tangible assets per ordinary security, has been calculated as follows:

|                     | 31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---------------------|-----------------------|-----------------------|
| Net assets          | 48,346                | 8,557                 |
| Less: Intangibles   | <u>(53)</u>           | <u>(13)</u>           |
| Net tangible assets | <u>48,293</u>         | <u>8,544</u>          |
|                     | <b>Number</b>         | <b>Number</b>         |
| Total shares issued | <u>185,340,291</u>    | <u>150,000,000</u>    |

Total shares issued in the comparative period has been adjusted to reflect the Company's share split from 1,000 ordinary shares into 150,000,000 ordinary shares that occurred on 16 August 2021.

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividend reinvestment plans**

Not applicable.

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**7. Details of associates and joint venture entities**

Not applicable.

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**8. Foreign entities**

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

Not applicable.

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**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.

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**10. Attachments**

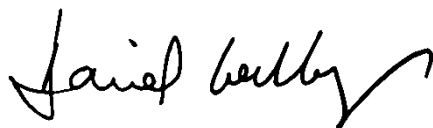
*Details of attachments (if any):*

The Interim Report of Step One Clothing Limited for the half-year ended 31 December 2021 is attached.

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**11. Signed**

Approved for release by the Board of Directors



Signed \_\_\_\_\_

Date: 22 February 2022

David Gallop AM  
Chair  
Surry Hills

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**Step One Clothing Limited**

(Formerly known as Step One Clothing Pty Ltd)

ABN 34 616 696 318

**Interim Report - 31 December 2021**

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**Step One Clothing Limited**  
**Contents**  
**31 December 2021**

STEP ONE

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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 2021.

### 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 - Chair                         | Appointed 6 October 2021 |
| Gregory (Greg) Taylor - Chief Executive Officer |                          |
| Richard Dennis                                  | Appointed 6 October 2021 |
| Michael Reddie                                  | Appointed 6 October 2021 |
| Catherine Thompson                              | Appointed 6 October 2021 |

### Principal activities

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

### Dividends

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

| Consolidated                                     |             |
|--|-------------|
| 31 Dec 2021                                      | 31 Dec 2020 |
| \$'000   | \$'000      |
| Pre-IPO dividend of 3.2 cents per ordinary share | -           |
| 4,800  | -           |

### Review of operations

The loss for the Group after providing for income tax amounted to \$3,816,000 (31 December 2020: profit of \$4,564,000).

Revenue for the financial half-year was \$38,076,000 (31 December 2020: \$34,085,000), an increase of 11.7% on the previous corresponding period ('pcp'). Geographically, growth was 9.6% in Australia and 2.8% in the United Kingdom, while revenue of \$1,444,000 was derived from commencing operations in the United States of America.

Step One attracted over 7,100,000 (31 December 2020: 5,000,000) website visits with an average conversion rate of 6.3% (31 December 2020: 8.1%).

There were 193,000 first-time customers in the period bringing the total to over 918,000. Customer retention remains high, with over 60% of orders being placed by returning customers. The average order frequency during the financial half-year was approximately 1.47x (total orders in the period/total unique customers who ordered in the period). Over 20 limited editions (including five Christmas colours) (31 December 2020: seven) were released in the half which resonated strongly with the existing customers. Limited editions represented over 30% of revenue (31 December 2020: approximately 11%).

The loss for the Group after providing for income tax amounted to \$3,816,000 (31 December 2020: profit of \$4,564,000). The loss includes costs associated with the Australian Securities Exchange ('ASX') listing and capital raise of \$3,927,000 (\$2,749,000 after tax), share-based payments of \$6,076,000 (31 December 2020: \$2,967,000) (not deductible for tax) in connection with the phantom share units, and the cost to settle a legal dispute of \$394,000 (\$276,000 after tax). These costs are considered one-off.

### Significant changes in the state of affairs

On 16 August 2021, the Board of Directors approved the splitting of the Company's shares from 1,000 ordinary shares into 150,000,000 ordinary shares.

On 7 October 2021, the Company changed from a proprietary company, Step One Clothing Pty Ltd, to a public company, Step One Clothing Limited.

On 1 November 2021, the Company successfully listed on the ASX with the code STP.

The Company raised \$81,310,000 pursuant to the offer under its Prospectus dated 8 October 2021, by the issuance of 53,143,791 shares at \$1.53 per share, of which 27,000,000 founder shares were sold at \$1.53 per share amounting to \$41,310,000. The net proceeds raised therefore amounted to \$40,000,000 and will be used to support the Group's growth strategies, including growing its existing customer base in Australia and the United Kingdom and investing in establishing a presence in the United States of America.

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

#### **Rounding of amounts**

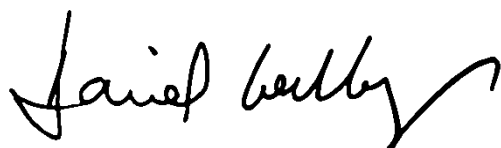
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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



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David Gallop AM  
Chair

22 February 2022  
Sydney



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Greg Taylor  
Director and Chief Executive Officer

## 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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 22 February 2022

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**Step One Clothing Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2021**

**STEP ONE**

|   |             | <b>Consolidated</b> |                    |
|---|-------------|---------------------|--------------------|
|   | <b>Note</b> | <b>31 Dec 2021</b>  | <b>31 Dec 2020</b> |
|   |             | <b>\$'000</b>       | <b>\$'000</b>      |
| Sales revenue   |             | 38,076              | 34,085             |
| Cost of goods sold  |             | (6,424)             | (6,094)            |
| <b>Gross margin</b>   |             | <u>31,652</u>       | <u>27,991</u>      |
| Interest income calculated using the effective interest method  |             | -                   | 11                 |
| Other income  |             | -                   | 63                 |
| <b>Expenses</b>   |             |                     |                    |
| Advertising and marketing expense   |             | (14,930)            | (12,378)           |
| Distribution and fulfilment expense   |             | (4,415)             | (3,057)            |
| Employee benefits and contractor expenses   |             | (1,399)             | (417)              |
| Share-based payment expense   | 5           | (6,505)             | (2,967)            |
| Depreciation and amortisation expense   |             | (3)                 | -                  |
| Merchant and transaction fees   |             | (947)               | (736)              |
| Net foreign exchange loss   |             | (394)               | (74)               |
| Professional, legal and insurance fees  |             | (1,194)             | (328)              |
| Listing and capital raise fees  |             | (3,927)             | -                  |
| Administration expense  |             | (469)               | (385)              |
| <b>Profit/(loss) before income tax expense</b>  |             | (2,531)             | 7,723              |
| Income tax expense  |             | (1,285)             | (3,159)            |
| <b>Profit/(loss) after income tax expense for the half-year attributable to the owners of Step One Clothing Limited</b> |             | (3,816)             | 4,564              |
| <b>Other comprehensive income</b>   |             |                     |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>  |             |                     |                    |
| Foreign currency translation  |             | 222                 | (68)               |
| Other comprehensive income for the half-year, net of tax  |             | 222                 | (68)               |
| <b>Total comprehensive income for the half-year attributable to the owners of Step One Clothing Limited</b>             |             | <u>(3,594)</u>      | <u>4,496</u>       |
|   |             | <b>Cents</b>        | <b>Cents</b>       |
| Basic earnings per share  | 12          | (2.36)              | 3.04               |
| Diluted earnings per share  | 12          | (2.36)              | 3.04               |

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



Step One Clothing Limited  
Statement of financial position  
As at 31 December 2021

STEP ONE

|                                       |      | Consolidated          |                       |
|---------------------------------------|------|-----------------------|-----------------------|
|                                       | Note | 31 Dec 2021<br>\$'000 | 30 Jun 2021<br>\$'000 |
| <b>Assets</b>                         |      |                       |                       |
| <b>Current assets</b>                 |      |                       |                       |
| Cash and cash equivalents             | 6    | 38,686                | 10,845                |
| Inventories                           | 7    | 17,537                | 9,731                 |
| Derivative financial instruments      |      | -                     | 134                   |
| Related party receivables             |      | -                     | 3,409                 |
| Other assets                          |      | 631                   | 1,303                 |
| <b>Total current assets</b>           |      | <u>56,854</u>         | <u>25,422</u>         |
| <b>Non-current assets</b>             |      |                       |                       |
| Property, plant and equipment         |      | 2                     | 2                     |
| Intangibles                           |      | 53                    | 56                    |
| Deferred tax asset                    |      | 2,692                 | 1,322                 |
| <b>Total non-current assets</b>       |      | <u>2,747</u>          | <u>1,380</u>          |
| <b>Total assets</b>                   |      | <u>59,601</u>         | <u>26,802</u>         |
| <b>Liabilities</b>                    |      |                       |                       |
| <b>Current liabilities</b>            |      |                       |                       |
| Trade and other payables              |      | 8,469                 | 8,652                 |
| Contract liabilities                  |      | 817                   | 2,620                 |
| Income tax                            |      | 1,742                 | 3,265                 |
| Employee benefits                     |      | 165                   | 34                    |
| Other financial liability             | 8    | -                     | 8,000                 |
| <b>Total current liabilities</b>      |      | <u>11,193</u>         | <u>22,571</u>         |
| <b>Non-current liabilities</b>        |      |                       |                       |
| Deferred tax liability                |      | 39                    | 201                   |
| Employee benefits                     |      | 23                    | 2                     |
| <b>Total non-current liabilities</b>  |      | <u>62</u>             | <u>203</u>            |
| <b>Total liabilities</b>              |      | <u>11,255</u>         | <u>22,774</u>         |
| <b>Net assets</b>                     |      | <u>48,346</u>         | <u>4,028</u>          |
| <b>Equity</b>                         |      |                       |                       |
| Issued capital                        | 9    | 52,533                | 1                     |
| Reserves                              | 10   | 575                   | 173                   |
| Retained profits/(accumulated losses) |      | <u>(4,762)</u>        | <u>3,854</u>          |
| <b>Total equity</b>                   |      | <u>48,346</u>         | <u>4,028</u>          |

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

Step One Clothing Limited  
Statement of changes in equity  
For the half-year ended 31 December 2021

STEP ONE

| Consolidated   | Issued capital<br>\$'000 | Reserves<br>\$'000 | Retained profits<br>\$'000 | Total equity<br>\$'000 |
|--|--------------------------|--------------------|----------------------------|------------------------|
| Balance at 1 July 2020                                   | 1                        | 10                 | 4,294                      | 4,305                  |
| Adjustment for correction of error (note 3)              | -                        | -                  | (244)                      | (244)                  |
| Balance at 1 July 2020 - restated                        | 1                        | 10                 | 4,050                      | 4,061                  |
| Profit after income tax expense for the half-year        | -                        | -                  | 4,564                      | 4,564                  |
| Other comprehensive income for the half-year, net of tax | -                        | (68)               | -                          | (68)                   |
| Total comprehensive income for the half-year             | -                        | (68)               | 4,564                      | 4,496                  |
| Balance at 31 December 2020                              | 1                        | (58)               | 8,614                      | 8,557                  |

| Consolidated   | Issued capital<br>\$'000 | Reserves<br>\$'000 | Retained profits/<br>(accumulated losses)<br>\$'000 | Total equity<br>\$'000 |
|--|--------------------------|--------------------|---|------------------------|
| Balance at 1 July 2021                                       | 1                        | 173                | 4,817   | 4,991                  |
| Adjustment for correction of error (note 3)                  | -                        | -                  | (963)   | (963)                  |
| Balance at 1 July 2021 - restated                            | 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 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                                  | 52,533                   | 575                | (4,762)   | 48,346                 |

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

Step One Clothing Limited  
Statement of cash flows  
For the half-year ended 31 December 2021

STEP ONE

|   | Consolidated   |                |
|---|----------------|----------------|
| Note  | 31 Dec 2021    | 31 Dec 2020    |
|   | \$'000         | \$'000         |
| <b>Cash flows from operating activities</b>                           |                |                |
| Receipts from customers (inclusive of GST/VAT)                        | 40,818         | 36,767         |
| Payments to suppliers and employees (inclusive of GST/VAT)            | (42,138)       | (24,692)       |
| Interest received   | -              | 11             |
| Income taxes paid   | (3,702)        | (1,093)        |
|   | <u>(5,022)</u> | <u>10,993</u>  |
| Net cash from/(used in) operating activities                          |                |                |
| Net cash from investing activities                                    | -              | -              |
| <b>Cash flows from financing activities</b>                           |                |                |
| Proceeds from issue of shares   | 9 40,000       | -              |
| Proceeds/(repayments) to related parties                              | 3,409          | (2,652)        |
| Share issue transaction costs   | (5,800)        | -              |
| Dividends paid  | 11 (4,800)     | -              |
|   | <u>32,809</u>  | <u>(2,652)</u> |
| Net cash from/(used in) financing activities                          |                |                |
| Net increase in cash and cash equivalents                             | 27,787         | 8,341          |
| Cash and cash equivalents at the beginning of the financial half-year | 10,845         | 6,735          |
| Effects of exchange rate changes on cash and cash equivalents         | 54             | 173            |
|   | <u>38,686</u>  | <u>15,249</u>  |
| Cash and cash equivalents at the end of the financial half-year       |                |                |

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

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**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 5, 69-75 Reservoir 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 2022. 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 2021 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 2021 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. Restatement of comparatives**

*Correction of error*

The Group has identified a potential overclaim of GST credits resulting from the incorrect application of GST rules to imported digital products and services. In addition, share-based payment expense in respect of the Group's issue of phantom share units ('PSU') were adjusted to correctly reflect the impact of the issue in the comparative period.

**Note 3. Restatement of comparatives (continued)**

The impact on the profit for the half-year ended 31 December 2020 is as follows:

|   | <b>Consolidated<br/>31 Dec 2020<br/>\$'000</b> |
|---|--|
| Profit after income tax expense for the half-year ended 31 December 2020 - as previously stated | 7,814  |
| Increase in advertising and marketing costs due to potential GST overclaim                      | (405)  |
| Income tax benefit as a result of potential GST overclaim                                       | 122  |
| Share-based payment expense - PSU   | (2,967)  |
| Adjustment to comparative profit  | (3,250)  |
| Profit after income tax expense for the half-year ended 31 December 2020 - as restated          | <u>4,564</u>                                   |

The impact on equity is as follows:

|  | <b>1 July<br/>2020</b> | <b>31<br/>December<br/>2020</b> | <b>1 July<br/>2021</b> |
|--|------------------------|---------------------------------|------------------------|
| Balance as previously stated   | 4,305                  | 12,051                          | 4,991                  |
| Increase in GST payable  | (158)                  | (563)                           | (1,376)                |
| Reduction in Income tax  | 47                     | 169                             | 413                    |
| Increase other financial liabilities for change in share-based payment expense - PSU | (133)                  | (3,100)                         | -                      |
|  | <u>(244)</u>           | <u>(3,494)</u>                  | <u>(963)</u>           |
| Balance as restated  | <u>4,061</u>           | <u>8,557</u>                    | <u>4,028</u>           |

As at 31 December 2021, the Group has recognised a liability of \$1,859,780 (30 June 2021: \$1,375,651) relating to this matter. The Group has commenced discussion with the Australian Taxation Office regarding resubmission of historic Business Activity Statements and settlement of the outstanding GST liability.

*Reclassification*

Certain line items in profit or loss have been realigned to be consistent with the current period presentation. There has been no impact on net profit or net assets.

**Note 4. 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.

*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.

**Note 4. Operating segments (continued)**

|                                    | <b>Consolidated</b> |                    |
|------------------------------------|---------------------|--------------------|
|                                    | <b>31 Dec 2021</b>  | <b>31 Dec 2020</b> |
|                                    | <b>\$'000</b>       | <b>\$'000</b>      |
| Australia (including export sales) | 25,601              | 23,358             |
| United Kingdom                     | 11,031              | 10,727             |
| United States of America           | 1,444               | -                  |
|                                    | <u>38,076</u>       | <u>34,085</u>      |

**Note 5. Expenses**

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>31 Dec 2021</b>  | <b>31 Dec 2020</b> |
|  | <b>\$'000</b>       | <b>\$'000</b>      |

Profit/(loss) before income tax includes the following specific expenses:

*Share-based payment expense*

|   |              |              |
|---|--------------|--------------|
| Phantom share units ('PSU') liability revaluation prior to settlement | 5,770        | 2,967        |
| Payment under the terms of the PSU                                    | 306          | -            |
| Management share options  | 180          | -            |
| Directors' shares issued in lieu of fees                              | 249          | -            |
|   | <u>6,505</u> | <u>2,967</u> |

**Note 6. Cash and cash equivalents**

|                       | <b>Consolidated</b> |                    |
|-----------------------|---------------------|--------------------|
|                       | <b>31 Dec 2021</b>  | <b>30 Jun 2021</b> |
|                       | <b>\$'000</b>       | <b>\$'000</b>      |
| <i>Current assets</i> |                     |                    |
| Cash on hand          | 1                   | 1                  |
| Cash at bank          | 11,685              | 10,844             |
| Cash on deposit       | 27,000              | -                  |
|                       | <u>38,686</u>       | <u>10,845</u>      |

**Note 7. Inventories**

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>31 Dec 2021</b>  | <b>30 Jun 2021</b> |
|  | <b>\$'000</b>       | <b>\$'000</b>      |
| <i>Current assets</i>                      |                     |                    |
| Stock on hand - at cost                    | 14,703              | 6,441              |
| Less: Provision for inventory obsolescence | (70)                | (70)               |
|  | <u>14,633</u>       | <u>6,371</u>       |
| Stock in transit - at cost                 | <u>2,904</u>        | <u>3,360</u>       |
|  | <u>17,537</u>       | <u>9,731</u>       |

**Note 8. Other financial liability**

**Consolidated**  
**31 Dec 2021 30 Jun 2021**  
**\$'000 \$'000**

*Current liabilities*

|   |   |       |
|---|---|-------|
| Other financial liability - phantom share units | - | 8,000 |
|---|---|-------|

On 12 March 2020, the Group issued 60 phantom share units ('PSU') to a non-employee participant. The PSU had fully vested on the effective date of the agreement, being 12 March 2020. As such, there were no vesting conditions.

The PSU entitled the participant to a contingent right to receive amounts from the Group based on amounts received by shareholders on an exit event as determined in the agreement.

On 1 November 2021, the liability was settled by the issuance of 9,000,000 shares at \$1.53 each, totalling \$13,770,000.

The increase in the fair value of the liability was expensed to profit or loss as a share-based payment. The agreement provided for payment of an amount equal to a dividend and was also expensed to profit or loss as a share-based payment. Refer to note 5 for further details.

**Note 9. Issued capital**

|                              | <b>Consolidated</b> |                    |                    |                    |
|------------------------------|---------------------|--------------------|--------------------|--------------------|
|                              | <b>31 Dec 2021</b>  | <b>30 Jun 2021</b> | <b>31 Dec 2021</b> | <b>30 Jun 2021</b> |
|                              | <b>Shares</b>       | <b>Shares</b>      | <b>\$'000</b>      | <b>\$'000</b>      |
| Ordinary shares - fully paid | <u>185,340,291</u>  | <u>1,000</u>       | <u>52,533</u>      | <u>1</u>           |

*Movements in ordinary share capital*

| <b>Details</b>  | <b>Date</b>      | <b>Shares</b>      | <b>Issue price</b> | <b>\$'000</b> |
|---|------------------|--------------------|--------------------|---------------|
| Balance   | 1 July 2021      | 1,000              |                    | 1             |
| Share split*  | 16 August 2021   | 149,999,000        | \$0.00             | -             |
| Shares issued in lieu of directors' fees                | 1 November 2021  | 196,500            | \$1.27             | 249           |
| Issue of shares on IPO                                  | 1 November 2021  | 53,143,791         | \$1.53             | 81,310        |
| Founder share sell-down on IPO                          | 1 November 2021  | (27,000,000)       | \$1.53             | (41,310)      |
| Issue of shares on settlement of PSU liability (note 8) | 1 November 2021  | 9,000,000          | \$1.53             | 13,770        |
| Less: share issue transaction costs                     |                  | -                  |                    | (1,487)       |
| Balance   | 31 December 2021 | <u>185,340,291</u> |                    | <u>52,533</u> |

\* On 16 August 2021, the Company's shares were split from 1,000 ordinary shares to 150,000,000 ordinary shares.

**Note 10. Reserves**

**Consolidated**  
**31 Dec 2021 30 Jun 2021**  
**\$'000 \$'000**

|                                      |            |            |
|--------------------------------------|------------|------------|
| Foreign currency translation reserve | 395        | 173        |
| Share-based payments reserve         | 180        | -          |
|                                      | <u>575</u> | <u>173</u> |

**Note 10. Reserves (continued)**

*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:

| <b>Consolidated</b>          | Foreign<br>currency<br>translation<br>reserve<br>\$'000 | Share-based<br>payment<br>reserve<br>\$'000 | Total<br>\$'000 |
|------------------------------|---|---|-----------------|
| Balance at 1 July 2021       | 173   | -   | 173             |
| Foreign currency translation | 222   | -   | 222             |
| Share-based payments         | -   | 180   | 180             |
| Balance at 31 December 2021  | <u>395</u>  | <u>180</u>                                  | <u>575</u>      |

**Note 11. Dividends**

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

|  | <b>Consolidated</b><br>31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|--|--|-----------------------|
| Pre-IPO dividend of 3.2 cents per ordinary share | <u>4,800</u>                                 | <u>-</u>              |

**Note 12. Earnings per share**

|   | <b>Consolidated</b><br>31 Dec 2021<br>\$'000 | 31 Dec 2020<br>\$'000 |
|---|--|-----------------------|
| Profit/(loss) after income tax attributable to the owners of Step One Clothing Limited    | <u>(3,816)</u>                               | <u>4,564</u>          |
|   | Number                                       | Number                |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>161,716,075</u>                           | <u>150,000,000</u>    |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>161,716,075</u>                           | <u>150,000,000</u>    |
|   | Cents  | Cents                 |
| Basic earnings per share  | (2.36)                                       | 3.04                  |
| Diluted earnings per share  | (2.36)                                       | 3.04                  |

2,100,000 options have been excluded from the diluted earnings per share calculation as they were anti-dilutive.



**Note 12. Earnings per share (continued)**

The weighted average number of ordinary shares for 31 December 2020 has been restated for the effect of the share split completed in August 2021, in accordance with AASB 133 'Earnings per share'.

|  | <b>Number</b>             |
|--|---------------------------|
| Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement) | 1,000                     |
| Adjustment required by AASB 133 'Earnings per share'   | <u>149,999,000</u>        |
| Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)  | <u><u>150,000,000</u></u> |

**Note 13. Contingent liabilities**

The Group had no contingent liabilities as at 31 December 2021 and 30 June 2021.

**Note 14. Events after the reporting period**

On 17 January 2022, the Group announced that it had expanded its product range with the launch of a women's innerwear line in Australia and the United Kingdom.

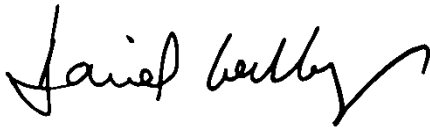
No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 2021 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



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David Gallop AM  
Chair

22 February 2022  
Sydney



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Greg Taylor  
Director and Chief Executive Officer

# Independent Auditor's Review Report

To the Members of Step One Clothing Limited

Report on the review of 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 2021, 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 2021 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 2021 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

Grant Thornton Audit Pty Ltd  
Chartered Accountants



A C Pitts  
Partner – Audit & Assurance

Melbourne, 22 February 2022