APPENDIX 4E

Preliminary final report

STEP ONE

1. Company details

Name of entity:	Step One Clothing Limited
ABN:	34 616 696 318
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	17.0%	to	72,187
Loss from ordinary activities after tax attributable to the owners of Step One Clothing Limited	up	2444.9%	to	(3,003)
Loss for the year attributable to the owners of Step One Clothing Limited	up	2444.9%	to	(3,003)

Dividends

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

	AMOUNT PER SECURITY CENTS	FRANKED AMOUNT PER SECURITY CENTS
Pre-IPO dividend	3.2	–

Comments

The loss for the Group after providing for income tax amounted to $3,003,000 (30 June 2021: $118,000).

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 CENTS	PREVIOUS PERIOD CENTS
Net tangible assets per ordinary security	26.22	2.65

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

	CONSOLIDATED	
	2022 $'000	2021 $'000
Net assets	48,641	4,028
Less: Intangibles	(50)	(56)
Net tangible assets	48,591	3,972

	NUMBER	NUMBER
Total shares issued	185,340,291	150,000,000

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.

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 have been audited and an unmodified opinion has been issued.

10. Attachments
Details of attachments (if any):

The Annual Report of Step One Clothing Limited for the year ended 30 June 2022 is attached.

11. Signed
Approved for release by the Board of Directors

Signed ______________________ Date: 23 August 2022

David Gallop AM
Chair
Surry Hills

ANNUAL REPORT 2022

STEP ONE CLOTHING LIMITED
ABN 34 616 696 318

CONTENTS

What's the first thing you put on in the morning?

#GetSome


STEP ONE
STEP

FINANCIAL HIGHLIGHTS

$72.2M

REVENUE
UP 17%

$9.0M

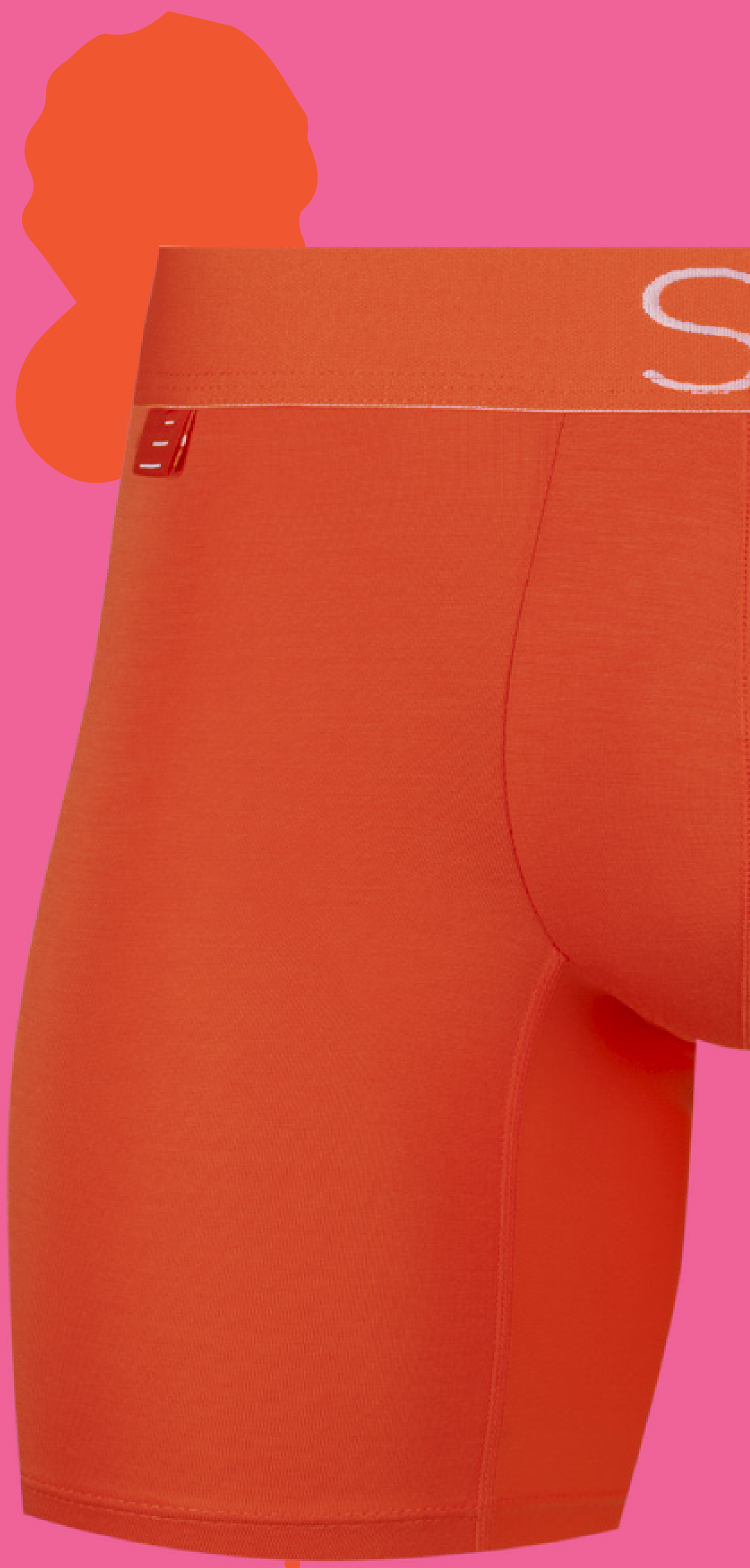
PROFORMA EBITDA[1]
12.5% OF REVENUE

$75

AVERAGE ORDER VALUE
UP 0.7%

82.0%

GROSS MARGIN
DOWN 0.6%



1. A reconciliation of Statutory to Proforma financial results is provided on page 17
2. Launched on 15 January 2022

1,100,000

CUSTOMERS PURCHASED STEP ONE

52% GROWTH

16.5M

WEBSITE VISITS UP 65%

5.2% CONVERSION RATE

EXPAND USA

DIRECT TO CONSUMER

AMAZON PRESENCE

WOMENS[2]

NEW PRODUCT LAUNCH

PLUS THERMALS AND SPORTS RANGES

Source: Shopify

LETTER FROM THE CHAIRPERSON

Dear Shareholders,

On behalf of the Directors of Step One Clothing Limited, I am pleased to present the inaugural Annual Report for the 2022 Financial Year.

Amidst a challenging year due to the continued impacts of the COVID-19 pandemic and other macroeconomic factors, I am pleased that Step One, a founder-led business established in 2017 achieved an important milestone of listing on the Australian Securities Exchange (ASX).

Founded to innovate the innerwear market

Step One is built on an innovative product and customer engagement model with a strong ESG focus. The Company has a highly scalable model and the product resonates strongly with a wide range of customers. Further, it operates in the large and growing global innerwear market and throughout FY22, has expanded its range to include a women's product, now targeting 100% of the population.

Step One is well known in Australia and has established a presence in the United Kingdom. During the period Step One also entered the USA market, noting that it is the largest and most competitive consumer market in the world, and pursuing growth in this market requires a complex strategy.

The Company is fundamentally strong and value is premised on:

- size of the innerwear market globally is substantial
- the business is capital light managing a flexible supply chain and distribution network
- availability of partnerships to support growth to new customers
- availability of product adjacencies in underwear and broader to the innerwear category

Nimble and adaptable

The Company has navigated its way through a number of global challenges throughout the year including the continuation of COVID-19 and its impact on consumer sentiment, sector-wide supply chain constraints and inflationary pressures towards year-end. Despite these conditions the Board and management team are confident in our strong customer proposition, underpinned by a nimble culture and passion for the product. Our brand remains fun, edgy and proudly inclusive.

A sustainable company

Step One continues to progress its Environmental, Social and Governance (ESG) practices. The business model is built on a transparent production process, beginning with ethically grown Bamboo from responsible sources and strict ethical manufacturing across our supply chain. Our ESG credentials are baked into our entire product lifecycle, from inception to delivery. The Company is constantly working to review and improve its processes, to lead the charge in sustainability.

In closing

On behalf of the Board I would like to thank my fellow Directors, Greg Taylor and the management team for their dedication and commitment to the Company. I would also like to take the opportunity to thank our shareholders who have continued to support us. While I note there has been pressure on the share price, I would like to reassure my fellow shareholders that the fundamentals of our business remain very strong.

Step One remains confident in its product, team and strategy as we enter FY23. I look forward to updating you on the next phases of the Step One journey.

Yours faithfully

David Gallop AM
Chairperson

LETTER FROM THE FOUNDER

Fellow shareholders,

I am privileged to present my first review of Step One Clothing Limited, following its listing on the ASX in November 2021.

FY22 was a significant year in Step One's journey, with a number of operational milestones including a launch into a new market (USA), the release of a Women's line, the development of product adjacencies (Sports and Thermals products) as well as bringing to market over 45 colour releases with popular prints and patterns, bringing a new level of fun and choice to our customers. This was all achieved while navigating through a difficult operating environment, with global issues affecting costs, logistics and consumer confidence.

FY22 performance

In a year that presented challenging macroeconomic conditions, Step One continued to experience higher levels of demand for its innerwear products. Group revenue grew 17% on the prior year, and gross margin remained a healthy 82%. Proforma EBITDA was $9.0m as headwinds grew stronger in the second half of the financial year. Despite the financial results not meeting initial expectations, we adapted to the challenges we experienced, emerging as a more nimble and dynamic business.

Some highlights for the FY22 year include:

- Proforma Revenue of $72.2 million, up 17%
- Gross margin of 82.0%, down 0.6%
- Statutory EBITDA loss of $0.3m
- Proforma EBITDA profit $9.0m
- Customer orders exceeded 944,000, up 13.4% on pcp
- Returning customers increased from 45% pcp to 60%
- Over 1.1m customers purchased Step One's
- Website visits exceeded 16.5 million, up 65.4% on pcp with 5.2% conversion rate

It is personally rewarding to know that over 1.1m people have now purchased Step One's, and once they put a pair on, they are likely to return for more, with over 60% of sales attributable to returning customers and very strong product reviews. Website visits increased 65.4% on prior year, with a total of over 16.5 million visits. While the conversion rate dropped to 5.2% it still remains higher than industry averages, showcasing the Step One brand is cutting through the noise and highlighting our product's USP's and ESG credentials. . We are in constant conversation with our customers, engaging with them online via social media, listening to their feedback, and developing products or colours that have demand.. As an example, we developed more patterns and prints and released a new Women's line in January 2022.

Our strategy

Our strategy is focused on continuing to build brand recognition and equity in all of our markets. Our repeat customer rate demonstrates that once we get our product to our customers, they love it, and come back for more. Our core focus is creating innovative and engaging content which provides a compelling reason for consumers to try our product and a strong focus on customer retention, which mentioned above sits at over 60% .

The addressable market in each of our key locations is sizeable as almost everyone wears underwear everyday. For the men's, in the USA $6.2bn, UK $1.5bn, and AU $0.6bn. We are focused on increasing our share of wallet by; investing in our product designs and adjacencies, investing in our logistics and supply chain with specialists managing manufacturing and warehousing, and focusing on how we can continue to raise our brand profile, both via traditional marketing channels and partnerships such as Amazon and other opportunities.

In closing

I wish to thank the Board, our Step One team, suppliers and service providers for their commitment support throughout the year. I would also like to thank our shareholders for their ongoing support and for their trust in our vision.

As a major shareholder, I am deeply committed to growing the business. I believe the strategies in place will position Step One well to adapt to the future and thrive.

Yours faithfully

Greg Taylor
Founder and CEO

SUSTAINABILITY REPORT

Overview

Sustainability Risk Management (Sustainability) is about embracing opportunities and managing business risks related to non-financial resources. This includes identifying opportunities to reduce dependency on limited resources, reduce waste in their use, and ultimately lessen the cost to the Group for utilising valuable resources. Sustainability evaluates how fragile environmental assets are managed over the long term, ensuring an appropriate balance between consumption and conservation.

Step One's continued focus on sustainability encompasses:

- sustainable material sourcing and ethical manufacturing;
- responsible marketplace interactions with suppliers and customers;
- employee diversity and talent; and
- community support.

Step One has considered the environmental and social impacts of its operations and has focused this report on the most important matters for a broad range of stakeholders. Step One focuses on identifying areas that provide opportunities for positive and meaningful change and that deliver long-term positive societal outcomes. At the heart of this goal is a belief in the harmony of financial performance and Environmental, Social and Governance ('ESG') considerations.

Who we are

Step One is comprised of a team of 39 people in 5 countries, with a shared goal of providing comfortable, sustainable and ethical underwear.

Recognising the importance of attracting and retaining the most highly skilled employees, Step One provides a safe and flexible work environment free of discrimination. Through Step One's Diversity Policy, a risk management approach is adopted to remove factors that could limit diversity whilst continuing to encourage merit-based recruitment and promotion based on performance. Step One is committed to developing a culture that values and achieves diversity in both its workforce and on its Board of Directors.

Step One employees are a diverse and talented workforce. Step One is committed to complying with all legislative workplace requirements, providing development opportunities and encouraging its employees to be the best version of themselves.

Step One is committed to the development of sustainable and responsible business practices in order to achieve its diversity objectives. Step One is proud of its workforce mix, with 56% of Step One's workforce being female and 44% male. Step One is looking to increase female representation in senior management positions. Step One has a strong belief that diversity garners the creativity of ideas and fabrication of strong teams.

Continual Improvement

Step One's sustainability program ensures robust protection of future growth, as well as ensuring costs are not uneconomically exposed to sustainability risk factors.

Step One will progressively extend coverage of it's own sustainability programs, and to the extent it is commercially viable, seek to align these practices with those of suppliers and production partners.

Step One will strive to enhance its sustainability initiatives in FY23 including carbon reporting.

100% ORGANICALLY GROWN & CERTIFIED BAMBOO

Step One uses Tanboocell branded bamboo which is organically grown in China without the use of any pesticides and is certified. The production of Tanboocell branded bamboo does not contribute to natural habitat loss or destruction.

Governance

Step One defines risk broadly which includes a focus on governance, climate change, greenhouse gas emissions, exposure to Environment, Social and Governance (ESG) obligations, changing stakeholder perception, customer preferences and legislative changes.

All ESG areas are considered risks, as the failure to properly address them will compromise the sustainable growth of the business. The Board has delegated to executive management the responsibility to identify actual and emerging risks and set in place programs to appropriately mitigate those risks. Step One complies voluntairly with the requirements of the Modern Day Slavery Act (2018) despite not yet achieving the revenue threshold. Core to achieving compliance is the level of certification against BSCI, FSC and OCS in Step One's Supply chain.

Step One's risk management framework is described in the Corporate Governance Statement on the Company's website.

Supply Chain

The following information is provided to assist assessment of Step One's sustainability risk and mitigations. It is important to note that Step One:

- does not own or manage forests;
- is not a manufacturer but does specify and control product design; and
- does not own or manage logistics or warehouse infrastructure.

Fibre Production - Emissions, Effluents and Waste

Sustainable forestry practices work in harmony with the environment and preclude products grown in areas where the natural forest has been cleared. Organic farmers use only natural products to nurture their crops. Bamboo grows rapidly with minimal water (compared to irrigated cotton) and is sourced from areas with high annual rainfall, therefore reducing the impact on the region's fresh water supply.

The fibre extraction process recycles the water it uses by adding biological mould to the waste water treatment process, the treated water can then be used for agricultural irrigation.

Fabric Manufacturing - Supplier Credentials

Factories involved in the conversion of bamboo fibre into fabric must be OEKO-TEX certified. This is an independent certification that ensures materials manufactured in each stage of the supply chain are tested for harmful substances. Each link in our supply chain is OEKO-TEX certified.

Garment Manufacturing - Supplier Credentials

Factories involved in garment manufacturing require BSCI certification to ensure they, among other elements, treat their workers ethically and legally. Contracts with the manufacturers enable contracts to be terminated for breaches of their ethical obligations.

Logistics - Carbon

Finished products are exported directly to warehouses in the selling countries to minimise export miles. Exporting is undertaken using containers via sea as much as possible as this has the lowest carbon impact and is the most inexpensive option.

Carbon production

Step One plans to determine its carbon footprint in FY23.

Packaging - Emissions, Effluents and Waste

Step One's packaging is 100% compostable which is independently verified.

STEP ONE SUPPLY CHAIN 2022

BAMBOO FABRIC

Bamboo Plantation › Fiber Extraction › Yarn Spinning › Fabric Knitting › Fabric Dying

NYLON FABRIC

Yarn Spinning › Fabric Knitting › Fabric Dying

WAISTBAND

Waistband Weaving

PACKAGING

Packaging Supplier

Sustainability Risk Management (Sustainability) is about embracing opportunities and managing business risks related to non-financial resources.This includes identifying opportunities to reduce dependency on limited resources, reduce waste, and ultimately lessen the cost to the Group for utilising valuable resources. Sustainability evaluates how fragile environmental assets are managed over the long term, ensuring an appropriate balance between consumption and conservation.

What is Oeko-Tex 100?

Oeko-Tex certifies non-hazardous end-products and all of their components. Products that carry the Standard 100 label have been tested and proven free of harmful levels of toxic substances.

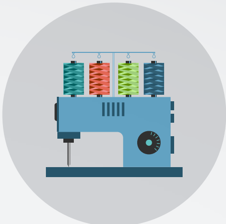
What is FSC?

FSC chain of custody certification verifies that FSC-certified material has been identified and separated from non-certified and uncontrolled material as it moves along the supply chain.

What is OCS 100?

The Organic Content Standard (OCS) is a standard for tracking and verifying the content of organically grown materials in a final product.

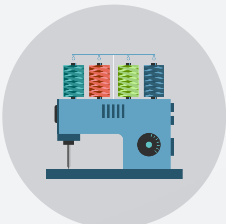
FACTORY



Garment Manufacture

Dongguan, Zhonghan, Chuzhou
**Zhonghan in progress*

CHINA



Garment Manufacture

Hanoi
**In progress*

VIETNAM

FINAL PRODUCT

STEP ONE™

AS 5810
ABAX 9999

What is BSCI?

The amfori Business Social Compliance Initiative (BSCI) is an industry-driven movement that aims to monitor and assess workplace standards across the global supply chain.

What is AS5810?

The ABA is dedicated to promoting plastics that are biodegradable, compostable and based on renewable esources. A55810 is the standard for Home Compostable Bio-plastics.

What is TUV Compost Home?

The TUV certification program confirms biodegradability in a home composting environment.

Production

Step One contracts clothing manufacturers. The supply chain therefore spans from sustainably grown forests to ethically managed factories.

Contracts are with garment manufacturers directly, however these contracts specify that they are to source materials that are certified compliant. Each contract provides for termination should a manufacturer operate in a manner inconsistent with Step One's standards and values. Factory compliance is monitored periodically but reliance is placed on external certifications to ensure ongoing compliance as follows:

Certificate	FSC	OEKO-TEX® CONFIDENCE IN TEXTILES STANDARD 100	ORGANIC 100 content standard	BSCI Business Social Compliance Initiative
Certifier	**Forest Stewardship Council**	**Independent OEKO-TEX® test institutes**	**Textile Exchange**	**The amfori Business Social Compliance Initiative**
Explanation	Bamboo fibre is responsibly sourced including no destruction of natural habitat and minimal use of water resources. Protects workers rights and wellning.	STANDARD 100 by OEKO-TEX® is one of the world's best-known labels for textiles tested for harmful substances. It stands for customer confidence and high product safety.	The Organic Content Standard (OCS) is a standard for tracking and verifying the content of organically grown materials in a final product.	BSCI aims to monitor and assess workplace standards across the global supply chain. There is a growing expectation that companies not only ensure their own businesses are responsible, but that their suppliers are also demonstrating social responsibility.

These certifications represent the highest standard available for clothing manufacturing.

Step One's is proud of the Company's track record relating to the environment, reporting no environmental incidents or breaches in the Company's history.

Packaging

Step One packaging is compostable. This claim is independently certified.

Home Compostable

HOME OK compost TÜV AUSTRIA HOME

Community Engagement

Step One firmly believes in being a responsible corporate citizen and developing lasting and meaningful engagement with the communities in which it operates. Some examples of recent community engagement include:

- donated underwear to homeless and boys home charities;
- donated underwear to Ukraine refugees resettling in both Australia and the UK;
- stock with damaged packaging provided to the 3PL staff to distribute to those in their communities who need it the most; and
- sponsorship of individuals pursuing philanthropic endeavours where the choice of chafe free underwear matters.

Step One is constantly pursuing community engagement opportunities that align with its values and have a positive impact.

People

Workplace Health and Safety

Step One will never compromise on quality and never compromise on safety. Factory safety is reviewed via the BSCI certification process, while employee safety is governed by workplace policies such as a Speak-up Policy, Equal Opportunity and Discrimination as well as the Code of Conduct. The Board agenda has a standing item to receive a report on people including historic and prospective issues.

Modern-Day Slavery

- Step One does not recruit for, employ, or contract with individuals under 18
- Step One does not exploit underaged people in employment or marketing processes
- Step One prohibits forced and compulsory labour. All employees and contractors have included in their contracts the right to provide notice and cease providing services to Step One

Income Equality

- All subcontractor agreements entered into are short-term in nature or otherwise at the individual's preference
- When multiple contract renewals have occurred, or a significant timeframe has passed, where the subcontractor represents >0.6 FTE they will be offered an employment contract at least matching their FTE
- Step One respects the wishes of subcontractors to maintain their engagement status if it is their preference and will not apply undue pressure to change the nature of the relationship
- Hourly rates and salaries used in employee contracts and subcontracting arrangements are all above minimum acceptable rates in their respective jurisdictions (living wage)

Capability and Diversity

Capability and performance culture is a source of competitive advantage. Step One applies a high-performance framework which considers 'how actions are done' with as much emphasis as 'what actions are done'.

In addition to performance, Step One encourages workplace diversity to ensure the voice of the customer is heard and understood. As at 30 June 2022:

- 56% of the workforce are female
- 100% of the workforce are committed.

Step One targets 50% of the executive management (the Board and key management personnel) being female and for any new executive management recruitment we would actively look to increase female participation.

Shareholder Value

Brand Value - Reputation and Brand

The Step One brand is the company's most important asset. Stewardship of the brand reflects the values of the company.

Stakeholder Communication - Informed Shareholders

Distinction is drawn between marketing Step One's products and providing information about Step One's company. As a company, Step One provides information to the market as soon as there is a material change in circumstances and/or a false market is forming. Refer to Continuous Disclosure Policy.

OPERATING AND FINANCIAL REVIEW

Business

Step One is a leading online, direct to consumer, innerwear brand. Step One offers an exclusive range of high quality, organically grown and certified, sustainable, and ethically manufactured innerwear that suits a broad range of body types. Step One owns the designs for its innerwear and contracts the manufacture of its products in Asia for export to warehouses in Australia, the United Kingdom and the United States. Order fulfilment is undertaken locally in each market by third party logistics providers.

Step One conceives and produces its own advertising content at its head office in Australia, while utilising local expertise to both produce or adapt content for overseas markets.

Business strategy

Step One operates in a highly competitive market that is constantly innovating. The business strategy relies upon the following key elements:

- products that solve a problem or improve on an existing product in the market. Our core range of underwear solves the problems of: reducing chafing, managing sweat, and preventing ride-up;
- contract manufacturing allows the Company to benefit from the best manufacturers in the world and at favourable costs;
- product innovation appeals to changing customer preferences and styles; and
- a flexible marketing and distribution model.

Underpinning this strategy is strong environmental, social and governance (‘**ESG**’) credentials.
The primary raw material for the products is made from organically grown Eco-Cert bamboo which is manufactured into garments in independently accredited factories.

Step One’s strategy is to ethically manufacture comfortable innerwear for all body types using sustainable materials. The product and marketing remains fun and inclusive with a focus on continuing to build a brand with a loyal following.

Financial performance

Earnings before interest, taxation, depreciation and amortisation (‘EBITDA’) is a financial measure which is not prescribed by the Australian Accounting Standards (‘AASs’) and represents the net profit after tax (‘NPAT’) under AASs adjusted for specific items. The directors consider EBITDA to be one of the key financial measures of the Group.

FOUNDER LEAD

Capital light, highly scalable with a strong brand and a product that resonates with consumers.

Highlights

KEY METRICS		FY22 $M	FY21 $M	VARIANCE $M	%
Financial [1]					
Revenue	$'000	72,187	61,717	10,470	17.0%
Gross Margin [2]	%	82.0%	82.6%	-	-0.6pcp
EBITDA Statutory	$'000	(298)	3,144	(3,442)	-109.5%
EBITDA Proforma	$'000	9,015	9,780	(765)	-7.8%
EBITDA Proforma as % of Revenue	%	12.5%	15.8%	-	-3.4pcp
NPAT Statutory	$'000	(3,003)	(118)	(2,885)	-2446%
NPAT Proforma	$'000	5,327	6,514	(1,187)	-18.2%
Operational					
Website visits	#m	16.5	10.0	6.5	65.0%
Conversion rate	%	5.2%	7.8%	-	-2.6pcp
Customer Orders	#'000	944	833	111	13.3%
New Customers	#'000	376	461	(85)	-22.6%
Returning customers rate	%	60%	45%	-	15.5pcp

1. Reconciliation to non-IFRS measures is provided in the section labelled Proforma Adjustments
2. Gross Margin is Gross Profit (Revenue less Cost of Goods Sold) expressed as a percentage of Revenue

Revenue

Step One's revenue grew in all markets, with continued strength in Australia.

	FY22 $M	FY21 $M	VARIANCE $M	%
Australia	46,596	40,667	5,929	14.6%
UK	22,045	21,050	995	4.7%
US	3,546	-	3,546	-
Total	72,187	61,717	10,470	17.0%

Revenue was supported by the introduction of the Women's line, which contributed $4.0m revenue (all in 2H22). Product extensions of the Men's line (sports and thermals) contributed $1.3m.

The Company's primary sale events in the year are the Black Friday Cyber Monday (BFCM) in November and the Mid-Year Sale (MYS) in June (formerly called the End of the Financial Year sale). Combined, these events contributed 20% of revenue.

Step One continues to have strong customer support, with over 60% of orders in the year attributed to a customer who has previously purchased a product. On average a returning customer purchased 1.61 times in the year (Total Orders/Total Unique Customers).

The Step One customer database grew by 52% in the year to over 1.1m customers.

Website visits increased 65% to 16.5m visits. However, conversion rate reduced to 5.2% (FY22: 7.8%) however, this is still considered an above average industry conversion rate.

	FY22 #000	FY21 #000	VARIANCE #000	%
New Customers	376	462	(86)	-19%
Database	1,101	725	375	52%

The average order value increased 0.7% to $75 due mostly to country mix and increased contribution of colour releases (often a single item purchase). Colour releases, including prints, contributed 38% to revenue (FY22: 14%).

Cost of Goods Sold

Gross Profit increased $8.2 million or 16.1% on the prior year however gross margin reduced to 82.0% from 82.6% in the prior year. The margin reduction occurred in the last 6 months of the financial year predominantly as a result of increased logistics costs and the impact of foreign currency rates on product purchases.

Advertising Costs

Advertising and marketing costs were $32.1m (FY22: $28.1m) largely driven by $4.3m of advertising invested in the entry to the USA market.

Advertising efficiency is measured by Return of Advertising Spend (ROAS) which calculates the dollar revenue derived from each dollar of advertising spend. Improvements in advertising efficiency in Australia were offset by a decline in the UK as trading has been challenging in that market.

Website visits in the UK increased 3.1m visits to 7.8m (FY22: 4.8m), while conversion rates declined to 4.3% (FY22: 7.1%). This indicates that advertising spend is effectively reaching a broader audience; however, it is not adequately targeting the 'right' audience. This is attributed to a range of internal and external factors including cost control and increasing controls on customer tracking (e.g. GDPR, IOS14). The result of which has been to reduce advertising effectiveness and increase the cost to recruit new customers.

Advertising spend by country

	FY22		FY21	
	$M	% OF TOTAL	$M	% OF TOTAL
Australia	15.2	47%	18.0	64%
UK	12.7	38%	10.1	36%
US	4.2	13%	-	-
Total	**32.1**	**100%**	**28.1**	**100%**

Advertising efficiency

	FY22		FY21	
	ROAS X	% OF REVENUE	ROAS X	% OF REVENUE
Australia	3.1	32.5%	2.3	44.2%
UK	1.7	57.8%	2.1	48.0%
US	0.9	118.1%	-	-
Total	**2.3**	**44.5%**	**2.2**	**45.5%**

Advertising spend by nature

	FY22		FY21	
	$M	% OF TOTAL	$M	% OF TOTAL
Digital	21.3	66%	17.4	62%
TV	7.3	23%	8.9	32%
Other	3.5	11%	1.8	6%
Total	**32.1**	**100%**	**28.1**	**100%**

Advertising recruitment effectiveness

	FY22		FY21	
	#'000	$ PER NEW CUSTOMER	#'000	$ PER NEW CUSTOMER
Australia	186	81.7	239	75.2
UK	154	82.6	221	45.6
US	36	116.3	-	-
Total	**376**	**85.4**	**461**	**61.0**

The cost to acquire (CAC) new customers continues to increase. It is not possible to separately attribute advertising costs between new customers and returning customers. The above data attributes 100% of advertising costs to the acquisition of new customers.

Advertising in the USA was less effective than expected with higher costs. A ROAS of less than 1.0x contributed to the overall financial loss in that market of $2.8m.

The USA market entry was slower than experienced in the UK. The delay was attributed to the need to develop more localised content than anticipated. The Company undertook a new content generation strategy with initial deployment in March, along with the engagement of local content management specialists to scale the business and promote the brand locally. This phase was given two months to gain traction: however, it did not scale as expected which resulted in the low ROAS and financial result.

Warehouse and Distribution Costs

Distribution costs increased in FY22 to 12.3% of revenue (FY21:10.0%). While the need to dispatch orders using express delivery options has abated, the overall cost of logistics increased due a range of cost increases including fuel surcharges and inflation linked costs. Step One is also holding almost double the inventory level held in June 2021.

The use of free express delivery options reduced in the last six months, however postal service prices have increased with fuel surcharges and other increases being experienced in the global logistics industry.

Workforce

On 30 June 2022, Step One had a team of 39 people of which 22 identified as female and 17 as male. Twenty-one team members were located in Australia. Total workforce costs were $3.0m excluding share-based payment incentives.

HEADCOUNT	30 JUNE 2022	1 NOVEMBER 2021
Customer Service	16	8
Content Management	6	5
Creative	6	5
Executive and support	7	4
Board (excl CEO)	4	4
Total team	**39**	**26**

A number of services provided by entities (rather than individuals contracting through entities) are not counted in these numbers. It is expected some of these roles will be brought 'in-house' in FY23.

The leadership team includes the Board and Key Management Personnel (as defined in the Remuneration Report). The leadership team comprises one female and five male representatives. Step One has a policy to place a positive bias on recruiting females to new or vacant leadership positions.

Overhead

Overhead of $17.8m reduces to a proforma overhead value of $8.5m after removing the costs of the ASX listing and capital raise process, historic share-based payments and the cost of settling a legal dispute. Refer to the proforma adjustments section for details.

Proforma overhead increased to $8.5m (FY22: $7.0m), $1.1m of which related to employee costs (including the CEO drawing a base salary of $0.5m pa (FY22: $0.1m)) plus additional staff. Employee costs include a range of contractual arrangements, not just direct employment.

Transaction fees including merchant acquiring fees increased $0.5m to 2.6% of revenue (FY22: 2.3%) as a wider range of payment options were introduced.

Taxation

The tax expense was $2.7m after adjusting for $6.5m of non-deductible share based payments and the tax effect of $2.8m in losses in the USA.

Discussions with the Australian Taxation Office are ongoing in regards to the appropriateness of GST refunds claimed on costs incurred from GST registered vendors. A liability of $1.9m has been recognised for this matter.

Proforma Adjustments

Proforma adjustments have been made in this report to aid understanding of the financial result. The adjustments are as follows:

P&L	FY22 $'000	FY21 $'000
Statutory EBITDA	(298)	3,144
Less Costs		
- Share based payments[1]	6,076	7,867
- IPO costs[2]	3,927	605
- Legal fees[3]	(256)	1,004
- Other costs	-	91
Add Costs[4]		
-Management & admin costs	-	(1,721)
-Executive share-based payments	-	(360)
-Public company costs	(434)	(859)
Other		9
Proforma EBITDA	**9,015**	**9,780**

P&L	FY22 $'000	FY21 $'000
Statutory NPAT	(3,003)	(118)
Less Costs		
- Share based payments[1]	6,076	7,867
- IPO costs[2]	3,927	605
- Legal fees[3]	(256)	1,004
- Other costs	-	91
Add Costs[4]		
-Management & admin costs	-	(1,721)
-Executive share-based payments	-	(360)
-Public company costs	(434)	(859)
Other		10
Proforma Tax Adjustment	(983)	(5)
Proforma NPAT	**5,327**	**6,514**

1. Relates to a historic share-based payment plan for which movements in the valuation were expensed.
2. Relates to IPO costs incurred but not capitalised.
3. Legal fees and settlement costs relate to a dispute expressed net of the insurance recovery received in FY22.
4. Additional costs that would have been incurred had the Company been listed for the full comparative period (e.g. ASX fees)

Financial position

Net assets exceeded $48.0m subsequent to the capital raise element of the IPO of $32.8m. Total cash holdings is $34.2m and there is no net debt. Step One remains a capital light business.

	30 JUNE 2021 $'000	IPO AND CAPITAL RAISE $'000	OTHER MOVEMENTS $'000	30 JUNE 2022 $'000
Current Assets				
Cash and cash equivalents	10,845	32,809	(9,446)	34,208
Inventories	9,731	-	15,652	25,383
Derivative financial instruments	134	-	(134)	-
Related party receivable	3,409	(3,409)	-	-
Other assets	1,303	-	(290)	1,013
	25,422	**29,400**	**5,782**	**60,604**
Non-Current Assets				
Property, plant and equipment	2		17	19
Intangibles	56		(6)	50
Deferred tax assets	1,534	1,635	(600)	2,569
	1,592	**1,635**	**(589)**	**2,638**
Total assets	**27,014**	**31,035**	**5,193**	**63,242**
Current Liabilities				
Trade and other payables	8,652	-	3,357	12,009
Contract liabilities	2,620	-	(1,113)	1,507
Income tax payable	3,678	179	(2,988)	869
Employee benefits	34	-	163	197
Other financial liability	8,000	(8,000)	-	-
	22,984	**(7,821)**	**(581)**	**14,582**
Non-Current Liabilities				
Employee benefits	2	-	17	19
	2	**-**	**17**	**19**
Total Liabilities	**22,986**	**(7,821)**	**(564)**	**14,601**
Net Assets	**4,028**	**38,856**	**5,757**	**48,641**

	30 JUNE 2021 $'000	IPO AND CAPITAL RAISE $'000	OTHER MOVEMENTS $'000	30 JUNE 2022 $'000
Equity				
Issued capital	1	52,495	-	51,496
Reserves	173		(79)	94
Retained profits/(accumulated losses)	3,854	(13,639)	5,836	(3,949)
Total Equity	**4,028**	**38,856**	**5,757**	**48,641**

Net tangible assets are $0.26 per share and cash is $0.18 per share.

Inventory has increased to $25.4m (FY21: $9.7m) as proceeds from the capital raise were directed to ensuring inventory was available for sale in all countries. There is now more than one year of inventory in each location: almost two years overall using historic values which reduces the risk resulting from interruptions to the supply chain.

Notwithstanding that the inventory is not perishable nor seasonal, it may require disposal if the packaging is damaged, or quantities are too small to justify allocating website space to it. A provision of approximately 1% of inventory value was raised. All product that is to be disposed of is either given to charities and/or to the warehouse and distribution staff who work so hard to support us.

Business risks

Information is available in the Risk Report.

Prospects for future financial years

Step One plans to continue expansion in existing markets while testing other markets. This will involve expanding customer reach using third party platforms such as Amazon and potentially other established retailers. Partnering with third party platforms will assist in building brand awareness and credibility, especially within the UK and US.

Step One will expand customer engagement to use the channels they use. Content will remain 'edgy' and proudly inclusive.

The supply chain is expected to be the subject of continued pressure on the cost of manufactured products (which is purchased in foreign currency) and inbound logistics costs.

Warehouse and distribution costs are similarly expected to remain under pressure from cost inflation within the logistics industry sector.

Expansion in the USA will balance both growth and profitability.

Step One is a consumer product and, while wearing underwear is a need to most people, sales are still subject to consumer confidence and economic conditions. Due to the current economic and social uncertainty in all jurisdictions, Step One is not providing guidance for FY23.

RISK REPORT

RISK	DESCRIPTION	RESPONSE
Strategic	The risk that the Company's strategy fails to deliver the expected outcomes due to unexpected internal or external events.	Regular evaluation of strategies and responsive to unexpected events. Maintain a high appetite to explore new products and customer engagement activities.
Operational	The risk that systems to order, manufacture, transport, sell or distribute products, fail. This risk includes disruption to global supply chains.	Maintain contracts with several key suppliers in different locations. Ensure days inventory is sufficient to cover supply chain disruptions. Maintain a low appetite for product failure and a moderate appetite for stock outs (after product is launched).
Marketing	The risk that advertising ceases to be effective or costs increase above economic levels.	Maintain engagement with digital platform owners to evaluate planned changes and opportunities they bring. Monitor consumer trends in product and digital usage. Maintain a high appetite for 'edgy' marketing content and exploring new channels.
System	The risk that system providers or their systems fail and cannot be restored within a reasonable time frame and/or without data loss. This risk includes cyber security risks, both denial of service/ access and loss of private data.	Continue to use 'tier 1' systems in primary operations, for limited mitigation is available. Step One will not hold private information (e.g., credit cards) outside of specialist systems.
Governance	The risk that systems and processes fail to detect and report changes in financial results, forecasts, assets or liability positions.	Maintain regular oversight and no tolerance for Policy breach. Financial and governance systems are subject to a doctrine of continuous improvement.

TOPIC	SUMMARY
Change in customer preferences and purchasing patterns	Demand for Step One's products is sensitive to its successful range development and customer demand for design and production features that are distinct from more established underwear brands. Step One's range development may fail to satisfy evolving customer preferences, or customers may not see value in Step One's distinct design and production features. There is the risk that colour releases and sale event initiatives do not have the same level of success as previously experienced.
Disruption in product supply or distribution and issues relating to supplier contracts may adversely affect Step One's operations	Step One does not manufacture the products which it sells and is reliant on third party suppliers which exposes it to risks relating to the actions or operations of those suppliers. Step One's relationships with its suppliers may deteriorate or geopolitical tensions or restrictions (including the imposition of tariffs or other protectionist measures) may have an impact on trade or the supply chain between Step One and its suppliers. Supply arrangements may also be terminated or discontinued (which may occur at short notice). There may also be potential delays in sourcing new products or disruptions in identifying and engaging alternative suppliers. Given the majority of suppliers are located outside Australia (predominantly in China), Step One is also subject to foreign exchange risks, as well as challenges associated with enforcing contractual arrangements in foreign jurisdictions.
Environmental Risks	Step One is reliant on the production of organically grown as a primary ingredient on the manufacture of its product. The bamboo is grown in China. As this is a natural product, there is a risk that it is affected by climatic changes in that region. Should Step One suppliers need to source bamboo from a different region, there are risks that it could cost more, not have the organic, environmental, or labour practice certifications the existing supply chain has established.

TOPIC	SUMMARY
Accreditation Risk	Step One products are ethically manufactured using sustainable materials as the primary inputs. Step One directly inspects the final manufacturing facilities on a sample basis however is reliant on third parties to inspect these and the upstream suppliers and their facilities. The third parties are globally accredited experts in this area and Step One places reliance on their local presence and expertise. If an accreditation was incorrectly claimed, contracts could be cancelled immediately, however remediation would be limited.
Logistics, supply chain disruption and COVID-19	There remains a risk that the global logistics disruptions continue. Disruption may result from economic disruption, conflict, or further COVID-19 related disruptions on Step One's supply chain.
Performance and reliability of Step One's website, databases and risk of data security breaches	Step One's IT systems and website are provided and managed by specialist service providers. A failure in the systems of a third party provider is likely to have a material impact on Step One's systems and operations. Mitigation is not available against a failure of critical suppliers at a global level. As these are global companies with industry standing, such outcomes are considered unlikely, however remain possible.

TOPIC	SUMMARY
Digital advertising may be impacted by changes to advertising or technology platforms	Step One utilises third party platforms such as Google Analytics, Google Ad Manager, Meta, and Instagram to plan, execute and monitor the performance of paid media advertisements. These platforms operate across other technology platforms, such as the Android operating platform and Apple operating platforms, which are regularly updated and these changes are outside the control of Step One. Recent changes have been made, and ongoing changes are expected, to these platforms in response to a range of factors, including privacy legislation such as GDPR in the United Kingdom and the CCPA in the United States of America. Future changes to these platforms may impact Step One's ability to effectively plan, execute and monitor its media campaigns, which may reduce the effectiveness of digital campaigns and have an adverse effect on Step One's operating and financial performance.
Increase in the cost of or reliance upon paid marketing	Step One may be materially adversely affected by any increase in the cost of, or in reliance on, search engine and social media platform marketing, or any decrease in the effectiveness of its search engine and social media platform marketing.
Step One may lose key management personnel	Step One's future success is dependent on its ability to retain and/or attract individuals that will complement its culture and retain an experienced senior management team, including the founder and chief executive officer Greg Taylor. Step One has arrangements in place with key employees including employment agreements and short and long-term incentives, and key employee equity holdings.
There may be adverse exchange rate movements	Step One purchases the majority of its products from suppliers in China. Most of the arrangements for purchase of products are denominated in Chinese renminbi, US dollars and Australian dollars in that descending order. Step One is therefore exposed to the foreign exchange rate movements. Step One sells its products in a range of currencies including British Pounds and US Dollars, and is therefore exposed to currency movements on those revenues.

DIRECTORS' REPORT

For the year ended 30 June 2022

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 year ended 30 June 2022.

Directors

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

David Gallop AM	Appointed 6 October 2021
Gregory Taylor	Appointed 6 January 2017
Richard Dennis	Appointed 6 October 2021
Michael Reddie	Appointed 6 October 2021
Catherine Thompson	Appointed 6 October 2021

Principal activities

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

Dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2022 $'000	2021 $'000
Final dividend for the year ended 30 June 2021	–	78
Pre-IPO dividend of 3.2 cents per ordinary share	4,800	–
	4,800	78

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

Review of operations

The loss for the Group after providing for income tax amounted to $3,003,000 (30 June 2021: $118,000).

Revenue for the financial year was $72,187,000 (30 June 2021: $61,717,000), an increase of 17.0% on the previous year. Geographically, growth was 14.6% in Australia and 4.7% in the United Kingdom, while revenue of $3,546,000 was derived from commencing operations in the United States of America.

Step One attracted over 16.5m (30 June 2021: 10.0m) website visits with an average conversion rate of 5.2% (30 June 2021: 7.8%).

There were 376,000 first-time customers in the period bringing the total to over 1,101,000. Customer retention remains high, with over 60% of orders being placed by returning customers. The average order frequency during the financial year was approximately 1.6x (total orders in the period/total unique customers who ordered in the period). Over 45 limited editions (including four women's colours) (30 June 2021: 15) were released during the year which resonated strongly with the existing customers. Limited editions represented approximately over 38% of revenue (30 June 2021: 14%).

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 year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on Directors

David Gallop AM
Chairperson and Non-Executive Director

Qualifications:	BA (ANU), LLB (Syd Uni), Graduate AICD
Experience and expertise:	David is a lawyer and has extensive experience and background in sports administration, media rights and broadcasting, digital content delivery, customer experience, legal and regulatory frameworks and stakeholder relationship management. David was previously CEO of Football Federation Australia and CEO of the National Rugby League.
Other current directorships:	▪ Tabcorp Holdings Ltd - non executive director ▪ Cricket NSW Ltd - non executive director
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Board, Member of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee
Interests in shares:	182,900 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Information on Directors continued

Gregory Taylor
Chief Executive Officer and Executive Director

Qualifications:	B. Comm
Experience and expertise:	Greg held various roles in e-commerce and technology companies prior to founding Step One.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	124,272,996 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Richard Dennis
Non-Executive Director

Qualifications:	B. Comm, LLB
Experience and expertise:	Rick serves on the Boards and Audit & Risk committees of several listed and private Australian companies. Rick held various leadership roles at EY including Managing Partner Queensland, COO in Oceania and CFO/Deputy COO in Asia-Pacific.
Other current directorships:	Motorcycle Holdings Ltd, Apiam Animal Health Ltd, Cettire Ltd, AF Legal Group Ltd
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee
Interests in shares:	30,000 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Michael Reddie
Executive Director

Qualifications:	B. Comm, LLB
Experience and expertise:	Michael is a corporate and commercial lawyer and Director of Reddie Lawyers. Michael also held roles at Gadens Lawyers and Lander & Rogers. Michael has worked with Step One since inception as an independent legal advisor.
Other current directorships:	None
Former directorships (last 3 years):	Cellnet Limited (16 January 2017 to 1 May 2020)
Special responsibilities:	Chief Legal Officer
Interests in shares:	9,132,000 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Information on Directors continued

Catherine Thompson
Non-Executive Director

Qualifications:	LLB (Hons)
Experience and expertise:	In 2012, Kate joined M.H. Carnegie & Co, an alternative asset manager based in Sydney, where she is currently Partner and COO. Kate has also held roles at Herbert Smith Freehills, King & Wood Mallesons and Lazard, where she was Director, Senior Legal Counsel and Head of Compliance. Kate is Chairperson of Revtech Media and Carsingha Investments (owner of the Entertainment Quarter, Moore Park, Sydney) and serves as a NED on a number of Boards.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee, Member of the Audit and Risk Committee
Interests in shares:	171,500 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

William Hundy, LLB, B. Com, B.Sc., FAICD, FGIA, Diploma of Corporate Management,

Mr. Hundy joined Step One as Company Secretary in October 2021. He is a Solicitor and Senior Company Secretary with Company Matters Pty Ltd. He was previously Company Secretary of Origin Energy Limited and a number of other public listed companies since 1987.

Mr. Hundy is an admitted solicitor in New South Wales and is a fellow of the Governance Institute of Australia, the Chartered Governance Institute and the Australian Institute of Company Directors.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	BOARD		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
David Gallop AM	12	12	1	1	3	3
Gregory Taylor	16	16	-	-	-	-
Richard Dennis	12	12	1	1	3	3
Michael Reddie	12	12	-	-	-	-
Catherine Thompson	11	12	1	1	3	3

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

Remuneration report (audited) continued

Non-executive Directors' remuneration

Fees and payments to non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive share options or other incentives.

The total aggregate amount provided to all non-executive directors of the Company for their services as directors must not exceed in any financial year the amount fixed by the Company in general meeting. This amount is fixed by the Company at $1,200,000 per annum.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term performance including share-based payments or cash alternatives; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are subject to Board discretion but take into account annual targets and key performance indicators ('KPI's') including profit contribution, cash flow, governance and culture.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. The Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2022.

Remuneration report (audited) continued

Remuneration for executives is linked to the performance of the Group as follows:

COMPONENT	PERFORMANCE MEASURE	PURPOSE AND LINK TO OBJECTIVES
Fixed remuneration (salary and other benefits including superannuation)	The level of remuneration is determined with reference to the role and responsibility and experience and qualifications required to competently undertake that role.	Attract, retain and motivate executives with the rights skills, capability and experience to meet the objectives of Step One
Short-term incentives ('STI') (performance based incentives delivered in cash)	Aligns KMP remuneration with short-term shareholder objectives in the areas of growth, profitability, governance and culture.	Delivery of key financial and operational outcomes that are key to Step One achieving its strategic and operational objectives.
	Performance measures will be set annually and include both financial and non-financial criteria. Assessment and payment is at Board discretion.	The mix of measures rewards achievement of a balance between financial and non-financial measures considered essential for all long term growth and stakeholder support.
Long-term incentives ('LTI') (performance based incentives delivered in cash or equity with vesting based on growth in a range of criteria including shareholder wealth)	FY21 and FY22 LTI grants were issued as share options with vesting over 3 years.	Aligns KMP remuneration with long-term shareholder value creation.
	Future LTI design and settlement instrument (cash or equity) is under review.	

Target remuneration mix for executives is under review.

	FIXED	STI	LTI	TOTAL
Target	60 - 80%	0 - 20%	40 - 0%	100%
As% of Fixed		20 - 30%	20 - 50%	40 - 80%

The CEO and Founder does not participate in the performance incentive program as he already has a material interest in increasing company value.

Consolidated entity performance and link to remuneration

FY22 STI

The FY22 STI was discretionary. No STI was paid in FY22.

STI payments in future periods will remain at Board discretion.

The Remuneration and Nomination Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Remuneration report (audited) continued

The following table outlines the FY22 outcomes for Executives.

EXECUTIVES	YEAR	STI AWARD	STI AS % OF FIXED REMUNERATION %	STI AS % OF OPPORTUNITY %
Gregory Taylor, CEO	FY22	-	-	-
	FY21	-	-	-
Michael Reddie, CLO	FY22	-	-	-
	FY21	-	-	-
Nigel Underwood, CFO	FY22	-	-	-
	FY21	-	-	-

FY22 LTI

Details of option grants in FY22 are detailed later in this report. All option grants were made pre-IPO.

The Remuneration and Nomination Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

The Group did not use a remuneration consultant. Should remuneration consultants be used in the future, an agreed set of protocols will be put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following Directors of Step One Clothing Limited:

- David Gallop AM
- Gregory Taylor
- Catherine Thompson
- Richard Dennis
- Michael Reddie

And the following person:

- Nigel Underwood

Changes since the end of the reporting period:

- None.

Remuneration report (audited) continued

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
2022	**CASH SALARY AND FEES $**	**CASH BONUS $**	**NON-MONETARY $**	**SUPER-ANNUATION $**	**LONG SERVICE LEAVE $**	**EQUITY-SETTLED $**	**TOTAL $**
Non-executive Directors:							
David Gallop AM	70,000	-	-	7,000	-	106,643	183,643
Richard Dennis	40,000	-	-	4,000	-	32,316	76,316
Catherine Thompson	-	-	-	-	-	72,711	72,711
Executive Directors:							
Gregory Taylor	472,500	-	174,346	27,500	-	-	674,346
Michael Reddie	80,000	-	-	8,000	-	-	88,000
Other Key Management Personnel:							
Nigel Underwood	302,500	-	27,500	27,500	-	95,552	453,052
	965,000	-	201,846	74,000	-	307,222	1,548,068

	FIXED REMUNERATION %	AT RISK - STI %	AT RISK - LTI %
Non-executive Directors			
David Gallop AM	100.00%	-	-
Richard Dennis	100.00%	-	-
Catherine Thompson	100.00%	-	-
Executive Directors:			
Gregory Taylor	100.00%	-	-
Michael Reddie	100.00%	-	-
Other Key Management Personnel:			
Nigel Underwood	60.00%	6.00%	34.00%

Remuneration report (audited) continued

The proportion of the cash bonus paid/payable or forfeited is as follows:

	CASH BONUS PAID/PAYABLE	CASH BONUS FORFEITED
	2022	2022
	%	%
Non-executive Director		
David Gallop AM	-	-
Richard Dennis	-	-
Catherine Thompson	-	-
Executive Directors:		
Gregory Taylor	-	-
Michael Reddie	-	-
Other Key Management Personnel:		
Nigel Underwood	-	100.00%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Gregory Taylor
Title:	Chief Executive Officer and Executive Director
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Base Salary for the year ending 30 June 2022 of $500,000 inclusive of superannuation, to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice for either party, no cash bonus or equity incentive participation. Immediate termination for serious misconduct. 12 month post employment non-solicitation and non-compete constraints.

Name:	Michael Reddie
Title:	Chief Legal Officer and Executive Director
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Directors' fee of $88,000 inclusive of superannuation plus reimbursement of travelling and other expenses incurred in attending meetings or otherwise discharging their duties. There is no additional fee for chairing sub-committees.

Remuneration report (audited) continued

Name:	David Gallop AM
Title:	Non-Executive Chairperson
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Directors' fee of $154,000 inclusive of superannuation plus reimbursement of travelling and other expenses incurred in attending meetings or otherwise discharging their duties. There is no additional fee for chairing sub-committees.

Name:	Catherine Thompson
Title:	Non-executive Director, Chair of the Remuneration and Nomination Committee
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Directors' fee of $88,000 inclusive of superannuation plus reimbursement of travelling and other expenses incurred in attending meetings or otherwise discharging their duties. There is no additional fee for chairing sub-committees.

Name:	Richard Dennis
Title:	Non-executive director, Chair of the Audit and Risk Committee
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Directors' fee of $88,000 inclusive of superannuation plus reimbursement of travelling and other expenses incurred in attending meetings or otherwise discharging their duties. There is no additional fee for chairing sub-committees.

Name:	Nigel Underwood
Title:	Chief Financial Officer
Agreement commenced:	30 March 2021
Term of agreement:	Open
Details:	Base Salary for the year ending 30 June 2022 of $330,000 inclusive of superannuation, to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice for either party, cash bonus of 10% (of base salary) uncapped and equity incentive participation of 50-60% (of base salary). Immediate termination for serious misconduct. 12 month post employment non-solicitation and non-compete constraints.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

Details of shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

NAME	DATE	SHARES	ISSUE PRICE	$
David Gallop AM	1 November 2021	99,000	$1.0772	106,643
Catherine Thompson	1 November 2021	67,500	$1.0772	72,711
Richard Dennis	1 November 2021	30,000	$1.0772	32,316

Remuneration report (audited) continued

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

GRANT DATE	VESTING DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
16 August 2021	1 November 2021	16 August 2031	$0.0000	$1.0772

Options granted carry no dividend or voting rights.

Value of options over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

NAME	VALUE OF OPTIONS GRANTED DURING THE YEAR $	VALUE OF OPTIONS EXERCISED DURING THE YEAR $	VALUE OF OPTIONS LAPSED DURING THE YEAR $	REMUNERATION CONSISTING OF OPTIONS FOR THE YEAR %
David Gallop AM	106,643	106,643	-	58.10%
Richard Dennis	32,316	32,316	-	42.30%
Catherine Thompson	72,711	72,711	-	100.00%

Details of options over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

NAME	GRANT DATE	VESTING DATE	NUMBER OF OPTIONS GRANTED	VALUE OF OPTIONS GRANTED $	VALUE OF OPTIONS VESTED $	NUMBER OF OPTIONS LAPSED	VALUE OF OPTIONS LAPSED $
David Gallop AM	16 August 2021	1 November 2021	99,000	106,643	106,643	-	-
Richard Dennis	16 August 2021	1 November 2021	30,000	32,316	32,316	-	-
Catherine Thompson	16 August 2021	1 November 2021	67,500	72,711	72,711	-	-

Remuneration report (audited) continued

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Ordinary shares					
David Gallop AM	-	99,000	83,900	-	182,900
Gregory Taylor[1]	150,000,000	-	1,272,996	(27,000,000)	124,272,996
Richard Dennis	-	30,000	-	-	30,000
Michael Reddie[2]	-	-	9,132,000	-	9,132,000
Catherine Thompson	-	67,500	104,000	-	171,500
Nigel Underwood	-	-	200,000	-	200,000
	150,000,000	196,500	10,792,896	(27,000,000)	133,989,396

1. The 27,000,000 disposal of shares made by Gregory Taylor relates to shares transferred in connection with the IPO.
2. Faraday Capital Pty Ltd, an entity controlled by Michael Reddie, was issued with 60 phantom share units, which settled on 1 November 2021 resulting in the issuance of 9,000,000 of the Company's shares. Refer to Note 18 of the consolidated financial statements for further information.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
Options over ordinary shares					
Nigel Underwood	900,000	-	-	-	900,000
	900,000	-	-	-	900,000

GRANT DATE	VESTING DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER OPTION AT GRANT DATE
30 June 2021	1 July 2024	30 June 2031	$1.3333	$0.3185

The participant in this option plan have to be employed until the end of the agreed vesting period. Upon vesting, each option entitles the holder of the option to subscribe for or acquire one ordinary share, unless the Board determines otherwise.

Remuneration report (audited) continued

Loans to key management personnel and their related parties

None

Other transactions with key management personnel and their related parties

Payment for accounting services from CMB Services Pty Ltd (trading as Bendigo Bookkeeping) (entity related to Gregory Taylor) for the current financial year was $300,908 (30 June 2021: $213,685).

Payment for digital advertising to The Fable Clothing Pty Ltd (entity related to Gregory Taylor) for the current financial year was $80,000 (30 June 2021: $nil).

This concludes the remuneration report, which has been audited.

Shares under option

There were 2,100,000 unissued ordinary shares of Step One Clothing Limited under option outstanding at the date of this report.

Unissued ordinary shares of Step One Clothing Limited under option at the date of this report are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
30 June 2021	30 June 2031	$1.3333	1,800,000
6 October 2021	30 June 2031	$1.3333	300,000
			2,100,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

On 6 October 2021, the Directors elected to receive a portion of their director's fee as option over shares in the IPO. The options vested on 1 November 2021 with the IPO. Details of these Share-based payments are provided in note 32.

There were no other ordinary shares of Step One Clothing Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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.

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

David Gallop AM
Chair

Gregory Taylor
Director and Chief Executive Officer

23 August 2022
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

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 audit of Step One Clothing Limited for the year ended 30 June 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 audit; and

b   no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 23 August 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Sales revenue	6	72,187	61,717
Cost of goods sold		(13,014)	(10,733)
Gross margin		59,173	50,984
Interest income calculated using the effective interest method		31	23
Other income	7	500	113
EXPENSES			
Advertising and marketing expense		(32,089)	(28,074)
Distribution and fulfilment expense		(8,846)	(6,194)
Employee benefits and contractor expense	8	(3,027)	(1,126)
Share-based payments expense	8	(6,539)	(7,867)
Depreciation and amortisation expense	8	(8)	(4)
Merchant and transaction fees		(1,857)	(1,403)
Net foreign exchange loss		(761)	-
Professional, legal and insurance fees		(1,699)	(1,967)
Listing and capital raise fees		(3,927)	(605)
Administration expense	8	(1,226)	(717)
Finance costs	8	-	(14)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(275)	3,149
Income tax expense	9	(2,728)	(3,267)
LOSS AFTER INCOME TAX EXPENSE FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF STEP ONE CLOTHING LIMITED		(3,003)	(118)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(330)	163
Other comprehensive income for the year, net of tax		(330)	163
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF STEP ONE CLOTHING LIMITED		(3,333)	45

		CENTS	CENTS
Basic earnings per share	10	(1.73)	(0.08)
Diluted earnings per share	10	(1.73)	(0.08)

Refer to note 4 for detailed information on Restatement of comparatives.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		CONSOLIDATED		
	NOTE	2022 $'000	2021 $'000	2020 $'000
ASSETS				
Current assets				
Cash and cash equivalents	11	34,208	10,845	6,735
Inventories	12	25,383	9,731	1,561
Derivative financial instruments	13	-	134	33
Related party receivables	14	-	3,409	86
Other assets	15	1,013	1,303	843
Total current assets		60,604	25,422	9,258
Non-current assets				
Property, plant and equipment		19	2	2
Intangibles		50	56	13
Deferred tax asset	9	2,569	1,534	631
Related party receivables	28	-	-	372
Total non-current assets		2,638	1,592	1,018
TOTAL ASSETS		63,242	27,014	10,276
LIABILITIES				
Current liabilities				
Trade and other payables	16	12,009	8,652	1,985
Contract liabilities	17	1,507	2,620	2,142
Income tax payable	9	869	3,678	1,840
Employee benefits		197	34	9
Other financial liability	18	-	8,000	133
Total current liabilities		14,582	22,984	6,109
Non-current liabilities				
Deferred tax liability	9	-	-	103
Employee benefits		19	2	3
Total non-current liabilities		19	2	106
TOTAL LIABILITIES		14,601	22,986	6,215
NET ASSETS		48,641	4,028	4,061

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	2021 $'000	2020 $'000
EQUITY				
Issued capital	19	52,496	1	1
Reserves	20	94	173	10
Retained profits/(accumulated losses)		(3,949)	3,854	4,050
TOTAL EQUITY		48,641	4,028	4,061

Refer to note 4 for detailed information on Restatement of comparatives.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2020	1	10	4,294	4,305
Adjustment for correction of error (note 4)	-	-	(244)	(244)
Balance at 1 July 2020 - restated	1	10	4,050	4,061
Loss after income tax expense for the year	-	-	(118)	(118)
Other comprehensive income for the year, net of tax	-	163	-	163
Total comprehensive income for the year	-	163	(118)	45
Transactions with owners in their capacity as owners:				
Dividends paid (note 21)	-	-	(78)	(78)
BALANCE AT 30 JUNE 2021	1	173	3,854	4,028

Refer to note 4 for detailed information on Restatement of comparatives.

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2021	1	173	3,854	4,028
Loss after income tax expense for the year	-	-	(3,003)	(3,003)
Other comprehensive income for the year, net of tax	-	(330)	-	(330)
Total comprehensive income for the year	-	(330)	(3,003)	(3,333)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 19)	38,513	-	-	38,513
Share-based payments (note 20)	-	463	-	463
Issue of shares on settlement of PSU liability (note 18)	13,770	-	-	13,770
Shares issued in lieu of directors' fees (note 20)	212	(212)	-	-
Dividends paid (note 21)	-	-	(4,800)	(4,800)
BALANCE AT 30 JUNE 2022	52,496	94	(3,949)	48,641

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	NOTE	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of sales taxes)		80,204	70,480
Payments to suppliers and employees (inclusive of sales taxes)		(83,061)	(61,581)
		(2,857)	8,899
Receipt from government stimulus package		-	90
Interest received		165	22
Income taxes paid		(5,957)	(2,415)
Net cash from/(used in) operating activities	31	(8,649)	6,596
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(19)	-
Payments for intangibles		-	(46)
Net cash used in investing activities		(19)	(46)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	19	40,000	-
Settlement of financial liability		(306)	-
Share issue transaction costs		(6,027)	-
Dividends paid	21	(4,800)	(78)
Repayment of borrowings		3,409	(2,468)
Net cash from/(used in) financing activities		32,276	(2,546)
Net increase in cash and cash equivalents		23,608	4,004
Cash and cash equivalents at the beginning of the financial year		10,845	6,735
Effects of exchange rate changes on cash and cash equivalents		(245)	106
Cash and cash equivalents at the end of the financial year	11	34,208	10,845

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

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 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 23 August 2022. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

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

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') and the Corporations Act 2001, as appropriate for for-profit oriented entities. 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 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 Group'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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Note 2. Significant accounting policies continued

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Step One Clothing Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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 CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Step One Clothing Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the entity's functional currency 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.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

On consolidation, assets and liabilities have been translated into the entity's functional currency at the closing rate at the reporting date. Exchange differences are charged or credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Note 2. Significant accounting policies continued

Revenue recognition

The Group recognises revenue as follows:

Revenue is recognised as an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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.

Sales of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at either the point of sale or at the time of delivery of the goods to the customer, as this is when the Group's performance obligation is fulfilled. Cash payment is generally received at the point of sale. Amounts disclosed as revenue are net of sales returns and trade discounts.

A right of return is not a separate performance obligation and the Group recognises revenue net of estimated returns. The Group has assessed the value of this right of return as being immaterial.

Interest income

Interest income 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.

Other income

Other income is recognised when the realisation of income is virtually certain. This includes an insurance claim during the year.

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.

Note 2. Significant accounting policies continued

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.

Step One Clothing Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity. The tax benefit of tax losses that are held in the relevant entity are not recognised until the recovery of those losses through reduction in future tax payments is probable.

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 Group'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 Group'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.

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.

Inventories

Inventories are measured at standard cost comprising the purchase cost, freight and duty expenses, net of rebates and discounts received or receivable.

Note 2. Significant accounting policies continued

The carrying amount of inventories is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Derivative financial instruments

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

Derivatives are classified as current or non-current depending on the expected period of realisation.

Property, 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 property, plant and equipment over their expected useful lives as follows:

Computer and office equipment	5 years

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

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

Leases

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group 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.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods to a customer and are recognised when a customer pays consideration before the Group has transferred the goods to the customer.

Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be

Note 2. Significant accounting policies continued

required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

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. 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

The Group operates equity and cash-settled share-based remuneration plans for its employees and non-employees, respectively.

The cost of equity-settled transactions with employees are measured at fair value on grant date. Fair value is determined independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the company value at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. Company valuation was determined by the shareholders after considering a range of valuation estimates which included discounted cash flows.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to the statement of profit or loss and other comprehensive income is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in the statement of profit or loss and other comprehensive income is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions with non-employees are measured at fair value on grant date and is accounted for as a compound financial instrument which is an instrument that contains both a debt and equity component. The financial liability component of the instrument is subsequently remeasured at each reporting

Note 2. Significant accounting policies continued

period and upon settlement, taking any differences to the statement of profit or loss and other comprehensive income. Where the award is subsequently settled in equity, the liability is transferred to equity. Otherwise, where settled in cash, the cash payments are applied against the financial liability. No subsequent changes are required to the equity component on grant date.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal value of the shares issued with any excess being recorded as share premium.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Step One Clothing Limited, 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.

Note 2. Significant accounting policies continued

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings 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 additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares to dilutive potential ordinary shares.

Goods and Services Tax ('GST'), Value-Added Tax ('VAT'), and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT 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/VAT receivable or payable. The net amount of GST/VAT 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/VAT 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/VAT recoverable from, or payable to, the tax authority.

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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

The Directors have reviewed all new and revised Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2022. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the company and, therefore, no change is necessary to the Group's accounting policies.

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.

Note 3. Critical accounting judgements, estimates and assumptions continued

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Share-based payments

The Group assesses the fair value of options granted applying the Black-Scholes valuation model. The use of this model requires significant judgement and assumptions in regards to the key inputs such as risk-free rate, share price volatility and time to maturity.

Note 4. 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.

The impact on the profit for the year ended 30 June 2021 is as follows:

	CONSOLIDATED 2021 $'000
Profit after income tax expense for the year ended 30 June 2021 - as previously stated	601
Increase in advertising and marketing costs due to potential GST overclaim	(1,218)
Income tax benefit as a result of potential GST overclaim	366
Share-based payments expense - PSU	133
Adjustment to comparative profit	(719)
Loss after income tax expense for the year ended 30 June 2021 - as restated	(118)

Note 4. Restatement of comparatives continued

The impact on equity is as follows:

	CONSOLIDATED	
	1 JULY 2020 $'000	1 JULY 2021 $'000
Balance as previously stated	4,305	4,991
Increase in GST payable	(158)	(1,376)
Reduction in Income tax	47	413
Increase other financial liabilities for change in share-based payments expense - PSU	(133)	-
	(244)	(963)
Balance as restated	4,061	4,028

As at 30 June 2022, the Group has recognised a liability of $1,860,000 (30 June 2021: $1,376,000) relating to this matter. Discussions are continuing with the Australian Taxation Office in regards to the appropriateness of GST refunds claimed on costs incurred from GST registered vendors. The Directors are satisfied that the liability is materially correct.

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.

Statement of financial position at the beginning of the earliest comparative period

	CONSOLIDATED		
EXTRACT	2020 $'000 REPORTED	$'000 ADJUSTMENT	2020 $'000 RESTATED
ASSETS			
Non current assets			
Deferred tax asset	584	47	631
Total non current assets	971	47	1,018
TOTAL ASSETS	10,229	47	10,276
LIABILITIES			
Current liabilities			
Trade and other payables	1,827	158	1,985
Other financial liability	-	133	133
Total current liabilities	5,818	291	6,109
TOTAL LIABILITIES	5,924	291	6,215
NET ASSETS	4,305	(244)	4,061
EQUITY			
Retained profits	4,294	(244)	4,050
TOTAL EQUITY	4,305	(244)	4,061

Note 4. Restatement of comparatives continued

Statement of financial position at the end of the earliest comparative period

	CONSOLIDATED		
EXTRACT	2021 $'000 REPORTED	$'000 ADJUSTMENT	2021 $'000 RESTATED
ASSETS			
Non current assets			
Deferred tax asset	909	625	1,534
Total non current assets	967	625	1,592
TOTAL ASSETS	26,389	625	27,014
LIABILITIES			
Current liabilities			
Trade and other payables	7,276	1,376	8,652
Total current liabilities	21,608	1,376	22,984
TOTAL LIABILITIES	21,610	1,376	22,986
NET ASSETS	4,779	(751)	4,028
EQUITY			
Retained profits	4,605	(751)	3,854
TOTAL EQUITY	4,779	(751)	4,028

Note 5. 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.

Major customers

During the current and previous financial years, 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.

	CONSOLIDATED	
	2022 $'000	2021 $'000
Australia (including export sales)	46,596	40,667
United Kingdom	22,045	21,050
United States of America	3,546	-
	72,187	61,717

Note 5. Operating segments continued

Non-current assets by Geographical regions

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

Note 6. Revenue

	CONSOLIDATED	
	2022 $'000	2021 $'000
Sales revenue	72,187	61,717

All sales revenue is from sale of goods recognised at a point in time. Refer to note 5 for revenue by geographical region.

Note 7. Other income

	CONSOLIDATED	
	2022 $'000	2021 $'000
Net foreign exchange gain	-	23
Insurance recoveries	500	-
Other income	-	90
Other income	500	113

Note 8. Expenses

	CONSOLIDATED 2022 $'000	2021 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Computer and office equipment	2	1
Amortisation		
Trademarks	6	3
Total depreciation and amortisation	8	4
Administration expense		
Short-term lease expense	229	207
Subscription and licence fees	404	141
Other operating expenses	592	369
Total administration expense	1,225	717
Finance costs		
Interest and finance charges paid/payable on borrowings	-	14
Employee benefits and contractor expense		
Salaries and wages expense	1,367	341
Superannuation expense	101	29
Other employee expenses	180	24
Contractor fees	1,379	732
Total employee benefits and contractor expense	3,027	1,126
Share-based payments expense		
Phantom share units ('PSU') liability revaluation prior to settlement	5,770	7,867
Phantom share units payment (refer Note 18)	306	-
Management share options	251	-
Directors' shares issued in lieu of fees	212	-
Total share-based payments expense	6,539	7,867

Note 9. Income tax

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Income tax expense		
Current tax	3,126	4,188
Deferred tax - origination and reversal of temporary differences	(398)	(959)
Adjustment recognised for prior periods	-	38
Aggregate income tax expense	2,728	3,267
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(398)	(959)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	(275)	3,149
Tax at the statutory tax rate of 30%	(83)	945
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	1,962	2,360
Cash flow boost	-	(29)
US tax benefit not recognised	840	-
Other non-deductible expense	9	-
	2,728	3,276
Adjustment recognised for prior periods	-	38
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(47)
Income tax expense	2,728	3,267

	CONSOLIDATED 2022 $'000	CONSOLIDATED 2021 $'000
Amounts credited directly to equity		
Deferred tax assets	(637)	-

Note 9. Income tax continued

	CONSOLIDATED	
	2022 $'000	2021 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Contract liabilities	440	786
Employee benefits	65	11
Other payables	121	64
Inventories	(289)	(140)
Derivative financial instrument	-	(40)
GST potential overclaim	413	413
Blackhole expenditure	1,819	440
Deferred tax asset	2,569	1,534
Movements:		
Opening balance	1,534	575
Credited to profit or loss	398	959
Credited to equity	637	-
Closing balance	2,569	1,534

	CONSOLIDATED	
	2022 $'000	2021 $'000
Provision for income tax		
Provision for income tax	869	3,678

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Note 10. Earnings per share

	CONSOLIDATED	
	2022 $'000	2021 $'000
Loss after income tax attributable to the owners of Step One Clothing Limited	(3,003)	(118)

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	173,431,097	150,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	173,431,097	150,000,000

	CENTS	CENTS
Basic earnings per share	(1.73)	(0.08)
Diluted earnings per share	(1.73)	(0.08)

2,100,000 (2021: 1,800,000) options and nil (2021: 9,000,000) phantom share units ('PSU') have been excluded from the diluted earnings per share calculation as they were anti-dilutive. Please refer to note 32 for further information on options and PSUs details.

The weighted average number of ordinary shares for 30 June 2021 has been restated for the effect of the share split completed in August 2021, in accordance with AASB 133 'Earnings per share'.

	NUMBER
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'	149,999,000
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	150,000,000

Note 11. Cash and cash equivalents

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current assets		
Cash at bank	24,208	10,845
Cash on deposit	10,000	-
	34,208	10,845

Note 12. Inventories

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current assets		
Stock on hand - at cost	23,957	6,441
Less: Provision for inventory obsolescence	(239)	(70)
	23,718	6,371
Stock in transit - at cost	1,665	3,360
	25,383	9,731

The inventory provision was increased in the period after charging $169,000 (30 June 2021:$70,000).

Note 13. Derivative financial instruments

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current assets		
Derivative financial instruments	-	134

Refer to note 23 for further information on fair value measurement.

Note 14. Related party receivables

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current assets		
Amounts due from related parties	-	3,409

Refer to note 28 for further information on related party transactions.

Note 15. Other assets

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current assets		
Prepayments	980	364
Deposits	-	692
Other current assets	33	247
	1,013	1,303

Note 16. Trade and other payables

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current liabilities		
Trade payables	8,846	5,461
Sales taxes (net)	2,244	1,757
Accruals and other payables	919	1,434
	12,009	8,652

The Sales Tax liability includes $1,860,000 (30 June 2021:$1,233,000) to be paid to the Australian Taxation Office for GST refunds claimed on costs incurred from some GST registered vendors.

Refer to note 22 for further information on financial instruments.

Note 17. Contract liabilities

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current liabilities		
Deferred revenue	1,507	2,620

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $1,507,000 as at 30 June 2022 ($2,620,000 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

	CONSOLIDATED	
	2022 $'000	2021 $'000
Within 6 months	1,507	2,620
6 to 12 months	-	-
12 to 18 months	-	-
	1,507	2,620

The balance of $2,620,000 at the end of the prior reporting period was all realised in the current financial year.

Note 18. Other financial liability

	CONSOLIDATED	
	2022 $'000	2021 $'000
Current liabilities		
Other financial liability - phantom share units	-	8,000

Movement in other financial liability	
Balance at 1 July 2020	133
Revaluation recognised as a share-based payment expense	7,867
Balance at 30 June 2021	8,000
Revaluation recognised as a share-based payment expense	5,770
Recognised as equity settlement on 1 November 2021	(13,770)
Balance at 30 June 2022	-

On 12 March 2020, the Group issued 60 phantom share units ('PSU') to a related party (refer to note 28 for further information). The PSU has fully vested on the effective date of the agreement, being 12 March 2020. As such, there are no vesting conditions.

The PSU entitles 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 8 for further details.

The PSU entitles the participant to receive a payment equivalent to a dividend calculated assuming the PSU had been exercised and converted to shares. On 30 September 2021, the PSU participant received a payment of $306,383. This was classified as a share-based payment.

Note 19. Issued capital

	CONSOLIDATED			
	2022	2021	2022	2021
	SHARES	SHARES	$'000	$'000
Ordinary shares - fully paid	185,340,291	1,000	52,496	1

Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 2020	1,000		1
Balance	30 June 2021	1,000		1
Share split*	16 August 2021	149,999,000	$0.0000	-
Shares issued in lieu of directors' fees	1 November 2021	196,500	$1.0772	212
Issue of shares on IPO	1 November 2021	53,143,791	$1.5300	81,310
Founder share sell-down on IPO	1 November 2021	(27,000,000)	$1.5300	(41,310)
Issue of shares on settlement of PSU liability (note 18)	1 November 2021	9,000,000	$1.5300	13,770
Less: share issue transaction costs		-		(1,487)
Balance	30 June 2022	185,340,291		52,496

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

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group'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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 20. Reserves

	CONSOLIDATED	
	2022 $'000	2021 $'000
Foreign currency translation reserve	(157)	173
Share-based payments reserve	251	-
	94	173

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 and previous financial year are set out below:

	FOREIGN CURRENCY TRANSLATION	SHARE-BASED PAYMENTS	TOTAL
Consolidated	$'000	$'000	$'000
Balance at 1 July 2020	10	-	10
Foreign currency translation	163	-	163
Balance at 30 June 2021	173	-	173
Foreign currency translation	(330)	-	(330)
Share-based payments	-	463	463
Shares issued	-	(212)	(212)
Balance at 30 June 2022	(157)	251	94

Note 21. Dividends

Dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2022 $'000	2021 $'000
Final dividend for the year ended 30 June 2021	-	78
Pre-IPO dividend of 3.2 cents per ordinary share	4,800	-
	4,800	78

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

Franking credits

	CONSOLIDATED	
	2022 $'000	2021 $'000
Franking credits available at the reporting date based on a tax rate of 30%	2,669	351
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 30%	6,008	2,351
Franking credits that will arise from the payment of dividends based on a tax rate of 30%	(2,057)	(33)
Franking credits available for subsequent financial years based on a tax rate of 30%	6,620	2,669

Note 22. Financial instruments

Financial risk management objectives

The Group'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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses 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 and ageing analysis for credit risk.

Risk management is carried out by the Chief Financial Officer under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and, where appropriate, hedges financial risks within the Group's operating units. The Chief Financial Officer reports to the Board on a monthly basis.

Market risk

Foreign currency risk

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

Note 22. Financial instruments continued

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.

	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATES	
Buy Chinese yuan Maturity:	2022 $'000	2021 $'000	2022	2021
0 – 3 months	6,292	2,212	4.6825	5.1340
3 – 6 months	-	-	-	-
6 – 12 months	-	-	-	-

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	ASSETS		LIABILITIES	
Consolidated	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Chinese yuan	-	134	-	-

Based on this position, the Group is not exposed to any significant foreign currency sensitivity from its existing financial liabilities.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Credit risk

The Group is not exposed to any significant credit risk.

Generally, receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a receivable 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 Group 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 Group 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 Group'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.

Note 22. Financial instruments continued

Consolidated - 2022	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	12,009	-	-	-	12,009
Other financial liability	-	-	-	-	-	-
Total non-derivatives		12,009	-	-	-	12,009

Consolidated - 2021	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	8,652	-	-	-	8,652
Other financial liability	-	8,000	-	-	-	8,000
Total non-derivatives		16,652	-	-	-	16,652

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.

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Note 23. Fair value measurement

Level 3: Unobservable inputs for the asset or liability

CONSOLIDATED - 2022	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Derivative financial instruments	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Other financial liability	-	-	-	-
Total liabilities	-	-	-	-

CONSOLIDATED - 2021	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
Assets				
Derivative financial instruments	-	134	-	134
Total assets	-	134	-	134
Liabilities				
Other financial liability	-	-	8,000	8,000
Total liabilities	-	-	8,000	8,000

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

CONSOLIDATED	OTHER FINANCIAL LIABILITY $'000	TOTAL $'000
Balance at 1 July 2020	133	133
Additions	7,867	7,867
Balance at 30 June 2021	8,000	8,000
Fair value movement	5,770	5,770
Settlement of liability	(13,770)	(13,770)
Balance at 30 June 2022	-	-

Note 24. Key management personnel disclosures

Compensation

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

	CONSOLIDATED	
	2022 $	2021 $
Short-term employee benefits and contractor fees	1,160,495	127,407
Post-employment benefits	74,000	12,247
Share-based payments	307,222	-
Non-cash benefits	6,351	5,351
	1,548,068	145,005

Note 25. 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, and its network firms:

	CONSOLIDATED	
	2022 $	2021 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	167,000	130,000
Other services - Grant Thornton Australia Limited		
Taxation services	204,512	320,179
Financial advisory services	256,300	50,000
Other	-	16,500
	460,812	386,679
	627,812	516,679
Audit services - network firms		
Audit of the financial statements	10,000	10,000
Other services - network firms		
Taxation services	31,565	24,782
	41,565	34,782

Note 26. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Note 27. Commitments

The Group has commitments of $5,725,000 as at 30 June 2022 (30 June 2021:$8,283,000) for production orders placed.

Note 28. Related party transactions

Parent entity

Step One Clothing Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED	
	2022 $	2021 $
Payment for expenses:		
Payment for property rental from related party (entity related to Gregory Taylor)	-	76,503
Payment for accounting services from CMB Services Pty Ltd (trading as Bendigo Bookkeeping) (entity related to Gregory Taylor)	300,908	213,685
Payment for digital advertising to The Fable Clothing Pty Ltd (entity related to Gregory Taylor)	80,000	-

The phantom share units ('PSU') were issued to Faraday Capital Pty Ltd ('Faraday'), an entity controlled by a Director of the Company, Michael Reddie. The 60 PSU issued to Faraday were settled in November 2021, resulting in the issuance of 9,000,000 of the Company's shares. Refer to note 18 for further information.

Receivable from and payable to related parties

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

	CONSOLIDATED	
	2022 $	2021 $
Current receivables:		
Receivables from related parties (entity related to Gregory Taylor)	-	3,408,867

Terms and conditions

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

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	PARENT	
	2022 $'000	2021 $'000
Loss after income tax	(9,780)	(7,883)
Total comprehensive income	(9,780)	(7,883)

Statement of financial position

	PARENT	
	2022 $'000	2021 $'000
Total current assets	32,980	7,456
Total assets	35,190	7,962
Total current liabilities	1,252	12,407
Total liabilities	1,270	12,450
Net assets/(liabilities)	33,920	(4,488)
Equity		
Issued capital	52,496	1
Foreign currency translation reserve	(13)	(13)
Share-based payments reserve	251	-
Accumulated losses	(18,814)	(4,476)
Total equity/(deficiency)	33,920	(4,488)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Note 29. Parent entity information continued

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		OWNERSHIP INTEREST	
NAME	PRINCIPAL PLACE OF BUSINESS/COUNTRY OF INCORPORATION	2022 %	2021 %
Step One Clothing Australia Pty Ltd	Australia	100%	100%
Step One Production Pty Ltd	Australia	100%	100%
Step One Clothing UK Limited	United Kingdom	100%	100%
Step One Clothing USA Inc.	United States of America	100%	100%

Step One Clothing USA Inc. and Step One Production Pty Ltd were dormant during the year ended 30 June 2021.

Note 31. Cash flow information

Reconciliation of loss after income tax to net cash from/(used in) operating activities

	CONSOLIDATED	
	2022 $'000	2021 $'000
Loss after income tax expense for the year	(3,003)	(118)
Adjustments for:		
Depreciation and amortisation	8	4
Share-based payments	6,539	8,133
Provision for stock obsolescence	169	70
Listing and capital raise fees	3,927	-
Foreign currency differences	359	(496)
Change in operating assets and liabilities:		
Increase in inventories	(15,652)	(8,170)
Increase in deferred tax assets	(1,035)	(691)
Decrease in derivative assets	134	-
Decrease/(increase) in other operating assets	290	(562)
Increase in trade and other payables	3,357	6,402
Increase/(decrease) in contract liabilities	(1,113)	478
Increase/(decrease) in provision for income tax	(2,809)	1,424
Increase in deferred tax liabilities	-	98
Increase in employee benefits	180	24
Net cash from/(used in) operating activities	(8,649)	6,596

Note 32. Share-based payments

Options

On 12 March 2020, the Group issued 60 phantom share units (“PSU”) to a non-employee participant (converted to 9,000,000 with the shares split on 16 August 2021). 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.

On 30 June 2021, the Group issued 12 options (converted to 1,800,000 with the share split on 16 August 2021) to two employees. Of those share options, 900,000 was issued to a KMP. The options will vest if certain conditions, as defined in the terms of issue of the options, are met. Participants in this option plan have to be employed until the end of the agreed vesting period. Upon vesting, each option entitles the holder of the option to subscribe for or acquire one ordinary share, unless the Board determines otherwise.

On 16 August 2021, the Group issued 196,500 options to Directors. The options would vest on successful completion of an IPO and providing the Director remain engaged on that date. Upon vesting, each option entitles the holder of the option to one ordinary share.

On 6 October 2021, the Group issued 300,000 options to an employee. The options will vest if certain conditions, as defined in the terms of the options, are met. Participants in this option plan have to be employed until the end of the agreed vesting period. Upon vesting, each option entitles the holder of the option to subscribe for or acquire one ordinary share, unless the Board determines otherwise.

The fair value of options issued on the grant date of 16 August 2021 was $211,670 and on the grant date of 6 October 2021 was $180,930. The fair value of the options issued on the grant date of 30 June 2021 was $573,312, however no expense was recognised for this grant during the FY21 financial year.

The fair value of the options granted were determined using a Black-Scholes Option Pricing Model that takes into account factors specific to the share option plan, such as the vesting period. Company valuation was determined by the shareholders after considering a range of valuation estimates which included discounted cash flows.

Note 32. Share-based payments continued

Set out below are summaries of options granted under various plans:

2022

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED*	EXERCISED	OTHER	BALANCE AT THE END OF THE YEAR
12/03/2020	Open	$0.0000	9,000,000	-	(9,000,000)	-	-
30/06/2021	30/06/2031	$1.3333	1,800,000	-	-	-	1,800,000
16/08/2021	16/08/2031	$0.0000	-	196,500	(196,500)	-	-
06/10/2021	30/06/2031	$1.3333	-	300,000	-	-	300,000
			10,800,000	496,500	(9,196,500)	-	2,100,000
Weighted average exercise price*			$1.3333	$0.8056	$0.0000	-	$1.3330

2021

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED*	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
13/03/2020	Open	$0.0000	9,000,000	-	-	-	9,000,000
30/06/2021	30/06/2031	$1.3333	-	1,800,000	-	-	1,800,000
			9,000,000	1,800,000	-	-	10,800,000
Weighted average exercise price*			$0.0000	$1.3333	-	-	$0.2222

* adjusted to reflect the share split on 16 August 2021.

Set out below are the options exercisable at the end of the financial year:

GRANT DATE	EXPIRY DATE	2022 NUMBER	2021 NUMBER
12/03/2020	Open	-	9,000,000
30/06/2021	30/06/2031	1,800,000	1,800,000
06/10/2021	30/06/2031	300,000	-

The weighted average remaining contractual life of options outstanding at the end of the financial year was 9 years (2021: 10 years).

GRANT DATE	EXPIRY DATE	SHARE PRICE AT GRANT DATE	EXERCISE PRICE	EXPECTED VOLATILITY	DIVIDEND YIELD	RISK-FREE INTEREST RATE	FAIR VALUE AT GRANT DATE
16/08/2021	Open	$1.0772	$0.0000	-	-	-	$1.0772
06/10/2021	30/06/2031	$1.3686	$1.3333	40.0%	-	1.18%	$0.6031

Phantom share units ('PSU')

The Group also issued PSU during the financial year. Refer to note 18 for further details.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values.

Note 33. Events after the reporting period

No matter or circumstance has arisen since 30 June 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.

DIRECTORS' DECLARATION

For the year ended 30 June 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

David Gallop AM
Chair

Gregory Taylor
Director and Chief Executive Officer

23 August 2022
Sydney

Grant Thornton

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Independent Auditor's Report

To the Members of Step One Clothing Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Step One Clothing Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – Note 2 and Note 6	
For the year ended 30 June 2022, the Group recognised revenue of $72,187,000 (2021: $61,717,000) from sale of goods. Revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. Revenue is recognised at a point in time when the Group transfers promised goods to the customer, either at the point of sale or at the time of delivery. To ensure revenue is recognised appropriately, an assessment is required at the end of the reporting period for all orders shipped but not yet delivered. Due to the timing of revenue recognition in conjunction with daily voluminous transactions, this is determined to be a key audit matter.	Our procedures included, amongst others: • Updating our understanding of the internal processes and controls around revenue recognition, including the use of a third-party retail point-of-sale system; • Selecting and testing a sample of revenue transactions pre and post-year-end and throughout the year, ensuring revenue was accurately recorded and occurred in the appropriate period by validating the transaction to supporting documentation; • Validating management's assessment of the contract liability at the balance sheet date; • Reviewing the Group's revenue recognition policies for compliance with AASB 15; and • Reviewing the adequacy of disclosures for compliance in accordance with the Australian Accounting Standards.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 28 to 37 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Step One Clothing Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 23 August 2022

SHAREHOLDER INFORMATION

30 June 2022

The shareholder information set out below was applicable as at 5 August 2022.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	ORDINARY SHARES			
	NUMBER OF SHARES	% OF TOTAL SHARES ISSUED	NUMBER OF HOLDERS	% OF TOTAL SHARES ISSUED
1 to 1,000	30,850,363	58.05	44	1.72
1,001 to 5,000	15,906,837	29.93	548	21.46
5,001 to 10,000	3,511,132	6.61	448	17.54
10,001 to 100,000	2,578,807	4.85	925	36.22
100,001 and over	296,652	0.56	589	23.06
	53,143,791	100.00	2,554	100.00
Holding less than a marketable parcel	498,444	0.94	746	29.21

	OPTIONS OVER ORDINARY SHARES			
	NUMBER OF OPTIONS	% OF TOTAL SHARES ISSUED	NUMBER OF HOLDERS	% OF TOTAL SHARES ISSUED
1 to 1,000	2,100,000	100.00	3	100.00
1,001 to 5,000	-	-	-	-
5,001 to 10,000	-	-	-	-
10,001 to 100,000	-	-	-	-
100,001 and over	-	-	-	-
	2,100,000	100.00	3	100.00
Holding less than a marketable parcel	-	-	-	-

SHAREHOLDER INFORMATION continued

30 June 2022

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	ORDINARY SHARES	
	NUMBER HELD	% OF TOTAL SHARES ISSUED
Dallard Road Pty Ltd	124,272,996	67.05
Faraday Capital Pty Ltd	9,132,000	4.93
HSBC Custody Nominees (Australia) Limited	7,928,073	4.28
BNP Paribas Nominees (NZ) Ltd	4,135,341	2.23
National Nominees Limited	3,405,134	1.84
BNP Paribas Nominees Pty Ltd	1,927,727	1.04
Elyuma Enterprises Pty Ltd	1,625,000	0.88
Bros Partners Investments Pty Ltd	1,423,717	0.77
J P Morgan Nominees Australia Pty Limited	877,349	0.47
Jjna No 2 Pty Ltd	557,790	0.30
Duddy 2020 Pty Ltd	450,000	0.24
Mr Thanh Binh Do	420,201	0.23
Mr Michael Alon Jacobson	400,000	0.22
Msg Holdings Pty Ltd	380,000	0.21
Invia Custodian Pty Limited	372,699	0.20
Mr Brayden Dwyer	370,732	0.20
M E J C Pty Ltd	343,864	0.19
Superhero Nominees Pty Ltd	317,948	0.17
Friday Investments Pty Ltd	307,000	0.17
Elton Property Pty Ltd	305,718	0.16
	158,953,289	85.76

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options over ordinary shares issued	2,100,000	3

Options have been issued under employee share schemes.

Substantial holders

Substantial holders in the Company are set out below:

		ORDINARY SHARES	
	DATE OF NOTICE	NUMBER HELD	% OF TOTAL SHARES ISSUED
Dallard Road Pty Ltd	1 November 2021	123,000,000	66.36

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

Restricted Securities

There are 132,196,500 ordinary shares subject to voluntary escrow restrictions.

The escrow restrictions for 26,596,500 shares will end at the close of trading on the ASX on the fifth day following the announcement of the Company's financial results for the financial year ending 30 June 2022 (30 August 2022).

The escrow restrictions for 105,600,000 shares will end at the close of trading on the ASX on the fifth day following the announcement of the Company's financial results for the financial year ending 30 June 2023.

There is no on-market buy-back.

CORPORATE DIRECTORY

30 June 2022

Directors	David Gallop AM - Chair	Appointed 6 October 2021
	Gregory Taylor - Chief Executive Officer	Appointed 6 January 2017
	Catherine Thompson	Appointed 6 October 2021
	Richard Dennis	Appointed 6 October 2021
	Michael Reddie	Appointed 6 October 2021
Company secretary	William Hundy, Company Matters Pty Limited	
Notice of annual general meeting	The annual general meeting of Step One Clothing Limited will be held on 16 November 2022. Further details will be provided with the Notice of Meeting.	
Registered office	5/69 Reservoir Street Surry Hills NSW 2010 Tel: +61 2 8095 6350	
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Tel: +61 1300 554 474	
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008	
Solicitors	Herbert Smith Freehills Level 34 161 Castlereagh Street Sydney NSW 2000	
Bankers	HSBC Bank Australia Limited Level 1 271 Collins Street Melbourne VIC 3000	
Stock exchange listing	Step One Clothing Limited shares are listed on the Australian Securities Exchange (ASX code: STP)	
Website	www.stepone.group	
Business objectives	In accordance with Listing Rule 4.10.19, the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.	
Corporate Governance Statement	The Directors and management are committed to conducting the business of Step One Clothing Limited in an ethical manner and in accordance with the highest standards of corporate governance. Step One Clothing Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: https://www.stepone.group/investor-centre/?page=corporate-governance	

STEP ONE