
Best&Less Group

# CONTENTS



**Acknowledgement**

Best & Less Group acknowledges the Traditional Custodians of Country throughout Australia and New Zealand and recognises their continuing connection to land, waters, and community. We pay our respects to them and their cultures, and to Elders past, present, and emerging.

# WELCOME TO OUR INAUGURAL ANNUAL REPORT

# 2021 HIGHLIGHTS

**Best & Less Group delivered a strong result and record profit in FY21.**

The result is an endorsement of our strategy, leadership in the value retail apparel segment, particularly in the baby and kids' categories, and omni-channel sales model. Strong like-for-like sales growth and a robust performance from our core categories, including baby which grew by over 15%, reflects the success of our differentiated customer value proposition of 'twice the quality at half the price'.

## EBITDA

**$71.6m**

↑ **165.2%**
(18.0% ahead of Prospectus forecast)

## EBITDA margin

**10.8%**

↑ **650bps**
(FY20: 4.3%)

## LFL Revenue Growth

↑ **10.8%**

## ONLINE Sales Growth

↑ **33.5%**

## Gross margin

# 48.9%

↑ **430bps**
(FY20: 44.6%)

## NPAT

# $47.0m

↑ **191.9%**
(18.1% ahead of Prospectus forecast)

## Revenue

# $663.2m

↑ **6.1%** (FY20: $625.0m)

*The information is prepared on a pro forma basis.

# CHAIR'S LETTER

Our ambition is to be the number one choice for mums buying baby and kids' apparel at a value price point, and we believe we have all the attributes necessary to achieve this.

JASON MURRAY
Chair

## Dear Fellow Shareholder,

On behalf of the Board of Directors, I am pleased to present Best & Less Group Holdings Ltd (BLGH) 2021 Annual Report, our first since listing on the ASX (ASX:BST) in July 2021.

It has been a milestone year for BLGH, with strong financial and operational performance underpinned by the delivery of our strategy and growth agenda.

While the impacts of COVID-19 continue to be felt by the retail market, we believe the opportunity facing us is substantial and attractive. With a small share in a large and growing addressable market, a relatively non-discretionary offer and favourable market dynamics, there are many reasons we are excited about the long-term prospects for BLGH.

## Number one for mum

Our ambition is to be the number one choice for mums buying baby and kids' apparel at a value price point. We believe we have all the attributes necessary to achieve this.

We operate a vertical retail model, with 86% of sales generated from our proprietary brands which are designed in-house, sourced directly from manufacturers, distributed via our supply chain, and sold exclusively across our network of 245 profitable stores and our fast-growing online channel.

We pride ourselves on having deep knowledge of, and a close relationship with our target customers – value conscious families. By combining this with our large sales volumes which deliver scale benefits and the deep retail sector experience of our board and management team, we can provide an extensive range of good quality products at a value price point to meet the needs of a growing family. We believe that nobody in the Australia and New Zealand market does this better than us.

## Market tailwinds

There are a number of structural market growth drivers that will benefit BLGH over the long-term. These include the growth of the value apparel segment, the rising number of households with children, increased online adoption and a general shift to value and trusted brands accelerated by COVID-19.

The Australian and New Zealand clothing and footwear market was worth over $27 billion in FY20, with the value segment alone worth $6.3 billion. The overall market is forecast to grow to $32 billion by 2024[1], with the growth of the value segment outpacing the wider market. We believe our specialty value focus, vertical retail model and longstanding customer relationships position us to take share from the other value players, particularly as some competitors withdraw or reduce their presence, as well as from the speciality retailers which often offer similar products at significantly higher prices. Our share of the overall market is currently only circa 2%, and less than 10% in the value segment.

The number of households with children in Australia and New Zealand is large and growing, and with over 350,000 births per year, there is a steady stream of new potential customers for BLGH. Baby is our customer acquisition engine, and the halo effect from the baby category to other categories will underpin our growth moving forward. As babies grow into kids, we grow with them, extending customer lifetime value and opening adjacent opportunities in womenswear, menswear and accessories.

1. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021


The shift to online purchasing will also benefit us as customer preferences change and we continue to evolve our omnichannel offer and fulfilment capabilities to meet their needs. Over time, we expect to take more than our share of the significant online opportunity, by enhancing our relatively nascent online proposition and by anticipating and responding rapidly to the changing preferences of our customers.

Importantly for BLGH, there is a general migration to value underway in the market, accelerated by COVID-19. This comes as uncertain economic conditions drive consumers towards value offerings, widening the division between the value and premium segments of the market. We believe there are several key factors at play here, including increasing savviness among millennials, technology enabling more sophisticated buying behaviour, and higher-quality value products made possible by improved sourcing, manufacturing and quality assurance.

## The importance of trust

We also expect to see a continued shift in customer preferences towards trusted retail brands, such as Best & Less and Postie, that provide high-quality and good value for the whole family.

With baby such an important category for BLGH, building trust early in our customer journey is critical. We have served generations of families across Australia and New Zealand, by developing an extensive omni-channel presence in the market and delivering on our proposition of providing 'twice the quality at half the price'. This privileged relationship with our customer is difficult to replicate.

BLGH has been around since 1965, with the opening of the first Best & Less store in Parramatta. A new chapter was written in 2021 when BLGH became a listed company.

Like all businesses, there are certain risks we face and do our best to mitigate, particularly in such uncertain economic times. You can read more about these risks in our Prospectus which is available in the investor centre of our Group website.

There is an abundance of opportunities ahead of BLGH and plenty of reasons to be excited about the future. Our strong balance sheet gives us the financial flexibility to execute our growth plans, and we firmly believe we have the strategy, talent and differentiated value proposition to succeed. At all times we will stay true to our values and will continue to work hard to deliver value for our shareholders, our customers and our communities.

On behalf of the Board of Directors, I would like to thank all our shareholders, including those who supported our IPO, for your continued support. I look forward to our first AGM being held virtually, on 23 November.

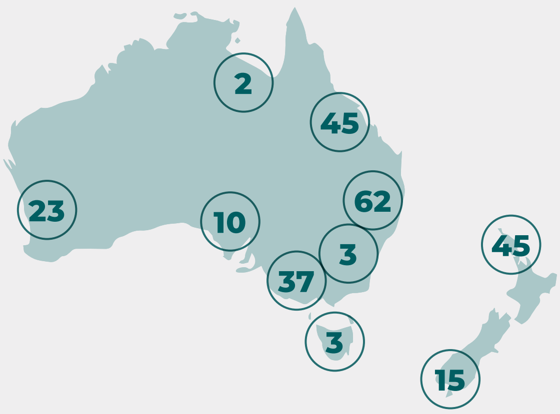
Yours Sincerely,

Jason Murray
Chair

# GROUP CHIEF EXECUTIVE OFFICER'S REPORT

**Our strong online sales growth of 33.5% benefited from improvements we have made to our offer, including an enhanced customer experience, the introduction of 'click and collect', additional store-based fulfilment options and our new Best&Less mobile app.**

**Rodney Orrock**
Group Chief Executive Officer




BLGH:
Total of 245 stores at June 2021

### Dear Fellow Shareholder,

I am delighted to report a strong performance for BLGH in FY21, having delivered record profits and exceeded our Prospectus forecasts in all key metrics.

This performance was a result of disciplined execution of our strategy and the diligence and, commitment of our excellent team, who continue to showcase their ability to execute and be agile in uncertain trading conditions.

I am pleased with the financial and operational performance we delivered this year, and that we were able to make progress on a number of important strategic initiatives that will set us up for long-term success as a specialty value apparel retailer.

Our strong like-for-like sales growth of 10.8% reflects the success of our differentiated customer value proposition of 'twice the quality at half the price'. The robust performance of our core non-discretionary categories, including baby which grew by over 15%, as well as underwear and sleepwear, further highlights the defensive characteristics of our business.

Our record profit, with pro forma NPAT of $47.0 million, and high margin outcomes, despite continued disruption from COVID-19, were the result of effectively managing the things we can control, including our inventory and costs. These qualities are built into our DNA and will contribute to our long-term success.

## Growth strategy

During the year, we made good progress on delivering our growth strategy, which comprises seven key pillars:

1. Increasing market share in the baby segment;
2. Increasing market share in the kids' segment;
3. Increasing market share in the womenswear segment;
4. Above-market online channel sales growth;
5. Increasing gross margin percentage to sales;
6. Targeted store network expansion; and
7. Cost reduction initiatives.

In baby we introduced silicone feeding lines for the first time to extend our presence in the category, as well as increasing the size range following detailed customer research. In kids, we introduced new sizes for girls and boys, while increasing the availability of volume lines to improve our service proposition.

Our improved denim offer and wider range of sizes in womenswear drove increased sales. We will continue to build out our offer in the important womenswear category that comprises over 40% of the total apparel market in Australia and New Zealand.

Our strong online sales growth of 33.5% benefited from improvements we have made to our online offer, including an enhanced customer experience, the introduction of 'click and collect', additional store-based fulfilment options and our new Best&Less mobile app. We are currently trialling 'click and collect' in New Zealand after the successful rollout in Australia.

Our gross margin percentage benefited from improved product mix and increased average sale price, as well as agile inventory management, and our 'Everyday Low Cost (EDLC) culture continues to drive improvements in our cost of doing business (CODB).

In FY21 we opened two new stores and relocated six stores, including two stores with expanded floor space. We closed seven stores during the period, largely completing our store optimisation program.

## Connected to our customer

We know that a well-connected customer is a happy customer, and that the more we know about our customer, the more we can tailor our offer to their specific needs which will deliver better outcomes.

To help with this, we implemented a number of initiatives to enhance our customer connectedness which have delivered good results this year.

Our loyalty program members shop with us more frequently, spend more per transaction and are incredibly loyal to us. During the year we relaunched our Friends Club loyalty program, which helped us to grow by over 400,0000 members, or 31%, to ~1.7 million members across Best and Less and Postie at the end of FY21.

The introduction of our 'Baby Land' online hub has enhanced our connection with mum and significantly increased the time she spends with us online and how much she buys.

## Building a winning team

Our people are our most important asset and we have assembled a winning team of more than 4,000 team members who are critical to driving our long-term success.

Our team members, known as 'Besties' in Australia, are ultimately responsible for delivering the strategy on a day-to-day basis and providing excellent service to our customers.

I am fortunate to be supported by a highly talented senior leadership team with deep retail sector experience, which enables us to respond effectively to rapidly changing conditions.

We aim to create a culture where our team members are valued, empowered and accountable. The Company's values, including sustainability and community, are core to our family-led offer. From the senior leadership team to our frontline store team members, the strength of our culture sets us apart.

We have made valuable additions to our team this year in buying, merchandising, marketing and online, which have contributed to our success by improving our capability and building our pathway to being better.

I was especially proud to see so many of our team members take up shares in the employee offer during the IPO to become fellow owners of the business, and thank them all for their commitment this year.

## Committed to sustainability

Operating in a sustainable way is something we are passionate about at BLGH. Our Environmental, Social and Governance (ESG) committee is one of the most active in the Company.

To further our efforts on sustainability, we have made a commitment that all our packaging will be re-usable, recyclable or compostable by 2025. We have also integrated the United Nation Sustainable Development Goals and voluntarily conducted a carbon audit to better understand our carbon footprint and take steps towards Net Zero in line with the Paris Agreement.

As a business with family at its core, we are committed to safeguarding human rights, ethical sourcing and paying living wages across our operations and supply chain.

This year we published our first Modern Slavery Statement and made good progress on our commitments outlined in our Living Wage Statement. In line with our Ethical Sourcing Code, we conducted 217 factory audits to ensure compliance across our supplier base. We also initiated a Workers Grievance Hotline to protect workers employed by our suppliers in all of our factories and provide them a voice directly to us.

We also supported 173 different charities through Good360, while partnering with not-for-profit charity Drought Angels to assist regional communities, including many we serve directly.

## Looking ahead

FY21 was a milestone year for BLGH, where we demonstrated the strength of our customer proposition, growth strategy and ability to execute in challenging times.

While COVID-19 continues to disrupt the market, we are well positioned for the very strong rebound in trading we expect to occur this year once vaccination rates increase and the economy reopens. Until then, we will continue to take action to support our customers and protect our P&L.

In FY22, we will continue our strong focus on delivering our growth strategy to build on our leadership position and achieve our ambition to be mum's first choice when it comes to clothing her baby and children.

## We will do this by:

1. Increasing the attractiveness of our offer;
2. Growing our share of the baby, kids and womenswear market segments;
3. Continuing to invest in developing outstanding people, process and capability across the business;
4. Further enhancing our online offer and customer engagement through the effective use of our data;
5. Growing our store network to increase our customer base in areas where BLGH is under represented; and
6. Continuing to deliver more for less.

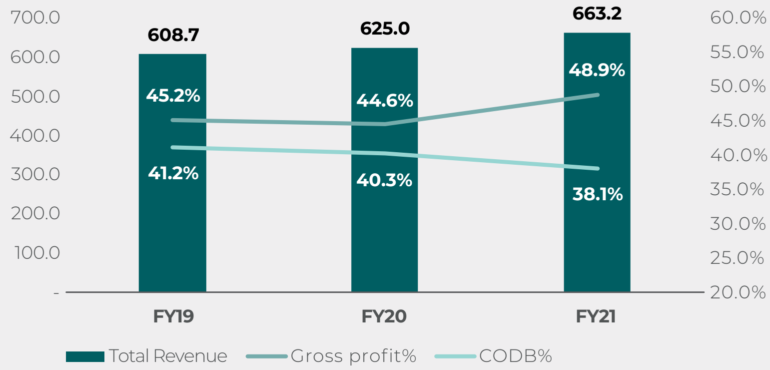
BLGH has served generations of families across Australia and New Zealand by focusing on mum and her family and delivering what we call 'twice the quality at half the price'. We will keep the customer at the heart of everything we do as we move forward to capture the significant opportunity ahead of us.

Yours Sincerely,

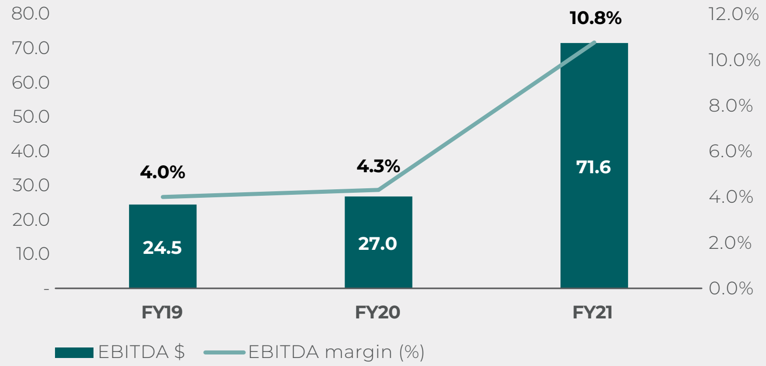
Rodney Orrock
Group Chief Executive Officer

# OPERATIONAL HIGHLIGHTS

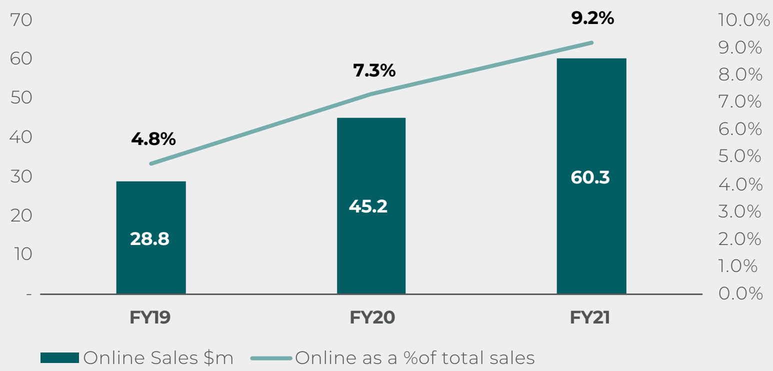
## BLG REVENUE & GROSS PROFIT GROWTH, & CODB CONTROL



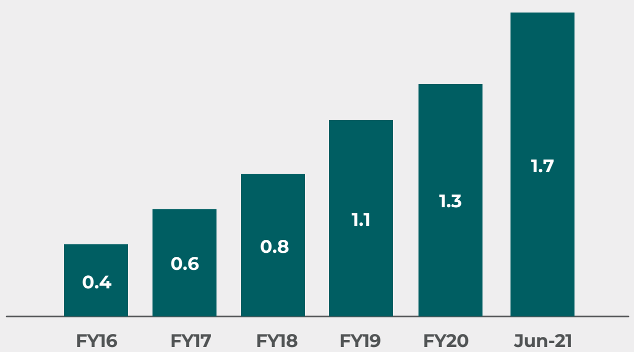

## BLG EBITDA GROWTH




## BLG ONLINE SALES




## BLG LOYALTY MEMBERS (MILLION)[1]




* The information in the tables above is prepared on a pro forma basis. Please refer to the EBIDTA pro forma reconciliation on pages 18-19 of the Annual Report.

1 Active contactable members who have opted-in to receiving regular Best & Less email offers. Historical active customer data assumes the current total member to active member ratio between Best and Less and Postie businesses is similar, given Postie active member data is not available. FY16 – FY20 as at September each year.

# ABOUT US

Best&Less Group

BLGH is a leading value apparel specialty retailer in Australia and New Zealand, with a network of 245 physical stores and an online platform across our two brands: Best&Less (in Australia) and Postie (in New Zealand).

BLGH's growth strategy is focused on growing our strong position in our core baby and kids' value apparel categories, which account for 50% of total sales, and leveraging these strengths to create growth opportunities in adjacent categories such as womenswear.

We have served generations of families and our ambition is to be the number one choice for mums buying baby and kids' value apparel in Australia and New Zealand.

For more information, visit our investor relations website at: www.bestandlessgroup.com.au/investor-centre/

### Our Brands

Best&Less

Best&Less was founded by Berel Ginges in May 1965 with the opening of the company's first store in the Sydney suburb of Parramatta.

Now operating 185 stores across Australia, Best&Less seeks to provide our target customers, 18–54-year-old women with children, with everyday low prices, a high level of customer service, a convenient shopping experience and access to high-quality, affordable everyday basics and on-trend products under the proposition of "twice the quality at half the price".

For more information, visit: www.bestandless.com.au

Postie

Postie is a New Zealand value apparel retailer with a unique 112-year heritage in the New Zealand market, starting with our first store on the West Coast of the South Island in 1909.

Postie operates 60 stores across New Zealand and a significant online business, targeting value conscious families buying baby and kids' apparel.

Postie's growth strategy and customer value proposition is aligned with Best&Less, and our competitive advantage lies in our ability to use BLGH's infrastructure, buying power, capability and scale, while leveraging our strong brand and customer relationships to provide a tailored offering for New Zealand families.

For more information, visit: www.postie.co.nz/

# VALUES-LED APPROACH TO ENVIRONMENTAL, SOCIAL & GOVERNANCE

## QUALITY AND SAFETY

- 100-Day guarantee
- Quality Assurance team
- Reputable safety record

## LIVING WAGES

- Living Wage Statement
- Gap analysis conducted
- Next step open costings to identify labour component

## COMMUNITY

- Supported 173 different charities through Good360
- Partnered with Drought Angels

## ETHICAL SOURCING

- Modern Slavery Statement
- 217 suppliers audits
- Workers Grievance Hotline
- PLM implementation

## SUSTAINABILITY

- All packaging re-usable, recyclable or compostable by 2025
- Integrating UN SDGs1
- GOTS2 certified organic cotton range
- Carbon audit complete

## ANIMAL WELFARE

- No fur used in our garments

# BOARD OF DIRECTORS

## Jason Murray | Chair BLGH

Jason first joined BLGH in February 2012 as Managing Director (when the Group was called Pepkor South East Asia). He resigned in October 2018 and then re-joined in December 2019 when the business was disposed of by Greenlit Brands. Jason's previous experience includes nearly eight years at Just Group, including as CEO and Managing Director for the last four and a half years, and over ten years with the global management consulting company McKinsey & Co. Jason's core capability and passion is the leadership, strategy development and transformation of retail businesses.

## Stephen Heath | Non-Executive Director

Stephen has 32 years of experience in retail and is a specialist in consumer goods brand management. Stephen is currently Chair of Temple & Webster, Glasshouse Fragrances and Shiro Holdings. He is also a Non-Executive director of Redhill Education and Total Tools.

Prior to his Non-Executive career, Stephen spent 16 years as CEO of iconic Australian consumer brands, including Rebel Sport, Godfrey's and Fantastic Holdings.

## Colleen Callander | Non-Executive Director

Colleen Callander has 30 years of fashion retail experience with 13 of those years as CEO of two of Australia's Iconic fashion brands – Sportsgirl and Sussan. Colleen has a wealth of knowledge and a proven track record in building brands, creating a winning culture and building environments for success. Colleen is also a member of the Starlight Victorian Advisory Board and an Ambassador for The Children's Cancer institute.

## Melinda Snowden | Non-Executive Director

Melinda has 27 years of experience in finance. Melinda is currently Chair of the Audit and Risk Committee of Wilson Asset Management Leaders Fund and Sandon Capital Investments, and a Non-Executive director of Our Ark Mutual and LLS Fund Services.

Melinda has held previous Non-Executive roles at MLC Limited, Vita Group and Kennards Self Storage. Prior to her Non-Executive career, she held investment banking roles with Grant Samuel, Merrill Lynch and Goldman Sachs.

## Fay Bou | Non-Executive Director

Fay is Managing Director at Allegro Funds and a member of its Investment Committee. Fay is currently a Non-Executive Director of Endeavour Learning Group, The Interiors Group and Toll Global Express and previously Chair of Ngahuia Group. Fay also has 18 years of experience in finance and strategy, having worked at Pacific Equity Partners, Babcock & Brown and PAG.

## Christopher Koeck | Alternate Director

Chris supports Fay in an Alternate Director capacity. Chris is an Investment Director at Allegro Funds where he has spent the last 7 years of his career. Chris worked on Allegro's initial acquisition of the BLGH in 2019 and was previously a director of the business prior to the listing on the ASX.

Board of Directors in office as at 5 October 2021

# EXECUTIVE LEADERSHIP TEAM

## Rodney Orrock | Group CEO BLGH

Rodney joined BLGH as Chief Executive Officer in 2016. Since commencing Rodney has overseen both the Best & Less and Postie businesses. Rodney has over 35 years of retail and supply chain experience, running national teams and groups across diverse product areas. During this period Rodney has worked for brands such as IBM, Harvey Norman, and DOMAYNE. Spanning across business functions such as sales, marketing, merchandising, operations and as a business owner and operator.

Rodney is a customer focussed and practical retail leader. Since joining Best&Less in 2016 he has transformed the business from a Promotional Hi – Lo discounter to an Every Day Low Price customer centric business with the focus on increasing customer traffic through better attraction and relevance, and leveraging volumes to achieve better value outcomes for the business.

## Andrew Moore | Group CFO BLGH

Andrew joined BLGH as Chief Financial Officer in 2015. Andrew has overall responsibility for the strategic, statutory and operational financial management of BLGH. Andrew was appointed Company Secretary in 2021.

Andrew has 38 years of experience in Finance & Accounting, including at Jalco, Sheridan International and KPMG. Andrew has Extensive experience in retail, distribution, manufacturing and supply chain, both locally and internationally.

## Linda Leonard | CEO Postie NZ

Linda joined BLGH in 2015 as Merchandise Director, Postie and became the CEO of Postie in April 2019.

With more than 30 years' international and domestic experience in the apparel industry, Linda's strategic planning and business skills will help lead Postie into further growth.

Linda's background includes Arcadia Group (Topshop and Dorothy Perkins), multinational retailer Debenhams as well as Senior roles in buying and planning for local retailers. Her experience in the industry is a valuable asset to BLGH.

# FINANCIAL REPORT

# CONTENTS

# DIRECTORS' REPORT

The Directors present their inaugural report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Best & Less Group Holdings Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the financial period from 29 July 2020 to 27 June 2021 ('financial period').

## Directors

The following persons were Directors of Best & Less Group Holdings Ltd during the whole of the financial period and up to the date of this report, unless otherwise stated:

Jason Murray (appointed on 10 March 2021)

Fay Bou (appointed on 29 July 2020)

Colleen Callander (appointed on 24 June 2021)

Stephen Heath (appointed on 24 June 2021)

Melinda Snowden (appointed on 24 June 2021)

Christopher Koeck (appointed on 29 July 2020 and resigned on 24 June 2021)

Christopher Koeck was appointed as an Alternate Director for Fay Bou on 19 August 2021.

## Principal activities

The principal activities of the Group during the financial period were the retailing and importing of clothing, footwear and other soft goods.

There have been no significant changes in the nature of the Group's principal activities during the financial period.

## Dividends

Dividends paid during the financial period were as follows:

| | Period to 27 June 2021 $'000 |
|---|---|
| **Interim dividends for the period ended 27 June 2021:** | |
| *Best & Less Group Holdings Ltd (a)* | |
| Paid on 3 March 2021 at 2.004 cents per share | 6,225 |
| Paid on 27 April 2021 at 10.841 cents per share | 33,676 |
| | 39,901 |
| *Best & Less Group Pty Ltd (b)* | |
| Paid on 3 March 2021 at 0.500 cents per share | 1,967 |
| Paid on 27 April 2021 at 0.337 cents per share | 1,324 |
| | 3,291 |
| | 43,192 |

(a) Dividends paid by the parent entity, Best & Less Group Holdings Ltd, on Class A and Ordinary shares.

(b) Dividends paid by subsidiary company, Best & Less Group Pty Ltd, on convertible redeemable preference shares issued to staff under its Management Equity Plan.

## Review of operations

The Group has delivered excellent financial and operational results in financial period ended 27 June 2021 despite the challenges and uncertainties created by the COVID-19 pandemic. These uncertainties have tested the strength of the Group's business model, and the reported results demonstrate the effectiveness of the Group's strategy and operational agility.

The statutory results for the financial period ended 27 June 2021 are summarised below:

- total sales of $576.1 million;
- gross profit of $279.3 million;
- statutory net profit after tax (NPAT) of $81.2 million; and
- net cash of $35.7 million as at 27 June 2021.

The Company was incorporated on 29 July 2020 and the businesses of Best & Less Pty Ltd and Postie Plus Group Ltd were acquired by the Company on 20 August 2020. Accordingly, the statutory results for the financial period do not include comparatives.

## Pro forma financial information (unaudited)

The Directors present the following pro forma financial information of the Company for the year ended 27 June 2021. The Directors consider that the pro forma financial information provided appropriately represents the financial performance of the Group and more clearly represents the Group's core performance.

The information in the table below is unaudited and is calculated on a pro forma basis, adjusting for certain non-recurring and other items. The pro forma adjusting items are set out in the Prospectus for the Initial Public Offering ('IPO') of ordinary shares of the Company dated 25 June 2021 ('Prospectus'). The pro forma adjusted current full year results ('FY21') are prepared on the same basis and are consistent with the pro forma historical and forecast financial information disclosed in section 4 and Appendix A of the Prospectus.

To enable comparisons of the FY21 results with the pro forma financial historical and forecast information presented in the Prospectus, the table below presents key measures of the pro forma prior comparative period ('pcp') results for the financial year ended 28 June 2020 ('FY20') and the pro forma forecast for the financial year to 27 June 2021 ('FY21F') extracted from the Prospectus.

The FY21 pro forma results in the table comprise the following:

- pre-acquisition results of the businesses of Best & Less Pty Ltd and Postie Plus Group Ltd for the period from 29 June 2020 up to the acquisition date of 20 August 2020;
- statutory results from the date of acquisition of 20 August 2020 to the end of the financial period 27 June 2021; and
- pro forma adjustments.

| Financial summary | Unaudited FY21 (i) | Unaudited FY20 (ii) | Var | Unaudited FY21F (iii) | Var |
|---|---|---|---|---|---|
| Revenue ($m) | 663.2 | 625.0 | +6.1% | 657.7 | +0.8% |
| Gross profit ($m) | 324.5 | 278.6 | +16.5% | 313.6 | +3.5% |
| Gross profit (%) | 48.9% | 44.6% | +430bps | 47.7% | +120bps |
| Total CODB ($m) (iv) | 252.9 | 251.6 | +0.5% | 252.9 | – |
| EBITDA ($m) (vi) | 71.6 | 27.0 | +165.2% | 60.7 | +18.0% |
| EBITDA margin (%) | 10.8% | 4.3% | +650bps | 9.2% | +160bps |
| NPAT ($m) (vi) | 47.0 | 16.1 | +191.9% | 39.8 | +18.1% |
| **Key financial metrics** | | | | | |
| Number of stores | 245 | 250 | (5) | 245 | – |
| Revenue growth (%) | 6.1% | 2.7% | – | 5.2% | +90bps |
| LFL revenue growth (%) (v) | 10.8% | 4.8% | – | 8.9% | +190bps |

(i) FY21: the current financial period results presented on a full year adjusted pro forma basis.

(ii) FY20: the FY20 pro forma results as presented in the Prospectus.

(iii) FY21F: the FY21 pro forma forecast as presented in the Prospectus.

(iv) Cost Of Doing Business ('CODB') as defined in the Prospectus.

(v) Like-For-Like ('LFL') revenue as defined in the Prospectus.

(vi) The statutory profit after income tax for the financial reporting period from 29 July 2020 to 27 June 2021 is adjusted as follows to determine the FY21 pro forma results:

| | $m |
|---|---|
| *Statutory results for the financial period from 29 July 2020 to 27 June 2021* | |
| Statutory profit after income tax expense | 81.2 |
| Net finance costs (note 8) | 15.8 |
| Depreciation, amortisation and impairment (note 7) | 46.4 |
| Income tax expense (note 9) | 13.0 |
| Statutory EBITDA | 156.4 |
| *Pro forma adjustments* | |
| Pre-acquisition trading results[1] | 22.3 |
| Acquisition accounting[2] | (43.6) |
| Disposal of head office[3] | (15.4) |
| Legacy MEP costs[4] | 2.2 |
| JobKeeper[5] | (14.1) |
| Reversal of AASB 16[6] | (45.1) |
| IPO costs[7] | 8.2 |
| Incremental public company costs[8] | (1.6) |
| Pro forma results for other Group entities[9] | 1.5 |
| Other non-recurring items[10] | 0.8 |
| Pro forma adjustments | (84.8) |
| Pro forma EBITDA for the period 29 June 2020 to 27 June 2021 | 71.6 |

| | $m |
|---|---|
| *Statutory profit after income tax expense* | 81.2 |
| Pro forma adjustments per above | (84.8) |
| Pre-acquisition trading results[1] | (2.7) |
| Acquisition accounting[2] | 0.4 |
| Reversal of AASB 16[6] | 51.9 |
| Impact of new working capital facilities[11] | 7.9 |
| Net tax adjustment[12] | (6.9) |
| Pro forma NPAT for the period 29 June 2020 to 27 June 2021 | 47.0 |

1 The statutory results comprise the Company and its subsidiaries from the date of acquisition being 20 August 2020. The pro forma adjustment recognises the pre-acquisition results of its subsidiaries (excluding the impact of AASB 16) for the period 29 June 2020 to 20 August 2020. The NPAT pro forma adjustment includes the results below EBITDA for the same period.

2 Relates to the reversal of certain acquisition accounting entries that arose when the Company acquired Best & Less Group Pty Ltd ('BLGPL') in August 2020. At the time of the acquisition, BLGPL's fair value of net identifiable assets was $64.8 million. The acquisition accounting entries included an uplift in the value of inventory (based on an external valuation) of $9.6 million and discount on acquisition of $53.2 million. These amounts have been removed as they do not relate to the trading of the business. The adjustment at the NPAT level relates to the lower depreciation charge emerging from the fair value exercise undertaken in relation to fixed assets at the time of acquisition. This adjustment aligns the historic depreciation charge to the current basis statutory depreciation.

3 The head office in Leichhardt was sold in July 2020 resulting in a $15.5 million non-recurring gain which has been reversed, net of a $0.1 million pro forma rental adjustment.

4 Reflects the historic accounting expense in relation to the legacy BLGPL Management Equity Plan ('MEP').

5 The JobKeeper adjustment reflects the removal of the non-recurring benefit to earnings of the JobKeeper payment received from the Australian Government. The adjustment reflects the amount of subsidy received by Best & Less Pty Ltd that was paid to eligible employees as subsidised amounts earned and payable to these eligible employees in relation to hours worked in the period. This amount therefore reduced the cost of doing business that would otherwise have been incurred by the Group.

6 This adjustment reflects the reversal of the impact of AASB 16 in order to present the pro forma financial Information in accordance with AASB 117. The pro forma adjustment at the NPAT level reflects the reversal of the AASB 16 impacts for depreciation and interest.

7 IPO costs reflect costs in relation to the IPO, including legal and accounting due diligence fees, tax and structuring advice, associated consultancy and advisory services relating to the IPO.

8 Public company costs reflect the Company's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs, long-term incentive plan costs and other public company costs.

9 This is a pro forma adjustment to align the historic BLGPL cost base to reflect the Group's post acquisition cost structure.

10 The adjustment relates to non-recurring professional fees.

11 Reflects the removal of interest expense in relation to superseded bank debt facilities. A pro forma interest charge relating to the new bank working capital facilities arranged in Australia and New Zealand has been applied.

12 Net tax adjustment reflects the cumulative income tax effect of the pro forma adjustments. The pro forma income tax expense reflects the application of a 30% Australian corporate tax rate on Australian taxable profits and a 28% New Zealand corporate tax rate on New Zealand taxable profits.

Pro forma revenue for the 12 months ended 27 June 2021 was $663.2 million which was up 6.1% on pcp and 0.8% higher than the Prospectus forecast (FY21F). The strong LFL sales growth of 10.8% was driven by the Group's omni-channel model, and the continued success of the "good, better, best" strategy. Together these elements improve the quality of the Group's offering and deliver benefits in increased average selling price. During the 12 months ended 27 June 2021 there were various COVID-19 lockdowns. This resulted in 2,280 lost trading days (calculated as lost trading days multiplied by total number of stores) representing circa 2.8% of total available trading days during the 12 month period. Online sales represented 9.2% (FY20: 7.3%) of total sales.

Importantly, the strong sales growth was supported by improved gross margin which delivered a 430bps increase compared to pcp and a 120bps increase compared to FY21F. Benefits of the Group's sales strategies coupled with improved inventory efficiency, and the benefits of lower cost of goods sold through an effective foreign currency hedging strategy, all contributed to the improvement in gross margin percentage.

The growth in gross profit dollars of 16.5% over pcp (FY21F: 3.5%) exceeded the absolute increase in CODB (cost of doing business) of 0.5% (FY21F: 0.0%), delivering a 165.2% increase in pro forma EBITDA and a 191.9% increase in NPAT.

Pro forma EBITDA of $71.6 million was $10.9 million (+18.0%) above Prospectus forecast and pro forma NPAT of $47.0 million was 18.1% ahead of the Prospectus forecast.

## Significant changes in the state of affairs

On 20 August 2020, the Company acquired 100% of the ordinary shares of Best & Less Group Pty Limited ('BLGPL') and its subsidiaries. Refer to note 31 for further details.

There were no other significant changes in the state of affairs of the Group during the financial period.

## Matters subsequent to the end of the financial period

On 25 June 2021, the Company's shareholders and BBRC International Pte Limited entered into a share sale agreement for the purchase of $40 million worth of shares in the Company at a price of $1.94 per share. Completion of the share sale took place on 22 July 2021.

In July 2021, the Company successfully completed an initial public offering ('IPO') of shares and raised $60 million through the allotment of 27.8 million shares at $2.16 per share. The allotment included 2.2 million new shares offered for issue by the Company to raise proceeds of $4.7 million. These proceeds were used to acquire a portion of the Convertible Redeemable Preference Shares ('CRPS') in BLGPL referred to in note 35 of the consolidated financial statements. Existing shares of 25.6 million were offered for sale to raise proceeds of $55.3 million. These proceeds were paid to the selling shareholders.

In connection with the IPO, the holders of CRPS in BLGPL entered into a conditional sale agreement with the Company, under which their CRPS were sold to the Company for a combination of cash and shares, in accordance with the BLGPL Management Equity Plan ('BLGPL MEP'). This transaction was completed on 22 July 2021. Similarly, the Class A Shares in the Company split and converted into fully paid ordinary shares in the Company in accordance with their terms of issue.

The Company was admitted to the official list of ASX Limited ('ASX') on 22 July 2021 and its shares began trading on 26 July 2021 ('Listing date').

The Company has established a long-term incentive plan ('LTIP') to assist in the motivation, retention and reward of eligible employees through grants of long-term incentives. The LTIP is designed to align the interests of employees with the interests of shareholders by providing an opportunity for employees to receive an equity interest in the Company. Performance rights and options will be awarded to executives based on long-term incentive measures. On 25 June 2021, the Board approved the grant of 1,070,797 performance rights which were issued on 16 August 2021. The issued performance rights are tied to the performance of the Group through two vesting conditions being earnings per share compound annual growth rate ('EPS CAGR') and relative total shareholder return ('rTSR') performance conditions in equal measure.

Subsequent to year end, various Australian state governments and the New Zealand government have announced COVID-19 lockdowns which have resulted in some Best & Less and Postie stores being unable to trade. In the eight weeks to 22 August 2021 this has resulted in 2,722 lost trading days, representing 19.9% of available trading days.

No other matter or circumstance has arisen since 27 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Likely developments and expected results of operations

### Impact of COVID-19

The impact of the COVID-19 pandemic is ongoing and the Company is confident that it is taking the correct actions as it continues to monitor the overall impact on the Group's operations. The extent of the future impact of COVID-19 on the Group's operational and financial performance cannot be estimated at the time of this report.

The Group expects to continue its principal activities for the foreseeable future.

## Environmental regulation

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

## Information on Directors

| | |
|---|---|
| Name: | Jason Murray |
| Title: | Chair and Non-Executive Director |
| Experience and expertise: | Jason first joined BLGH in February 2012 as Managing Director (when the Group was known as Pepkor South East Asia). He left the business in October 2018 and then re-joined in December 2019 when the business was acquired by Allegro Funds. Jason's executive role ended on the day shares were issued under the IPO on 26 July 2021. Jason's previous experience includes eight years at The Just Group, including as CEO and Managing Director for the last four and a half years, and over ten years with the global management consulting company, McKinsey & Co. Jason's core capabilities and passions are the leadership, strategy development and transformation of retail businesses. Jason has a Bachelor of Economics (First Class Honours and University Medal) from the University of Sydney and a Masters of Business Administration (Dean's List) from IMD in Lausanne. He is a member of the Australian Institute of Company Directors. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 10,368,021 fully paid ordinary shares |

| | |
|---|---|
| Name: | Fay Bou |
| Title: | Non-Executive Director |
| Experience and expertise: | Fay is a Managing Director at Allegro Funds and is a member of its Investment Committee. Fay led Allegro's acquisition of the BLGH in 2019. Fay has 18 years of experience in finance and strategy in Australia, the U.S. and Asia, working for firms including Pacific Equity Partners, Babcock & Brown and PAG. Fay is a Non-Executive Director of The Interiors Group and Endeavour Learning Group and was previously Chair of Ngahuia Group. Fay holds a Bachelor of Science in Business Information Technology from the University of New South Wales (Co-op Scholar), a Master of Business Administration from The Wharton School, of the University of Pennsylvania (Macquarie Scholar), a Master of Arts from the Lauder Institute, of the University of Pennsylvania (Leonard Lauder Fellow), and a Graduate Diploma of Applied Finance and Investment from FINSIA. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 69,444 fully paid ordinary shares |

| | |
|---|---|
| Name: | **Colleen Callander** |
| Title: | Independent Non-Executive Director |
| Experience and expertise: | Colleen joined BLGH in March 2021. Colleen has 30 years of fashion retail experience with 13 of those years as CEO of two of Australia's iconic fashion brands – Sportsgirl and Sussan. Colleen has a wealth of knowledge and a proven track record in building brands, creating a winning culture and building environments for success. Colleen is also a member of the Starlight Victorian Advisory Board and an Ambassador for The Children's Cancer institute. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 34,722 fully paid ordinary shares |

| | |
|---|---|
| Name: | **Stephen Heath** |
| Title: | Independent Non-Executive Director |
| Experience and expertise: | Stephen joined BLGH in December 2020. Stephen has 32 years of experience in retail and is a specialist in consumer goods brand management. Stephen is currently Chair of Glasshouse Fragrances. He was previously a Non-Executive Director of Total Tools. Prior to his non-executive career, Stephen spent 16 years as CEO of iconic Australian consumer brands, including Rebel Sport, Godfreys and Fantastic Holdings. |
| Other current directorships: | Non-Executive Director of Redhill Education Limited (ASX: RDH), Chair of Temple & Webster Group Ltd (ASX: TPW) and Shriro Holdings Limited. |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chair of Remuneration and People Committee |
| Interests in shares: | 46,296 fully paid ordinary shares |

| | |
|---|---|
| Name: | **Melinda Snowden** |
| Title: | Independent Non-Executive Director |
| Experience and expertise: | Melinda joined BLGH in December 2020. Melinda has 27 years of experience in finance. Melinda has held previous non-executive roles at Mercer Investments (Australia) and Kennards Self Storage Pty Ltd. Prior to her non-executive career, she held investment banking roles with Grant Samuel, Merrill Lynch and Goldman Sachs. Melinda holds a Bachelor of Economics and Laws from the University of Sydney and is a member of the Australian Institute of Company Directors. |
| Other current directorships: | Non-Executive Director and Chair of the Audit and Risk Committee of WAM Leaders Limited (ASX: WLE), Sandon Capital Investments Ltd (ASX: SNC) and Megaport Limited (ASX: MP1). |
| Former directorships (last 3 years): | None |
| Special responsibilities: | Chair of Audit and Risk Committee |
| Interests in shares: | 27,777 fully paid ordinary shares |

| | |
|---|---|
| Name: | **Christopher Koeck** (appointed on 29 July 2020 and resigned on 24 June 2021) |
| Title: | Alternate Director for Fay Bou (appointed alternate on 19 August 2021) |
| Experience and expertise: | Chris is an Investment Director at Allegro Funds where he has spent the last 7 years of his career. Chris worked on Allegro's initial acquisition of the BLGH in 2019 and was previously a director of the business prior to the listing on the ASX. Chris has over 10 years' experience in finance and M&A and worked at PwC prior to joining Allegro. Chris is currently an alternate non-executive director of Journey Beyond and was previously a non-executive director of Ngahuia Group and Best&Less. Chris holds a Bachelor of Commerce from the University of Sydney and is a Chartered Accountant. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Interests in shares: | 81,018 fully paid ordinary shares |

'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

### Anna Sandham

Anna Sandham was appointed as Co-Company Secretary of BLGH Ltd on 24 June 2021.

Anna is a Senior Company Secretary at Company Matters, Link Group's governance and company secretarial team and has over two decades of experience as a company secretary and governance professional.

Anna holds a Bachelor of Economics degree (University of Sydney) and a Graduate Diploma of Applied Corporate Governance (Governance Institute of Australia). Anna is a Fellow of the Governance Institute of Australia and a member of its Legislative Review Committee.

### John Andrew Moore

Andrew joined BLGH as Chief Financial Officer in 2015. Andrew has overall responsibility for the strategic, statutory and operational financial management of BLGH. Andrew was appointed Company Secretary in 2021.

Andrew has 38 years of experience in Finance & Accounting, including at Jalco, Sheridan International and KPMG.

Andrew has extensive experience in retail, distribution, manufacturing and supply chain, both locally and internationally. Andrew graduated from the University of New South Wales with a Bachelor of Commerce. He is a member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

## Meetings of Directors

The number of meetings of the Board of Directors ('Board') of the Company held during the financial period ended 27 June 2021, and the number of meetings attended by each Director were:

| | Held | Full board Eligible to attend | Attended |
|---|---|---|---|
| Jason Murray | 3 | 3 | 3 |
| Fay Bou | 3 | 3 | 3 |
| Colleen Callander | 3 | 1 | 1 |
| Stephen Heath | 3 | 1 | 1 |
| Melinda Snowden | 3 | 1 | 1 |
| Christopher Koeck | 3 | 2 | 2 |

Held: represents the number of meetings held during the financial period.

Eligible to attend: represents the number of meetings held during the time the Director held office.

There were no other Board committee meetings held during the financial period ended 27 June 2021.

## People and remuneration

Prior to the ASX listing on 26 July 2021, Best & Less Group Holdings Ltd was not required to prepare a remuneration report in accordance with the *Corporations Act 2001*. As such, a remuneration report is not presented for the financial period ended 27 June 2021.

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 conforms to the market best practice for the delivery of reward by aligning executive reward with the achievement of strategic objectives and the creation of value for shareholders. 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 People Committee ('RPC') assists the Board in fulfilling its statutory and regulatory responsibilities for corporate governance and overseeing the Group's nomination and remuneration policies and practices related to the Directors, senior management and the wider Group, to ensure that these policies and practices are consistent with the strategic goals of the Board. 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 key management personnel ('KMP') of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, which includes all Directors, and key executives being the CEO and the CFO. Remuneration to KMPs over the historical reporting period are disclosed in the notes to the financial statements.

Non-executive directors' remuneration reflects the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the RPC. Non-executive directors do not receive share options or other incentives.

Looking ahead, the Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group, and that seeks to enhance shareholders' interest by:

- having 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 a strong financial position, as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits;
- other remuneration such as superannuation and long service leave;
- short-term performance incentives ('STI'); and
- long-term performance incentives ('LTI').

## Executive remuneration framework

| Fixed remuneration – cash | Short-term incentive (at risk) – cash | Long-term incentive (at risk) – Equity |
|---|---|---|
| • Base salary plus superannuation and other benefits<br>• Influenced by individual skills, qualifications, experience and performance<br>• Reviewed annually | • STI is subject to performance hurdles in addition to behaviour culture and values hurdles<br>• Based on a percentage of total fixed remuneration with maximum percentages payable ranging from 10% to 50%<br>• Performance measured over 12 months | • Granted in performance rights<br>• Performance rights vesting subject to an earnings per share compound annual growth rate ('EPS CAGR') and relative total shareholder return ('rTSR') performance conditions<br>• Performance generally measured over 3 years |

During the financial period ended 27 June 2021, the Group, through the Remuneration and People Committee, engaged Mercer Consulting (Australia) Pty Ltd ('Mercer'), to review its remuneration policies and provide recommendations on the STI and LTI programs.

Payments under the STI plans are based on specific annual targets and KPI's being achieved. KPI's are set on a role-by-role basis and include EBITDA dollars, total sales dollars, online sales dollars, cash generation, cost of doing business as a percentage of sales, gross margin dollars and closing stock dollars.

The long-term incentives include long service leave and share-based payments. The Company established a long-term incentive plan ('LTIP') to assist in the motivation, retention and reward of eligible employees through grants of performance rights. The LTIP is designed to align the interests of employees with the interests of shareholders by providing an opportunity for employees to receive an equity interest in the Company.

Performance rights and options will be awarded to executives based on long-term incentive measures. On 25 June 2021, the Board approved the grant of 1,070,797 performance rights which were issued on 16 August 2021. The issued performance rights are tied to the performance of the Group through two vesting conditions being rTSR and EPS CAGR in equal measure.

The Board is of the opinion that improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this remuneration strategy will increase shareholder wealth if maintained over the coming years.

## Shares issued on conversion of Class A shares and CRPS

On 20 August 2020, 14,448,000 Class A shares in the parent entity were issued to key management personnel. Key management personnel should remain in service until an exit event in order for the Class A shares to convert into ordinary shares. On 18 June 2021, a share consolidation was undertaken by the Company at a rate of 2.995328. Following the consolidation there were 4,823,512 Class A shares at reporting date.

On 20 August 2020, the Group established a Management Equity Plan, under which certain members of management received equity (in the form of CRPS) in Best & Less Group Pty Ltd ('BLGPL') which is a subsidiary of the Group. The plan is referred to as the Best & Less Group Pty Ltd Management Equity Plan ('BLGPL MEP'). The Group granted 3,776,000 CRPS on 20 August 2020 and 156,000 CRPS on 18 September 2020. Subsequent to the reporting period 96,000 CRPS not belonging to key management personnel were forfeited.

Employees were provided with a limited recourse loan to acquire the CRPS. All loans provided in respect of the CRPS were paid in full prior to reporting date.

If CRPS holders remain in service until an exit event (a sale process such as a listing or trade sale), the CRPS held at the date of an exit event will be settled either in cash or in ordinary shares of the Company at a value by reference to the cash proceeds from the sale of, or distributions from BLGPL. The Group has the right to settle the CRPS in cash or in equity.

On 22 July 2021, the CRPS was settled by a combination of cash and ordinary shares in the Company. This settlement was made through a conditional sales agreement between the CRPS holders and the Company.

The following ordinary shares of the Company were issued on 22 July 2021 to a Director and the five most highly remunerated officers of the Group, on the conversion of their Class A Shares and CRPS. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

| Name of the officer | Date granted | Number of shares issued |
|---|---|---:|
| Jason Murray | 20/08/2020 | 12,297,376 |
| Rodney Orrock | 20/08/2020 | 4,758,440 |
| John Andrew Moore | 20/08/2020 | 2,478,354 |
| Teresa Gallo | 20/08/2020 | 297,402 |
| Joseph Van Dyk | 20/08/2020 | 574,978 |
| Andrea Kenworthy | 18/09/2020 | 483,279 |

Following the conversion of the Class A shares to ordinary shares, the Director sold 978,927 ordinary shares to BBRC International Pte Limited at $1.94 per share and a further 950,428 ordinary shares were sold at $2.16 per share as part of the Company's IPO of shares. The Director currently holds 10,368,021 ordinary shares.

The CRPS were converted at $2.16 per share as part of the IPO process. The five most highly remunerated officers of the Group have not sold any of their ordinary shares.

## Shares under option

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

### Shares under performance rights

Unissued ordinary shares of the Company under performance rights at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under performance rights |
|---|---|---|---|
| 16 August 2021 | 15 September 2026 | $2.16 | 1,070,797 |

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

### Shares issued on the exercise of options

There were no ordinary shares of the Company issued on the exercise of options during the period ended 27 June 2021 and up to the date of this report.

### Shares issued on the exercise of performance rights

There were no ordinary shares of the Company issued on the exercise of performance rights during the period ended 27 June 2021 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 period, 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 period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, 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 period by the auditor are outlined in note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial period, 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 27 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.

## Officers of the Company who are former partners of PricewaterhouseCoopers

There are no officers of the Company who are former partners of PricewaterhouseCoopers.

## 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.

## Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Jason Murray

**Jason Murray**
Director

26 August 2021
Sydney

# AUDITOR'S INDEPENDENCE DECLARATION

*Auditor's Independence Declaration*

As lead auditor for the audit of Best & Less Group Holdings Ltd for the period 29 July 2020 to 27 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Best & Less Group Holdings Ltd and the entities it controlled during the period.

David Ronald

David Ronald
Partner
PricewaterhouseCoopers

Sydney
26 August 2021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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 27 June 2021

| | Note | Consolidated<br>Period to 27 June 2021<br>$'000 |
|---|---|---|
| **Revenue** | | |
| Sales revenue | 5 | 576,071 |
| Cost of goods sold | | (296,762) |
| Gross profit | | 279,309 |
| Other income | 6 | 177 |
| **Expenses** | | |
| Selling expenses | 7 | (164,131) |
| Administration expenses | 7 | (47,542) |
| Other operating expenses | 7 | (11,002) |
| **Operating profit** | | **56,811** |
| Discount on acquisition | 31 | 53,208 |
| Net finance costs | 8 | (15,783) |
| **Profit before income tax expense** | | **94,236** |
| Income tax expense | 9 | (13,007) |
| **Profit after income tax expense for the period attributable to the owners of Best & Less Group Holdings Ltd** | | **81,229** |
| **Other comprehensive income** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Net change in the fair value of cash flow hedges taken to equity, net of tax | | 2,678 |
| Foreign currency translation | | 179 |
| Other comprehensive income for the period, net of tax | | 2,857 |
| **Total comprehensive income for the period attributable to the owners of Best & Less Group Holdings Ltd** | | **84,086** |
| | | $ |
| Basic earnings per share | 10 | 0.82 |
| Diluted earnings per share | 10 | 0.82 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 27 June 2021

| | Note | Consolidated<br>27 June 2021<br>$'000 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | 11 | 35,733 |
| Trade and other receivables | 12 | 4,934 |
| Inventories | 13 | 80,486 |
| Derivative financial instruments | | 999 |
| Total current assets | | 122,152 |
| **Non-current assets** | | |
| Property, plant and equipment | 14 | 9,763 |
| Right-of-use assets | 15 | 186,617 |
| Intangible assets | 16 | 11,838 |
| Deferred tax assets | 9 | 12,554 |
| Total non-current assets | | 220,772 |
| **Total assets** | | **342,924** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 17 | 72,163 |
| Lease liabilities | 18 | 37,228 |
| Income tax liabilities | 9 | 8,166 |
| Employee benefits | 19 | 12,231 |
| Provisions | 20 | 4,731 |
| Total current liabilities | | 134,519 |
| **Non-current liabilities** | | |
| Lease liabilities | 18 | 160,436 |
| Employee benefits | 19 | 2,318 |
| Provisions | 20 | 2,525 |
| Total non-current liabilities | | 165,279 |
| **Total liabilities** | | **299,798** |
| **Net assets** | | **43,126** |
| **Equity** | | |
| Issued capital | 21 | 1 |
| Reserves | 22 | 5,088 |
| Retained profits | | 38,037 |
| **Total equity** | | **43,126** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 27 June 2021

| Consolidated | Issued capital $'000 | Reserves $'000 | Retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 29 July 2020 | – | – | – | – |
| Profit after income tax expense for the period | – | – | 81,229 | 81,229 |
| Other comprehensive income for the period, net of tax | – | 2,857 | – | 2,857 |
| Total comprehensive income for the period | – | 2,857 | 81,229 | 84,086 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 21) | 1 | – | – | 1 |
| Share-based payments (note 35) | – | 2,231 | – | 2,231 |
| Dividends paid (note 23) | – | – | (43,192) | (43,192) |
| Balance at 27 June 2021 | 1 | 5,088 | 38,037 | 43,126 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 27 June 2021

| | Note | Period to 27 June 2021 $'000 |
|---|---|---|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | | 633,737 |
| Payments to suppliers and employees (inclusive of GST) | | (542,545) |
| Interest received | | 110 |
| Government grants received | | 15,413 |
| Income taxes paid | | (22,077) |
| Net cash from operating activities | 34 | 84,638 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | 14 | (4,677) |
| Payments for intangibles | 16 | (268) |
| Net cash received on purchase of business | 31 | 124,007 |
| Proceeds from disposal of property, plant and equipment | | 252 |
| Net cash from investing activities | | 119,314 |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 21 | 1 |
| Repayment of borrowings | 34 | (72,227) |
| Repayment of lease liabilities | 34 | (36,908) |
| Finance costs paid | | (15,893) |
| Dividends paid | 23 | (43,192) |
| Net cash used in financing activities | | (168,219) |
| Net increase in cash and cash equivalents | | 35,733 |
| Cash and cash equivalents at the beginning of the financial period | | – |
| Cash and cash equivalents at the end of the financial period | 11 | 35,733 |

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

## Note 1. General information

The financial statements cover Best & Less Group Holdings Ltd (the 'Company' or the 'parent') consisting of Best & Less Group Holdings Ltd and the entities it controlled (the 'Group') at the end of, or during, the period 29 July 2020 to 27 June 2021 ('financial period'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Best & Less Group Holdings Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

657-673 Parramatta Road
Leichhardt NSW 2040
Australia

The Company was incorporated on 29 July 2020 and acquired the shares of Best & Less Group Pty Ltd on 20 August 2020. Refer to note 31 for further details. On 26 July 2021, the Company was listed on the Australian Securities Exchange ('ASX') with the code 'BST'.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 August 2021. 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.

### 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 assets which, as noted, are at fair value.

#### 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.

### 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 AASB that are mandatory for the current reporting period.

The following is the most relevant to the Group:

#### Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 19 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

## Note 2. Significant accounting policies Continued

### 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 period ended 27 June 2021. 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.

| Title | Key requirements | Effective date |
| --- | --- | --- |
| AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (AASB 101)*<br><br>AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (AASB 101)* | The narrow scope amendments to AASB 101 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what AASB 101 means when it refers to the 'settlement' of a liability. | 1 January 2023 |

The Group is still assessing the impact of adopting these amendments.

#### Accounting period

The financial statements cover the financial period from 29 July 2020 (date of incorporation of the Company) to 27 June 2021.

### 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 32.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 27 June 2021 and the results of all subsidiaries for the period 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.

## Note 2. Significant accounting policies Continued

### Principles of consolidation Continued

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 Chief Operating Decision Makers ('CODM'). The CODM is the Group's Board of Directors and they are responsible for the allocation of resources to operating segments and assessing their performance.

### Foreign currency translation

#### Foreign currency transactions

Foreign currency transactions are translated into the Company'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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

#### 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.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Revenue recognition

The Group recognises revenue from the sale of clothing, footwear, and general merchandise. Revenue comprises the fair value of the consideration received or receivable for the sale of goods, excluding Goods and Services Tax (GST) and discounts.

#### Retail sales

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at a retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

#### Online sales

For online sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location or collected from stores.

#### Sale returns

Under the conditions of sale, customers have a right of return within 100 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products returned or expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous periods.

# Note 2. Significant accounting policies Continued

## Revenue recognition Continued

### Interest

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

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

## Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. A receivable for grant income is only recognised when the right to receipt of funds has been established.

## 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

An income tax benefit will arise for the financial period 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.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

## Note 2. Significant accounting policies Continued

### Income tax Continued

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### Current and non-current classification

Assets and liabilities are presented in the consolidated 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 include 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.

### Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. Receivables measured at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group recognises a loss allowance, for expected credit losses on its financial assets which are held at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. When the expected credit loss for trade receivables is determined, the Group makes use of the simplified approach, whereby the loss recognised is equal to the lifetime expected credit losses. Lifetime expected credit losses represent the expected losses that may result from possible default events, and the probability of such an event occurring, over the lifetime of the financial asset. The expected lifetime credit losses of the trade receivables are estimated using a provision matrix. The matrix is based on the Group's historical credit loss experience, adjusted for forward-looking factors, that are specific to the trade receivables.

## Note 2. Significant accounting policies Continued

### Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

### 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. The Group enters into hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

#### Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised as a financing expense.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

### 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 (excluding land and construction in progress) over their expected useful lives as follows:

| | |
|---|---|
| Buildings | 40 years |
| Plant, fixtures and fittings | 2-20 years |

## Note 2. Significant accounting policies Continued

### Property, plant and equipment Continued

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the amount of initial measurement of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment and adjusted for any remeasurement of lease liabilities.

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.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

### Intangible assets

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

#### Trademarks

Trademarks were acquired by the Group as part of a business combination (refer to note 31) and are initially measured at their fair value at the date of the acquisition. Trademarks have an indefinite life and are not subject to amortisation but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

#### Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future year financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 2 to 4 years and amortisation commences from the point at which the asset is ready for use.

## Note 2. Significant accounting policies Continued

### Intangible assets Continued

#### Software Continued

Software-as-a-Service ('SaaS') arrangements are service contracts providing the Group with the right to access a cloud provider's application software over a period of time. Under the IFRIC treatment, SaaS costs are only recognised as intangible assets if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

### 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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

## Note 2. Significant accounting policies Continued

### Lease liabilities Continued

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group has adopted the practical expedient for rent concessions and elected not to account for changes to lease payments negotiated as a consequence of COVID-19 as a lease modification. During the period, the total rent concessions recognised as a reduction in selling expenses in the profit or loss was $2.0 million.

### Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### 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 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. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

#### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

# Note 2. Significant accounting policies Continued

## Employee benefits Continued

### Bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

### Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of terminations benefits.

### Share-based payments

Executives of the Group receive remuneration in the form of share-based payments. These are equity-settled transactions that may be awards of shares or options over shares (including performance rights) provided to employees in exchange for the rendering of services. The grantor of the equity-settled instruments has the right to determine if the returns are settled in cash or in equity.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

## Note 2. Significant accounting policies Continued

### Employee benefits Continued

#### Group share-based payments

A share-based payment in which the receiving entity and the settling entity are in the same group from the perspective of the ultimate parent is a group share-based payment transaction for both the receiving and the settling entities. In a group share-based payment transaction in which the parent grants a share-based payment to the employees of its subsidiary, the share-based payment is recognised in the consolidated financial statements of the parent, in the separate financial statements of the parent and in the financial statements of the subsidiary.

### 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

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred, and
- acquisition date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a discount on acquisition or bargain purchase.

### Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

## Note 2. Significant accounting policies Continued

### Earnings per share 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

### 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.

## 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.

### Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### Valuation of acquired trademarks under a business combination

The fair value of trademarks that were acquired as part of the acquisition of Best & Less Group Pty Ltd and its subsidiaries was determined using market value valuation techniques such as the relief-from-royalty method based on forecasts and market conditions existing at acquisition date.

### Impairment of non-financial assets other than trademarks

The Group assesses impairment of non-financial assets other than trademarks, such as property, plant and equipment and right-of-use assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may trigger an impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models, which incorporate a number of key estimates and assumptions.

## Note 3. Critical accounting judgements, estimates and assumptions Continued

### Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Contracts may contain both lease and non-lease components. For property leases with gross lease payments, the Company allocated the consideration in the contract to lease and non-lease component based on their relative stand-alone price.

## Note 4. Operating segments

### Identification of reportable operating segments

AASB 8 *Operating Segments* requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Makers ('CODM'). The CODM has been identified as the Board of Directors who make strategic decisions, assess performance and determine the allocation of resources on behalf of the Group.

The Group's Board of Directors examines the performance of the Group as a single reportable segment comprised of two geographical operating segments, Australia and New Zealand. The geographical operating segments are aggregated as they have:

- similar economic characteristics;
- operate within apparel and general merchandise retailing;
- utilise the same product sources and distribution channels; and
- similar customer demographics.

As a result, the operating segment information is disclosed as one operating segment in the financial statements and notes to the financial statements throughout the report.

## Note 4. Operating segments

The Group's revenue and non-current assets by geography is as follows:

| | Australia | New Zealand | Consolidated |
|---|---|---|---|
| | Period to 27 June 2021 $'000 | Period to 27 June 2021 $'000 | Period to 27 June 2021 $'000 |
| Revenue | 495,869 | 80,202 | 576,071 |
| Non-current assets other than deferred tax assets | 190,053 | 18,164 | 208,217 |

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation), a non-GAAP financial measure, and EBIT (Earnings Before Interest and Tax) are the key measurement criteria which are reviewed by the CODM, Group Chief Executive Officer and Group Executive team.

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $'000 |
| Profit after income tax expense for the period | 81,229 |
| Net finance costs | 15,783 |
| Income tax expense | 13,007 |
| EBIT | 110,019 |
| Depreciation, amortisation and impairment | 46,430 |
| EBITDA | 156,449 |

### Major customers

During the financial period ended 27 June 2021, approximately 100% of the Group's external revenue was derived from sales to the general public. Revenue from other sources is disclosed in note 6 'Other income'.

## Note 5. Revenue

| | Consolidated<br>Period to 27 June 2021<br>$'000 |
|---|---|
| *Revenue from contracts with customers* | |
| Sales revenue | 576,071 |

*Disaggregation of revenue*

| | Consolidated<br>Period to 27 June 2021<br>$'000 |
|---|---|
| *The Group derives revenue from the following sales channels* | |
| Retail outlets | 517,500 |
| Online sales | 58,571 |
| | 576,071 |
| *Timing of revenue recognition* | |
| Goods transferred at a point in time | 576,071 |

## Note 6. Other income

| | Consolidated<br>Period to 27 June 2021<br>$'000 |
|---|---|
| Rent | 27 |
| Gain on disposal of assets | 119 |
| Other | 31 |
| Other income | 177 |

## Note 7. Expenses

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $'000 |
| Profit before income tax includes the following specific expenses: | |
| *Depreciation* | |
| Buildings | 1 |
| Leasehold improvements | 661 |
| Plant, fixtures and fittings | 800 |
| Buildings right-of-use assets (included in selling expenses) | 44,077 |
| Total depreciation | 45,539 |
| *Amortisation* | |
| Software | 734 |
| Total depreciation and amortisation | 46,273 |
| *Leases* | |
| Variable lease payments (included in selling expenses) | 5,626 |
| Low-value assets lease payments (included in administration expenses) | 271 |
| | 5,897 |
| *Impairment of assets* | |
| Construction in progress | 157 |
| *COVID-19 related rent concessions* | |
| COVID-19 related rent concessions recognised as a reduction in selling expenses in the income statement | 2,009 |
| *Superannuation expense* | |
| Defined contribution superannuation expense | 7,415 |
| *Employee benefits expense excluding superannuation* | |
| Employee benefits expense excluding superannuation (i) | 102,293 |
| *Other operating expenses* | |
| Professional fees | 585 |
| IPO related expenses | 8,186 |
| Share-based payments expense (note 35) | 2,231 |
| | 11,002 |

(i) During the COVID-19 pandemic, the Group received JobKeeper support payments from the Australian Government. These JobKeeper support payments have been netted off against employee benefits expense over the period necessary to match them with the costs that they are intended to compensate. The Group has recognised $11.5 million of JobKeeper support payments in the profit or loss during the period ended 27 June 2021. Of the JobKeeper support payments received, $7.4 million was paid to eligible employees as subsidised amounts earned and payable to these eligible employees in relation to hours worked in the period. This amount therefore reduced the cost of doing business that would otherwise have been incurred by the Group. The remaining $4.1 million was in relation to employees who were not working, or where the amounts received were greater than the amount earned by employees in relation to hours worked. The Group passed on these JobKeeper support payments through to employees. As a result, there was no net benefit to the Group's earnings from this portion ($4.1 million) of the total amount of the JobKeeper payments received.

## Note 8. Net finance costs

| | Period to 27 June 2021 $'000 |
|---|---|
| *Finance income* | |
| Interest on cash balances | (110) |
| *Finance costs* | |
| Interest and finance charges paid/payable on borrowings | 6,609 |
| Interest and finance charges paid/payable to related parties | 676 |
| Interest and finance charges paid/payable on lease liabilities | 8,317 |
| Interest on hedge contracts | 291 |
| | 15,893 |
| Net finance costs | 15,783 |

## Note 9. Income tax

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $'000 |
| *Income tax expense* | |
| Current tax | 18,769 |
| Deferred tax – origination and reversal of temporary differences | (5,762) |
| Aggregate income tax expense | 13,007 |
| Deferred tax included in income tax expense comprises: | |
| Increase in deferred tax assets | (5,762) |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | |
| Profit before income tax expense | 94,236 |
| Tax at the statutory tax rate of 30% | 28,271 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | |
| Entertainment | 1 |
| Share-based payments | 669 |
| Discount on acquisition | (15,962) |
| Difference in overseas tax rates | (98) |
| Temporary differences not recognised | 126 |
| Income tax expense | 13,007 |

## Note 9. Income tax Continued

| | Consolidated |
|---|---|
| | **Period to 27 June 2021 $'000** |
| *Amounts charged directly to equity* | |
| Deferred tax assets | 1,207 |
| *Net deferred tax asset/(liability)* | |
| Net deferred tax asset comprises temporary differences attributable to: | |
| Amounts recognised in profit or loss: | |
| Property, plant and equipment | 1,314 |
| Employee benefits | 5,382 |
| Lease liability | 58,971 |
| Provisions | 1,457 |
| Black-hole expenditure | 1,609 |
| Accrued expenses | 2,183 |
| Inventories | 1,944 |
| Right-of-use assets | (56,828) |
| Trademarks | (3,176) |
| | 12,856 |
| Amounts recognised in other comprehensive income: | |
| Derivative financial instruments | (302) |
| Deferred tax asset | 12,554 |
| Movements: | |
| Opening balance | – |
| Credited to profit or loss | 5,762 |
| Charged to equity | (1,207) |
| Additions through business combinations (note 31) | 7,977 |
| Exchange differences | 22 |
| Closing balance | 12,554 |
| *Provision for income tax* | |
| Provision for income tax | 8,166 |

## Note 10. Earnings per share

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $'000 |
| Profit after income tax attributable to the owners of Best & Less Group Holdings Ltd | 81,229 |

| | Number |
|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings per share | 98,881,999 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 98,881,999 |

Ordinary shares totalling 296,184,000 were issued on 29 July 2020. A share consolidation was undertaken by the Company on 18 June 2021 at a rate of 2.995328 that converted to 98,881,999 ordinary shares (note 21).

| | $ |
|---|---|
| Basic earnings per share | 0.82 |
| Diluted earnings per share | 0.82 |

## Note 11. Cash and cash equivalents

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Current assets* | |
| Cash on hand | 685 |
| Cash at bank and on hand | 35,048 |
| | 35,733 |

## Note 12. Trade and other receivables

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Current assets* | |
| Trade receivables | 633 |
| Prepayments | 3,203 |
| Other receivables | 1,098 |
| | 4,934 |

### Allowance for expected credit losses

The Group's principal activities are the retailing and importing of clothing, footwear and other soft goods. Sales channels are in-store or online sales where payment is received at point of sale. Consequently, credit losses are immaterial and no allowance for expected credit losses has been recognised.

## Note 13. Inventories

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Current assets* | |
| Finished goods – at cost | 87,643 |
| Less: Provision for impairment | (7,157) |
| | 80,486 |

Inventories recognised as an expense during the period ended 27 June 2021 amounted to $296.8 million. These were included in cost of goods sold.

Stock loss and write down of inventories to net realisable value, during the period ended 27 June 2021, amounted to $7.2 million. These were recognised as an expense and included in the cost of goods sold in the consolidated statement of profit or loss. There was no security held over inventories by the Group's external lender at reporting date.

## Note 14. Property, plant and equipment

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Non-current assets* | |
| Land and buildings – at cost | 31 |
| Less: Accumulated depreciation | (1) |
| | 30 |
| Leasehold improvements – at cost | 5,094 |
| Less: Accumulated depreciation | (661) |
| | 4,433 |
| Plant, fixtures and fittings – at cost | 5,112 |
| Less: Accumulated depreciation | (800) |
| | 4,312 |
| Construction in progress* – at cost | 988 |
| | 9,763 |

* Construction in progress includes property, plant and equipment and in-house developed software projects. On completion of the projects, the fixed assets are analysed and transferred to the appropriate categories.

## Note 14. Property, plant and equipment Continued

### Reconciliations

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

| Consolidated | Land and buildings $'000 | Leasehold im-provements $'000 | Plant, fixtures and fittings $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 29 July 2020 | – | – | – | – | – |
| Additions | – | 458 | 978 | 3,241 | 4,677 |
| Additions through business combinations (note 31) | 31 | 3,972 | 3,462 | 21 | 7,486 |
| Disposals | – | (26) | (66) | – | (92) |
| Exchange differences | – | 22 | 15 | – | 37 |
| Impairment | – | – | – | (157) | (157) |
| Transfers* | – | 668 | 723 | (2,117) | (726) |
| Depreciation expense | (1) | (661) | (800) | – | (1,462) |
| Balance at 27 June 2021 | 30 | 4,433 | 4,312 | 988 | 9,763 |

* $726,000 was transferred to software, refer to note 16.

## Note 15. Right-of-use assets

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Non-current assets* | |
| Land and buildings | 230,698 |
| Less: Accumulated depreciation | (44,081) |
| | 186,617 |

The Group leases land and buildings for its warehouses and retail outlets under agreements of between 1 to 15 years with, in some cases, options to extend the term. The leases have various rent escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group leases office equipment under agreements of less than 2 years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

## Note 15. Right-of-use assets Continued

### Reconciliations

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

| Consolidated | Land and buildings $'000 |
|---|---|
| Balance at 29 July 2020 | – |
| Additions | 25,419 |
| Additions through business combinations (note 31) | 204,980 |
| Exchange differences | 295 |
| Depreciation expense | (44,077) |
| Balance at 27 June 2021 | 186,617 |

### Impairment of property, plant and equipment and right-of-use assets

For impairment testing purposes, the Group has determined that each store is a separate cash generating unit ('CGU'). Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified. As a result of the COVID-19 pandemic being considered an impairment trigger, all stores have been tested for impairment.

The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows, covering a one-year period and extrapolated to the end of the lease term using the Group's current view of achievable long-term growth rate of 2.5%.

The key assumptions in the value in use calculations are the long-term growth rates and the risk-adjusted pre-tax discount rate. The pre-tax discount rates are derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a country risk-free rate, equity risk premium, Group size premium and a risk adjustment (beta). The pre-tax discount rate used was 11.3% (8.5% post-tax).

Refer to note 7 for the impairment charges during the period.

As disclosed in the critical accounting policies (note 3), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to further impairments.

#### Other AASB 16 *Lease* related disclosures:

- Refer to note 7 and note 8 for details of other lease payments and interest on lease liabilities, respectively;
- Refer to note 18 for lease liabilities at the end of the reporting period;
- Refer to note 24 for maturity of analysis of lease liabilities; and
- Refer to consolidated statement of cash flows for repayment of lease liabilities.
- The repayment of lease liabilities during the period ended 27 June 2021 was $45,542,000.

## Note 16. Intangible assets

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Non-current assets* | |
| Patents and trademarks – at cost | 10,586 |
| Software – at cost | 1,986 |
| Less: Accumulated amortisation | (734) |
| | 1,252 |
| | 11,838 |

### Reconciliations

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

| Consolidated | Patents and trademarks $'000 | Software $'000 | Total $'000 |
|---|---|---|---|
| Balance at 29 July 2020 | – | – | – |
| Additions | – | 268 | 268 |
| Additions through business combinations (note 31) | 10,586 | 1,033 | 11,619 |
| Disposals | – | (41) | (41) |
| Transfers | – | 726 | 726 |
| Amortisation expense | – | (734) | (734) |
| Balance at 27 June 2021 | 10,586 | 1,252 | 11,838 |

### Impairment testing

Patents and trademarks acquired through business combinations have been determined to be indefinite life assets and are attributable to the CGU of Best & Less Pty Ltd ('BLPL').

The recoverable amount of the patents and trademarks has been determined by a value-in-use calculation using a discounted cash flow model based on a one year projection period using the Board approved budget, extrapolated for a further four years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model of the Group:

- 11.3% pre-tax discount rate and 8.5% post-tax discount rate;
- 2.5% per annum projected revenue growth rate;
- 2.5% per annum increase in operating costs and overheads.

The discount rate of 11.3% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital, the risk-free rate and the volatility of the share price relative to market movements.

## Note 16. Intangible assets Continued

### Impairment testing Continued

Management believes the projected 2.5% revenue growth rate is prudent and justified, based on the observed market trends. Management adopted a conservative growth rate for costs and overheads, relative to market and inflationary trends. There were no other key assumptions for the CGU.

Based on the above, at the reporting date of 27 June 2021, the impairment test of the indefinite life intangible assets of its BLPL CGU showed that there is no impairment of those assets.

### Sensitivity

Given the significant headroom, management believes that reasonable changes in the key assumptions on which the recoverable amount of the Company's trademarks is based would not cause the carrying amount to exceed its recoverable amount.

## Note 17. Trade and other payables

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Current liabilities* | |
| Trade payables | 28,238 |
| Royalty payable | 914 |
| Accrued expenses | 19,275 |
| GST payable | 2,455 |
| Staff related costs | 10,328 |
| Other payables | 10,953 |
| | 72,163 |

## Note 18. Lease liabilities

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Current liabilities* | |
| Lease liability | 37,228 |
| *Non-current liabilities* | |
| Lease liability | 160,436 |
| | 197,664 |

## Note 19. Employee benefits

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Current liabilities* | |
| Employee benefits | 12,231 |
| *Non-current liabilities* | |
| Employee benefits | 2,318 |
| | 14,549 |

### Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service such that the Group does not have an unconditional right to defer settlement, and also includes amounts for employees that are entitled to pro-rata payments in certain circumstances. Notwithstanding that a large proportion of the entitlement is classified as current, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| Employee benefits obligation expected to be settled after 12 months | 4,815 |

## Note 20. Provisions

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Current liabilities* | |
| Make good | 4,264 |
| Other | 467 |
| | 4,731 |
| *Non-current liabilities* | |
| Make good | 2,525 |
| | 7,256 |

### Make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

## Note 20. Provisions Continued

### Other

The provision represents the value of estimated sale returns.

### Movements in provisions

Movements in provisions during the current financial period are set out below:

| Consolidated – 27 June 2021 | Make good $'000 | Other $'000 |
|---|---|---|
| Carrying amount at the start of the period | – | – |
| Additional provisions recognised | 313 | 398 |
| Additions through business combinations (note 31) | 6,860 | 381 |
| Amounts used | (246) | (312) |
| Unused amounts reversed | (152) | – |
| Exchange differences | 14 | – |
| Carrying amount at the end of the period | 6,789 | 467 |

## Note 21. Issued capital

| | Company | |
|---|---|---|
| | 27 June 2021 Shares | 27 June 2021 $ |
| Ordinary shares – fully paid | 98,881,999 | 1,000 |
| Class A shares – fully paid | 4,823,512 | 49 |
| | 103,705,511 | 1,049 |

The issue price of both Class A and Ordinary shares was 0.000003376 cents per share. Ordinary shares totalling 296,184,000 were issued on 29 July 2020 and 14,448,000 class A shares were issued on 20 August 2020. A share consolidation was undertaken by the Company on 18 June 2021 at a rate of 2.995328.

### Class A and Ordinary shares

Class A and 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 shareholder present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

### 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.

Consistent with common industry practice, the Group monitors capital on the basis of the net debt to equity ratio. Total equity is, as recognised in the consolidated statement of financial position. Net debt is calculated as total borrowings less cash and cash equivalents.

## Note 21. Issued capital Continued

### Capital risk management Continued

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or sell assets to reduce debts.

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

#### Share buy-back

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

## Note 22. Reserves

| | Consolidated 27 June 2021 $'000 |
|---|---|
| Foreign currency reserve | 179 |
| Hedging reserve – cash flow hedges | 2,678 |
| Share-based payments reserve | 2,231 |
| | 5,088 |

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

### Hedging reserve – cash flow hedges

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

### 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.

### Movements in reserves

Movements in reserves during the current financial period are set out below:

| Consolidated | Foreign currency $'000 | Cash flow hedge $'000 | Share-based payments $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 29 July 2020 | – | – | – | – |
| Revaluation | – | 3,885 | – | 3,885 |
| Deferred tax | – | (1,207) | – | (1,207) |
| Foreign currency translation | 179 | – | – | 179 |
| Share-based payments | – | – | 2,231 | 2,231 |
| Balance at 27 June 2021 | 179 | 2,678 | 2,231 | 5,088 |

## Note 23. Dividends

### Dividends

Dividends paid during the financial period were as follows:

| | Period to 27 June 2021 $'000 |
|---|---|
| **Interim dividends for the period ended 27 June 2021:** | |
| *Best & Less Group Holdings Ltd (a)* | |
| Paid on 3 March 2021 at 2.004 cents per share | 6,225 |
| Paid on 27 April 2021 at 10.841 cents per share | 33,676 |
| | 39,901 |
| *Best & Less Group Pty Ltd (b)* | |
| Paid on 3 March 2021 at 0.500 cents per share | 1,967 |
| Paid on 27 April 2021 at 0.337 cents per share | 1,324 |
| | 3,291 |
| | 43,192 |

(a) Dividends paid by the parent entity, Best & Less Group Holdings Ltd, on Class A and Ordinary shares.

(b) Dividends paid by subsidiary company, Best & Less Group Pty Ltd, on convertible redeemable preference shares issued to staff under its Management Equity Plan.

### Franking credits

| | 27 June 2021 $'000 |
|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% | 9,170 |

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## Note 24. Financial risk management

### 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 ageing analysis for credit risk.

Management work to a Board of Directors ('the Board') approved Company Hedging Policy to manage their foreign exchange risk. Hedging is based on both committed and expected foreign currency payment levels across the current and subsequent buying season. This is reviewed regularly by management and reported to the Board.

## Note 24. Financial risk management Continued

### Market risk

#### Foreign currency risk

The Group is exposed to foreign exchange risk arising from the Company's foreign currency purchases made in USD. The Board's foreign exchange risk management policy is to hedge up to 90% of the next nine months of USD purchases (using forward exchange contracts) at least three months before the season starts.

The Group uses forward foreign exchange contracts and maintains short-term holdings of foreign currencies in denominated foreign currency bank accounts, to hedge its foreign exchange risk arising from future purchases.

*Forward Foreign Exchange Contracts – Cash Flow Hedges*

These contracts are used for hedging committed or highly probable forecast purchases of inventory for the ensuing financial period. The contracts are timed to mature when major shipments of inventory are scheduled to be dispatched and the liability settled.

At 27 June 2021, 100% of projected USD purchases qualified as "highly probable" forecast transactions for hedge accounting purposes. The Group uses USD foreign currency forward exchange contracts to hedge its exposures to foreign currency for USD purchases (ratio 1:1). The weighted average hedged rate for the AUD/USD hedges the Group had in place at 27 June 2021 was $0.7552 (total nominal: USD 77,593,000).

*Exposure*

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

| | Consolidated |
|---|---|
| | 27 June 2021<br>$'000 |
| Cash in USD | 1,480 |
| Trade payables in USD | 12,776 |
| Forward foreign exchange contracts in USD | 101,273 |

The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial instruments and the impact on other components of equity arises from unsettled foreign forward exchange contracts designated as cash flow hedges.

| | Impact on post-tax profit 27 June 2021 $'000 | Impact on other components of equity 27 June 2021 $'000 |
|---|---|---|
| US/AUD exchange rate – increase 10% | (85) | (5,737) |
| US/AUD exchange rate – decrease 10% | 104 | 7,012 |

The aggregate benefit on lower cost of goods sold of foreign exchange gains recognised in profit or loss was $16,867,000.

The cash flows are expected to occur at various dates within one year from balance date. Where forward foreign exchange contracts have been designated and tested as an effective hedge the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. These gains or losses will be released to the profit or loss at various dates over the following financial period in line with when the hedged risk affects the profit or loss.

# Note 24. Financial risk management Continued

## Market risk Continued

### Foreign currency risk Continued

*Exposure*

At balance date these contracts are represented by an asset of $999,000. When forward foreign exchange contracts are not designated or tested as an effective hedge, the gain or loss on the forward foreign exchange contract is recognised in the profit or loss. At balance date there are no such contracts in place.

### Price risk

The Group is not exposed to any significant price risk.

### Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

During the reporting period, the Group repaid all long-term borrowings. Except for lease liabilities, there were no interest bearing loans outstanding at reporting date.

*Credit risk*

Credit risk arises from other receivables. The Company does not have any material credit risks.

## Liquidity risk

Effective 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 and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

As at 27 June 2021, the Group has net current liabilities of $12.4 million. This is primarily due to the adoption of AASB 16 *Leases* which has resulted in the Group reporting $197.7 million of lease liabilities, of which $37.2 million has been classified within current liabilities. Excluding the impact of AASB 16, the Group would be in net current asset position of $24.9 million.

During the reporting period, the Group established two working capital facilities:

- AUD $50.0 million revolving working capital facility (and a separate AUD $0.5 million credit card facility) with the Commonwealth Bank of Australia; and
- NZD $5.5 million working capital facility with the Bank of New Zealand.

Both of the working capital facilities were undrawn at reporting date.

## Note 24. Financial risk management Continued

### Liquidity risk Continued

#### 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 consolidated statement of financial position.

| 27 June 2021 | Weighted average interest rate % | 1 year or less $'000 | Between 1 and 2 years | Between 2 and 5 years $'000 | Over 5 years $'000 | Remaining contractual maturities $'000 | Carrying amount liabilities $'000 |
|---|---|---|---|---|---|---|---|
| *Non-derivatives* | | | | | | | |
| Non-interest bearing | | | | | | | |
| Trade and other payables (note 17) | – | 72,163 | – | – | – | 71,763 | 71,763 |
| *Interest-bearing – fixed rate* | | | | | | | |
| Lease liabilities | 3.89% | 57,031 | 50,755 | 88,732 | 65,158 | 261,676 | 197,664 |
| Total non-derivatives | | 129,194 | 50,755 | 88,732 | 65,158 | 333,439 | 269,427 |

### Hedge accounting

The effects of hedge accounting on the statement of consolidated financial position is set out below.

| Consolidated | Nominal amount (USD) $'000 | Carrying amount $'000 | Hedging reserve $'000 |
|---|---|---|---|
| Forward foreign exchange contracts for purchases at 27 June 2021 | 77,593 | 999 | 2,678 |

## Note 25. Fair value measurement

### 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

Level 3: Unobservable inputs for the asset or liability

## Note 25. Fair value measurement Continued

### Fair value hierarchy Continued

| Consolidated – 27 June 2021 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Forward foreign exchange contracts – cash flow hedges | – | 999 | – | 999 |
| Total assets | – | 999 | – | 999 |

There were no transfers between levels during the financial period.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2

The fair value of the derivative financial instruments is determined using specific valuation techniques, the present value of future cash flows based on the forward exchange rates at the balance sheet date.

## Note 26. Key management personnel disclosures

### Compensation

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

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $ |
| Short-term employee benefits | 2,330,098 |
| Post-employment benefits | 75,716 |
| Long-term benefits | 26,817 |
| Share-based payments | 1,401,624 |
| | 3,834,255 |

### KMP services

KMP services are provided by Allegro Funds Pty Ltd through the provision of nominee Non-Executive Directors. During the reporting period, the Group paid a related party, Allegro Funds Pty Ltd, $139,405 (excl. GST) for directors' fees and director related services.

Transactions with KMP

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $ |
| Interest paid to KMP related entity | 21,963 |

## Note 27. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $ |
| *Audit services – PricewaterhouseCoopers* | |
| Audit or review of the financial statements | 822,803 |
| *Other services – PricewaterhouseCoopers* | |
| Tax compliance services | 133,998 |
| Tax advisory services | 40,609 |
| Consulting services | 126,101 |
| IPO advisory services | 3,461,072 |
| Other assurance services | 82,500 |
| | 3,844,280 |
| Total services provided by PricewaterhouseCoopers | 4,667,083 |

## Note 28. Contingent liabilities

As at 27 June 2021, the Group had contingent liabilities related to bank guarantees of $5,662,000 to the landlord of its distribution centre and $703,000 to the landlord of its Leichhardt head office as at 27 June 2021.

## Note 29. Commitments

| | Consolidated |
|---|---|
| | 27 June 2021 $'000 |
| *Lease commitments – short-term operating leases* | |
| Committed at the reporting date but not recognised as liabilities, payable: | |
| Within one year | 84 |
| *Capital commitments* | |
| Committed at the reporting date but not recognised as liabilities, payable: | |
| Property, plant and equipment | 530 |
| Intangible assets | 23 |
| | 553 |

# Note 30. Related party transactions

## Parent entity

Best and Less Group Holdings Limited is the parent entity of the consolidated group and disclosures relating to the parent entity are set out in note 32. At 27 June 2021, Allegro Fund III, LP was the ultimate parent entity and controlling party.

Balances and transactions between the parent entity and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

## Subsidiaries

Interests in subsidiaries are set out in note 33.

## Key management personnel

Disclosures relating to key management personnel are set out in note 26.

## Transactions with other related parties

The following transactions occurred with other related parties:

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $ |
| Payment for other expenses: | |
| Interest paid to other related parties | 653,926 |

Interest was paid to other related parties on loans to the Group which were repaid in full prior to reporting date.

## Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the reporting date.

## Loans to/from related parties

Reconciliation of the loans from related parties at the beginning and end of the current financial period are set out below:

| | $ |
|---|---|
| Balance at 29 July 2020 | – |
| Additions through business combinations (note 31) | 31,477,389 |
| Loan repayments made | (31,477,389) |
| Interest charged | 675,889 |
| Interest paid | (675,889) |
| Balance at 27 June 2021 | – |

## Note 31. Business combinations

On 20 August 2020, Best & Less Group Holdings Ltd acquired 100% of the ordinary shares of Best & Less Group Pty Limited ('BLGPL') and its subsidiaries for the total consideration transferred of $11.6 million. BLGPL and its consolidated group were formerly known as Greenlit Brands General Merchandise Pty Ltd ('GBGM') and Value Retail Group Pty Ltd ('VRG').

BLGPL is an intermediate holding company which has the following subsidiaries:

- Best & Less Pty Ltd – Entity through which the Best & Less business trades in Australia;
- Postie Plus Group Ltd – Entity through which the Postie business trades in New Zealand; and
- B&L IP Pty Ltd – Non trading entity which holds the Intellectual property (IP) for the Best & Less brand.

The fair value of net identifiable assets acquired at as 20 August 2020 was $64.8 million.

Details of the acquisition are as follows:

| | Fair value $'000 |
|---|---|
| Cash and cash equivalents | 135,579 |
| Other receivables | 9,605 |
| Inventories | 82,602 |
| Plant and equipment | 7,486 |
| Right-of-use assets | 204,980 |
| Intangibles | 11,619 |
| Deferred tax asset | 7,977 |
| Trade payables | (78,179) |
| Income tax payable | (11,451) |
| Employee benefits | (13,084) |
| Provisions | (7,241) |
| Borrowings | (72,227) |
| Lease liability | (208,851) |
| Derivative financial instruments | (4,035) |
| Net assets acquired | 64,780 |
| Discount on acquisition | (53,208) |
| Acquisition-date fair value of the total consideration transferred | 11,572 |
| Representing: | |
| Cash paid or payable to vendor | 11,572 |
| Cash used to acquire business, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 11,572 |
| Less: cash and cash equivalents | (135,579) |
| Net cash received | (124,007) |

## Note 31. Business combinations Continued

The fair value of other receivables is $9,605,000, which is equal to the gross contractual amount for other receivables. After acquisition, the contribution to the Group's profit from ordinary activities before income tax during the period was $51,066,000 and the contribution to the Group's revenue during the period was $576,071,000.

## Note 32. Parent entity information

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

### Statement of profit or loss and other comprehensive income

| | Parent |
|---|---|
| | Period to 27 June 2021 $'000 |
| Profit after income tax | 39,974 |
| Total comprehensive income | 39,974 |

### Statement of financial position

| | Parent |
|---|---|
| | 27 June 2021 $'000 |
| Total current assets | 104 |
| Total assets | 1,415 |
| Total current liabilities | 31 |
| Total liabilities | 31 |
| Net assets | 1,384 |
| Equity | |
| Issued capital | 1 |
| Share-based payments reserve | 1,310 |
| Retained profits | 73 |
| Total equity | 1,384 |

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

The parent entity is a guarantor on the Best & Less Pty Ltd $50.0 million revolving working capital facility with the Commonwealth Bank of Australia. The working capital facility was undrawn at reporting date.

### Contingent liabilities

The parent entity had no contingent liabilities as at 27 June 2021.

### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 27 June 2021.

## Note 32. 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.
- 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. The dividend did not exceed the total comprehensive income of the subsidiary and the carrying amount of the parent entity investment in the subsidiary did not exceed the carrying amounts in the consolidated financial statements of the subsidiary's net assets. Management determined there is no impairment of the investment in the subsidiary.

## Note 33. 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** | **27 June 2021 %** |
| *Subsidiary* | | |
| Best & Less Group Pty Ltd[1] | Australia | 100.0% |
| *Wholly-owned entities* | | |
| B&L IP Pty Ltd[2] | Australia | 100.0% |
| Best & Less Pty Ltd | Australia | 100.0% |
| Postie Plus Group Ltd | New Zealand | 100.0% |
| Epiross Pty Ltd[3] | Australia | – |
| B&L Direct Pty Ltd4 | Australia | – |

1 The subsidiary, together with its wholly owned entities, was acquired on 20 August 2020. 3.8% of the shares in Best & Less Group Pty Ltd are owned by management through the Management Equity Plan, refer to note 35.

2 Incorporated on 30 July 2020.

3 Deregistered on 5 April 2021.

4 Deregistered on 13 January 2021.

## Note 34. Cash flow information

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

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $'000 |
| Profit after income tax expense for the period | 81,229 |
| Adjustments for: | |
| Depreciation and amortisation | 46,273 |
| Net gain on disposal of property, plant and equipment | (119) |
| Share-based payments expense | 2,231 |
| Impairment of property, plant and equipment | 157 |
| Finance charges | 15,893 |
| Unrealised foreign exchange gain | (999) |
| Discount on acquisition – non-cash | (53,208) |
| Change in operating assets and liabilities: | |
| Decrease in trade and other receivables | 7,875 |
| Decrease in inventories | 2,116 |
| Increase in deferred tax assets | (5,784) |
| Increase in prepayments | (3,205) |
| Decrease in trade and other payables | (6,016) |
| Decrease in provision for income tax | (3,285) |
| Increase in employee benefits | 1,465 |
| Increase in other provisions | 15 |
| Net cash from operating activities | 84,638 |

### Non-cash investing and financing activities

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $'000 |
| Additions to the right-of-use assets | 25,419 |

## Note 34. Cash flow information Continued

### Changes in liabilities arising from financing activities

| Consolidated | Borrowings $'000 | Lease liability $'000 |
|---|---|---|
| Balance at 29 July 2020 | – | – |
| Additions | – | 25,739 |
| Changes through business combinations (note 31) | 72,227 | 208,851 |
| Repayment | (72,227) | (45,542) |
| Interest on lease liability | – | 8,314 |
| Exchange differences | – | 302 |
| Balance at 27 June 2021 | – | 197,664 |

## Note 35. Share-based payments

### Shares in Best & Less Group Holdings Ltd

On 20 August 2020, 14,448,000 Class A shares in the parent entity were issued to key management personnel. Key management personnel should remain in service until an exit event in order for the Class A shares to convert into ordinary shares. The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the shares were granted. The Class A shares split and converted to ordinary shares on 22 July 2021.

Set out below are details of the 14,448,000 Class A shares issued and the valuation model inputs used to determine the fair value at grant date.

| Issue date | Issue price | Expected volatility | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|
| 20/08/2020 | $0.00000338 | 50.00% | 0.27% | $0.0301 |

On 18 June 2021, a share consolidation was undertaken by the Company at a rate of 2.995328. Following the consolidation there were 4,823,512 Class A shares at reporting date.

### Convertible Redeemable Preference Shares ('CRPS') in Best & Less Group Pty Ltd

On 20 August 2020, the Group established a Management Equity Plan, under which certain members of management received equity (in the form of CRPS) in Best & Less Group Pty Ltd ('BLGPL') which is a subsidiary of the Group. The plan is referred to as the Best & Less Group Pty Ltd Management Equity Plan ('BLGPL MEP'). The Company granted 3,776,000 CRPS on 20 August 2020 and 156,000 CRPS on 18 September 2020, all of which vested on 22 July 2021. No CRPS were forfeited, cancelled or converted during the reporting period. Subsequent to the reporting period 96,000 CRPS not belonging to key management personnel were forfeited.

Employees were provided with a limited recourse loan to acquire the CRPS. All loans provided in respect of the CRPS were paid in full prior to reporting date.

If CRPS holders remain in service until an exit event (a sale process such as a listing or trade sale), the CRPS held at the date of an exit event will be settled either in cash or in ordinary shares of the Company at a value by reference to the cash proceeds from the sale of, or distributions from BLGPL. The Group has the right to settle the CRPS in cash or in equity. As of 27 June 2021, this transaction is accounted for as an equity-settled share-based payment as the Group has no present obligation to settle it in cash. CRPS holders are entitled to dividend of Best and Less Group Pty Ltd, but do not have voting rights during the vesting period.

## Note 35. Share-based payments Continued

### Convertible Redeemable Preference Shares ('CRPS') in Best & Less Group Pty Ltd Continued

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the instruments were granted.

Set out below are details of the 3,932,000 CRPS granted and the valuation model inputs used to determine the fair value at grant date.

| Grant date | Vesting date | Issue price | Expected volatility | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|
| 20/08/2020 | 22/07/2021 | $1.00 | 50.00% | 0.27% | $0.520 |

In connection with the IPO of the Company, the BLGPL MEP participants entered into a conditional sale agreement in accordance with the terms established in the BLGPL MEP, under which their CRPS would be sold for a combination of cash and ordinary shares in the Company. The conditional sale agreement was finalised after reporting date (refer to note 36).

Share-based payment recognised during the period ended 27 June 2021 is set below.

| | Consolidated |
|---|---|
| | Period to 27 June 2021 $'000 |
| Class A Shares issued | 189 |
| CRPS granted | 2,042 |
| | 2,231 |

## Note 36. Events after the reporting period

On 25 June 2021, the Company's shareholders and BBRC International Pte Limited entered into a share sale agreement for the purchase of $40 million worth of shares in the Company at a price of $1.94 per share. Completion of the share sale took place on 22 July 2021.

In July 2021, the Company successfully completed an initial public offering ('IPO') of shares and raised $60 million through the allotment of 27.8 million shares at $2.16 per share. The allotment included 2.2 million new shares offered for issue by the Company to raise proceeds of $4.7 million. These proceeds were used to acquire a portion of the Convertible Redeemable Preference Shares ('CRPS') in BLGPL referred to in note 35 of the consolidated financial statements. Existing shares of 25.6 million were offered for sale to raise proceeds of $55.3 million. These proceeds were paid to the selling shareholders.

In connection with the IPO, the holders of CRPS in BLGPL entered into a conditional sale agreement with the Company, under which their CRPS were sold to the Company for a combination of cash and shares, in accordance with the BLGPL Management Equity Plan ('BLGPL MEP'). This transaction was completed on 22 July 2021. Similarly, the Class A Shares in the Company split and converted into fully paid ordinary shares in the Company in accordance with their terms of issue.

The Company was admitted to the official list of ASX Limited ('ASX') on 22 July 2021 and its shares began trading on 26 July 2021 ('Listing date').

The Company has established a long-term incentive plan ('LTIP') to assist in the motivation, retention and reward of eligible employees through grants of long-term incentives. The LTIP is designed to align the interests of employees with the interests of shareholders by providing an opportunity for employees to receive an equity interest in the Company. Performance rights and options will be awarded to executives based on long-term incentive measures.

## Note 36. Events after the reporting period Continued

On 25 June 2021, the Board approved the grant of 1,070,797 performance rights which were issued on 16 August 2021. The issued performance rights are tied to the performance of the Group through two vesting conditions being earnings per share compound annual growth rate ('EPS CAGR') and relative total shareholder return ('rTSR') performance conditions in equal measure.

Subsequent to year end, various Australian state governments and the New Zealand government have announced COVID-19 lockdowns which have resulted in some Best & Less and Postie stores being unable to trade. In the eight weeks to 22 August 2021 this has resulted in 2,722 lost trading days, representing 19.9% of available trading days.

No other matter or circumstance has arisen since 27 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

# DIRECTORS' DECLARATION

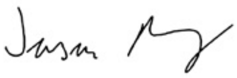
In the Directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards 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 27 June 2021 and of its performance for the financial period 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 the Directors.

On behalf of the Directors



**Jason Murray**
Director

26 August 2021
Sydney

# Independent auditor's report

To the members of Best & Less Group Holdings Ltd

## Report on the audit of the financial report

### Our opinion

In our opinion:

The accompanying financial report of Best & Less Group Holdings Ltd (the Company) and its controlled entities (together 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 27 June 2021 and of its financial performance for the period 29 July 2020 to 27 June 2021

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

***What we have audited***

The Group financial report comprises:

- the consolidated statement of financial position as at 27 June 2021
- the consolidated statement of changes in equity for the period 29 July 2020 to 27 June 2021
- the consolidated statement of cash flows for the period 29 July 2020 to 27 June 2021
- the consolidated statement of profit or loss and other comprehensive income for the period 29 July 2020 to 27 June 2021
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

***Independence***

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 & 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.

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## *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.


| *Materiality* | *Audit scope* |
|---|---|
| • For the purpose of our audit we used overall Group materiality of $2.46 million, which represents approximately 5% of the Group's profit before tax adjusted for discount on acquisition and IPO related expenses.<br>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.<br>• We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We also adjusted one off items as they are unusual or infrequently occurring items impacting profit and loss.<br>• We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. | • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. |

## *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 for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Inventory valuation (note 13)<br><br>The Group held inventory of $87.6 million on 27 June 2021. As described in note 2 to the financial statements, inventories are valued at the lower of cost and net realisable value.<br><br>This was a key audit matter because of the:<ul><li>financial significance of the balances included in the financial report</li><li>judgements involved in estimating the net realisable value (NRV) of inventory.</li></ul></td><td>Our procedures included, amongst others:<ul><li>assessing the Group's accounting policies against the requirements of Australian Accounting Standards</li><li>testing the mathematical accuracy of the inventory provision calculation</li><li>considering the appropriateness of the NRV provision by having regard to:<ul><li>aggregate total inventory sold below cost during the financial year</li><li>aggregate total inventory sold below cost in the month subsequent to the balance sheet date</li></ul></li><li>comparing the carrying value of inventory items to the most recent sales price, for a selected sample</li><li>considering the appropriateness of the shrinkage provision by:<ul><li>comparing the shrink loss percentage applied against historical data of the Group's shrinkage result</li><li>agreeing the shrinkage rate applied to the actual stock count result for selected store</li></ul></li><li>assessing the adequacy of the disclosures in the financial report having regard to the requirements of Australian Accounting Standards.</li></ul></td></tr>
</table>

58

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| **Lease accounting (notes 15 and 18)**<br><br>The Group recognised total lease liabilities of $197.7 million and right-of-use assets of $186.6 million on 27 June 2021.<br><br>This was a key audit matter because of the:<br>• financial significance of the balances included in the financial report<br>• the critical judgements used in determining the lease term assumptions in the lease calculations. | Our procedures included, amongst others:<br>• assessing whether the Group's accounting policies were in accordance with the requirements of Australian Accounting Standards<br>• evaluating the appropriateness of the Group's incremental borrowing rates by comparing to the Group's existing facilities and external market evidence<br>• for a sample of lease contracts:<br>  ○ comparing lease data to the underlying lease agreement and its subsequent variations<br>  ○ evaluating the lease calculations against the terms of the lease and the requirements of Australian Accounting Standards<br>  ○ evaluating the evidence for critical judgements made over lease term assumptions<br>• assessing the adequacy of the disclosures in the financial report having regard to the requirements of Australian Accounting Standards. |
| **Business combination (note 31)**<br><br>During the year, the Group finalised its acquisition of Best & Less Group Pty Ltd for a consideration of $11.6 million. The details of the acquisition are disclosed in note 31 of the financial report.<br><br>This was a key audit matter because of:<br>• the financial significance of the gain recognised in the financial report<br>• the critical judgements used in determining the fair value of the net assets acquired. The Group was assisted by an external valuation expert in this process. | Our procedures included, amongst others:<br>• evaluating the Group's acquisition accounting in light of the requirements of Australian Accounting Standards<br>• comparing the initial consideration to the underlying supporting documents.<br>• together with PwC valuation experts, assessing the fair value of the net assets acquired, by:<br>  ○ assessing the valuation methodology and mathematical accuracy of the models<br>  ○ comparing the discount rate assumptions to market observable inputs<br>  ○ assessing the competence and capability of the Group's expert |

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| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| | • testing the mathematical accuracy of the Group's calculation of the resulting gain arising from the Purchase Price Accounting calculation<br>• assessing the adequacy of the disclosures in the financial report having regard to the requirements of Australian Accounting Standards |
| **Carrying value of property, plant and equipment and right-of-use assets (notes 14 and 15)**<br><br>The Group offers a wide range of clothing, footwear and other soft goods through its network of more than 200 stores. Property, plant and equipment and right-of-use assets (ROU) represent one of the largest assets on the consolidated balance sheet.<br><br>Given the challenging trading conditions in the Australian retail industry and the impact of the COVID-19 pandemic, there is a risk the carrying amount of these assets may be higher than their recoverable amount.<br><br>The Group assesses impairment of these assets at cash-generating-units (CGUs), by preparing models with estimates of future cash flows discounted to their present value ("the models").<br><br>This was a key audit matter because of:<br>• the financial significance of the property, plant and equipment and right-of-use assets to the consolidated balance sheet<br>• the judgemental factors involved in the Group assessing impairment, in particular, estimating future sales growth over the forecast period and discount rate. | Our procedures included, amongst others:<br>• evaluating the Group's determination of CGUs was consistent with our understanding of the nature of the Group's operations<br>• testing the mathematical accuracy of the models<br>• comparing the Group's forecast cash flows in the models to Board approved budgets and selected externally available economic data<br>• comparing actual results with historical forecasts to assess the reliability of the forecasts used in the cash flow models<br>• assessing the appropriateness of the period over which cash flows were projected based on our knowledge of the business and the Group's lease portfolio management strategy<br>• together with PwC valuation experts, evaluating the appropriateness of the valuation methodology applied, estimated future sales growth and discount rates used in the models to historical company data and market observable inputs<br>• assessing the adequacy of the disclosures in the financial report having regard to the requirements of Australian Accounting Standards. |

60

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 20 July 2020 to 27 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

## *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 ability of the Group 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 the financial report.

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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

David Ronald

David Ronald
Partner

Sydney
26 August 2021

# ADDITIONAL SHAREHOLDER INFORMATION

As at 4 October 2021

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

## 1. Substantial shareholders

The number of securities held by substantial shareholders and their associates as disclosed to the ASX are set out below:

### Fully paid Ordinary Shares

| Name | Number | % |
|---|---|---|
| Best & Less Group Holdings Limited and subsidiaries* | 76,761,817 | 61.23% |
| Allegro Fund III and Allegro Services III D Pty Ltd | 54,600,479 | 43.55% |
| BBRC International Pte Limited | 20,618,556 | 16.45% |
| Bignor Family Pty Ltd as trustee for the Murray Family Trust (Bignor), Jason Adam Murray and Anne Murray | 10,368,021 | 8.27% |

* As notified to the ASX on 23 July 2021, Best & Less Group Holdings Ltd has aggregate voting power of 61.23% in BST as a consequence of restrictions on the disposal of shares under voluntary escrow arrangements which give BST a 'technical relevant interest' in its own shares under section 608(1)(c) of the *Corporations Act 2001* (Cth). The escrow arrangements were disclosed in BST's prospectus that was lodged with ASIC on 25 June 2021.

## 2. Number of security holders and securities on issue

BLGH (ASX:BST) has 125,366,930 fully paid ordinary shares on issue held by 996 shareholders.

## 3. Voting rights – Ordinary shares

The voting rights attached to ordinary shares are that on a show of hands, every member entitled to vote (or a proxy, attorney or representative of a member) has one vote. On a poll, every member entitled to vote who is present in person or by proxy has one vote for every fully paid share held.

## 4. Distribution of security holders in quoted securities (Fully Paid Ordinary Shares)

| | Fully paid Ordinary Shares | | | |
|---|---|---|---|---|
| Category | Securities | % | No. of holders | % |
| 100,001 and Over | 116,391,162 | 92.84 | 37 | 3.71 |
| 10,001 to 100,000 | 6,909,163 | 5.51 | 251 | 25.20 |
| 5,001 to 10,000 | 1,107,531 | 0.88 | 132 | 13.25 |
| 1,001 to 5,000 | 821,477 | 0.66 | 280 | 28.11 |
| 1 to 1,000 | 137,597 | 0.11 | 296 | 29.72 |
| TOTAL | 125,366,930 | 100.00 | 996 | 100.00 |

## 5. Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of BST's fully paid ordinary shares is 10 based on BST's closing share price of $3.26, on 4 October 2021.

## 6. Twenty largest shareholders of quoted equity securities

### Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

| Rank | Name | 4 October 2021 | %IC |
|---|---|---|---|
| 1 | ALLEGRO FUND III, LP | 50,621,544 | 40.38 |
| 2 | BBRC INTERNATIONAL PTE. LTD. | 20,618,556 | 16.45 |
| 3 | BIGNOR FAMILY PTY LTD | 10,368,021 | 8.27 |
| 4 | GRAHGER RETAIL SECURITIES PTY LTD | 5,000,000 | 3.99 |
| 5 | ROMEO ECHO OSCAR INVESTMENTS PTY LTD | 4,758,440 | 3.80 |
| 6 | ALLEGRO SERVICES III D PTY LTD | 3,978,935 | 3.17 |
| 7 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 3,529,463 | 2.82 |
| 8 | CITICORP NOMINEES PTY LIMITED | 2,764,114 | 2.20 |
| 9 | ANTELOPE CORPORATE SOLUTIONS PTY LTD | 2,478,354 | 1.98 |
| 10 | NATIONAL NOMINEES LIMITED | 1,996,589 | 1.59 |
| 11 | WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED | 1,200,000 | 0.96 |
| 12 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 823,330 | 0.66 |
| 13 | LILY AFORO-ADDO | 744,745 | 0.59 |
| 14 | VANESSA NOY ENTERPRISES PTY LTD | 693,939 | 0.55 |
| 15 | ANNIK PTY LTD | 619,588 | 0.49 |
| 16 | JOSEPH VAN DYK | 574,978 | 0.46 |
| 17 | ANDREA KENWORTHY | 483,279 | 0.39 |
| 18 | DOUBLE JAY GROUP HOLDINGS PTY LTD | 465,000 | 0.37 |
| 19 | JANINE VAN DEVENTER | 464,691 | 0.37 |
| 20 | HIT GROUP LIMITED | 462,962 | 0.37 |
| | Total | 112,646,528 | 89.85 |
| | Balance of register | 12,720,402 | 10.15 |
| | Grand total | 125,366,930 | 100.00 |

## 7. Securities subject to voluntary escrow

There are 76,761,817 shares subject to voluntary escrow. These escrowed shares will be subject to voluntary escrow arrangements, released on a staged basis as follows:

- One-third released two weeks after the release of the Company's H1 FY22 results to ASX;
- One-third released two weeks after the release of the Company's FY22 results to ASX; and
- One-third released two weeks after the release of the Company's H1 FY23 results to ASX.

## 8. Unquoted securities (Performance Rights)

There are 1,070,797 unquoted Performance Rights on issue held by 13 holders issued under an employee incentive scheme.

## 9. On market buy-back

There is no current on market buy-back.

## 10. Statement regarding use of cash and assets.

Since listing, the Best & Less Group has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives set out in the prospectus dated 22 July 2021.

# CORPORATE DIRECTORY

## Directors

Jason Murray

Fay Bou

Colleen Callander

Stephen Heath

Melinda Snowden

Christopher Koeck (alternate director for Fay Bou)

## Company secretaries

Anna Sandham and John Andrew Moore

## Notice of annual general meeting

The details of the annual general meeting ('AGM') of Best & Less Group Holdings Ltd are:

4:00 pm on 23 November 2021

Closing date for the receipt of Director nominations is 17 September 2021.

Further details about the AGM will be provided to shareholders in October 2021.

## Registered office and principal place of business

657-673 Parramatta Road
Leichhardt NSW 2040

## Share register

### Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000

## Auditor

### PricewaterhouseCoopers

One International Towers
Watermans Quay, Barangaroo
Sydney NSW 2001

## Solicitors

### Ashurst Australia

Level 11, 5 Martin Place
Sydney NSW 2000

## Bankers

### Commonwealth Bank of Australia

Tower 1, 201 Sussex Street
Sydney NSW 2000

### Bank of New Zealand

Level 6, 80 Queen Street
Auckland 1142, New Zealand

## Stock exchange listing

Best & Less Group Holdings Ltd shares are listed on the Australian Securities Exchange (ASX code: BST)

## Website

www.bestandlessgroup.com.au

www.bestandless.com.au

www.postie.co.nz

## Corporate Governance Statement

The Corporate Governance Statement can be found at https://www.bestandlessgroup.com.au.

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