Tate TopCo Pty Ltd

ACN 636 138 988

Annual Report - 30 June 2020

Tate TopCo Pty Ltd
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tate Topco Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020. The company became incorporated on 19 September 2019.

Directors
The following persons were directors of Tate TopCo Pty Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Simon Lewis Pither (appointed 11/09/2019)
Justin James Ryan (appointed 11/09/2019)
Youngsoo Kim (appointed 12/09/2019)
Katy Ann Morris (appointed 30/09/2019)
James Alexander Height (appointed 30/09/2019)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Online retail cosmetic sales

There have been no significant changes in the nature of these activities during the year.

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2020 $	2019 $
Final dividend for the year ended	1,413,856	555,473

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $1,229,104 (30 June 2019: profit of $951,185).

Significant changes in the state of affairs
Tate TopCo Pty Ltd (through Tate BidCo Pty Ltd) completed the acquisition of Adore Beauty Pty Ltd on 30 September 2019. As a result of the acquisition, the former shareholders of Adore Beauty Pty Ltd were issued shares of the newly combined entity. Accordingly, under the principles of AASB 3 Business Combinations, Adore Beauty Pty Ltd was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for under the predecessor value method. Accordingly, the consolidated financial statements of Tate TopCo Pty Ltd have been prepared as a continuation of the business and operations of Adore Beauty Pty Ltd.

The comparative information for the 12 months ended 30 June 2019 and the statement of financial position at 30 June 2019 presented in the consolidated financial statements are that of Adore Beauty Pty Ltd. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures. The accounting policies have not changed from those of Adore Beauty Pty Ltd, refer to the notes to the financial statements for more information.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 4 August 2020 the parent entity issued shares as part of a Management Equity Plan (MEP). These shares are a combination of cash consideration and limited recourse loan.

Tate TopCo Pty Ltd and its consolidated entities are in the process of completing an initial public offering.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

Shares under option
There were no unissued ordinary shares of Tate TopCo Pty Ltd under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Tate TopCo Pty Ltd issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Youngsoo Kim
Director

James Height
Director

18 September 2020

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Auditor's Independence Declaration

To the Directors of Tate TopCo Pty Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Tate TopCo Pty Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

CGangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 18 September 2020

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30 June 2020

Tate TopCo Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue	5	121,142,084	73,319,462
Interest revenue calculated using the effective interest method		38,923	1,117
Expenses			
Cost of sales	6	(82,590,816)	(51,220,597)
Marketing		(14,024,153)	(7,062,540)
Occupancy		(165,956)	(486,644)
Administration	6	(12,221,153)	(8,146,286)
Other expenses		(9,276,256)	(3,805,242)
Finance costs	6	(2,004,315)	(1,256,516)
Profit before income tax expense		898,358	1,342,754
Income tax expense	7	(2,127,462)	(391,569)
Profit/(loss) after income tax expense for the year attributable to the owners of Tate TopCo Pty Ltd	26	(1,229,104)	951,185
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(5,346)	-
Other comprehensive loss for the year, net of tax		(5,346)	-
Total comprehensive income/(loss) for the year attributable to the owners of Tate TopCo Pty Ltd		(1,234,450)	951,185

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

Tate TopCo Pty Ltd
Consolidated statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents	8	16,557,756	1,935,233
Trade and other receivables	9	2,087,520	505,353
Inventories	10	14,713,547	7,127,755
Other	11	1,671,027	674,329
Total current assets		35,029,850	10,242,670
Non-current assets			
Property, plant and equipment	12	1,169,465	964,739
Right-of-use assets	13	1,078,367	-
Intangibles	14	1,381,009	649,406
Deferred tax	15	895,208	175,564
Total non-current assets		4,524,049	1,789,709
Total assets		39,553,899	12,032,379
Liabilities			
Current liabilities			
Trade and other payables	16	17,190,858	7,340,065
Borrowings	17	3,211,966	1,418,963
Lease liabilities	18	588,785	-
Income tax	19	1,732,118	(25,484)
Employee benefits	20	688,501	341,493
Total current liabilities		23,412,228	9,075,037
Non-current liabilities			
Borrowings	21	-	576,659
Lease liabilities	22	672,542	-
Employee benefits	23	108,766	-
Total non-current liabilities		781,308	576,659
Total liabilities		24,193,536	9,651,696
Net assets		15,360,363	2,380,683
Equity			
Issued capital	24	85,000,001	100
Reserves	25	(68,109,090)	-
Retained profits/(accumulated losses)	26	(1,530,548)	2,380,583
Total equity		15,360,363	2,380,683

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

Tate TopCo Pty Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2020

Consolidated	**Issued capital $**	**Reserves $**	**Corporate Restructure Reserve $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2018	100	-	-	1,982,871	1,982,971
Profit after income tax expense for the year	-	-	-	951,185	951,185
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	951,185	951,185
Transactions with owners in their capacity as owners:					
Dividends paid (note 27)	-	-	-	(553,473)	(553,473)
Balance at 30 June 2019	100	-	-	2,380,583	2,380,683

Consolidated	**Issued capital $**	**Reserves $**	**Corporate Restructure Reserve $**	**Retained profits $**	**Total equity $**
Balance at 1 July 2019	100	-	-	2,380,583	2,380,683
Adjustment on adoption of AASB 16 (note 4)	-	-	-	(119,794)	(119,794)
Balance at 1 July 2019 - restated	100	-	-	2,260,789	2,260,889
Loss after income tax expense for the year	-	-	-	(1,229,104)	(1,229,104)
Other comprehensive loss for the year, net of tax	-	(5,346)	-	-	(5,346)
Total comprehensive loss for the year	-	(5,346)	-	(1,229,104)	(1,234,450)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 24)	85,000,001	-	-	-	85,000,001
Restructure of Adore Beauty Pty Ltd	(100)	-	(68,103,744)	(1,148,377)	(69,252,221)
Dividends paid (note 27)	-	-	-	(1,413,856)	(1,413,856)
Balance at 30 June 2020	85,000,001	(5,346)	(68,103,744)	(1,530,548)	15,360,363

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

Tate TopCo Pty Ltd
Consolidated statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		133,435,686	80,405,941
Payments to suppliers and employees (inclusive of GST)		(125,869,138)	(76,646,906)
		7,566,548	3,759,035
Interest received		38,923	1,117
Interest and other finance costs paid		(2,004,315)	(1,180,540)
Income taxes paid		(1,038,164)	(1,184,712)
Net cash from operating activities	38	4,562,992	1,394,900
Cash flows from investing activities			
Payments for property, plant and equipment		(529,105)	(836,239)
Payments for intangibles		(1,070,030)	(431,777)
Proceeds from disposal of property, plant and equipment		5,363	-
Net cash used in investing activities		(1,593,772)	(1,268,016)
Cash flows from financing activities			
Proceeds of growth fund from corporate restructure		10,707,217	-
Proceeds from borrowings		2,880,731	601,166
Interest and other finance costs paid		-	(75,976)
Dividends paid	27	(1,413,856)	(553,473)
Repayment of lease liabilities		(520,789)	-
Net cash from/(used in) financing activities		11,653,303	(28,283)
Net increase in cash and cash equivalents		14,622,523	98,601
Cash and cash equivalents at the beginning of the financial year		1,935,233	1,836,632
Cash and cash equivalents at the end of the financial year	8	16,557,756	1,935,233

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

Note 1. General information

The financial statements cover Tate TopCo Pty Ltd as a consolidated entity consisting of Tate TopCo Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Tate TopCo Pty Ltd's functional and presentation currency.

Tate TopCo Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 30, 126-130 Phillip Street, Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 September 2020.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Please refer to Note 4 for details of the transition to AASB 16.

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, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments.

Note 2. Significant accounting policies (continued)

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 consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tate TopCo Pty Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Tate TopCo Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

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

Where the consolidated entity 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 consolidated entity 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.

Foreign currency translation
The financial statements are presented in Australian dollars, which is Tate TopCo Pty Ltd's functional and presentation currency.

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

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.

Note 2. Significant accounting policies (continued)

Revenue recognition
The consolidated entity recognises revenue as follows:

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

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

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

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.

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

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

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

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

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

Note 2. Significant accounting policies (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.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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

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

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

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

Trade and other 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 consolidated entity 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

Note 2. Significant accounting policies (continued)

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through 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) over their expected useful lives as follows:

Office Equipment	2.5% - 20%
Computer Software	50%
Motor Vehicles	25%

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 consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 2. Significant accounting policies (continued)

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 initial amount 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, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity 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 or adjusted for any remeasurement of lease liabilities.

The consolidated entity 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.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Website
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

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

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

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

Note 2. Significant accounting policies (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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 consolidated entity's incremental borrowing rate. 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.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

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

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

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

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

Issued capital
Ordinary shares are classified as equity.

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

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

Note 2. Significant accounting policies (continued)

Acquisition of Adore Beauty Pty Ltd
Tate TopCo Pty Ltd (through Tate BidCo Pty Ltd) completed the acquisition of Adore Beauty Pty Ltd on 30 September 2019. As a result of the acquisition, the former shareholders of Adore Beauty Pty Ltd were issued shares in Tate TopCo Pty Ltd. Tate TopCo Pty Ltd and Tate BidCo Pty Ltd are newly formed entities that did not include a business and Adore Beauty Pty Ltd did not combine with any other business. Accordingly, the consolidated financial statements of Tate TopCo Pty Ltd have been prepared as a continuation of the business and operations of Adore Beauty Pty Ltd and the results are from 1 July 2019.

The identifiable net assets are measured at book value. The excess between the purchase consideration and the existing Adore Beauty Pty Ltd book value of the identifiable net assets acquired is allocated to the corporate reorganisation reserve (refer note 34).

The comparative information for the 12 months ended 30 June 2019 and the statement of financial position at 30 June 2019 presented in the consolidated financial statements are that of Adore Beauty Pty Ltd. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures.

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

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

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

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

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 consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

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

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 consolidated entity'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 consolidated entity 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.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. AASB 16 'Leases' transition

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

Note 4. AASB 16 'Leases' transition (continued)

The company has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparative for the 2019 reporting period. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet on 1 July 2019. The new accounting policies for Right-of-use assets and Lease liabilities are disclosed in the accounting policies at Note 2.

On adoption of AASB 16, the company recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 July 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.05%.

In applying AASB 16 for the first time, the company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities on transition:

Operating lease commitments disclosed as at 30 June 2019	1,230,454
Less: discounting commitments using lessee’s incremental borrowing rate of at the date of initial application	(30,024)
Add: adjustments as a result of a different treatment of extension and termination options	580,983
Add: other adjustments	703
Lease liability recognised as at 1 July 2019	1,782,116

Note 5. Revenue

	Consolidated	
	2020 $	2019 $
Revenue from contracts with customers		
Sale of products	121,136,721	73,186,509
Other revenue		
Other revenue	5,363	132,953
Revenue	121,142,084	73,319,462

Note 6. Expenses

	Consolidated 2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	82,590,816	51,220,597
Depreciation		
Warehouse equipment	190,337	102,437
Motor vehicles	-	570
Computer equipment and software	82,609	68,193
Office equipment	46,070	42,411
Buildings right-of-use assets	532,615	-
Total depreciation	851,631	213,611
Amortisation		
Development	69	-
Website	333,594	206,014
Patents and trademarks	4,764	5,582
Total amortisation	338,427	211,596
Total depreciation and amortisation	1,190,058	425,207
Wages and salaries	9,179,565	6,320,558
Superannuation	847,247	594,850
Payroll tax	452,346	307,443
Annual leave and long service leave	455,774	111,379
Workcover	57,161	44,539
Bank fees	1,090,973	669,704
Accounting and audit fees	110,974	67,828
Electricity	27,113	29,985
Total administration expense	12,221,153	8,146,286
Finance costs		
Interest and finance charges paid/payable on borrowings	144,175	75,976
Interest and finance charges paid/payable on lease liabilities	77,380	-
Afterpay fees	1,782,760	1,180,540
Finance costs expensed	2,004,315	1,256,516

Note 7. Income tax expense

	Consolidated 2020 $	2019 $
Income tax expense		
Current tax	2,795,766	489,820
Deferred tax - origination and reversal of temporary differences	(668,304)	(98,251)
Aggregate income tax expense	2,127,462	391,569
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(668,304)	(98,251)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	898,358	1,342,754
Tax at the statutory tax rate of 30%	269,507	402,826
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non deductible expenditure	14,539	(11,257)
Options cancellation payment	455,335	-
Impact of ACA step downs	1,388,081	-
Income tax expense	2,127,462	391,569

Note 8. Current assets - cash and cash equivalents

	Consolidated 2020 $	2019 $
Cash at bank	16,557,756	1,935,233

Note 9. Current assets - trade and other receivables

	Consolidated 2020 $	2019 $
Trade receivables	673,795	20,994
Other receivables	41,569	2,849
Rebates accrued	1,245,300	474,791
	1,286,869	477,640
GST receivable	126,856	6,719
	2,087,520	505,353

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 10. Current assets - inventories

	Consolidated	
	2020	**2019**
	$	**$**
Stock on hand - at cost	14,713,547	7,127,755

Write down of inventories to net realisable value during the year were $nil (2019: $nil).

Note 11. Current assets - other

	Consolidated	
	2020	**2019**
	$	**$**
Prepayments	1,450,772	674,329
Other current assets	220,255	-
	1,671,027	674,329

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2020	**2019**
	$	**$**
Computer equipment - at cost	374,583	243,158
Less: Accumulated depreciation	(215,601)	(132,993)
	158,982	110,165
Office equipment - at cost	348,073	315,322
Less: Accumulated depreciation	(133,603)	(87,532)
	214,470	227,790
Warehouse equipment - at cost	1,088,055	729,221
Less: Accumulated depreciation	(292,042)	(102,437)
	796,013	626,784
	1,169,465	964,739

Note 12. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Warehouse Equipment $	Motor Vehicles $	Office Equipment $	Computer Equipment & Software $	Total $
Balance at 1 July 2018	18,772	6,768	218,469	107,978	351,987
Additions	710,449	-	53,310	72,480	836,239
Disposals	-	(6,198)	(1,578)	(2,100)	(9,876)
Depreciation expense	(102,437)	(570)	(42,411)	(68,193)	(213,611)
Balance at 30 June 2019	626,784	-	227,790	110,165	964,739
Additions	435,062	-	32,750	131,426	599,238
Disposals	(75,496)	-	-	-	(75,496)
Depreciation expense	(190,337)	-	(46,070)	(82,609)	(319,016)
Balance at 30 June 2020	796,013	-	214,470	158,982	1,169,465

Note 13. Non-current assets - right-of-use assets

	Consolidated	
	2020 $	**2019 $**
Land and buildings - right-of-use	2,130,461	-
Less: Accumulated depreciation	(1,052,094)	-
	1,078,367	-

Additions to the right-of-use assets during the year were $nil.

The total cash outflow relating to leases in 2020 was $520,789

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

	Buildings $	Total $
Balance on transition to AASB 16 as at 1 July 2019	1,610,982	1,610,982
Additions	-	-
Disposals	-	-
Depreciation	(532,615)	(532,615)
	1,078,367	1,078,367

Note 14. Non-current assets - intangibles

	Consolidated 2020 $	Consolidated 2019 $
Development - at cost	9,000	-
Less: Accumulated amortisation	(69)	-
	8,931	-
Website - at cost	2,458,536	1,437,271
Less: Accumulated amortisation	(1,128,719)	(795,124)
	1,329,817	642,147
Patents and trademarks - at cost	50,276	10,510
Less: Accumulated amortisation	(8,015)	(3,251)
	42,261	7,259
	1,381,009	649,406

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

Consolidated	Patent, Trademarks & Other Rights $	Website $	In- House Product Development $	Total $
Balance at 1 July 2018	8,289	420,936	-	429,225
Additions	4,552	427,225	-	431,777
Amortisation expense	(5,582)	(206,014)	-	(211,596)
Balance at 30 June 2019	7,259	642,147	-	649,406
Additions	39,766	1,021,264	9,000	1,070,030
Amortisation expense	(4,764)	(333,594)	(69)	(338,427)
Balance at 30 June 2020	42,261	1,329,817	8,931	1,381,009

Note 15. Non-current assets - deferred tax

	Consolidated 2020 $	2019 $
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	278,856	102,448
Accrued expenses	8,565	11,400
Capitalised fees	536,549	60,888
Other items	16,350	828
Right-of-use asset	(323,510)	-
Lease liability	378,398	-
Deferred tax asset	895,208	175,564
Movements:		
Opening balance	175,564	77,313
Credited to profit or loss (note 7)	668,304	98,251
Adjustment on adoption of AASB 16	51,340	-
Closing balance	895,208	175,564

Note 16. Current liabilities - trade and other payables

	Consolidated 2020 $	2019 $
Trade payables	15,441,107	6,975,835
Accrued expenses	370,430	71,824
Gift voucher liability	1,245,621	257,176
Other payables	133,700	35,230
	17,190,858	7,340,065

Refer to note 28 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated 2020 $	2019 $
Bank loans	3,211,966	1,102,439
Other secured loans	-	317,342
Other unsecured loans	-	(818)
	3,211,966	1,418,963

Refer to note 28 for further information on financial instruments.

Note 18. Current liabilities - lease liabilities

	Consolidated 2020 $	Consolidated 2019 $
Lease liability	588,785	-

Refer to note 28 for further information on financial instruments.

Note 19. Current liabilities - income tax

	Consolidated 2020 $	Consolidated 2019 $
Provision for income tax	1,732,118	(25,484)

Note 20. Current liabilities - employee benefits

	Consolidated 2020 $	Consolidated 2019 $
Annual leave	494,759	274,888
Long service leave	193,742	66,605
	688,501	341,493

Note 21. Non-current liabilities - borrowings

	Consolidated 2020 $	Consolidated 2019 $
Bank loans	-	576,659

Refer to note 28 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2020 $	Consolidated 2019 $
Bank loans	3,211,966	1,679,098
Related party loans	-	317,342
Other unsecured loans	-	(818)
	3,211,966	1,995,622

Note 22. Non-current liabilities - lease liabilities

	Consolidated 2020 $	2019 $
Lease liability	672,542	-

Refer to note 28 for further information on financial instruments.

Note 23. Non-current liabilities - employee benefits

	Consolidated 2020 $	2019 $
Long service leave	108,766	-

Note 24. Equity - issued capital

	Consolidated 2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	85,000,001	750,000	85,000,001	100

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2018	750,000		100
Balance	30 June 2019	750,000		100
Shares relating to Adore Beauty Pty Ltd that were acquired by Tate Bidco Pty Ltd which eliminate upon consolidation	30 September 2019	(750,000)	$0.00	(100)
Shares issued to Katy Ann Morris	30 September 2019	17,000,000	$1.00	17,000,000
Shares issued to James Alexander Height	30 September 2019	17,000,000	$1.00	17,000,000
Shares issued to QPE Growth LP Pty Ltd	30 September 2019	51,000,001	$1.00	51,000,001
Balance	30 June 2020	85,000,001		85,000,001

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

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

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

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

Note 24. Equity - issued capital (continued)

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

Note 25. Equity - reserves

	Consolidated 2020 $	Consolidated 2019 $
Foreign currency translation reserve	(5,346)	-
Corporate re-organisation reserve	(68,103,744)	-
	(68,109,090)	-

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.

Corporate re-organisation reserve
The corporate re-organisation reserve represents the difference between the fair value of the consideration paid and the book value of assets and liabilities acquired in a business combination. Refer to Note 35.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign Currency Translation Reserve $	Corporate Re-organisation Reserve $	Total $
Balance at 1 July 2018	-	-	-
Balance at 30 June 2019	-	-	-
Foreign currency translation reserve	(5,346)	-	(5,346)
Corporate Re-organisation of Adore Beauty Pty Ltd	-	(68,103,744)	(68,103,744)
Balance at 30 June 2020	(5,346)	(68,103,744)	(68,109,090)

Note 26. Equity - retained profits/(accumulated losses)

	Consolidated 2020 $	Consolidated 2019 $
Retained profits at the beginning of the financial year	2,380,583	1,982,871
Adjustment on adoption of AASB 16: Leases	(119,794)	-
Adjustment due to corporate re-organisation	(1,148,377)	-
Retained profits at the beginning of the financial year - restated	1,112,412	1,982,871
Profit/(loss) after income tax expense for the year	(1,229,104)	951,185
Dividends paid (note 27)	(1,413,856)	(553,473)
Retained profits/(accumulated losses) at the end of the financial year	(1,530,548)	2,380,583

Note 27. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2020 $	Consolidated 2019 $
Final dividend for the year ended	1,413,856	555,473

Franking credits

	Consolidated 2020 $	Consolidated 2019 $
Franking credits available for subsequent financial years based on a tax rate of 30%	473,739	370,661

The above amounts represent the balance of the franking account as at the end of the financial year, 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
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 28. Financial instruments

Financial risk management objectives
The consolidated entity'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 consolidated entity'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 consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

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

Market risk

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

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

Price risk
The consolidated entity is not exposed to any significant price risk.

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

Note 28. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2020		2019	
Consolidated	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Bank overdraft and bank loans	2.85%	3,211,966	2.85%	1,679,098
Net exposure to cash flow interest rate risk		3,211,966		1,679,098

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

For the consolidated entity the bank loans outstanding, totalling $3,211,966 (2019: $1,679,098), are trade finance facilities. Monthly cash outlays of approximately $7k (2019: $5k) per month are required to service the interest payments.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

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

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

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity 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 consolidated entity 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.

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

Note 29. Key management personnel disclosures

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Katy Morris	Founder
James Height	Founder/Chief Executive Officer
Daniel Ferguson	Chief Marketing Officer
Gareth Williams	Chief Technology Officer
Sarah Mullen	Chief Operating Officer
Stephanie Carroll	Chief Financial Officer (from November 2019)
Steven Jacobson	Chief Financial Officer (until November 2019)

Note 29. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	2,716,678	1,073,589
Share options paid out	1,651,783	-
	4,368,461	1,073,589

In the current period, share options amounting to $1,651,783 were paid out to key management personnel as part of the corporate restructure. These options had not been previously recognised.

Note 30. Remuneration of auditors

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

	Consolidated	
	2020	**2019**
	$	**$**
Audit services - Grant Thornton		
Audit of the financial statements	84,000	38,000

Note 31. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2020 (2019: $nil).

Note 32. Commitments

	Consolidated	
	2020	**2019**
	$	**$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	599,945
One to five years	-	630,509
	-	1,230,454

From 1 July 2019, the consolidated group has recognised right-of-use assets for these leases, except for short-term, low-value leases and contingent rental payments. Refer to note 4 for further details.

Note 33. Related party transactions

Parent entity
Tate TopCo Pty Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 36.

Note 33. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 29.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2020 $	2019 $
Payment for goods and services:		
Purchase of goods from Findation	19,170	10,526

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

	Consolidated	
	2020 $	2019 $
Current payables:		
Trade payables to Findation	4,809	-

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

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

Note 34. Parent entity information

Statement of financial position

	Parent	
	2020 $	2019 $
Total current assets	-	-
Total assets	85,000,001	-
Total current liabilities	-	-
Total liabilities	-	-
Equity		
Issued capital	85,000,001	-
Total equity	85,000,001	-

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020.

Note 34. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 35. Corporate reorganisation and business combination

On 19 September 2019 Tate TopCo Pty Ltd, Tate MidCo Pty Ltd and Tate BidCo Pty was incorporated in order to facilitate the purchase of Adore Beauty Pty Ltd. Effective 30 September 2019, Tate BidCo Pty Ltd acquired 100% of the ordinary shares of Adore Beauty for the total consideration transferred $69,252,224. As a result of the acquisition, the former shareholders of Adore Beauty Pty Ltd were issued shares in Tate Topco Pty Ltd. At the date of the transaction, it was determined that Tate TopCo Pty Ltd ("ultimate parent entity") or Tate BidCo Pty Ltd was not a business. For accounting purposes, the acquisition has been accounted for under the predecessor value method. Accordingly, the consolidated financial statements of Tate TopCo Pty Ltd have been prepared as a continuation of the business and operations of Adore Beauty Pty Ltd.

Under the acquisition, Tate BidCo Pty Ltd acquired all the shares in Adore Beauty Pty Ltd by issuing 34,000,000 shares in Tate TopCo Pty Ltd and paying $34,802,221 to the original shareholders of Adore Beauty Pty Ltd.
The pre-acquisition equity balances of Adore Beauty Pty Ltd were eliminated against the increase in share capital upon consolidation. The identifiable net assets are measured at book value. The excess between the purchase consideration and the book value of the identifiable net assets acquired is allocated to the corporate reorganisation reserve.

The comparative information for the 12 months ended 30 June 2019 and the statement of financial position at 30 June 2019 presented in the consolidated financial statements are that of Adore Beauty Pty Ltd. Where necessary, comparative information has been reclassified and repositioned for consistency with current period disclosures.

Details of the corporate reorganisation are as follows:

	Cost $
Cash and cash equivalents	1,345,720
Trade and other receivables	1,656,494
Inventories	9,542,648
Property, plant and equipment	1,012,156
Right-of-use assets	1,477,828
Intangible assets	678,491
Deferred tax asset	229,357
Trade and other payables	(11,070,706)
Employee benefits	(401,986)
Bank loans	(1,664,387)
Lease liabillity	(1,657,138)
Net assets acquired	1,148,477
Representing:	
Investment	(85,000,000)
Corporate restructure reserve	68,103,747
Acquisition costs	1,858,496
Repayment of borrowings	1,664,387
Share options cancellation fee	1,517,783
Net assets acquired	1,148,377
Net cash acquired	(10,707,210)

Note 36. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Tate Midco Pty Ltd	Australia	100.00%	-
Tate Bidco Pty Ltd	Australia	100.00%	-
Adore Beauty Pty Ltd	Australia	100.00%	-
Jakat Pte Ltd	Singapore	100.00%	-

Note 37. Events after the reporting period

On 4 August 2020 the parent entity issued shares as part of a Management Equity Plan (MEP). These shares are a combination of cash consideration and limited recourse loan.

Tate TopCo Pty Ltd and its consolidated entities are in the process of completing an initial public offering.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 38. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated 2020 $	Consolidated 2019 $
Profit/(loss) after income tax expense for the year	(1,229,104)	951,185
Adjustments for:		
Depreciation and amortisation	1,190,058	419,624
Net loss on disposal of property, plant and equipment	-	15,459
Foreign exchange differences	(5,346)	-
Interest expense classified to financing activities	-	75,976
Share option payout and acquisition fee reclassified to financing activities	3,249,176	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,455,167)	(99,219)
Increase in inventories	(7,585,792)	(1,054,599)
Decrease/(increase) in other operating assets	(996,698)	190,345
Increase in trade and other payables	9,850,793	1,577,893
Increase/(decrease) in provision for income tax	1,757,602	(694,892)
Decrease in deferred tax liabilities	(668,304)	(98,251)
Increase in employee benefits	455,774	111,379
Net cash from operating activities	4,562,992	1,394,900

Tate TopCo Pty Ltd
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

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

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

On behalf of the directors

Youngsoo Kim
Director

James Height
Director

18 September 2020

Grant Thornton

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Independent Auditor's Report

To the Directors of Tate TopCo Pty Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Tate TopCo Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

CGangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 18 September 2020