

APPENDIX 4D HALF YEAR REPORT

1. Reporting period

Reporting period: Half-year ended 31 December 2020.

Previous corresponding period: Half-year ended 31 December 2019.

2. Results for announcement to the market

Revenue and loss after tax for the half-year ended 31 December 2020	Up/Down	% Change	\$'000
Revenue from ordinary activities:	up	85%	\$96,163
Profit from ordinary activities after tax attributable to members:	up	180%	\$2,536
Profit for the period attributable to members:	up	180%	\$2,536

Dividends

No dividends have been paid during the period and it is not proposed that any dividends be paid. Dividends of \$103,468 were paid during the comparative period.

Overview of Operating Results

An overview of the operating results can be found in the 'Operating and Financial Review' section within the Directors' Report of the attached Interim Financial Statements.

3. Net tangible assets per security

	31/12/20	31/12/19
Net tangible assets per share:	\$0.33	\$0.15
Total number of shares on issue at period end:	94,124,497	85,000,001

Entities over which control has been gained or lost during the period

There are no entities over which control has been gained or lost during the period.

Associates and Joint Venture Entities

There are no associates and joint venture entities.

Dividend Reinvestment Plans

The Company currently does not have a dividend reinvestment plan.

Independent Audit Review

This report is based on the condensed consolidated financial statements which have been subject to independent audit review by Grant Thornton Audit Pty Ltd. The independent audit review report is included within the Company's Interim Report which accompanies this Appendix 4D.

Accounting Standards

This report was compiled with Australian Accounting Standards & International Financial Reporting Standards.

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A photograph of two young women sitting on a white sofa, smiling and looking at each other. They are wearing white bathrobes with dark piping. The woman on the left is wearing a pink bathrobe, and the woman on the right is wearing a white bathrobe. Both have white eye patches under their eyes. The woman on the right has a white towel wrapped around her head like a turban. The background is a light-colored wall with a plant hanging from above.

ADOREBEAUTY
— GROUP —

**INTERIM
FINANCIAL REPORT**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

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DIRECTORS' REPORT

The Directors of Adore Beauty Group Limited ('Adore Beauty' or 'the Company') present their report together with the financial statements of the consolidated entity, being Adore Beauty and its Controlled Entities ('the Group') for the half-year ended 31 December 2020.

Directors

The names of the Directors in office at any time during or since the end of the half-year are:

Justin James Ryan	Chair
Katy Ann Morris	Executive director
James Alexander Height	Executive director
Marina Go (appointed 6/10/2020)	Non-executive director
Sandra Birkenleigh (appointed 6/10/2020)	Non-executive director
Simon Lewis Pither (resigned 6/10/2020)	Non-executive director
Youngsoo Kim (resigned 6/10/2020)	Non-executive director

The above-named Directors held office during and since the end of the financial year unless otherwise stated.

Principal Activities

Adore Beauty generates its revenue through online sales of third-party beauty and personal care products to Australian and New Zealand consumers.

Adore Beauty's business model is based on three key elements which drive a powerful network effect attracting both new customers and new brands to the platform:

- **Range authority:** Adore Beauty offers Australian and New Zealand consumers a broad and compelling range of beauty and personal care products across prestige, professional, niche and masstige brands, with over 260 brands and over 10,800 products (including exclusives). Adore Beauty provides brands with access to a large, engaged customer base and a strong marketing platform;
- **Best online transaction experience:** Adore Beauty seeks to provide customers with an outstanding online shopping experience by providing customers with instant gratification as a result of a seamless transaction experience, creating an engaging and individualised shopping experience through AI-led personalisation and recommendations, and engaging customers at all stages of the 'sales funnel' from discovery to repurchase; and
- **Data-enriched customer engagement:** Adore Beauty engages customers through an integrated content, marketing, and e-commerce retail platform, with personalisation to satisfy customer's beauty and personal care needs, driving loyalty and increasing their frequency and size of spend with Adore Beauty over time.

Operational and Strategic Highlights from H1 FY2021

- Strong operational metric performance: CY20 Active customers¹ increased 82% on PCP to approximately 777,000; Retention² up 4.2 ppts on PCP to 65.5% and average revenue per active customer up 3.4% on PCP to \$213;
- Best in class and growing levels of customer satisfaction with NPS³ of +82⁵, notwithstanding strong growth in customer numbers;
- Brand awareness increased by 33% to 52% driven by an expanded national TV campaign;
- Adore Beauty podcast downloads⁴ up 84% on PCP with approximately 930,000 downloads this half; and
- Strong execution of strategic priorities, including the launch of a Mobile App, the launch of test Private Label offering, and the launch of 33 brands including scaling adjacent categories.

1. Active customers refer to customers who have made an order in the last 12 months.

2. Aggregated active customer retention rate calculated as (Active Customers as at the end of the relevant financial year) less (Active Customers acquired during the relevant financial year) divided by (Active Customers as at the commencement of the relevant financial year).

3. The Net Promoter Score, is ascertained by sending an email to customers who have placed two orders or more with Adore Beauty (i.e. not every customer is invited to participate in the Net Promoter Score survey). These customers are asked 'how likely are you to recommend Adore Beauty to friends or family?', based on a scale of 0 to 10. Net promoter scores range from -100 to +100.

4. Podcast metrics as at 31 December 2020 from all streaming platforms.

5. As at 1 January 2021.

DIRECTORS' REPORT

Financial Highlights from H1 FY2021

Adore Beauty achieved significant milestones during the financial period, cementing its position as Australia's number one pureplay online beauty retailer⁵ and completing a successful capital raising of \$40 million and listing on the Australian Securities Exchange.

Adore Beauty recorded a net profit after tax for the period of \$2.54 million (2019: Loss \$3.18 million). Revenue for the half-year was \$96 million which was an increase of 85% over the comparative period in FY20 and exceeded the Prospectus forecast by \$7 million. The revenue growth is attributable to the strong growth in Active customers, which increased 82% over the comparative period in CY19 to 777,000. The Company also benefitted from multiple record trading days including Afterpay Day in August, and Cyber Weekend in November, these promotions were 100% brand funded.

Statutory EBITDA was negative \$0.76 million; this result was significantly impacted by costs relating to the Company's IPO and initial listing on the Australian Securities Exchange as well as share-based payments to reward our team prior to the listing. These one-off costs totalled \$6.25 million.

The Company exceeded its prospectus forecast for revenue and revised revenue guidance from 1 December 2020.

Balance Sheet

Adore Beauty's Balance Sheet remains strong and reflects the addition of equity of \$14 million (net of transaction costs) during the period. The Company has solid cash reserves even after allowing for payment of payables. Inventory levels have remained steady throughout the period. Borrowings have been reduced to nil and the Company has access to a multi-option finance facility of \$10 million primarily for working capital purposes.

Cash Flow

Adore Beauty's net operating cash outflows were effectively break-even and include significant one-off expenses incurred as part of the capital-raising, listing and associated employee share-based payments. It represents a significant improvement on the previous corresponding period which had net operating cash outflows of \$3.7 million.

An additional \$1 million was incurred on investing activities, primarily investment in the Company's website which is the shop front of the business and the prime interface with its customers.

The Company raised \$14 million (net of transaction costs) as part of the IPO and repaid debt of \$3.2 million.

Dividend

No dividend has been paid or declared during the period.

COVID-19

The impact of COVID-19 has affected the Australian beauty and personal care market in a number of ways including, for example, a shift away from cosmetics to skin care products as the pandemic has emphasised the need for consumers to focus on, self-care and health and consumers spending more time at home.

In addition, shopping behaviours and preferences have changed driven by government mandated restrictions (including lockdowns and social distancing measures) and consumer aversion to physically visiting retailers due to health concerns.

Outlook

Adore Beauty has multiple avenues for pursuing growth through clearly defined strategic initiatives leveraging our data and market position. Our growth strategy is focused on two pillars:

1. Growing the core business; and
2. Expanding into new markets and adjacent categories:

5. Management estimates based on third party industry reports (2019, 2020), supplier data (2019), website traffic data (2020), and third party and internal customer data (2019, 2020).

DIRECTORS' REPORT

1. Growing the core business:

- **Growing brand awareness:** Adore Beauty believes there is significant opportunity to increase its current levels of brand awareness to +80%;
- **Building guided navigation to assist customers' decision making:** The Company hopes to support customers' decision-making through guided navigation to a small selection of products, in an authentic, personalised way;
- **Leveraging data set to further provide authentic personalisation:** Adore Beauty is looking to grow conversion, engagement and customer lifetime value through continued investment in initiatives that leverage the Company's deep customer data set;
- **Launching mobile app:** Adore Beauty soft-launched a Mobile App in November 2020. The Mobile App will have a content-first focus, delivering highly personalised and relevant content to engage customers with blog posts, guides, routines, and reviews, and to provide a seamless transition to purchase; and
- **Enhancing loyalty and rewards to drive customer retention:** Adore Beauty is on track to launch a loyalty program in 2H FY21. This is likely to take the form of a holistic tiered program providing financial, experiential, useful, personal and social benefits, delivering tangible perceived value to members and providing members with a sense of belonging and inclusivity.

2. Expanding into new markets and adjacent categories:

- **Category and market adjacencies:** Adore Beauty will continue to increase the number of relevant brands offered as well as expand its product categories. The Company is looking to target related verticals that it believes its customers will respond to, and that stay true to its brand voice; and
- **Private label:** Adore Beauty will aim to leverage its customer knowledge, data and experience to tailor brands and products for identified gaps in the target market. Private label brands will enable Adore Beauty to fill product offering gaps, increase flexibility in marketing and design and improve supply chain management through control of sourcing, volume and timely delivery.

Adore Beauty is well positioned for growth and the trend to online purchasing by consumers is favourable to the Company. Looking ahead, we are executing a clear strategy to cement our online market leadership position, and we are well positioned to capture market share in a large and growing market benefitting from structural tailwinds. As the business grows, we expect scale benefits to increase operating leverage and deliver further EBITDA margin expansion.

Post balance date events

No matters or circumstances that have arisen since the end of the period that have significantly affected or may significantly affect either:

- the entity's operations in future financial years;
- the results of those operations in future financial years; or
- the entity's state of affairs in future financial years.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 4 of this financial report.

Rounding of amounts

Adore is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the Instrument.

Signed in accordance with a resolution of the Directors, pursuant to section 306(3) of the *Corporations Act 2001*:

On behalf of the Directors



Justin Ryan

Chair

Melbourne, 23 February 2021

Auditor's Independence Declaration



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Auditor's Independence Declaration

To the Directors of Adore Beauty Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Adore Beauty Group Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

egangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 23 February 2021

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Condensed Statement of Profit or Loss and ther Comprehensive Income

For the half-year ended 31 December 2020

	Notes	Consolidated Half-year ended	
		H1 FY21 \$'000	H1 FY20 \$'000
Revenue	4	96,163	52,006
Cost of sales		(64,943)	(35,848)
Gross profit		31,220	16,158
Other income	4	14	16
Expenses:			
Advertising and marketing expense		(11,894)	(5,718)
Employee benefits expense		(9,228)	(5,135)
Initial public offering and transaction costs		(5,225)	(3,254)
Depreciation and amortisation expense		(706)	(553)
Finance costs		(54)	(70)
Other operating expenses		(5,651)	(3,421)
Loss before income tax		(1,524)	(1,977)
Income tax benefit (expense)		4,060	(1,205)
Profit/(loss) for the period		2,536	(3,182)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss:		-	-
Items that may be reclassified subsequently to profit or loss:		-	-
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive profit/(loss) for the period		2,536	(3,182)
Earnings per share			
Basic earnings /(loss) per share	6	2.8 cents	(7.4) cents
Diluted earnings/(loss) per share	6	2.8 cents	(7.4) cents

Note: This statement should be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2020

		Consolidated	
	Notes	31/12/20 \$'000	30/6/20 \$'000
Assets			
<i>Current assets</i>			
Cash and cash equivalents		25,866	16,558
Trade and other receivables		1,951	2,087
Inventories		15,496	14,714
Other current assets		2,138	1,671
Total current assets		45,451	35,030
<i>Non-current assets</i>			
Property, plant and equipment	7	1,090	1,169
Right-of-use assets		744	1,078
Intangible assets	8	1,974	1,381
Deferred tax assets		4,898	895
Total non-current assets		8,706	4,523
Total assets		54,157	39,553
Liabilities			
<i>Current liabilities</i>			
Trade and other payables		18,291	17,191
Borrowings	9	–	3,212
Lease liabilities		526	589
Income tax		1,022	1,732
Employee benefits		1,091	688
Current liabilities		20,930	23,412
<i>Non-current liabilities</i>			
Lease liabilities		383	672
Employee benefits		135	109
Total non-current liabilities		518	781
Total liabilities		21,448	24,193
Net assets		32,709	15,360
Equity			
Issued capital	10	99,693	85,000
Reserves		(67,989)	(68,109)
Accumulated profit/(losses)		1,005	(1,531)
Total equity		32,709	15,360

Note: This statement should be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Changes In Equity

For the half-year ended 31 December 2020

	Note	Issued capital (Ordinary shares) \$'000	Foreign currency translation reserve \$'000	Corporate re-organisation reserve \$'000	Share based payments reserve \$'000	Retained profits/ (Accumulated losses) \$,000	Total equity \$'000
Balance at 1 July 2019		–		–	–	2,381	2,381
Adjustment on adoption of AASB 16		–	–	–	–	(120)	(120)
Balance at 1 July 2019 - restated		–	–	–	–	2,261	2,261
<i>Transactions with owners</i>							
Contributions of equity, net of transaction costs		85,000	–	–	–	–	85,000
Restructure of Adore Beauty Pty Ltd	13	–	–	(68,104)	–	(1,148)	(69,252)
Payments of dividends		–	–	–	–	(103)	(103)
Total transactions with owners		85,000	–	(68,104)	–	(1,251)	15,645
<i>Comprehensive income</i>							
Loss for the period		–	–	–	–	(3,182)	(3,182)
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	(3,182)	(3,182)
Balance at 31 December 2019		85,000	–	(68,104)	–	(2,172)	14,724
Balance at 1 July 2020		85,000	(5)	(68,104)	–	(1,531)	15,360
<i>Transactions with owners</i>							
Share-based payments		680	–	–	120	–	800
Contributions of equity, net of transaction costs	10	14,013	–	–	–	–	14,013
Total transactions with owners		14,693	–	–	120	–	14,813
<i>Comprehensive income</i>							
Profit for the period		–	–	–	–	2,536	2,536
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income		–	–	–	–	2,536	2,536
Balance at 31 December 2020		99,693	(5)	(68,104)	120	1,005	32,709

Note: This statement should be read in conjunction with the notes to the financial statements.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

		Consolidated Half-year ended	
	Notes	H1 FY21 \$'000	H1 FY20 \$'000
Operating activities			
Receipts from customers		105,930	56,544
Payments to suppliers and employees		(105,453)	(60,356)
Interest received		14	10
Income taxes paid (refunded)		(653)	70
Net cash used in operating activities		(162)	(3,732)
Investing activities			
Payments for property, plant and equipment		(135)	(281)
Payments for intangible assets		(878)	(281)
Net cash used in investing activities		(1,013)	(562)
Financing activities			
Proceeds from issue of ordinary shares	10	23,293	-
Payment for equity raise costs	10	(9,280)	-
Repayments of borrowings		(3,212)	(577)
Repayments of lease liabilities		(264)	(254)
Interest and other finance costs paid		(54)	(70)
Dividends paid		-	(103)
Proceeds of growth fund from corporate restructure	13	-	10,707
Proceeds of borrowings		-	4,791
Net cash inflow from financing activities		10,483	14,494
Net change in cash and cash equivalents		9,308	10,200
Cash and cash equivalents, beginning of period		16,558	1,935
Cash and cash equivalents, end of period		25,866	12,135

Note: This statement should be read in conjunction with the notes to the financial statements.

Notes to the Condensed Consolidated Financial Statements

1. General information

Adore Beauty Group Limited (the 'Group' or the 'Company') is a public company limited by shares, incorporated and domiciled in Australia. Adore Beauty Group Limited is the Group's ultimate holding company. The Company changed status from a private company to a public company on 11 September 2020 and its name to Adore Beauty Group Limited on the same date.

The principal activities of the Group are online retail cosmetic sales. There have been no significant changes in the nature of these activities during the year. The address of its registered office and principal place of business is Level 1, 421 High Street, Northcote VIC 3070.

The Consolidated Financial Statements for the half-year ended 31 December 2020 were approved and authorised for issue by the board of Directors on 23 February 2021.

2. Significant Accounting Policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical costs, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2020 annual report for the financial year ended 30 June 2020, except for the impact of the Standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with international Financial Reporting Standards.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Adore Beauty Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Initial Public Offering (IPO) Costs

During the half-year ended 31 December 2020, the Group undertook an IPO to list on the ASX. Costs incurred that are directly attributable and incremental to the issuance of new equity (net of tax) have been recognised in equity as an offset to the value of capital raised. The directors exercised judgement in determining an allocation methodology (between equity and expense) for costs which relate to both the issuance of new equity and other activities. The Group's methodology was determined with reference to the number of new shares issued in raising capital, and the nature and purpose of services rendered in incurring costs. All other costs were taken directly to the statement of profit or loss and other comprehensive income during the period.

3. Segment reporting

The Group operates in one segment being the online retail sale of cosmetic products. No operating segments have been aggregated in arriving at the reportable segment of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Revenue

	Consolidated Half-year ended	
	H1 FY21 \$'000	H1 FY20 \$'000
Revenue		
Sales of goods	96,163	52,006
Total revenue	96,163	52,006
Other income		
Interest income	14	10
Other income	–	6
Total other income	14	16
Total revenue and other income	96,177	52,022

5. Dividends

There were no dividends paid, recommended or declared to equity holders during or since the half-year ended 31 December 2020. Dividends of \$103,468 were paid during the comparative period.

6. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Parent Company (Adore Beauty Group Limited) as the numerator. The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	Consolidated Half-year ended	
	H1 FY21 \$'000	H1 FY20 \$'000
Profit/(loss) attributable to the owners of the Company	2,536	(3,182)
	No.	No.
Weighted average number of shares used in basic earnings per share	89,727,082	42,875,001
Weighted average number of shares used in diluted earnings per share	89,953,957	42,875,001

7. Property plant and equipment

	Warehouse equipment \$'000	Office equipment \$'000	Computer equipment & software \$'000	Total \$'000
At 30 June 2020:				
Cost or fair value	1,088	348	375	1,811
Accumulated depreciation	(292)	(134)	(216)	(642)
Net book amount	796	214	159	1,169
Half-year ended 31 December 2020				
Opening net book amount	796	214	159	1,169
Additions	85	14	37	136
Disposals	-	(38)	(3)	(41)
Depreciation	(110)	(21)	(43)	(174)
Closing net book amount	771	169	150	1,090
At 31 December 2020:				
Cost or fair value	1,173	272	349	1,794
Accumulated depreciation	(402)	(103)	(199)	(704)
Net book amount	771	169	150	1,090

8. Intangibles

	Patents, trademarks and other rights \$'000	Website \$'000	In-house product development \$'000	Total \$'000
At 30 June 2020:				
Cost or fair value	50	2,459	9	2,518
Accumulated amortisation	(8)	(1,129)	-	(1,137)
Net book amount	42	1,330	9	1,381
Half-year ended 31 December 2020				
Opening net book amount	42	1,330	9	1,381
Additions	25	834	19	878
Amortisation	(2)	(282)	(1)	(285)
Closing net book amount	65	1,882	27	1,974
At 31 December 2020:				
Cost or fair value	71	3,292	28	3,391
Accumulated amortisation	(6)	(1,410)	(1)	(1,417)
Net book amount	65	1,882	27	1,974

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Borrowings

	Consolidated	
	31/12/20 \$'000	30/06/20 \$'000
<i>Current:</i>		
Bank loans	–	3,212
Total current borrowings	–	3,212
<i>Total secured liabilities</i>		
The total secured liabilities are as follows:	–	3,212
Bank loans	–	–
Less capitalised borrowing costs	–	3,212

Assets pledged as security

Facilities are secured by a guarantee by Adore Beauty Group Limited and each of its wholly owned subsidiaries. The lender has general security over all of the assets of the Group Companies that are guarantors.

Financing arrangements

Unrestricted assets were available at the reporting date to the following lines of credit:

	Consolidated	
	31/12/20 \$'000	30/06/20 \$'000
<i>Total facilities</i>		
Financial institution – multi-option revolving credit facility	10,000	–
Financial institution – trade finance facility	–	3,212
	10,000	3,212
<i>Used at reporting date</i>		
Financial institution – multi-option revolving credit facility	–	–
Financial institution – trade finance facility	–	3,212
	–	3,212
<i>Unused at reporting date</i>		
Financial institution – multi-option revolving credit facility	10,000	–
Financial institution – trade finance facility	–	–
	10,000	–

10. Issued capital

	Consolidated	
	31/12/20 \$'000	30/06/20 \$'000
Ordinary shares – fully paid (a)	99,693	85,000
	99,693	85,000

a. Ordinary shares

	Six (6) months to 31/12/20 No.	Year ended 30/6/20 No.	Six (6) months to 31/12/20 \$'000	Year ended 30/6/20 \$'000
Shares issued and fully paid:				
Beginning of the period	85,000,001	750,000	85,000	-
Shares relating to Adore Beauty Pty Ltd that were acquired by Tate Bidco Pty Ltd eliminated on consolidation	-	(750,000)	-	-
Issue of Ordinary shares	-	85,000,001	-	85,000
Issued of ordinary shares in relation to the prospectus dated 7 October 2020	5,925,333	-	39,717	-
Return of capital	-	-	(17,000)	-
Conversion of Class A and B shares to ordinary shares	3,199,163	-	1,256	-
Equity-raising costs, net of income tax	-	-	(9,280)	-
Total share capital at the end of the period	94,124,497	85,000,001	99,693	85,000

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at a shareholders' meeting of the Company.

b. Class A shares

	Six (6) months to 31/12/20 Shares	Year ended 30/6/20 Shares	Six (6) months to 31/12/20 \$'000	Year ended 30/6/20 \$'000
Shares issued and fully paid:				
Beginning of the period	-	-	-	-
Issue of Class A shares	2,733,891	-	422	-
Buy-back of Class A shares	(95,681)	-	-	-
Reclassified to ordinary shares	(2,638,210)	-	(422)	-
Total share capital at the end of the period	-	-	-	-

c. Class B shares

	Six (6) months to 31/12/20 Shares	Year ended 30/6/20 Shares	Six (6) months to 31/12/20 \$'000	Year ended 30/6/20 \$'000
Shares issued and fully paid:				
Beginning of the period	-	-	-	-
Issue of Class B shares	581,298	-	-	-
Buy-back of Class B shares	(20,345)	-	-	-
Reclassified to ordinary shares	(560,953)	-	-	-
Total share capital at the end of the period	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Employee share-based payments**a. Management Equity Plan****i. Details of the Management Equity Plan of the Company**

The Company previously established an equity incentive plan under which key management personnel received ordinary shares as part of their incentive arrangements (Management Equity Plan). Equity issued under the Management Equity Plan will be dealt with as follows to ensure that participants continue to be motivated to achieve sustained growth for shareholders following listing on the Australian Securities Exchange (Listing). Key management personnel were entitled to convert their existing management shares into ordinary shares immediately prior to the Company Listing. The existing management shares are loan backed shares pursuant to which the Company has loaned participants monies to fund part or all of the purchase of management shares under a Management Equity Plan. The ordinary shares issued on conversion of the management shares (Loan Shares) will continue to be subject to loan repayment and may also be subject to vesting conditions.

A summary of the material terms and conditions of the Loan Shares is as follows:

- The loan attaching to Loan Shares is limited recourse and must be repaid out of any proceeds from the sale of the Loan Shares.
- The Loan Shares are subject to the Company's Securities Trading Policy and to escrow arrangements as part of the Listing.

Vesting conditions, subject to the participant continuing to be employed or engaged by the Company or a subsidiary of the Company are:

- 25% of the Loan Shares vested on completion of the Listing;
- a further 25% of the Loan Shares will vest on 30 June 2021;
- a further 25% of the Loan Shares will vest on 30 June 2022; and
- the final 25% of the Loan Shares will vest on 30 June 2023.

ii. Management Equity Plan shares issued during the period

During the period, the Company granted 955,352 Loan Shares to eligible key management personnel.

iii. Movements in Management Equity Plan Shares during the period

The following reconciles the performance rights outstanding at the beginning and end of the period.

	Six (6) months to 31/12/20	Year ended 30/6/20
Balance at the beginning the period	–	–
Granted during the year	955,532	–
Balance at the end of the period	955,532	–

iv. The following Management Equity Plan Shares were in existence at the end of the period

Grant No.	Vesting date	Exercise date	Price
21,712	7/9/2020	23/10/2020	\$1.00
217,126	8/9/2020	23/10/2020	\$1.00
21,713	7/9/2020	30/6/2021	\$1.00
217,125	8/9/2020	30/6/2021	\$1.00
21,712	7/9/2020	30/6/2022	\$1.00
217,126	8/9/2020	30/6/2022	\$1.00
21,713	7/9/2020	30/6/2023	\$1.00
217,125	8/9/2020	30/6/2023	\$1.00

238,838 of the Management Equity Plan Shares have vested as at the end of the reporting period.

b. Long-term Incentive Plan

i. Details of the Long-Term Incentive Plans of the Company

The Company has established a long-term incentive plan (LTIP) to assist in the motivation, retention, and reward of eligible employees. 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. The LTIP provides flexibility for the Company to grant options to acquire Shares, rights to acquire Shares and/or Shares as Incentives, subject to the terms of individual offers.

ii. Long-Term Incentive Plan options issued during the period:

Under the LTIP, the Directors have made initial grants of long-term incentives in the form of New Options to selected Key Management Personnel and other key employees of the Company prior to listing. The New Options will vest based upon performance of the Company measured at the end of the performance period which commences on the date of the grant and which ends on 30 June 2024.

Of the total number of options granted pursuant to the LTIP offer:

- 50% will be subject to the satisfaction of a Vesting Condition relating to the Company's revenue at the end of the performance period (Revenue Component); and
- 50% will be subject to the satisfaction of a Vesting Condition relating to the Company's EBITDA growth during the performance period (EBITDA Component).

Option series	Number	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
New options granted 27 Oct 2020	605,000	27/10/2020	30/06/2024	30/06/2026	\$6.75	\$2.82

iii. Fair value of share options granted during the period

The fair value of the share options granted during the financial period is \$2.82. Options were valued using the Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

Inputs into the model:

Grant date share price:	\$6.75
Exercise price:	\$6.75
Expected volatility:	50%
Options life:	5.5 years
Dividend yield:	Nil
Risk-free interest rate:	1.0%

iv. Share options exercised during the year

There were no share options exercised during the period year or the prior corresponding period.

v. Movements in share options during the period

The following reconciles the share options outstanding at the beginning and end of the period.

	Six (6) months to 31/12/20		Year ended 30/6/20	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the period	-	-	-	-
Granted during the period	605,000	\$6.75	-	-
Forfeited during the period	-	-	-	-
Balance at the end of the year	605,000	\$6.75	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

vi. The following share-based payment options were in existence at the end of the current period

Option series	Number	Grant date	Vesting date	Expiry date	Exercise date	Fair value at grant date
New options granted 27 Oct 2020	605,000	27/10/2020	30/06/2024	30/06/2026	\$6.75	\$2.82

No options have vested to date.

12. Related party transactions**Equity instruments issued to directors**

The following equity instruments were issued to directors and key management personnel during the period:

	Position	Ordinary shares (i) No.	Loan shares (ii) No.	Options (iii) Position No.
Director				
Justin Ryan	Non-Executive Director	(iv)	-	-
Marina Go	Non-Executive Director	7,407	-	-
Sandra Birkenleigh	Non-Executive Director	7,407	-	-
Key management personnel				
Tennealle O'Shannessy	Chief Executive Officer	-	868,502	555,000
Stephanie Carroll	Chief Financial Officer	-	86,850	50,000

- On listing each non-executive director received a one-off bonus of \$50,000 to be applied by the Company as a subscription payment for shares at the offer price of \$6.75.
- Loan shares were issued during the period under the terms and conditions as described in Note 11(a) Loan Funded Share Plan.
- Share options were issued during the period under the terms and conditions as described in Note 11(b) Long-Term Incentive Plan.
- Justin Ryan will have an indirect interest in Shares through investment vehicles that hold an interest in Quadrant Growth Fund (alongside a number of other investors).

Transactions with director-related entities

There have been no other significant transactions since the end of the last annual reporting where disclosure is necessary for an understanding of the interim period.

13. 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 Pty Ltd 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") and 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.

Details of the corporate reorganisation are as follows:

	Cost \$'000
Cash and cash equivalents	1,346
Trade and other receivables	1,656
Inventories	9,543
Property, plant and equipment	1,012
Right-of-use assets	1,478
Intangible assets	678
Deferred tax asset	229
Trade and other payables	(11,071)
Employee benefits	(402)
Bank loans	(1,664)
Lease liability	(1,657)
Net assets acquired	1,148
<i>Representing:</i>	
Investment	(85,000)
Corporate restructure reserve	68,104
Acquisition costs	1,859
Repayment of borrowings	1,664
Share options cancellation fee	1,518
Net assets acquired	1,148
Net cash acquired	(10,707)

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 paid \$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 was allocated to the corporate reorganisation reserve.

14. Contingent assets and liabilities

In the Directors' view, there are no contingent assets or liabilities that will have a material effect on the Group.

15. Subsequent events

No matters or circumstances that have arisen since the end of the period that have significantly affected or may significantly affect either: the entity's operations in future financial years; the results of those operations in future financial years; or the entity's state of affairs in future financial years.

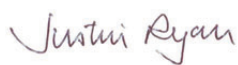
Directors' Declaration

In the opinion of the Directors of Adore Beauty Group Limited:

- a. the consolidated financial statements and notes of Adore Beauty Group Limited are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of its financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. 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 the directors.

On behalf of the Directors



Justin Ryan

Chair

Melbourne, 23 February 2021

Independent Auditor's Report



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Independent Auditor's Review Report

To the Members of Adore Beauty Group Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Adore Beauty Group Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the Adore Beauty Group Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

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

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INDEPENDENT AUDITOR'S REPORT

**Directors' responsibility for the half year financial report**

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A stylized, handwritten-style signature of "Grant Thornton" in a dark grey or black ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A stylized, handwritten-style signature of "C S Gangemi" in a dark grey or black ink.

C S Gangemi
Partner – Audit & Assurance

Melbourne, 23 February 2021

Company Directory

Company

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ASX Code

ABY

Directors

Justin Ryan: Non-executive Chair
Kate Morris: Executive Director
James Height: Executive Director
Marina Go: Non-executive Director
Sandra Birkenleigh: Non-executive Director

Company Secretary

Stephanie Carroll
Melissa Jones

Auditor

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ADOREBEAUTY
— GROUP —