APPENDIX 4E

Preliminary final report

STEP ONE™

1. Company details

Name of entity:	Step One Clothing Limited
ABN:	34 616 696 318
Reporting period:	For the year ended 30 June 2026
Previous period:	For the year ended 30 June 2025

2. Results for announcement to the market

		%		$'000
Revenues from ordinary activities	down	26.70%	to	63,682
Loss from ordinary activities after tax attributable to the owners of Step One Clothing Limited	down	150.20%	to	(6,353)
Loss for the year attributable to the owners of Step One Clothing Limited	down	150.20%	to	(6,353)

Dividends

CURRENT PERIOD	AMOUNT PER SECURITY CENTS	FRANKED AMOUNT PER SECURITY CENTS
Dividend for the year ended 30 June 2025 paid on 12 September 2025	2.4	2.4
No interim dividend for the year ended 30 June 2026 has been declared or paid	–	–

PREVIOUS PERIOD	AMOUNT PER SECURITY CENTS	FRANKED AMOUNT PER SECURITY CENTS
Dividend for the year ended 30 June 2024 paid on 13 September 2024	2.8	2.8
Interim dividend for the year ended 30 June 2025 paid on 14 March 2025	4.4	4.4

	CONSOLIDATED	
CURRENT PERIOD	2026 $'000	2025 $'000
Dividend of 2.4 cents per ordinary share for the year ended 30 June 2025 paid in September 2025 by Step One Clothing Limited	4,448	–
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2026	(24)	–

2. Results for announcement to the market continued

	CONSOLIDATED	
PREVIOUS PERIOD	2026 $'000	2025 $'000
Dividend of 2.8 cents per ordinary share for the year ended 30 June 2024 paid in September 2024 by Step One Clothing Limited	–	5,190
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2025	–	(17)
Interim dividend of 4.4 cents per ordinary share for the year ended 30 June 2025 paid in March 2025 by Step One Clothing Limited	–	8,154
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2025	–	(34)
Net dividend paid	4,424	13,293

Comments

Revenue decreased by 26.7% compared with the prior financial year as the Group undertook a strategic reset. Historically, frequent discounting supported customer acquisition and maintained competitiveness. However, this approach was not considered sustainable over the long term, as excessive discounting risked diluting brand equity and customer perceptions of value. The strategic reset therefore focused on reducing discount depth, increasing emphasis on value-led product innovation, and reinforcing the premium positioning of the Step One brand.

As the reset progressed, it became apparent that broad sitewide discounting had previously masked the underlying demand for older and slower-moving inventory. Once these products were removed from bundles containing newer lines, demand remained limited despite significant discounting, in some cases to levels approaching carrying value. This resulted in the recognition of an inventory obsolescence provision to reflect the recoverable value of those items.

Progress against the reset objectives:

(1) The number of days products were on sale reduced to 27 days (2025: 109 days). Sale event revenue was approximately 26% of direct revenue (2025: 63%).

(2) Discount design was changed to apply the highest discount rates only to slow-moving and aged inventory (2025: discounts were applied sitewide).

(3) Gross margin excluding the obsolescence provision was 75.9% (2025: 76.4%); however, this improved to 79.5% in the second half of the financial year 2026 as pricing integrity improved.

(4) Product innovation resulted in 6 new products launched (2025: 1 new product) namely Men's Briefs, Cloud Press, Socks, Period, Sleepwear and X-cup (2025: Cloud Mesh).

The Directors consider the non-IFRS measure of performance, Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') to reflect the core earnings of the Group. This non-IFRS measure is not prescribed by Australian Accounting Standards and is determined by adjusting the statutory net profit after tax for items that are non-cash or non-operating in nature. The reconciliation of the Group's statutory net profit after tax ('NPAT'), for the current and previous financial year, to EBITDA is as follows:

	CONSOLIDATED	
	2026 $'000	2025 $'000
(Loss)/profit after income tax expense ('NPAT')	**(6,353)**	**12,651**
Less: Interest income	(395)	(1,244)
Add: Interest expense/finance cost	46	11
Add: Depreciation and amortisation expense	328	335
Add: Income tax (benefit)/expense	(1,029)	5,667
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	**(7,403)**	**17,420**
Specific provision for inventory obsolescence	9,125	–
EBITDA excluding the movement in the specific obsolescence provision	**1,722**	**17,420**

EBITDA decreased 142.5% to $7,403,000 loss (2025: $17,420,000 profit). The specific inventory obsolescence provision does not meet the criteria to be classified as a normalisation adjustment; the table above has been provided to assist in assessing its impact on the financial results. After adjusting for this provision, EBITDA decreased 90.1% to $1,722,000 profit (2025: $17,420,000 profit).

The loss for the Group after providing for income tax amounted to $6,353,000 (2025: profit of $12,651,000).

The Group remains well funded with a strong financial position with no debt. Cash and cash equivalents and other financial assets as at 30 June 2026 is $25,816,000 (30 June 2025: $33,140,000), which provides the financial capacity to pursue expansion as and when available.

Refer to the Operation and Financial Review in the Directors' report for further commentary on the results.

3. Net tangible assets

	REPORTING PERIOD CENTS	PREVIOUS PERIOD CENTS
Net tangible assets per ordinary security	21.86	28.04

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

	CONSOLIDATED	
	2026 $'000	2025 $'000
Net assets	40,423	51,999
Less: Intangibles	–	(33)
Less: Right-of-use assets	(700)	–
Add: Lease liabilities	794	–
Net tangible assets	40,517	51,966

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

Preliminary final report

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. Audit qualification

Details of audit dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

10. Attachments

Details of attachments (if any):

The Annual Report of Step One Clothing Limited for the financial year ended 30 June 2026 is attached.

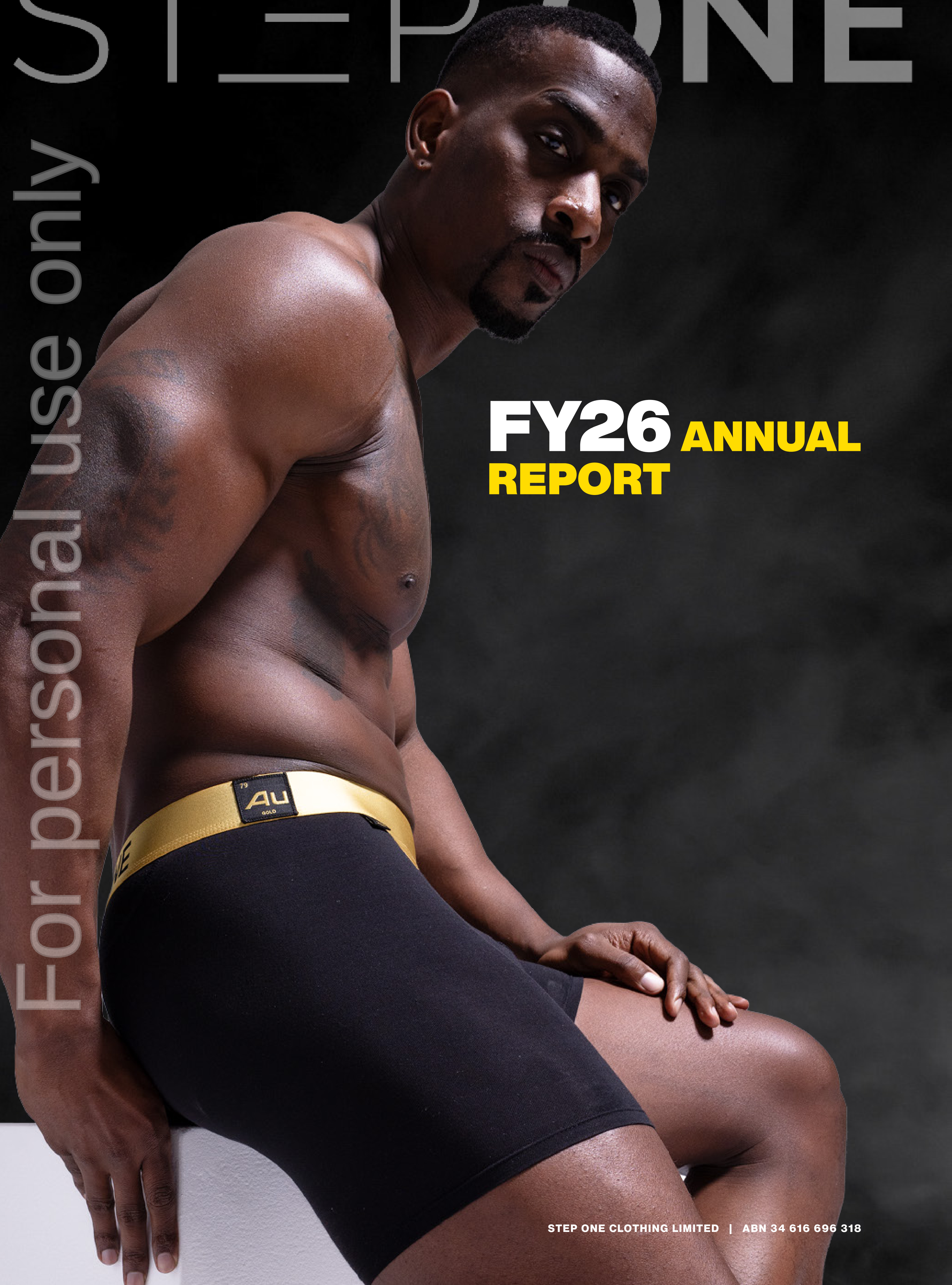
11. Signed

Approved for release by the Board of Directors

Signed ______________________ Date: 19 August 2026

David Gallop AM
Chair
Sydney

STEP ONE™



FY26 ANNUAL REPORT

STEP ONE CLOTHING LIMITED | ABN 34 616 696 318

CONTENTS

"Step One's ambition is to become a more significant part of our customers' everyday wardrobe." **David Gallop AM** *Chairman*

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FY26 HIGHLIGHTS

Revenue

$63.7m

DOWN 26.7% ON PCP

EBITDA[1]

Loss $7.4m

DOWN 142.5% ON PCP

ADJUSTED PROFIT $1.7 MILLION
Down 90.1% on pcp

Net Profit

Loss $6.4m

DOWN 150.2% ON PCP

ADJUSTED PROFIT $0.8 MILLION
Down 93.6% on pcp

Indirect Revenue

$11.6m

UP 62.3% ON PCP

New Products

6 released

Cash Position

$25.8m

CASH AND FINANCIAL ASSETS
DOWN 22.1% FROM JUNE 2025

Customers[2]

2.1m

UP 11.3% ON PCP

Website Visits[2]

11.3m

DOWN 17.2% ON PCP

Conversion rate[2]

4.1%

DOWN 0.5 PERCENTAGE POINTS ON PCP

Community support

Collaborative fundraising: $140,000

- SURF LIFE SAVING
- STEPTEMBER
- MENS HEALTH AWARENESS BALL
- 25 STAY ALIVE
- MORGAN'S BIG DRY FRIDAY
- STARLIGHT

1. EBITDA stands for Earnings before Interest, Tax, Depreciations and Amortisation. It is not a measure prescribed by Australian Accounting Standards. It is reconciled to Net loss after tax in the Operating and Financial Review.
2. Direct business only based on sold revenue (excludes Amazon, TikTok etc and revenue fulfilment adjustments).


STEPONE

LETTER FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the Board, I present Step One's results for the financial year ended 30 June 2026.

Performance

FY26 was a challenging year, and the financial result was disappointing. The Board recognises that this has been a disappointing period for shareholders, particularly given the decline in our share price, and remains focused on restoring performance and rebuilding shareholder value.

The year was defined by difficult trading conditions and the strategic reset undertaken in response. Against a backdrop of subdued consumer spending across our markets, management made the deliberate decision to step back from the deep discounting that had supported sales in recent years to rebuild the brand's quality credentials and address legacy inventory. These actions weighed on revenue and earnings in the near term and, as part of addressing aged stock, resulted in a one-off specific inventory provision of $9.1 million.

Strategy

The reset provides the near-term foundation for Step One's longer-term strategy. Step One's ambition is to become a more significant part of our customers' everyday wardrobe. We see four priorities supporting that ambition: broadening the product range into natural adjacencies, increasing customer acquisition, diversifying our routes to market, and growing our international presence. The Company made progress against each of these priorities during the year. Taken together, they are intended to broaden our customer base, reduce our reliance on any single product or channel, and build a more resilient and diversified business over time.

Balance sheet

Step One enters the new financial year with a strong balance sheet. The Company remains debt-free, with approximately $25.8 million in cash and financial assets, providing the capacity to fund the reset and pursue its strategic priorities from internal resources.

The underlying strengths of the business remain intact, including a customer database that exceeded two million for the first time, and a significant long-term growth opportunity in the global underwear market.

Dividend

There has been no change to the Company's dividend policy, and no final dividend has been declared in respect of FY26.

The Board presently intends to recommence dividends once retained earnings return to a positive balance, subject to the Company's financial position and trading conditions at that time. The Board remains committed to delivering sustainable returns to shareholders as performance recovers.

Acknowledgements

On behalf of the Board, I thank Greg Taylor and the management team for their commitment and leadership through a demanding year, and my fellow directors for their counsel and contribution. I also thank our customers for their continued loyalty, and importantly, you, our shareholders, for your ongoing support.

David Gallop AM

Chairman

LETTER FROM THE FOUNDER & CEO

Dear Shareholders,

Early next year, Step One will celebrate its 10-year anniversary.

Over that time, Step One has grown from an idea into a brand serving more than two million customers. While the business has evolved, our purpose remains the same: to develop products that solve genuine customer problems and build a brand that customers want to return to.

FY26 was a challenging year, and the financial result was disappointing. We entered the year with a strategy to reduce our reliance on deep discounting and strengthen the long-term positioning of the Step One brand. We remain committed to that direction, but the transition highlighted some important lessons about our business.

What we learned

For a number of years, frequent and deep promotions supported revenue by encouraging customers to purchase more products at lower prices. This was effective in driving volume, but it also influenced purchasing behaviour and meant some customers returned less frequently as promotional activity was reduced.

Customers who visit Step One continue to respond to our products. Our challenge is to give more existing customers reasons to return, while bringing more new customers into the brand.

The market has evolved considerably since Step One was founded. Customers today have more choice, and materials and product features that were once distinctive are now widely available.

Our competitive advantage can no longer depend on any one fabric or feature. It has to come from a combination of product innovation, performance, brand, customer experience and how effectively we engage with our customers.

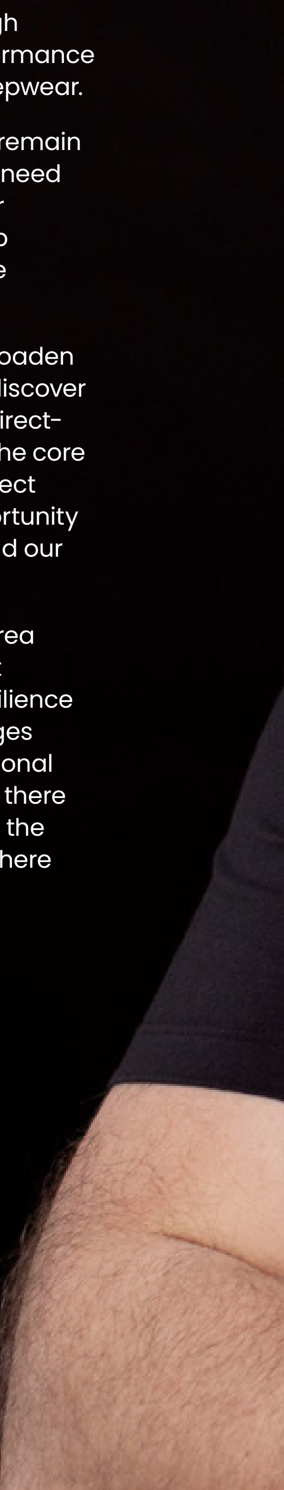
Our opportunity

More than two million people have purchased from Step One, yet many have experienced only a small part of what the brand now offers. As our range expands beyond our traditional core products, there is an opportunity to increase Step One's relevance to those customers through categories including performance underwear, socks and sleepwear.

Product development will remain disciplined. New products need to solve genuine customer needs, strengthen the Step One proposition and make commercial sense.

We will also continue to broaden the ways customers can discover and purchase Step One. Direct-to-consumer remains at the core of the business, while indirect channels provide an opportunity to reach customers beyond our traditional online model.

The UK remains another area of opportunity. The market demonstrated relative resilience during FY26 despite changes to our pricing and promotional approach, and we believe there is further potential to build the Step One customer base there over time.



While Step One remains fundamentally an underwear company, I see significant opportunities in adjacent categories.

LETTER FROM THE FOUNDER & CEO CONTINUED

Looking ahead

Our priorities for FY27 are straightforward: re-engage our existing customer base, strengthen new customer acquisition, continue developing products customers want and expand the ways customers can discover and purchase Step One. We will pursue these priorities with financial discipline while continuing to invest in the brand.

We enter FY27 with a recognised brand, a broader product portfolio and a debt-free balance sheet. Most importantly, we have a much clearer understanding of where we need to improve and what we need to do differently.

After almost ten years, my commitment to Step One remains as strong as when I founded the business. As Founder, CEO and a significant shareholder, my interests remain closely aligned with those of our shareholders, and I remain focused on building sustainable long-term value.

I thank our Board and team for their commitment throughout a demanding year, our customers for their continued support and our shareholders for their ongoing confidence in Step One.

Greg Taylor

Founder and CEO

Our customers keep coming back, and we know our product resonates with people in every market.

INVESTING IN AUSTRALIAN BASKETBALL

In FY26, Step One invested over $550,000 in Australian basketball, the country's second most played team sport and one of the most popular with kids and young adults, making it a natural place for us to build our brand and reach. We have established a presence at every level of the game, from the national league down to grassroots, allowing us to reach the next generation of customers.

National Basketball League ('NBL')

As the Official Underwear Partner of the NBL, the Step One brand sits at the forefront of the league's national audience. The deal also funds Step One NBL Rising Stars, a development program we created for the league, connecting 80 junior players (under 14 and under 16) from four states with elite mentoring.

Bankstown Basketball Association

Founded in 1964, Bankstown is one of the largest and longest-running associations in New South Wales. Its seven-court stadium runs competitions and training every night of the week, with teams from under 12s through to NBL1 men's and women's, and much of the state's representative pathway passes through its courts at some point.

Aussie Hoops

Aussie Hoops is run by Basketball Australia and is an entry-level program for five to ten-year olds.

Working with the athletes

These partnerships give us direct access to elite players. Step One ambassadors like Nathan Sobey, Dejan Vasiljevic, Xavier Cooks and Bryce Cotton, in addition to being faces for the brand, are champions of our products who assist in refining and improving our offering.

This year we launched CloudPress, a performance range developed and refined with these athletes. The custom Step One team range released through the NBL partnership at the end of the season has already sold out in most adult sizes, an early sign that what we make with these athletes is product people want.

This is a long-term play. We are building the brand and product now that should pay off as today's young players become tomorrow's customers.

"The moment I found Step One, it became part of everything I did. I just wish I'd had these products coming through as a younger player. Now the next generation will."

Jason Cadee

Step One

This year we launched CloudPress, a performance range developed and refined with Australian athletes.

OPERATING AND FINANCIAL REVIEW

This report forms part of the of Directors' report which follows on page 27.

Business

Step One is a leading direct-to-consumer online retailer for underwear. Step One offers a range of high quality, organically grown and certified, sustainable, and ethically manufactured underwear that suits a broad range of body types. Step One has transformed the underwear market through innovative design and a strong customer following, which has supported its growth into a multinational company operating in Australia, the US and the UK.

Business model

Step One is built on an innovative product and customer engagement model that is capital light and maintains a strong environmental, social and governance ('ESG') focus. The key elements are:

- **Product solves a problem:** It reduces chafing, manages sweat and prevents ride-up. It is exceptionally comfortable, featuring high-quality design and best in class manufacturing, and is backed with a 1-year warranty.
- **Capital light and flexible:** The business is equity funded with no debt. Brand ownership avoids licence fees, and its online model avoids physical store leases. Contract manufacturing eliminates the need to operate factories and enables access to scalable, world-class manufacturing facilities. Contracted warehousing and distribution enable scalable logistics.
- **Product sustainability:** Achieved through a multi-certified supply chain which monitors both environmental care and worker safety from organic bamboo sourcing through to garment manufacture and warehousing.
- **Marketing:** In-house marketing capability, from content production to ad serving, supported by the expertise to manage specialist service providers who create or tailor content for local markets.
- **Customer centric:** Prompt 24/7 service, a 30-day satisfaction guarantee and a 12-month manufacturing quality guarantee.

Step One ethically manufactures comfortable innerwear for a range of body types using sustainable materials. Its product and marketing have a focus on building a brand with a loyal following.

Business strategy

Step One's strategy is to pursue profitable growth across the following areas:

1. **Product range expansion:** Introducing adjacent products and product augmentations to meet the functional needs of specific segments.
2. **Indirect channel growth:** Expanding distribution through established online platforms and in-store retailers.

Performance Highlights

Revenue declined 26.7% as the Company executed a plan to reduce reliance on price discounting. The financial year also saw the raising of an inventory obsolescence provision against a number of slow-moving inventory items. The financial highlights follow:

		2026	2025	VARIANCE	
Financial					
Total revenue	$'000	63,682	86,882	(23,200)	(26.7%)
Gross margin[1]	%	61.6%	76.4%		(14.8pp)
Adjusted gross margin[2]	%	75.9%	76.4%		(0.5pp)
Earnings before interest, tax, depreciation & amortisation[3] ('EBITDA')	$'000	(7,403)	17,420	(24,823)	(142.5%)
EBITDA[3] % of revenue	%	(11.6%)	20.1%		(31.7pp)
Adjusted EBITDA[2,3]	$'000	1,722	17,420	(15,698)	(90.1%)
Adjusted EBITDA[2,3] % of revenue	%	2.7%	20.1%		(17.4pp)
Net (Loss)/Profit After Tax ('NPAT')	$'000	(6,353)	12,651	(19,004)	(150.2%)
Adjusted NPAT[2]	$'000	815	12,651	(11,836)	(93.6%)
Non-financial[4]					
Website visits	#m	11.3	13.6	(2.3)	(17.2%)
Conversion rate	%	4.1%	4.6%		(0.5pp)
Customer orders	#'000	529	771	(242)	(31.4%)
New customers	#'000	215	238	(23)	(9.7%)
Returning customers rate	%	59.4%	69.1%		(9.7pp)
Direct Revenue sold on www.stepone.life					
Direct Revenue	$'000	52,094	79,743	(27,649)	(34.7%)
Direct Revenue as % of Total Revenue	%	81.8%	91.8%		(10.0pp)
Indirect Revenue sold on third party marketplaces					
Indirect revenue	$'000	11,588	7,139	4,449	62.3%
Indirect revenue as % of Total revenue	%	18.2%	8.2%		10.0pp

1 Gross margin is gross profit expressed as a percentage of revenue.
2 Value adjusted by removing the impact of the movement in the specific provision for inventory obsolescence (inclusive of the sale subsequently of obsolete inventory) for which additional information is provided later in this report.
3 EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards.
4 Based on revenue managed through Step One's systems and excludes revenue recognition timing adjustments.

The reconciliation of the Group's statutory net profit after tax ('NPAT'), for the current and previous financial year, to EBITDA is as follows:

	CONSOLIDATED	
	2026 $'000	2025 $'000
NPAT	**(6,353)**	**12,651**
Less: Interest income	(395)	(1,244)
Add: Interest expense/finance cost	46	11
Add: Depreciation and amortisation expense	328	335
(Less)/add: Income tax (benefit)/expense	(1,029)	5,667
EBITDA	**(7,403)**	**17,420**
Specific provision for inventory obsolescence	9,125	-
Adjusted EBITDA	**1,722**	**17,420**

In December 2025, Step One raised a specific provision for inventory obsolescence, from which sales and adjustments were made subsequently. While the raising of the specific provision does not meet the criteria to be classified as a normalisation adjustment, the table below has been provided to assist in assessing its impact on the financial results.

	2026			
	EBITDA $'000	IDA $'000	Tax $'000	NPAT $'000
Unadjusted values	(7,403)	21	1,029	(6,353)
Specific provision for inventory obsolescence	9,125	-	(1,957)	7,168
Adjusted values	**1,722**	**21**	**(928)**	**815**

Revenue

Revenue decreased by 26.7% compared with the prior financial year as the Company undertook a strategic reset. Historically, frequent discounting supported customer acquisition and maintained competitiveness. However, this approach was not considered sustainable over the long term, as excessive discounting risks diluting brand equity and customer perceptions of value. The strategic reset therefore focused on reducing discount depth, increasing emphasis on value-led product innovation, and reinforcing the premium positioning of the Step One brand.

The reset directly impacted direct-to-consumer sales, which fell 34.7%, however sales on indirect channels increased 62.3% led by sales on Amazon.

	2026		VARIANCE	
	$'000	$'000	$'000	%
Australia	34,974	54,715	(19,741)	(36.1%)
UK	26,231	29,497	(3,266)	(11.1%)
US	2,477	2,670	(193)	(7.2%)
Total	**63,682**	**86,882**	**(23,200)**	**(26.7%)**
Direct	52,094	79,743	(27,649)	(34.7%)
Indirect	11,588	7,139	4,449	62.3%
Total	**63,682**	**86,882**	**(23,200)**	**(26.7%)**

Further analysis of the direct revenue reveals:

- Sale events revenue contributed 26% (2025: 63%) to total direct revenue, consistent with the strategic intent to reduce reliance on sale event revenue; and
- Product innovation resulted in 6 new products (Cloud Press Pro, Men's Briefs, Socks, Period, Sleepwear and X-cup) contributing 4.3% of revenue (2025: 1 new product; Cloud Mesh, contributing 2.2% of revenue).

Gross Profit and Margin

	2026	2025	VARIANCE	
	$'000	$'000	$'000	%pp
Gross profit	39,215	66,379	(27,164)	(40.9%)
Specific provision for inventory obsolescence[1]	9,125	-	9,125	-
Adjusted gross profit	48,340	66,379	(18,039)	(27.2%)
Gross margin	61.6%	76.4%	-	(14.8%)
Adjusted gross margin	75.9%	76.4%	-	(0.5%)

1. Additional information regarding the specific inventory provision is provided in the inventory section following later in this report. The adjustment removes the impact of raising a specific obsolescence provision and margin benefit of the subsequent sale of obsolete inventory.

Adjusted gross margin was 75.9% (2025: 76.4%), despite the strategic reduction in site-wide promotional discount activity. While broad-based discounting was moderated, targeted discounts were increased seeking to clear older and slower-moving inventory. In 1H26, these discounts reduced the gross margin. Following the recognition of an inventory obsolescence provision in late 1H26, the impact of selling this inventory at deep discounts was separately identified and adjusted for, therefore benefiting the 2H26 adjusted gross margin.

The 2H26 result provides a clearer indication of the underlying impact of the strategic pricing reset. Adjusted gross margin increased to 79.5% (2H25: 74.4%), reflecting improved pricing discipline and a reduction in promotional activity. However, the comparison is not directly equivalent, as no mid-year sale was held in 2H26, unlike the prior corresponding period.

Customers

Returning customers accounted for 59% of orders in FY26 (2025: 69%).

		2026	2025	VARIANCE	
New customers	#'000	215	238	(23)	(9.7%)
Database	#'000	2,123	1,908*	215	11.3%
Website visits	#'m	11.3	13.6	(2.3)	(17.2%)
Conversion rate	%	4.1	4.6	(0.5)	(0.5pp)

*Reduced by 15,000 customers from the 1,923,000 previously reported because of removal of indirect customers from the prior period balance.

The Step One customer database grew by 11.3% in the financial year to over 2.1 million customers.

Website visits decreased 17.2% to 11.3 million (2025: 13.6 million), and while conversion rate decreased to 4.1% (2025: 4.6%), it remains at industry leading levels.

Advertising Costs

Advertising costs were $21.1 million (2025: $23.5 million). Costs decreased by $2.4 million mostly in digital advertising offset in part by increases in advertising on indirect channels. Overall advertising represented 33.1% of revenue (2025: 27.0%).

Distribution and Fulfilment Costs

Warehouse and distribution costs of $12.7 million (2025: $13.1 million) increased in 2026 to 19.9% of revenue (2025: 15.0%). The increase reflects the general cost pressures in the logistics industry, including the postal services, as well as the cost to hold a larger inventory range.

Step One completed its transition to a new third-party logistics (3PL) provider in Australia. The transition was driven by a strategic focus on improving customer service outcomes rather than cost reduction, addressing longstanding delivery performance issues and inventory shrinkage within the previous distribution provider.

Merchant and Transaction Fees

Fees of $3.1 million (2025: $3.3 million) are paid to system providers, credit card merchant fees, and other payment acquisition providers and includes fees from indirect channel providers. Fees are levied on a mix of per transaction, and percentage of transaction value basis. They increased to 4.9% of revenue (2025: 3.8%), reflecting a change in transaction mix inclusive of transaction fees on indirect channels.

Workforce

On 30 June 2026, Step One had a team of 26 (30 June 2025: 33). Total workforce costs were $6.1 million (2025: $6.0 million), excluding share-based payment incentives.

Position responsibilities and organisational structures are adapted to support changing business priorities.

Headcount	30 JUNE 2026	30 JUNE 2025
Creative	7	10
Operations	5	8
eCommerce	4	4
Executive and administration	7	8
Non-executive Directors	3	3
Total team	**26**	**33**
Female	9	16
Male	17	17
Australia	20	26
Overseas	6	7

Share-based payments expense was $0.6 million (2025: $0.6 million). The estimated future expense based on equity instruments on issue at 30 June 2026 is $0.7 million over 2 years:

Rights		2027	2028	TOTAL
Rights quantity	#’000	1,670	847	2,517
Rights value	$’000	478	248	726

Additional options or rights issued or forfeited post 30 June 2026 will affect the expense forecast in the table above.

Taxation

The income tax benefit was $1.0 million (2025: tax expense $5.6 million), representing an effective tax rate of 13.9%. This differs from the Australian corporate tax rate as the tax benefit from losses in the USA have not been recognised as well as non-deductible items per the table below.

	CONSOLIDATED	
	2026 $'000	2025 $'000
(Loss)/profit before tax	**(7,382)**	**18,318**
Prima facie tax at 30%	**(2,215)**	**5,495**
- USA loss	1,173	164
- Non-deductible expenses	13	8
Tax (benefit)/expense	**(1,029)**	**5,667**
Effective Tax Rate	13.9%	30.9%

The US operation is a USA domiciled taxpayer for which no asset has been recognised for accumulated tax losses now totalling $9.4 million (2025: $5.5 million). These losses will, however, be available to offset tax on future profits made in the USA.

Step One fulfils its obligations to pay tax in each jurisdiction it operates in, noting that Step One is primarily an Australian taxpayer. In addition, the UK operation is an Australian domiciled taxpayer.

USA

Step One continued to invest in the USA market.

	CONSOLIDATED	
Loss in each year	USD $'000	AUD $'000
2022	2,018	2,956
2023	445	667
2024	848	1,272
2025	358	552
2026	2,752	3,910
	6,421	**9,357**

The losses incurred as a result of building brand awareness in the US are considered reasonable in the context of the size of the market opportunity being pursued.

Financial position

Net assets are $40.4 million (2025: $52.0 million) with cash holdings and term deposits of $25.8 million (2025: $33.1 million) and no debt. Step One remains a capital light business. The data used in this table is sourced from the statement of financial position but is grouped in a different way than is required under Australian Accounting Standards, to enable the discussion outlined below.

Assets

		CONSOLIDATED	
	Note	2026 $'000	2025 $'000
Cash		15,669	18,140
Financial assets (term deposits)		10,147	15,000
Cash and financial assets	1	25,816	33,140
Receivables	2	890	499
Inventories	3	15,849	25,257
Intangibles		-	33
Tax asset	4	4,859	1,608
Equipment		-	48
Property lease	5	700	-
Other	6	508	1,544
Total Assets		**48,622**	**62,129**

1. Cash and term deposits are held in licensed banks including $10.1 million held on term deposits. $2.7 million is held in CNY as a hedge against outstanding orders and CNY denominated liabilities.
2. Funds to be received from payment gateways and partners, mostly within the following month.
3. Inventory is in the warehouse, or on its way to it, and is stated net of any provision for obsolescence.
4. Tax deductions to be claimed in future tax returns.
5. This represents the capitalised value of the office property lease and is classified as a right-of-use asset. At 30 June 2025, Step One was using temporary accommodation which did not require lease capitalisation.
6. Interest receivable and prepayments.

Liabilities

	Note	CONSOLIDATED 2026 $'000	2025 $'000
Payable to manufacturers	1	1,353	2,504
Taxes	2	759	3,532
Unearned revenue	3	637	726
Lease liability	4	794	-
Other	5	4,656	3,368
Total		**8,199**	**10,130**

1. Owed to the product manufacturers for inventory already produced. In addition to the payables value, Step One has a commitment to acquire $1.3 million (2025: $7.0 million) of inventory arising from purchase orders that have been placed and not yet fulfilled by the manufacturers.
2. Sales Tax/GST/VAT collected that needs to be paid plus income tax.
3. Revenue is not recognised until the customer receives the goods.
4. Lease liability for the office lease represents the opposing entry to the right-of-use asset.
5. Other bills not yet paid.

Equity

		CONSOLIDATED 2026 $'000	2025 $'000
Capital	1	50,396	50,396
Retained earnings pre-IPO	2	(4,762)	(4,762)
Retained earnings post-IPO	3	(6,000)	4,552
Reserves and other	4	789	1,813
Total		**40,423**	**51,999**

1. Shares at their issue value including funds raised at IPO and are stated net of shares held by the ESOP.
2. Pre-IPO retained earnings are a loss of $4,762,000 and are quarantined.
3. Profits available for dividend when positive.
4. Reserves and adjustments.

Dividends are paid from Post-IPO retained earnings. A final dividend of 2.4 cps ($4.4 million) relating to the 2025 financial year was declared in August 2025 and paid in September 2025.

Available Cash

	CONSOLIDATED 2026 $'000	2025 $'000
Cash	15,669	18,140
Add: financial assets (term deposits)	10,147	15,000
Less: dividend proposed	-	(4,448)
Less: liabilities	(8,199)	(10,130)
Less: production orders placed	(1,255)	(6,971)
Available Cash	**16,362**	**11,591**

This is not a financial measure prescribed by Australian Accounting Standards, however the Company uses it in its capital management assessments.

Inventory

Inventory on hand has increased by $1.7 million to $25.9 million (2025: $24.2 million) as at 30 June 2026. The provision of obsolescence has been increased to $10.4 million for inventory that can no longer be sold above cost.

		2026 SALEABLE $'000	2026 OBSOLETE $'000	2026 TOTAL $'000	2025 $'000	VARIANCE $'000	VARIANCE %
On hand		**16,746**	**9,125**	**25,871**	**24,204**	**1,667**	**6.9%**
Provision	Specific	-	(9,125)	(9,125)	-	(9,125)	-
	General	(1,229)	-	(1,229)	(1,210)	(19)	1.6%
	Total	**(1,229)**	**(9,125)**	**(10,354)**	**(1,210)**	**(9,144)**	**755.7%**
	Rate	7.3%	100.0%	40.0%	5.0%		35.0 pp
		15,517		**15,517**	**22,994**	**(7,477)**	**(32.5%)**
In transit		332	-	332	2,263	(1,931)	(85.3%)
		15,849		**15,849**	**25,257**	**(9,408)**	**(37.2%)**

As at 30 June 2026, there were $1.3 million (2025: $7.0 million) of unfilled production orders placed.

Notwithstanding inventory is non-perishable, a general obsolescence provision is required to account for short-deliveries, damaged product and other warehouse shrinkage that is not apparent until the individual cartons are opened or otherwise the product is sold. A general provision also applies to inventory in unpopular sizes, styles or prints. The general provision value will fluctuate based on the quantity of these slow-moving items held at each reporting date. At 30 June 2026, the general provision was 7.3% (2025: 5.0%) of inventory on hand.

The provision increased as follows:

	SPECIFIC $'000	GENERAL $'000	TOTAL $'000
Balance at 30 June 2025	**-**	**1,210**	**1,210**
Specific provision for inventory obsolescence	9,125	-	9,125
Provision adjustment/expense 30 June 2026	-	19	19
Balance at 30 June 2026	**9,125**	**1,229**	**10,354**

Despite initial success selling some of the obsolete inventory, the return for effort is expected to diminish over time and increasingly incur additional costs associated with repackaging, advertising and the opportunity cost of distraction. Step One expects to dispose of the remaining obsolete inventory in 1H27.

Share Trust

Step One has established an Employee Share Ownership Plan ('ESOP') for the management of the rights-based equity remuneration plan.

Step One contracted with Pacific Custodians Pty Limited ('Trustee') to manage the issue of equity to ESOP participants. It is intended that dividends and other capital returns received by the Trust will be passed through to the participants, although this will remain at the Board's discretion at each declaration.

	2026		2025	
	#	$'000	#	$'000
Balance at 30 June 2025	**2,917,646**	**2,100**	**2,391,731**	**1,571**
Acquired in period	-	-	525,915	529
Vested in period	(957,646)	(225)	-	-
Cashed out	957,646	225	-	-
Balance at 30 June 2026	**2,917,646**	**2,100**	**2,917,646**	**2,100**

The value of the shares held in the Trust is deducted from issued capital in the Group's statement of financial position.

Dividends & dividend policy

No dividend has been declared for the 2026 financial year. Dividends relating to 2025 of $4.4 million represented almost all post-IPO retained earnings to 30 June 2025.

	PRE-IPO RETAINED EARNINGS* $'000	POST-IPO RETAINED EARNINGS $'000	TOTAL RETAINED EARNINGS $'000
Balance at 30 June 2025	**(4,762)**	**4,552**	**(210)**
Loss for the period	-	(6,353)	(6,353)
Dividend 2025 final of 2.4cps was paid in September 2025	-	(4,448)	(4,448)
Undistributed dividends on treasury shares	-	24	24
Share-based payment adjustment on vesting	-	225	225
Balance at 30 June 2026	**(4,762)**	**(6,000)**	**(10,762)**

*defined as retained earnings at 31 December 2021. This time frame provided 2 months from the initial public offer on 1 November 2021 for all IPO related costs to be recognised, which includes over $13.8m in pre-IPO share-based payments that were expensed.

Any future dividend will depend on the Company's capital requirements at the time. The Board of Step One will review its capital requirements at the end of each reporting period. It is intended to return all surplus funds (generated from after tax earnings) to shareholders in the form of a dividend, subject to any such capital requirements. It is also intended that future dividends will be franked to the maximum extent possible.

Business risks

Business risk information is available in the Risk report which, while disclosed under a separate heading, forms part of this Operating and Financial Review.

Prospects for future financial years

Step One remains confident of the opportunities in each of its operating markets, and in its ability to execute the Company's strategy. It will continue to pursue profitable growth in Australia and the UK, while maintaining a balance between growth and profitability in the US.

RISK REPORT

This report forms part of the of Directors' report which follows on page 27.

The following is a summary of material business risks that could adversely affect financial performance and growth in future years.

RISK	DESCRIPTION	MITIGATIONS
Strategic	The risk that the Company's strategy fails to deliver the expected outcomes due to unexpected internal or external events.	Regular evaluation of strategies and remain responsive to unexpected events. Maintain a high appetite to explore new products and customer engagement activities.
Operational	The risk that systems to order, manufacture, transport, sell or distribute products, fail. This risk includes disruption to global supply chains.	Maintain contracts with several key suppliers in different locations. Ensure days inventory is sufficient to cover supply chain disruptions. Maintain a low appetite for product failure and a moderate appetite for stock outs (after product is launched).
Marketing	The risk that advertising ceases to be effective or costs increase above economic levels. This risk may manifest itself with declining new customer recruitment.	Maintain engagement with digital platform owners to evaluate planned changes and opportunities they bring. Monitor consumer trends in product and digital usage. Maintain a high appetite for 'edgy' marketing content. Expand communication options and distributed channels to recruit new customers.
System	The risk that system providers or their systems fail and cannot be restored within a reasonable time frame and/or without data loss. This risk includes cyber security risks, both denial of service/ access and loss of private data.	Continue to use 'tier 1' systems in primary operations, for limited mitigation is available. Step One will not hold private information (e.g., credit cards) outside of specialist systems.
Governance	The risk that systems and processes fail to detect and report changes in financial results, forecasts, assets or liability positions.	Maintain regular oversight and no tolerance for Policy breach. Financial and governance systems are subject to a doctrine of continuous improvement.
Climate risk to operations	Climate specific risks may reduce availability of raw materials, increase the cost of manufacturing and/or selling and distribution.	Bamboo grows quickly in the right environments. There are numerous bamboo growing regions in the world which could be used if China was not available. There are also competing natural products and recycled products that could replace the bamboo viscose fabric if necessary.

The following provides details of risks specific to Step One's business:

TOPIC	SUMMARY
Change in customer preferences and purchasing patterns	Demand for Step One's products is sensitive to its successful range development and customer demand for design and production features that are distinct from more established underwear brands. Step One's range development may fail to satisfy evolving customer preferences, or customers may not see value in Step One's distinct design and production features.
Disruption in product supply or distribution and issues relating to supplier contracts may adversely affect Step One's operations	Step One does not manufacture the products which it sells and is reliant on third party suppliers which exposes it to risks relating to the actions or operations of those suppliers. Step One's relationships with its suppliers may deteriorate or geopolitical tensions or restrictions (including the imposition of tariffs or other protectionist measures) may have an impact on trade or the supply chain between Step One and its suppliers. Supply arrangements may also be terminated or discontinued, which may occur at short notice. There may also be potential delays in sourcing new products or disruptions in identifying and engaging alternative suppliers. Given most suppliers are located outside Australia (predominantly in China), Step One is also subject to foreign exchange risks, as well as challenges associated with enforcing contractual arrangements in foreign jurisdictions.
Environmental Risks	Step One is reliant on the production of organically grown bamboo as a primary ingredient in the manufacture of its product. The bamboo is grown in China. As this is a natural product, there is a risk that it is affected by climatic changes in that region. Should Step One suppliers need to source bamboo from a different region, there are risks that it could cost more, not have the organic, environmental, or labour practice certifications the existing supply chain has established.
Accreditation Risk	Step One products are ethically manufactured using sustainable materials as the primary inputs. Step One directly inspects the final manufacturing facilities on a sample basis however is reliant on third parties to inspect these and the upstream suppliers and their facilities. The third parties are globally accredited experts in this area and Step One places reliance on their local presence and expertise. If an accreditation was incorrectly claimed, contracts could be cancelled immediately, however remediation would be limited.
Logistic and supply chain disruption	There remains a risk that the global logistics disruptions continue. Disruption may result from economic disruption, conflict, or pandemic related disruptions on Step One's supply chain.
Performance and reliability of Step One's website, databases and risk of data security breaches	Step One's IT systems and website are provided and managed by specialist service providers. A failure in the systems of a third-party provider is likely to have a material impact on Step One's systems and operations. Mitigation is not available against a failure of critical suppliers at a global level. As these are global companies with industry standing, such outcomes are considered unlikely, however remain possible.

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

DIRECTORS' REPORT

30 June 2026

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Step One Clothing Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities (refer to note 27 of the financial statements) it controlled at the end of, or during, the financial year ended 30 June 2026.

Directors

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

David Gallop AM
Gregory Taylor
Richard Dennis
Michael Reddie
Catherine Thompson

Principal activities

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

There have been no changes to the principal activities during the financial year.

Review of operations

The loss for the Group after providing for income tax amounted to $6,353,000 (2025: profit of $12,651,000).

Revenue for the financial year was $63,682,000 (2025: $86,882,000), a decrease of 26.7% compared with the prior financial year as the Company undertook a strategic reset. Historically, frequent discounting supported customer acquisition and maintained competitiveness. However, this approach was not considered sustainable over the long term, as excessive discounting risked diluting brand equity and customer perceptions of value. The strategic reset therefore focused on reducing discount depth, increasing emphasis on value-led product innovation, and reinforcing the premium positioning of the Step One brand.

Step One attracted over 11.3 million (2025: 13.6 million) website visits with an average conversion rate of 4.1% (2025: 4.6%). There were 215,000 (2025: 238,000) first-time customers in the financial year bringing the total number of customers to over 2,123,000 (2025: 1,908,000). Returning customers accounted for 59.4% of orders (2025: 69.1%).

The provision for inventory obsolescence was increased to $10,354,000 (2025: $1,210,000) during the financial year. Refer to the Operating and Financial Review for further commentary on the results and the provision.

Step One remains well funded with a strong balance sheet and no debt. Cash and cash equivalents and other financial assets were $25,816,000 (2025: $33,140,000), providing the financial capacity to pursue expansion as opportunities arise.

Dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2026 $'000	2025 $'000
Dividend of 2.4 cents per ordinary share for the year ended 30 June 2025 paid in September 2025 by Step One Clothing Limited	4,448	-
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2026	(24)	-
Dividend of 2.8 cents per ordinary share for the year ended 30 June 2024 paid in September 2024 by Step One Clothing Limited	-	5,190
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2025	-	(17)
Interim dividend of 4.4 cents per ordinary share for the year ended 30 June 2025 paid in March 2025 by Step One Clothing Limited	-	8,154
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2025	-	(34)
Net dividend payment recognised in the statement of changes in equity	4,424	13,293

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

There are no further developments that the Directors are aware of which could be expected to affect the results of the Group's operations in subsequent financial years other than the information contained in the operating and financial review.

Environmental regulation

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

Information on Directors

David Gallop AM
Chairperson and Non-Executive Director

Qualifications:	BA (ANU), LLB (Syd Uni), Graduate AICD
Experience and expertise:	David is a lawyer and has extensive experience and background in sports administration, media rights and broadcasting, digital content delivery, customer experience, legal and regulatory frameworks and stakeholder relationship management. David was previously CEO of Football Federation Australia and CEO of the National Rugby League.
Other current directorships:	▪ Tabcorp Holdings Ltd - Non-Executive Director ▪ Cricket NSW Ltd - Non-Executive Director ▪ Venues NSW - Non-Executive Director and Chairman
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Board, Member of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee
Interests in shares:	253,796 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Gregory Taylor
Chief Executive Officer (CEO) and Executive Director

Qualifications:	B Comm
Experience and expertise:	Gregory held various roles in e-commerce and technology companies prior to founding Step One.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	107,327,144 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Information on Directors continued

Richard Dennis
Non-Executive Director

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

Catherine Thompson
Non-Executive Director

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

Information on Directors continued

Michael Reddie
Chief Legal Officer (CLO) and Executive Director

Qualifications:	B Comm, LLB
Experience and expertise:	Michael is a corporate and commercial lawyer and Director of Reddie Lawyers. Michael also held roles at Gadens Lawyers and Lander & Rogers. Michael has worked with Step One since inception.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Legal Officer
Interests in shares:	4,617,794 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

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

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

Company secretary

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

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

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

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the financial year ended 30 June 2026, and the number of meetings attended by each Director were:

	BOARD		REMUNERATION AND NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
David Gallop AM	13	13	1	1	3	3
Gregory Taylor	12	13	-	-	-	-
Richard Dennis	13	13	1	1	3	3
Catherine Thompson	13	13	1	1	3	3
Michael Reddie	13	13	-	-	-	-

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

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board applies the following criteria:

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

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

Remuneration report (audited) continued

The reward framework is designed to align executive reward to shareholders' interests. The Board considers that shareholders' interests are enhanced by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price; and
- attracting and retaining high calibre executives.

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

Non-executive Directors' remuneration

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

The total aggregate amount provided to all non-executive directors of the Group for their services as directors must not exceed in any financial year the amount fixed by the shareholders in a general meeting. This amount is fixed at $1,200,000 (2025: $1,200,000) per annum.

Executive remuneration

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

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits;
- long-term incentives ('LTI') including share-based payments; and
- other statutory remuneration obligations such as superannuation and long service leave.

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

Fixed remuneration, consisting of base salary and superannuation, are reviewed annually by the Remuneration and Nomination Committee.

LTI's are granted in the form of share-based payments. Shares are awarded to executives which vest over a period of between one to three years. Remaining employed at the vesting date is the sole vesting criteria. The Remuneration and Nomination Committee reviews the LTI annually.

Remuneration report (audited) continued

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

COMPONENT	PERFORMANCE MEASURE	PURPOSE AND LINK TO OBJECTIVES
Fixed remuneration (salary and other benefits including superannuation)	The level of remuneration is determined with reference to the role and responsibility, experience and qualifications required to competently undertake that role.	Attract executives with the rights skills, capability and experience to meet the objectives of Step One.
LTI (performance-based incentives delivered in equity with vesting based on time)	Equity LTI grants were issued with vesting over 1, 2 or 3 years.	Aligns executive remuneration with long-term shareholder value creation.

The CEO does not participate in the performance incentive program as he has a material interest in increasing company value through an existing shareholding.

Consolidated entity performance and link to remuneration

2026 STI

Step One does not operate a formal short-term incentive ('STI') program, therefore there was no bonus payable and no bonus forfeited for executives or Directors. The following table is presented to satisfy statutory disclosure requirements and reflects the 2026 STI outcomes for executives.

EXECUTIVES	YEAR	STI AWARD $	STI AS % OF FIXED REMUNERATION %	STI AS % OF OPPORTUNITY %
Gregory Taylor, CEO	2026	-	-	-
	2025	-	-	-
Michael Reddie, CLO	2026	-	-	-
	2025	-	-	-
Nigel Underwood, CFO	2026	-	-	-
	2025	-	-	-

2026 LTI

Details of rights granted in 2026 are provided later in this report. No LTI was granted to key management personnel in 2026.

The Remuneration and Nomination Committee is of the opinion that executive retention can be attributed in part to the adoption of equity-based compensation and is satisfied that this retention will increase shareholder wealth over the coming years.

Use of remuneration consultants

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

Remuneration report (audited) continued

Details of remuneration

The key management personnel of the Group consisted of the following non-executive and executive Directors of Step One Clothing Limited:

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

And the following person:

- Nigel Underwood, CFO

Changes since the end of the reporting period:

- None.

Amounts of remuneration

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

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	ESOP DIVIDEND	
	CASH SALARY AND FEES	CASH BONUS	NON-MONETARY*	SUPER-ANNUATION	LONG SERVICE LEAVE	EQUITY-SETTLED		TOTAL
2026	$	$	$	$	$	$	$	$
Non-Executive Directors:								
David Gallop AM	154,000	-	-	18,480	-	-	-	172,480
Richard Dennis	88,000	-	-	10,560	-	-	-	98,560
Catherine Thompson	88,000	-	-	10,560	-	-	-	98,560
Executive Directors:								
Gregory Taylor	470,000	-	19,762	30,000	14,753	-	-	534,515
Michael Reddie	376,000	-	-	10,560	-	-	-	386,560
Other Key Management Personnel:								
Nigel Underwood	470,000	-	12,654	30,000	8,829	28,548	22,984	573,015
	1,646,000	-	32,416	110,160	23,582	28,548	22,984	1,863,690

* Including accrual of untaken annual leave $30,869 (2025: $34,125) plus non-cash benefits of $1,547 (2025: $4,415).

Remuneration report (audited) continued

	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	ESOP DIVIDEND	
	CASH SALARY AND FEES	CASH BONUS	NON-MONETARY*	SUPER-ANNUATION	LONG SERVICE LEAVE	EQUITY-SETTLED		TOTAL
2025	$	$	$	$	$	$	$	$
Non-Executive Directors:								
David Gallop AM	154,000	-	-	17,710	-	-	-	171,710
Richard Dennis	88,000	-	-	10,120	-	-	-	98,120
Catherine Thompson	88,000	-	-	10,120	-	-	-	98,120
Executive Directors:								
Gregory Taylor	470,000	-	22,631	30,000	16,740	-	-	539,371
Michael Reddie	376,000	-	-	10,120	-	-	-	386,120
Other Key Management Personnel:								
Nigel Underwood	470,000	-	15,909	30,000	5,635	75,016	68,951	665,511
	1,646,000	-	38,540	108,070	22,375	75,016	68,951	1,958,952

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	FIXED REMUNERATION	AT RISK - STI	AT RISK - LTI
	%	%	%
Non-Executive Directors			
David Gallop AM	100.00%	-	-
Richard Dennis	100.00%	-	-
Catherine Thompson	100.00%	-	-
Executive Directors			
Gregory Taylor	100.00%	-	-
Michael Reddie	100.00%	-	-
Other Key Management Personnel			
Nigel Underwood	95.00%	-	5.00%

Remuneration report (audited) continued

LTI vesting is time-based rather than dependent on performance.

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

	CASH BONUS PAID/PAYABLE	CASH BONUS FORFEITED	CASH BONUS PAID/PAYABLE	CASH BONUS FORFEITED
	2026	2026	2025	2025
	%	%	%	%
Non-Executive Director				
David Gallop AM	-	-	-	-
Richard Dennis	-	-	-	-
Catherine Thompson	-	-	-	-
Executive Directors:				
Gregory Taylor	-	-	-	-
Michael Reddie	-	-	-	-
Other Key Management Personnel:				
Nigel Underwood	-	-	-	-

Service agreements

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

Name:	David Gallop AM
Title:	Chairperson and Non-Executive Director
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Directors' fee of $154,000 (2025: $154,000) exclusive of superannuation plus reimbursement of travelling and other expenses incurred in attending meetings or otherwise discharging their duties. There is no additional fee for chairing sub-committees.

Name:	Gregory Taylor
Title:	Chief Executive Officer (CEO) and Executive Director
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Base Salary for the year ending 30 June 2026 of $500,000 (2025: $500,000) inclusive of superannuation, to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice for either party, no cash bonus or equity incentive participation. Immediate termination for serious misconduct. 12 month post-employment non-solicitation and non-compete constraints.

Remuneration report (audited) continued

Name:	Richard Dennis
Title:	Non-Executive Director, Chair of the Audit and Risk Committee
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Directors' fee of $88,000 (2025: $88,000) exclusive of superannuation plus reimbursement of travelling and other expenses incurred in attending meetings or otherwise discharging their duties. There is no additional fee for chairing sub-committees.

Name:	Catherine Thompson
Title:	Non-Executive Director, Chair of the Remuneration and Nomination Committee
Agreement commenced:	6 October 2021
Term of agreement:	Open
Details:	Directors' fee of $88,000 (2025: $88,000) exclusive of superannuation plus reimbursement of travelling and other expenses incurred in attending meetings or otherwise discharging their duties. There is no additional fee for chairing sub-committees.

Name:	Michael Reddie
Title:	Chief Legal Officer (CLO) and Executive Director
Agreement commenced:	6 October 2021 - Director agreement 1 September 2023 - Agreement with Reddie Lawyers
Term of agreement:	Open
Details:	Director's fee of $88,000 (2025: $88,000) exclusive of superannuation plus reimbursement of traveling and other expenses incurred in attending meetings or otherwise discharging their duties. Reddie Lawyers Pty Ltd (an entity related to Michael Reddie) was engaged on 23 August 2023 to provide legal and consulting services from 1 September 2023. Reddie Lawyers Pty Ltd fees were $24,000 per month totalling $288,000 (2025: $288,000). The agreement can be terminated by notice at any time. The Directors are satisfied that these terms of the services agreement are commensurate with normal commercial terms for similar services.

Name:	Nigel Underwood
Title:	Chief Financial Officer
Agreement commenced:	30 March 2021
Term of agreement:	Open
Details:	Base Salary for the year ending 30 June 2026 of $500,000 (2025: $500,000) inclusive of superannuation, to be reviewed annually by the Remuneration and Nomination Committee. 6 month termination notice for either party. Immediate termination for serious misconduct. 12 month post-employment non-solicitation and non-compete constraints.

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

Share-based compensation

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the financial year ended 30 June 2026.

Options

There were no options granted this financial year.

Remuneration report (audited) continued

Rights

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

NAME	GRANT DATE	VESTING ELIGIBILITY DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER RIGHT AT GRANT DATE
N. Underwood	17 November 2022	17 November 2025	17 November 2032	$0.0000	$0.2350

Value of rights over ordinary shares granted, exercised and lapsed for Directors and other key management personnel as part of compensation during the financial year ended 30 June 2026 are set out below:

NAME	VALUE OF RIGHTS GRANTED DURING THE YEAR	VALUE OF RIGHTS EXERCISED DURING THE YEAR	VALUE OF RIGHTS LAPSED DURING THE YEAR	REMUNERATION CONSISTING OF RIGHTS FOR THE YEAR
	$	$	$	%
N Underwood*	-	225,047	-	5.40%

* 957,646 rights with an issue value of $225,047 vested on 17 February 2026 and settled in cash at the share price on that day. The 'Remuneration consisting of rights for the year %' value is calculated with reference to fair value vesting of the rights vesting expense in 2026 per the 'Amounts of remuneration' on page 35.

There are no key management personnel rights on issue as at 30 June 2026.

Performance rights

There were no performance rights over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2026.

There were no performance rights over ordinary shares granted to or vested by Directors and other key management personnel as part of compensation during the financial year ended 30 June 2026.

Additional information

The earnings of the Group for the five years to 30 June 2026 are summarised below:

	2026 $'000	2025 $'000	2024 $'000	2023 $'000	2022 $'000
Sales revenue	63,682	86,882	84,548	65,184	72,187
EBITDA*	(7,403)	17,420	18,129	12,023	(298)
(Loss)/profit after income tax	(6,353)	12,651	12,400	8,616	(3,003)

* Earnings before interest, taxation, depreciation and amortisation ('EBITDA') is a financial measure not prescribed by Australian Accounting Standards ('AAS').

Remuneration report (audited) continued

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2026	2025	2024	2023	2022
Share price at financial year end ($)	0.14	0.69	1.37	0.34	0.23
Total dividends declared (cents per share)	2.40	7.20	9.00	-	3.20
Basic earnings per share (cents per share)	(3.43)	6.83	6.69	4.65	(1.73)
Diluted earnings per share (cents per share)	(3.43)	6.78	6.65	4.62	(1.73)
Share buy-back ($'000)	-	-	-	-	-

Additional disclosures relating to key management personnel

Shareholding

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

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Ordinary shares					
David Gallop AM	219,312	-	34,484	-	253,796
Gregory Taylor	107,327,144	-	-	-	107,327,144
Richard Dennis	30,000	-	-	-	30,000
Michael Reddie	4,617,794	-	-	-	4,617,794
Catherine Thompson	171,500	-	-	-	171,500
Nigel Underwood	200,000	-	-	-	200,000
	112,565,750	-	34,484	-	112,600,234

Remuneration report (audited) continued

Rights and Option holdings

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

	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
Rights and Options over ordinary shares					
Nigel Underwood - Options	900,000	-	-	-	900,000
Nigel Underwood - Rights	957,646	-	(957,646)	-	-
	1,857,646	-	(957,646)	-	900,000

INSTRUMENT	GRANT DATE	VESTING ELIGIBILITY DATE AND EXERCISABLE DATE	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE PER INSTRUMENT AT GRANT DATE
Options	30/06/2021	01/07/2024	30/06/2031	$1.1473	$0.3185

The exercise price was $1.3333 at Grant Date and is reduced by the value of dividend payments totalling $0.1860 made since grant date and up to 30 June 2026.

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

Loans to key management personnel and their related parties

None (2025: none).

Other transactions with key management personnel and their related parties

Payment for digital advertising services by The Fable Clothing Pty Ltd (entity related to Gregory Taylor) for the current financial year was $100,000 (2025: $120,000). The services were terminated on 30 April 2026.

Payment of $288,000 (2025: $288,000) for legal and commercial services from Reddie Lawyers (entity related to Michael Reddie). The services from Reddie Lawyers commenced 1 September 2023.

This concludes the remuneration report, which has been audited.

Shares under option

There were 1,200,000 unissued ordinary shares of Step One Clothing Limited under option outstanding at the date of this report.

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER OPTION
30 June 2021	30 June 2031	$1.1473	900,000
6 October 2021	30 June 2031	$1.1473	300,000
			1,200,000

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

Shares issued on the exercise of options

There were no other ordinary shares of Step One Clothing Limited issued on the exercise of options during the financial year ended 30 June 2026 and up to the date of this report.

There were 3,830,000 (2025: 1,917,646) unissued ordinary shares of Step One Clothing Limited under rights outstanding at the date of this report.

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

GRANT DATE	VESTING ELIGIBILITY DATE	EXPIRY DATE	EXERCISE PRICE	NUMBER UNDER RIGHTS
20 February 2024	30 June 2026	20 February 2033	$0.0000	450,000
30 June 2024	30 June 2026	30 June 2034	$0.0000	250,000
30 June 2024	30 June 2027	30 June 2034	$0.0000	130,000
14 January 2026	30 June 2028	14 January 2036	$0.0000	1,000,000
9 March 2026	30 June 2028	9 March 2036	$0.0000	1,000,000
19 March 2026	30 June 2027	20 March 2036	$0.0000	1,000,000
				3,830,000

Refer note 29 to the financial statements for additional information. 2,917,646 rights are matched against shares held in an ESOP and are therefore non-dilutionary. The shortfall of 912,354 shares is therefore dilutionary.

Shares issued on the exercise of rights

There were no ordinary shares of Step One Clothing Limited issued on the exercise of rights during the financial year ended 30 June 2026 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 as all non-audit services have been reviewed and approved to ensure that they do not impact the integrity objectivity of the auditor; and none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2026/183, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

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

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

On behalf of the Directors

David Gallop AM
Chair

Gregory Taylor
Director and Chief Executive Officer

19 August 2026
Sydney

Grant Thornton

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

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Step One Clothing Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Step One Clothing Limited for the year ended 30 June 2026, 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

C S Gangemi
Partner – Audit & Assurance

Melbourne, 19 August 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2026

	NOTE	CONSOLIDATED 2026 $'000	CONSOLIDATED 2025 $'000
Sales revenue	5	63,682	86,882
Cost of goods sold		(24,467)	(20,503)
Gross margin		39,215	66,379
Interest income		395	1,244
Net foreign exchange (loss)/gain		(54)	734
EXPENSES			
Advertising and marketing expense		(21,102)	(23,457)
Distribution and fulfilment expense		(12,657)	(13,064)
Merchant and transaction fees		(3,109)	(3,339)
Employee benefits and contractor expense	6	(6,137)	(5,971)
Share-based payments expense	6	(633)	(628)
Depreciation and amortisation expense		(328)	(335)
Travel costs		(290)	(519)
Professional, legal and insurance fees		(1,542)	(1,459)
Administration expense	6	(1,094)	(1,256)
Finance costs		(46)	(11)
(LOSS)/PROFIT BEFORE INCOME TAX BENEFIT/(EXPENSE)		(7,382)	18,318
Income tax benefit/(expense)	7	1,029	(5,667)
(LOSS)/PROFIT AFTER INCOME TAX BENEFIT/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF STEP ONE CLOTHING LIMITED		(6,353)	12,651
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(1,432)	321
Other comprehensive (loss)/income for the year, net of tax		(1,432)	321
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF STEP ONE CLOTHING LIMITED		(7,785)	12,972
		CENTS	CENTS
Basic (loss)/earnings per share	8	(3.43)	6.83
Diluted (loss)/earnings per share	8	(3.43)	6.78

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	NOTE	CONSOLIDATED 2026 $'000	CONSOLIDATED 2025 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	15,669	18,140
Trade and other receivables		890	499
Inventories	10	15,849	25,257
Current tax assets		1,108	-
Other financial assets	11	10,147	15,000
Other assets	12	508	1,544
Total current assets		44,171	60,440
Non-current assets			
Property, plant and equipment		-	48
Right-of-use assets	13	700	-
Intangibles		-	33
Deferred tax asset	7	3,751	1,608
Total non-current assets		4,451	1,689
TOTAL ASSETS		48,622	62,129
LIABILITIES			
Current liabilities			
Trade and other payables	14	5,882	7,428
Contract liabilities	15	637	726
Lease liabilities	16	285	-
Current tax liabilities		-	1,432
Employee benefits		509	420
Total current liabilities		7,313	10,006
Non-current liabilities			
Lease liabilities	16	509	-
Deferred tax liability	7	264	54
Employee benefits		113	70
Total non-current liabilities		886	124
TOTAL LIABILITIES		8,199	10,130
NET ASSETS		40,423	51,999

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

		CONSOLIDATED	
	NOTE	2026 $'000	2025 $'000
EQUITY			
Issued capital	17	50,396	50,396
Reserves	18	789	1,813
Accumulated losses		(10,762)	(210)
TOTAL EQUITY		40,423	51,999

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2026

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance at 1 July 2024	50,925	864	432	52,221
Profit after income tax expense for the year	-	-	12,651	12,651
Other comprehensive income for the year, net of tax	-	321	-	321
Total comprehensive income for the year	-	321	12,651	12,972
Transactions with owners in their capacity as owners:				
Share-based payments (note 18)	-	628	-	628
Purchase of treasury shares (held in trust) (note 17)	(529)	-	-	(529)
Dividends paid (note 19)	-	-	(13,293)	(13,293)
BALANCE AT 30 JUNE 2025	50,396	1,813	(210)	51,999

CONSOLIDATED	ISSUED CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS / (ACCUMULATED LOSSES) $'000	TOTAL EQUITY $'000
Balance at 1 July 2025	50,396	1,813	(210)	51,999
Loss after income tax benefit for the year	-	-	(6,353)	(6,353)
Other comprehensive income for the year, net of tax	-	(1,432)	-	(1,432)
Total comprehensive income for the year	-	(1,432)	(6,353)	(7,785)
Transactions with owners in their capacity as owners:				
Share-based payments (note 18)	-	633	-	633
Share-based payment vesting shares adjustment	-	(225)	225	-
Dividends paid (note 19)	-	-	(4,424)	(4,424)
BALANCE AT 30 JUNE 2026	50,396	789	(10,762)	40,423

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2026

		CONSOLIDATED	
	NOTE	2026 $'000	2025 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of sales taxes)		71,578	98,401
Payments to suppliers and employees (inclusive of sales taxes)		(71,188)	(86,812)
		390	11,589
Interest received		395	1,244
Interest and other finance costs paid		(46)	(11)
Income taxes paid		(3,444)	(4,821)
Net cash (used in)/from operating activities	28	(2,705)	8,001
CASH FLOWS FROM INVESTING ACTIVITIES			
Release of/(payments for) term deposits		4,853	(5,000)
Payments for property, plant and equipment		(6)	(20)
Net cash from/(used in) investing activities		4,847	(5,020)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities		(147)	(293)
Payments for purchase of treasury shares		-	(529)
Dividends paid	19	(4,424)	(13,293)
Net cash used in financing activities		(4,571)	(14,115)
Net decrease in cash and cash equivalents		(2,429)	(11,134)
Cash and cash equivalents at the beginning of the financial year		18,140	28,952
Effects of exchange rate changes on cash and cash equivalents		(42)	322
Cash and cash equivalents at the end of the financial year	9	15,669	18,140

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2026

Note 1. General information

The financial statements cover Step One Clothing Limited as a group consisting of Step One Clothing Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the financial year. Step One Clothing Limited and its subsidiaries (as detailed in note 27) together are referred to in these financial statements as the 'Group'. The financial statements are presented in Australian dollars, which is Step One Clothing Limited's functional and presentation currency.

Step One Clothing Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
C/- MUFG Corporate Governance Liberty Place Level 41 161 Castlereagh Street Sydney NSW 2000	Level 4, Suite 01 418A Elizabeth Street Surry Hills NSW 2010

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

The financial statements were authorised for issue in accordance with a resolution of Directors, on 19 August 2026. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2026. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the 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 IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

Note 2. Material accounting policy information continued

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Step One Clothing Limited as at 30 June 2026 and the results of all subsidiaries for the financial year then ended.

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

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

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

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

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

Foreign currency transactions

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

Foreign operations

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

On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

Revenue recognition

The Group recognises revenue as follows:

Revenue is recognised as an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of

Note 2. Material accounting policy information continued

each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

Sales revenue

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

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

Interest income

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

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. Material accounting policy information 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.

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

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

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

The benefit of tax losses that are held in the relevant entity are not recognised until recovery of those losses through reduction in future tax payments is probable.

Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right at the end of the reporting period 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, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

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

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

A general provision for inventory obsolescence is recognised which represents the value of inventory that is expected to be sold at less than carrying value on disposal. Provision rates are applied to inventory based on ageing categories and turnover analysis, reflecting management's estimate of the portion of inventory expected to be sold below cost or not sold.

Note 2. Material accounting policy information continued

A specific provision is recognised for inventory identified as aged greater than three years, obsolete, discontinued or slow-moving, or where the inventory is expected to be sold below cost. In assessing whether a specific provision is required, management considers a range of factors, including recent sales performance of individual stock keeping units (SKUs), historical sell-through rates, the colour and style of products, the availability of a complete size range, inventory ageing and expected future demand. Inventory lines with limited sales history, incomplete size availability or which are no longer expected to achieve normal selling margins may be written down to their estimated net realisable value.

The adequacy of inventory obsolescence provisions is reviewed at each reporting date and adjusted where necessary to reflect current market conditions and inventory performance.

Impairment of non-financial assets

A review of whether there are indicators of impairment, which would trigger a review of impairment is performed at each reporting date.

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

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

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within the agreed credit terms.

Contract liabilities

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

Share-based payments

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

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

The cost of equity-settled transactions with employees using rights are measured at fair value on grant date. Fair value of a right is determined as the share price at the time of grant.

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

Note 2. Material accounting policy information continued

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied. Forfeited options and rights are applied to reduce the share - based payment expense at the time of forfeiture.

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

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.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a reduction to issued capital. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Dividends

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares to dilutive potential ordinary shares.

Sales taxes

Sales taxes include Goods and Services Tax ('GST'), Value-Added Tax ('VAT'), Sales Taxes, and other similar taxes and are collectively referred to as 'Sales Taxes'. Revenues, expenses and assets are recognised net of the amount of associated Sales Taxes, unless the Sales Taxes 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 Sales Taxes receivable or payable. The net amount of Sales Taxes recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

The US does not have a national sales-tax system, rather, sales and use taxes are imposed on a sub-national level. Each state has the authority to impose its own sales and use tax and registration is required once 'economic nexus' has been met. Economic nexus is either based on number of transactions or a specific dollar value threshold. The Group monitors sales by states and jurisdictions and ensure sales and use tax registrations are in place where 'economic nexus' has been met and regular filings are completed.

Note 2. Material accounting policy information continued

Cash flows are presented on a gross basis. The Sales Taxes 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 Sales Taxes recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2026/183, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Comparatives

Comparatives have been realigned to the current year presentation. The results for the year and net assets have not been impacted by the realignment.

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.

Consistent with the Group's annual report for the financial year ended 30 June 2026, judgements and estimates which are critical to these financial statements are detailed below. There have been no material changes to the critical basis of estimation for significant estimates between the previous annual financial statements and this interim report. Changes in estimated amounts arise from changes in performance rather than changes in the basis of estimation, as shown in the relevant notes to these interim financial statements

Judgements

Income tax

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Based on current and projected performance, the Directors have assessed that it is probable that future taxable amounts will be available, and therefore have recognised deferred tax assets on the statement of financial position. Refer to note 7 for further information.

Estimates

Provision for inventory obsolescence

A provision for inventory obsolescence represents the value of inventory that is expected to be sold at less than carrying value or disposed. The provision amount was determined after assessing product lines that were unable

Note 3. Critical accounting judgements, estimates and assumptions continued

to be sold near or above cost after heavily discounting these lines. During the period, targeted sales strategies including Black Friday and Cyber Monday promotions aimed at clearing aged inventory, identified that a portion of stock on hand still could not be sold at or above cost via these clearance events. As a result, these items have been specifically provided for, representing $9,125,000 (tax effected: $7,168,000) of the total inventory obsolescence provision. The remaining $1,229,000 relates to the general provision for expected costs associated with shrinkage, damaged goods, and factory shortfalls.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments, being online retail sales for Australia, United Kingdom and United States of America, however these segments are aggregated into one reportable segment. The determination of these operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer and Chief Financial Officer (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews sales revenue from sale of goods recognised at a point in time. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Major customers

During the current and previous financial years, no individual customer contributed more than 10 per cent of the Group's revenue.

Disaggregation of revenue by geographical regions

The Group operates in Australia, United Kingdom and United States of America. Revenue is attributed to the country where the goods are dispatched from:

	CONSOLIDATED	
	2026 $'000	2025 $'000
Australia	34,974	54,715
United Kingdom	26,231	29,497
United States of America	2,477	2,670
	63,682	86,882

Non-current assets by Geographical regions

There are no geographical non-current assets.

Note 5. Revenue

	CONSOLIDATED	
	2026 $'000	2025 $'000
Sales revenue	63,682	86,882

All sales revenue is from sale of goods recognised at a point in time. Refer to note 4 for revenue by geographical region.

Note 6. Expenses

	CONSOLIDATED	
	2026 $'000	2025 $'000
(Loss)/profit before income tax includes the following specific expenses:		
Inventory obsolescence provision		
General inventory obsolescence provision – movement	19	334
Specific inventory obsolescence provision – movement	9,125	-
Total inventory obsolescence provision movement within cost of goods sold	9,144	334
Administration expense		
Property costs	175	307
Subscription and licence fees	316	390
Public company specific costs	399	348
Other operating expenses	205	170
Net (gain)/loss on disposal of property, plant and equipment	(1)	41
Total administration expense	1,094	1,256
Employee benefits and contractor expense		
Salaries and wages expense	4,351	4,284
Superannuation expense	394	352
Other employee expenses	437	399
Contractor fees	955	936
Total employee benefits and contractor expense	6,137	5,971
Share-based payments expense		
Management share options and rights	633	628

Note 7. Income tax

	CONSOLIDATED	
	2026 $'000	2025 $'000
Income tax (benefit)/expense		
Current tax	962	5,398
Deferred tax - origination and reversal of temporary differences and tax losses	(1,933)	265
Adjustment for prior year under/overs	(58)	4
Aggregate income tax (benefit)/expense	(1,029)	5,667
Deferred tax included in income tax (benefit)/expense comprises:		
(Increase)/decrease in deferred tax assets	(2,143)	295
Increase/(decrease) in deferred tax liabilities	210	(30)
Deferred tax - origination and reversal of temporary differences and tax losses	(1,933)	265
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate		
(Loss)/profit before income tax benefit/(expense)	(7,382)	18,318
Tax at the statutory tax rate of 30%	(2,215)	5,495
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
US tax losses not recognised	1,173	164
Other non-deductible expense	13	8
Income tax (benefit)/expense	(1,029)	5,667

There is no tax asset recognised in respect to accumulated losses in the USA totalling AUD $9,445,000 (2025: AUD $5,447,000).

Note 7. Income tax continued

	CONSOLIDATED	
	2026 $'000	2025 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Contract liabilities	178	212
Employee benefits	187	147
Other payables	1,071	439
Blackhole expenditure	1	447
Inventories	2,314	363
Deferred tax asset	3,751	1,608
Movements:		
Opening balance	1,608	1,903
Credited/(charged) to profit or loss	2,143	(295)
Closing balance	3,751	1,608
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Lease liability	238	-
Inventories	26	54
Deferred tax liability	264	54
Movements:		
Opening balance	54	84
Charged/(credited) to profit or loss	210	(30)
Closing balance	264	54

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

Note 8. Earnings per share

	CONSOLIDATED	
	2026 $'000	2025 $'000
(Loss)/profit after income tax attributable to the owners of Step One Clothing Limited	(6,353)	12,651

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	185,340,291	185,340,291
Adjustments for calculation of diluted earnings per share: Options over ordinary shares	-	1,200,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	185,340,291	186,540,291

	CENTS	CENTS
Basic (loss)/earnings per share	(3.43)	6.83
Diluted (loss)/earnings per share	(3.43)	6.78

In the current financial year ended 30 June 2026, 1,200,000 options have been excluded from the diluted earnings per share calculation as its impact would be anti-dilutive.

Rights are not dilutive. All vested rights will be satisfied through the transfer of shares from the ESOP Trust to the employee. The Trusts holds 2,917,646 shares in Step One for which the ESOP has issued 3,830,000 Rights.

Note 9. Cash and cash equivalents

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current assets		
Cash at bank	15,669	18,140

Note 10. Inventories

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current assets		
Stock on hand - at cost	25,871	24,204
Less: Provision for inventory obsolescence	(10,354)	(1,210)
	15,517	22,994
Stock in transit - at cost	332	2,263
	15,849	25,257

Note 10. Inventories continued

Provision for inventory obsolescence

At 30 June 2026, the provision for inventory obsolescence comprised of a specific amount of $9,125,000 (2025: $nil) and a general provision of $1,229,000 (2025: $1,210,000). Total inventory obsolescence provision is 40% of stock on hand (2025: 5% stock on hand). The expense is recognised in the cost of goods sold.

Note 11. Other financial assets

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current assets		
Term deposit	10,147	15,000

Term deposits have a maturity date of greater than 3 months. Funds are held in licensed Australian banks.

Note 12. Other assets

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current assets		
Prepayments	508	1,502
Other current assets	-	42
	508	1,544

Note 13. Right-of-use assets

	CONSOLIDATED	
	2026 $'000	2025 $'000
Non-current assets		
Premises - right-of-use	941	-
Less: Accumulated depreciation	(241)	-
	700	-

The right-of-use asset relates to an office lease.

Note 13. Right-of-use assets 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	PREMISES $'000
Balance at 1 July 2024	-
Balance at 30 June 2025	-
Additions	941
Depreciation expense	(241)
Balance at 30 June 2026	700

Note 14. Trade and other payables

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current liabilities		
Trade payables	3,482	3,652
Sales taxes (net)	759	2,100
Accruals and other payables	1,641	1,676
	5,882	7,428

Refer to note 20 for further information on financial instruments.

Sales taxes (net) includes GST, VAT, Sales Tax and other similar sales and use taxes as appropriate in the jurisdictions which the Group operates in.

Note 15. Contract liabilities

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current liabilities		
Deferred revenue	637	726

Note 15. Contract liabilities continued

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $637,000 (2025: $726,000) and is expected to be recognised as revenue in future periods as follows:

	CONSOLIDATED	
	2026 $'000	2025 $'000
Within 6 months	637	726
6 to 12 months	-	-
12 to 18 months	-	-
	637	726

The balance of $726,000 at the end of the prior reporting year was all realised in the current financial year.

Note 16. Lease liabilities

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current liabilities		
Lease liability	285	-
Non-current liabilities		
Lease liability	509	-
	794	-

Refer to note 20 for further information on financial instruments.

Note 17. Issued capital

	CONSOLIDATED			
	2026	2025	2026	2025
	SHARES	SHARES	$'000	$'000
Ordinary shares - fully paid	185,340,291	185,340,291	52,496	52,496
Treasury shares	(2,917,646)	(2,917,646)	(2,100)	(2,100)
	182,422,645	182,422,645	50,396	50,396

Note 17. Issued capital continued

Movements in treasury share capital

DETAILS	DATE	SHARES	Issue/ On-market purchase price	$'000
Balance	1 July 2024	(2,391,731)		(1,571)
Treasury shares acquired February 2025		(525,915)	$1.0065	(529)
Balance	30 June 2025	(2,917,646)		(2,100)
Balance	30 June 2026	(2,917,646)		(2,100)

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Share buy-back

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

Capital risk management

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

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

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

The capital risk management policy remains unchanged from the 30 June 2025 Annual Report.

Note 18. Reserves

	CONSOLIDATED	
	2026 $'000	2025 $'000
Foreign currency translation reserve	(936)	496
Share-based payments reserve	1,725	1,317
	789	1,813

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Note 18. Reserves continued

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

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

Consolidated	FOREIGN CURRENCY TRANSLATION $'000	SHARE-BASED PAYMENTS $'000	TOTAL $'000
Balance at 1 July 2024	175	689	864
Foreign currency translation	321	-	321
Share-based payments	-	628	628
Balance at 30 June 2025	496	1,317	1,813
Foreign currency translation	(1,432)	-	(1,432)
Share-based payments expense	-	633	633
Share-based payments vesting adjustment	-	(225)	(225)
Balance at 30 June 2026	(936)	1,725	789

Note 19. Dividends

Dividends

Dividends paid during the financial year were as follows:

	CONSOLIDATED	
	2026 $'000	2025 $'000
Current year		
Dividend of 2.4 cents per ordinary share for the year ended 30 June 2025 paid in September 2025 by Step One Clothing Limited	4,448	-
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2026	(24)	-
Prior year		
Dividend of 2.8 cents per ordinary share for the year ended 30 June 2024 paid in September 2024 by Step One Clothing Limited	-	5,190
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2025	-	(17)
Interim dividend of 4.4 cents per ordinary share for the year ended 30 June 2025 paid in March 2025 by Step One Clothing Limited	-	8,154
Dividend received by the Step One Employee Share Trust but remaining un-distributed at 30 June 2025	-	(34)
Net dividend payment recognised in the statement of changes in equity	4,424	13,293

Note 19. Dividends continued

Franking credits

	CONSOLIDATED	
	2026 $'000	2025 $'000
Franking credits available at the reporting date based on a tax rate of 30%	9,574	9,706
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	962	5,587
Franking credits that will arise from the payment of dividends based on a tax rate of 30%	(1,906)	(5,719)
Franking credits available for subsequent financial years based on a tax rate of 30%	8,630	9,574

No dividend was declared this period. There is no change in the dividend policy. Dividends are expected to recommence when retained earnings return to a positive balance.

Note 20. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

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

Market risk

Foreign currency risk

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

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.

There are no outstanding forward foreign exchange contracts held at 30 June 2026 and 30 June 2025.

Note 20. Financial instruments continued

Exposure

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

Foreign currency Denominated in AUD	30 JUNE 2026 CNY $'000	30 JUNE 2026 GBP $'000	30 JUNE 2026 USD $'000	30 JUNE 2025 CNY $'000	30 JUNE 2025 GBP $'000	30 JUNE 2025 USD $'000
Cash	2,684	6,541	287	11,118	2,293	53
Other Financial assets	1,400	525	64	8,026	439	82
Trade Payables and other liabilities	(2,589)	(1,478)	(162)	(9,475)	(1,941)	(116)
Tax Payable	-	(450)	-	-	(1,469)	-

The aggregate net foreign exchange (gain)/losses recognised in profit or loss were:

	CONSOLIDATED	
	2026 $'000	2025 $'000
Net foreign exchange gain included in other gains	(54)	734

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

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

Credit risk

The Group is not exposed to any significant credit risk.

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

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 20. Financial instruments continued

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2026	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	5,882	-	-	-	5,882
Interest-bearing - variable						
Lease liability	5.95%	285	-	-	-	285
Interest-bearing - fixed rate						
Lease liability	5.95%	-	286	223	-	509
Total non-derivatives		6,167	286	223	-	6,676

Consolidated - 2025	WEIGHTED AVERAGE INTEREST RATE %	1 YEAR OR LESS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 5 YEARS $'000	OVER 5 YEARS $'000	REMAINING CONTRACTUAL MATURITIES $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	7,428	-	-	-	7,428
Interest-bearing - variable						
Lease liability	-	-	-	-	-	-
Interest-bearing - fixed rate						
Lease liability	-	-	-	-	-	-
Total non-derivatives		7,428	-	-	-	7,428

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments are a reasonable approximation of their fair value.

Note 21. Key management personnel disclosures

Compensation

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

	CONSOLIDATED	
	2026 $	2025 $
Short-term employee benefits and contractor fees	1,646,000	1,646,000
Post-employment benefits	110,160	108,070
Share-based payments	28,548	75,016
Non-cash benefits	1,547	4,415
Leave not taken	54,451	56,500
Other	22,984	68,951
	1,863,690	1,958,952
Other including payroll tax and employee insurance (this is not paid to KMP)	69,660	75,247
Remove ESOP dividend	(22,984)	(68,951)
Key management personnel remuneration expense	1,910,366	1,965,248

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company, and its network firms:

	CONSOLIDATED	
	2026 $	2025 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit and review of the financial statements	179,550	196,130
Other services - Grant Thornton Australia Limited		
Taxation compliance services	90,000	90,000
	269,550	286,130
Audit services - network firms		
Audit of the financial statements	13,000	12,000
Other services - network firms		
Taxation compliance services	25,000	36,000
	38,000	48,000

Note 23. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2026 and 30 June 2025.

Note 24. Commitments

The Group has commitments of $1,255,000 as at 30 June 2026 (2025: $6,971,000) for production orders placed.

Note 25. Related party transactions

Parent entity

Step One Clothing Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	CONSOLIDATED	
	2026 $	2025 $
Payment for expenses:		
Payment for digital advertising services from The Fable Clothing Pty Ltd (entity related to Gregory Taylor)*	100,000	120,000
Payment for legal and commercial services from Reddie Lawyers (entity related to Michael Reddie). Services from Reddie Lawyers commenced 1 September 2023. Amounts shown here are also disclosed in the Remuneration Report.	288,000	288,000

* Services were terminated on 30 April 2026.

There were no trade receivables from or trade payables to 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, unless stated otherwise.

Note 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	PARENT	
	2026 $'000	2025 $'000
(Loss)/profit after income tax	(1,123)	16,648
Total comprehensive (loss)/income	(1,123)	16,648

Statement of financial position

	PARENT	
	2026 $'000	2025 $'000
Total current assets	27,281	27,852
Total assets	48,128	48,811
Total current liabilities	911	1,423
Total liabilities	1,001	1,490
Net assets	47,127	47,321
Equity		
Issued capital	52,496	52,496
Treasury shares	(2,100)	(2,100)
Foreign currency translation reserve	498	(23)
Share-based payments reserve	1,725	1,317
Accumulated losses	(5,492)	(4,369)
Total equity	47,127	47,321

Profit includes dividend income of $nil (2025: $16,501,000) and management/license fee income of $2,515,605 (2025: $3,927,482).

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 2026 and 30 June 2025. The parent entity will not call intercompany receivables if that would result in the subsidiary being insolvent.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2026 and 30 June 2025.

Note 26. Parent entity information continued

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2026 and 30 June 2025.

Material accounting policy information

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

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

Note 27. Interests in subsidiaries

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

		OWNERSHIP OR CONTROL	
NAME	PRINCIPAL PLACE OF BUSINESS/ COUNTRY OF INCORPORATION	2026 %	2025 %
Step One Clothing Australia Pty Ltd	Australia	100%	100%
Step One Production Pty Ltd	Australia	100%	100%
Step One Clothing UK Limited	United Kingdom	100%	100%
Step One Clothing USA Inc	United States of America	100%	100%
Step One Employee Share Trust*	Australia	100%	100%

* On 6 March 2023, the Group established the Step One Employee Share Trust (the ‘Trust’) for the purposes of managing its employee share ownership plans (‘ESOPs’). The Trustee is Pacific Custodians Pty Limited (ACN 009 268 866). Whilst the Group has no legal ownership of the Trust, it is controlled by the Group and is therefore consolidated. Dividends received by the Trust which are not distributed to beneficiaries are offset against the dividend payment made by the Group.

Note 28. Cash flow information

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

	CONSOLIDATED	
	2026 $'000	2025 $'000
(Loss)/profit after income tax benefit/(expense) for the year	(6,353)	12,651
Adjustments for:		
Depreciation and amortisation	322	335
Share-based payments	408	628
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(391)	469
Decrease/(increase) in inventories	9,408	(6,298)
Increase in current tax assets	(1,108)	-
(Increase)/decrease in deferred tax assets	(2,143)	295
Decrease in prepayments	994	661
Decrease in other operating assets	48	-
Decrease in trade and other payables	(2,711)	(1,489)
(Decrease)/increase in contract liabilities	(89)	40
(Decrease)/increase in current tax liabilities	(1,432)	581
Increase/(decrease) in deferred tax liabilities	210	(30)
Increase in employee benefits	132	158
Net cash (used in)/from operating activities	(2,705)	8,001

Non-cash investing and financing activities

	CONSOLIDATED	
	2026 $'000	2025 $'000
Additions to the right-of-use assets	941	-

Note 28. Cash flow information continued

Changes in liabilities arising from financing activities

Consolidated	LEASE LIABILITIES $'000
Balance at 30 June 2025	-
Net cash used in financing activities	(147)
Acquisition of leases	941
Balance at 30 June 2026	794

Note 29. Share-based payments

Options

No options were granted in the current or the previous financial year.

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

2026

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	FORFEITED	BALANCE AT THE END OF THE YEAR
30/06/2021	30/06/2031	$1.1473	900,000	-	-	-	900,000
06/10/2021	30/06/2031	$1.1473	300,000	-	-	-	300,000
			1,200,000	-	-	-	1,200,000
Weighted average exercise price			$1.1713	$0.0000	$0.0000	-	$1.1473

2025

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	FORFEITED	BALANCE AT THE END OF THE YEAR
30/06/2021	30/06/2031	$1.1713	900,000	-	-	-	900,000
06/10/2021	30/06/2031	$1.1713	300,000	-	-	-	300,000
			1,200,000	-	-	-	1,200,000
Weighted average exercise price			$1.2433	$0.0000	$0.0000	-	$1.1713

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

GRANT DATE	VESTING ELIGIBILITY DATE	EXPIRY DATE	2026 NUMBER	2025 NUMBER
30/06/2021	30/06/2024	30/06/2031	900,000	900,000
06/10/2021	06/10/2024	30/06/2031	300,000	300,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 5 years (2025: 6 years).

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

Note 29. Share-based payments continued

Rights

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

2026							
GRANT DATE	VESTING ELIGIBILITY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
17/11/2022	17/11/2025	$0.0000	957,646	-	(957,646)	-	-
20/02/2024	30/06/2026	$0.0000	450,000	-	-	-	450,000
30/06/2024	30/06/2026	$0.0000	250,000	-	-	-	250,000
30/06/2024	30/06/2027	$0.0000	130,000	-	-	-	130,000
12/11/2024	12/11/2027	$0.0000	130,000	-	-	(130,000)	-
14/01/2026	30/06/2028	$0.0000	-	1,000,000	-	-	1,000,000
09/03/2026	30/06/2028	$0.0000	-	1,000,000	-	-	1,000,000
09/03/2026	30/06/2028	$0.0000	-	200,000	-	(200,000)	-
19/03/2026	30/06/2027	$0.0000	-	1,000,000	-	-	1,000,000
			1,917,646	3,200,000	(957,646)	(330,000)	3,830,000
Weighted average exercise price			$0.0000	$0.0000	-	-	$0.0000

2025							
GRANT DATE	VESTING ELIGIBILITY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR	GRANTED	EXERCISED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
17/11/2022	17/11/2025	$0.0000	957,646	-	-	-	957,646
20/02/2024	30/06/2026	$0.0000	450,000	-	-	-	450,000
30/06/2024	30/06/2026	$0.0000	250,000	-	-	-	250,000
30/06/2024	30/06/2027	$0.0000	130,000	-	-	-	130,000
12/11/2024	12/11/2027	$0.0000	-	130,000	-	-	130,000
			1,787,646	130,000	-	-	1,917,646
Weighted average exercise price			$0.0000	$0.0000	-	-	$0.0000

Note 29. Share-based payments continued

Key terms of plans

A summary of the key terms of the Share Plans are:

	OPTIONS	RIGHTS
Quantity on issue at 30 June 2026	1,200,000	3,830,000
Grant dates	30 June 2021 6 October 2021	20 February 2024 30 June 2024 12 November 2024 14 January 2026 9 March 2026 19 March 2026
Vesting period	3 years from date of grant	1 to 3 years from date of grant
Early vesting	Early vesting is at Board discretion	Early vesting is at Board discretion
Vesting condition	Employed at conclusion of vesting period	Employed at conclusion of vesting period
Term	Expiry 10 years after grant	Expiry 10 years after grant
Re-organisation	Adjusted to eliminate material advantage/disadvantage, at Board discretion	Adjusted to eliminate material advantage/disadvantage, at Board discretion
Dividend and capital return	Adjusted strike price	Subject to Board discretion. It is intended to pass through dividends received on shares held in the employee share trust.
Change of control	Vesting at Board discretion	Intended to be fully vested, but remains at Board discretion.
Clawback	In specified circumstances, including material breach of obligations, fraud or dishonesty.	In specified circumstances, including material breach of obligations, fraud or dishonesty.
Dilution	Yes, on vesting, shares are to be issued.	Yes, at 30 June 2026 the trust holds 2,917,646 shares against 3,830,000 rights on issue.

Employee Share Ownership Plan ('ESOP')

Step One established an ESOP for the management of the rights-based equity remuneration. Step One contracted with Pacific Custodians Pty Limited (Trustee) to manage the issue of equity to ESOP participants. There were no shares purchased on market during 2026 (2025 purchases totalled 525,915 shares on market for a total cost of $529,349). The value of these shares is deducted from contributed capital in the Group's statement of financial position. It is intended that dividends and other capital returns received by the Trust be passed through to the participants, although this will remain at Board discretion at each declaration.

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2026 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

As at 30 June 2026

ENTITY NAME	ENTITY TYPE	TRUSTEE, PARTNER, OR PARTICIPANT IN JOINT VENTURE	PLACE FORMED / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST %	TAX RESIDENCY	FOREIGN TAX JURISDICTION(S) OF FOREIGN RESIDENTS
Step One Clothing Limited	Body corporate	n/a	Australia	n/a	Australia	n/a
Step One Clothing Australia Pty Ltd	Body corporate	n/a	Australia	100%	Australia	n/a
Step One Production Pty Ltd	Body corporate	n/a	Australia	100%	Australia	n/a
Step One Clothing UK Limited	Body corporate	n/a	United Kingdom	100%	Australia*	n/a
Step One Clothing USA Inc	Body corporate	n/a	United States of America	100%	Australia***	United States of America
Step One Employee Share Trust**	Trust	n/a	Australia	n/a	Australia	n/a

* The UK entity is centrally managed and controlled from Australia. In accordance with Australian and United competent authority request signed off jointly by His Majesty's Revenue and Customs Authority (HMRC) (UK's Tax Office) and Australian Tax Office (ATO).

** On 6 March 2023, the Group established the Step One Employee Share Trust (the 'Trust') for the purposes of managing its employee share ownership plans ('ESOPs'). The Trustee is Pacific Custodians Pty Limited (ACN 009 268 866). Whilst the Group has no legal ownership of the Trust, it is controlled by the Group and is therefore consolidated. Dividends received by the Trust which are not distributed to beneficiaries are offset against the dividend payment made by the Group.

*** The USA entity is centrally managed and controlled from Australia and is therefore an Australian tax resident in accordance with Australian tax legislation. However, it is also a dual tax resident of the United States of America as there is no tie-breaker provision.

Basis of preparation

This consolidated entity disclosure statement (CEDS) has been prepared in accordance with the Corporations Act 2001 and includes information for each entity that was part of the Group as at the end of the financial year in accordance with AASB 10 Consolidated Financial Statements.

Determination of tax residency

Section 295 (3A)(vi) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

- **Australian tax residency**

  The Group has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.

- **Foreign tax residency**

  Where necessary, the Group has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with (see section 295(3A)(vii) of the Corporations Act 2001).

DIRECTORS' DECLARATION

30 June 2026

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 IFRS Accounting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2026 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; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct at 30 June 2026.

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

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

David Gallop AM
Chair

Gregory Taylor
Director and Chief Executive Officer

19 August 2026
Sydney

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STEP ONE CLOTHING LIMITED

GrantThornton

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Independent Auditor's Report

To the Members of Step One Clothing Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Step One Clothing Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2026, 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 material accounting policy information, the consolidated entity disclosure statement 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 2026 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition – Note 2 and Note 5	
For the year ended 30 June 2026, the Group recognised revenue of $63.682m from sale of goods. Revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers*. The Group recognises revenue at an amount that reflects the consideration to which they expect to be entitled in exchange for transferring goods to a customer. Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is at the time of delivery and the performance obligation is satisfied in accordance with AASB 15. Given the Group recognises revenue when they make a delivery to customers, to ensure revenue is recognised appropriately, an assessment is required at the end of the reporting period for all orders shipped but not yet delivered. This area is a key audit matter due to the daily volume of transactions, and the auditor judgement involved in auditing management's assessment.	Our procedures included: • Obtaining a detailed understanding of the underlying processes for revenue recognition, through discussion with individuals across the organisation and review of relevant documentation; • Assessing the design and implementation of relevant controls in relation to accounting for revenue; • Utilising data analytics to risk profile revenue transactions throughout the year, identifying and testing transactions which are higher risk; • Vouching a sample of revenue transactions throughout the period to source document that verifies the occurrence of revenue in line with AASB 15 and the accuracy of the amounts recorded during the year; • Evaluating management's assessment of the orders shipped but not yet delivered (contract liabilities) at year-end; and • Assessing whether the disclosures in the financial statements are appropriate and in accordance with the Australian Accounting Standards.
Inventory valuation – Note 2, Note 3 and Note 10	
During the year ended 30 June 2026, the Group recognised a specific inventory obsolescence provision of $9.125m for inventory that management determined was not expected to be recovered at or above cost in accordance with AASB 102 *Inventories*. The determination of net realisable value in accordance with AASB 102 involves significant management judgement in the assessment of future selling prices, expected sell-through rates and the recoverability of aged inventory. This area is a key audit matter due to the materiality of the provision and the auditor judgement required in assessing management's determination of the valuation of inventory including the estimation uncertainty in assessing net realisable value (NRV).	Our procedures included: • Obtaining a detailed understanding of the Group's processes and controls relating to inventory valuation and the identification of obsolete and slow-moving inventory; • Assessing management's methodology supporting the recognition of the $9.125m inventory obsolescence provision and evaluating whether it was in accordance with AASB 102; • Evaluating management's assumptions regarding the recoverability of aged inventory, including consideration of historical sales trends, current selling prices and inventory turnover rates; • Testing a sample of inventory items included in the provision by comparing carrying values to recent sales transactions and available evidence of net realisable value; • Assessing management's assumptions regarding the expected future recovery of aged inventory including reviewing historical sales and recovery, reviewing inventory characteristics and evaluating costs to sell to evaluate the reasonableness of management's estimate of NRV at 30 June 2026; • Challenging management's rationale for inventory not specifically provided for, including consideration of historical sales performance and expected future demand; and

- Assessing whether the disclosures in the financial statements, including critical judgements and estimates, are appropriate and in accordance with the Australian Accounting Standards.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2026, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of 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: https://www.auasb.gov.au/media/bwvjcgre/ar1_2024.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2026.

In our opinion, the Remuneration Report of Step One Clothing Limited, for the year ended 30 June 2026 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

CGangemi

C S Gangemi
Partner – Audit & Assurance

Melbourne, 19 August 2026

SHAREHOLDER INFORMATION

30 June 2026

The shareholder information set out below was applicable as at 4 August 2026.

Distribution of equitable securities

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

	ORDINARY SHARES		OPTIONS OVER ORDINARY SHARES		PERFORMANCE RIGHTS OVER ORDINARY SHARES	
	NUMBER OF HOLDERS	% OF TOTAL SHARES ISSUED	NUMBER OF HOLDERS	% OF TOTAL SHARES ISSUED	NUMBER OF HOLDERS	% OF TOTAL SHARES ISSUED
1 to 1,000	656	0.19	-	-	-	-
1,001 to 5,000	864	1.23	-	-	-	-
5,001 to 10,000	349	1.47	-	-	-	-
10,001 to 100,000	711	12.19	-	-	3	6.53
100,001 and over	126	84.92	2	100.00	5	93.47
	2,706	100.00	2	100.00	8	100.00
Holding less than a marketable parcel	1,293	0.89	-	-	-	-

Equity security holders

Twenty largest quoted equity security holders

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

	ORDINARY SHARES	
	NUMBER HELD	% OF TOTAL SHARES ISSUED
Dallard Road Pty Ltd & Gregory Taylor	107,327,144	57.91
Faraday Capital Pty Ltd & Michael Reddie	4,485,794	2.42
Citicorp Nominees Pty Limited	3,966,350	2.14
Pacific Custodians Pty Limited	2,917,646	1.57
Bnp Paribas Noms (Nz) Ltd	2,025,000	1.09
Hancroft Pty Ltd	1,976,000	1.07
Bnp Paribas Nominees Pty Ltd	1,960,633	1.06
Bentleys (Qld) Advisory Pty Ltd	1,300,000	0.70
JJG Equities Pty Ltd	1,035,000	0.56
Damost Pty Ltd	1,034,000	0.56
Chandler Bridge Pty Ltd	1,000,000	0.54
Ms Qi Hua Chen	726,263	0.39
Mr Michael George Offermans	650,000	0.35
Ten Talents (2020) Limited	596,500	0.32
Mr Steven John Marsh	583,828	0.32
Finclear Services Pty Ltd	571,160	0.31
Francis Connolly Holdings Pty Ltd	522,573	0.28
Ms Yidi Ren	500,373	0.27
Warren Super Nominees Pty Ltd	500,000	0.27
Sean Michael Spires	489,549	0.26
	134,167,813	72.39
Shares on issue	185,340,291	100.00

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options over ordinary shares issued	1,200,000	2
Performance rights	3,830,000	8

Options and performance rights have been issued under employee share schemes.

Substantial holders

Substantial holders in the Company are set out below:

	ORDINARY SHARES	
	NUMBER HELD	% OF TOTAL SHARES ISSUED
Dallard Road Pty Ltd (entity related to Greg Taylor)	107,327,144	57.91

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

There are no restricted securities at 30 June 2026.

There is no on-market buy-back.

Securities subject to voluntary escrow

There are no securities subject to voluntary escrow at 30 June 2026.

CORPORATE DIRECTORY

30 June 2026

Directors	David Gallop AM - Chair	Appointed 6 October 2021
	Gregory Taylor - Chief Executive Officer	Appointed 6 January 2017
	Richard Dennis	Appointed 6 October 2021
	Catherine Thompson	Appointed 6 October 2021
	Michael Reddie	Appointed 6 October 2021
Company secretary	William Hundy, MUFG Corporate Governance	
Notice of annual general meeting	The annual general meeting of Step One Clothing Limited will be held on 11 November 2026. Further details will be provided with the Notice of Meeting.	
Registered office	C/- MUFG Corporate Governance Liberty Place Level 41 161 Castlereagh Street Sydney NSW 2000	
Principal place of business	Level 4, Suite 01 418A Elizabeth Street Surry Hills NSW 2010	
Share register	Liberty Place Level 41 161 Castlereagh Street Sydney NSW 2000	
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008	
Financial Reporting Specialists	Financial Reporting Specialists PO Box Q133 Queen Victoria Building Sydney NSW 1230	
Solicitor	Herbert Smith Freehills Level 34 161 Castlereagh Street Sydney NSW 2000	
Banker	HSBC Bank Australia Limited Level 1 271 Collins Street Melbourne VIC 3000	
Stock exchange listing	Step One Clothing Limited shares are listed on the Australian Securities Exchange (ASX code: STP)	
Website	www.stepone.group (for investors) www.stepone.life (for customers)	
Corporate Governance Statement	The Directors and management are committed to conducting the business of Step One Clothing Limited in an ethical manner and in accordance with the highest standards of corporate governance. Step One Clothing Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: https://www.stepone.group/investor-centre/?page=corporate-governance	

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