Newbale Clothing Amalgamated Group

Annual report for the period ended 27 July 2019

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Your directors present their report, together with the financial statements, on the Newbale Clothing Amalgamated Group which consists of entities involved in the retail operators of MJ Bale that are controlled by the same group of shareholders and beneficiaries. The financial statements are for the period from 29 July 2018 to 27 July 2019. Throughout the report, the Newbale Clothing Amalgamated Group is referred to as the Amalgamated Group.

Directors

The following persons were directors of Newbale Clothhing Pty Limited during the whole of the financial period and up to the date of this report:

Matthew Jensen
Matthew Rogers
David Briskin
Ross Lane
Hamish Turner

Principal activities

During the period the principal continuing activities of the Amalgamated Group consisted of design, production and distribution of premium men's apparel.

There was no significant change in the nature of the activity of the Amalgamated Group during the period.

Dividends - Newbale Clothing Amalgamated Group

Fully franked dividends of $1,500,000 have been declared during the financial period (2018: $1,300,000) with $1,000,000 paid.

Review of operations

The profit from ordinary activities after income tax amounted to $952,133 (2018: $1,632,006).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Amalgamated Group during the period.

Event since the end of the financial period

No matter or circumstance has arisen since 27 July 2019 that has significantly affected the Amalgamated Group's operations, results or state of affairs, or may do so in future periods.

Likely developments and expected results of operations

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

Environmental regulation

The Amalgamated Group is not affected by any significant environmental regulation in respect of its operations.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)

The Amalgamated Group has calculated the underlying profit for the period by adjusting the statutory result by one off items that have no relationship with going forward business. The effects of significant items of income and expenditure that impact the quality of earnings are set out as follows:

	Aggregated	
	2019	2018
	$	$
Profit before income tax	**1,399,688**	2,284,370
Depreciation	**3,362,954**	3,018,292
Amortisation	**751,814**	224,032
Finance expenses	**362,486**	372,230
Statutory EBITDA	**5,876,942**	5,898,924
Statutory EBITDA	**5,876,942**	5,898,924
Payroll award	**47,341**	213,775
Store surrender income	**-**	(495,847)
Underlying EBITDA	**5,924,283**	5,616,852

Insurance of officers and indemnities

(a) Insurance of officers

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

During the financial period, the Amalgamated Group paid a premium in respect of a contract to insure the directors and executives of the Amalgamated Group 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.

(b) Indemnity of auditors

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

This report is made in accordance with a resolution of directors.

Matthew Jensen
Director

Sydney
__ February 2020

Newbale Clothing Amalgamated Group

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Contents

These financial statements are the amalgamated financial statements of Newbale Clothing Amalgamated Group. A list of entities is included in note 25. The financial statements are presented in the Australian dollar ($).

Newbale Clothing Amalgamated Group's registered office and principal place of business is:

Newbale Clothing Amalgamated Group
Level 2, Suite 2.16
100 Collins Street
Alexandria NSW 2015

A description of the nature of the Amalgamated Group's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on __ February 2020. The directors have the power to amend and reissue the financial statements.

Newbale Clothing Amalgamated Group
Amalgamated statement of comprehensive income
For the period ended 27 July 2019

	Notes	**Aggregated 2019 $**	2018 $
Revenue from contracts with customers	4	**67,634,572**	61,916,967
Other income	5	**19,690**	690,462
Changes in inventories of finished goods		**(27,617,494)**	(26,154,198)
Employee benefits expense		**(18,714,982)**	(16,984,580)
Occupancy expense		**(11,390,666)**	(10,433,662)
Marketing expense		**(1,680,358)**	(1,586,798)
Depreciation and amortisation expense	6	**(4,114,768)**	(3,242,324)
Professional fees		**(498,546)**	(540,068)
Other expenses		**(2,591,778)**	(2,095,324)
Foreign exchange		**716,504**	1,086,125
Finance expenses		**(362,486)**	(372,230)
Profit before income tax		**1,399,688**	2,284,370
Income tax expense	7	**(447,555)**	(652,364)
Profit for the period		**952,133**	1,632,006
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	20(a)	**(32,581)**	5,733
Other comprehensive (loss)/income for the period, net of tax		**(32,581)**	5,733
Total comprehensive income for the period		**919,552**	1,637,739
Profit is attributable to:			
Owners of Newbale Clothing Amalgamated Group		**952,133**	1,632,006
Total comprehensive income for the period is attributable to:			
Owners of Newbale Clothing Amalgamated Group		**919,552**	1,637,739

The above amalgamated statement of comprehensive income should be read in conjunction with the accompanying notes.

Newbale Clothing Amalgamated Group
Amalgamated statement of financial position
As at 27 July 2019

	Notes	Aggregated 2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**262,160**	1,220,986
Trade and other receivables	9	**281,133**	237,675
Inventories	10	**13,009,846**	13,681,306
Current tax receivables		**329,548**	103,947
Other current assets	11	**1,138,681**	1,226,169
Total current assets		**15,021,368**	16,470,083
Non-current assets			
Property, plant and equipment	12	**6,235,036**	8,361,448
Intangible assets	13	**1,333,865**	1,459,963
Deferred tax assets		**1,094,016**	1,267,103
Total non-current assets		**8,662,917**	11,088,514
Total assets		**23,684,285**	27,558,597
LIABILITIES			
Current liabilities			
Trade and other payables	14	**6,362,631**	7,451,317
Borrowings	15	**5,442,086**	6,826,994
Employee benefit obligations	17	**581,908**	476,765
Provisions	16	**390,672**	-
Other current liabilities	18	**2,110,729**	1,827,470
Total current liabilities		**14,888,026**	16,582,546
Non-current liabilities			
Employee benefit obligations	17	**117,884**	128,890
Provisions	16	**805,005**	1,149,529
Other non-current liabilities	18	**848,221**	2,092,035
Total non-current liabilities		**1,771,110**	3,370,454
Total liabilities		**16,659,136**	19,953,000
Net assets		**7,025,149**	7,605,597
EQUITY			
Contributed equity	19	**100**	100
Other reserves	20(a)	**4,940,645**	4,973,226
Retained earnings	20(b)	**2,084,404**	2,632,271
Total equity		**7,025,149**	7,605,597

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

	Notes	Attributable to owners of Newbale Clothing Amalgamated Group			
		Contributed equity $	**Other reserves $**	**Retained earnings $**	**Total equity $**
Balance at 30 July 2017		100	4,967,493	2,300,265	7,267,858
Profit for the period		-	-	1,632,006	1,632,006
Foreign currency translation reserve		-	5,733	-	5,733
Total comprehensive income for the period		**-**	**5,733**	**1,632,006**	**1,637,739**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	21	-	-	(1,300,000)	(1,300,000)
		-	-	(1,300,000)	(1,300,000)
Balance at 28 July 2018		**100**	**4,973,226**	**2,632,271**	**7,605,597**
Balance at 29 July 2018		100	4,973,226	2,632,271	7,605,597
Profit for the period		-	-	952,133	952,133
Foreign currency translation reserve		-	(32,581)	-	(32,581)
Total comprehensive income for the period		**-**	**(32,581)**	**952,133**	**919,552**
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	21	-	-	(1,500,000)	(1,500,000)
		-	-	(1,500,000)	(1,500,000)
Balance at 27 July 2019		**100**	**4,940,645**	**2,084,404**	**7,025,149**

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

Newbale Clothing Amalgamated Group
Amalgamated statement of cash flows
For the period ended 27 July 2019

	Notes	**Aggregated 2019 $**	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**74,417,720**	69,209,275
Payments to suppliers and employees (inclusive of goods and services tax)		**(70,271,932)**	(63,332,191)
		4,145,788	5,877,084
Interest paid		**(362,486)**	(372,230)
Income taxes paid		**(536,233)**	237,444
Net cash inflow from operating activities	27(a)	**3,247,069**	5,742,298
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,431,771)**	(1,915,835)
Payments for intangibles		**(625,716)**	(688,952)
Receipt of fitout contribution		**236,500**	968,422
Net cash (outflow) from investing activities		**(1,820,987)**	(1,636,365)
Cash flows from financing activities			
Repayment of borrowings	27(b)	**(1,384,908)**	(1,900,613)
Dividends paid to company's shareholders	21	**(1,000,000)**	(1,300,000)
Net cash (outflow) from financing activities		**(2,384,908)**	(3,200,613)
Net (decrease) increase in cash and cash equivalents		**(958,826)**	905,320
Cash and cash equivalents at the beginning of the financial period		**1,220,986**	309,933
Effects of exchange rate changes on cash and cash equivalents		**-**	5,733
Cash and cash equivalents at end of period	8	**262,160**	1,220,986

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

Contents of the notes to the financial statements

1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the Amalgamated Group consisting of the entities listed in note 25. The financial statements are for the period from 29 July 2018 to 27 July 2019.

(a) Basis of preparation

(i) Special purpose financial report

In the directors' opinion, the Amalgamated Group is not a reporting entity because there are no users dependent on general purpose financial statements. This is a special purpose financial report that has been prepared for the members of Newbale Clothing Amalgamated Group.

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations. It contains only those disclosures considered necessary by the management to meet the needs of the members.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention unless stated otherwise.

(iii) New and amended standards adopted by the company

The Amalgamated Group has applied the following standards and amendments for first time in their annual reporting period commencing 29 July 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The Amalgamated Group had to change its accounting policies and make certain retrospective adjustments following the adoption of AASB 9 and AASB 15. This is disclosed in note 2.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 27 July 2019 reporting periods and have not been early adopted by the Amalgamated Group. The Amalgamated Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**AASB 16 *Leases***
Nature of change	AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
Impact	The Amalgamated Group is currently assessing the impact of the new standard. As at the reporting date, the Amalgamated Group has non-cancellable lease commitments however it has not yet determined to what extent the commitments will result in the recognition of an asset and liability for the future payments and how this will affect the Amalgamated Group's profit and classification of cash flows. The Amalgamated Group's activities as a lessor are not material and hence the Amalgamated Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next period.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

Mandatory application date/ Date of adoption by Amalgamated Group	The Amalgamated Group will apply the standard from its mandatory adoption date of 28 July 2019. The Amalgamated Group intends to apply the simplified transition approach and will not restate comparative amounts for the period prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of aggregation

The aggregated financial statements incorporate the asset and liabilities of all entities in Newbale Clothing Amalgamated Group as at 27 July 2019 and the results of all entities for the 12 month period then ended. The entities which comprise Newbale Clothing Amalgamated Group are referred to in this financial report as Amalgamated Group. The entities will fall under the Newbale Clothing Amalgamation has been listed in note 25.

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Newbale Clothing Amalgamated Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are generally recognised in amalgamated statement of comprehensive income.

(d) Revenue recognition

The Amalgamated Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Amalgamated Group's activities as described below. The Amalgamated Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below.

(i) Sale of goods - Retail

The Amalgamated Group operats a chain of retail stores selling premium men's apparel products. Revenue from the sale of goods is recognised at a point in time when the Amalgamated Group sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the good and takes delivery in store.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(ii) Sales of goods - Online

The Amalgamated Group is an online retailer of premium men's apparel. Revenue from online is recognised at a point in time when a product is delivered to the customer.

(iii) Sale of goods - Corporate

The Amalgamated Group manufactures and sells a range of premium men's apparel products to corporate customers. Revenue from corporate sales is recognised at a point in time when a product is delivered to customer.

(iv) Alterations revenue

The Amalgamated Group acts as principal in providing alterations services to men's apparel products. Revenue is recognised at a point in time when the alterations work is completed.

(v) Interest income

Interest income is recognised using the effective interest method.

(e) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Amalgamated Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1 Summary of significant accounting policies (continued)

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Amalgamated Group as lessee are classified as operating leases (note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and cash equivalents

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

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

The Amalgamated Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include , amongst others, the failure of a debtor to engage in a repayment plan with the Amalgamated Group, and failure to make contractual payments for a period of greater than 30 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior period, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Amalgamated Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and

1 Summary of significant accounting policies (continued)

(i) Trade receivables (continued)

Previous accounting policy for impairment of trade receivables (continued)

- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(j) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, freight and duty.

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

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

(k) Property, plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Amalgamated Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

• Lease improvements	5 years or unexpired period of the lease, whichever is shorter
• Plant and equipment	5 years
• Furniture and fittings equipment	5 years
• Computer equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(l) Intangible assets

Intangible assets acquired are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period

1 Summary of significant accounting policies (continued)

(l) Intangible assets (continued)

(i) Trademarks

Significant costs associated with patents are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

(ii) Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

(m) Trade and other payables

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

(n) Borrowings

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

(o) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(p) Provisions

Provisions for make good obligations are recognised when the Amalgamated Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the amalgamated statement of financial position.

1 Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in amalgamated statement of comprehensive income.

The obligations are presented as current liabilities in the amalgamated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(r) Contributed equity

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.

(s) Dividends

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

(t) Goods and Services Tax (GST)

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

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

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

2 Changes in accounting policies

(a) AASB 9 Financial Instruments

The Amalgamated Group has adopted AASB 9: *Financial Instruments* with an initial application date of 28 July 2018. AASB 9 requires retrospective application with some exceptions (eg hedge accounting in terms of the Standard). There were no financial assets/liabilities which the Amalgamated Group had previously designated as fair value through profit or loss under AASB 139 that were subject to reclassification upon the application of AASB 9: *Financial Instruments: Recognition and Measurement.* There were no financial assets/liabilities which the Amalgamated Group has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

Impairment

2 Changes in accounting policies (continued)

(a) AASB 9 Financial Instruments (continued)

As per AASB 9, an expected credit loss model is applied, not an incurred credit loss model as per AASB 139. To reflect changes in credit risk, this expected credit loss model requires the Amalgamated Group to account for expected credit loss since initial recognition. A simple approach is followed in relation to trade receivables, as the loss allowance is measured at lifetime expected credit loss.The application of the expected credit loss model had no impact on the impairment of trade receivables.

(b) AASB 15 Revenue from Contracts with Customers

In current period, the Amalgamated Group has adopted AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for annual period that begins on or after 1 January 2018. AASB 15 introduced a 5 step approach to revenue recognition. The Amalgamated Group's accounting policies for its revenue streams are disclosed in detail in note 1(c). Apart from providing more extensive disclosures for the Amalgamated Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Amalgamated Group.

3 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Amalgamated Group’s accounting policies.

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Critical accounting estimates and assumptions

The Amalgamated Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Provision for slow moving and obsolete stock

The Amalgamated Group makes estimates and assumptions concerning the future saleability of inventory for amounts in excess of cost. The provision for inventory obsolescence is based on management's expectation of the future sale price of inventory, taking into account the age and condition of the inventory and management's assessment of future market trends.

4 Revenue

	Aggregated 2019 $	2018 $
From contracts with customers		
Sale of goods	**65,729,164**	60,199,358
Alterations	**1,905,408**	1,717,609
	67,634,572	61,916,967

4 Revenue (continued)

(a) Disaggregation of revenue from contracts with customers

The Amalgamated Group derives all revenue from the transfer of goods and services at a point in time.

5 Other income

	Notes	**Aggregated 2019 $**	2018 $
Net (loss)/gain on disposal of property, plant and equipment		**(84,503)**	1,972
Interest income		**1,968**	-
Other items		**102,225**	688,490
		19,690	690,462

6 Expenses

	Aggregated 2019 $	2018 $
Depreciation	**3,362,954**	3,018,292
Amortisation	**751,814**	224,032
Total depreciation and amortisation	**4,114,768**	3,242,324

7 Income tax expense

(a) Income tax expense

	Aggregated 2019 $	2018 $
Current tax	**274,468**	414,920
Deferred tax	**173,087**	237,444
Income tax expense	**447,555**	652,364

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Notes	Aggregated 2019 $	2018 $
Profit from continuing operations before income tax expense		**1,399,688**	2,284,370
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)		**419,906**	685,311
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Sundry items		**4,562**	228
Adjustments for deferred tax of prior periods		**23,087**	(33,175)
Income tax expense		**447,555**	652,364

8 Cash and cash equivalents

	Aggregated 2019 $	2018 $
Current assets		
Cash at bank and in hand	**262,160**	1,220,986

9 Trade and other receivables

	Aggregated					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Trade receivables	**204,077**	**-**	**204,077**	194,103	-	194,103
Loss allowance	**(8,351)**	**-**	**(8,351)**	(21,208)	-	(21,208)
	195,726	**-**	**195,726**	172,895	-	172,895
Other receivables	**85,407**	**-**	**85,407**	64,780	-	64,780
	281,133	**-**	**281,133**	237,675	-	237,675

10 Inventories

	Aggregated	
	2019	2018
	$	$
Current assets		
Raw materials	**1,052,996**	1,139,443
Work in progress	**171,962**	633,067
Finished goods	**12,775,374**	13,147,623
Provision for stock obsolescence	**(990,486)**	(1,238,827)
	13,009,846	13,681,306

11 Other current assets

	Aggregated	
	2019	2018
	$	$
Current assets		
Advanced inventory deposits	**787,131**	952,023
Prepayments	**351,550**	274,146
	1,138,681	1,226,169

12 Property, plant and equipment

Non-current	**Plant and equipment** $	**Furniture, fittings and equipment** $	**Computer equipment** $	**Leasehold improvements** $	**Make Good** $	**Total** $
At 30 July 2017						
Cost	12,060,543	2,456,734	631,850	3,159	1,106,957	16,259,243
Accumulated depreciation	(5,205,012)	(710,155)	(299,211)	(3,159)	(577,801)	(6,795,338)
Net book amount	6,855,531	1,746,579	332,639	-	529,156	9,463,905
Period ended 28 July 2018						
Opening net book amount	6,855,531	1,746,579	332,639	-	529,156	9,463,905
Additions	995,648	64,437	725,988	11,195	118,567	1,915,835
Depreciation charge	(2,366,467)	(149,635)	(302,414)	(3,501)	(196,275)	(3,018,292)
Closing net book amount	5,484,712	1,661,381	756,213	7,694	451,448	8,361,448
At 28 July 2018						
Cost	13,056,191	2,521,171	1,357,838	11,195	1,225,524	18,171,919
Accumulated depreciation	(7,571,479)	(859,790)	(601,625)	(3,501)	(774,076)	(9,810,471)
Net book amount	5,484,712	1,661,381	756,213	7,694	451,448	8,361,448
Period ended 27 July 2019						
Opening net book amount	5,484,712	1,661,381	756,213	7,694	451,448	8,361,448
Additions	1,006,982	71,052	173,114	4,197	176,425	1,431,770
Disposals	(61,069)	(130,034)	(159)	-	(3,966)	(195,228)
Depreciation charge	(2,514,683)	(413,052)	(321,039)	(1,413)	(112,767)	(3,362,954)
Closing net book amount	3,915,942	1,189,347	608,129	10,478	511,140	6,235,036
At 27 July 2019						
Cost	13,449,274	2,298,568	1,538,469	15,392	1,212,617	18,514,320
Accumulated depreciation	(9,533,332)	(1,109,221)	(930,340)	(4,914)	(701,477)	(12,279,284)
Net book amount	3,915,942	1,189,347	608,129	10,478	511,140	6,235,036

13 Intangible assets

	Trademark $	Computer software $	Total $
At 30 July 2017			
Cost	29,153	1,720,210	1,749,363
Accumulated amortisation and impairment	(23,518)	(730,802)	(754,320)
Net book amount	5,635	989,408	995,043
Period ended 28 July 2018			
Opening net book amount	5,635	989,408	995,043
Additions	4,388	684,564	688,952
Amortisation charge	-	(224,032)	(224,032)
Closing net book amount	10,023	1,449,940	1,459,963
Cost	29,940	2,404,774	2,434,714
Accumulated amortisation and impairment	(19,917)	(954,834)	(974,751)
Net book amount	10,023	1,449,940	1,459,963
Period ended 27 July 2019			
Opening net book amount	10,023	1,449,940	1,459,963
Additions	5,213	620,503	625,716
Amortisation charge	(7,806)	(744,008)	(751,814)
Closing net book amount	7,430	1,326,435	1,333,865
At 27 July 2019			
Cost	35,153	3,418,100	3,453,253
Accumulated amortisation and impairment	(27,723)	(2,091,665)	(2,119,388)
Net book amount	7,430	1,326,435	1,333,865

14 Trade and other payables

	Aggregated					
	2019			2018		
	Current $	**Non-current $**	**Total $**	Current $	Non-current $	Total $
Trade payables	**3,977,286**	**-**	**3,977,286**	5,117,441	-	5,117,441
Accrued expenses	**1,824,065**	**-**	**1,824,065**	2,090,786	-	2,090,786
Other payables	**561,280**	**-**	**561,280**	243,090	-	243,090
	6,362,631	**-**	**6,362,631**	7,451,317	-	7,451,317

15 Borrowings

	Aggregated					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Secured						
Bank loans	**5,442,086**	**-**	**5,442,086**	6,826,994	-	6,826,994
Total secured borrowings	**5,442,086**	**-**	**5,442,086**	6,826,994	-	6,826,994

16 Provisions

	Aggregated					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Make good provision	**390,672**	**805,005**	**1,195,677**	-	1,149,529	1,149,529

17 Employee benefit obligations

	Aggregated					
	2019			2018		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Leave obligations (a)	**581,908**	**117,884**	**699,792**	476,765	128,890	605,655

(a) Leave obligations

The leave obligations cover the Amalgamated Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(q).

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount of $581,908 (2018: $476,765) is presented as current, since the Amalgamated Group does not have an unconditional right to defer settlement for these obligations. However, based on past experience, the Amalgamated Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	Aggregated	
	2019	2018
	$	$
Current leave obligations expected to be settled after 12 months	**41,545**	33,175

17 Employee benefit obligations (continued)

(a) Leave obligations (continued)

18 Other liabilities

	Aggregated					
		2019			2018	
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Deferred revenue	**584,320**	**-**	**584,320**	804,039	-	804,039
Fitout contribution	**602,826**	**848,221**	**1,451,047**	82,174	2,092,035	2,174,209
Lease incentive liability	**923,583**	**-**	**923,583**	941,257	-	941,257
	2,110,729	**848,221**	**2,958,950**	1,827,470	2,092,035	3,919,505

19 Contributed equity

(a) Share capital

	Aggregated			
	2019 Shares	2018 Shares	**2019 $**	2018 $
Ordinary shares				
Fully paid	**100**	100	**100**	100

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

20 Other reserves and retained earnings

(a) Other reserves

The following table shows a breakdown of the amalgamated statement of financial position line item 'other reserves' and the movements in these reserves during the period. A description of the nature and purpose of each reserve is provided below the table.

	Aggregated	
	2019	2018
	$	$
Foreign currency translation	**(26,755)**	5,826
Capital reserve	**4,967,400**	4,967,400
	4,940,645	4,973,226

20 Other reserves and retained earnings (continued)

(a) Other reserves (continued)

Nature and purpose of other reserves

Capital reserve

The capital reserve relates to non-reciprocal contributions from owners in their capacity as owners with no contractual obligations for repayment.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Retained earnings

Movements in retained earnings were as follows:

	Aggregated	
	2019	2018
	$	$
Opening balance	**2,632,271**	2,300,265
Net profit for the period	**952,133**	1,632,006
Dividends	**(1,500,000)**	(1,300,000)
Closing balance	**2,084,404**	2,632,271

21 Dividends

(a) Ordinary shares

Newbale Clothing Pty Limited declared fully franked dividends of $1,500,000 during the financial period (2018: $1,300,000).

(b) Franked dividends

The final dividends recommended after 27 July 2019 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the period ending 27 July 2020.

	Aggregated	
	2019	2018
	$	$
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2018 - 30.0%)	**2,713,366**	3,164,518

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the period.

22 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) PricewaterhouseCoopers

(i) Audit and other assurance services

	Aggregated **2019** **$**	2018 $
Audit and review of financial statements	**67,225**	57,225
Preparation of financial statements	**7,500**	5,775
Total remuneration for audit and other services	**74,725**	63,000

23 Contingent liabilities

The Amalgamated Group has given bank guarantees as at 27 July 2019 of $2,433,223 (2018: $2,417,417) to various landlords.

24 Commitments

(a) Lease commitments: group as lessee

(i) Non-cancellable operating leases

	Aggregated **2019** **$**	2018 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**7,931,606**	7,268,502
Later than one year but not later than five years	**14,386,547**	16,372,161
Later than five years	**575,353**	754,841
	22,893,506	24,395,504

Rental expense relating to operating leases

	2019 **$**	2018 $
Minimum lease payments	**10,116,303**	9,744,505

25 Newbale Clothing Amalgamated Group

Name of entity

Newbale Clothing Nominees Pty Ltd
Newbale Clothing Unit Trust

25 Newbale Clothing Amalgamated Group (continued)

Name of entity

Newbale Clothing NZ Pty Ltd
Newbale Retail NZ Pty Ltd
Newbale Clothing Pty Ltd
Newbale Holdings Pty Ltd
Newbale Clothing Emporium Pty Ltd
Newbale Clothing QVB Pty Ltd
Newbale Clothing Canberra Pty Ltd
Newbale Clothing Wintergarden Pty Ltd
Newbale Clothing Chifley Pty Ltd
Newbale Clothing Indooroopilly Pty Ltd
Newbale Clothing Doncaster Pty Ltd
Newbale Clothing Chadstone Pty Ltd
Newbale Clothing Adelaide Pty Ltd
Newbale Bondi Pty Ltd
Newbale Perth Pty Ltd
Newbale Sydney Pty Ltd
Newbale Retail Pty Ltd
Newbale Melbourne Pty Ltd
Newbale Brisbane Pty Ltd

26 Events occurring after the reporting period

No matters or circumstances have occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Amalgamated Group, the results of those operations or the state of affairs of the Amalgamated Group or economic entity in subsequent financial periods.

27 Cash flow information

(a) Reconciliation of profit for the period to net cash inflow from operating activities

	Aggregated	
	2019	2018
	$	$
Profit for the period	**952,133**	1,632,006
Adjustment for		
Depreciation and amortisation	**4,114,768**	3,242,324
Fitout contribution	**(956,165)**	(966,617)
Net loss on disposal of property, plant and equipment	**84,503**	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(43,458)**	410,149
Decrease/(increase) in inventories	**671,460**	(128,025)
(Increase)/decrease in current tax receivable	**(225,601)**	199,072
Decrease/(increase) in other assets	**87,488**	(142,705)
Decrease in deferred tax assets	**173,087**	237,443
(Decrease)/increase in trade and other payables	**(790,876)**	1,243,673
Decrease in other liabilities	**(319,567)**	(272,312)
(Decrease)/increase in other provisions	**(500,703)**	287,290
Net cash inflow from operating activities	**3,247,069**	5,742,298

27 Cash flow information (continued)

(a) Reconciliation of profit for the period to net cash inflow from operating activities (continued)

27 Cash flow information (continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Aggregated	
Net debt	**2019 $**	2018 $
Cash and cash equivalents	**262,160**	1,220,986
Borrowings - repayable within one year (including overdraft)	**(5,442,086)**	(6,826,994)
Net debt	**(5,179,926)**	(5,606,008)
Cash and liquid investments	**262,160**	1,220,986
Gross debt - fixed interest rates	**(5,442,086)**	(6,826,994)
Net debt	**(5,179,926)**	(5,606,008)

	Cash/bank overdraft $	Borrow. due within 1 year $	Total $
Net debt as at 30 July 2017	309,933	(8,727,607)	(8,417,674)
Cash flows	905,320	1,900,613	2,805,933
Foreign exchange adjustments	5,733	-	5,733
Net debt as at 28 July 2018	**1,220,986**	**(6,826,994)**	**(5,606,008)**
Net debt as at 29 July 2018	1,220,986	(6,826,994)	(5,606,008)
Cash flows	(958,826)	1,384,908	426,082
Foreign exchange adjustments	-	-	-
Net debt as at 27 July 2019	262,160	(5,442,086)	(5,179,926)

As stated in note 1(a) to the amalgamated financial statements, in the directors' opinion, the Amalgamated Group is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet the requirements of the members.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1.

In the directors' opinion:

(a) the financial statements and notes set out on pages 3 to 29

- (i) complying with Accounting Standards and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the Amalgamated Group's financial position as at 27 July 2019 and of its performance for the financial period ended on that date, and

(b) there are reasonable grounds to believe that the Amalgamated Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.

Matthew Jensen
Director

Sydney
__ February 2020

Independent auditor's report to the members of

Newbale Clothing Amalgamated Group

{The Auditor's report will be provided by your Auditor.}