Best&Less Group

PROSPECTUS

Best&Less Group Holdings Ltd

ACN 642 843 221

Prospectus for the Initial Public Offering of up to 28,272,463 ordinary shares in the Company at an offer price of $2.16 per share

Joint Lead Managers

MACQUARIE

BELL POTTER

Legal Adviser

ashurst

IMPORTANT NOTICES

THIS DOCUMENT IS NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

THE OFFER

This Prospectus is issued by Best & Less Group Holdings Ltd ACN 642 843 221 (**BLGH** or the **Company**) and Best & Less Group SaleCo Ltd ACN 648 577 020 (**SaleCo**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares in the Company (**Shares**) (the **Offer**). See Section 7 for further information on the Offer.

None of the Australian Securities and Investments Commission (**ASIC**), Australian Securities Exchange (**ASX**) or any of their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

LODGEMENT AND LISTING

This Prospectus is dated 25 June 2021 (the **Prospectus Date**) and was lodged with ASIC on that date.

The Company will apply to ASX within seven days after the Prospectus Date for admission to the Official List and quotation of Shares on ASX.

EXPIRY DATE

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

NOT INVESTMENT ADVICE

The information contained in this Prospectus is not investment or financial product advice and has been prepared as general information only, without consideration of your personal circumstances, investment objectives, financial circumstances, tax position or any other particular needs.

It is important to read this Prospectus carefully and in full before deciding whether to invest in Shares. If you have any questions these should be directed to your relevant advisers.

In particular you should carefully consider the assumptions underlying the Financial Information section (Section 4) and the Risks section (Section 5) in light of your personal circumstances, investment objectives, financial circumstances, tax position or any other particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or any return on investment in Shares made pursuant to this Prospectus.

NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo, their respective Directors, the Joint Lead Managers (as defined below), or any other person in connection with the Offer. You should only rely on information in this Prospectus.

EXPOSURE PERIOD

The Corporations Act prohibits us from processing Applications in the seven-day period after the Prospectus Date (the **Exposure Period**). The Exposure Period may be extended by ASIC for a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Any deficiencies identified in the Prospectus during the Exposure Period must be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on applications received during the Exposure Period.

NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

OBTAINING A COPY OF THIS PROSPECTUS

During the Exposure Period, an electronic version of this Prospectus, without an Application Form, will be available at www.bestandlessgroupoffer.com.au to Australian and New Zealand investors only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus is available in electronic form at www.bestandlessgroupoffer.com.au. The Offer constituted by this Prospectus in electronic form at www.bestandlessgroupoffer.com.au is available only to persons within Australia or New Zealand. The Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make such an invitation or offer. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may, before the Offer Period expires, obtain a paper copy of this Prospectus (free of charge) by telephoning our Offer Information Line on 1800 647 819 (within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday (Business Days only).

APPLICATIONS

Applications may be made only during the Offer Period on the Application Form attached to, or accompanying this Prospectus in its paper form. By making an Application you represent and warrant that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 7 for further information regarding the details of the Offer.

FINANCIAL INFORMATION

Section 4 sets out the Financial Information referred to in this Prospectus and the basis of the preparation of this information.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the commentary contained in Section 4 and the risk factors set out in Section 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise indicated. Any discrepancies between totals and the sum of components in tables and figures contained in this Prospectus are due to rounding.

This Prospectus includes Historical Financial Information and Forecast Financial Information that is presented on both a pro forma and statutory basis, other than for CY20 and CY21F which are not statutory reporting periods. The Historical Financial Information is provided for information purposes only and is not a forecast of performance to be expected in future periods. Past performance and trends should not be relied upon as being indicative of future performance and trends. The Forecast Financial Information presented in this Prospectus is unaudited.

INVESTIGATING ACCOUNTANT'S REPORT ON FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

The provider of the Investigating Accountant's Report on Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The Investigating Accountant's Report and accompanying financial services guide are provided in Section 8.

FORWARD-LOOKING STATEMENTS

This Prospectus includes Forecast Financial Information based on an assessment of present economic and operating conditions, and on a number of assumptions set out in Section 4.6 regarding future events and actions that, at the date of the Prospectus, are expected to take place. The Company does not undertake to, and does not intend to, update or revise any forward-looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus contains forward-looking statements, including the Forecast Financial Information in Section 4, which may be identified by words such as “anticipates”, “may”, “should”, “could”, “likely”, “believes”, “estimates”, “expects”, “targets”, “predicts”, “projects”, “forecasts”, “intends”, “guidance”, “plan” and other similar words that involve risks and uncertainties. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, as at the Prospectus Date.

Any forward-looking statements are subject to various risks that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the general and specific assumptions contained in the Financial Information as set out in Section 4.6, the sensitivity analysis as set out in Section 4.8 and other information in this Prospectus. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of the Company, the Directors and the Company’s management. The Company, SaleCo, their respective directors, the Company’s management and the Joint Lead Managers cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

INDUSTRY AND MARKET DATA

This Prospectus, including the Industry Overview in Section 2 and Company Overview in Section 3, contains statistics, data and other information (including forecasts and projections) relating to markets, market sizes, market shares, market segments, market positions and other industry data pertaining to the Best & Less Group’s business and markets (**Industry Data**).

Investors should note that Industry Data is inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts or projections in the reports and surveys of any third party that are referred to in this Prospectus will be achieved. Neither the Company, SaleCo, nor the Joint Lead Managers have independently verified, and cannot give any assurances to the accuracy or completeness of this Industry Data or the underlying assumptions used in generating this Industry Data.

Industry assumptions, forecasts and estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the Risks section at Section 5.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia and New Zealand (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act and any other applicable US state securities laws is available. See Section 9.11 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia and New Zealand.

IMPORTANT NOTICE TO NEW ZEALAND INVESTORS

Warning statement

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act 2001* (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the *Financial Markets Conduct Act 2013* and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the *Corporations Act 2001* (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advice provider.

Additional warning statement: currency exchange risk

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

Additional warning statement: trading on financial product market

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

A copy of this Prospectus, other documents relating to the Offer and a copy of the Constitution have been, or will be, lodged with the New Zealand Companies Office and are, or will be, available at www.business.govt.nz/disclose. While the Offer is being extended to New Zealand investors under the mutual recognition regime provided for in Part 9 of the Financial Markets Conduct Regulations 2014 (and applicable provisions of the Financial Markets Conduct Act 2013), no application for listing and quotation is being made to NZX Limited.

DEFINED TERMS AND TIME

Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary or are defined in the context in which they appear.

IMPORTANT NOTICES

Unless otherwise indicated, references to times in this Prospectus are to Sydney time. Unless otherwise stated, references to dates or years are financial year (**FY**) references.

PRIVACY

By completing an Application Form to apply for Shares, you are providing personal information to us through the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on behalf of the Company, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which we consider may be of interest to you.

Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's Privacy Policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia, where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register.

The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory on the inside back cover of this Prospectus. Applicants can obtain a copy of the Company's Privacy Policy by visiting the Company's website at www.bestandless.com.au/privacypolicy.

You may request access to your personal information held by or on behalf of the Company and you may correct the personal information held by or on behalf of the Company about you. By submitting an Application you agree that we may communicate with you in electronic form or contact you by telephone in relation to the Offer. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Email:
registrars@linkmarketservices.com.au

Telephone:
1800 502 355 (within Australia)
or +61 1800 502 355 (outside Australia).

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

COMPANY WEBSITE

Any references to documents included on our website at bestandless.com.au or the offer website at www.bestandlessgroupoffer.com.au are for convenience only, and none of the documents or other information available on these websites is incorporated into this Prospectus by reference.

QUESTIONS

If you have any questions about how to apply for Shares, call your Broker or the Information Line on 1800 647 819 (within Australia) or +61 1800 647 819 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday (Business Days only). Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

OFFER MANAGEMENT

Macquarie Capital (Australia) Limited and Bell Potter Securities Limited (the **Joint Lead Managers**) are managing and underwriting the Offer for the Company. The Joint Lead Managers have not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by either of them or by any of their respective affiliates, officers or employees. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their respective names and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include trading, financing, corporate advisory, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Joint Lead Managers and their affiliates have provided, and may in the future provide, financial advisory, financing services and other services to the Company and to persons and entities with relationships with the Company, for which they received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Joint Lead Managers and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company, and/or persons and entities with relationships with the Company. The Joint Lead Managers and their respective affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Best&Less Group

CONTENTS

KEY OFFER INFORMATION

IMPORTANT DATES

Key dates for the Offer	Date
Lodgement of Prospectus with ASIC (Prospectus Date)	25 June 2021
Retail Offer opens	5 July 2021
Retail Offer closes	16 July 2021
Settlement of the Offer	21 July 2021
Allotment of Shares under the Offer (**Allotment Date**)	22 July 2021
Expected dispatch of holding statements	22 July 2021
Expected commencement of trading on the ASX on a normal settlement basis	26 July 2021

The above dates are indicative only and may be subject to change without notice to you. Unless indicated, all times and dates are to Sydney, Australia time. The Company, in consultation with the Joint Lead Managers, reserves the right to vary the dates and times of the Offer (including, subject to the Listing Rules and the Corporations Act, to extend the Offer, close the Offer early, to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion) in each case without notifying you. If the Offer is cancelled or withdrawn before the allotment of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. You are encouraged to submit your Applications as soon as possible after the Offer opens. The admission of the Company to the Official List and the commencement of quotation of the Shares on ASX are subject to confirmation from the ASX.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging an Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

QUESTIONS

Please call the Offer Information Line on 1800 647 819 (within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Sydney, Australia time), Monday to Friday (Business Days only) if you are unclear in relation to any matter relating to the Offer. If you are uncertain as to whether the Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Offer. In particular, Section 4 sets out in detail the Financial Information referred to in this Prospectus, the basis of preparation of that information, the Statutory Financial Information and Pro Forma Financial Information, certain financial ratios and metrics and details of the Company's net cash and dividend policy. Section 4 contains certain non-IFRS financial measures and should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

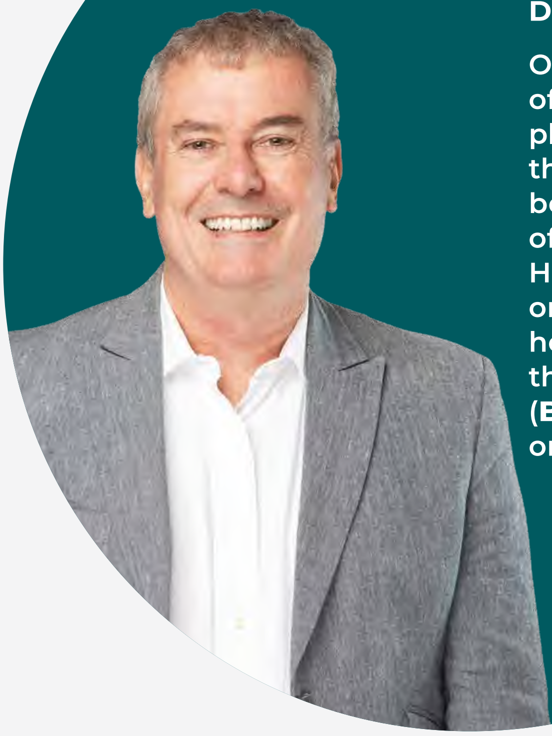
Where used in this Prospectus, the expressions "we", "us", "our" and "BLG" refer to the Company and/or its subsidiaries as the context requires.

Best&Less Group

Key offer statistics	
Offer Price	$2.16
Total number of Shares to be issued or sold under the Offer[1]	28,272,463
Total proceeds of the Offer	$60.0 million
Total number of Shares held by Existing Shareholders and BB Retail Capital on Completion	97,380,373
Total number of Shares on issue on Completion	125,652,836
Market capitalisation at the Offer Price[2]	$271.4 million
Pro forma net cash[3] at 27 December 2020	$22.7 million
Enterprise value at the Offer Price[4]	$248.7 million
Enterprise value to pro forma CY21F EBITDA (AASB 117 basis)	4.0x
Enterprise value to pro forma CY21F EBIT (AASB 117 basis)	4.2x
Offer Price to pro forma CY21F NPAT per Share (AASB 117 basis)	6.6x
Offer Price to pro forma CY21F NPAT per Share (AASB 16 basis)	7.0x
Implied dividend yield at the Offer Price[5]	10.0%

1. Includes the issue of Shares under the Employee Gift Offer, under which no proceeds will be raised. For further information in relation to the offer of Shares by SaleCo, refer to Section 9.5.
2. Calculated as the total number of Shares on issue at Completion multiplied by the Offer Price.
3. On a pre AASB 16 basis (excluding lease liabilities).
4. Calculated as the implied market capitalisation less pro forma net cash at 27 December 2020.
5. Represents pro forma CY21F NPAT per Share multiplied by the assumed payout ratio of 70% (representing the mid-point of the proposed dividend payout ratio of 60-80%) divided by the Offer Price.

CHAIR'S LETTER



Dear Investor,

On behalf of the Board of Directors, I am pleased to offer you the opportunity to become a shareholder of Best & Less Group Holdings Ltd (BLGH or the Company), the holding company of the Best & Less Group (Best & Less Group or BLG).

The Best & Less Group was founded by Berel Ginges and opened its first store in Parramatta in May 1965. We have since grown to be one of the leading value apparel specialty retailers in Australia and New Zealand, with a profitable 245-physical store network and growing online business.[1] Our business operates across two brands: Best & Less in Australia and Postie in New Zealand. We have served generations of families across Australia and New Zealand with a specialty focus on retailing baby and kids' apparel.

We operate in the clothing and footwear market, which is estimated to account for a total consumer spend of $23.8 billion in Australia and $3.5 billion in New Zealand. Our primary product categories within this market consist of babywear, kidswear, womenswear, menswear, footwear, accessories and hosiery. Our vision is to be the "Number One" choice for mothers buying baby and kids' apparel at a value price point. Our core customers are value conscious 18-54 year old women with children under the age of 17. These customers represent a large and growing addressable market in Australia and New Zealand. There were approximately 4.2 million households with children in Australia in 2020, which is expected to increase to 4.5 million households by 2024. This increase is expected to drive demand for baby and kids' apparel, which are our core categories representing approximately 50% of BLG's CY20 sales.

We operate a largely 'vertical' retail model, whereby 86% of our range is designed in-house, sourced directly from factories, distributed via our supply chain and sold exclusively in our stores and online channel. We believe that our business is differentiated from other retailers in the Australian and New Zealand apparel market as a result of our knowledge of and relationship with our target customer, our specialist baby and kids' offering, our extensive range of good quality product at a value price point, our in-house design, sourcing and quality assurance capability, and our experienced and committed team of employees.

1. The number of stores is as at 31 December 2020. Note that this excludes stores permanently closed in CY20 and a single Melbourne metro store which was impacted by the Victorian lockdown and which recently secured a 46% rent reduction and is expected to be profitable in CY21.

Led by Chief Executive Officer, Rodney Orrock, we have an experienced management team with over 300 years of combined retail experience and a track record of significantly improving our customer offer, our company capability and our financial performance. Between FY19 and FY20, sales and EBITDA grew 2.7% and 10% respectively. We are proud that, during COVID-19 so far, we have been able to maintain operations, grow sales and profits, keep our staff and customers safe and improve our offer and internal capability. Given the everyday nature of our product range, we believe that our safe and convenient store formats combined with our omnichannel offering will ensure that we continue to succeed in the current retail environment. We also expect there will be an increased shift in customer preferences towards trusted retail brands, such as Best & Less and Postie, that provide a value apparel offering for the whole family.

The Board of Directors and Management are excited about the future prospects for BLG. We believe that BLG will benefit from the growth in the value apparel market and will increase its share in the baby, kids and womenswear categories. BLG has a fast-growing online business and is focused on achieving targeted store network expansion. When combined with an increasing gross margin percentage to sales and ongoing cost reduction initiatives, we believe that BLG is well positioned to continue to deliver growth in both sales and profits over the medium term.

The purpose of the Offer is to enable the Existing Shareholders, being the Allegro Shareholders, members of Management and myself, to partially realise our investment in the Company, to fund the settlement of group historical incentive arrangements, to provide the business with access to capital markets (thereby enhancing our ability to pursue growth opportunities), to broaden our Shareholder base and to provide a liquid market for the trading of BLG Shares.

The Offer also allows new Shareholders to invest alongside Brett Blundy. Mr Blundy is one of Australia's best known and must successful retailers and entrepreneurs with a 40+ year track record of successfully creating, growing, and investing in retail businesses. Mr Blundy is Chairman and Founder of BB Retail Capital (**BBRC**), a private investment group with diverse global interests across five key verticals: consumer, funds management, property, agriculture and technology. BBRC has entered into a share sale agreement for the purchase of Shares in the Company, described in Section 9.6. Post Listing Mr Blundy will join BLG as a Non-Executive Director and will provide considerable experience and expertise to the Company, contributing to the long-term growth of BLG. BBRC will own 16.4% of Shares upon Completion.

The Offer is expected to raise approximately $60 million through the allotment of 28.3 million Shares at $2.16 per Share. New Shareholders will represent approximately 22.5% of Shares on issue upon Completion. At Completion, the Allegro Shareholders, Management Shareholders and I will retain significant ownership interests of approximately 43.5%, 9.4% and 8.3% of Shares, respectively.

This Prospectus contains detailed information about the Offer, the industry in which we operate and our financial and operating performance. Our business is subject to a range of risks, detailed in Section 5, including the impact of COVID-19, the retail environment, general economic conditions, changes in customer buying habits and an increase in competition. It is important that you read this Prospectus carefully and in its entirety before making your investment decision.

I helped lead this business between 2012 and my departure in October 2018, and witnessed the business being transformed during that period. I re-joined BLG in December 2019 when Allegro Funds acquired the business from Greenlit Brands. Since that time, BLG has become a standalone entity, accelerated its transformation journey and lifted its growth trajectory. Becoming a listed, public company is the next great step in the storied history of BLG and the Best & Less and Postie brands. On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,

Jason Murray
Chair

1. INVESTMENT OVERVIEW

1. INVESTMENT OVERVIEW

Best&Less Group

1.1 INTRODUCTION

TOPIC	SUMMARY	FOR MORE INFORMATION
What is BLG and what does it do?	The Best & Less Group (**BLG**) is a value apparel specialty retailer with a 245-physical store network[2] in Australia and New Zealand and an online platform across its two brands: • Best & Less (in Australia); and • Postie (in New Zealand). BLG seeks to provide its target customers with everyday low prices, a high level of customer service and a convenient shopping experience, supported by accessible stores and high levels of availability of wanted everyday basics and on-trend products which are designed and marketed in line with the positioning statement of *twice the quality at half the price*. BLG's growth strategy is focused on maintaining and growing its current strength in the core baby and kids' value apparel categories and leveraging these strengths to create growth opportunities in adjacent categories such as womenswear.	Section 3.1
What is the history of BLG?	The Best & Less business was founded by Berel Ginges and opened its first store in Parramatta in 1965. Since that time, BLG has transformed into a multi-channel, customer-led, value apparel specialist in the Australasian market. In 2019, Allegro Funds purchased BLG from Greenlit Brands. During the period following Allegro Funds' acquisition, Allegro Funds has partnered with the Company Chair Jason Murray (who re-joined BLG after holding the position as Managing Director of Pepkor South East Asia (which owned BLG) for seven years between 2012 and 2019). Since this time BLG has successfully established itself as a standalone business, accelerated its business transformation and traded through COVID-19, experiencing continued sales growth as further described in Section 3.13. Today BLG operates a profitable 245-physical store and online channel network and is one of the largest value apparel omnichannel retailers across Australia and New Zealand.	Sections 3.3 and 9.3
Why do customers select BLG?	Management believes that BLG's customers choose to shop at Best & Less and Postie due to the offering of everyday low prices, on-trend and good quality apparel items which are designed and marketed in line with the positioning statement of *twice the quality at half the price*. Management believes that BLG's customers recognise Best & Less and Postie's strength in the baby and kids' apparel segments and trust Best & Less and Postie to provide high quality, affordable, durable and on-trend apparel products for their family members and loved ones.	Section 3.7

2. Physical stores at 31 December 2020.

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the Offer?	The Offer is an initial public offering of Shares, at an Offer Price of $2.16 per Share, to apply for: • 2.2 million Shares offered for issue by the Company, to raise proceeds of approximately $4.7 million; and • 25.6 million Shares offered for sale by SaleCo, to raise proceeds of approximately $55.3 million. The Shares being offered (including the Employee Gift Offer, under which no proceeds will be raised) will represent approximately 22.5% of Shares on issue on Completion being approximately 28.3 million Shares. All Shares are fully paid and will rank equally with each other.	Section 7.1
Why is the Offer being conducted?	The Offer is being conducted to: • provide the Existing Shareholders with an opportunity to realise some of their investment in BLG and fund the settlement of the CRPS as described in Section 6.5.3; • provide a liquid market for the trading of Shares and an opportunity for others to invest in the Company; • provide BLG with the benefits of an increased profile that arises from being a listed entity; and • provide BLG with ready access to capital, following Completion, to fund future growth opportunities.	Section 7.1.2
Who is BB Retail Capital?	BB Retail Capital (**BBRC**) is a private investment firm founded by Australian entrepreneur Brett Blundy, with a 40+ year track record of successfully creating, growing and investing in businesses. BBRC has grown from a single record store in Australia to a global investment portfolio valued at over US$1.8bn. BBRC has offices in Sydney, New York, Singapore and Monaco. BBRC's portfolio today spans five key verticals – Consumer, Funds Management, Property, Agriculture and Technology.	Section 9.6
What are the key terms of BBRC's investment in BLG?	BBRC has entered into a share sale agreement for the purchase of approximately $40 million worth of Shares from the Selling Shareholders at a price of A$1.94 per Share (which is approximately a 10% discount to the Offer Price) (the Blundy Sale Agreement). The Blundy Sale Agreement does not form part of the Offer and is not conditional upon the Offer proceeding. If the Offer does proceed, the Blundy Sale Agreement is expected to close on or around Completion of the Offer. Under the Blundy Sale Agreement, the Company has agreed to pay BBRC a commitment fee of $960,000. BBRC has the right under the share sale agreement to appoint a nominee Director to the Board and has nominated Mr Brett Blundy. For further details on Brett Blundy see Section 6.1.	Section 9.6
Who will be BBRC's representative on the BLG Board?	Following Completion, BBRC will nominate Brett Blundy to be a Non-Executive Director of the Company. It is anticipated that Brett Blundy will be appointed shortly following Listing.	Section 9.6

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TOPIC	SUMMARY	FOR MORE INFORMATION
What will be BBRC's ownership in BLG on completion of the Offer?	BBRC will own 16.4% of Shares in BLG upon Completion.	Section 9.6

1.2 KEY FEATURES OF BLG'S BUSINESS MODEL

TOPIC	SUMMARY	FOR MORE INFORMATION
How does BLG generate its income?	BLG generates its income from the retail sale of apparel via its omnichannel sales network through Best & Less in Australia and Postie in New Zealand. BLG designs, develops and sources its own products directly through ethical overseas factories, with 86% of CY20 sales comprised of products sold by BLG under its own in-house brands, With approximately 50% of CY20 product sales being in the baby and kids' categories, BLG aims to be the "Number One" choice for mothers buying baby and kids' value apparel in Australia and New Zealand. BLG's value-driven model is characterised by a relatively high number of customer touchpoints to generate its sales, including: • 22.6 million transactions in CY20; • 38.3 million website sessions in CY20; and • 91.6 million units sold in CY20.	Sections 2.3 and 3.1
What industry does BLG operate in?	BLG operates in the Australian and New Zealand Clothing and Footwear Market (**ANZ Clothing and Footwear Market**). The ANZ Clothing and Footwear Market includes a range of product categories, including babywear, kidswear, womenswear, menswear, footwear, accessories and hosiery. BLG currently operates across all of the above categories of the ANZ Clothing and Footwear Market and takes a highly selective and strategic approach as to the products it offers. The Australian Clothing and Footwear Market is estimated to account for total consumer spend of ~A$23.8 billion in FY20 and is forecast to grow to A$27.8 billion by FY24 (4.0% CAGR).[3] The New Zealand Clothing and Footwear Market is estimated to account for total consumer spend of A$3.5 billion in FY20 and is forecast to grow to A$4.0 billion by FY24 (3.5% CAGR).[4] Online sales in the ANZ Clothing and Footwear Market were estimated to be ~20% of all sales in June 2020, and are estimated to grow to ~35% of all sales by June 2024.[5]	Section 2

3. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
4. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
5. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.

TOPIC	SUMMARY	FOR MORE INFORMATION
What products does BLG sell?	BLG is positioned as a specialist value retailer in the ANZ Clothing and Footwear Market offering quality products at a value price point. BLG sells apparel across babywear, kidswear, womenswear, menswear, footwear, accessories and hosiery. Across its core products, BLG provides apparel at "good", "better" and "best" price points. The "good" level reflects an entry level price point, accessible to all customers with the opportunity to upsell to the "better" and "best" price points based on enhanced features in a product and a superior value proposition compared to competitors. At each price point, BLG strives to leverage its scale, customer insights and apparel expertise to provide a superior product to its competition.	Sections 3.1 and 3.7
How does BLG sell its products?	BLG is an omnichannel retailer selling its products in physical stores and via its online websites. BLG operates 245 stores, with 185 stores in Australia and 60 stores in New Zealand. The store portfolio is concentrated in regional and suburban areas, reflecting the location of target customers. Best & Less stores have an average size of ~1,050 sqm and Postie stores have an average size of ~478 sqm. BLG has focussed on growing a user-friendly, profitable, and scalable online platform. Online sales represent 9.3% of CY20 sales and have grown by 80% in CY20 compared to CY19.	Sections 3.7.3 and 3.7.4
What is BLG's relationship with its customers?	Given BLG's focus on the baby, kids and womenswear ranges, strengthening this relationship is an important part of BLG's business model, including through its loyalty programs. BLG has ~1.5 million active members within its loyalty programs – including ~1.1 million in the Best & Less Friends Club and ~0.4 million in the Postie Rewards Program. Data collected from loyalty programs allows the tailoring of marketing and promotions to specific customer demographics and the personalisation of the customer experience. Best & Less is active in its local communities, including long-standing relationships with Drought Angels, Good 360 and recently with The Smith Family. Postie regularly donates samples and other products to Women's Refuge, Auckland City Mission, Mummys in Need and Salvation Army.	Section 3.7.5

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are BLG's competitors?	BLG's broader proposition overlaps with offerings from apparel retailers, baby product specialists, discount department stores, discount stores and some online-only retailers. An overview of BLG's competitors is outlined below: • **Value apparel retailers** – National and international retailers offering a full range of apparel product categories at low to mid-price points (which often index above those of BLG). Examples of retailers in this segment include Cotton On, H&M and Uniqlo. • **Premium apparel retailers** – National and international retailers offering a full range of apparel product categories at premium price points. Examples of retailers in this segment include Country Road, Storm (NZ) and Seed. • **Baby product specialists** – Specialist baby product retailers offering baby apparel and associated products including safety equipment, consumables, mobility and furniture. Examples of retailers in this segment include Baby Bunting, Love to Dream and Pure Baby. • **Discount department stores** – National discount department stores offering a wide range of product categories at low prices in very large stores (up to 10,000 sqm). Examples of retailers in this segment include Kmart and The Warehouse (NZ). • **Discount stores** – Discount retailers offering value products across a wide range of categories including apparel and footwear. Examples of retailers in this segment include the Reject Shop and Cheap as Chips.	Section 2.4
What are the drivers of BLG's competitive advantage?	The key drivers of BLG's competitive advantage are: • long-standing, trusted customer relationships; • a comparable in-store and online experience combined with a superior price/quality mix; • a unique and specialised range of apparel; • a focus on the baby and kids' categories, but with something for the whole family; • the specialist capability of BLG's experienced team; • a deep understanding of the quality standards and compliance associated with baby and kids' apparel; • an extensive physical infrastructure network of stores, e-commerce operations and distribution centre; and • an established global supply chain at significant volumes.	Section 3.7
Which geographic markets does BLG operate in?	BLG operates via the Best & Less brand in Australia and the Postie brand in New Zealand.	Section 3.4

1.3 FINANCIALS AND DIVIDEND POLICY

TOPIC	SUMMARY	FOR MORE INFORMATION
What is BLG's pro forma historical and forecast financial performance?	A select summary of BLG's Pro Forma Financial Information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions, Management's discussion and analysis, and sensitivity analysis, as well as the key risks set out in Section 5.	Section 4

A$ MILLIONS	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
	FY19	FY20	FY21F	CY20	CY21F
Revenue	608.7	625.0	657.7	636.3	675.7
Cost of sales	(333.3)	(346.4)	(344.0)	(340.1)	(353.2)
Gross profit	**275.4**	**278.6**	**313.6**	**296.2**	**322.5**
Total CODB	**(250.9)**	**(251.6)**	**(252.9)**	**(248.4)**	**(260.1)**
EBITDA	**24.5**	**27.0**	**60.7**	**47.8**	**62.4**
Depreciation and amortisation	(3.8)	(3.2)	(2.8)	(3.4)	(2.5)
EBIT	**20.7**	**23.7**	**58.0**	**44.5**	**59.9**
Net finance expense	(0.9)	(0.8)	(1.3)	(1.2)	(1.1)
Profit before income tax	**19.8**	**22.9**	**56.7**	**43.2**	**58.8**
Income tax expense	(5.9)	(6.9)	(16.9)	(12.9)	(17.5)
NPAT	**13.8**	**16.1**	**39.8**	**30.3**	**41.3**

Note: The pro forma numbers exclude the impact of AASB 16.

The Pro Forma Historical and Pro Forma Forecast Financial Information included in this Prospectus has been prepared based on the assumptions and accounting policies described in Section 4 and Appendix A and is subject to the risks set out in Section 5.

The Pro Forma Financial Information varies from the Statutory Financial Information primarily due to BLG's capital structure following Completion, the elimination of certain non-recurring items of income and expenditure and the application of AASB 16. A reconciliation between pro forma and statutory EBITDA and NPAT is included in Section 4.3.4.

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FOR MORE INFORMATION</th></tr>
<tr><td>How does BLG fund its operations?</td><td>BLG primarily intends to fund its ongoing activities from cash flows generated from operations, available cash on its balance sheet and any undrawn amounts under its working capital facilities described at Section 4.4.2.</td><td>Sections 4.4 and 4.5</td></tr>
<tr><td>What is the Company's dividend policy?</td><td>The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors including BLG's operating results, cash flows, financial condition, and any other factors the Directors may consider relevant.

It is the current intention of the Directors to target a dividend payout ratio of between 60% and 80% of statutory NPAT. However, the actual dividend payout ratio may vary between periods depending on the factors noted above.

It is the current intention of the Directors to pay interim dividends in respect of half years ending 31 December (or thereabouts) and final dividends in respect of full years ending 30 June (or thereabouts) each year. It is anticipated that interim dividends will be paid in March and final dividends will be paid in September following the relevant financial period.

It is intended that future dividends will be franked to the maximum extent possible, however, the amount of any franked dividend will depend on the amount of tax payable by the Company.</td><td>Section 4.9</td></tr>
<tr><td>What will be the first dividend and when will it be paid?</td><td>The Directors anticipate that BLG's first dividend will be declared in relation to the period between Completion and 26 December 2021 and therefore expect BLG's first dividend to be paid in or around March 2022. The Directors expect this dividend to be fully franked.</td><td>Section 4.9</td></tr>
<tr><td>Does BLG currently have any debt facilities?</td><td>BLG's banking facilities comprise the following:
<table>
<tr><th>FACILITY</th><th>FACILITY LIMIT ($M)</th><th>ESTIMATED AMOUNT DRAWN AT COMPLETION ($M)</th></tr>
<tr><td>Revolving loan facility (Australia)</td><td>40.0</td><td>–</td></tr>
<tr><td>Bank guarantee facility (Australia)</td><td>10.0</td><td>7.0</td></tr>
<tr><td>Working Capital facility (New Zealand)</td><td>5.2</td><td>–</td></tr>
<tr><td>Credit card facility (Australia)</td><td>0.5</td><td>–</td></tr>
</table></td><td>Section 4.4.2</td></tr>
</table>

1.4 KEY STRENGTHS AND INVESTMENT HIGHLIGHTS

TOPIC	SUMMARY	FOR MORE INFORMATION
Differentiated and attractive customer value proposition	• BLG's customer value proposition is a critical enabler of its success. • The key components of the customer value proposition are (i) *twice the quality at half the price*; (ii) first choice for baby apparel; (iii) extensive and easy to shop store network; (iv) omnichannel convenience; (v) connected to mums; and (vi) trusted consumer brand with strong product design, planning and sourcing capabilities.	Section 3.7
Strength in baby apparel creating a "halo" in other categories	• Establishing a reputation for being the first choice for baby apparel for mums is key to BLG's business model. • BLG's business model is centred on maintaining and growing its strength in its core baby and kidswear category (approximately 50% of BLG's CY20 sales being in this category) which creates a "halo" with other categories. • Strength in baby apparel generates strong customer acquisition for Best & Less and creates a customer lifetime value opportunity as the customer's children and family grows, with babies becoming kids introducing the target customer to a range built for the clothing needs of her family. • BLG's spending data and internal research confirms that customers are 'crossing the floor' and purchasing in adjacent departments within BLG's stores as their needs evolve, supporting the BLG business model.	Section 3.7.2
Extensive and easy to shop store network	• BLG operates 245 stores, with 185 stores in Australia and 60 stores in New Zealand. • The store portfolio is weighted towards regional and suburban areas, reflecting the location of target customers. The average store size is targeted to be large enough to carry a wide range of apparel for the family while being small enough to facilitate customer interaction with staff and an ability to find wanted stock quickly.	Section 3.7.3

Best&Less Group

TOPIC	SUMMARY	FOR MORE INFORMATION
Leading omnichannel retailer with runway to extend online penetration	• BLG has a profitable, growing and scalable online platform, which complements its existing extensive store portfolio. • Online sales represent 9.3% of sales in CY20 and have grown at a CAGR of 50% between FY17 and FY20, and by 80% in CY20. • Best & Less online uses a SAP Hybris platform which provides scalability and reliability. Postie operates its e-commerce business using the Blackpepper online platform which is fully integrated with its Ontempo core retail system. • There are several initiatives underway that are designed to extend BLG's online penetration, including Click & Collect (introduced December 2020 in Best & Less), the enhancement of data tracking through loyalty programs and the development of a mobile application, expected to be launched in the first half of CY21.	Section 3.7.4
Trusted consumer brands	• Best & Less and Postie are both well established, trusted consumer brands, with more than 55 and 110 years of history respectively. • Best & Less is recognised as a trusted brand in Australia, including a top 10 position in the 2020 KPMG Customer Experience Excellence Report in trustworthiness.	Section 3.4
Well established range development, planning, sourcing and supply chain capabilities	• BLG has an experienced buying team that works together with suppliers to develop its product range. In line with its strategy to provide "twice the quality at half the price", BLG carefully monitors fashion trends and leverages its design and sourcing base to bring its customers quality, desirable, on-trend products at truly affordable prices. • BLG has a well established and strong capability to source product directly from suppliers and manufacturers and has an experienced team focused on quality assurance and control (employing 11 employees in Australia and three employees in New Zealand). • Best & Less operates a 36,000 sqm semi-automated national distribution centre based in Eastern Creek, Sydney. The site has recently been upgraded to take advantage of proprietary Peptainers, which have replaced pallets and assist in optimising allocations and reducing outbound shipping costs.	Section 3.8
Experienced management team with deep retail sector expertise	• BLG has a highly skilled executive Management team with deep retail sector experience, details of which are set out in Section 6. • Management demonstrates entrepreneurial drive, a cost-conscious culture and relentless customer focus, with a deep understanding of value apparel retailing.	Sections 3.10 and 6

1.5 KEY GROWTH DRIVERS

TOPIC	SUMMARY	FOR MORE INFORMATION
Benefiting from growth in the value apparel retail market	BLG operates in the value segment of the ANZ Clothing and Footwear Market. According to Frost & Sullivan, the value segment of the ANZ Clothing and Footwear Market is forecast to grow at a faster rate than other segments. Frost & Sullivan forecasts the value segment of the ANZ Clothing and Footwear Market to grow by a compound annual growth rate of 4.9% between FY20 and FY24. This growth in value compares favourably to growth in the mid-tier and premium markets, which are forecast collectively to grow at a CAGR of 3.6% between FY20 and FY24.[6] Management believes that the business is well placed to capitalise on this trend due to its offering in the value segment, aiming to provide a higher quality product at comparable price points to other value competitors and a comparable product at lower prices to mid-market and premium competitors.	Sections 2.6 and 3.12.1
Increasing market share in the baby and kids' segments	The babywear category is an important category for the BLG business model, as it acts as the customer acquisition engine of BLG and the centrepiece of the Group's business model. The BLG babywear offering has a strong following from BLG's target customers who are seeking quality, safe and stylish baby apparel at a value price point. BLG has several initiatives in place to continue its growth of its market share in the babywear category, including developing the business's growing premature baby range and introducing and further expanding non-apparel categories in the baby category. BLG seeks to leverage its knowledge gained through the successful strategy of ranging, low price, high quality styles in the baby segment into the larger kids' category, while continuing to supplement the category with other specialist categories such as school wear and licensed merchandise. BLG has a number of specific growth initiatives in place to grow its market share in the kids' category, detailed in Section 3.12.2.	Section 3.12
Increasing market share in the womenswear category	BLG believes that its target customers will increasingly take advantage of the convenience of purchasing products, such as basic outerwear and underwear, for themselves while shopping for the baby and kids' products. This may occur during the same shopping visit or during a subsequent visit, with the initial visit to buy baby and kids' clothes serving as a browsing opportunity for other products in the other categories. Purchases in these categories would increase the average basket size and frequency of shop of BLG's customers. In addition, this provides an opportunity to sell target customers an enhanced range of "good, better, best" style and fashion-led casual wear.	Section 3.12.3

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

TOPIC	SUMMARY	FOR MORE INFORMATION
Above-market online channel sales growth	Management believes that there is a significant opportunity to expand BLG's online penetration from 9.3% of revenue in CY20 to over 12% revenue in the medium term. During CY19 and CY20 Best & Less hired a new Head of Online (Kerry Scotney), optimised its SEO search capability, upgraded its e-commerce platform and implemented "Ship from Store" and Click & Collect processes to assist driving sales. Management plans to achieve further online channel sales growth by employing several critical initiatives to drive greater online channel penetration detailed in Section 3.12.4, including the development of an application to be launched in the first half of CY21.	Section 3.12
Increasing gross margin percentage	BLG has implemented a range of initiatives to drive gross margin improvement. Gross margin percentage fell during FY19 and FY20 as Best & Less was impacted by overstocking, overinvestment in lower margin products and underperformance in womenswear. This led to gross margin percentage falling from 45.8% in FY18 to 45.2% in FY19 and 44.6% in FY20. By the start of FY21, stock issues had been rectified and the womenswear team had been restructured. BLG has also implemented several initiatives to further improve gross margin percentage, including improving product and pricing mix, reducing total stock levels, utilising a 'clear-as-you-go' markdown strategy and restructuring the Postie loyalty program. BLG's gross margin is forecast to reach 47.7% in FY21 and Management believes this represents a sustainable level upon which further improvements will be made.	Section 3.12.5
Targeted store network expansion	BLG has undergone a store optimisation program under which unprofitable stores were closed due to underperformance arising from changing demographics, better locations becoming available or lower than expected foot traffic. In aggregate, between July 2017 and December 2020, the Group opened 22 stores and closed 28 stores. Given that all Group stores are now profitable, Management believes that future store closures will be minimal. BLG has plans to open a further 15-25 stores over the next three years throughout Australia and New Zealand in underserved catchments. For example, Management believes that there is an opportunity to expand BLG's store network in Victoria, which currently has 36 stores, which Management considers underpenetrated on the basis of population and size of market when considering New South Wales has 62 stores. Any new store will only be opened where BLG's selection criteria are met, including a clear return on capital benchmark.	Section 3.12.6

TOPIC	SUMMARY	FOR MORE INFORMATION
Cost reduction initiatives	As a value retailer, it is important that BLG continuously looks for ways to reduce operating costs giving it the opportunity to reinvest these savings into lower prices and/or improve BLG's earnings. BLG has identified a number of cost reduction initiatives that will limit any increase in the cost of doing business (**CODB**) to a rate which is materially less than the forecast increase in gross margin dollars, delivering improved earnings in the future.	Section 3.12.7

1.6 KEY RISKS

TOPIC	SUMMARY	FOR MORE INFORMATION
Retail environment and general economic conditions may worsen	BLG's operational and financial performance are sensitive to consumer sentiment. Key factors that may adversely affect demand for BLG's products include increases in interest rates, economic shocks, increased unemployment and decreases in the asset values of homes and other dwellings. Other factors that may also impact BLG's sales and earnings include government stimulus or support provided (or removed) to consumers either directly or indirectly (for example, measures such as JobKeeper and JobSeeker, and the early release of superannuation scheme amongst others, which were introduced in response to COVID-19). BLG's target consumer is typically attracted to BLG's customer value proposition (see Section 3.7 for further details), which may mitigate the effect of an economic downturn. Notwithstanding this, a sustained deterioration in economic conditions may still generally reduce consumer disposable incomes or change their preference or needs as to allocation of their disposable income.	Section 5.2.1
Competitive environment	BLG operates in a competitive market and there is a risk that BLG may lose market share to new or existing competitors in the market. This loss in market share could be driven by a number of factors, such as competitors delivering superior products and customer experiences, increasing their store rollout, increasing advertising or product discounting or consolidating with other retailers to deliver enhanced scale benefits against which BLG is less able to compete. A failure by BLG to offer products and services that remain competitive with new entrants and existing competitors, in a timely manner or at all, may also result in a decrease in BLG's market share, which would have an adverse impact on BLG's financial and operating performance.	Section 5.2.2

Best&Less Group

TOPIC	SUMMARY	FOR MORE INFORMATION
Mismatch between fashion trends and consumer preferences with BLG's product decisions	Consumer demand for BLG's products is dependent on the decisions made (and implemented) by Management on the range, selection and quantity of its products. There is a risk that the product ranges developed and sourced by Management do not align with consumer preferences. Further, a sustained mismatch in demand between customer preferences and the stock that BLG holds may result in stock shortages leading to lost sales, or excess stock, which would increase BLG's markdown costs and operating expenses.	Section 5.2.3
Risk of decline of foot traffic in shopping centres	BLG's growth strategy includes new store openings, particularly targeting key parts of shopping centres. Foot traffic in shopping centres fluctuates over time, and in the last 12 months has experienced volatility and a significant decline due to the impact of COVID-19. Whilst BLG has a disciplined approach to identifying, evaluating and prioritising new store locations, if a downward trend were to continue, BLG's new stores may not achieve the anticipated return on capital benchmarks and/or existing stores may generate lower revenue. Ultimately, these outcomes would result in reduced financial performance.	Section 5.2.4
Impact of COVID-19	Although COVID-19 vaccines may mitigate the medium to long-term risks, the short-term risks associated with COVID-19 are still uncertain and may have an adverse impact on BLG's business and financial and operating performance (for example, as a result of government orders that result in store closures). The extent of any ongoing impact of COVID-19 on BLG's business and financial and operating performance, including the ability of BLG to execute near-term and long-term business strategies and initiatives within the relevant time frames is very difficult to predict and cannot be ensured. BLG's ability to execute its business strategies and initiatives will accordingly depend on future developments, including the duration and severity of the pandemic, and the related impact on general economic conditions, consumer confidence and discretionary spending, all of which are highly uncertain and cannot be predicted.	Section 5.2.5
BLG may be unable to retain and secure suitable store sites	While underperforming stores are typically closed or their leases are not renewed on expiry, store lease initial terms are generally at least three years and the rent payable under these leases can sometimes be difficult to renegotiate, despite underperformance. This may result in BLG running underperforming stores that are operating at a loss where it cannot cancel the lease or renegotiate the lease terms. BLG's financial performance and future growth is dependent on its ability to both retain existing store sites and secure new store sites in suitable locations and on acceptable terms.	Section 5.2.9

TOPIC	SUMMARY	FOR MORE INFORMATION
BLG may lose key members of Management	BLG relies heavily on its existing Management team who have intimate knowledge of the BLG business, systems and its products. If a key member of the Management team were to resign or leave the business this could have an adverse effect on BLG's performance, and there is no guarantee that BLG could attract a suitably qualified replacement, or if it is able to do so, how long it may take to attract and employ such a replacement.	Section 5.2.12
Product sourcing may be disrupted and/or there may be adverse exchange rate movements	BLG maintains long-standing international supplier relationships with 73% of Best & Less goods and 90.5% of Postie goods sourced internationally, primarily from China, Bangladesh, India and Pakistan. While BLG has a diversified supplier base, the business still relies on Chinese and other Asian suppliers. Any material adverse changes related to the impact of COVID-19, adverse economic conditions, regulatory changes (e.g. export duties) or changes in the political environment in these markets may adversely impact BLG's ability to sources and sell its products reliably and without material delays. As most of BLG's overseas purchases are denominated in US dollars, BLG's financial position may be negatively affected by any adverse foreign exchange rate fluctuations. While BLG undertakes currency hedging, which provides some shorter-term foreign exchange rate protection, BLG may not be able to renew or replace currency hedging contracts on favourable terms or at all. A severe and/or sustained decline in the AUD against the USD will increase the cost of purchases and if BLG is not able to pass the increased cost to customers, this will adversely impact on BLG's financial and operating performance by increasing the business's costs. BLG has operations in New Zealand (Postie) and it translates Postie's monthly NZD results into AUD to arrive at the consolidated BLG results. No currency hedging is maintained by BLG for the AUD/NZD, therefore any deterioration in the NZD against the AUD will adversely impact reported results.	Sections 5.2.15 and 5.2.11

TOPIC	SUMMARY	FOR MORE INFORMATION
Other risks	A number of other key risks specific to an investment in the Company and general investment risks are set out in Section 5, which include (but are not limited to): • the value and reputation of the Best & Less and Postie brands diminishing, including by reason of negative publicity or customer complaints; • product recalls or issues with product safety causing lost sales, unexpected expenses and reputational damage; • the high rate of growth of online sales not being sustainable; • third parties and logistics companies, on whom BLG relies, failing to provide products or services to BLG or at the prices that BLG demands; • changes in the regulation of retail (such as product safety standards); • failure of the Management to execute growth strategies including to effectively manage inventory; and • the assumptions and contingencies on which the forward-looking statements, opinions and estimates are based causing actual performance to vary from expected results.	Section 5

1.7 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are the Directors?	The Board consists of the following members: • Jason Murray – Chair and Non-Executive Director • Fay Bou – Non-Executive Director • Colleen Callander – Independent Non-Executive Director • Stephen Heath – Independent Non-Executive Director and Chair of the Remuneration and People Committee • Melinda Snowden – Independent Non-Executive Director and Chair of the Audit and Risk Committee Pursuant to the Blundy Sale Agreement, described at Section 9.6, Brett Blundy will be appointed to the Board as a Non-Executive Director shortly following Listing.	Section 6.1

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are the key members of the Management team?	The Management team consists of the following members: • Rodney Orrock – Chief Executive Officer • Andrew Moore – Chief Financial Officer and Company Secretary • Linda Leonard – Chief Executive Officer of Postie • Lily Aforo-Addo – Deputy Chief Financial Officer • Angela Astone – Head of Planning • Teresa Gallo – Head of People & Culture • Andrea Kenworthy – Head of Buying, Adults • David Marjoribanks – Head of IT • Vanessa Noy – Head of Buying, Kids • Kerry Scotney – Head of Online • Janine Van Deventer – Head of Marketing • Joseph Van Dyk – Head of Retail • Rosita van Vuuren – Head of Merchandise Operations	Section 6.2
What is the existing capital structure of the Company immediately prior to Completion and what is the expected capital structure on Completion?	Details of the ownership of Shares immediately prior to Completion and following Completion are set out below:	Section 7.1.4

NAME OF SHAREHOLDER	SHARES HELD IMMEDIATELY PRIOR TO COMPLETION AND FOLLOWING THE SALE TO BBRC		IMMEDIATELY AFTER COMPLETION OF OFFER[1]	
	NUMBER	%	NUMBER	%
Allegro Shareholders	79,242,370	64.4%	54,600,479	43.5%
BBRC	20,618,556	16.8%	20,618,556	16.4%
Jason Murray	11,318,449	9.2%	10,368,021	8.3%
Rodney Orrock	4,758,440	3.9%	4,758,440	3.8%
Andrew Moore	2,478,354	2.0%	2,478,354	2.0%
Other Management Shareholders	4,556,523	3.7%	4,556,523	3.6%
Successful Applicants	Nil	Nil	28,272,463	22.5%
Total	**122,972,692**	**100.0%**	**125,652,836**	**100.0%**

1. This table does not take into account any Shares the Shareholders may acquire under the Offer.

TOPIC	SUMMARY	FOR MORE INFORMATION
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	See table and notes below	Sections 6.3, 6.4 and 6.5

NAME OF SHAREHOLDER	SHARES HELD IMMEDIATELY PRIOR TO COMPLETION AND FOLLOWING THE SALE TO BBRC		IMMEDIATELY AFTER COMPLETION OF OFFER[1]	
	NUMBER	%	NUMBER	%
Jason Murray	11,318,449	9.2%	10,368,021	8.3%
Fay Bou	Nil	Nil	Nil	Nil
Colleen Callander	Nil	Nil	Nil	Nil
Stephen Heath	Nil	Nil	Nil	Nil
Melinda Snowden	Nil	Nil	Nil	Nil
Brett Blundy[2]	20,618,556	16.8%	20,618,556	16.4%
Total	**31,937,005**	**26.0%**	**30,986,577**	**24.7%**

1. The table does not take into account any Shares the Directors may acquire under the Offer.
2. Whilst Brett Blundy is not yet a Director of the Company and will be appointed as a Director shortly following Listing, his details have been included in this table for completeness and transparency. Brett Blundy's Shares will be held via his investment vehicle BBRC.

Directors and Management are entitled to remuneration and fees as disclosed in Sections 6.3.2.1 and 6.4, and Management is entitled to participate in the incentive arrangements described in Sections 6.5.1 and 6.5.2. Historical incentive arrangements applicable to Management and certain Directors are described in Section 6.5.3. Please refer to Section 9.6 for details of the sale by Jason Murray's investment vehicle of Shares to BBRC.

Advisers and other service providers to the Company will receive fees for their services in connection with the Offer as disclosed in Section 6.3.1.

TOPIC	SUMMARY	FOR MORE INFORMATION
Will any Shares be subject to restrictions on disposal following Completion?	All of the Shares held by the Existing Shareholders immediately following Completion will be subject to voluntary escrow arrangements (the **Escrowed Shares**) on a staged basis with one-third of the Escrowed Shares to be released following the release of the Company's H1 FY22 results, one-third following the release of the Company's FY22 results and one-third released following the release of the Company's H1 FY23 results.	Section 9.7
Other interests, benefits and related party transactions	Other than as disclosed in this Prospectus, the Company is not party to any material related party arrangements.	Section 6.6

1.8 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FOR MORE INFORMATION</th></tr>
<tr><td>Who are the issuers of the Prospectus?</td><td>Best & Less Group Holdings Ltd ACN 642 843 221 and Best & Less Group SaleCo Ltd ACN 648 577 020 (SaleCo).</td><td>Section 7.1.1</td></tr>
<tr><td>What is SaleCo?</td><td>SaleCo is a special purpose vehicle established to facilitate the sale of certain Shares in the Company by the Selling Shareholders.</td><td>Section 7.1.1</td></tr>
<tr><td>What is the Offer?</td><td>The Offer is an initial public offering of Shares, at an Offer Price of $2.16 per Share, to apply for:
• 2.2 million Shares offered for issue by the Company, to raise proceeds of approximately $4.7 million; and
• 25.6 million Shares offered for sale by SaleCo, to raise proceeds of approximately $55.3 million.
The Offer is expected to raise approximately $60 million. The Shares being offered under the Offer will represent 22.5% of the Shares on issue on Completion (when including the Employee Gift Offer).</td><td>Section 7.1.1</td></tr>
<tr><td>What is the proposed use of funds received in connection with the Offer?</td><td>It is proposed that the funds received in connection with the Offer will be used for:
• payments to Selling Shareholders in relation to the Sale Shares; and
• payments made to Management Equity Plan (MEP) holders for buyback of the CRPS.
<table>
<tr><th>SOURCES</th><th>$ MILLIONS</th><th>USES</th><th>$ MILLIONS</th></tr>
<tr><td>Proceeds from the sale of Existing Shares by SaleCo</td><td>55.3</td><td>Payment of proceeds to Selling Shareholders</td><td>55.3</td></tr>
<tr><td>Proceeds from the issue of New Shares under the Offer</td><td>4.7</td><td>Payments made for buyback of the CRPS</td><td>4.7</td></tr>
<tr><td>Total sources</td><td>60.0</td><td>Total uses</td><td>60.0</td></tr>
</table>
</td><td>Section 7.1.2</td></tr>
</table>

Best&Less Group

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TOPIC	SUMMARY	FOR MORE INFORMATION
How is the Offer structured/who is eligible to participate?	The Offer comprises: • the Retail Offer which includes: – the Broker Firm Offer; – the Employee Gift Offer; – the Employee Offer; and – the Priority Offer; and • the Institutional Offer, which was open to Institutional Investors in Australia, New Zealand and a number of other eligible jurisdictions around the world, made under this Prospectus. No general public offer of Shares will be made available under the Offer.	Section 7.1.1
Is the Offer underwritten?	Yes. The Offer will be fully underwritten by the Joint Lead Managers, other than the Employee Gift Offer.	Section 7.2
Who are the Joint Lead Managers on the Offer?	The Joint Lead Managers are Macquarie Capital and Bell Potter.	Section 7.2
Will the Shares be quoted on the ASX?	The Company will apply to ASX for its admission to the Official List of, and quotation of its Shares on ASX (under the code '**BST**') within seven days of the Prospectus Date. Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.11.1
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Employee Gift Offer, Employee Offer, Priority Offer and Institutional Offer was determined by the Joint Lead Managers in consultation with the Company, in accordance with the allocation policy outlined in Sections 7.3.6, 7.4.4, 7.5.6, 7.6.6 and 7.7.2. With respect to the Employee Gift Offer, Eligible Gift Employees will, at the discretion of the Company, be offered the opportunity to apply for up to $500 worth of Shares each for nil consideration. With respect to the Employee Offer and Priority Offer, the allocation of Shares among Applicants will be determined by the Company in its absolute discretion. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among their retail clients. With respect to the Institutional Offer, the allocation of Shares among Applicants was determined by agreement between the Joint Lead Managers and the Company.	Sections 7.3.6, 7.4.4, 7.5.6, 7.6.6 and 7.7.2

TOPIC	SUMMARY	FOR MORE INFORMATION
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.7.1 for details of the various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers (on behalf of the Company).	Section 7.2
What are the tax implications of investing in the Shares?	Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.9. The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 7.2
How can I apply?	Applicants under the Broker Firm Offer should follow the instructions provided by their Broker. If you have received a letter of offer to apply for Shares under the Employee Gift Offer and wish to apply for Shares, you should follow the instructions in the Employee Gift Offer letter to apply. If you have received a letter of offer to apply for Shares under the Employee Offer and wish to apply for Shares, you should follow the instructions in the Employee Offer letter to apply. If you have received a personalised invitation to apply for Shares under the Priority Offer and wish to apply for some or all of those Shares, you should follow the instructions on your personalised invitation to apply. The Joint Lead Managers will separately advise Institutional Investors of the Application procedure under the Institutional Offer. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.	Sections 7.3.2, 7.4.2, 7.5.2, 7.6.2 and 7.7.1
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 22 July 2021. Refunds (without interest) to Applicants who make an Application and are scaled back (or otherwise receive Shares having a lesser value than the amount of Application Monies they have paid) will be made as soon as possible after Completion.	Section 7.2
What is the minimum Application size?	The minimum Application under the Broker Firm Offer is $2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. Under the Employee Gift Offer, Eligible Gift Employees will be offered the opportunity to apply for up to $500 worth of Shares at no cost. The minimum Application size under the Employee Offer is $2,000 worth of Shares. The minimum Application size under the Priority Offer is $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter.	Sections 7.3.2, 7.4.2, 7.5.2 and 7.6.2

TOPIC	SUMMARY	FOR MORE INFORMATION
When can I sell my Shares on the ASX?	Successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on or about 22 July 2021. Trading on ASX is expected to commence on a normal settlement basis on or about 26 July 2021. It is the responsibility of each Applicant to confirm their holding before trading their Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. Eligible Gift Employees who receive Shares under the Employee Gift Offer will only be entitled to sell those Shares on the earlier of (i) three years from the date of issue of the Shares; and (ii) the date they cease to be employed by BLG.	Section 7.2
Can the Offer be withdrawn?	Yes. The Company reserves the right to not proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.12
Where can I find out more about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line: • within Australia: 1800 647 819; or • outside Australia: +61 1800 647 819, from 8:30am to 5:30pm (Sydney, Australia time), Monday to Friday (Business Days only). If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.	Key Offer Information

2.

INDUSTRY OVERVIEW

2. INDUSTRY OVERVIEW

Best&Less Group

2.1 INTRODUCTION

BLG is a value apparel speciality retailer operating in the Australian and New Zealand Clothing and Footwear Market (**ANZ Clothing and Footwear Market**).

BLG is a significant participant in the ANZ Clothing and Footwear Market, engaging frequently with its customers both in person and online as demonstrated by the following interactions in the Australian and New Zealand market:

- 22.6 million transactions in CY20;
- 38.3 million website sessions in CY20; and
- 91.6 million units sold in CY20.

This Section 2 is intended to provide an overview of the ANZ Clothing and Footwear Market and is not specific to BLG.

2.2 INDUSTRY BACKGROUND

BLG operates in the value segment of the ANZ Clothing and Footwear Market.

The ANZ Clothing and Footwear Market includes a range of product categories, including:

i. babywear;

ii. kidswear;

iii. womenswear;

iv. menswear;

v. footwear;

vi. accessories; and

vii. hosiery.

Consumers in the ANZ Clothing and Footwear Market purchase apparel either in-store, online or via other hybrid methods, often referred to as "omnichannel retail", which includes "Click & Collect" services. Omnichannel retail refers to the provision of a shopping experience spanning in-store and online on a flexible and channel-agnostic basis.

BLG currently operates across all of the above categories of the ANZ Clothing and Footwear Market and takes a highly selective and strategic approach as to the products it offers.

2.3 ANZ CLOTHING AND FOOTWEAR MARKET

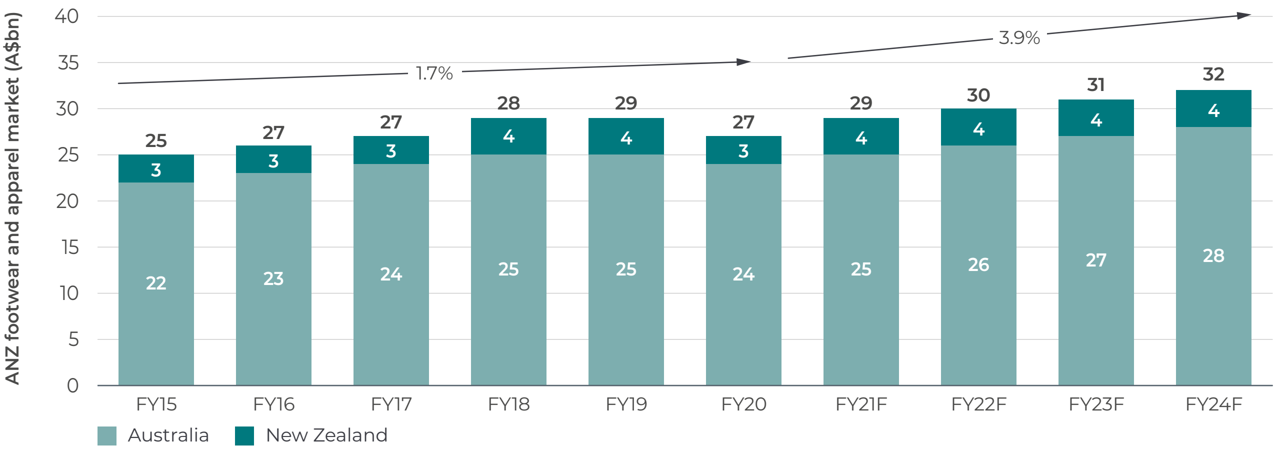
The Australian Clothing and Footwear Market is estimated to account for total consumer spend of ~A$23.8 billion (in FY20) and is forecast to grow to A$27.8 billion by FY24 (4.0% CAGR).[7]

The New Zealand Clothing and Footwear Market is estimated to account for total consumer spend of A$3.5 billion (in FY20) and is forecast to grow to A$4.0 billion by FY24 (3.5% CAGR).[8]

Online sales in the ANZ Clothing and Footwear Market were estimated to be ~20% of all sales (in June 2020), and are estimated to grow to ~35% of all sales by June 2024.[9]

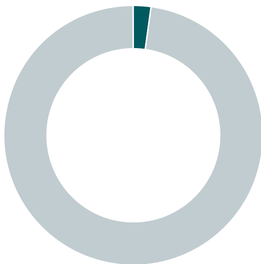
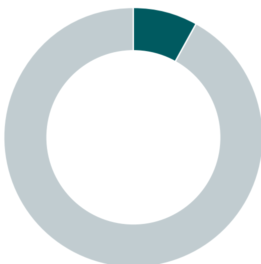
7. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
8. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
9. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.

Exhibit 1: ANZ Clothing and Footwear Market size (A$bn)



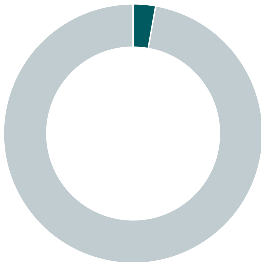
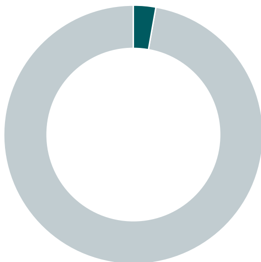
Source: Frost & Sullivan

Table 1: ANZ Clothing and Footwear Market product categories ($Abn)

CATEGORY	DESCRIPTION	MARKET SIZE AND SHARE (FY20)[10]	FY15-FY20 CAGR[11]	FY20-FY24 CAGR[12]
Babywear	Articles of clothing for babies and toddlers aged 0-3 years	$0.5bn **Baby** 	1.1%	3.1%
Kidswear	Articles of clothing for boys and girls aged 4-14 years	$2.2bn **Kids** 	2.2%	3.6%

10. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
11. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
12. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.

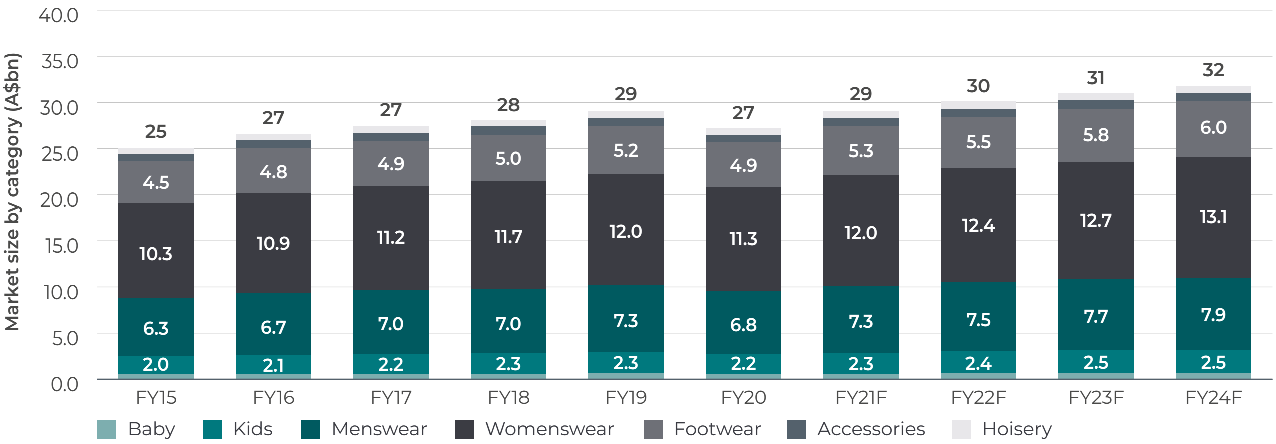
CATEGORY	DESCRIPTION	MARKET SIZE AND SHARE (FY20)[10]	FY15-FY20 CAGR[11]	FY20-FY24 CAGR[12]
Womenswear	Articles of clothing for women aged 15+ years	$11.3bn **Womenswear** 	1.8%	3.8%
Menswear	Articles of clothing for men aged 15+ years	$6.8bn **Menswear** 	1.6%	3.6%
Footwear	Men's, women's and children's outdoor and indoor shoes made of materials such as leather, fabric or plastic	$4.9bn **Footwear** 	1.6%	5.2%

CATEGORY	DESCRIPTION	MARKET SIZE AND SHARE (FY20)[10]	FY15-FY20 CAGR[11]	FY20-FY24 CAGR[12]
Accessories	Supplementary garments and clothing articles consisting of items such as belts, scarves, gloves, hats, ties and other accessories	$0.8bn 	0.6%	2.5%
Hosiery	Sheer and non-sheer hosiery articles, including socks, stockings, shoe liners and leg warmers	$0.7bn 	1.4%	3.5%

Babywear, kidswear and womenswear are BLG's core segments and represent BLG's largest segments by revenue. The babywear and kidswear product categories are of particular strategic importance to BLG (~50% of its CY20 revenue) as they represent the customer acquisition engine of BLG, making these categories the centrepiece of BLG's business model.

According to Frost & Sullivan, the babywear and kidswear categories collectively account for ~10% of sales in the ANZ Clothing and Footwear Market. Each of these categories has a compound annual growth rate of greater than 3% per annum over the four years to 30 June 2019 and a forecast annual growth rate of 3.5% from FY20 to FY24F.

Exhibit 2: ANZ Clothing and Footwear Market growth and size by category (A$bn)



Source: Frost & Sullivan

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2.4 COMPETITIVE LANDSCAPE

BLG is estimated to have a ~2% share by value of the total Australian Clothing and Footwear Market for the year ended June 2020 and a ~2% share by value of the total New Zealand Clothing and Footwear Market for the year ended June 2020.[13]

High levels of fragmentation exist in this market and BLG believes that its low market share highlights the significant potential for BLG to increase its revenue.

BLG's estimated market share by units sold is significantly higher than its estimated market share by value, given BLG participates in the value segment of the ANZ Clothing and Footwear Market where average selling prices are below the market average. BLG's market share by units/volume is estimated at up to ~10% share of the total Australian and New Zealand Clothing and Footwear Market.[14]

BLG's significant presence and scale in its market and its relevance and presence with consumers is reflected in its strong market share by units.

2.4.1 Basis of competition within the ANZ Clothing and Footwear Market

Retailers in the ANZ Clothing and Footwear Market compete on a range of factors including:

- **Scale:** scale provides retailers with the ability to invest in its people, technology, brand, inventory levels and to keep prices low;
- **Product range:** customers demand a broad product range which captures both their personal style preferences, size and fit and provides a functional solution which meets their needs;
- **Product quality and safety:** notwithstanding the value offering, customers demand a high quality product to meet their day-to-day needs;
- **Customer service levels:** customers demand knowledgeable, highly trained and experienced team members to assist them both in-store and/or online to find the appropriate products.
- **Pricing:** customers consider price a key component of a retailer's value proposition;
- **Store network:** customers want well located and accessible stores to make the shopping experience convenient and enjoyable;
- **Online capability:** customers are increasingly researching and buying apparel online;
- **Marketing:** retailers try to attract customers and influence their shopping behaviour via their marketing activities, both broadly through channels such as social media, digital marketing, television mailers and magazines and directly, via loyalty programs and electronic mail; and
- **Brand recognition:** a well-recognised and trusted brand is a key competitive advantage.

BLG's broader proposition overlaps with offerings from apparel retailers, baby product specialists, discount department stores, discount stores and some online only retailers.

13. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
14. Euromonitor International Apparel and Footwear in Australia March 2020.

An overview of BLG's competitors is outlined below:

Table 2: Overview of competitors

CATEGORY	DESCRIPTION
Value apparel retailers	National and international retailers offering a full range of apparel product categories at low to mid-price points (which often index above those of BLG). Stores typically range from 200 sqm to 2,000 sqm and are usually complemented with an online offer. Examples of retailers in this segment include Cotton On, H&M and Uniqlo. While these retailers offer baby and kids' apparel categories, most of their sales typically come from adult categories.
Premium apparel retailers	National and international retailers offering a full range of apparel product categories at premium price points. Quality is high and stores tend to be the smaller, speciality format and physical locations tend to be restricted to major urban areas and via department stores, albeit online retail is also typically offered. Examples of retailers in this segment include Country Road, Storm and Seed.
Baby product specialists	Specialist baby retailers offering baby apparel and associated products including safety equipment, consumables, mobility and furniture. Examples retailers in this segment include Baby Bunting, Love to Dream and Pure Baby. Prices can be much higher than those at BLG. Kids, women's' and men's apparel is typically not offered.
Discount department stores	National discount department stores offering a wide range of product categories at low prices in very large stores (up to 10,000 sqm). Loyalty schemes for these retailers are often linked to broader loyalty schemes. Examples of retailers in this segment include Kmart and The Warehouse.
Discount stores	Discount retailers offering value products across a wide range of categories including outside apparel. Examples of retailers in this segment include the Reject Shop and Cheap as Chips. Price and quality skew to the low end and online retailing and direct customer relationship management systems are typically still in development.

Management believes based on quality, range and price that its customer offer does not directly compare to that offered by any of the competitors mentioned in Table 2.

In contrast to other retailers competing in the ANZ Clothing and Footwear Market, BLG strives to offer:

- a comparable in-store and online customer experience;
- a superior price/quality mix;
- a unique and specialised range of apparel; and
- a focus on the baby and kids' categories but with something for the whole family.

2.4.2 Barriers to entry

The primary barriers to entry to competing at scale in the ANZ Clothing and Footwear Market relate to:

- the time and costs associated with establishing a new business;
- building brand recognition and gaining the consumers' trust;
- developing a team with the necessary retail, supply chain and marketing expertise;
- developing a product set;
- building relationships with suitably qualified suppliers; and
- developing a national store network and e-commerce channel, with the substantial infrastructure required to support them, including warehouse and logistics.

In particular, BLG considers that the following barriers are particularly important to competing at scale in the ANZ Clothing and Footwear Market, with a differentiated product offering, being:

- **Long-standing trusted customer relationship:** Since its formation in 1965, the Best & Less brand has stood for value and quality in the Australian retail landscape with multiple generations of mothers shopping for their babies and kids at a Best & Less store. Similarly, Postie has over a 100-year history in New Zealand. BLG aims to be the number one retailer for mothers shopping for apparel for their families.
- **Quality standards and compliance:** Baby and kids' apparel is regulated by the ACCC and state-based Fair Trading departments. Clothing for babies and kids is subject to a stringent set of Australian and New Zealand standards. Retailers are regularly visited by inspectors from government authorities to check that products being sold comply with relevant legal standards.
- **Physical infrastructure network:** BLG's physical infrastructure network encompasses its 245-store network across Australia and New Zealand and its purpose built distribution centre in Eastern Creek in Sydney, Australia. This physical infrastructure network, coupled with its sizable investment into various e-commerce and customer relationship systems allows BLG to service its customers across Australia and New Zealand and provide significant volumes of products at a value price point, which can be difficult to achieve for most start-up operators.
- **Established global supply chain at significant volumes:** BLG has developed long-standing relationships with a network of over 100 global suppliers from which it sources in excess of 80 million units per annum. The significant volumes BLG purchases each year provide it with significant purchasing power which allows it to maintain very low price points which would be very difficult for smaller operators to compete with.

For an entrant to compete meaningfully with BLG, they would need to develop a range of quality products at a value price point, acquire or build a well located and profitable store network across Australia and New Zealand, invest in e-commerce, loyalty and CRM capabilities and ensure they are in compliance with stringent Australian and New Zealand baby and kids' apparel standards.

2.5 MARKET DRIVERS AND TRENDS

2.5.1 Market growth and key drivers of demand

Between FY20 and FY24F, the Australian Clothing and Footwear Market is estimated to grow at an annual growth rate of 4.0%; the New Zealand Clothing and Footwear Market is forecast to grow at 3.5% per annum over the same period.[15] Overall demand for clothing and footwear is a function of:

i. the number of consumers in the market;

ii. the frequency with which they purchase clothing and footwear and the volume of their purchases; and

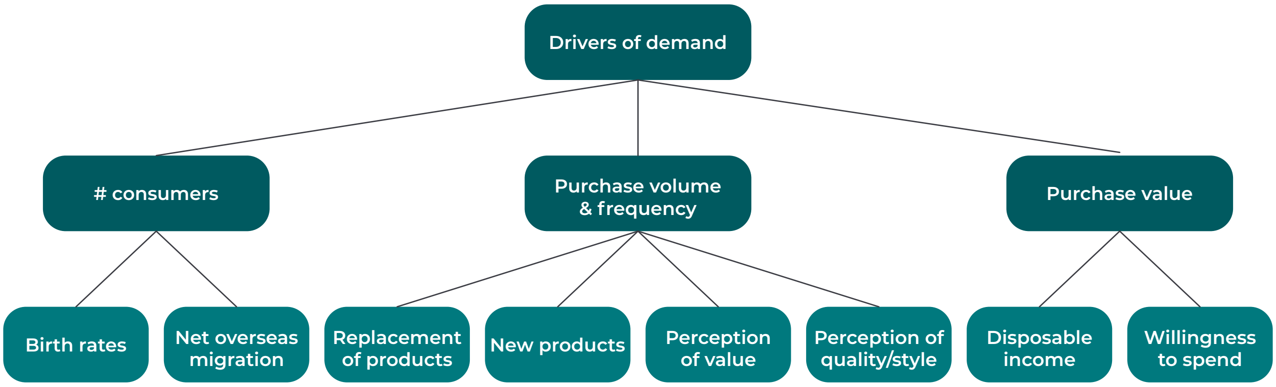
iii. the retail expenditure on clothing and footwear by those consumers.

Growth in the ANZ Clothing and Footwear Market is closely linked to the key drivers of economic growth.

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

These factors include but are not limited to, population growth, low interest rates, availability of consumer credit, consumer confidence, the rate of employment, wage growth and consumers' perception of their own finances.

Exhibit 3: Drivers of demand in the ANZ Clothing and Footwear Market

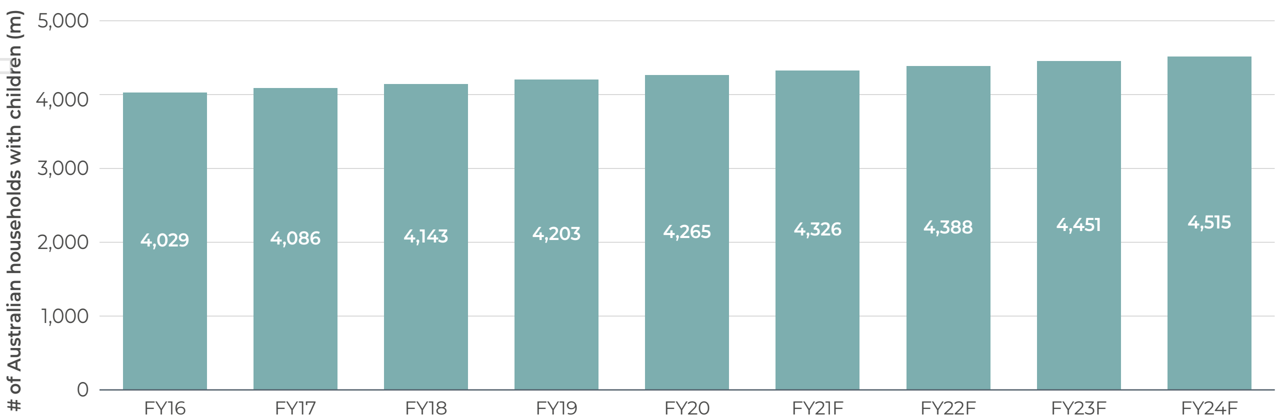


BLG operates within the value segment of the Australian Clothing and Footwear Market. This segment of the market is expected to grow faster than the broader market, with Frost & Sullivan estimating the compound annual growth rate between FY20 and FY24F at 4.9%.

2.5.2 Rising number of households with children

There were approximately 4.2 million households with children in Australia in 2019. This is expected to increase to 4.5 million households with children by 2024. This increase is expected to drive demand for baby and kids' apparel.[16] Given the forecast growth in the number households with children, Management expects this trend to support BLG's ongoing sales and earnings given the particular strategic importance of babywear and kidswear to BLG (~50% of its CY20 revenue).

Exhibit 4: Number of households with children, Australia



Source: Australian Bureau of Statistics, Frost & Sullivan

16. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021, Australian Bureau of Statistics.

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2.5.3 Consumer shift to the value segment

COVID-19 has had a range of positive and negative impacts on overall retail spending. Since March 2019, there appears to have been an increased step change in participation in the value segment of the ANZ Clothing and Footwear Market. This is highlighted in Exhibit 6 in Section 2.6.

2.5.4 Online adoption

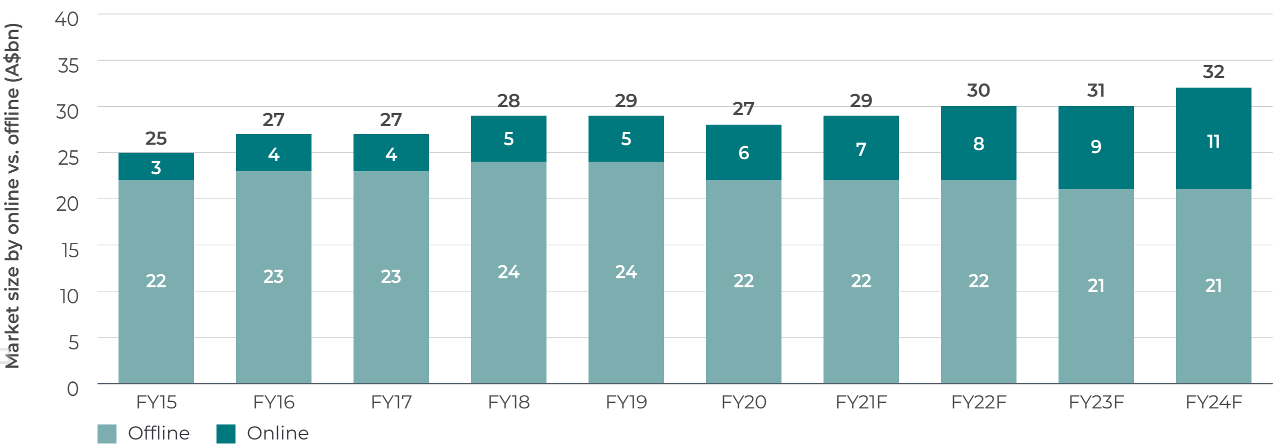
Online adoption in the ANZ Clothing and Footwear Market includes searching and ordering products through web-enabled devices such as computers, mobiles and tablets. Accordingly, social media and digital marketing has become an increasingly important method of communicating with customers.

The online share of the Australian Clothing and Footwear Market was estimated at ~20% in FY20 and is estimated to reach ~35% by FY24.[17] Similarly, the online share of the New Zealand Clothing and Footwear Market was estimated at ~15% in FY20 and is estimated to reach ~25% by FY24.[18]

Retail adoption of online purchasing has accelerated during COVID-19. This is evident in the Australian Bureau of Statistics data since May 2020 which outlines the significant growth in online retailing. In the 12 months from March 2019 to February 2020, total online sales averaged annual growth of 14.4%. Coinciding with the shift to online purchasing at the outset of COVID-19 in Australia, total online sales have averaged an annual rise of 67.1% from March to November 2020.[19]

BLG is focused on continuing to extend its online penetration through its omnichannel strategy (see Section 3.7.4).

Exhibit 5: ANZ Clothing and Footwear Market size by channel (A$bn)



Source: Frost & Sullivan

17. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
18. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
19. Australian Bureau of Statistics, Online sales, November 2020 – Supplementary COVID-19 analysis.

2.5.5 Department stores challenged

The traditional department store (including discount department stores) model remains under pressure globally.

BLG differentiates itself from a traditional department store through its:

- core focus on babywear and kidswear;
- profitable smaller store footprint (including being located outside major metropolitan malls);
- profitable omnichannel offering;
- short WALE and lease flexibility;
- private label offering; and
- everyday low price offering (compared to heavy promotional activity).

Many department stores face challenges given their size, long lease commitments and operational and cultural difficulties associated with evolving to meet changing customer needs in a timely fashion. During COVID-19, department store sales have continued to underperform in the broader retail market[20] partially due to the decline in foot traffic in CBD locations where some of their most profitable stores are located.[21]

Management expects these trends to benefit BLG through:

- increases in retail space available as department stores close and reduce size;
- more favourable property agreements to improve store economics; and
- a decline in competition.

2.6 SHIFT TO VALUE IN THE ANZ CLOTHING AND FOOTWEAR MARKET

The ANZ Clothing and Footwear Market can be broadly classified into three price segments:

(A) value,

(B) mid-tier, and

(C) premium.

BLG operates in the value segment of this market. The value segment of the market in Australia and New Zealand has grown faster than the broader ANZ Clothing and Footwear Market over the last five years.[22] The market share of the value segment has grown from 20.5% in FY15 to 23.1% in FY20.[23]

Frost & Sullivan forecasts the value segment of the ANZ Clothing and Footwear Market to grow at an annual growth rate of 4.9% between FY20 and FY24F. This growth compares favourably to growth in the mid-tier and premium markets, which are forecast collectively to grow at a CAGR of 3.6% between FY20 and FY24.

Management believes that the rise of the value focused consumer and superior growth in the value segment of the ANZ Clothing and Footwear Market relative to other market segments can be attributed to four key factors:

1. uncertain economic conditions driving consumers towards value offerings, driving a larger division between the value and premium segments of the market;
2. millennials increasingly exhibiting savvy shopping behaviours and a preference for value;
3. technology providing the means to compare prices, resulting in more sophisticated buying behaviour, and
4. improved sourcing, manufacturing and quality assurance techniques, allowing value retailers to offer products that meet customer expectations and which diminish the need for the intermediary brand comfort traditionally provided by the mid-market retailers.

20. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia (Seasonally Adjusted).
21. Myer Full Year 2020 Results Media Release, 10 September 2020.
22. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.
23. Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021.

As a result of these factors, Frost & Sullivan expects the value segment of the ANZ Clothing and Footwear Market to increase from ~21% market share in FY19 to ~24% market share by FY24.

COVID-19 has likely had a range of positive and negative impacts on overall retail spending.

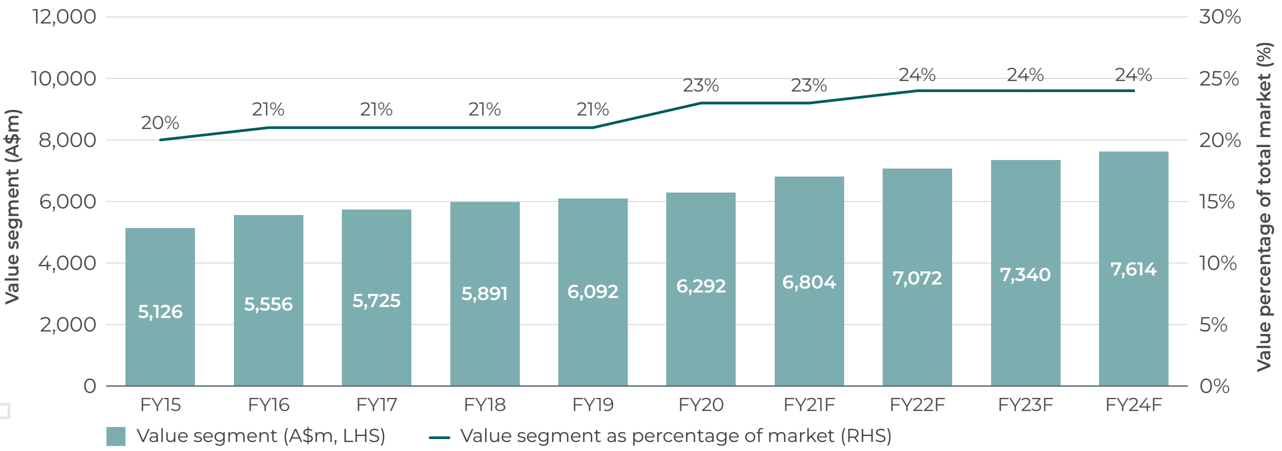
According to McKinsey's "The State of Fashion 2020 Report", the polarisation of the apparel market between price points is a key theme in the global clothing and footwear market. Globally, McKinsey estimates that the value segment grew at a higher rate than luxury and mid-market segments across 2019 and 2020.[24]

McKinsey expects both luxury and value players to gain market share as an increasing number of consumers choose to either make major "investment" purchases while otherwise opting for value, thereby placing pressure on mid-market participants.[25]

McKinsey expects this trend to continue post COVID-19 as an increasing number of value conscious consumers shift from the mid-tier segment towards the value segment for essential products, while more affluent consumers as middle class consumers turn to discounted affordable luxury and premium goods. According to McKinsey, the value apparel market is less reliant than the premium/luxury market on "travel retail", (20%-30% of luxury sales are generated from purchases made outside consumers' home countries) which has been severely impacted by international travel restrictions in place due to COVID-19.[26]

As a value focused retailer, BLG expects to be a beneficiary of the ongoing shift in customers towards the value segment.

Exhibit 6: ANZ Clothing and Footwear Market size of value segment (A$m) and percentage of total market (%)



Source: Frost & Sullivan

2.7 MACROECONOMIC CONDITIONS AND IMPACT OF COVID-19

COVID-19 is an evolving phenomenon which has impacted industries and markets around the world and has likely accelerated a number of underlying trends (e.g. online adoption in retail). COVID-19 has caused disruption (both positive and negative) to the ANZ Clothing and Footwear Market.

COVID-19 resulted in an increase in online sales, given the inability or lack of desire of customers to visit physical stores. BLG operates an omnichannel retail model, offering customers the flexibility to shop in the manner in which they choose.

24. The State of Fashion 2020 Coronavirus Update. McKinsey.
25. The State of Fashion 2020 Coronavirus Update. McKinsey.
26. The State of Fashion 2020 Coronavirus Update. McKinsey.

During COVID-19, omnichannel online retail has grown at a faster rate than pure-play online retail. Omnichannel online retail includes retailers that combine an online store with a physical store. Australian Bureau of Statistics data since May 2020 outlines significant growth of omnichannel online retailing (up 10.1% during July 2020) versus pure-play online retail (up 0.1% during the same period). Only during April 2020 – when social distancing, government mandated restrictions and retail closures were most widespread – did pure-play online retail outperform.[27]

COVID-19 has also resulted in retailers implementing a range of protocols and procedures to ensure a safe environment for customers and staff and to ensure compliance with relevant government restrictions. These initiatives include but are not limited to implementing social distancing, facilitating working from home and increased cleaning and sanitisation efforts.

The Australian Government has responded to the effects of COVID-19 by implementing an economic support package for affected workers, businesses and the broader community. This included the JobKeeper and JobSeeker payment schemes and allowed for early withdrawal of amounts from superannuation accounts for individuals whose employment was impacted by COVID-19. Additionally, the Reserve Bank of Australia implemented a number of policy measures designed to stimulate borrowing and consumer spending, and therefore stimulate economic activity in the face of COVID-19.

Unlike other categories such as consumer household durables, Management does not believe that the COVID-19 period resulted in a "pull forward" of future demand in BLG's core product categories.

This is due to the following:

- the everyday nature of BLG's products;
- the inherent wear and tear in baby and kids' apparel;
- natural physical growth in babies and kids, with clothes requiring replacement in summer and winter as babies and kids grow; and
- expected increase in the number of households with children.[28]

27. Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia, Appendix 1 Experimental Estimates of Online Retail Turnover. Multi-channel online retail trade comprises retailers which combine an online store with a physical store and/or other non-traditional means such as catalogues, mail-order and/or telephone-order.
28. Australian Bureau of Statistics, Frost & Sullivan.

3. COMPANY OVERVIEW

3. COMPANY OVERVIEW

3.1 OVERVIEW OF BLG

BLG is a value apparel specialty retailer with a 245-physical store network[29] in Australia and New Zealand and an online platform across its two brands:

- Best & Less (in Australia); and
- Postie (in New Zealand).

With approximately 50% of product sales[30] being in the baby and kids' categories, BLG aims to be the "Number One" choice for mothers buying baby and kids' value apparel in Australia and New Zealand.

BLG's growth strategy is focused on maintaining and growing its current strength in the core baby and kids' value apparel categories and leveraging these strengths to create growth opportunities in adjacent categories such as womenswear. Management expects factors specific to babies and kids to continue to drive sales and earnings growth in the medium term. These factors include the greater general wear and tear associated with baby and kids' clothing; natural growing out of clothes from babies to kids and kids to teenagers and the ~366,000[31] births per annum in Australia and New Zealand.

In an environment where consumers may seek better value or lower price offerings, while maintaining a desire for high quality, BLG is well positioned to increase its share of the $23.8 billion Australian and New Zealand apparel market.[32] Management believes that the trend towards the value segment of the apparel market will accelerate in a post COVID-19 environment.

BLG's value-driven model is characterised by a relatively high number of customer touchpoints to generate its sales, including:

- 22.6 million transactions in CY20;
- 38.3 million website sessions in CY20; and
- 91.6 million units sold in CY20.

Given the level of customer touchpoints, Management sees significant opportunity to leverage additional sales from these touchpoints.

BLG is led by CEO Rodney Orrock who is supported by an experienced Management team with over 300 combined years of retail experience.

Baby, kids and womenswear are BLG's core categories and accounted for approximately 81% of CY20 product sales. 86% of CY20 sales was comprised of products bearing in-house brands which leveraged BLG's design, sourcing and quality assurance capabilities. The product and design function is led by an experienced team of designers and buyers inspired by global fashion trends, which in turn allows BLG to provide its target customers with high quality, fashionable and safe[33] products at a value price point.

BLG's target customers are 18-54 year old women with children aged 0 to 17. According to Best & Less consumer research, these target customers are discerning and have high expectations of their retailers, including high quality, on-trend and safe[32] products at value price points, neat and tidy display and presentation, and shopping convenience.

BLG's customer value proposition (see Section 3.7) is centred on these important features.

BLG seeks to provide its target customers with everyday low prices, a high level of customer service, a convenient shopping experience supported by accessible stores and high levels of availability of wanted everyday basics and on-trend products which are designed and marketed in line with the positioning statement of *twice the quality at half the price*.

29. Physical stores at 31 December 2020.
30. CY20.
31. Based on birth numbers for the CY2019 ABS and Stats NZ data for Australia and New Zealand respectively.
32. Market size based on Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021 report.
33. Baby and kids' apparel is subject to a stringent set of Australian and New Zealand standards that need to be complied with. See Section 3.9 for further detail.

Management considers BLG has a strong connection to its target customers, developed through the strong heritage of its in-house brands, the use of its customer loyalty programs in each country (1.5 million members across Australia and New Zealand), its social media engagement (188k Instagram followers and 291k Facebook followers), community involvement and reputation for high quality products at an attractive price point. The Best & Less brand has been recognised as a top 10 trustworthy brand in Australia.[34]

BLG's store network is primarily located outside of major metropolitan shopping centres and in close proximity to its target customers (see Section 3.6). Approximately 90% of BLG's stores are located outside of major metropolitan shopping mall centres (see Section 3.7.3). The average Best & Less store size is 1,050 sqm while the average Postie store is half the size at 478 sqm. BLG has recently completed a targeted process of portfolio realignment and store optimisation and all current stores are profitable. BLG has plans to now selectively grow the store portfolio, with 15-25 stores in the next three years across Australia and New Zealand.

BLG's store network operates in tandem with a profitable and growing online channel. The Australian business is supported by a distribution centre located in Eastern Creek, in Western Sydney, which handles approximately 6.8 million units of volume each month. In New Zealand, supply chain operations are managed by 3PL providers for warehousing, shipping and freight. Online fulfilment is managed directly by Postie from its Auckland warehouse. Online sales represent 9.3% of CY20 sales and have grown by 80% in CY20 compared to CY19.

Management expects sales and earnings growth will come from a combination of factors, including:

- benefiting from growth in the value apparel retail market;
- increasing market share in the baby and kids' categories;
- increasing market share in the womenswear category;
- above-market online channel sales growth;
- increasing gross margin percentage;
- targeted store network expansion; and
- cost reduction initiatives.

Figure 1: Best & Less Group historical revenue (millions)

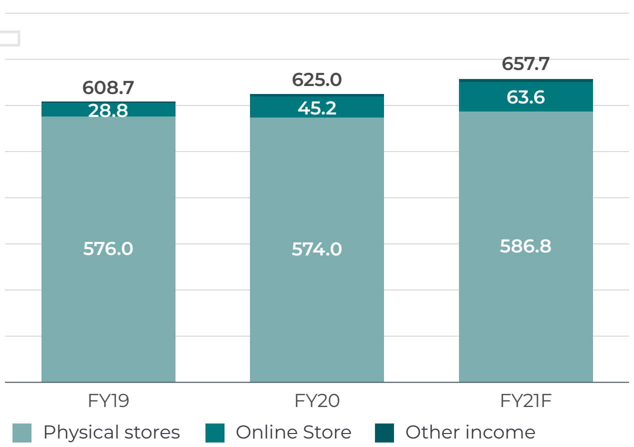
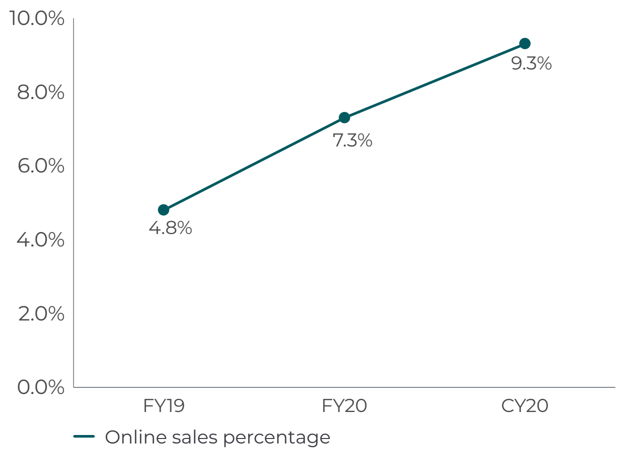


Figure 2: Best & Less Group online sales percentage



34. KPMG Customer Experience Excellence Report 2020.

Figure 3: Best & Less Group CY20 products by category

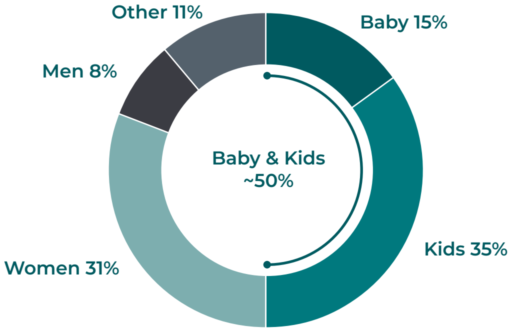


Figure 4: Best & Less Group number of stores at Dec 20

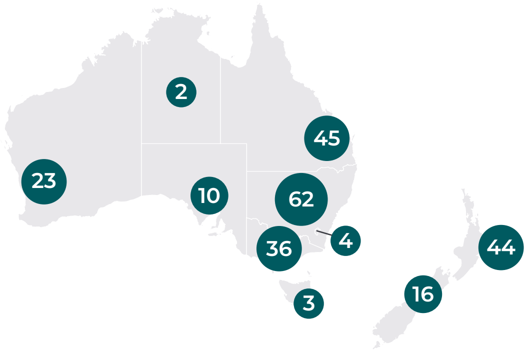


Figure 5: Best & Less Group online sales ($ millions)

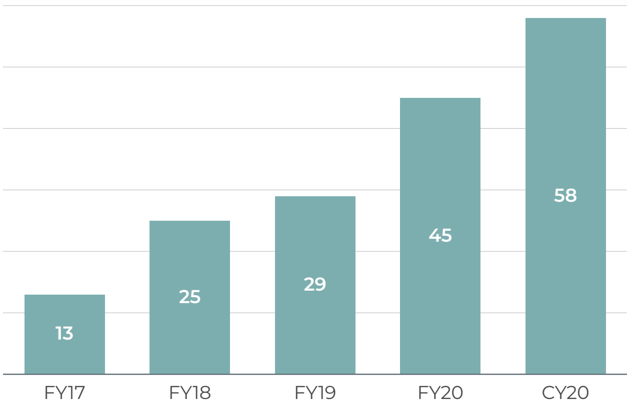


Figure 6: Number of mothers in Australia and New Zealand (millions)[35]

35. ABS, Stats NZ. Note, New Zealand data based on completed census closest to labelled ABS data year. 2020 column based on 2018 New Zealand data, 2015 column based on 2013 New Zealand data, 2010 and 2005 columns based on 2006 New Zealand data, no equivalent data available for 2001 NZ Census.

3.2 BUSINESS MODEL

1. It starts with baby

2. Extend momentum into kidswear

3. Maximise the privileged access to mum with womenswear and underwear

4. Grow basket by adding menswear

5. Adding ancillary and impulse items

3.2.1 It starts with baby

The arrival of a baby in a family is a significant event, impacting the family's priorities, time management and schedule, budget and spending patterns, choice of retailer and shopping preferences.

During this period, quality and safety increase in importance to families, along with shopping convenience and value.

The baby's arrival and the purchasing associated with this event is the critical funnel from which BLG looks to acquire and retain customers. Management considers that customers in the baby segment are characterised by high levels of loyalty, increased time constraints, value consciousness with a relatively higher sensitivity to qualitative factors such as quality, durability and style.

BLG considers the barriers to entry in the baby segment are relatively high, due to regulation by the ACCC (Australia), Commerce Commission (New Zealand) and state or country based Fair Trading departments. BLG's Australian stores are regularly visited by inspectors from government departments to ensure compliance with relevant legislated standards.

Baby is an important category for BLG, where the Company is able to utilise its design, sourcing and quality assurance capabilities to provide its target customers with high quality, reliable products at a value price point.

15% of BLG's CY20 product sales were generated from the baby segment.

3.2.2 Extend momentum into kidswear

As babies grow into kids and multi-child families develop, BLG continues its engagement with its customers by building on the trust developed with mothers during their babywear shopping experience to offer fashionable and high quality kids' products at a value price point.

As kids grow every season and naturally wear out clothes (therefore requiring replacement), BLG is able to benefit from opportunities for further purchases following the natural transition from babies to kids.

In the kidswear segment, Management believes that the customer's focus on value, quality and convenience remains. BLG leverages volume across fabrications and relevant styles and has implemented the same value for price on essential items in each age group across the kidswear range, as done in the babywear category. This is a core element to the success of the business.

Best & Less is an official licensee of AFL and NRL products, selling merchandise online and in-store.

3.2.3 Maximise the privileged access to mum with womenswear and underwear

Having built trust and credibility with its target customers after they have purchased products in the baby and kids' segments, BLG seeks to maximise the regular contact with mum by providing a targeted offering of womenswear (underwear, basic outerwear and fashion-led casual wear) under a "good, better and best" model in both regular and plus sizes. "Good" reflects an entry level price point, accessible to all customers with opportunity to upsell to "better" and "best" based on enhanced features in a product.

Management refers to this transition as "crossing the floor and shopping the whole store", which is the practice of a customer shifting purchases from baby and kids to also include womenswear.

BLG is in the process of improving its womenswear offering to drive increased sales. BLG has invested in improved capability of our womenswear designers and buyers with a focussed process of range reviews, leveraging international fashion trends, improvements in quality and fit and balancing emphasis on fashion for basic items that are appealing for mum's everyday wear and comfort.

Postie's strength in womenswear continues to be a growth opportunity, with an ongoing ability to introduce its offering to newly acquired baby and kids' customers, as well as an opportunity to grow its plus size business which is currently relatively small.

3.2.4 Grow basket by adding menswear

Although primarily purchasing baby, kids and womenswear, BLG's customers also make purchases for the males in their life. Although these purchases occur less frequently, BLG seeks to fulfil this need in a consistent manner to its core categories by offering a tailored range of selected men's underwear, basics and outerwear, all at the value price point.

3.2.5 Adding ancillary and impulse items

BLG seeks to leverage in-store and online traffic by providing its target customers with a wide range of accessories. These impulse items are typically located in proximity to the point-of-sale terminals and can include hair products, personal protective equipment and seasonal items.

BLG's business model is centred on maintaining and growing its strength in its core baby and kids' categories which creates a "halo" with other categories. Being a market leader in the baby apparel market in Australia is the customer acquisition engine of BLG and the centrepiece of the Group's business model.

BLG's spending data and internal research confirms that customers are "crossing the floor" by purchasing in adjacent departments (e.g. baby, moving into kids and then buying womenswear) within BLG's stores as their needs evolve, supporting the BLG business model.

Figure 7: The "halo effect"[36]

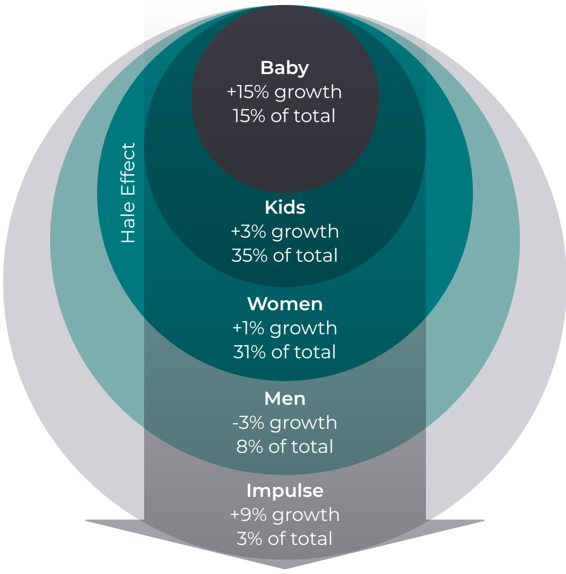
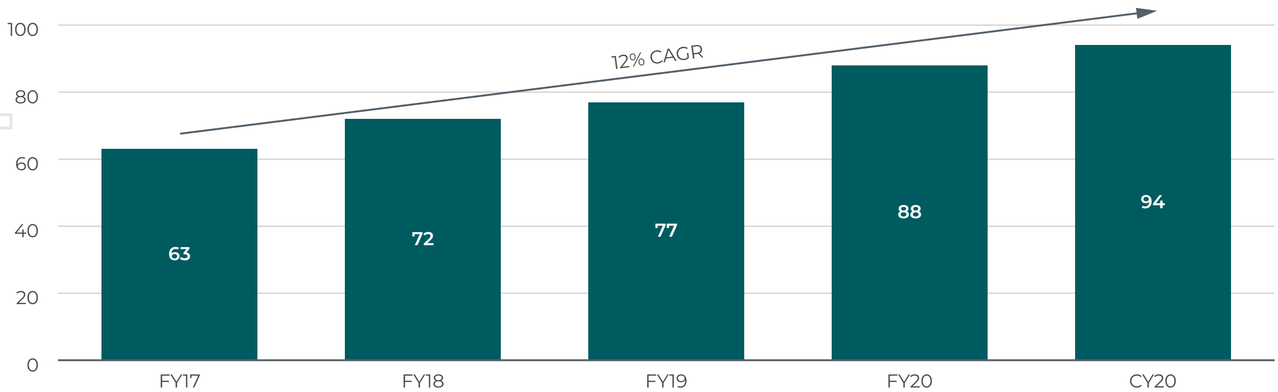


Figure 8: Best & Less Group baby sales ($ millions)



36. For BLG. Percentage of total relates to CY20 and percentage growth reflects CY20 vs CY19 growth.

3.3 CORPORATE HISTORY

Phase 1: Founding and early days (1965 – 1998)

The Best & Less business was founded by Berel Ginges and opened its first store in Parramatta in 1965. Best & Less predominately sold basic products (socks, underpants, tea towels, t-shirts, etc.) and was known for its frugal in-store appearance, with minimal fixtures, and an advertising slogan of "You don't pay for any fancy overheads". Like most successful Australian retailers at that time, Best & Less opened new stores and transitioned into a national retailer.

Phase 2: Expansion (1998 – 2011)

In April 1998, Best & Less operated approximately 90 stores and was acquired by South African discount retailer Pepkor. Under Pepkor's ownership, the Best & Less store rollout strategy continued. While the product focus remained on underwear and basics, extra focus was placed on the baby and kids apparel categories, which aligned with Pepkor's South African retailing strategy.

Operationally, investment in the business continued from the mid-2000s period with the opening of a new distribution and support centre in Eastern Creek, investment in a China based quality control facility and internalising some design and importing capability. While FY09 represented a record year for profitability, the business faced a number of challenges in the face of a softer economic environment and more intense price competition.

Phase 3: Turnaround (2012 – 2014)

A new Management team was introduced in 2012 with a mandate to reposition the Best & Less business and improve financial performance. Key areas of the business were impacted, with updated branding, refreshed corporate values, new hires and extensive investment into the store format.

As part of a renewed focus on product, the Best & Less strategy evolved, with the aim to be "famous for the baby and kids' categories" as well as for underwear. New design, buying and planning capability was added into these functional areas and purchasing direct from manufacturers increased.

The foundations for a modern customer-led retailer were laid, with both online and a customer loyalty program, Friends Club, being launched during this period.

BLG acquired Postie Plus Group Limited (now known as Postie) in July 2014, one of New Zealand's oldest retail brands and well known apparel retailers, focused on providing on-trend, great value fashion to all New Zealanders.

Phase 4A: Transformation (2015 – 2017)

With profitability returning, BLG commenced its transformation into a multi-channel, customer-led, value apparel specialist in the Australasian market.

Rodney Orrock joined Best & Less in 2016, and turned Management focus onto the following key areas:

- understanding the customer;
- attracting traffic to each channel;
- growing the baby and kids' categories;
- ensuring that online sales were profitable;
- increasing the Friends Club database while concurrently upgrading the customer relationship management (**CRM**) capability;
- improving productivity;
- optimising the store portfolio; and
- improving the performance of Postie by introducing the key elements of the Best & Less brand to the Postie offer.

The positioning of BLG as a value retailer was reinforced in both Australia and New Zealand with the introduction of more competitive entry price points, an everyday low price positioning and a 100-day quality guarantee.

Phase 4B: Steinhoff control (2018 – 2019)

In late 2014, Pepkor was acquired by Steinhoff International. Steinhoff International owned the Australian and New Zealand furniture chain Freedom Group, franchised bedding chain Snooze and discount furniture retailer POCO.

At the time of Steinhoff International's acquisition of the Australian Pepkor businesses (including Best & Less), Best & Less remained a part of the global Pepkor division. Each part of this division was focussed on value apparel retailing and significant management collaboration existed between the various Pepkor subsidiaries in different geographical markets.

In October 2017, due to an internal reorganisation, BLG was integrated into Steinhoff International's Australian furniture division. Shortly after this reorganisation, allegations surfaced regarding accounting irregularities within Steinhoff International. This led to considerable financial stress on all parts of Steinhoff International and an intense focus on liquidity, restructuring and the introduction of a divestment program followed.

During this period, BLG operated within a group that had a different focus in respect to strategic, operational and financial outcomes as well as capital allocation. Important elements of the BLG transformation program were put on hold, trading and inventory decisions were affected and sales and profits were adversely impacted, especially in FY19.

Phase 4C: Accelerated transformation and growth (2020+)

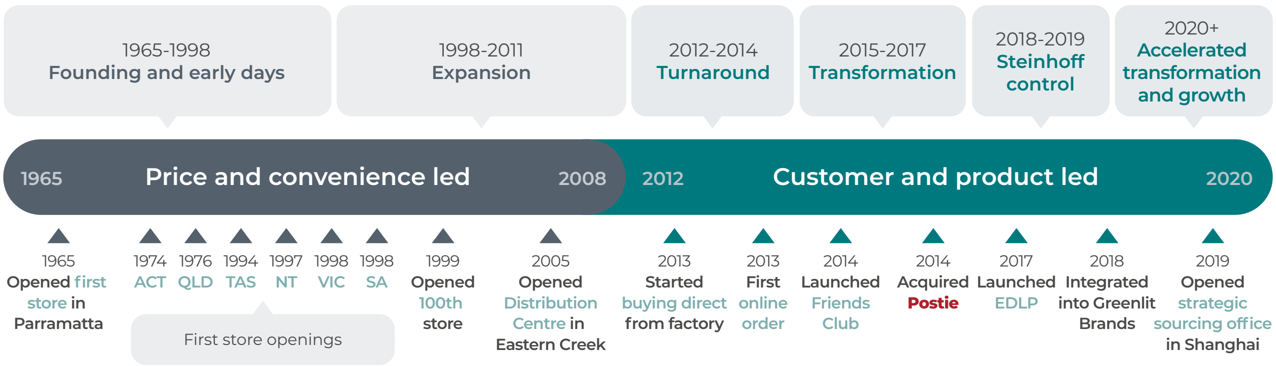
Steinhoff International, through its Australian subsidiary Greenlit Brands, divested BLG to Allegro Funds in December 2019. Allegro Funds, partnering with Chair Jason Murray (who re-joined BLG after holding the position as Managing Director of Pepkor South East Asia for seven years between 2012 and 2019), undertook to deliver three outcomes:

1. an effective separation from Greenlit Brands and the establishment of BLG as a standalone and sustainable business, in control of its own strategy, operations and funding;
2. the acceleration of the disrupted transformation program, completing the store optimisation program, investing into the e-commerce channel and the loyalty programs, re-starting stalled sourcing, supply chain and traffic conversion initiatives and adding resource to support the baby, kids and women's categories; and
3. a more ambitious growth trajectory that leverages industry tailwinds and combines new store openings, increased like for like sales growth and high growth in e-commerce penetration, leading to continued gains in market share and material EBITDA growth.

During the period following Allegro Funds' acquisition, BLG has successfully established itself as a standalone business, accelerated its business transformation and traded through COVID-19, during which BLG experienced continued sales growth as further described in Section 3.13.

Today BLG operates a profitable 245-physical store and online channel network[37] and is one of the largest value apparel omnichannel retailers across Australia and New Zealand.

37. Note that this excludes stores permanently closed in CY20 and a single Melbourne metro store which was impacted by the Victorian lockdown and which recently secured a 46% rent reduction and is expected to be profitable in CY21.



FROM

- Discount positioning
- Stores only
- Win on basics (socks and jocks)
- Limited in-house capability ("you don't pay for any fancy overheads")
- Mass marketing (e.g. TV, mailers)
- Growth in new stores

TO

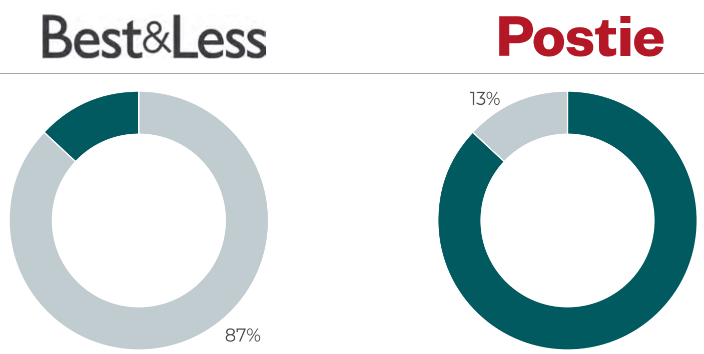
- Value positioning
- Omni channel
- Win on baby and kids and ease of shop
- Extensive in-house capability (team, design, QA, systems, supply chain etc.)
- Segmented marketing (Friends Club)
- Growth via all channels, focus on customer lifetime value

3.4 BRANDS

Figure 9: Overview of the Best & Less Group

Best&Less Group

% of revenue (CY20)



	Best&Less	Postie
Geography	Australia	New Zealand
Stores	185	60
Average store size (sqm)	1,050	478
Employees	3,456	684

BLG operates under two retail brands:

- Best & Less (in Australia); and
- Postie (in New Zealand).

With a combination of the two brands under the one umbrella, BLG is able to leverage aspects of the Best & Less model into the New Zealand value segment via Postie, allowing each brand to be tailored to its specific market.

The combination of the two brands within the one umbrella has a number of benefits for BLG, including:

- leveraging group buying power;
- synergies created through the avoidance of duplication;
- shared services support and leveraging BLG's infrastructure (property, legal and IT);
- sharing of insights and learnings in the value apparel segment; and
- sourcing benefits, with 55% of Postie products sourced from Best & Less suppliers.

3.4.1 Best & Less (Australia)

Best & Less generated total sales of $547 million in CY20, with online sales representing 9.3% of the total.

As outlined in Section 3.3, since 2012, the brand has undergone a transformation from a discount driven, mass marketing basics retailer, to an omnichannel, everyday low price value retailer with a focus on babies and kids.

3.4.2 Postie (New Zealand)

Postie is a New Zealand value apparel retailer with a unique 112-year heritage in the New Zealand market, starting with its first store on the West Coast of the South Island in 1909. In the early 1980s, Postie added a mail order business to its store network. Postie was acquired by BLG in 2014 and has since developed a significant online business.

Postie generated total sales of $82 million in CY20, with online sales representing 10.0% of the total.

Postie operates from 60 stores across New Zealand and is the "Best & Less of New Zealand", targeting value conscious mothers buying baby and kids' apparel.

Postie's growth strategy is aligned with Best & Less – that is, leveraging its current strength in the core baby and kids' value apparel categories to generate growth in adjacent categories such as womenswear. Historically, Postie's womenswear offering has represented a greater proportion of total sales than it does for Best & Less.

Best&Less Group

Postie's customer value proposition is also aligned with Best & Less, with 55% of Postie products sourced from Best & Less suppliers.

Postie's competitive advantage lies in its ability to use BLG's infrastructure, buying power, capability and scale, while leveraging the brand's relationship with its local customers to provide a tailored offering for New Zealand customers (e.g. thermals and "Kiwiana" at everyday low prices).

This combination of a leading in-house design and product sourcing capability combined with a specific tailoring to the local market at a value price point is not typically offered by overseas retailers in New Zealand.

3.5 THE BLG CULTURE

BLG has a set of core values that underpins the Company's day-to-day operations. Management believes that BLG has a distinct culture which has been built on strong retail foundations and centred on results and people.

Leaders across BLG have a clear understanding of BLG's purpose, strategy, target customer, values and what the Company strives to be famous for. Management believes that BLG's everyday commitment to its core values is a key differentiator against BLG's competitors.

Figure 10: BLG's core values

Best&Less		Postie	
Values support customer proposition	• We do the right thing • We have empathy • We are down to earth	**Caring about each other and our community**	• We Care about our Team • We Care about our customer • We Care for each other
Products exceed expectations	• Twice the value at half the price • Comfortable, fashionable relevant and durable	**High quality products**	• Great quality, low priced, family fashion essentials
Service proposition for customer needs	• Team that serves • We make it easy	**We do more with less**	• Resourceful and responsible • Agile and adaptable • Every day low cost
We are part of the community	• Community involvement (e.g. Smith Family, Good 360, Drought Angels)	**A focus on sustainability**	• Ethical and sustainable sourcing approach
55 years of customer service	• Generations of mums know and trust Best&Less • We never take customers for granted	**112 years of customer service**	• Trust in our product, people and experience • Convenient, safe and easy to shop locations

The BLG culture recognises the importance of celebrating achievements, being focused on its customers' needs, taking responsibility for its mistakes and pulling together during challenging times. Management believes that the Company's culture enables BLG to genuinely empower its employees to make decisions using the same guiding values and principles.

Management believes that the Company's culture is an intrinsic part of the way BLG operates in all facets including the Company's recruitment process, how the Company engages with suppliers and other partners and how employees are managed, rewarded and promoted.

With relatively high levels of change and disruption in the current global environment, Management believes that the Company's core values guide employees as they make decisions that affect its customers, their employee colleagues and operations.

As a result of the strength of BLG's culture, BLG employees are highly engaged with a recent engagement survey highlighting our employees have a strong sense of belonging and across our store network our teams are proud to work at BLG. Top scores in the survey were strong agreements to the statements: *"I am empowered to make relevant decisions for the customer", "my manager puts my safety first", "people take care of each other", "safety is important in this business"* and *"we demonstrate our values every day"*.

3.6 TARGET CUSTOMER

BLG's core customers are value conscious 18-54 year old women with children under the age of 17. These customers are "mums on a budget" and represent a large and growing addressable market in Australia and New Zealand.

BLG's ability to identify, understand and cater its offering to its target customer stems from its long experience of operating in the Australian and New Zealand markets and Management's collective retail experience.

Best&Less[37]

- Almost half our mums are **under 34 years of age**
- **1 in 3** have a household income of **less than $70,000** p.a.
- **32%** of our mums shop with us **monthly**
- **1 in 3 have a baby or toddler** at home
- **More than a quarter** are **size 16 or above**
- **5%** are currently **unemployed or looking for a job**

Postie[38]

- **71%** of online revenue is generated by customers aged 15-54
- **60%** have a household income of **less than $50,000 p.a.**
- **276,000** New Zealanders have shopped at Postie in the **last four weeks**
- **47%** of Postie customers have children. Grandparents are also key customers
- The average **New Zealand size is 14-16**
- Ethnically diverse, **Maori, Pacific Islanders and Asians** account for **41%** of the national population

38. Shadow Wolves insight survey November 2020.
39. Neilsen CMI Q1 19 – Q4 19 and Stats NZ.

3.7 CUSTOMER VALUE PROPOSITION

01

"Twice the quality at half the price"

Section 3.7.1

- Apparel offered at "good", "better" and "best" price points, with superior quality at each price point.
- Product quality supported with a 100-day quality guarantee.

02

First choice for baby apparel

Section 3.7.2

- Baby is an important category for BLG.
- Recognised as a leader in baby apparel in Australia.[40]
- Success in baby apparel delivers traffic and credibility in adjacent core categories, especially kids' apparel. See Section 3.2 on BLG's business model (the halo effect).
- Approximately 51% of Best & Less product revenue and 38% of Postie's product revenue comes from baby and kids' apparel (for CY20).

03

Extensive and easy to shop format

Section 3.7.3

- Operates 245 stores, with 185 stores in Australia and 60 stores in New Zealand.
- Store portfolio reflects the location of target customers, primarily regional and suburban areas.
- 91% of Best & Less stores and 87% of Postie stores are located outside of major metropolitan shopping mall centres. Stores are generally located in prominent, high foot traffic positions.
- Store sizes for Best & Less typically range from 800 to 1,100 sqm, with an average size of ~1,050 sqm. Postie stores typically range from 200 to 1,100 sqm with an average of ~478 sqm.
- Average store size is large enough to carry a wide range of apparel for the whole family, while being small enough to facilitate customer interaction with staff and an ability to find wanted stock quickly.
- Experienced property team dedicated to optimising and refreshing store portfolio.

40. Best & Less Shopper Tracker – November 2020.

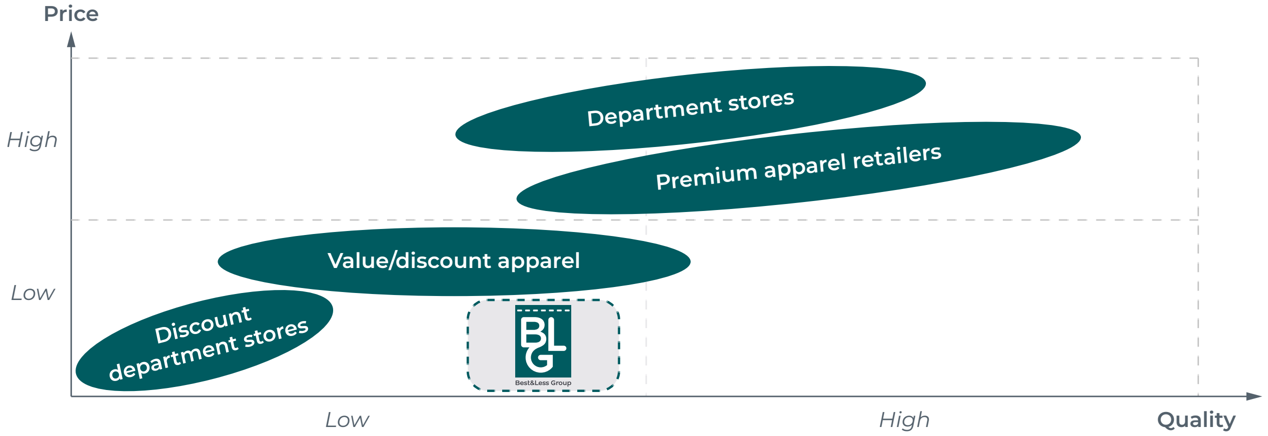
04 **Omni-channel convenience** *Section 3.7.4*	• BLG has a profitable, growing and scalable online platform, which complements its existing extensive store portfolio. • Online sales have grown at a CAGR of 50% between FY17 and FY20, and by 80% in CY20. • Mobile penetration is strong, contributing 73% of the total online sales. • Best & Less online uses a SAP Hybris platform which provides scalability and reliability. Postie online uses the Blackpepper online platform, which is fully integrated with its Ontempo core retail system. • Several initiatives underway, including Click & Collect (introduced December 2020 in Best & Less), enhancement of data tracking through loyalty programs and development of a mobile application. • Dedicated Best & Less online fulfilment centre.
05 **Connected to mums** *Section 3.7.5*	• BLG has ~1.5 million active members within its loyalty programs – including ~1.1 million in the Best & Less Friends Club and ~0.4 million in the Postie Rewards Program. • Data collected from loyalty programs allows the tailoring of marketing and promotions to specific customer demographics and the personalisation of customer experience. • Engaging social media presence, encouraging organic word-of-mouth marketing.
06 **Trusted consumer brand with strong product design, planning and sourcing capabilities** *Section 3.7.6*	• Best & Less and Postie are both well established, trusted consumer brands, with more than 55 and 100 years of history respectively. • Both brands have served generations of mothers. • Best & Less is recognised as a trusted brand in Australia, including a top 10 position in a recent KPMG Customer Experience Excellence Report in trustworthiness. • Best & Less was a finalist in four categories at the 2020 ORIA awards, including Best Multi-channel Retailer, Social Commerce Initiative and Best Online Retail Marketing. • Best & Less is active in its local communities, including long-standing relationships with Drought Angels, Good 360 and recently with The Smith Family. • Postie regularly donates samples and other products to Women's Refuge, Auckland City Mission, Mummys in Need and Salvation Army.

3.7.1 "Twice the quality at half the price"

BLG is positioned as a value retailer in the Australian and New Zealand apparel markets offering quality products at a value price point.

BLG's target positioning in baby and kids' apparel versus key competitor groups is outlined below.

Figure 11: Best & Less competitive positioning



Across its core products, BLG provides apparel at a "good", "better" and "best" price point. At the entry, "good" level, the price point is accessible to all customers with scope to move customers into "better" and "best" by demonstrating a superior value proposition compared to competitors.

At each price point, BLG strives to leverage its scale, customer insights and apparel expertise to provide a superior product to the competition. Products are differentiated with qualities such as colour, fabric, durability and style.

Case Study: Babywear “Good, Better, Best”

Good	Better	Best
Entry price point	Mid-price point	Exit price point
$3 plain bodysuits	$4.50 printed bodysuits	$8 fashion bodysuits
100% cotton everyday basic. Easy snaps and generous binds. Good variety of plain colours.	100% cotton with all the features of entry price point, while adding fun prints and colours with improved hand feel. Includes envelope neck for ease of change, a variety of sleeve shapes and lengths for all temperatures.	Fashion silhouettes (e.g. ruffles, button front plackets, cuff details and functional neck closures). Incorporates on-trend fashion fabrications, heavier weight fabrics and higher cycle of new styles.

3.7.2 First choice for baby apparel

Establishing a reputation for being the first choice for baby apparel for mums is key to BLG’s business model. Approximately 50% of BLG’s CY20 sales are from baby and kids’ apparel.

The key drivers of BLG’s success in baby and kids’ apparel include:

- Understanding the needs of parents when it comes to clothing for their children;
- Providing functional and durable apparel;
- Stylish and fashionable products;
- Strict quality assurance standards and rigorous testing to ensure trust from customers; and
- The ease of dressing babies and kids from head to toe.

Baby and kids’ apparel has a high replacement cycle due to growth and wear and tear.

These replacement cycles drive repeat visits from parents and BLG uses this to expand sales into other core categories.

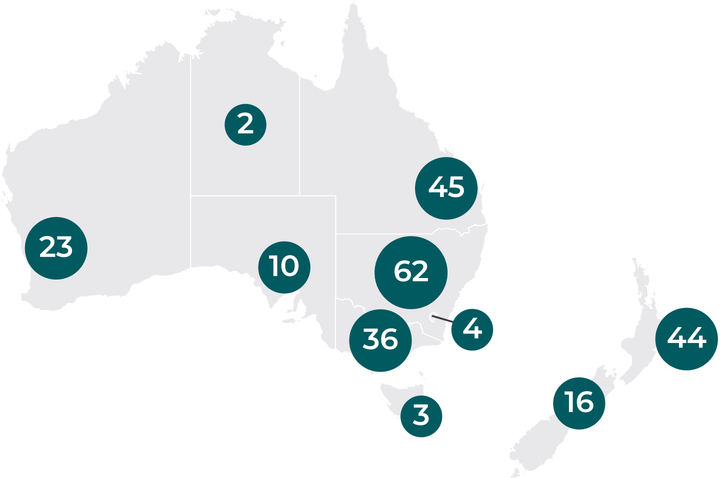
Customer research commissioned by BLG has indicated the following:[41]

- 50% of customers have identified Best & Less as their preferred store for babywear;
- More than 65% of customers shop at Best & Less for boys and girls' apparel; and
- 31% of customers have indicated Best & Less as their preferred store for boys' apparel between the ages of 2 and 16.

3.7.3 Extensive store network and easy to shop format

BLG's store network consists of 245 locations across Australia and New Zealand. There are 185 stores Best & Less stores in Australia and 60 Postie stores in New Zealand.

Figure 12: BLG store network



BLG stores are primarily located outside major metro malls and concentrated in country, regional and suburban malls, reflecting where BLG's target customers are located.[42] The average store is large enough to carry a wide range of apparel for the family while being small enough to facilitate customer interaction with staff and an ability to find wanted stock quickly. Store leases have a WALE of ~2.6 years as at December 2020, allowing flexibility to optimise the store network over time.

Figure 13: Overview of store locations

GROUP	BEST & LESS STORES	POSTIE STORES
Metro – major malls	17	8
Metro – other malls	65	17
Regional	55	26
Country	48	9
Total	**185**	**60**

41. Source: 20201201 Best & Less Brand and Shopper Tracker.
42. Figure 12 shows the locations of BLG's store network across Australia and New Zealand as at 31 December 2020.

Lease terms vary by store and are negotiated on a store-by-store basis. Store leases generally have an initial term of six years for Best & Less and five years for Postie. Most leases have rent reviews during the term (with methods used to determine such reviews typically being by way of a CPI increase (with caps between 2% and 5% per annum) or some with a fixed percentage increase (ranging from between 2% and 5% per annum)).

BLG store formats are organised relatively consistently, with the layout being optimised through historical iterations. BLG stores utilise window spaces extensively and newer renovations including TV screens to allow for a dynamic use of window spaces. BLG believes the store sizes allow sufficient space for ranging and aisles are wide enough to allow for prams to be pushed around.

New sites

Between the period of July 2017 and December 2020, BLG undertook a period of store optimisation – closing 22 stores whilst opening 28. With the exception of stores that were permanently closed in CY20 and a single Melbourne metro store which was impacted by the Victorian lockdown,[43] all BLG stores were profitable in CY20.

BLG will continue to focus on new store openings where its selection criteria are met, including a clear return on capital benchmark. At this stage, Management sees potential scope to add 15-25 stores over the next three years.[44]

Management sees particular opportunity to expand its presence as other retailers reduce their physical footprints, potentially leading to favourable lease terms as shopping centre landlords seek to fill key spots within their centres. BLG receives various inbound enquiries from landlords, which shows shopping centre operators recognise BLG's ability to drive its target customers to stores There is also the opportunity to expand its store network in Victoria, which currently has 36 stores, which Management considers underpenetrated based on population and size of market when considering New South Wales has 62 stores.

BLG has a disciplined approach to identifying, evaluating and prioritising new store locations. Factors that are considered when selecting new sites include:

- Catchment demographics and local market size;
- Retail footfall;
- Parking availability;
- Proximity to existing stores;
- Local competitive environment;
- Store size and layout; and
- Available lease term and rent cost.

Refurbishments

BLG has a store refurbishment and enhancement plan and BLG expects to continue its store refurbishment program into the medium term. Management seeks to provide a relevant and attractive proposition for its customers based on the needs of the local market and individual store requirements.

43. The Victorian store recently secured a 46% rent reduction and is expected to be profitable in CY21.
44. Please refer to Section 3.12.6 for further information.

3.7.4 Omnichannel convenience

BLG provides an omnichannel experience to its customers which offers flexibility on how, when and where they engage and transact with the relevant brand. BLG derived 9.3% of its sales from its online channel in CY20.

Best & Less first launched its online ordering capability in 2013. In FY20, the Best & Less online channel underwent significant development, including launching "Pick from Store" and "Ship from Store" as well as the appointment of a new Head of Online. In FY21, Best & Less has rolled out "Click & Collect" and a new mobile application is expected to be launched during the first half of CY2021.

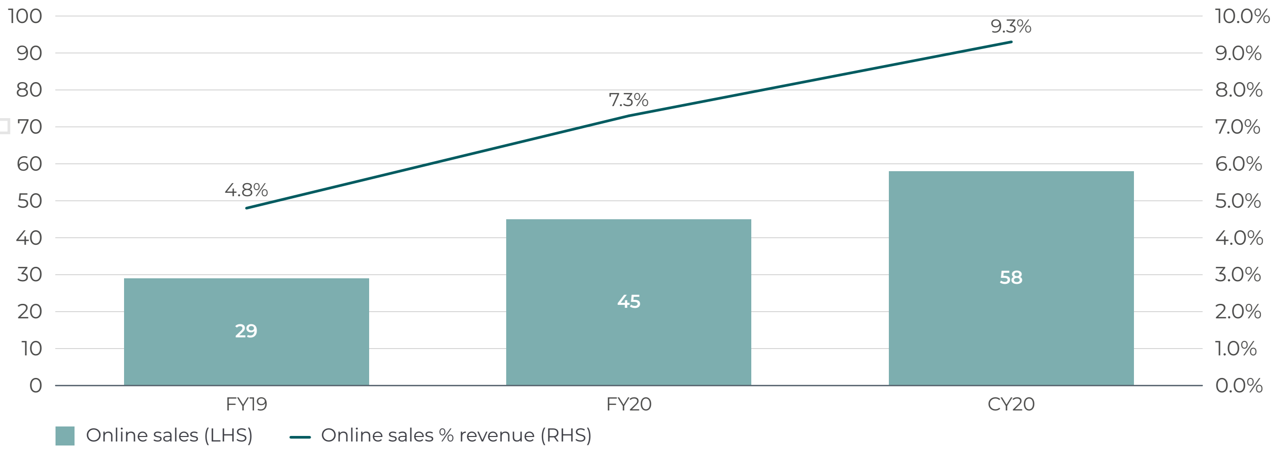
Postie commenced e-commerce trade in 2015 from a single room in an Auckland store. In 2016, Postie moved its online fulfilment to a warehouse operation. As online volumes grew significantly through COVID-19, Postie rapidly out-grew this site. A new standalone fulfilment site was opened in Auckland in July 2020 to support increased volumes. The new operation utilises put-to-light picking technology, delivering speed efficiency and cost savings compared to the previous operation. Postie operates its e-commerce business using the Blackpepper online platform which is fully integrated with its Ontempo merchandise management system.

BLG's omnichannel strategy has focussed on building and developing a user-friendly, profitable and scalable platform. While BLG's systems have only been established for a few years, the later development of its online platform has allowed for BLG to implement market leading and highly scalable platforms. BLG aims to leverage its omnichannel platform to generate growth in both its online and in-store channels.

Best & Less offers delivery at a flat rate of $10 per order in Australia. Postie offers free delivery for orders over NZ$65 and a flat rate of NZ$7 below NZ$65. The delivery charging structure encourages improved order economics, with an average order size of 7.5 items in Australia and 6.0 items in New Zealand. Customers are able to return online purchases in-store, driving further foot traffic.

COVID-19 has accelerated the growth of BLG's online sales. During the Melbourne and New Zealand lockdowns, BLG experienced a spike in its online orders, highlighting its ability to continue servicing its customers while its stores remained closed.

Figure 14: BLG online sales growth



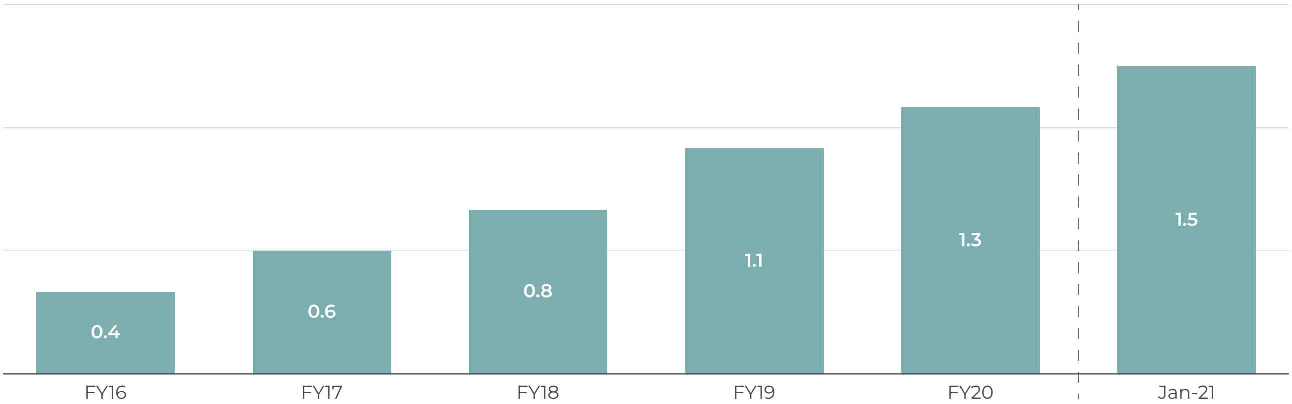
3.7.5 Connected to mums

BLG has served mums in Australia and New Zealand for over 50 years and continues to strengthen this established relationship. Given BLG's focus on the baby, kids and womenswear ranges, strengthening this relationship is an important part of BLG's business model, including through its loyalty programs.

Loyalty members

BLG has ~1.5 million active and engaged members within its loyalty programs, including ~1.1 million in Australia and ~0.4 million in New Zealand. BLG's loyalty programs offer customers exclusive offers, targeted communications and competition. These loyalty programs allow BLG to understand and better connect with customers. The loyalty program in Australia is branded as Friends Club. BLG continues to acquire new loyalty members with the store point-of-sale systems and online platforms designed to encourage customers to join the loyalty programs.

Figure 15: BLG loyalty members (million)[45]



Best & Less Friends Club members are ~97.5% women, of which 68% are customers who have purchased baby and kids' apparel. The median spend for Best & Less Friends Club members is $74 p.a. and $74 p.a. for Postie members. Best & Less Friends Club members spend approximately 38% more per transaction and Postie members spend 33% more per transaction than non-members. The loyalty programs allow BLG to collect valuable insights, improving BLG's understanding of customer preferences. Insights also allow for tailored marketing communications, driving higher electronic direct mail (**EDM**) conversion.

BLG has plans to enhance customer data in FY21 by actively updating member profiles, allocating customer personas to members and launching personalised and exclusive offers.

Engagement with mums

BLG also engages with its target customers outside of traditional marketing channels. During COVID-19, close to 15,000 virtual birthdays were celebrated with Emma from the Wiggles, which included a range of activities and interactive experiences for target customers.

In Christmas of 2020, in lieu of traditional Christmas carol events, Best & Less hosted a virtual carols hosted by Natalie Bassingthwaighte and run in conjunction with The Smith Family.

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

3.7.6 Trusted consumer brand with strong product design, planning and sourcing capabilities

New product design, trend and range development

BLG has a strong, well established buying team, who work together with suppliers to develop its product range. In line with its strategy to provide “twice the quality at half the price”, BLG carefully monitors fashion trends and leverages its design and sourcing base to bring its customers quality, desirable, on-trend products at truly affordable prices.

This provides customers with access to on-trend fashion and high quality products at significantly reduced prices, especially for the 86% of sales in CY20 which are generated from BLG’s proprietary brands. A selection of BLG’s proprietary brands across a number of subsegments are shown in Figure 16. These brands are owned by BLG and sold exclusively in BLG’s online and physical stores. Each brand is managed by BLG and targets specific customer segments with an overarching aim of providing customers with products at *twice the quality and half the price*.

Figure 16: Proprietary brands in Australia

baby baby	baby berry	Breakers	ed · it · ed
Premium baby fashion	Everyday baby wear	Denim for the whole family	Casual womenswear range
actionsports ELITE	favourites	ISOBELLE Sizes 18 – 26	MANTARAY
Family sports and activewear	Core essentials range	Womenswear plus size range	Menswear range
mini mango	miss mango		
Everyday girlswear range	Value fashion girlswear range		

As part of its product range, BLG has a range of licensed products, with approximately 14% of BLG’s sales in CY20 from products that are sold using a licence from a third party. Examples of such licences include Disney, Bonds, Tradie, NRL, AFL and Bad Boy.

The Best & Less baby and kids buying team is led by Vanessa Noy, who has 19 years in baby, kids and youth apparel and more than 20 years’ apparel buying experience. Recent innovations in new product design include increasing use of organic materials and marketing a range of apparel designed for premature babies.

Figure 17: Organic cotton products

Figure 18: Products for premature babies

The Best & Less adult buying team is led by Andrea Kenworthy, who has over 30 years of buying experience. Over the last 18 months, Andrea has led a revamp of the Best & Less women's clothing range. Historically, the Best & Less women's range was targeted towards older women with less style-focused clothing. Significant investment has been made in converting existing range options to target younger, more fashion-focused customers.

The Postie buying team is led jointly by CEO Linda Leonard, who has over 22 years' experience leading merchandise teams and Toni Warner, Head of Merchandise, who has 22 years of experience, with seven years in senior roles.

Since Postie's re-launch in 2017, significant growth has been driven in the Postie business by:

- leveraging the Group's strength in the baby and kids' segments;
- leveraging group buying power across BLG to source products tailored to the New Zealand market; and
- reinvigorating and revitalising the Postie womenswear offering.

Sourcing capability

BLG has a well established and strong capability to source product directly from suppliers and manufacturers. BLG underwent a multi-year investment in improving its sourcing capability, including the opening of a strategic sourcing office in 2019 in Shanghai. Best & Less also maintains dedicated quality assurance and quality control resources, with 11 employees. Postie has three quality assurance and control resources.

Best & Less and Postie strategically source 27% and 9.5% respectively of its goods from local suppliers, largely representing branded merchandise imported by brand owners or wholesalers. 73% of Best & Less and 90.5% of Postie's goods are sourced internationally, primarily from China, Bangladesh, India and Pakistan.

Figure 19: Best & Less suppliers by country of origin

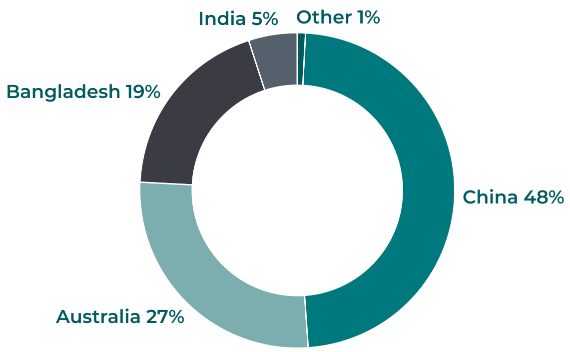
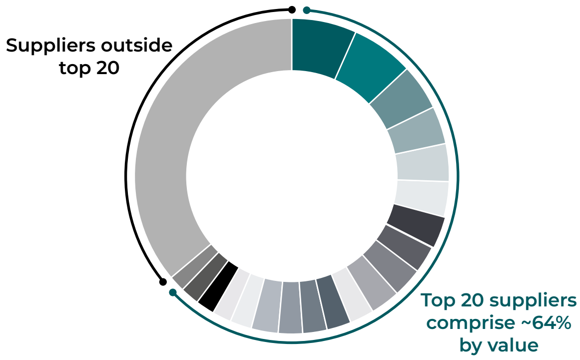


Figure 20: Best & Less supplier diversity



Ethical sourcing

BLG is dedicated to upholding fair working conditions, environmental protections and human rights in all of its business concerns globally. Best & Less and Postie publish an Ethical Sourcing Code (**ESC**) that outlines its code of conduct and policies in relation to social, environmental and standards of compliance required from suppliers.[46] BLG has a zero-tolerance policy for the use of child labour, forced labour or prison labour in the manufacturing of its garments.

Prior to taking on new suppliers, factories are audited and are subsequently regularly visited and re-audited to ensure standards are continuously met and improved upon. Between January 2019 and December 2020, BLG conducted 236 factory audits. BLG requires all suppliers to sign and agree to abide by BLG's ESC standards. The majority of BLG's products are produced in China, followed by Bangladesh, India, Pakistan and Cambodia. BLG strives for full transparency and does not allow outsourcing or subcontracting unless subcontractors are audited and approved.

BLG is committed to paying living wages throughout its supply chain by 2025. BLG has adopted benchmarks set by the Anker Living Wage Methodology to establish the living wage in regions where suppliers are located. BLG's consideration of living wages is to support a decent standard of living, including elements such as adequate nutritious food, housing, healthcare, clothing, transportation, energy, water, childcare, education, other essential needs including some discretionary money and provision for unexpected events.

3.8 SUPPLY CHAIN AND DISTRIBUTION

Best & Less ships product from its various suppliers in Asia using Full Container Load (**FCL**) shipping. Containers are delivered to the Best & Less distribution centre in Sydney.

Best & Less maintains a 36,000 sqm semi-automated national distribution centre, based in Eastern Creek, Sydney. In FY20, the facility processed more than 2,500 containers (**TEU**[47]).

Best & Less containers are unloaded and sorted at the Eastern Creek distribution centre. Up to 0.3 million units are processed each day. The facility has significant latent capacity and can process up to 0.8 million units per day.

Postie's operations are supported by a New Zealand supply chain and distribution centre. Operations are managed by a 3PL provider for warehousing and shipping, whilst NZ freight is provided by Poste Haste and e-commerce courier services are provided by NZ Courier Post.

46. Link to Ethical Sourcing Codes for Best & Less can be found at https://www.bestandless.com.au/ethical/sourcing and Postie can be found at https://www.postie.co.nz/ethical-sourcing

47. Twenty-foot equivalent unit.

BLG's Eastern Creek distribution centre has recently been upgraded to take advantage of proprietary Peptainers which have replaced pallets and assist in optimising allocations and reducing outbound shipping costs.

Peptainers are unique to Best & Less in the apparel industry and typically allow for significantly more goods to be packed into the same space, thereby reducing handling by supply chain operators.

Figure 21: BLG proprietary Peptainer compared to traditional pallet

Peptainers allow more soft goods (such as apparel) to be packed into the same space and reduce the need for double handling

Traditional pallets require boxes to be stacked, which then need to be opened in stores and requires disposal of packaging

Online fulfilment centre (OFC) and online delivery

The Best & Less online fulfilment facility is co-located at the Eastern Creek distribution centre and currently comprises ~3,500 sqm. The facility has been expanded twice in the last five years due to the growth in the online channel. The OFC currently processes ~0.8 million orders and ~5.9 million units annually.

Best & Less currently has a flat rate delivery charge structure that encourages more units per order and results in efficiency savings. Orders are fulfilled via Australia Post with two collections from the distribution centre per day. Customers are also offered the option for Express Delivery at a higher cost.

The increased customer shift towards online shopping witnessed during the COVID-19 period placed greater demand on the OFC during CY20. In response to this shift, BLG accelerated plans to launch store-based fulfilment and Click & Collect. Store-based fulfilment can result in faster delivery in certain situations (for example, where the customer is located closer to the store than the distribution centre. Click & Collect was also launched in Australia in December 2020 with strong take-up by Best & Less customers since its introduction.

3.9 QUALITY, REGULATIONS AND STANDARDS

Quality assurance and control

Best & Less has an experienced team focused on quality assurance and control and employs a team of 11 garment technicians dedicated to quality assurance. These employees are split by product categories, are experts in their specific fields and are trained on product safety legislation and standards. Postie also has a dedicated team comprising two highly experienced garment technicians and a Chinese speaking production assistant. The team works across all product categories and is fully trained on product safety legislation.

BLG also operates a team in Shanghai, China, who directly manage compliance and factory audits across Asia. All suppliers are actively monitored with any deficient audits resulting in corrective action plans to promptly address any defects.

Best & Less also uses third party quality inspectors to check orders prior to shipment. These reports are provided to Best & Less prior to the granting of shipping approval. Postie's inspection policy is to check 'tag on' orders or quality risk items prior to shipping.

Standards, compliance and regulations

BLG is subject to a range of regulatory and self-imposed standards for its products. Key examples include:

*Ethical Sourcing Code **(ESC)***: All suppliers are subject to the ESC, which was introduced in 2014. Developed from the Ethical Trading Initiative and International Labour Organisations, the ESC is based on the UN Universal Declaration of Human Rights. All suppliers must agree to abide by the 13-point code prior to any supplier relationship.[48]

Independent factory audits: BLG regularly conducts independent third party audits conducted by QIMA. These are managed through BLG's China office and require a BLG audit which includes aspects of ethical, technical, social and environmental aspects.

Case study: Regulations for baby apparel

Baby and kids' apparel is regulated by the ACCC and state-based Fair Trading departments in Australia and The Fair Trading Act and Commerce Commission in New Zealand. Both bodies have a stringent set of standards for baby and kids' apparel.

Best & Less is regularly visited by inspectors from government authorities to check that products being sold comply with relevant legal standards. Occasionally, Best & Less is requested to provide proof with regard to testing regimes that support the standards.

The regulatory regime and standards covering baby and kids' apparel increase the barriers to entry for potential competitors in these categories.

Some of the standards required for children's nightwear in Australia and New Zealand are shown below as an example.

BABY & CHILDREN'S SLEEPWEAR STANDARD (AS/NZS 1249:2017)

- Fire warning label must comply to standards
- No loose or looped threads
- Snap testing and needle detection
- 4-hole buttons only
- Assessed for choking hazards and strangulation
- No long ties, fringing or embellishments
- Fabric restrictions to minimise flammability

48. Link to Ethical Sourcing Codes for Best & Less can be found at https://www.bestandless.com.au/ethical/sourcing and Postie can be found at https://www.postie.co.nz/ethical-sourcing

3.10 OUR PEOPLE

Overview

BLG's employees, known as "Besties" in Australia, are an integral component of the BLG business and are responsible for delivering the Company's strategy on a daily basis. BLG aims to create a culture where its employees are empowered and accountable for the Company's strategy.

BLG had 4,140 employees as at 27 December 2020, 3,456 located in Australia and 684 in New Zealand. 177 employees are located[49] at the Best & Less head office in Sydney, New South Wales, and 49 employees are located at the Company's distribution centre in Eastern Creek, New South Wales. In New Zealand there are 52 employees located at the Postie head office in Auckland.

87.7% of BLG employees are female. In alignment with BLG's focus on its target customer, a significant proportion of leadership positions across BLG are occupied by females.

Most Best & Less stores employ one full-time manager and an assistant manager. Store employees are employed on full-time, part-time or casual bases, allowing the Company to adjust staffing levels to expected demand and higher volume sales periods while also providing staff with greater flexibility. Each Postie store is staffed in a similar manner, albeit often with fewer staff, reflecting the smaller average store size. BLG's relationship with its target customers is maintained and strengthened via the thousands of daily interactions between its authentic, helpful and passionate employees in-store.

Employees at head office are split across key functions – including leadership, retail operations, buying, design, finance, property, marketing and digital, human resources, technology, supply chain and distribution. These roles support the retail network and minimise the majority of administrative duties in-store.

BLG has in-house capability for most of its key business functions. Management believes this approach increases control over the BLG experience and provides greater efficiency and accountability for financial results and customer outcomes.

Employee engagement through pulse surveys provide Management with a gauge on key issues facing employees, employee sentiment and morale. In May 2019, BLG participated in the "Your Voice" Engagement Survey, returning an overall Engagement Score of 72%. Partially in response to feedback gathered from these surveys, enhancements to its workplace flexibility offering have recently been implemented.

Employees are encouraged to speak up and raise concerns or seek support, and this is facilitated via its Grievance Resolution Policy, and Speak Up and EAP programs for employees.

Management aims to take a consultative approach to significant changes within the business and actively looks to involve employees in decision making, recognising that it is its in-store employees who are closest to its target customers. Initiatives undertaken to maintain and increase engagement with employees include:

- circulation of a monthly "Bestie Bulletin" across Best & Less, and a similar newsletter across Postie, which include messages from the CEO and updates on key strategic initiatives, team achievements and length of service milestones;
- a company Instagram account titled "Bestiegrammed" which allows stores to proudly display their achievements, their team, their visual merchandising and great products. Through this platform, BLG is able to celebrate success, recognise outstanding behaviours and outcomes, and provide encouragement. Importantly, Bestiegrammed strengthens the bonds across all BLG employees; and
- bi-annual national roadshows for both Best & Less and Postie to update team members on progress on strategic initiatives, new products and employee rewards achievements.

BLG retained almost all staff during COVID-19 and received JobKeeper funding from the Australian Government and a Wage Subsidy from the New Zealand Government. This is discussed further in Section 4.7.7.4.

49. This includes some staff who are physically located in South Australia and Victoria, but who work out of the head office.

Best&Less Group

Talent and development

BLG aims to promote employees from internal positions. Management believes this helps promote the BLG values and strengthen culture throughout the Group.

A regular review of high performing talent within the organisation occurs across the Group with individual development plans put in place by senior leaders across the business for team members.

BLG has implemented a number of initiatives and programs to identify, develop and retain talent. These include:

- facilitation of online learning and development modules for senior store team members;
- on the job focus for developing future leaders in stores, with development through stretch assignments, coaching, on-job projects and extension of role;
- various leadership development programs; and
- coaching and mentoring for senior leaders.

Health and safety

The health and safety of BLG's employees and customers is paramount. BLG seeks to create a safe workplace where employees, customers and visitors go home injury free each day. A BLG-wide health and safety strategy includes a number of initiatives that help BLG achieve this, including:

- a safety-first culture across BLG, with safety a key strategic priority and focus of Management;
- an active National Safety Committee and Distribution Centre Safety Committee which ensures consultation and effective implementation of any changes in practices and policies;
- continuous and ongoing health and safety training for all staff;
- health and safety systems and policies which track incidents and encourage reporting; and
- periodic independent third party reviews of BLG's health and safety compliance.

BLG's entire senior leadership team meets quarterly to discuss key safety issues across the business, incidents and near misses, and to receive ongoing safety training and develop focus areas.

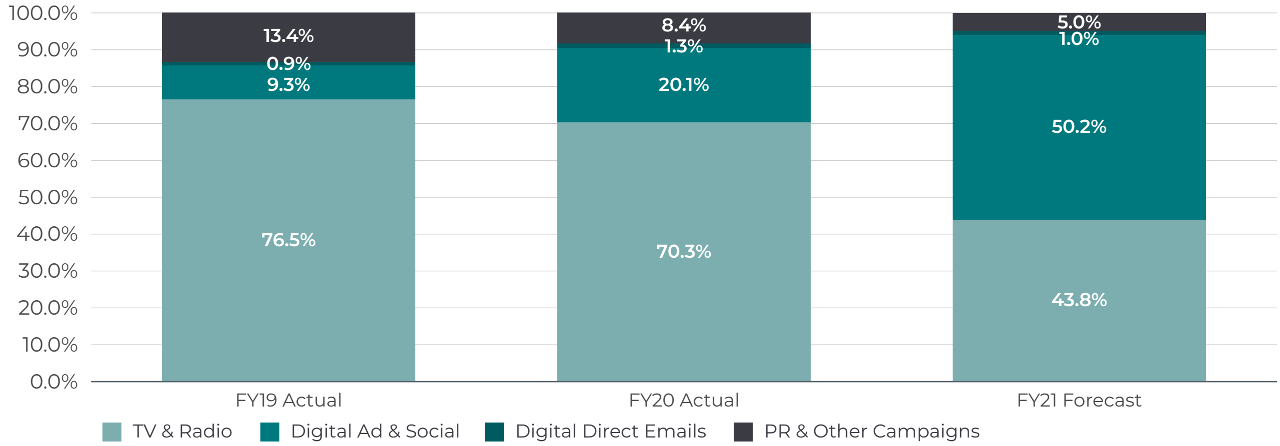
3.11 MARKETING AND DIGITAL

Marketing

BLG employs a team of 42 employees across the marketing and digital functions for Australia and New Zealand. The team is responsible for all marketing and digital capabilities working across both online and physical stores. The marketing and digital team manages all content production, photo shoots, social media channels, EDM, search engine marketing and the content production of all in-store point-of-sale marketing materials.

BLG's marketing spend and mix is orientated towards its target customers. BLG has shifted its marketing mix in recent years, reducing its reliance on traditional marketing and increasing digital media spend. Postie removed all television and mailer spend in FY21, with marketing driven primarily through digital channels.

Figure 22: BLG marketing spend



Social media

Social media and influencer marketing are important marketing channels for BLG.

BLG has increased its use of social media to reach its target customers more cost effectively, strengthen its relationship and build on the sense of community within its target customers. BLG is active on all major social media platforms and currently has 188k Instagram followers and 291k Facebook followers.

Social media platforms such as Instagram have assisted BLG continue its strong relationship with its target customers during COVID-19 while also allowing BLG to directly communicate new products and its improved womenswear offering.

Figure 23: Promoting organic cotton campaign

@leahs_littleloves

Figure 24: Promoting kids' clothes

@melwatts

3.12 GROWTH STRATEGY

1. Benefiting from the growth in the value apparel retail market
2. Increasing market share in the baby and kids' segments
3. Increasing market share in the womenswear category
4. Above-market online channel sales growth
5. Increasing gross margin percentage to sales
6. Store network expansion
7. Cost reduction initiatives

BLG believes it is well positioned to continue its profitable growth, due to its attractive customer value proposition and customer centred business model that underpins its leading position in the structurally attractive value apparel market.

BLG expects that the value segment of the market will continue to grow and successful execution of the existing strategies will continue to drive like for like sales growth, market share gains and margin expansion.

BLG has a current market share by value of ~2% in the $23.8 billion Australian Clothing and Footwear Market and Postie has a current market share by value of ~2% in the $3.5 billion New Zealand Clothing and Footwear Market.[50] This relatively small market share highlights the significant growth potential for BLG.

BLG's value offering is characterised by more customer touchpoints, including more than 22.6 million transactions, 38.3 million website sessions and 91.6 million units sold in CY20. BLG sees a significant opportunity to leverage these interactions with customers into further sales and earnings.

BLG has identified seven focus areas that are expected to be the primary drivers of medium-term growth in sales and earnings across both Best & Less and Postie, being:

- benefiting from growth in the value apparel market driven by population growth, increased disposable earnings and continuation of consumer trends of increasing their spend value in the value segment of the apparel market;
- increasing market share in the baby and kids' segments, leveraging BLG's current strength in babywear, entering into adjacent categories and growing kids' apparel through continued improvements to the offering and more effective use of customer data;
- increasing market share in the womenswear category, which is the largest apparel category across the market by sales and in which BLG's current penetration is relatively low;
- above-market online channel sales growth, as the business leverages the infrastructure, skills and resources that are already in place to rapidly mature the current BLG online channel, digital marketing and customer relationship management offer;
- store network expansion into catchments that are currently underserved by BLG, which has plans to open a further 15-25 stores over the next three years throughout Australia and New Zealand in underserved catchments;
- increasing gross margin, achieved through continued improvements to BLG's sourcing, pricing and stock management practices; and
- cost reduction initiatives designed to limit any increase in the cost of doing business (CODB) to a rate which is materially less than the increase in gross margin dollars.

The combined effect of delivering incremental sales, a higher average gross margin percentage and moderated cost increases is significant in respect of growth in BLG's earnings margin and dollars.

50. For FY20. Market size based on Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021 report.

3.12.1 Benefiting from growth in the value apparel retail market

As outlined in Section 2.6, the ANZ Clothing and Footwear Market is segmented between the following price based segments:

i. value,

ii. mid-market; and

iii. premium.

BLG operates in the value segment of the ANZ Clothing and Footwear Market.

According to Frost & Sullivan, the value segment of the ANZ Clothing and Footwear Market is forecast to grow at a faster rate than other segments. Frost & Sullivan forecasts the value segment of the ANZ Clothing and Footwear Market to grow by a compound annual growth rate of 4.9% between FY20 and FY24. This growth in value compares favourably to growth in the mid-tier and premium markets, which are forecast collectively to grow at a CAGR of 3.6% between FY20 and FY24.

Management believes that the recent and forecast outperformance of the value segment relative to other segments is partially driven by:

1. uncertain economic conditions driving consumers towards value offerings, driving a division between the value and premium segments of the market;
2. millennials increasingly exhibiting savvy shopping behaviours and a preference for value;
3. technology providing the means to compare prices, resulting in more sophisticated buying behaviour; and
4. improved sourcing, manufacturing and quality assurance techniques, allowing value retailers to offer products that meet customer expectations and which diminish the need for the intermediary brand comfort traditionally provided by the mid-market retailers.

Management believes that the business is well placed to capitalise on this trend due to its offering in the value segment that aims to provide a higher quality product at comparable price points to other value competitors.

The overall forecast growth in the value segment is expected to drive increased sales and earnings for BLG. See Section 2.6 for further detail.

3.12.2 Increasing market share in the baby and kids' segments

Baby segment

Baby is an important category for the BLG business model, as it acts as the customer acquisition engine of BLG and the centrepiece of the Group's business model. The BLG baby offering has a strong following from BLG's target customers who are seeking quality, safe and stylish baby apparel at a value price point.

BLG has several initiatives in place to continue the growth of its market share in the baby category, including:

- growing the Baby Berry and Baby Baby home brands – these brands resonate strongly with the new mum. Baby Berry provides a complete range of products now for everyday baby clothing essentials and aspirational fashion in core everyday rompers, bodysuits and coordinates. The building of these brands is a focus to support possible step out opportunities in the future;
- developing the growing premature baby range – a growing number of babies are born premature or low birthweight which requires garments in specialist sizing with unique features and benefits. With this number now estimated at 15% of all births, Best & Less has developed a range specifically to meet the needs of the premature and low weight babies, further illustrating BLG's specialist approach to the baby category. As sensitivity is a major issue for premature babies, BLG has created this range entirely with organic cottons; and
- introducing and further expanding non-apparel categories for baby – BLG is also well placed to capitalise on its position with its customers in the baby segment to offer a broader range of products in adjacent categories. BLG has successfully expanded its non-apparel baby range into baby blankets, cloths and

blankets. Potential future product categories BLG may expand into include plush toys, pram accessories, soothers and feeding nappy bags, wipes, dummies, cot sheets and feeding products with the potential to capture a greater share of the baby and kids' products and accessories market which is estimated at $2.3 billion.[51]

Kids' segment

BLG seeks to leverage its knowledge gained through the successful strategy of ranging, low price, high quality styles in the baby segment into the larger kids' category, while continuing to supplement the category with other specialist categories such as school wear and licensed merchandise. Specific growth initiatives include:

- optimising mix to gain better sales and margin outcomes from performance of "good, better, best" offerings for all age groups;
- continuing to build credibility in the denim offer;
- growing a specific product approach to the 14–16 year age group – providing gender and age relevant and affordable everyday wear for this customer whilst ensuring the continuation of a relevant and appropriate offer for the 7–14 year old child;
- enhancement and extension of our youth and kids' active wear and dance product category; and
- leveraging loyalty club data to create tailored marketing opportunities which align with the member's (and the member's family's) life events and progressions. For example, a customer who had a baby in June 2021 is likely to be receptive to marketing 2 year old kids' clothes in June 2023.

BLG intends to collect and use specific customer data to accelerate the growth in sales of kidswear. As outlined in Section 3.12.4, BLG currently has a customer database of ~1.5 million members of its Friends Club loyalty program and is undertaking initiatives to collect and analyse data.

3.12.3 Increasing market share in the womenswear category

BLG believes that its target customers will increasingly take advantage of the convenience of purchasing products, such as basic outerwear and underwear, for themselves while shopping for the baby and kids' products. This may occur during the same shopping visit or during a subsequent visit, with the initial visit to buy baby and kids' clothes serving as a browsing opportunity in the other categories. This would increase average basket size and frequency of shop. In addition, there is an opportunity to sell target customers an enhanced range of "good, better, best" style and fashion-led casual wear (see case study below).

The Australian and New Zealand womenswear value apparel market is estimated to be ~$11 billion, and a small increase in market share is material in terms of sales for BLG[52] (with BLG's current market share being 1.7%). To grow Best & Less sales of womenswear, Best & Less has undertaken a significant repositioning of its womenswear offering. A new team has been put in place and changes have been made to the styling, fabrication, fit and coordination of the range. Enhancements have been made to the Best & Less trend forecasting and sourcing capability to allow this to take place. These changes are being reflected in increases in average selling price, sell through, sales and achieved margin.

Postie's strength in womenswear continues to be a growth opportunity, with an ongoing ability to introduce our offer to newly acquired baby and kidswear customers as well as an opportunity to grow our plus size offering which is still relatively small.

The business continues to improve the womenswear range and will increase the amount of marketing that communicates the convenience, quality and stylishness of the range to target customers. Similar to the opportunity to grow baby and kids' sales, customer data will increasingly be collected and used to match consumer demand with the BLG offer. The online shopping journey will also be enhanced and curated to best deliver the "halo effect" arising from BLG's strength in babywear to grow kids and womenswear sales (see Section 3.2).

51. IBISWorld and adjusted for relevant segments.
52. For FY20. Market size based on Frost & Sullivan: Australian and New Zealand Clothing and Footwear Market 2021 report.

Case Study: Womenswear "Good, Better, Best"



Good	Better	Best
Entry price point	Mid-price point	Exit price point
$15 Organic Cotton T-shirt Dress	$20 Strappy Asymmetrical Dress	$35 Georgette Lined Tassel Trimmed Printed Dress

3.12.4 Above-market online channel sales growth

BLG recognises the importance of providing its target customers a convenient online channel offering.

BLG commenced its online channel journey in 2013 commencing with the opening of the Best & Less online store, with Click & Collect introduced in December 2020. In this short period of time, Click & Collect has grown to represent ~30% of online sales volume. COVID-19 has accelerated this consumer shift towards online and BLG expects this trend to continue.

BLG's strategic focus since the inception of its online channel offering was to focus on creating a profitable, scalable online model. As a result, BLG's online sales are more profitable and have higher EBITDA margins than in-store sales. BLG has in place a purpose built, scalable online platform which can support BLG's omnichannel strategy without additional material capital expenditure, which will enable incremental online sales to benefit from operating leverage and are expected to provide for earnings growth above revenue growth.

Management believes that there is a significant opportunity to expand BLG's online penetration from 9.3% of revenue in CY20 to over 12% of revenue in the medium term. During CY19 and CY20 Best & Less hired a new Head of Online, optimised its SEO search capability, upgraded its e-commerce platform and implemented "Ship from Store" and "Click & Collect" processes to assist driving sales.

Management plans to achieve targeted omnichannel growth by employing several critical initiatives to drive greater omnichannel penetration, which include:

- improvement in customer experience, accessibility and convenience;
- enhancing connectivity with the physical stores; and
- leveraging customer data to enable tailored marketing strategies.

Improvement in customer experience, accessibility and convenience

BLG aims to make shopping on its online platform easier and more convenient than its peers. Management has identified availability, delivery and website design as areas which will assist this enhancement. BLG is addressing its target customer's desire for flexible, convenient and on-demand delivery options. Specific initiatives include:

- executing and improving digital experience across multiple devices;
- improving web functionality and usability;
- enhancing the after-sale customer service experience; and
- extending digital retail capability by investing in people and technology.

BLG also engages with its target customer via social media with ~188,000 Instagram followers[53] and ~291,000 Facebook fans across both the Best & Less and Postie brands.

BLG intends to launch a mobile app in FY21 with a loyalty-centric focus which will feature omnichannel capabilities, such as app payment in-store. Management expects that this will create a more seamless experience across devices, drive repeat purchasing and loyalty, and reinforce BLG's customer-focused business model.

Enhanced connectivity with physical stores

A key pillar of BLG's customer value proposition is omnichannel shopping convenience for its customers. As an omnichannel retailer, BLG provides its customers with the flexibility to shop how and where they like, and browse in-store and transact online, and vice versa.

Best & Less intends to improve the integration of its online store with its physical store network, providing customers with the flexibility to transact seamlessly between channels through the implementation of the following initiatives:

- continued rollout of Click & Collect to all Best & Less stores;
- rollout of "Ship from Store" across a greater part of the Best & Less store network, where economical;
- improvement in delivery fulfilment times to customers; and
- endless aisle (where customers have access to an additional range of products online that are not available in the physical store).

Leveraging customer data to enable tailored marketing strategies

BLG's business model is underpinned by its focus on its target customer, including ensuring that it understands its target customer's needs and preferences and communicates with its target customer in a personalised manner.

Customer personalisation, which includes personalised and authentic communications, engagement and marketing, is an emerging global consumer trend. Management expects that this trend will continue in the medium term.

BLG's knowledge of its customer is strengthened via its customer loyalty programs (see Section 3.7.5) which contain ~1.5 million members as at 31 December 2020. Basic customer data to assist BLG in communicating its offering is currently collected via BLG's websites, online sales transactions, and various loyalty programs that customers elect to join.

While the infrastructure that supports BLG's current capabilities (including the current version of the Emarsys CRM system) is robust, the sophistication of the current data set, and the analytics that are performed, can be further refined and applied to personalised communications in the future.

53. As at 31 December 2020.

BLG is pursuing a number of specific initiatives which will allow it to enhance the customer data it collects, allowing BLG to provide its target customers with a deeper level of engagement, an enhanced sense of community and an increasingly personalised offering, these specific initiatives include:

- enhancement to the loyalty programs, including improved ease to sign up, additional benefits and data capture;
- more specific targeting including styling recommendations, reminders to purchase new products as kids grow, notification of local events and seasonal attire;
- creation of a single, integrated customer database to track customer preferences both in-store and online to drive a true omnichannel experience; and
- improved tailoring and targeting of EDM campaigns based on customer profiles and known interests.

BLG believes that higher EDM click-through and conversion rates combined with lower customer churn rates will result in improved sales and earnings. BLG's improved use of data creates a virtuous cycle, whereby through each customer interaction, its ability to gather more information is enhanced, which in turn allows BLG to further curate and personalise its offering which will result in additional sales.

Additional operational incremental benefits from the enhanced use of customer data for BLG include improved inventory management and efficiencies in supply chain management as BLG is able to leverage its customer knowledge across a number of operational areas such as planning and forecasting.

3.12.5 Increasing gross margin percentage to sales

In recent years, BLG has implemented a number of initiatives to improve its gross margin and expects new initiatives to deliver further gains in the future.

Gross margin percentage fell during FY19 and FY20 as Best & Less was impacted by:

- Overstocking exacerbated by liquidity issues associated with Steinhoff International;
- Overinvestment into lower margin, entry level product lines as part of the introduction of EDLP pricing; and
- Underperformance in the womenswear category leading to increased markdowns.

The gross margin percentage fell from 45.8% in FY18 to 45.2% in FY19 and 44.6% in FY20.

By the start of FY21, the womenswear team had been restructured and the performance of that category was improving significantly. Aged stock as at December 2020 had fallen to 3.0% of total stock and most of the clearance stock from FY19 and FY20 had been sold. BLG has also implemented a number of initiatives to further improve its gross margin percentage beyond above historic levels. These include:

- an improvement in the product and pricing mix, increasing average selling prices and gross margin percentage;
- a reduction in total stock levels, increasing stock turn;
- the utilisation of 'clear-as-you-go' in-season markdowns, minimising substantial end of season clearance costs; and
- removing the points redemption aspect of the Postie Rewards customer loyalty scheme.

BLG's gross margin is forecast to reach 47.7% in FY21F and management believes this represents a sustainable level upon which further improvements will be made.

See Section 4.7.6 for further discussion of gross margin.

3.12.6 Targeted store network expansion

BLG has undergone a store optimisation program under which unprofitable stores were closed due to underperformance arising from changing demographics, better locations becoming available or lower than expected foot traffic. In aggregate, between July 2017 and December 2020, the Group opened 22 stores and closed 28 stores. Given that all Group stores are now profitable, Management believes that future store closures will be minimal.

BLG has plans to open a further 15-25 stores over the next three years throughout Australia and New Zealand in underserved catchments. Management believes that this is an opportunity to expand BLG's store network in Victoria, which currently has 36 stores, which Management considers underpenetrated on the basis of population and size of market when considering New South Wales has 62 stores.

The rollout of stores in a profitable manner by BLG is supported by a number of factors:

- **Availability of space:** A number of Australian and New Zealand retailers have announced store rationalisation programs, both closing stores and shrinking floor space, significantly reducing their legacy store footprint. In some cases, the space is being vacated by retailers who sell similar products to BLG, creating both a space and consumer demand opportunity for BLG; and
- **Leasing market dynamics:** The increased availability of retail space in BLG's target locations, combined with the general trend to higher online penetration, supports more favourable rental agreements leading to improved store economics.

Subject to site availability and the terms of each lease, BLG envisages opening stores in three types of catchments:

- initially, in some of the major metropolitan shopping centres, which have not been a focus of BLG to-date;
- secondly, in smaller regional towns and catchments where a number of BLG's competitors are reducing space; and
- thirdly, as part of an 'in-fill' strategy, where each new store opportunity is assessed against the current performance and potential impact on existing stores and nearby catchments. BLG maintains a short-term lease expiry profile of ~2.6 years, which provides maximum flexibility and opportunity to enhance the store network.

BLG regularly reviews the optimal rate of new store openings subject to the availability of high quality sites. BLG will open four new stores by the end of FY21, one of which has opened as of February 2021 and three sites which have been identified. Any new store will only be opened where BLG's selection criteria are met, including a clear return on capital benchmark.

Other factors that are considered when selecting new sites include:

- catchment demographics – BLG utilises population and demographic tools to optimise store openings. Postcode analysis is conducted to enable assessment of travel distance and convenience for target customers;
- retail footfall;
- parking availability;
- proximity to existing stores – cannibalisation is assessed using postcode analysis of sales at existing stores. BLG will select locations close to existing stores where it believes that this will lead to an increase in overall market share in the area;
- local competitive environment;
- store size and layout – BLG targets a total store size of approximately 250 sqm to 500 sqm in New Zealand with an average of 478 sqm, and 800 sqm to 1,100 sqm in Australia with an average of 1,050 sqm;
- available lease term – BLG will pursue leases with reasonable term with options, allowing maximum flexibility across the store network;
- required upfront capital expenditure (with the typical store requiring gross capital expenditure of $240k to $730k for Best & Less and $35k to $200K for Postie), much of which is often provided by the landlord; and
- local market size.

New store economics

BLG's average capital investment for a new Best & Less store is approximately $374k (assuming a 1,000 sqm store), and approximately $73k for a new Postie store (assuming a 478 sqm store). After fit-out contribution from landlords, net cash capital expenditure is typically approximately $89k for a Best & Less store and $42k for a Postie store. Stores also have a typical payback period, including working capital investment, of less than two years.

BLG's unit economics for new sites is attractive and continues to improve as BLG refines the site selection and negotiates competitive rents and incentives.

Best & Less as at June 2020[54]

	NEW BEST & LESS STORES (AVERAGE OF STORES OPENED FY18-FY19)	ALL BEST & LESS STORES (AVERAGE OF STORES, EXCL. STORES OPENED & CLOSED IN FY20)
Revenue per store ($m)	$2.19m	$2.62m
EBITDA per store ($m)	$0.37m	$0.44m
Store EBITDA margin	16.7%	17.0%
Number of stores	9	183

Postie as at June 2020[55]

	NEW POSTIE STORES (AVERAGE OF STORES OPENED FY18-FY19)	ALL POSTIE STORES (AVERAGE OF STORES, EXCL. STORES OPENED & CLOSED IN FY20)
Revenue per store ($m)	$1.09m	$1.14m
EBITDA per store ($m)	$0.14m	$0.19m
Store EBITDA margin	12.9%	16.7%
Number of stores	6	55

54. New stores data refers to FY20 full year impact for stores opened in FY18 and FY19. All store data refers to FY20.
55. New stores data refers to FY20 full year impact for stores opened in FY18 and FY19. All store data refers to FY20.

3.12.7 Cost reduction initiatives

As a value retailer, it is important that BLG continuously looks for ways to reduce operating costs giving it the opportunity to reinvest these savings into lower prices and/or improve BLG's earnings. Some of the initiatives aimed at limiting any increase in the cost of doing business (**CODB**) to a rate which is materially less than the increase in gross margin dollars include:

- Distribution centre and outbound freight efficiencies;
- Rent savings – Given BLG's short weighted average lease expiry, Management believes there is good scope to reduce rent costs as leases come up for renewal;
- Optimisation of in-store labour hours;
- Marketing efficiencies; and
- Limiting the increase in support office and other fixed costs.

3.13 IMPACT OF COVID-19

3.13.1 Overview

COVID-19 is an evolving phenomenon which has impacted industries and markets around the world and has likely accelerated a number of underlying trends (e.g. online adoption in retail). COVID-19 has caused disruption, both positive and negative, to the Australian and New Zealand apparel market.

3.13.2 Restrictions on operations and introduction of safety measures

During COVID-19, BLG stores were closed for seven weeks in New Zealand (and a further 18 days in Auckland only) and 21 stores were closed for 12 weeks in Melbourne as part of government mandated lockdowns.

In response to COVID-19, BLG rapidly documented and implemented strict and clear guidelines that ensured the safety of its staff and customers. Store staff rosters and product orders were optimised on a daily and weekly basis. BLG worked closely with suppliers to adjust stock orders, preparing for uncertain and volatile consumer demand. This included a realignment of payment terms to better align stock flow and cash receipts.

3.13.3 Impact of COVID-19 on sales

Notwithstanding the loss of sales due to the closure of stores during COVID-19 induced lockdowns, BLG's total sales grew +1.6% during COVID-19 period of March 2020 to December 2020. Key drivers for the increase in total sales include:

- customer preferences for a value offering;
- availability of safe and convenient store formats;
- store availability, with all stores remaining open (where legally possible);
- online offering – focused on products, fulfilment capacity, customer care and digital engagement; and
- inventory optimisation ensuring availability.

Management believes that sales made during COVID-19 are unlikely to represent a "pull forward" of future sales as prior to COVID-19, total sales increased by 4.7% in January and February and as such, COVID-19 slowed BLG's total sales momentum.

In addition, Management believes that due to the nature of baby and kids' apparel and the higher replacement cycle relative to other categories, there is an ongoing need for replenishment and new products as new babies are born and children grow.

COVID-19 has accelerated the consumer shift towards online sales. BLG's online share of sales as a percentage of total sales on an LTM basis increased from 5.8% at February 2020 to 9.3% at December 2020.

Figure 25: Best & Less total monthly sales

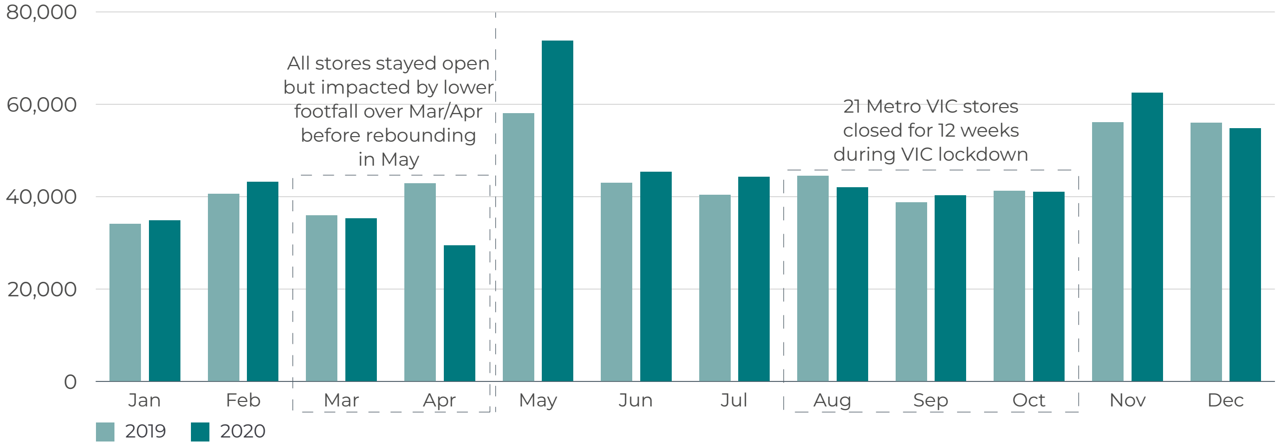
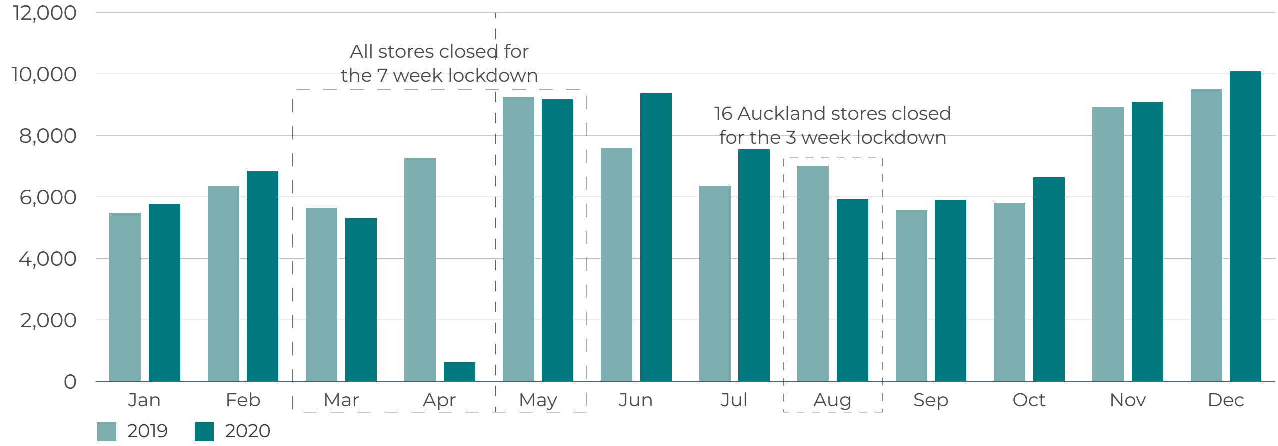


Figure 26: Postie monthly sales



3.13.4 Impact of COVID-19 on supply chain

BLG utilises a global supply chain, with many of its third party and private brand products originating in Asia.

As COVID-19 accelerated, BLG worked constructively with its suppliers to better align its supply chain in response to the increased uncertainty from COVID-19. As part of this process, total inventory and aged stock were reduced to more appropriate and sustainable levels. In consultation with its suppliers, BLG cancelled a number of forward orders and temporarily extended payment terms to ensure minimal excess stock and payables. Payment terms were also improved with ~65% of suppliers by total value, although it is expected that some of these agreements will revert to historical terms.

As at the date of this Prospectus, BLG is not experiencing any material delays in the delivery of its products.

3.13.5 Impact of COVID-19 on growth strategy

COVID-19 led to an acceleration of several industry trends, which BLG is well positioned to take advantage of. A number of these trends and BLG's positioning is outlined below:

Figure 27: Key industry trends

Retail industry mega-trend	BLG positioning	Status
Migration to value: Success of retailers such as Aldi, Primark and Kmart	**One of Australia's leading value apparel retailers:** Great value, EDLP positioning, 100-day quality guarantee	✓
Rapid growth in omni-channel: Increased eCommerce penetration	**Established eCommerce platform with significant upside potential:** Profitable, scalable and growing business	✓
Personalisation, CRM and paid loyalty: Obtaining and leveraging data	**Strong customer connection and large existing customer database:** Loved by mums and ~1.5 million members	✓
Shrinking store formats and footprints: Traditional retailers reducing footprint	**Efficient mini-major format with scope to open new stores:** Store portfolio consistently refreshed, key competitors closing stores, under served catchments	✓
New post-COVID-19 shopping behaviour: Cautious consumer seeking out value, non-discretionary categories, local store locations and a safe shopping environment	**Winning position in the COVID-19 environment:** Market-right stores and catchments, wanted products, attractive prices, trusted brands	✓

4.

FINANCIAL INFORMATION

4. FINANCIAL INFORMATION

4.1 OVERVIEW OF FINANCIAL INFORMATION

The financial information for BLG contained in this Section 4 includes:

- historical consolidated financial information for the financial years ended 30 June 2019 (**FY19**) and 28 June 2020 (**FY20**), the calendar year ended 27 December 2020 (**CY20**) and the six months ended 27 December 2020 (**H1 FY21**); and
- forecast consolidated financial information for the year ending 27 June 2021 (**FY21F**), the calendar year ending 26 December 2021 (**CY21F**) and the six months ending 26 December 2021 (**H1 FY22F**).

Table 3: Pro Forma Historical and Forecast Financial Statements

	STATUTORY FINANCIAL INFORMATION	PRO FORMA FINANCIAL INFORMATION
Historical Financial Information	**Statutory Historical Financial Information** comprises the: • statutory historical consolidated income statements for FY19, FY20 and H1 FY21 (**Statutory Historical Results**); • statutory historical consolidated cash flows for FY19, FY20 and H1 FY21 (**Statutory Historical Cash Flows**); and • statutory historical consolidated statement of financial position as at 27 December 2020 (**Statutory Historical Statement of Financial Position**). CY20 was not a statutory reporting period.	**Pro Forma Historical Financial Information** comprises the: • pro forma historical consolidated income statements for FY19, FY20, CY20 and H1 FY21 (**Pro Forma Historical Results**); • pro forma historical consolidated cash flows for FY19, FY20, CY20 and H1 FY21 (**Pro Forma Historical Cash Flows**); and • pro forma historical consolidated statement of financial position as at 27 December 2020 (**Pro Forma Historical Statement of Financial Position**).
Forecast Financial Information	**Statutory Forecast Financial Information** comprises the: • statutory forecast consolidated income statements for FY21F and H1 FY22F (**Statutory Forecast Results**); and • statutory forecast consolidated cash flows for FY21F and H1 FY22F (**Statutory Forecast Cash Flows**). CY21F is not a statutory reporting period.	**Pro Forma Forecast Financial Information** comprises the: • pro forma forecast consolidated income statements for FY21F, CY21F and H1 FY22F (**Pro Forma Forecast Results**); and • pro forma forecast consolidated cash flows for FY21F, CY21F and H1 FY22F (**Pro Forma Forecast Cash Flows**).

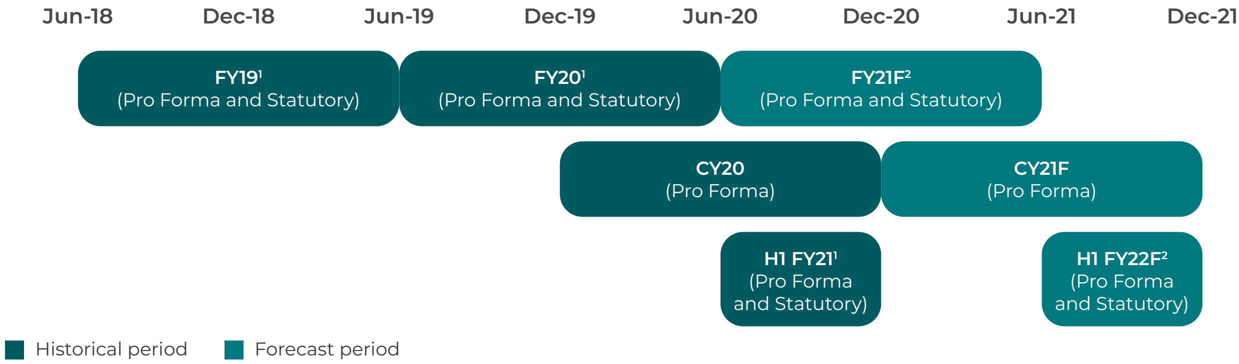
The Historical Financial Information and the Forecast Financial Information defined in the table above together form the **Financial Information**.

BLG operates on a weekly retail calendar, with reporting periods ending on a Sunday. Accordingly, BLG's financial year end can vary such that financial periods can be either 52 weeks or 53 weeks. There are no 53-week periods in the Financial Information presented in this Prospectus. The last 53-week period was FY18, and the next 53-week period will be FY22.

4. FINANCIAL INFORMATION

BLG reports on a 30 June financial year basis[56] (subject to the weekly retail calendar), and the Financial Information in this Section has been presented consistently with this. In addition to the FY21 forecast, BLG has also included a pro forma forecast for CY21F and a comparison with CY20. BLG does not report on a calendar year basis, therefore no statutory financial information is presented for the CY20 and CY21F periods. However, the statutory forecast financial information for H1 FY22F has been presented, as this is a statutory (half year) period, which BLG will be reporting on when the interim results are announced for H1 FY22 in February 2022.

Figure 28: Overview of the Financial Information periods contained in this Section 4



Notes:

1. The statutory FY19, FY20 and H1 FY21 results relate solely to the audited results of the two trading entities Best & Less Pty Limited and Postie Plus Group Limited – refer to Section 4.2.2.
2. The statutory FY21F and H1 FY22F results comprise BLGH and its subsidiaries from the date of acquisition being 20 August 2020 – refer to Section 4.2.3.

This Section 4 also includes:

- a summary of the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards to the Historical Financial Information and the Forecast Financial Information (see Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.2.5);
- a summary of key operating and financial metrics (see Section 4.3.2);
- the pro forma adjustments to the Statutory Historical Financial Information, and reconciliations to the Pro Forma Historical Financial Information (see Section 4.3.4);
- details of BLG's indebtedness and a summary of its funding, including debt facilities, liquidity and capital resources (see Section 4.4);
- a description of the key drivers affecting BLG, including key financial and operating metrics set out in Section 4.3.2 and Management's discussion and analysis of the Pro Forma Historical Financial Information (see Section 4.7);
- the Directors' best estimate general and specific assumptions underlying the Pro Forma Forecast Financial Information (see Section 4.6) and Management's discussion and analysis of the Pro Forma Forecast Financial Information (see Section 4.7);
- an analysis of the key sensitivities in respect of the Pro Forma Forecast Financial Information (see Section 4.8); and
- a summary of BLG's proposed dividend policy (see Section 4.9).

56. BLG previously had a 30 September year end as it was part of a group which had a 30 September year end.

Best&Less Group

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The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagement involving Fundraisings and/or Prospective Financial Information by PricewaterhouseCoopers Securities Ltd, whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of that report.

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus. In addition, BLG's significant accounting policies (set out in Appendix A) have been applied in the preparation of the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information (except for AASB 16 Leases (references to AASB 16 throughout this Section will be taken as meaning to include the equivalent New Zealand accounting standard – New Zealand IFRS 16, unless stated otherwise), as noted in Section 4.3.3). The Statutory and Pro Forma Statement of Financial Position do however reflect the adoption of AASB 16 Leases.

All amounts disclosed in this Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest hundred thousand. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables or figures contained in this Prospectus are due to rounding.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information is intended to present potential investors with financial information to assist them in understanding the underlying financial performance, cash flows and financial position of BLG.

The Pro Forma Financial Information has been prepared in accordance with the measurement and recognition principles of AAS issued by the AASB, which are consistent with IFRS issued by the International Accounting Standards Board and BLG's accounting policies (BLG's significant accounting policies are described in Appendix A). This Prospectus presents the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information on a consistent basis, and has excluded the impact of AASB 16 Leases with the following exception:

- In the Pro Forma Results and Pro Forma Cash Flows, leases have been accounted for in accordance with the previous AASB 117 accounting standard, instead of applying AASB 16 Leases. The Pro Forma Statement of Financial Position has been prepared on the basis of applying AASB 16 Leases.

The Directors believe that presentation of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information on this basis is more meaningful to investors and assists readers of the Prospectus to assess the performance of BLG under metrics which are better understood. Readers of the Prospectus should be aware that, as a result, the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information are not compliant with AAS and are not prepared on the basis upon which BLG will report actual results in its statutory accounts in the future.

The Statutory Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

BLG currently manages its operations as a single business operation and there are no parts of its business or geographies that currently qualify as one reportable segment under AASB 8 Operating Segments.

Section 4.2.5 describes certain non-IFRS financial measures that BLG uses to manage and report on its business that are not defined under or recognised by AAS or IFRS.

4.2.2 Preparation of Pro Forma Historical Financial Information

As described in Section 9.3, BLG comprises a holding company Best & Less Group Holdings Ltd (**BLGH** or the **Company**) which was deemed under accounting standards to have made the acquisition of Best & Less Group Pty Ltd (**BLGPL**) on 20 August 2020 as part of a group restructure. BLGPL is an intermediate holding company which has the following subsidiaries:

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

The Statutory Historical Financial Information has been extracted from the financial statements of Best & Less Pty Limited and Postie Plus Group Limited for FY19, FY20 and H1 FY21 (which were translated from NZD into AUD using the average rate for the relevant period). The financial statements for FY19 and FY20 and H1 FY21 were audited and reviewed by PricewaterhouseCoopers Securities Ltd and PricewaterhouseCoopers NZ respectively who issued unmodified audit opinions in relation to those years (unmodified review opinion in relation to H1 FY21).

The Pro Forma Historical Financial Information has been prepared for the sole purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information outlined above.

Pro Forma Financial Information has been provided for CY20, however this is not a statutory reporting period for BLG and therefore statutory results for that period have not been presented.

The pro forma adjustments applied to the income statements and cash flows are as described in Section 4.3.4 and Section 4.5.1. In particular, pro forma adjustments have been made to reflect the following:

- the reversal of the impact of the new AASB 16 Leases (and NZ IFRS 16) accounting standards;
- the removal of the non-recurring profit made on the sale of the head office building and the addition of a rent charge for the period prior to the sale;
- the removal of royalty payments in relation to the Best & Less brand for the period prior to gaining ownership of the brand;
- the removal of abnormal foreign exchange gains and losses outside the ordinary course of business incurred as a result of COVID-19;
- the removal of the net impact of the JobKeeper payment (and the Wage Subsidy payment in New Zealand) received by BLG;
- the removal of the provisional acquisition accounting entries relating to the uplift of inventory and negative goodwill arising from the deemed acquisition of BLGPL by BLGH on 20 August 2020 and the inclusion of a lower historical depreciation charge relating to the fair value exercise undertaken;
- the inclusion of incremental listed public company costs which represent the Company's estimate of the additional costs that it will incur as a listed public company. These costs include ASX and Share Registry fees, Non-Executive Director remuneration, investor relations costs, as well as annual general meeting and annual report costs;
- the replacement of the accounting entries relating to the Management Equity Plans which were in place prior to Listing and which will cease on Listing with the new LTIP which will be entered into on Listing;
- the addition of the pro forma results of BLGPL, BLGH and Best & Less IP Pty Ltd;
- the removal of interest income relating to related party loans and the reversal of loan forgiveness income and reversal of loan write-off charges on settlement of these related party loans balances;
- the removal of the interest cost incurred in relation to banking facilities and replacement with a full year pro forma charge based on the terms of the new banking facilities BLG has entered into;
- the pro forma effective income tax rate which will be applicable going forward; and
- other non-recurring income and expenditure items.

Investors should note that past results are not a guarantee of future performance.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect:

- the impact of the Offer costs;
- the inclusion of financial position of the B&L IP Pty Ltd, BLGH and BLGPL entities;
- the inclusion of the provisional acquisition accounting entries arising from the deemed acquisition of BLGPL by BLGH on 20 August 2020 and consolidation adjustments relating to the elimination of intercompany balances;
- changes to the capital structure which have occurred since 27 December 2020 including the refinancing of the Company's debt facilities, dividends that have been paid to the Existing Shareholders and adjustments in relation to the legacy Management Equity Plan relating to:
  - the conversion of BLGH Class A shares to Ordinary shares; and
  - the settlement of BLGPL CRPS by way of the sale of the CRPS to the Company for ordinary shares in the Company and cash. Once acquired by the Company, the CRPS automatically vary in accordance with their terms into ordinary shares in BLGPL;
- the illustrative impact of a drawdown of cash under BLG's working capital revolving facility in order to satisfy the ASX's minimum working capital balance requirement; and
- the tax impacts of the above adjustments.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of BLG's future financial position.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus.

The Forecast Financial Information is presented on both a statutory and pro forma basis. The Statutory Forecast Financial Information for FY21F excludes the pre-acquisition results for Group entities for the period from 29 June 2020 to 20 August 2020 as BLGH was deemed under accounting standards to have made the acquisition of BLGPL on 20 August 2020 as part of a group restructure (see Section 4.2.2). The Pro Forma Forecast Financial Information for FY21F includes a full 12 months of results for BLG. CY21F is not a statutory reporting period for BLG and the Directors do not intend to report actual statutory results for that period.

In preparing the Pro Forma Forecast Results, pro forma adjustments have been made to the Statutory Forecast Results to reflect the following:

- the inclusion of the estimate of the incremental costs that the Company will incur as a listed public company;
- the removal of the impact of Offer costs which are recognised in the Statutory Forecast Results in FY21F;
- the removal of the net impact of the JobKeeper payment received by BLG;
- the removal of the non-recurring profit made on the sale of the head office building;
- adjustments in relation to the legacy Management Equity Plan;
- the removal of the provisional acquisition accounting entries arising from the deemed acquisition of BLGPL by BLGH on 20 August 2020;
- the reversal of the impact of the new AASB 16 Leases accounting standard to the previous lease accounting standard, AASB 117;
- the removal of interest expenses relating to related party loans and the reversal of loan forgiveness income and reversal of loan write-off charges on settlement of these related party loan balances; and
- the application of a pro forma effective income tax rate which would be applicable going forward.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider all best estimate general and specific assumptions when taken as a whole to be reasonable as at the Prospectus Date. However, this information is not fact and potential investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions and on a number of best estimate general and specific assumptions regarding future events and actions as set out in Section 4.6. The Forecast Financial Information is subject to the risk factors set out in Section 5.

This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur. The Forecast Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report on the Historical Financial Information and Forecast Financial Information (refer to Section 8).

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on BLG's actual underlying financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside of the control of BLG, the Directors and Management and are not reliably predictable.

Accordingly, none of the Directors, Management or any other person can give potential investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. The Forecast Financial Information should be read in conjunction with the best estimate general and specific assumptions as set out in Section 4.6, the sensitivities as set out in Section 4.8, the risk factors set out in Section 5 and other information in this Prospectus.

The Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Due to its nature, the Pro Forma Forecast Financial Information does not represent BLG's actual or prospective financial performance or cash flows.

4.2.4 Adoption of AASB 16 Leases

The adoption of the new accounting standard AASB 16 Leases is required for financial years commencing on or after 1 January 2019. BLG has applied the new lease accounting standards in the FY19, FY20 and H1 FY21 statutory financial statements of Best & Less Pty Limited and Postie Plus Group Limited.

AASB 16 Leases has replaced AASB 117 Leases and removes the accounting distinction between operating and financial leases. Under the new lease standards, a lessee is required to recognise a lease liability and corresponding right of use asset for all leases with a term greater than twelve months, unless the underlying asset is of low value.

Whilst the adoption of the new lease standards does not impact net cash flows, it does impact the presentation of the lease expense and payments in the income statement, the statement of cash flows and the statement of financial position.

The income statement presents the lease expense as a combination of depreciation (relating to the right of use asset) and interest cost relating to the finance cost embedded within the lease (rather than rent expense being shown as an operating expense). Operating expenses therefore decrease and depreciation and interest expenses increase. The quantum of expense recognition changes over the lease term, as a greater amount of the interest expense is recognised in the earlier periods of the lease.

The new lease standards have no impact on net cash flows. Under the new lease standards, the principal lease repayments and embedded interest costs are presented separately within financing cash flows. Under the old lease standards, these payments were included within operating cash flows.

To understand the impact of the new lease standards on the Pro Forma Historical Results and Pro Forma Forecast Results, refer to Table 8 in Section 4.3.3.

4.2.5 Explanation of certain non-IFRS financial measures

BLG uses certain measures to manage and report on its business that are not recognised under AAS. These measures are collectively referred to as “non-IFRS financial measures”. Non-IFRS financial measures are intended to supplement the measures calculated in accordance with AAS and not as a substitute for those measures. These non-IFRS financial measures do not have a prescribed definition under IFRS and the method that the Company uses to calculate them may be different to methods adopted by other companies to calculate similarly titled measures. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

- **LFL revenue growth** is calculated as the growth in revenue over the prior comparable period for like for like stores (including the two online stores). A store is included in BLG’s LFL revenue growth calculation after it has been trading for a minimum period of 12 months. Each period in which stores were temporarily closed for a period in excess of three days due to COVID-19 has been excluded from the LFL calculation. The periods in which stores were closed for a prolonged period due to refurbishments are also excluded from the LFL calculations;
- **Gross profit margin** refers to gross profit divided by revenue, expressed as a percentage;
- **Cost of doing business (CODB)** is calculated by deducting EBITDA from gross profit;
- **EBITDA** represents net profit before interest expense[57] on debt, income tax expense, depreciation and amortisation;
- **EBITDA margin** refers to EBITDA divided by revenue, expressed as a percentage;
- **EBIT** is calculated by deducting depreciation[58] and amortisation from EBITDA;
- **EBIT margin** refers to EBIT divided by revenue, expressed as a percentage;
- **ATV** (Average Transaction Value) is calculated as total sales divided by the total number of transactions;
- **Product volumes** refer to the volume of individual product items sold;
- **Working capital** is defined as inventory and trade receivables less trade and other payables, employee benefits and provisions;
- **Operating cash flow conversion** is defined as operating cash flow before capital expenditure divided by EBITDA, expressed as a percentage;
- **Free cash flow conversion** is defined as free cash flow before financing, taxation and dividends divided by EBITDA, expressed as a percentage; and
- **Net capital expenditure** relates to total capital expenditure less landlord contributions.

57. For statutory EBITDA, interest includes interest on the lease liability recognised under AASB 16 and depreciation includes depreciation on the right of use asset recognised under AASB 16.
58. For statutory EBIT, depreciation includes depreciation on the right of use asset recognised under AASB 16 Leases.

4.3 HISTORICAL AND FORECAST CONSOLIDATED INCOME STATEMENTS

4.3.1 Overview

Set out in Table 4 are the Pro Forma Historical Income Statements for FY19, FY20, CY20 and the Pro Forma Forecast Income Statements for FY21F and CY21F.

Table 4: Annual Pro Forma Historical and Forecast Income Statements

A$ MILLIONS	NOTE	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
		FY19	FY20	FY21F	CY20	CY21F
Revenue	1	608.7	625.0	657.7	636.3	675.7
Cost of sales	2	(333.3)	(346.4)	(344.0)	(340.1)	(353.2)
Gross profit		**275.4**	**278.6**	**313.6**	**296.2**	**322.5**
Selling expenses	3	(130.1)	(127.3)	(125.4)	(121.6)	(132.6)
Occupancy expenses	4	(84.3)	(82.5)	(80.6)	(81.2)	(80.1)
General and administration expenses	5	(36.5)	(41.8)	(46.8)	(45.5)	(47.5)
Other expenses/(income)	6	–	–	–	–	–
Total CODB		**(250.9)**	**(251.6)**	**(252.9)**	**(248.4)**	**(260.1)**
EBITDA		**24.5**	**27.0**	**60.7**	**47.8**	**62.4**
Depreciation and amortisation	7	(3.8)	(3.2)	(2.8)	(3.4)	(2.5)
EBIT		**20.7**	**23.7**	**58.0**	**44.5**	**59.9**
Net finance expense	8	(0.9)	(0.8)	(1.3)	(1.2)	(1.1)
Profit before income tax		**19.8**	**22.9**	**56.7**	**43.2**	**58.8**
Income tax expense	9	(5.9)	(6.9)	(16.9)	(12.9)	(17.5)
NPAT		**13.8**	**16.1**	**39.8**	**30.3**	**41.3**

Notes: Refer to Table 9 which sets out the pro forma adjustments that have been applied to the Statutory Results.

1. Revenue represents amounts earned on the sale of goods to customers from BLG's physical store network in Australia and New Zealand as well as from online sales and is stated net of markdowns, returns and refunds. Revenue also includes delivery income, lay-by fees, commissions and sundry income.
2. Cost of sales represents the net cost of inventories recognised as an expense when products are sold to customers. It also includes the distribution centre (**DC**) costs (including employees and rent costs but excluding the online DC), freight expenses, rebates, inventory adjustments and other expenses.
3. Selling expenses relate to store employee costs, sales and marketing costs (including employees), costs of running the online store and the online distribution centre (including employees).
4. Occupancy expenses relate to the rental costs, outgoings, other landlord charges, electricity, cleaning, repairs and maintenance costs. Occupancy costs are stated in accordance with AASB 117. Occupancy costs are shown net of COVID-19 related rental concessions recognised of $2.6 million in FY20 and CY20.
5. General and administration expenses relate to support office employees, IT costs, consultancy and professional fees, licences, insurance, incremental standalone public company costs and general overheads.
6. Other expenses/(income) in the Pro forma Historical and Pro forma Forecast Financial Results are $nil. In the Statutory Financial Results this category includes restructuring and other non-recurring income and expenses and other income.
7. Depreciation represents the depreciation expense incurred in relation to store fixtures and fittings, computer equipment and PPE and is shown prior to the adoption of AASB 16 (in the statutory income statement depreciation includes the charge in relation to the ROU assets). Amortisation expense is incurred in relation to capitalised computer software assets.
8. Net finance expense represents the interest expense on the pro forma bank facilities entered into in Australia and New Zealand prior to the Completion of the Offer and is shown prior to the adoption of AASB 16 (in the statutory income statements interest includes interest on the lease liability recognised under AASB 16).
9. Income tax expense reflects the application of a 30% Australian corporate tax rate on Australian taxable profits and a 28% New Zealand corporate tax rate on New Zealand taxable profits.

Set out in Table 5 are the Pro Forma Historical Income Statement for H1 FY21 and the Pro Forma Forecast Income Statement for H1 FY22F.

Table 5: Half year Pro Forma Historical and Forecast Income Statements

A$ MILLIONS	NOTE	PRO FORMA HISTORICAL	PRO FORMA FORECAST
		H1 FY21	H1 FY22F
Revenue	1	333.6	351.6
Cost of sales	2	(171.1)	(180.2)
Gross profit		**162.5**	**171.4**
Selling expenses	3	(60.0)	(67.1)
Occupancy expenses	4	(41.2)	(40.7)
General and administration expenses	5	(22.8)	(23.4)
Other expenses/(income)	6	–	–
Total CODB		**(124.1)**	**(131.2)**
EBITDA		**38.4**	**40.2**
Depreciation and amortisation	7	(1.5)	(1.3)
EBIT		**36.9**	**38.9**
Net finance expense	8	(0.8)	(0.5)
Profit before income tax		**36.1**	**38.3**
Income tax expense	9	(10.8)	(11.4)
NPAT		**25.4**	**26.9**

Notes: See notes below Table 4.

Set out in Table 6 are the Statutory Historical Income Statements for FY19, FY20 and H1 FY21 and the Statutory Forecast Income Statements for FY21F and H1 FY22F.

Table 6: Statutory Historical and Statutory Forecast Income Statements

A$ MILLIONS	NOTE[1]	STATUTORY HISTORICAL[3]		STATUTORY FORECAST[4]	STATUTORY HISTORICAL[3]	STATUTORY FORECAST
		FY19	FY20	FY21F	H1 FY21	H1 FY22F
Revenue		608.7	625.0	570.5	333.6	351.6
Cost of sales		(328.7)	(346.2)	(301.3)	(168.3)	(177.9)
Gross profit		**280.0**	**278.8**	**269.2**	**165.3**	**173.7**
Selling expenses		(130.1)	(117.3)	(103.2)	(48.0)	(67.1)
Occupancy expenses		(29.3)	(23.1)	(27.8)	(13.5)	(18.5)
General and administration expenses		(37.0)	(40.4)	(40.8)	(22.9)	(23.6)
Other expenses/(income)	2	3.3	(32.3)	45.1	53.7	(4.5)
Total CODB		**(193.1)**	**(213.2)**	**(126.7)**	**(30.6)**	**(113.7)**
EBITDA		**86.9**	**65.6**	**142.5**	**134.6**	**60.0**
Depreciation and amortisation		(67.2)	(63.5)	(43.9)	(31.8)	(23.5)
EBIT		**19.7**	**2.1**	**98.6**	**102.8**	**36.5**
Net finance expense		(8.7)	(14.2)	(11.7)	(9.7)	(4.5)
Profit/(loss) before income tax		**11.0**	**(12.1)**	**86.9**	**93.2**	**32.0**
Income tax expenses		(2.3)	(5.3)	(19.3)	(21.8)	(10.5)
NPAT		**8.6**	**(17.4)**	**67.5**	**71.4**	**21.5**

Notes:

1. See notes below Table 4. In the table above, occupancy expenses, depreciation and amortisation and net finance expense are stated in accordance with AASB 16.
2. Other expenses/(income) relate to the impact of the historical cost restructuring that has occurred and other non-recurring income and expenses. The figures presented are the net of income and expense items. FY19 income included related party loan forgiveness of $3.2 million, FY20 included related party loan forgiveness expense of $35.5 million and a foreign exchange gain of $3.6 million, FY21F includes negative goodwill of $53.6 million offset by Offer costs of $8.3 million, H1 FY21 income includes a $15.4 million gain on sale of the Leichhardt head office and related party loan forgiveness of $42.9 million. H1 FY22F relates to Offer costs. Refer to Table 9 and related notes.
3. The historical FY19, FY20 and H1 FY21 Statutory Financial Information presented in the table above has been sourced from the financial statements for Best & Less Pty Limited and Postie Plus Group Limited (which were translated from NZD to AUD using the following average rates: FY19 of 1.067, FY20 of 1.054 and H1 FY21 of 1.073). The forecast FY21F and H1 FY22F Statutory Financial Information is not directly comparable with the earlier periods as it presents the information for BLGH and its subsidiaries. In particular, the Statutory Forecast for FY21F does not include a full 12 months of trading as BLGH was deemed under accounting standards to have made the acquisition of Best & Less Group Pty Ltd (BLGPL) on 20 August 2020 as part of the restructure.
4. The presentation above differs to the historical financial statements as follows: i) Depreciation and amortisation included in cost of sales and other expense lines in the financial statements has been presented separately above; ii) other income presented in the financial statements has been included within Other expenses in the table above; and iii) occupancy related costs are not presented in a separate expense line in the financial statements. Occupancy related costs included within selling costs and General and administration costs in the financial statements have been reclassified as Occupancy expenses in the table above. Occupancy related costs for the distribution centre are included in Cost of sales in the table above which is consistent with the financial statements.

4.3.2 Key operating and financial metrics

Set out in Table 7 is a summary of BLG's key operating and financial metrics.

Table 7: Key operating and financial metrics

A$ MILLIONS	NOTE	PRO FORMA FY			PRO FORMA CY		PRO FORMA HY	
		FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
Operating metrics								
Number of stores at period end	1	256	250	245	245	245	245	245
Revenue growth (%)	2	n/a	2.7%	5.2%	n/a	6.2%	3.5%	5.4%
LFL revenue growth (%)	3	(1.8)%	4.8%	8.9%	8.4%	3.7%	10.8%	1.0%
Online revenue growth %	4	15.9%	56.8%	40.9%	80.8%	18.1%	74.8%	17.5%
Online revenue % of total sales	5	4.8%	7.3%	9.8%	9.3%	10.3%	9.3%	10.3%
Average revenue per store ($000)	6	2,339	2,427	2,650	2,517	2,726	1,341	1,417
ATV ($)	7	24.1	26.0	29.4	27.9	29.1	28.5	28.2
Product volumes (million)	8	92.0	93.3	89.6	91.3	90.1	46.7	47.2
Financial metrics								
Gross profit margin (%)	9	45.2%	44.6%	47.7%	46.6%	47.7%	48.7%	48.7%
Occupancy cost % of revenue	10	13.8%	13.2%	12.3%	12.8%	11.8%	12.4%	11.6%
CODB % of revenue	11	41.2%	40.3%	38.5%	39.0%	38.5%	37.2%	37.3%
EBITDA margin (%)	12	4.0%	4.3%	9.2%	7.5%	9.2%	11.5%	11.4%
Operating cash flow conversion (%)	13	86.2%	318.0%	86.3%	190.2%	77.3%	80.3%	65.0%
Free cash flow conversion (%)	14	64.7%	303.5%	79.7%	186.1%	67.3%	77.5%	56.7%
Net capital expenditure % of revenue	15	0.9%	0.6%	0.6%	0.3%	0.9%	0.3%	1.0%

Notes:

1. Number of physical stores open and trading at the relevant period end (excluding the Best & Less and Postie online stores).
2. Revenue growth is calculated as change in current period pro forma revenue as a percentage of prior period pro forma revenue.
3. LFL revenue growth is calculated as the growth in revenue over the prior comparable period for LFL stores (including the two online stores). A store is included in BLG's LFL revenue growth calculation after it has been trading for a minimum period of 12 months. Each period in which stores were temporarily closed due to COVID-19 for a period in excess of three days has been excluded from the LFL calculation. The periods in which stores were closed for a prolonged period due to refurbishments are also excluded from the LFL calculations.
4. Online revenue growth represents the percentage growth in online sales for the current period compared to the prior corresponding period.
5. Online revenue (% of total sales) is calculated as online revenue for the period divided by total sales for that period, expressed as a percentage.
6. Average revenue per store is equal to the total revenue generated in the period (including the Best & Less and Postie online stores) divided by the number of stores in the same period (average monthly number of stores in the relevant period, inclusive of the two online stores).
7. ATV is calculated as total sales divided by the total number of transactions.
8. Product volumes refer to the volume of individual product items sold.
9. Gross profit margin refers to revenue less cost of sales divided by revenue, expressed as a percentage.

10. Occupancy costs (% of revenue) represents the ratio of occupancy costs to revenue for the period. Occupancy costs relate to rental costs outgoings and other landlord charges and asset, property and maintenance expenses and are presented in accordance with AASB 117. Costs are also shown net of COVID-19 related rental concessions recognised of $2.6 million in FY20 and CY20.
11. CODB % of revenue is calculated as the cost of doing business (defined as the gross profit less EBITDA) divided by revenue, expressed as a percentage.
12. EBITDA margin % refers to EBITDA divided by revenue, expressed as a percentage. The pro forma EBITDA margin on an AASB 16 basis is: FY19 12.8%, FY20 13.4%, FY21F 17.1%, CY20 16.3%, CY21F 16.5%, H1 FY21 19.9% and H1 FY22F 18.7%.
13. Operating cash flow conversion is defined as operating cash flow before capital expenditure divided by EBITDA, expressed as a percentage.
14. Free cash flow conversion is defined as net cash flow before financing, tax and dividends divided by EBITDA, expressed as a percentage.
15. Net capital expenditure % of revenue is calculated as the total capital expenditure (net of landlord contributions) divided by revenue, expressed as a percentage.

4.3.3 Impact of AASB 16 on Pro Forma Historical and Forecast Results

As noted in Section 4.2.4, whilst the adoption of AASB 16 does not impact net cash flows, it does impact the presentation of the lease expense and payments in the income statement. The income statement presents the lease expense as a combination of depreciation (relating to the right of use (**ROU**) asset) and interest cost relating to the finance cost embedded within the lease (rather than rent expense being shown as an operating expense). Operating expenses therefore decrease and depreciation and interest expenses increase.

Table 8 provides a reconciliation of the Pro Forma Historical Results and Pro Forma Forecast Results before and after the pro forma impact of AASB 16.

Table 8: Reconciliation between Pro Forma Income Statements based on AASB 117 and Pro Forma Income Statements applying AASB 16

A$ MILLIONS	NOTE	PRO FORMA FY			PRO FORMA CY		PRO FORMA HY	
		FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
Pro Forma EBITDA (AASB 117)		**24.5**	**27.0**	**60.7**	**47.8**	**62.4**	**38.4**	**40.2**
Decrease in rent costs	1	57.7	58.7	52.5	58.0	49.4	28.9	25.7
Rent straight lining	2	(2.9)	(0.6)	(0.2)	(0.5)	–	(0.2)	–
Rent lease incentive straight lining	3	(1.2)	(1.3)	(0.7)	(1.5)	–	(0.7)	–
Pro Forma EBITDA (AASB 16)		**78.0**	**83.7**	**112.3**	**103.9**	**111.8**	**66.3**	**65.9**
Pro Forma NPAT (AASB 117)		**13.8**	**16.1**	**39.8**	**30.3**	**41.3**	**25.4**	**26.9**
Rental adjustments above		53.6	56.7	51.5	56.0	49.4	27.9	25.7
Increase in depreciation of ROU asset	4	(55.4)	(52.2)	(48.0)	(52.9)	(44.8)	(26.5)	(23.4)
Increase in interest expense	5	(10.0)	(10.7)	(9.9)	(12.0)	(8.2)	(6.1)	(4.4)
Tax impact	6	3.5	1.8	1.9	2.6	1.1	1.4	0.6
Pro Forma NPAT (AASB 16)		**5.6**	**11.8**	**35.4**	**24.2**	**38.7**	**22.0**	**25.4**

Notes:
1. Relates to the cash rent costs.
2. Reflects the reversal of the lease straight lining adjustment applicable under AASB 117.
3. Reflects the reversal of the straight lining adjustment for lease incentives received applicable under AASB 117.
4. Reflects the depreciation on the right of use asset recognised.
5. Reflects the interest expense on the right of use asset recognised.
6. Reflects the tax impact.

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4.3.4 Pro forma adjustments to the Statutory Historical and Statutory Forecast Results

Table 9 sets out the pro forma adjustments that have been made to statutory EBITDA and statutory NPAT in the relevant historical periods. No adjustments have been made to statutory revenue.

Table 9: Pro forma adjustments to the Statutory Historical and Statutory Forecast Results

	NOTE	FY19	FY20	FY21F	H1 FY21	H1 FY22F
Statutory EBITDA		**86.9**	**65.6**	**142.5**	**134.6**	**60.0**
Pre-acquisition trading results	1	–	–	22.6	–	–
Pro forma results for other BLG entities	2	(0.9)	0.3	2.3	1.3	0.2
Acquisition accounting	3	–	–	(44.1)	–	–
Loan restructuring (non-bank)	4	(3.2)	35.5	–	(42.9)	–
Leichhardt head office	5	(1.7)	(1.7)	(15.4)	(15.4)	–
Separation costs	6	3.4	2.3	–	–	–
Legacy MEP costs	7	–	–	2.2	1.0	–
Net JobKeeper payment	8	–	(12.8)	(14.1)	(14.1)	–
Reversal of AASB 16	9	(57.7)	(62.2)	(43.1)	(26.3)	(24.6)
Incremental public company costs	10	(2.2)	(2.1)	(1.6)	(0.9)	–
Offer costs	11	–	–	8.3	0.1	4.6
Other non-recurring items	12	(0.2)	2.1	1.1	1.0	–
Pro Forma EBITDA		**24.5**	**27.0**	**60.7**	**38.4**	**40.2**
Statutory NPAT		**8.6**	**(17.4)**	**67.5**	**71.4**	**21.5**
EBITDA adjustments as above		(62.4)	(38.6)	(81.8)	(96.2)	(19.8)
Pre-acquisition trading results	1	–	–	(2.8)	–	–
Acquisition accounting	3	5.6	5.6	0.9	2.8	–
Leichhardt head office	5	0.3	0.3	0.0	0.0	–
Reversal of AASB 16	9	66.6	64.1	49.5	33.1	26.2
Abnormal foreign exchange gain/loss	13	–	1.5	–	–	–
Impact of new Banking Facilities	14	(1.3)	2.1	4.0	3.2	–
Total Pro Forma adjustments		**8.8**	**35.0**	**(30.2)**	**(57.0)**	**6.3**
Net tax adjustment	15	(3.6)	(1.6)	2.5	11.0	(1.0)
Pro Forma NPAT		**13.8**	**16.1**	**39.8**	**25.4**	**26.9**

Notes:

1. The statutory FY21F results comprise BLGH and its subsidiaries from the date of acquisition being 20 August 2020 – refer to Section 4.2.3. The pro forma adjustment recognises the pre-acquisition results of its subsidiaries (excluding the impact of AASB 16) for the period 29 June 2020 to 20 August 2020. The NPAT pro forma adjustment includes the results below EBITDA for the same period.
2. The historical statutory EBITDA and NPAT presented for FY19, FY20 and H1 FY21 relates solely to the audited results of the two trading entities Best & Less Pty Limited and Postie Plus Group Limited. This adjustment adds the pro forma results of the other entities in BLG – refer to Section 4.2.2. This adjustment (for all the periods presented above) also eliminates historical shared services cost recharges from the current and former parent entities of Best & Less Pty Limited and Postie Plus Group Limited and applies a pro forma adjustment to align the historic BLG cost base to current/forecast levels.

3. Relates to the reversal of certain acquisition accounting entries that arose when BLGH acquired BLGPL in August 2020 as part of the restructure. At the time of the acquisition, BLGPL's fair value of net identifiable assets was $65.5 million. The acquisition accounting entries included an uplift in the value of inventory (based on an external valuation) of $9.5 million and negative goodwill of $53.6 million. These amounts have been removed as they do not relate to the underlying trading of the business. The adjustment at the NPAT level relates to the lower depreciation charge emerging from the fair value exercise undertaken in relation to Fixed Assets at the time BLGH acquired BLGPL. This adjustment aligns the historic depreciation charge to the current basis statutory depreciation. The acquisition accounting adjustments are not applicable to the H1 FY21 Statutory Financial Information which is presented only for Best & Less Pty Limited and Postie Plus Group Limited rather than the Best & Less Group. The acquisition accounting entries are provisional and may be subject to further adjustment which, if required, will be reflected in BLG's financial statements for the period ending 30 June 2021.
4. A number of related party loans were forgiven as part of corporate restructures that have occurred during the historical periods which are not in the ordinary course of business and therefore have been adjusted. The adjustment in H1 FY21 related to the forgiveness of a loan owing by Best & Less Pty Limited to another Group Member. This adjustment will be eliminated in the consolidated BLGH financial statements and therefore there is no adjustment needed to the FY21F Statutory forecast.
5. The Leichhardt head office was sold in July 2020 resulting in a $15.5 million non-recurring gain which has been reversed. The current annual rent of $1.7 million has been applied as a pro forma adjustment historically to show the Pro Forma Historical Results on a consistent basis with the Pro Forma Forecast Results. The related adjustment at the NPAT level removes the historic depreciation charge on the Leichhardt head office.
6. Reflects the removal of historic royalty fees paid to Steinhoff for the 'Best & Less' brand name and non-recurring costs to exit the Steinhoff International Group sourcing office.
7. Reflects: i) historic accounting expense in relation to the legacy Management Equity Plan (**MEP**); and ii) cost to exit the MEP. The MEP is being replaced with a new long term incentive plan and the cost for that new plan has been included in the incremental public company cost adjustment.
8. Net JobKeeper payment reflects the removal of the non-recurring benefit to earnings of the JobKeeper payment received from the Australian Government. The adjustment for FY20 includes $1.4 million relating to the Wage Subsidy payment received from the New Zealand Government. The total adjustment reflects the amount of subsidy received by BLG to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Company. Refer to Section 4.7.7.4 for further detail.
9. This adjustment reflects the reversal of the impact of AASB 16 in order to present the Pro Forma Historical and Pro Forma Forecast Financial Information in accordance with AASB 117. The pro forma adjustment at NPAT level reflects the reversal of the AASB 16 impacts for depreciation and interest. Refer to Section 4.3.3.
10. Public company costs reflect BLG's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs, long term incentive plan costs and other public company costs.
11. Offer costs reflects costs in relation to the Offer, including the Joint Lead Managers' underwriting fees, BBRC commitment fee, legal and accounting due diligence fees, tax and structuring advice, associated consultancy and advisory services relating to the Offer. Offer costs (inclusive of GST) are forecast (FY21F and H1 FY22F) at $13.2 million ($10.4 million tax effected). $1.1 million of the total Offer costs is non-cash. Of the total Offer costs, $12.9 million is forecast to be expensed and the remaining $0.3 million is forecast to be offset against issued capital on the balance sheet, in accordance with accounting standards (both tax effected).
12. Other non-recurring costs include: i) Abnormal foreign exchange gains and losses relating to COVID-19. At the outbreak of COVID-19 and facing a number of unknown factors including the length of the lockdowns imposed in Australia and New Zealand, in an effort to preserve cash and maximise liquidity, BLG cancelled a series of FX contracts in Australia incurring an abnormal FX loss of $4.0 million (FY20) and cancelled a series of FX contracts in New Zealand incurring an FX gain of $3.4 million (FY20). These FX gains and losses (which net to $0.6 million) were incurred as a result of an approved departure from the normal hedging policy that has been place at BLG for a number of years and were directly caused by actions taken in response to COVID-19 and therefore have been excluded; ii) non-recurring professional fees; iii) penalties to Fair Work Australia in relation to a wages underpayment issue (refer to Section 5.2.17); and iv) debt facility fees incurred in relation to superseded debt facilities.
13. Relates to the adjustment of the portion of the Best & Less foreign exchange loss (refer to note 12) classified within interest.
14. Reflects the removal of interest expense in relation to superseded bank debt facilities and interest income and expenses in relation to related party loan balances that have been forgiven as discussed in note 4 above. A pro forma interest charge relating to the new bank debt facilities arranged in Australia and New Zealand has been applied – refer to Section 4.4.2 for further detail.
15. Net tax adjustment reflects the cumulative income tax effect of the pro forma adjustments. The pro forma income tax expense reflects the application of a 30% Australian corporate tax rate on Australian taxable profits and a 28% New Zealand corporate tax rate on New Zealand taxable profits.

4.4 PRO FORMA HISTORICAL AND STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION

Table 10 sets out a summary of the Statutory Historical Statement of Financial Position as at 27 December 2020, adjusted for certain pro forma items to take into account the effect of the capital reorganisation and Offer costs as set out below. These adjustments reflect the impact of the changes to the Statutory Historical Financial Position as if they were in place as at 27 December 2020.

The Pro Forma Historical Balance Sheet has been provided for indicative purposes only and is not represented as being indicative of BLG's view on its future financial position.

Table 10: Statutory Historical Balance Sheet and Pro Forma Historical Balance Sheet as at 27 December 2020

A$ MILLIONS	NOTE	STATUTORY HISTORICAL[1]	OTHER GROUP ENTITIES[2]	FAIR VALUE/ ACQUISITION ACCOUNTING AND CONSOLIDATION ADJUSTMENTS[3]	CAPITAL REORGANISATION[4]	DEBT REPAYMENT[5]	IMPACT OF OFFER[6]	PRO FORMA HISTORICAL (BEFORE ASX WORKING CAPITAL REQUIREMENT)	ASX WORKING CAPITAL[7]	PRO FORMA HISTORICAL
		27-DEC-20						27-DEC-20		27-DEC-20
Current assets										
Cash and cash equivalents		108.2	9.9	–	(40.7)	(42.6)	(12.2)	22.7	39.0	61.7
Receivables		1.3	2.2	(2.1)	–	–	–	1.4	–	1.4
Inventories		80.7	–	–	–	–	–	80.7	–	80.7
Total current assets		**190.2**	**12.1**	**(2.1)**	**(40.7)**	**(42.6)**	**(12.2)**	**104.7**	**39.0**	**143.7**
Investment in subsidiary		–	12.6	(12.6)	–	–	–	–	–	–
Property, plant and equipment		25.6	0.0	(16.0)	–	–	–	9.6	–	9.6
Right of use assets		194.9	–	(3.2)	–	–	–	191.7	–	191.7
Intangibles		7.7	0.0	1.8	–	–	–	9.4	–	9.4
Deferred tax assets		12.9	0.7	(0.4)	–	–	2.3	15.4	–	15.4
Total non-current assets		**241.1**	**13.3**	**(30.5)**	**–**	**–**	**2.3**	**226.2**	**–**	**226.2**
TOTAL ASSETS		**431.2**	**25.4**	**(32.6)**	**(40.7)**	**(42.6)**	**(9.9)**	**330.9**	**39.0**	**369.9**

A$ MILLIONS	NOTE	STATUTORY HISTORICAL[1]	OTHER GROUP ENTITIES[2]	FAIR VALUE/ ACQUISITION ACCOUNTING AND CONSOLIDATION ADJUSTMENTS[3]	CAPITAL REORGANISATION[4]	DEBT REPAYMENT[5]	IMPACT OF OFFER[6]	PRO FORMA HISTORICAL (BEFORE ASX WORKING CAPITAL REQUIREMENT)	ASX WORKING CAPITAL[7]	PRO FORMA HISTORICAL
		27-DEC-20						27-DEC-20		27-DEC-20
Current liabilities										
Trade and other payables		59.5	2.2	(0.0)	(1.4)	–	–	60.2	–	60.2
Borrowings		4.7	–	(2.1)	–	(2.6)	–	–	–	–
Lease liabilities		45.4	–	(4.2)	–	–	–	41.2	–	41.2
Derivative financial instruments		6.6	–	–	–	–	–	6.6	–	6.6
Income tax		18.8	(0.2)	–	–	–	(0.6)	18.0	–	18.0
Employee benefits		11.8	0.2	–	–	–	–	12.0	–	12.0
Provisions		3.7	0.4	–	–	–	–	4.1	–	4.1
Total current liabilities		**150.5**	**2.5**	**(6.3)**	**(1.4)**	**(2.6)**	**(0.6)**	**142.2**	**–**	**142.2**
Borrowings		47.1	–	(8.6)	–	(38.5)	–	–	39.0	39.0
Lease liabilities		170.3	–	(11.1)	–	–	–	159.2	–	159.2
Employee benefits		2.3	–	–	–	–	–	2.3	–	2.3
Provisions		5.0	–	–	–	–	–	5.0	–	5.0
Total non-current liabilities		**224.7**	**–**	**(19.7)**	**–**	**(38.5)**	**–**	**166.5**	**39.0**	**205.5**
TOTAL LIABILITIES		**375.2**	**2.5**	**(26.0)**	**(1.4)**	**(41.1)**	**(0.6)**	**308.7**	**39.0**	**347.7**
Net assets		**56.0**	**22.9**	**(6.6)**	**(39.4)**	**(1.5)**	**(9.3)**	**22.1**	**–**	**22.1**
Issued capital		40.7	103.3	(144.0)	5.2	–	4.5	9.7	–	9.7
Reserves		(4.1)	1.3	3.1	(0.4)	–	(4.7)	(4.8)	–	(4.8)
Retained profits		19.4	(81.7)	134.3	(44.1)	(1.5)	(9.1)	17.2	–	17.2
TOTAL EQUITY		**56.0**	**22.9**	**(6.6)**	**(39.3)**	**(1.5)**	**(9.3)**	**22.1**	**–**	**22.1**

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Notes:

1. The Statutory Historical Statement of Financial Position at 27 December 2020 has been sourced from aggregating the reviewed balance sheets of Best & Less Pty Limited and Postie Plus Group Limited.
2. Other Group entities comprise the unaudited balance sheets of BLGH, BLGPL and Best & Less IP Pty Ltd.
3. Reflects the impact of the provisional acquisition accounting and related fair value exercise undertaken when the Group restructured on 20 August 2020 as well as consolidation and elimination entries. For accounting purposes this restructure was deemed to be an acquisition. The fair value adjustments and acquisition accounting is provisional and may be subject to adjustment which, if required, will be reflected in BLG's financial statements for the period ending 27 June 2021.
4. The capital reorganisation reflects the following: i) during H2 FY21F, employees repaid the limited recourse loans which for accounting purposes are advance payments for the strike price of the legacy Management Equity Plan (MEP). This increases the cash and liability by $2.5 million. The MEP includes both the BLGPL CRPS arrangement and BLGH Class A shares arrangement; ii) the recognition of the accounting expense of $1.2 million in relation to the MEP for the H2 FY21F statutory forecast in retained profits, the other side of which was taken through Reserves; iii) upon Completion, the conversion of the equity settled portion of the legacy MEP to share capital of $5.2 million from liabilities and reserves; iv) the payment of dividends of $43.2 million which have been paid to the Existing Shareholders subsequent to 27 December 2020.
5. Reflects the repayment of the previous New Zealand banking facilities in January and March 2021 and the previous Australian banking facilities in April 2021 using cash reserves.
6. Impact of the Offer reflects the $4.7 million Primary Raise (which increases equity and cash by $4.7 million) and Offer costs (inclusive of GST) which are forecast at $13.2 million ($10.4 million tax effected). $1.1 million of the total Offer costs is non-cash. The deferred tax asset relates to the income tax benefit of the future deductibility of Offer costs, the other side of which is recognised in issued capital and retained profits in proportion to where the associated Offer costs were recognised. Of the total Offer costs (FY21F and H1 FY22F), $12.9 million is forecast to be expensed and the remaining $0.3 million forecast to be offset against issued capital on the balance sheet in accordance with accounting standards (both tax effected). The $4.7 million Primary Raise is being used to fund payments made to MEP holders for the buyback of the CRPS (refer to Section 6.5.3). The $4.7 million reduction to reserves reflects the accounting entry for the buyback of the CRPS.
7. The Pro Forma Statement of Financial Position reflects a drawdown of $39.0 million of cash under BLG's three year $40.0 million revolving loan facility. The size of this drawdown is influenced by the need to satisfy the ASX's requirement that BLG have a minimum working capital balance (as shown in its Pro Forma Statement of Financial Position) of at least $1.5 million. This initial drawdown would result in BLG holding a higher cash balance than BLG would maintain in the ordinary course (by an amount in the order of $39.0 million). As a result, to the extent that BLG does not require this additional amount of cash in the period immediately after Listing, it would not draw down that excess cash under the revolving facility. That amount would then be available for BLG to draw in the future when the need for that cash arises.

4.4.1 Indebtedness

Table 11 sets out the statutory and pro forma indebtedness of BLG at 27 December 2020.

Table 11: Statutory Historical Indebtedness and Pro Forma Historical Indebtedness as at 27 December 2020

A$ MILLIONS	STATUTORY HISTORICAL	PRO FORMA HISTORICAL BEFORE ASX WORKING CAPITAL REQUIREMENT	PRO FORMA HISTORICAL
	27-DEC-20	27-DEC-20	27-DEC-20
Borrowings	51.8	–	39.0
Cash and cash equivalents	(108.2)	(22.7)	(61.7)
Total net debt/(cash) (AASB 117)	**(56.4)**	**(22.7)**	**(22.7)**
Lease liabilities	215.7	200.4	200.4
Total net debt/(cash) (AASB 16)	**159.3**	**177.7**	**177.7**

Note: Refer to Table 10 for a description of the adjustments between the statutory and pro forma borrowings and cash and cash equivalents as at 27 December 2020. As described in Note 7 of Table 10, the pro forma borrowings and cash and cash equivalents include the illustrative impact of a $39.0 million drawdown to meet the ASX's working capital requirement.

4.4.2 Description of banking facilities

BLG's banking facilities (**Banking Facilities**) comprise the following:

FACILITY	FACILITY LIMIT ($M)	ESTIMATED AMOUNT DRAWN AT COMPLETION ($M)
Revolving loan facility (Australia)	40.0	–
Bank guarantee facility (Australia)[1]	10.0	7.0
Working capital facility (New Zealand)[2]	5.2	–
Credit card facility (Australia)	0.5	–

Notes:

1. Represents estimated drawn facilities relating to the guarantees issued by the bankers of BLG in support of various rental arrangements. Drawn facilities relating to guarantees are not reported on the balance sheet or included in the calculation of debt or net debt.
2. The New Zealand working capital facility has a limit of NZ$5.5 million and has been converted into Australian dollars using the exchange rate as at 27 December 2020.

In April 2021, BLG entered into new Australian banking facilities with the Commonwealth Bank of Australia and are available to fund ongoing working capital requirements, such as inventory purchases in advance of peak trading periods, and together with cash and cash equivalents, will provide liquidity for operations and growth initiatives.

The Australian banking facility has a term of three years expiring April 2024 and contains covenants, undertakings, events of default (including relating to delisting and material adverse effects), review events (including relating to changes of control and suspensions in the trading of Shares), and representations and warranties that are customary for facilities of this nature.

The term loan component of the New Zealand banking facility with the Bank of New Zealand was fully repaid in January and March 2021, leaving the working capital facility which was increased from a limit NZ$3.5 million to NZ$5.5 million in March 2021.

With the exception of the bank guarantee, BLG's Banking Facilities are not expected to be drawn at Completion.

4.4.3 Liquidity, capital resources and indebtedness

Following Completion, BLG's principal sources of funds are expected to be cash flow generated from operations, available cash on its balance sheet and any undrawn amounts under its Banking Facilities.

BLG's primary use of its Banking Facilities is to fund working capital requirements and to provide liquidity for operations and growth initiatives.

BLG expects that it will have sufficient working capital (for the purposes of Listing Rule 1.3.3(b)) to meet its stated business objectives during the forecast period to December 2021.

BLG's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond BLG's control including general economic, financial and competitive conditions. See Section 5 for risks associated with BLG's future performance.

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4.5 HISTORICAL AND FORECAST CONSOLIDATED CASH FLOW STATEMENTS

4.5.1 Summary Pro Forma Historical and Pro Forma Forecast Cash Flows

Set out in Table 12 are the Pro Forma Historical Cash Flows for FY19, FY20, CY20 and the Pro Forma Forecast Cash Flows for FY21F and CY21F.

Table 12: Pro Forma Historical Cash Flows for FY19, FY20, CY20 and Pro Forma Forecast Cash Flows for FY21F and CY21F

A$ MILLIONS	NOTE	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
		FY19	FY20	FY21F	CY20	CY21F
EBITDA		24.5	27.0	60.7	47.8	62.4
Non-cash items	1	(0.1)	0.4	(0.3)	1.4	(0.3)
Change in working capital	2	(3.3)	58.4	(8.1)	41.8	(13.8)
Operating cash flow before capital expenditure		**21.1**	**85.7**	**52.4**	**91.0**	**48.3**
Proceeds from disposal of land & buildings		–	–	–	–	–
Net capital expenditure	3	(5.3)	(3.9)	(4.0)	(1.9)	(6.3)
Free cash flow before financing and tax		**15.8**	**81.8**	**48.4**	**89.0**	**42.0**
Net interest paid	4	(0.7)	(0.6)	(1.1)	(1.0)	(0.8)
Income tax paid	5	(5.9)	(6.9)	(16.9)	(12.9)	(17.5)
Payment of dividends		–	–	–	–	–
Payment of principal portion of lease liability						
Bank borrowings						
Related party loans						
Net cash flow						

Notes:
1. Non-cash items relate mainly to the FX translation differences and LTIP costs.
2. Working capital is defined as inventory and receivables less trade and other payables, employee benefits and provisions.
3. Net capital expenditure includes new store fit-outs, existing store refurbishments, non-store capital expenditure (such as investing in the online store, head office and distribution centre) as well as capital expenditure on IT, support office and the distribution centre and is presented net of landlord contributions.
4. See note 8 below Table 2. Pro forma interest adjusted for non-cash amortisation of facility fees.
5. Cash tax paid assumed to be the same as the tax charge.

Set out in Table 13 are the Pro Forma Historical Cash Flows for H1 FY21 and the Pro Forma Forecast Cash Flows for H1 FY22F.

Table 13: Pro Forma Historical Cash Flows for H1 FY21 and Pro Forma Forecast Cash Flows for H1 FY22F

A$ MILLIONS	NOTE	PRO FORMA HISTORICAL	PRO FORMA FORECAST
		H1 FY21	H1 FY22F
EBITDA		38.4	40.2
Non-cash items	1	0.3	0.2
Change in working capital	2	(7.9)	(14.3)
Operating cash flow before capital expenditure		**30.9**	**26.1**
Proceeds from disposal of land & buildings		–	–
Net capital expenditure	3	(1.1)	(3.4)
Free cash flow before financing and tax		**29.8**	**22.7**
Net interest paid		(0.6)	(0.3)
Income tax paid		(10.8)	(11.4)
Payment of dividends		–	–
Payment of principal portion of lease liability			
Bank borrowings			
Related party loans			
Net cash flow			

Notes: See notes below Table 12.

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Set out in Table 14 are the Statutory Historical Cash Flows for FY19, FY20 and H1 FY21 and the Statutory Forecast Cash Flows for FY21F and H1 FY22F.

Table 14: Statutory Historical Cash Flows for FY19, FY20, H1 FY21 and Statutory Forecast Cash Flows for FY21F and H1 FY22F

A$ MILLIONS	NOTE	STATUTORY HISTORICAL		STATUTORY FORECAST	STATUTORY HISTORICAL	STATUTORY FORECAST
		FY19	FY20	FY21F	H1 FY21	H1 FY22F
EBITDA		86.9	65.6	142.6	134.6	60.0
Non-cash items	1	(3.8)	35.4	(47.9)	(53.3)	1.3
Change in working capital	2	(2.2)	55.9	(1.9)	(10.5)	(19.4)
Operating cash flow before capital expenditure		**81.0**	**156.9**	**92.8**	**70.8**	**41.8**
Proceeds from disposal of land & buildings	3	–	–	–	28.7	–
Net capital expenditure	4	(5.3)	(3.9)	(3.4)	(1.1)	(3.4)
Free cash flow before financing and tax		**75.7**	**153.0**	**89.5**	**98.4**	**38.5**
Payment of principal and interest portion of lease liability	5	(61.2)	(63.0)	(54.7)	(30.6)	(27.9)
Net interest paid	6	(0.3)	(5.1)	(5.1)	(4.3)	(0.3)
Income tax paid	7	–	–	(18.9)	(1.3)	(6.0)
Bank borrowings	8	(1.1)	56.0	(63.8)	(20.6)	–
Related party loans	9	(34.5)	(34.0)	(19.3)	(36.9)	–
Payment of dividends	10	–	–	(43.2)	(16.5)	–
Proceeds from primary raising	11	–	–	–	–	4.7
Payment to MEP holders	12	–	–	–	–	(4.7)
Net cash flow		**(21.5)**	**106.9**	**(115.5)**	**(11.8)**	**4.2**

Notes: The statutory FY19, FY20 and H1 FY21 figures have been sourced from the aggregation of the audited/reviewed cash flow statements of Best & Less Pty Limited and Postie Plus Group Limited for those periods. Refer to Section 4.2.2.

1. Non-cash items relate to debt forgiveness, share plan expenses, net gain/loss on disposal of assets and FX translation differences.
2. Working capital is defined as inventory and receivables less trade and other payables, employee benefits and provisions.
3. Relates to the proceeds from the sale of the Leichhardt head office.
4. Capital expenditure includes new store fit-outs, net of landlord contributions, existing store refurbishments and non-store capital expenditure (such as investing in the online store, head office and distribution centre) as well as capital expenditure on IT, support office and the distribution centre and is presented net of landlord contributions.
5. Includes interest payments and principal lease payments under AASB 16 Leases.
6. Relates to interest paid on superseded bank debt facilities and interest expected to be paid on new bank debt facilities.
7. Relates to the payment of income tax liabilities since exiting the Greenlit Brands tax consolidated group.
8. Relates to the initial funding and repayment of superseded bank debt facilities.
9. Relates to the net repayment or funding of related party loans.
10. Relates to the payment of dividends to Existing Shareholders.
11. Reflects the proceeds from the Primary Raise of $4.7 million.
12. Relates to the $4.7 million payment made to MEP holders for buy back of CRPS (refer to Section 6.5.3).

Set out in Table 15 are the pro forma adjustments that have been made to the Statutory Historical Cash Flows for FY19, FY20 and H1 FY21 and the Statutory Forecast Cash Flows for FY21F and H1 FY22F.

Table 15: Pro forma adjustments to the Statutory Historical and Forecast Cash Flows

A$ MILLIONS	NOTE	FY19	FY20	FY21F	H1 FY21	H1 FY22F
Statutory Free Cash Flow pre financing and tax		**75.7**	**153.0**	**89.5**	**98.4**	**38.5**
Pre-acquisition trading results	1	–	–	40.8	–	–
Pro forma results of other BLG entities	2	(0.9)	0.3	2.3	1.6	0.2
Leichhardt head office	3	(1.7)	(1.7)	(32.6)	(32.6)	–
Separation costs	4	3.4	2.3	–	–	–
Net JobKeeper payment	5	–	(9.7)	(17.2)	(17.2)	–
Reversal of AASB 16	6	(57.7)	(62.2)	(43.1)	(26.3)	(24.6)
Incremental public company costs	7	(1.7)	(1.6)	(1.2)	(0.7)	0.2
Offer costs	8	–	–	3.9	0.1	8.3
Other non-recurring costs	9	(1.3)	1.5	6.0	6.5	–
Pro Forma Free Cash Flow pre financing and tax		**15.8**	**81.8**	**48.4**	**29.8**	**22.7**

Notes:

1. The statutory FY21F results comprise BLGH and its subsidiaries from the date of acquisition being 20 August 2020 – refer to Section 4.2.3. The pro forma adjustment recognises the pre-acquisition cash flows of its subsidiaries (excluding the impact of AASB 16) for the period 29 June 2020 to 20 August 2020.
2. The Statutory Historical Cash Flows presented for FY19, FY20 and H1 FY20 relate solely to the audited results of the two trading entities Best & Less Pty Limited and Postie Plus Group Limited. This adjustment adds the pro forma cash flows of the other entities in BLG – refer to Section 4.2.2. This adjustment (for all the periods presented above) also eliminates historical shared services cost recharges from the current and former parent entities of Best & Less Pty Limited and Postie Plus Group Limited and applies a pro forma adjustment to align the historic BLG cost base to current/forecast levels.
3. The Leichhardt head office was sold in July 2020 and this adjustment eliminates the proceeds received. The current annual rent of $1.7 million has been applied as a pro forma adjustment historically to show the Pro Forma Historical Cash Flows on a consistent basis with the Pro Forma Forecast Cash Flows.
4. Reflects the removal of historic royalty cash fees paid to Steinhoff International Group for the 'Best & Less' brand name and non-recurring costs to exit Steinhoff International Group sourcing office.
5. Refer to note 8 below Table 9 in Section 4.3.4. This adjustment removes the cash impact of the Net JobKeeper payment.
6. The Statutory Historical Cash Flows and the Statutory Forecast Cash Flows reflect the adoption of AASB 16 Leases from the commencement of FY19. This adjustment reflects the reversal of AASB 16 Leases in order to present the Pro Forma Historical and Pro Forma Forecast Financial Information in accordance with AASB 117 and prior to the adoption of AASB 16 Leases.
7. Public company costs reflect BLG's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs and other public company costs.
8. Offer costs included in the Statutory Free Cash Flow before financing and tax (FY21F and H1 FY22F) total $13.2 million of which the non-cash component is $1.1 million.
9. Other non-recurring costs include: i) abnormal foreign exchange gains and losses relating to COVID-19. At the outbreak of COVID-19 and facing a number of unknown factors including the length of the lockdowns imposed in Australia and New Zealand, in an effort to preserve cash and maximise liquidity, BLG cancelled a series of FX contracts in Australia incurring an abnormal FX loss of $4.0 million (FY20) and cancelled a series of FX contracts in New Zealand incurring an FX gain of $3.4 million (FY20). These FX gains and losses (which net to $0.6 million) were incurred as a result of an approved departure from the normal hedging policy that has been place at the Company for a number of years and were directly caused by actions taken in response to COVID-19 and therefore have been excluded; ii) non-recurring professional fees; iii) penalties and payments in relation to a wages underpayment issue (refer to Section 5.2.17); and iv) debt facility fees incurred in relation to superseded debt facilities.

4.6 PRO FORMA FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on various specific and general assumptions, including those set out in this Section 4.6. In preparing the Forecast Financial Information, Management has undertaken an analysis of historical performance and applied assumptions, where appropriate, in order to forecast future performance for FY21F, CY21F and H1 FY22F. Refer to the basis of preparation in Section 4.2 for more detail on the preparation of Forecast Financial information.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider all assumptions when taken as a whole to be reasonable at the Prospectus Date. However, actual results are likely to vary from those forecast and any variation may be materially positive or negative. Further, COVID-19 has resulted in additional uncertainty to the forecast.

Factors driving this uncertainty include but are not limited to, shutdowns of competing retailers, restrictions on consumer behaviour and mobility, new work from home practices, uncertain economic climate, and uncertainty relating to what extent the potential unwinding of government stimulus will impact the broader economy and the level of consumer spending. See Section 5 for further information on risks associated with BLG's future performance.

The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the Company, and its Directors and Management, and are not reliably predictable. Accordingly, neither the Company nor its Directors, or any other person, can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Forecast Financial information has been prepared based on the pro forma adjustments outlined in Section 4.3.4 and the significant accounting policies outlined in Appendix A.

4.6.1 General assumptions

In preparing the Forecast Financial Information, the Directors have adopted the following general assumptions:

- No material changes in the current competitive environment in which BLG operates;
- No material changes in the current economic conditions in which BLG operates;
- No material changes from current government regulations or policies which impact BLG's business or customers;
- No significant interruptions, industry disturbances or disruptions in relation to BLG's operating model;
- No material amendment to any material contract, agreement or arrangement relating to BLG's business;
- No material industrial actions or other disturbances, environmental costs or legal claims;
- No material cash flow or consolidated income statement or financial position impact in relation to litigation (existing or otherwise);
- No material changes in key personnel, including key management personnel, and BLG is able to continue to recruit and retain personnel which will be required to support future growth;
- No material change in BLG's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- No material unexpected change in applicable AAS, the Corporations Act or other mandatory professional reporting requirements which have a material effect on BLG's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- No material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus; and
- None of the key risks listed in Section 5 occurs, or if they do none of them has a material adverse impact on BLG's operations.

4.6.2 Specific assumptions

The specific assumptions adopted in preparing the Forecast Financial Information are set out below.

In preparing the Forecast Financial Information, Management has analysed historical performance including the current rates of sales and expenses and applied assumptions, where appropriate, across the business.

In respect of COVID-19, the Forecast Financial Information is based on assumptions determined by assessing trends observed over the COVID-19 affected period since March 2020, including variances across regions within Australia and in New Zealand to determine the impact on performance for the forecast period. The forecast assumes no prolonged or national trading shutdowns due to COVID-19 restrictions.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5, the Independent Limited Assurance Report on Forecast Financial Information set out in Section 8 and other information contained in this Prospectus.

The FY21F forecast includes six months reviewed actual results for Best & Less Pty Limited and Postie Plus Group Limited and six months of unaudited actual results for the other entities in BLG to 27 December 2020, the unaudited actual trading performance for January 2021 and the five months of forecast results ending 27 June 2021. The CY21F forecast includes one month of unaudited results to 24 January 2021 and 11 months of forecast results to 26 December 2021. The forecast for H1 FY22F included within the CY21F forecast represents six months of forecast results to 26 December 2021. The forecast results for Postie for H1 FY22F and CY21F have been translated from NZD to AUD at an assumed rate of 1.06.

Table 16: Specific assumptions

	FY21F	CY21F
Sales assumptions	• Sales of $657.7 million assume total growth of 5.2% on FY20 and LFL sales growth of 8.9% • Online sales forecast at 9.8% of total sales and to grow by 40.9% on FY20	• Sales of $675.7 million assume total growth of 6.2% on CY20 and LFL sales growth of 3.7% • Online sales forecast at 10.3% of total sales and to grow by 18.1% on CY20
Gross profit margin assumptions	• Gross margin of 47.7% forecast which is higher than 44.6% achieved in FY20	• Gross margin of 47.7% forecast which is higher than 46.6% achieved in CY20
CODB assumptions	• CODB as a percentage of sales is forecast at 38.5% which is lower than the 40.3% achieved in FY20	• CODB as a percentage of sales is forecast at 38.5% which is lower than the 39% achieved in CY20
Working capital assumptions	• Forecast inventory and trade payable levels to June 21F are based on the sales forecast for H2 FY21F and Management's purchase ordering schedule for this period and applying BLG's supplier credit terms	• Forecast inventory and trade payable levels to December 21F are based on the sales forecast for CY21F and Management's purchase ordering schedule for this period and applying BLG's supplier credit terms
Net capital expenditure assumptions	• Total net capital expenditure is forecast at $4.0 million including $2.6 million store related capital expenditure (FY20 total net capex $3.9 million)	• Total net capital expenditure is forecast at $6.3 million including $4.7 million store related capital expenditure (CY20 total net capex $1.9 million)

Best&Less Group

4.7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE PRO FORMA FINANCIAL INFORMATION

Section 4.7 discusses the composition of BLG's operating and financial performance during the period of the Historical Financial Information and Management's expectation of the Company's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent all events and factors that affected BLG's historical operating and financial performance, nor everything that may affect its operating and financial performance in future periods. The information in this Section 4.7 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.7.1 Background to management discussion and analysis of Pro Forma Financial Information

Significant changes have taken place, and are expected to occur, at BLG and in the broader industry, during the 30 months between the start of FY19 and end of CY21F. The Directors believe that the nature and interplay of these changes underpin BLG's ability to increase revenue and gross profit margin at the same time as controlling, and in some cases, reducing costs. Further, the Directors believe these changes underpin the sustainability of results that are expected to be delivered by BLG in CY21F, and subsequent increases in revenue and earnings by BLG. The key changes include:

a. **BLG has been established as a standalone business:** from July 2018, and until December 2019, BLG was part of the general merchandise division of Greenlit Brands, itself a subsidiary of Steinhoff International. This meant BLG shared resources, such as IT systems, property management and logistics operations, with other members of the general merchandise division. It also saw BLG's strategy, financial goals and incentives set by, and aligned with, those of the broader Steinhoff International Group. BLG has been a fully standalone business from July 2020 and now sets its own strategy, goals and plans and directly controls the resources needed to execute against those plans;

b. **BLG is owned by Allegro, a private equity investor:** BLG has been owned by Allegro Funds since 2 December 2019, at which time a new board and governance processes were introduced to BLG.[59] Management was empowered to accelerate many of their plans for the business, including the clearance of aged and slow-moving stock (helping to increase gross margin), the right-sizing of the store portfolio (closing loss-making stores, reducing rents and increasing the opportunity for new sites), the closure of the Postie Rewards loyalty program (increasing gross margin percentage) and the rollout of improvements to the online business (increasing revenue from that channel). The Directors believe the benefits gained from improved governance will continue to flow under public company structures and processes;

c. **Operational improvements are taking place within BLG:** Management is continuously striving to improve the capability and processes of BLG. During the historical reporting period, these changes included the ongoing improvement to the babywear and kidswear offerings (increasing revenue and gross margin), the recruitment of a new team to run the womenswear category (increasing revenue and gross margin), the rollout of ship-from-store and Click & Collect (increasing revenue from the online channel) and the ongoing optimisation of ranges and prices to increase revenue and gross margin percentage within the everyday low price strategy (**EDLP**) that was introduced in 2017. In CY21F, BLG expects to continue improving, among other things, the product and online offers (increasing revenue), to implement new product life cycle and store rostering systems (improving product and labour cost control), to complete projects increasing the productivity of the supply chain, to continue to grow the loyalty membership in each brand and to leverage the data captured within those programs; and

59. See Section 9.3 for further background on BLG.

d. **COVID-19 has affected consumer and market behaviour:** Management expects the changes in consumer and market behaviour that have occurred due to COVID-19 to support the growth and profits of businesses such as BLG. As described in Section 3, BLG grew revenue and profits during CY20, despite the various periods when some stores were closed in either Australia or New Zealand and the disruption to product supply chains. Management believes some changes have taken place during this period that will be enduring. They include:

- the consumer's interest in quality value products;
- the amount of consumer savings available to spend and the percentage of consumer spending that is done domestically;
- the growth in revenue via the online channel;
- the amount of revenue that comes from non-CBD or major urban malls;
- the amount of casual clothes purchased; and
- the willingness of landlords to agree to more attractive lease terms.

The following sections explain in more detail the changes to BLG's historical and forecast financial performance.

4.7.2 Trading update

BLG's total revenue, based on unaudited management accounts, was $278.0 million for the five months to May 2021 (**May YTD CY21**), up 12.5% vs. pcp and $611.6 million in the 11 months to May 2021 (**May YTD FY21**), up 7.4% vs. pcp. BLG's total revenue for May YTD CY21 and May YTD FY21 is ahead of the Directors' Forecast for the equivalent months for CY21F and May YTD FY21F respectively.

The outperformance relative to the Directors' Forecast is despite temporary COVID-19 related shutdowns in Victoria, Queensland, some areas of Western Australia and Auckland.

BLG achieved LFL sales growth of 12.6% for the May YTD CY21, this compares to the Directors Forecast of 6.9% LFL sales for the H2 FY21 period.

Average Sales Price (**ASP**) for May YTD CY21 and May YTD FY21 increased by 11.7% and 9.4% respectively, compared to the pcp. For the May YTD CY 21 period babywear, kidswear and womenswear categories all recorded double digit growth vs. pcp.

BLG's online revenue was $25.0 million for May YTD CY21, up 5.4% vs. pcp and $55.7 million for May YTD FY 21 up 35.3% vs pcp due to increased take up of Click &Collect and improved digital marketing initiatives.

Online revenue as a percentage of revenue for May YTD CY21 was 9.0% and 9.1% for May-YTD FY21.

BLG's unaudited gross margin for May YTD CY21 is tracking ahead of the CY21F Director's Forecast, driven by BLG's improved inventory position, continued focus on pricing and ASP growth.

BLG has agreed terms with respect to the opening of four new store locations. The two Best & Less locations are Macquarie Centre at North Ryde and Morisset in the growth corridor of the Lake Macquarie area of NSW, replacing a Target Country store. The two new Postie stores are St Lukes and Ormiston, both in the Auckland area of New Zealand.

These new stores execute on BLG's strategy to expand its store numbers in areas where Best & Less and Postie have little to no representation, growing the customer base on terms that meet the operating profit requirements of the business.

As the FY21F and CY21F forecasts only reflect the actual unaudited results up to the end of January 2021 they do not take account of BLG's outperformance in the February 2021 to May 2021 period.

4.7.3 Revenue

4.7.3.1 Total revenue

Figure 29: Total revenue split by physical and online ($ millions) – FY19 to CY21F

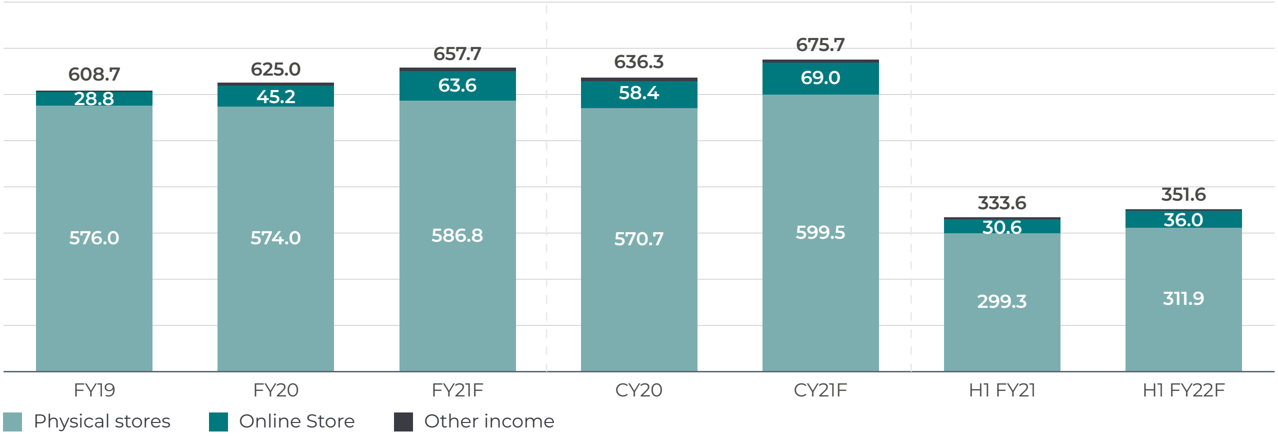
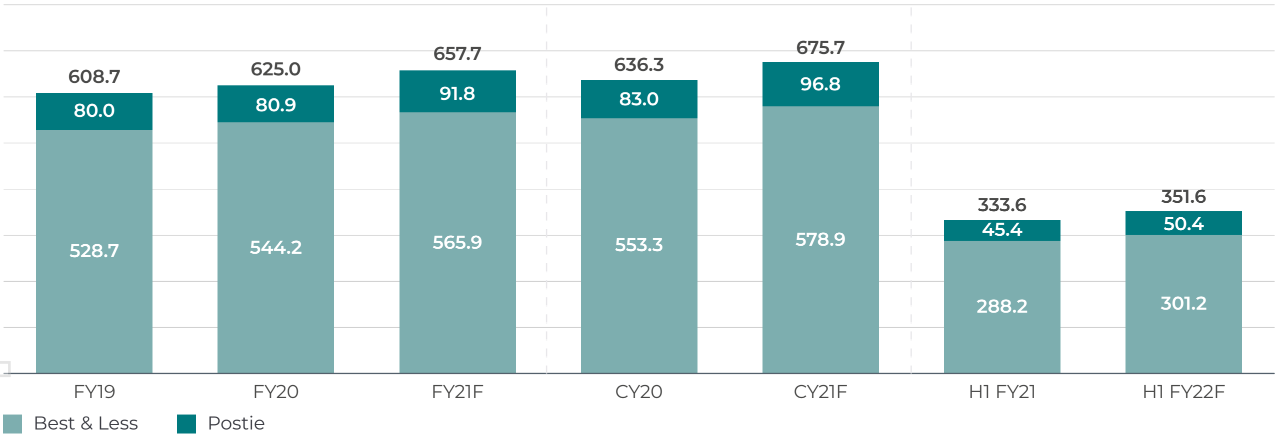


Figure 30: Total revenue split by Best & Less and Postie ($ millions) – FY19 to CY21F

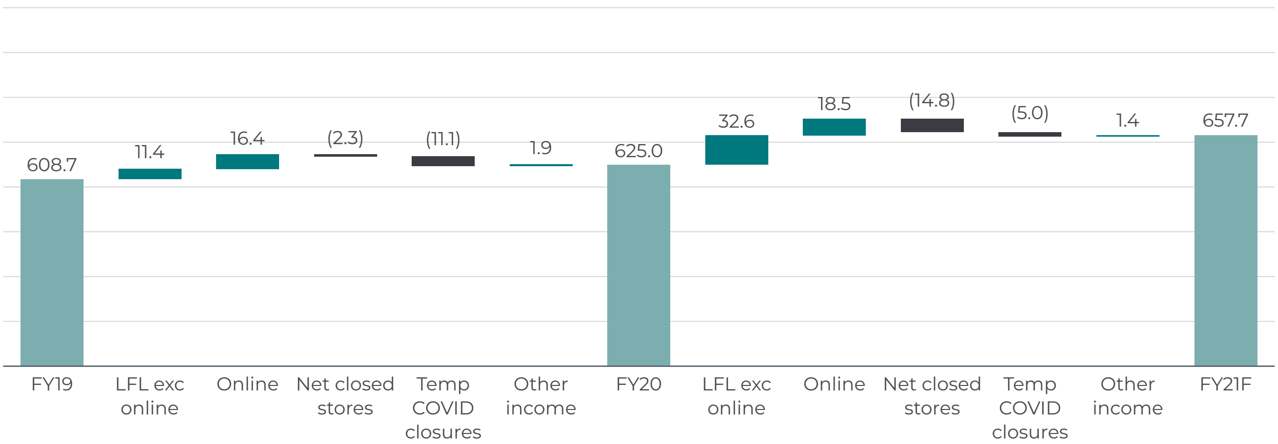


Revenue is generated by BLG through the retail sale of apparel products via BLG's omnichannel network of physical stores and online websites trading as Best & Less in Australia and Postie in New Zealand.

The key drivers of revenue for BLG are:

- Number of physical stores;
- Revenue per physical store, for which performance is measured by LFL revenue growth; and
- Online revenue, which includes Click & Collect revenue.

Figure 31: Total revenue movements ($ millions) – FY19 to FY21F



In FY20, revenue increased from $608.7 million to $625.0 million, representing an increase of 2.7%. This was driven by:

- $11.4 million of revenue growth (2.1% growth) was derived from the LFL store portfolio through a 1% improvement in ASP coupled with an improvement in UPT;
- $16.4 million of online revenue growth (56.8% growth) driven by broader industry trends, driven by consumer behaviour and technology. In FY20 website traffic increased by 60%[60] while maintaining conversion rates;
- $2.3 million net revenue reduction from the loss of revenue from 10 closed stores in FY20, and including the full year impact of stores closed in FY19, offset by the revenue contribution from four new stores in FY20 and the full year effect of the six stores opened in FY19. As part of the business transformation, BLG undertook a store network rationalisation program of exiting underperforming stores;
- $11.1 million of net revenue reduction due to temporary COVID-19 related store closures. In FY20, the Company had to close all of its stores in New Zealand for 50 days and its New Zealand online sales platform for 11 days (and it was also only allowed to sell essential products, such as winter apparel and sleepwear, when it reopened for the remaining period of the lockdown) due to the government mandated lockdown in New Zealand. No stores were closed in Australia during FY20 due to COVID-19 related reasons, although foot traffic was down by 52.5% over the six-week period between 16 March 2020 and 26 April 2020 and 19.5% for the 15-week period from 16 March 2020 to 28 June 2020 compared to the prior corresponding periods; and
- $1.9 million from other income.

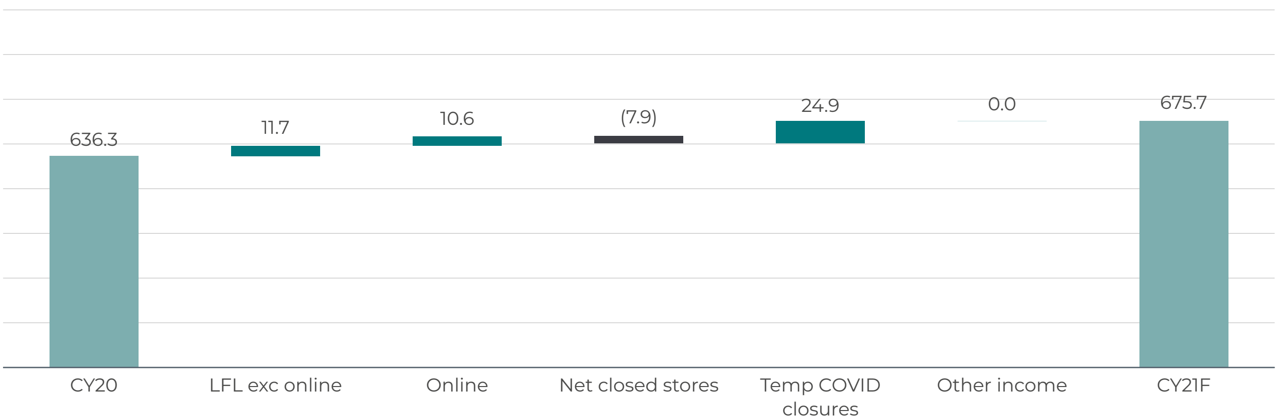
In FY21F, revenue is forecast to increase from $625.0 million to $657.7 million, representing an increase of 5.2%. This is expected to be driven by:

- $32.6 million of revenue growth (6.2% growth) from the LFL store portfolio, largely driven by an expected ASP increase of 7% due to an improvement in product mix;
- $18.5 million from online revenue growth (40.9% growth) from the ongoing broader industry shift to online and several targeted marketing approaches being implemented, including search engine optimisation, paid social media marketing, organic social media presence and direct marketing through the active customer loyalty database. Furthermore, Best & Less launched Click & Collect and ship-from-store. In FY21F BLG online traffic (online store website visits) is forecast to increase by 23% and conversion rates are expected to increase from 2.33% to 2.74%;

60. Measured by total website sessions.

- $14.8 million net revenue reduction from the loss of revenue from six closed stores in FY21F, and including the full year impact of stores closed in FY20 (reflecting a continuation of the store rationalisation program), offset by the revenue contribution from one new store in FY21F and the full year effect of the four stores opened in FY20. The revenue reduction reflects the store network rationalisation program, building a stronger foundation from which BLG can expand;
  - $5.0 million of net revenue reduction due to temporary COVID-19 related store closures. In FY21F certain BLG stores were directed to close by the relevant state or national government due to COVID-19 restrictions. In New Zealand, 15 Auckland stores were closed for 19 days in August 2020. In Australia, 21 Melbourne stores were closed for 83 days between August and October 2020. This was offset by the impact of the temporarily closed New Zealand stores in FY20 being reopened in FY21F. In addition, there were further temporary COVID-19 related closures within the forecast period. These include the 36 Victorian stores closed for five days in February 2021, 16 Perth stores closed for five days in February 2021 and 15 Auckland stores that were closed for seven days in March 2021. Revenues losses from these additional temporary COVID-19 related closures have been more than offset by increases in LFL trading or rebounds experienced following the closure period (refer to trading update in Section 4.7.2); and
- $1.4 million from other income from the increase in online delivery income.

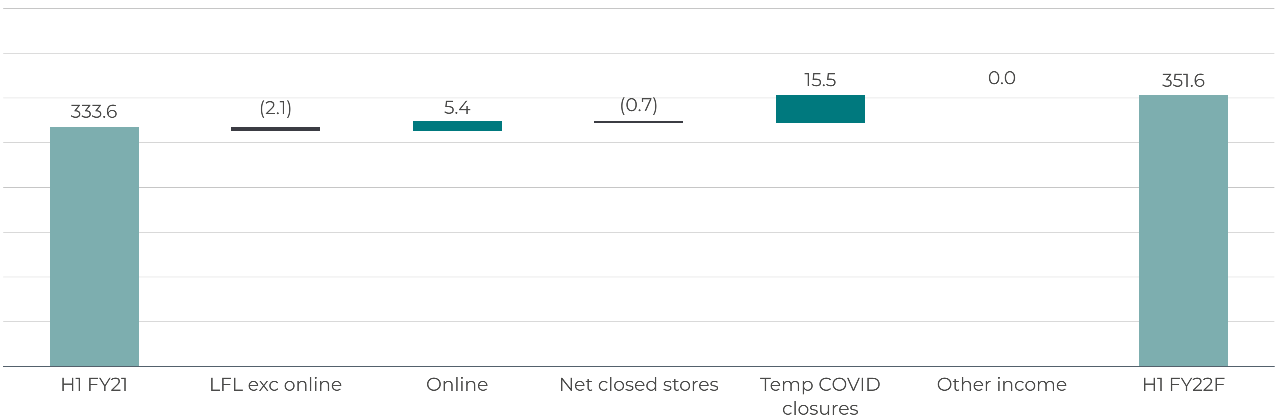
Figure 32: Total revenue movements ($ millions) – CY20 to CY21F



In CY21F, revenue is forecast to increase from $636.3 million to $675.7 million, representing an increase of 6.2%. This is expected to be driven by:

- $11.7 million of revenue growth (2.2% growth) from the LFL store portfolio, largely driven by actual and expected growth in ASP. Foot traffic (defined as number of customers entering stores, which is measured by traffic counters installed at stores) is expected to return to close to pre-COVID-19 levels by the end of the year;
- $10.6 million of online revenue growth (18.2% growth) due to increased traffic from heightened digital marketing spend, ongoing improvements in the customer online experience, and the introduction of Click & Collect and ship-from-store. The expected level of growth is less than the run-rate over the last 12 months, as Management believes the rate of growth in online revenue for some months of CY20 was unusually high due to a temporary customer shift to online shopping during COVID-19 related lockdowns;
- $7.9 million net revenue reduction from the loss of revenue from four closed stores and the full year impact of stores closed in CY20, partially offset by the four new stores in CY21F and the full year effect of the two stores opened in CY20; and
- $24.9 million revenue growth from the contribution of stores being open in CY21F that were closed in CY20 due to COVID-19 related shutdowns, offset by some of the temporary COVID-19 related store closures outlined above that also relate to CY21F.

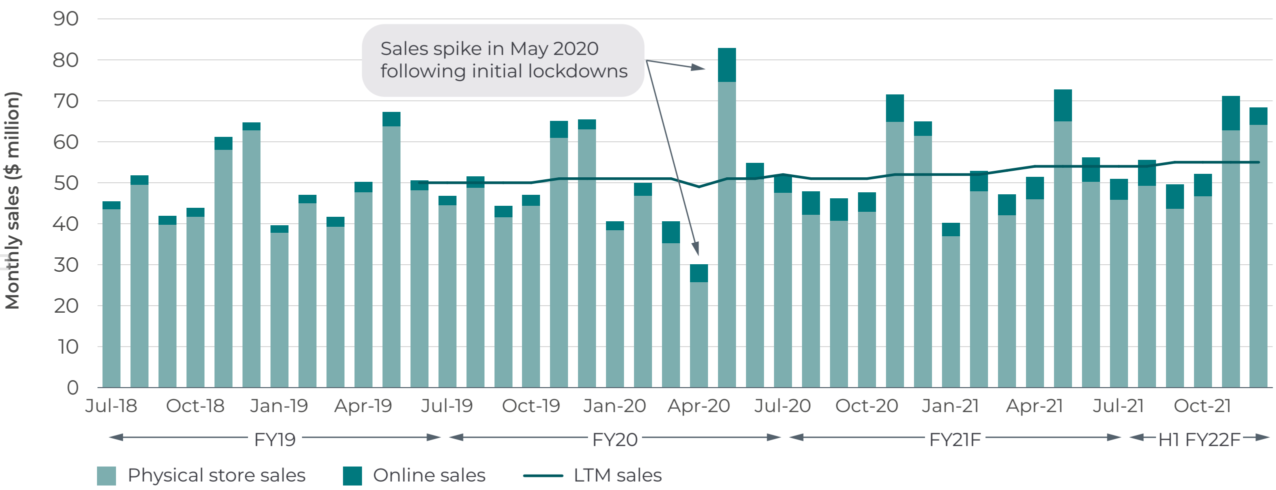
Figure 33: Total revenue movements ($ millions) – H1 FY21 to H1 FY22F



Compared to H1 FY21, revenue in H1 FY22F is forecast to increase from $333.6 million to $351.6 million, representing an increase of 5.4%. This is expected to be driven primarily by 21 Victorian stores that were closed during H1 FY21 being open in H1 FY22F, a forecast 17.5% growth in online and forecast 0.7% LFL decrease in sales in stores that were not subject to closure. The H1 FY22F forecast assumes the Victorian stores that were closed during H1 FY21 will trade at H1 FY20 levels.

4.7.3.2 Total revenue[61] by month

Figure 34: BLG total revenue by month ($ millions) – FY19 to CY21F



BLG's monthly revenue growth has been driven by the growth in online sales, with LFL store revenue growth offset by store closures and COVID-19 related shutdowns. The forecast assumes a normal seasonal profile, with key sales periods of Easter, Mother's Day, Black Friday and Christmas (see Section 4.7.5 for further information on sales seasonality).

A sales spike was experienced in May 2020 following the initial lockdowns in Australia and New Zealand. For further information on trading during the COVID-19 period (see Section 4.7.4).

61. Physical store and online sales only, excludes delivery income and other income.

Figure 35: Best & Less total revenue by month ($ millions) – FY19 to CY21F

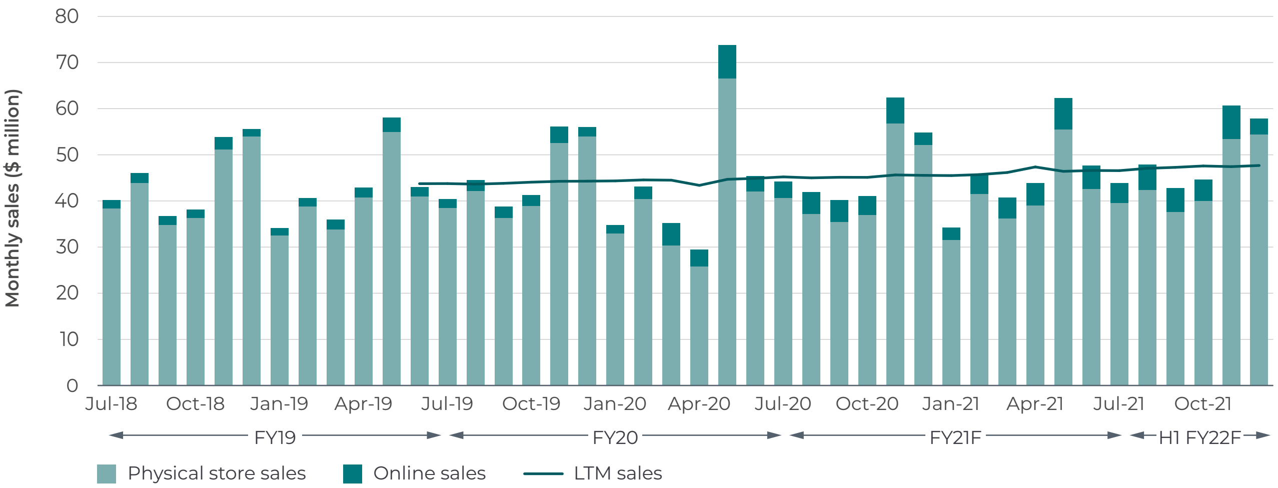
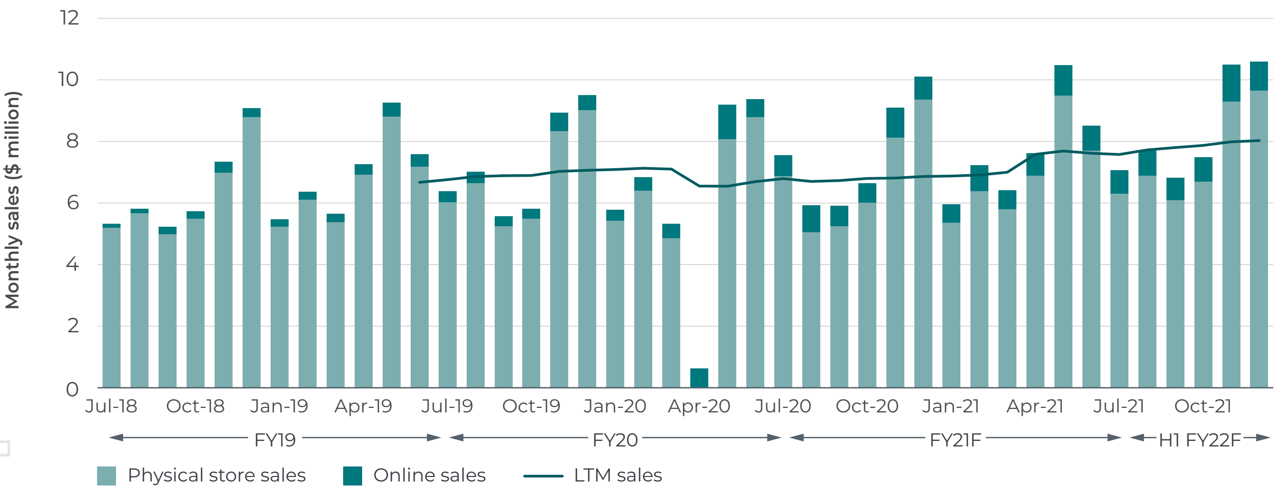


Figure 36: Postie total revenue by month ($ millions) – FY19 to CY21F



4.7.3.3 Store portfolio

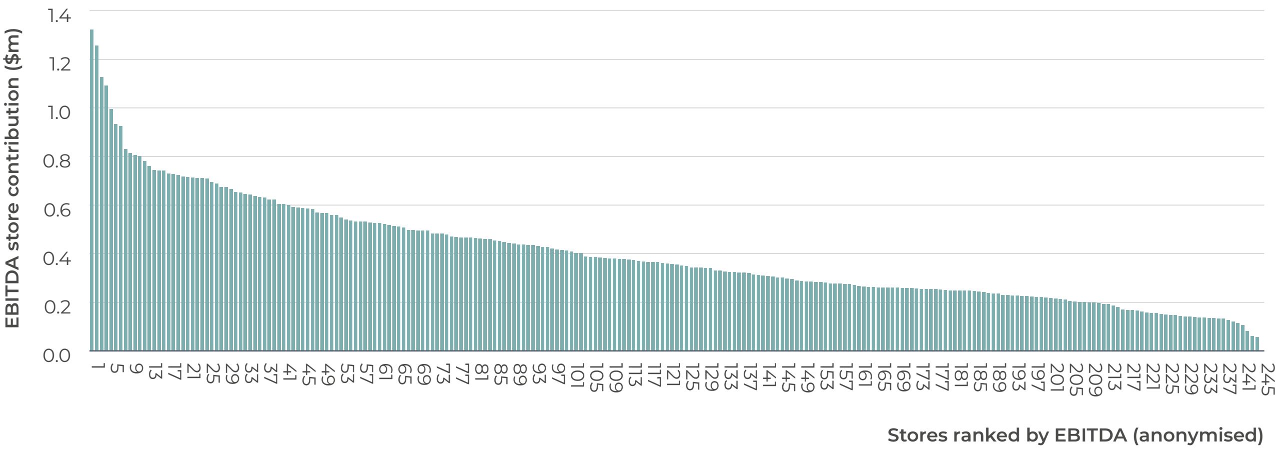
TOTAL STORES (EXCLUDES ONLINE)	FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
Stores at start of period	258	256	250	254	245	250	245
New stores opened	6	4	1	2	4	–	3
Stores closed	(8)	(10)	(6)	(11)	(4)	(5)	(3)
Stores at end of period	**256**	**250**	**245**	**245**	**245**	**245**	**245**
Net openings/(closures)	(2)	(6)	(5)	(9)	–	(5)	–

The number of BLG stores has reduced from 258 at the start of FY19 to 245 at the end of CY20. During this period, BLG opened 10 new stores and closed 23 stores, resulting in a net decrease in the store portfolio of 13 over the period. These openings and closings reflect the store optimisation program under which unprofitable stores were closed due to underperformance arising from changing demographics, better locations becoming available or lower than expected foot traffic.

As at 28 March 2021, BLG had 246 stores. One additional store is expected to close by the end of FY21F.

All stores in BLG's current network are profitable[62] and the business is well placed to benefit from the opening of new stores as a key growth driver of BLG's omnichannel strategy.

Figure 37: BLG EBITDA store contribution[63] by store ($ millions) – CY20



BLG plans to open a further three additional stores by the end of CY21F. Management constantly assesses new store opportunities and new stores will be opened where forecast performance exceeds a clear set of financial hurdles. Management believes the capital cost of any additional store openings will be met via existing cash flows.

4.7.3.4 Like for like (LFL) revenue growth

LFL revenue growth or decline is an important measure of revenue performance used by BLG. It is calculated as a percentage change of the total aggregated revenue generated from stores (including the online stores) in a relevant period, compared to the total aggregated revenue from the same set of stores in the relevant previous corresponding period. A store is generally included in BLG's LFL revenue calculation after it has been trading for a minimum period of 12 months. Unless stated otherwise, BLG includes the revenue of its online channel in its LFL revenue calculation.

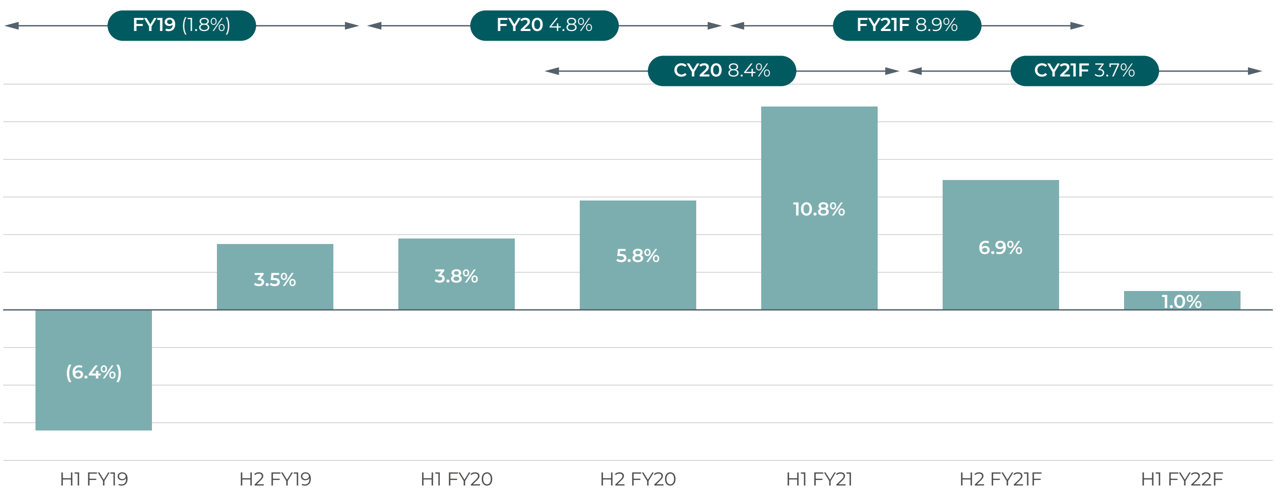
Where a particular store is subject to short-term closure in order to facilitate a refurbishment (or a COVID-19 related closure), the revenue from this store is excluded for the period of closure in both the period of the store closure and the comparative prior period. LFL revenue growth is typically expressed as a percentage, representing the change (growth or decline) versus the previous corresponding period. LFL revenue is also commonly referred to as comparable store sales and same-store sales.

Figure 38 illustrates the actual and forecast semi-annual LFL revenue growth rates achieved by BLG in between the start of FY19 and end of CY21F, as well as the forecast revenue growth in CY21F.

62. For CY20. Excluding 11 stores closed in CY20 and a single Melbourne store which was adversely impacted by the Victorian lockdown and which, following a new 34% rent reduction, is forecast to be profitable in 2021.

63. EBITDA store contribution and excludes wages subsidy. All stores profitable except the single Melbourne store which was adversely impacted by the Victorian lockdown and which, following a new 34% rent reduction, is forecast to be profitable in 2021.

Figure 38: LFL revenue growth between FY19 and CY21F



LFL revenue growth was negative 6.4% in H1 FY19 due to a reduction in ASP as BLG cleared excess inventory accumulated under previous ownership, which was overrepresented in entry level price products.

Since then, BLG has achieved consecutive half yearly LFL revenue growth. There are several key factors driving BLG's historic and forecast positive LFL revenue growth, including:

- **Market growth:** between FY19 and FY24F, the Australian and New Zealand Clothing and Footwear Market is estimated to grow at an annual growth rate of 3.9%.[64] Furthermore, BLG operates in the value segment of the market and derives ~50% of revenue from baby and kids' apparel, both segments which are expected to grow faster than the broader Australian and New Zealand Clothing and Footwear Market between FY21F and FY24F (see Section 2.6);
- **Increased market share in key categories:** BLG believes that it has a compelling customer value proposition aimed at *twice the quality at half the price*, targeting baby and kids' clothing which creates a halo effect to other categories, utilising an omnichannel sales network and understanding the needs of mums clothing their children (see Section 3.7);
- **Growth in online revenue:** revenue from the online channel has been increasing, which was accelerated through CY20 due to temporary store closures and national and state lockdowns. This trend is expected to continue (see Section 3.12.4);
- **Higher quality stock:** following the inventory management in H1 FY19, the quality of BLG's stock was improved. This resulted in better average sale prices due to lower sales of entry level price products and reduced markdowns due to improved inventory management; and
- **Increasing ASP and UPT:** Management is focused on increasing ASP and UPT through a better mix of price points and better quality of offerings, combining to increase average transaction value.

In FY20, LFL revenue growth of 4.8% was achieved, due to:

- Growth in online revenue;
- Increased ASP due to a higher value product mix;
- Benefits from pricing improvement initiatives; and
- Reduced markdowns due to improved inventory management.

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

In FY21F, the LFL revenue growth of 8.9% is driven by:

- Continued growth in online revenue;
- Increased sales in babywear (baby basics and newborn) and womenswear (underwear, sleepwear and outerwear);
- Higher in-store conversion rates;
- Stronger campaign performance around key events;
- A higher quality opening stock position in H2 FY21F; and
- Full year benefits of the higher value product mix initiative, benefits from pricing improvement initiatives and inventory management.

In CY21F, the LFL revenue growth of 3.7% is driven by:

- Continued momentum from FY21F LFL revenue growth into H1 FY22F;
- Key campaigns around Easter and Mother's Day;
- Growth in the broader ANZ Clothing and Footwear Market, particularly in the value segment and baby and kids' apparel (see Section 2.6);
- Benefits from the launch of new marketing initiatives;
- Continued growth in online revenue, driven by key initiatives (e.g. launch Click & Collect, ship-from-store and improved targeted marketing);
- Ongoing performance improvements in key categories such as babywear and kidswear; and
- "Halo effect" (as described in Section 3.2) driving increased sales in womenswear.

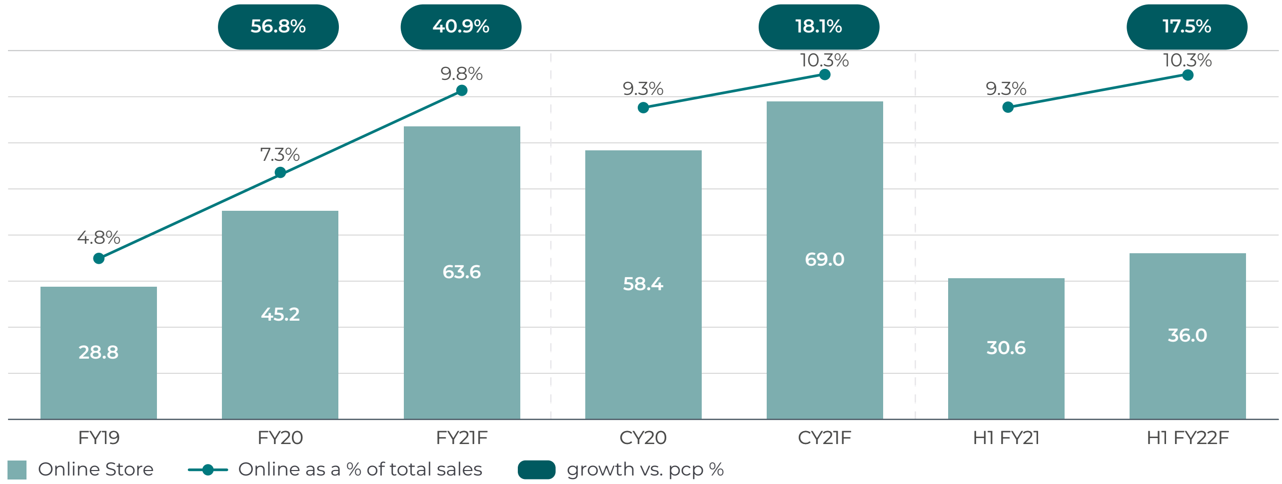
The revenue assumptions underlying the LFL revenue growth of 1.0% for H1 FY22F are:

- Online revenue growth of 17.5% (at a lower rate than the prior corresponding period);
- Growth off high base from strong H1 FY21 performance;
- Improved foot traffic in stores and retention of customers acquired during FY21F; and
- Continued optimisation of ASP and UPT from the "halo effect", as babywear and kidswear drives increased sales in womenswear.

4.7.3.5 Online revenue growth

Online revenue has been a significant contributor to revenue growth, having increased from 4.8% of total revenue in FY19 to 9.3% in CY20 and is forecast to further increase to 10.3% in CY21F. Online revenue as a percentage of total revenue is similar for Best & Less and Postie.

Figure 39: Online revenue ($ million) and online revenue as a percentage of total revenue[65]



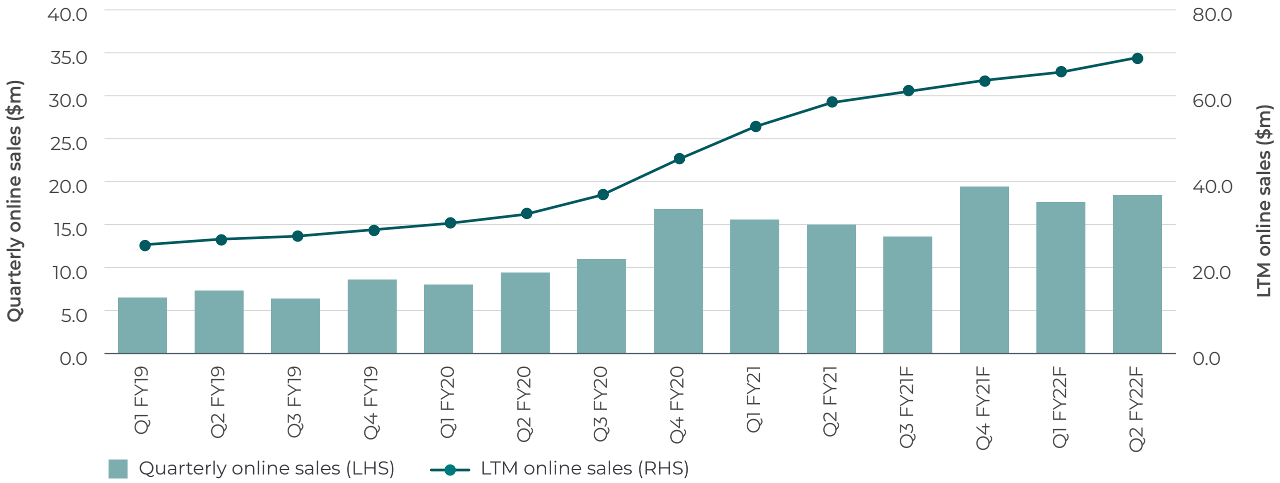
BLG has an omnichannel offering which allows customers to conveniently shop for products in BLG stores or online. BLG has invested heavily in its omnichannel platform in recent years and now derives a significant and growing proportion of its revenue from its online channels. BLG's online operations are profitable at the EBITDA level (excluding JobKeeper).

Key initiatives which have driven growth in online revenue include:

- **Ongoing investment in e-commerce platforms and capabilities:** Best & Less has invested in a scalable online SAP Hybris platform which provides scalability and reliability. Postie online uses the Blackpepper online platform, which is fully integrated with its Ontempo core retail system;
- **Employing a range of advertising and marketing approaches:** BLG has established an online presence through both its online store and social media platforms. The Company's marketing strategy includes search engine optimisation, paid social marketing, paid influencer marketing, electronic direct mail marketing through its 1.5 million active customer database, and organic social media presence. Best & Less also maintains a dedicated in-house digital photo studio, allowing for higher quality imagery on its website;
- **Launching Click & Collect in Best & Less:** Click & Collect was launched in December 2020 for Best & Less and comprised 26% of Best & Less's delivered online sales for the 10 weeks to 14 March 2021;
- **Launching ship-from-store in Best & Less:** Ship-from-store was launched in October 2020, allowing online customers to access the complete range of products located in the physical store network and allow more rapid and cost-effective means of delivery in certain situations; and
- **Wide product range:** BLG provides an expansive range of apparel for all ages and genders, with ~19,500 items available online.

65. Physical store and online sales only, excludes delivery income and other income.

Figure 40: Quarterly online revenue ($ millions) – Q1 FY19 to Q2 FY22F



The growth in online revenue was further accelerated by the introduction of COVID-19 restrictions and some temporary closures of physical stores.

Social distancing and store closures have encouraged more customers to shop online, with online revenue expected to reach $69 million in CY21F (representing 10.3% of CY21F revenue). Some of this growth is attributable to "channel shifting" where shoppers moved from stores to online when physical stores were closed in April 2020 (in New Zealand) and short closures due to localised flare-ups of COVID-19 in parts of Australia and New Zealand. Online revenue has continued to grow since physical stores reopened across New Zealand in May 2020 at the end of the initial COVID-19 lockdown period. Management believes the increased online penetration will continue in the future.

BLG plans to continue the integration of online and in-store experience to deliver a positive omnichannel customer experience.

Figure 41: BLG key online metrics – FY19 to FY21F

	FY19	FY20	FY21F
Online website visits ('000s)	20,251	32,398	39,755
Online conversion (%)	2.32%	2.33%	2.74%
Online ATV ($)	$61.43	$59.98	$58.18

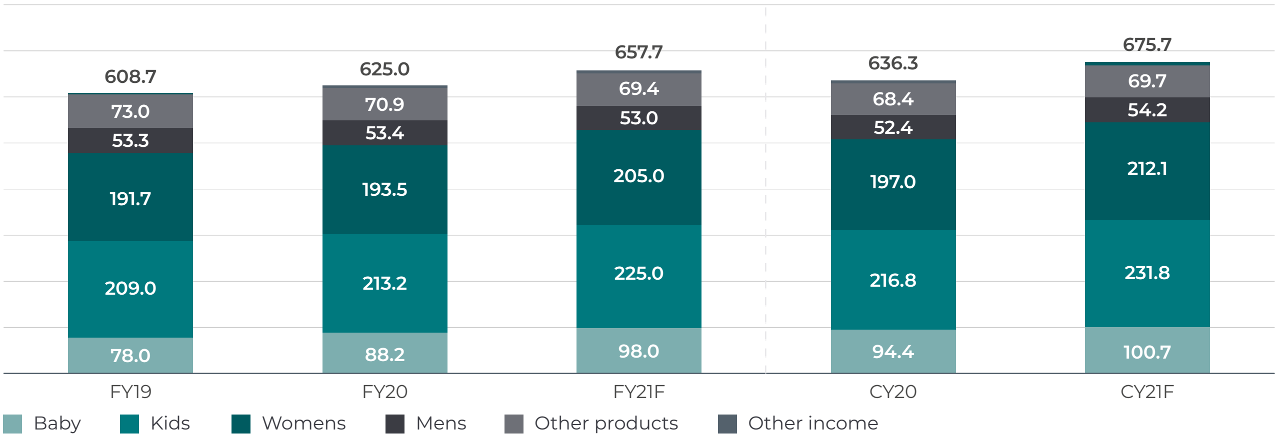
In FY20, BLG website sessions grew by 60%, reflecting the investment made in additional capacity and digital media investment prior to COVID-19, allowing BLG to take advantage of the shift to online during the peak of COVID-19. Traffic has continued to grow by 23% in FY21F.

Online conversion rate has increased by 0.42 ppt between FY19 and FY21F, driven by online journey refinements and better stock availability, enabling the business to capitalise on higher levels of traffic to its online websites.

The online ATV has remained at ~$60, with the slight decline partially attributed to the launch of Click & Collect in Australia, which carries a reduced freight and handling charge, reducing the average transaction values.

4.7.3.6 Revenue by product category

Figure 42: BLG revenue by product category ($ millions) – FY19 to CY21F



BLG's revenue by product category reflects its growth and strength in babywear. This highly attractive product category acquires customers that create the opportunity to build on BLG's strength into the bigger kidswear segment and leveraging this unique access to our customer to grow the womenswear segment.

Babywear has grown from $78.0 million in FY19 to $94.4 million in CY20 and is forecast to grow to $100.7 million in CY21F. This represents an increase in babywear's contribution to total revenue from 12.8% in FY19, growing to 14.8% in CY20 and forecast to grow to 14.9% in CY21F. Key drivers in the growth in babywear have been building a business that provides a good, everyday basic offering that also provides a fashionable and desirable product, ensuring that BLG drives attraction through the delivery of value to its customers. This coupled with the optimisation of BLG's "good, better, best" pricing hierarchy strategy has delivered a 12% CAGR for the period from FY19 to FY21F.

Kidswear has increased from $209.0 million in FY19 to $216.8 million in CY20 and is forecast to grow to $231.8 million in CY21F. The growth in kidswear is being achieved through the retention of babywear customers as babies grow and the acquisition of new customers through the improving attractiveness of the product as the babywear product range has been refined to provide good, everyday basics while also providing more stylish and fashionable products.

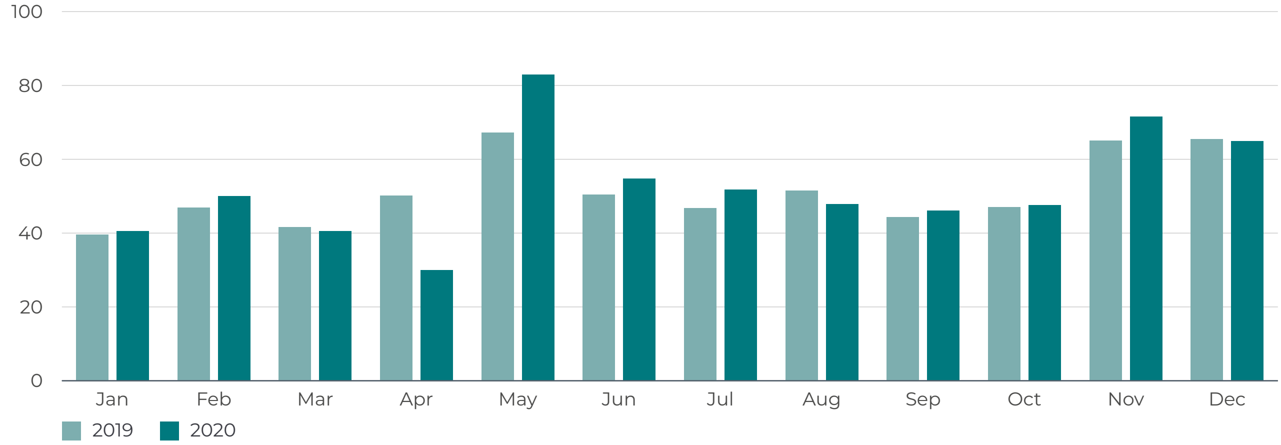
Womenswear has increased from $191.7 million in FY19 to $197.0 million in CY20 and is forecast to grow to $212.1 million in CY21F. Improving the womenswear offering has and continues to be an important focus for BLG. In FY19, BLG was focused on clearing historical excess inventory due to an overweight introduction of volume basics with BLG's change to an Every Day Low Pricing (**EDLP**) strategy, which included significant markdowns on its womenswear ranges. In CY20, revenue increased as new ranges were introduced, excess inventory had been cleared and a new womenswear team in Best & Less implemented a repositioning of its womenswear offering, including changes to styling and fit, improvements in trend forecasting and its sourcing capability. These have been reflected in increases to the womenswear product mix, average selling price, sell-through and revenue. BLG continues to improve its womenswear range and new marketing will communicate the convenience, quality and stylishness to its target customers.

Menswear revenue has reduced from $53.3 million in FY19 to $52.4 million in CY20 and is forecast to grow to $54.2 million in CY21F. Sales of menswear are expected to be maintained at this level.

Sales of other products have reduced as BLG focuses on its core sales of apparel for the family.

4.7.4 COVID-19 retail market environment

Figure 43: Total BLG monthly revenue[66] ($ millions) – CY19 vs. CY20



BLG achieved total revenue growth of 4.7% in the first nine weeks of CY20. Across this nine-week period, all regions in Australia and New Zealand experienced positive LFL revenue. The impacts of COVID-19 on BLG started to appear in mid-March 2020. Despite the significant decline in foot traffic in stores and physical store revenue, Best & Less stores were able to remain open with the support of the Australian Federal Government's JobKeeper program.

The impact of COVID-19 on BLG's revenue was most significant during the six weeks from 16 March 2020 to 27 April 2020, during which time Group revenue reduced by $24.4 million (34%) compared to the prior corresponding period.

April revenue was $20 million (40%) lower than the prior year. However, as social distancing restrictions and community concerns progressively eased through May, the reduction in April revenue was partially offset by May revenue being $15.6 million (23.2%) higher than the prior year.

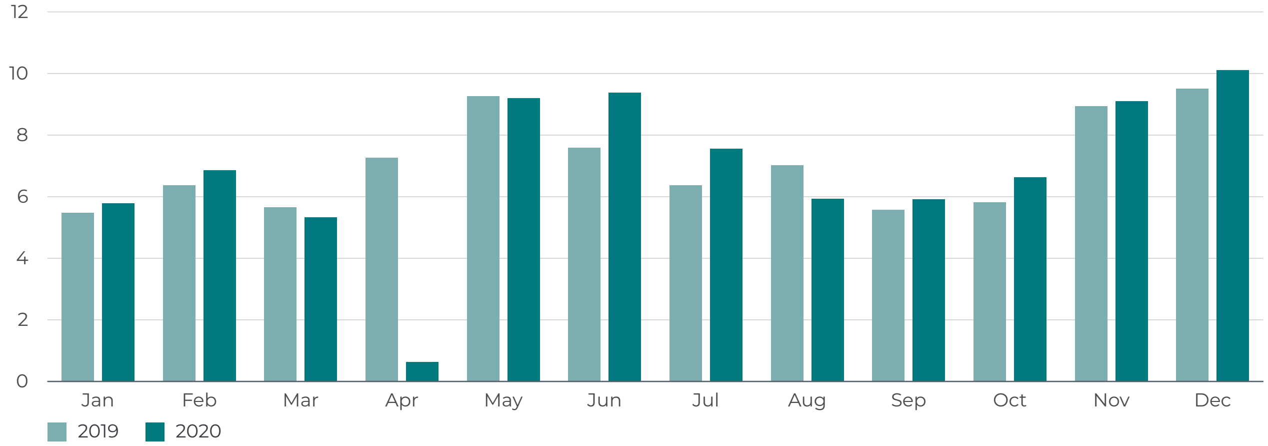
Management considers a significant portion of BLG's product offering is non-discretionary, as parents need to frequently buy apparel to clothe their children as they grow. Management believes this anchors BLG's positioning as a defensive value retailer.

Management believes that the wider retail sector has been supported to an extent from increased spending due to re-allocation of household spend away from spending on travel and hospitality and events due to COVID-19 restrictions. However, it should be noted that BLG's revenues were growing before March 2020 and the apparel market has observed less of a spike in sales when compared against other product categories such as furniture and electronics.[67]

Additionally, suburban and regional stores have generally outperformed stores in CBD and tourist catchment areas, with many customers choosing to shop closer to home. BLG's network of stores is concentrated in regional, country and suburban areas, which has meant BLG has been a beneficiary of this trend.

66. Physical store and online sales only, excludes delivery income and other income.
67. ABS Retail Trade for the period of CY20 compared to CY19. Comparing clothing retailing, which declined 6.7% against furniture, floor coverings, houseware and textile goods retailing, which was up 14.2% and electrical and electronic goods retailing, which was up 17.3%.

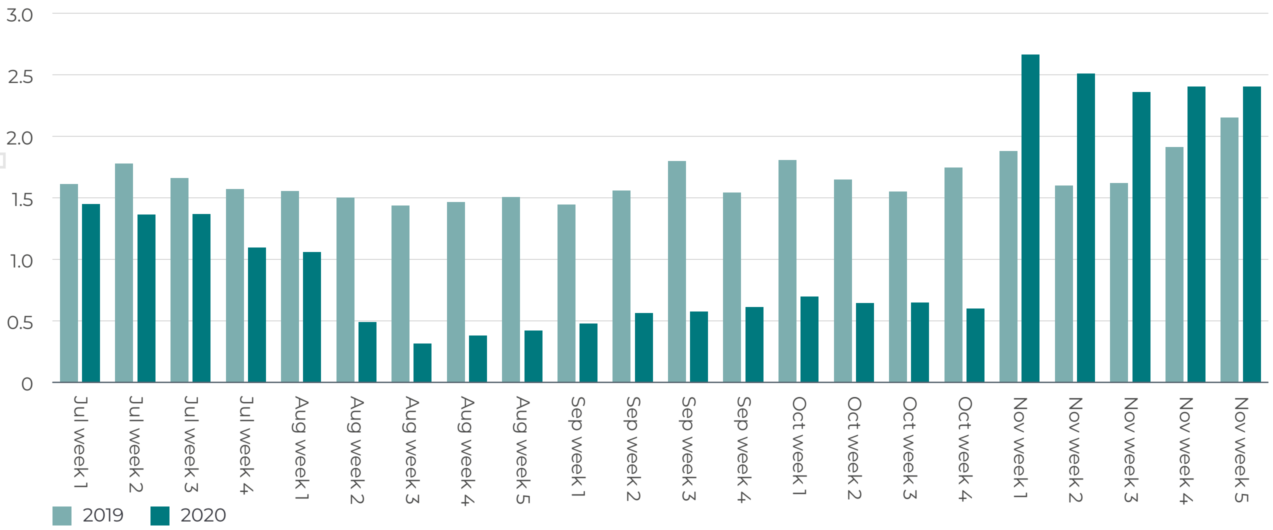
Figure 44: Total Postie monthly revenue[68] ($ millions) – CY19 vs. CY20



In New Zealand, the government mandated a lockdown of all stores for six weeks beginning in April through to 8 May 2020. All Postie stores remained closed during this period and online stores were closed for 11 days (and Postie was also only allowed to sell essential products, such as winter apparel and sleepwear, when it reopened for the remaining period of the lockdown). Although sales rebounded when the economy reopened, Postie revenue remained $4.9 million (20.3%) lower over the period between April 2020 and June 2020 compared to the prior corresponding period.

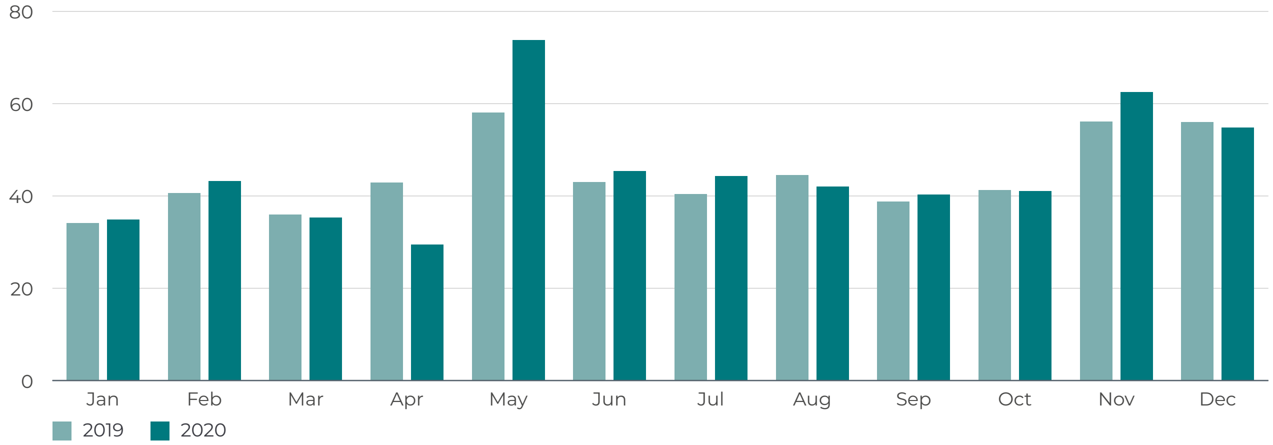
A second wave of COVID-19 related lockdowns in Victoria resulted in the closure of 21 Melbourne stores as stage four restrictions were introduced in August, resulting in these stores being closed for 12 weeks from 6 August 2020 to 27 October 2020.

Figure 45: Weekly store revenue in Victoria ($ million) – July to November 2020 vs. prior comparative period (excludes permanently closed stores)



68. Physical store and online sales only, excludes delivery income and other income.

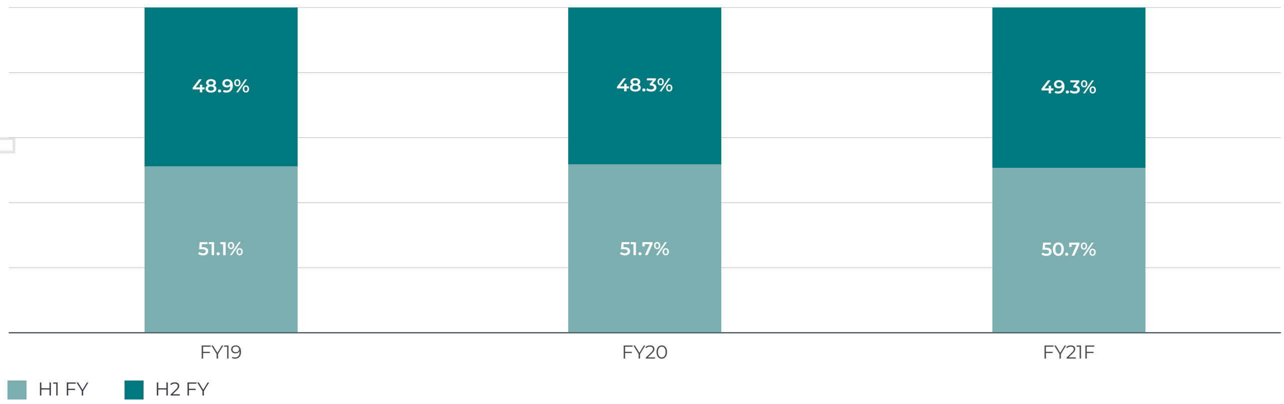
Figure 46: Total Best & Less monthly revenue[69] ($ millions) – CY19 vs. CY20



BLG's established omnichannel offering allowed it to continue to serve its customers in a COVID-19 safe manner during this period. For example, Best & Less rapidly expanded and pivoted its online offering by accelerating the rollout of its ship-from-store solution, which increased the level of online stock availability[70] and its fulfilment capacity.[71] The decline in store foot traffic was partially offset by an increase in website visitors.[72] Physical store foot traffic rebounded strongly in May and June following the easing of restrictions in most states. Although foot traffic has not fully recovered to pre-COVID-19 levels, online metrics have continued to improve with website visits[73] and conversion rates[74] continuing to grow. This has been driven by improvements in our digital marketing strategy, advances in the online customer journey and a faster Click & Collect service.

4.7.5 Sales seasonality

Figure 47: Revenue[75] contribution (H1 vs. H2) – FY19 to FY21F



69. Physical store and online sales only, excludes delivery income and other income.
70. In week 37, there were 13 hub stores fulfilling online orders. These 13 stores had a combined SOH total of 1,597,381 units. The OFC had an SOH total of 786,126. The total SOH of 2,383,507 units was +203% greater as a result of the ship-from-store model.
71. In week 37, the 13 hub stores fulfilled 23.5% of online orders.
72. Online traffic versus the prior corresponding period increased, up 60% and 94% respectively in Jan-Feb 2020 and Mar-Apr 2020 versus the prior corresponding periods. Based on website sessions from Google Analytics.
73. Traffic growth from 1 Jan to 18 Mar 2021 is up 25% versus the prior corresponding period. Based on website sessions from Google Analytics.
74. Conversion growth from 1 Jan to 18 March 2021 is up 22% versus the prior corresponding period. Based on e-commerce conversion rate from Google Analytics.
75. Physical store and online sales only, excludes delivery income and other income.

Historically, BLG has not experienced material sales seasonality between H1 (July to December) and H2 (January to June). H1 includes the key trading periods of Black Friday and Christmas, while H2 includes Easter and Mother's Day, as well as the sale of higher value winter apparel.

4.7.6 Gross profit

Cost of sales is deducted from revenue to arrive at gross profit. Cost of sales comprises the actual cost associated with acquiring goods from suppliers. Cost includes the purchase price of locally (FIS[76]) purchased goods and the cost of FOB[77] (imported goods) purchases which includes the costs of importation (freight, duty and clearance charges) and the actual FX rate at the time the inventory was paid for. Inventory cost also includes the cost of getting goods to point of sale and allowance for the value of trade terms, discounts and other adjustments referrable to that inventory.

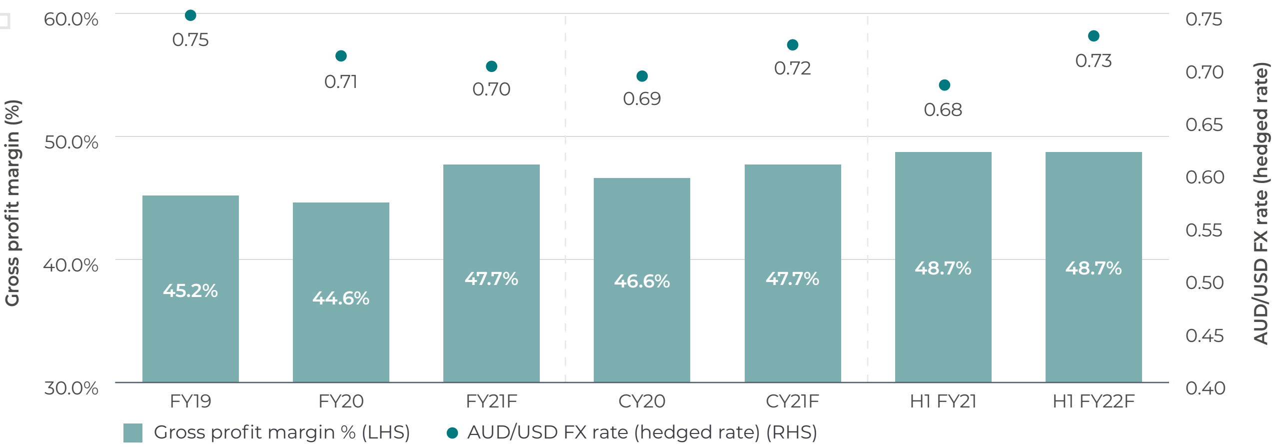
BLG's gross profit margins benefit from 86% of revenue in CY20 being derived from in-house products, which leverage BLG's design, sourcing and quality assurance capabilities, thus increasing BLG's gross margins.

70% of BLG's supplier product purchases are purchased in USD. In order to manage the impact of movements in the exchange rate on the cost of goods, BLG typically hedges up to 75% of the next nine months purchases (using forward exchange contracts) at least three months before the season starts (typically commencing in January and July each year and reaching 75% by March and September). This allows BLG to manage short-term impacts that volatility may cause and allows BLG an appropriate lead time to adjust pricing, if appropriate, in response to movements. Gains (or losses) from the BLG hedging policy are realised when inventory is sold.

Margins in the half year between July and December (H1 of financial year) are generally ~2% higher than margins in the half year between January and June (H2 of financial year) due to:

- H1 of the financial year traditionally includes a higher proportion of sales of higher margin fashion products ("better" and "best" products in BLG's price hierarchy);
- Due to the nature of winter, H2 of financial year sales includes a higher proportion of entry level products ("good" products in BLG's price hierarchy), such as fleece and leggings which are sold at higher volumes but attract lower gross margins; and
- H2 of the financial year includes two sale and clearance periods. These are the January sale period and winter clearance commencing in June.

Figure 48: Gross profit margin (% of revenue) and hedged AUD/USD FX rates – FY19 to CY21F



76. Free into Store.
77. Free on Board.

Between FY19 and CY21F, gross margin increased from 45.2% to 47.7%. The major drivers of this gross profit margin improvement included the following:

- **Pricing improvements:** when EDLP pricing was first introduced in 2017, retail prices were lowered and inventory mix was shifted towards the lower margin entry price products. Management believes this initial shift was overly focused on entry level products. From FY19, BLG has improved gross margins by improving the mix of price points and establishing a clear hierarchy of price points, increasing the sale of higher value and higher gross profit margin products;
- **Inventory management:** fundamental to BLG's gross profit margin improvement process is the management and clearance of aged and underperforming inventory. BLG reduced its aged inventory from 7.2% of total stock as at 29 December 2019 to 3.0% as at 27 December 2020. In addition, BLG has implemented a Clear As You Go (**CAYG**) policy where underperforming inventory is identified early in the season and marked down accordingly, which has reduced the need for deep end of season clearance markdowns;
- **Product mix:** gross profit margin varies across different product categories. BLG continued its strategy to drive increased revenue from strength in babywear and kidswear, extending this to increase penetration into the higher margin womenswear segment, thereby improving Group gross profit margins. Further, gross profit margin has improved as womenswear (including underwear) has returned to normal gross profit margin levels after the lower gross profit margins experienced in FY19 and FY20 due to the clearance of historical excess inventories;
- **Purchase related volume impacts:** BLG's cost of sales is impacted by several benefits and costs which relate to purchase volumes, including supplier trade terms and FOB landed costs estimates. Between FY19 and FY21F, these impacts improved gross profit margin, driven by a reduction of inventory and the volume of purchases;
- **FX rates:** BLG's gross profit margins are impacted by the FX rates on purchases. BLG has a hedging program in place to provide certainty and limit volatility. BLG's average AUD/USD purchase price was 0.69 in CY20 and is forecast to be 0.72 in CY21F;
- **Lower product cost:** BLG maximises gross profit margin outcomes through a best-cost sourcing strategy while maintaining the highest quality standards. In addition, BLG has implemented several initiatives that reduce product cost; and
- **Exit of Rewards in New Zealand:** in July 2020, Postie exited its rewards program. The rewards program previously provided price discounts via a points scheme, which had a material negative margin impact. The exit of the rewards program has resulted in a margin improvement in New Zealand. The rewards program has been replaced with a loyalty program, similar to the Best & Less Friends Club, which Management believes has had nil to minimal impact on sale volumes.

The FY19 gross profit margin was significantly impacted by BLG's clearance of historical excess inventory, reflected in a 3.3% increase in units sold but a 6.3% reduction in ASP. This was partially offset by the cheaper cost of goods sold as a result of the higher hedged AUD/USD FX rate.

In FY20, BLG's gross profit margin reduced to 44.6% from 45.2% in FY19, due to:

- Impacts from the clearance of historical overstocking;
- Lower inventory purchases; and
- Higher cost of goods arising from the depreciation of the hedged AUD/USD FX rate.

In FY21F, the gross profit margin is expected to increase to 47.7% from 44.6% in FY20, due to:

- Increased sale of higher margin categories such as womenswear (in particular, outerwear and underwear) as margins improve after the lower gross profit margin historical excess inventory was cleared;
- The appreciation of the hedged AUD/USD FX rate lowering the cost of goods;
- Higher quality inventory, reducing the need to markdown the retail price of inventory; and
- The resumption of normal inventory purchasing volumes.

In CY21F, the gross profit margin is expected to increase to 47.7% from 46.6% in CY20 due to continuing momentum from H2 FY21F and the lower cost of goods as a result of BLG's higher hedged AUD/USD FX rate.

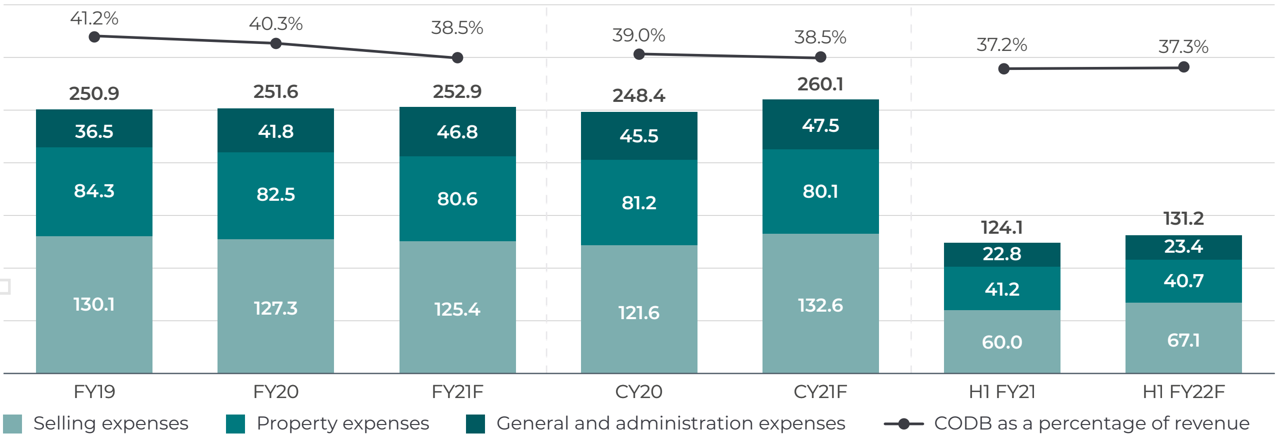
In H1 FY22F, the gross margin is expected to be maintained at 48.7%, in line with H1 FY21. This forecast is consistent with BLG's actual result for the prior corresponding period in H1 FY21 and partially recognises the lower cost of goods as a result of BLG's higher hedged AUD/USD FX and provides an allowance for the clearance of inventory should this be required.

4.7.7 Cost of doing business

Selling expenses	Selling expenses include store costs including store employment employee costs, marketing, online costs and other store costs.
Property expenses	Operating lease payments (under AASB 117) and other occupancy expenses.
General and administration expenses	IT costs, consulting, insurance and other expenses, including support centre employee costs.

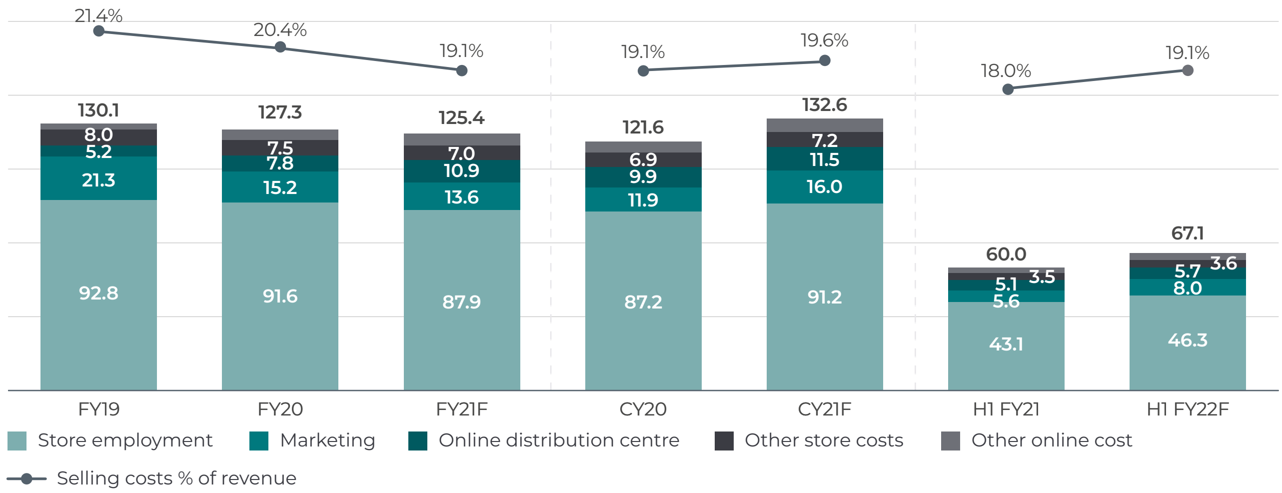
BLG's CODB as a percentage of revenue decreased from 41.2% in FY19 to 40.3% in FY20, reflecting revenue growth, lower selling expenses, lower occupancy costs and fixed cost leverage. This percentage is forecast to reduce further to 38.5% in FY21F and CY21F, reflecting further benefits from lower property costs as well as fixed cost leverage and CODB controls.

Figure 49: Cost of doing business ($ millions) – FY19 to CY21F



4.7.7.1 Selling expenses

Figure 50: Selling expenses ($ millions) – FY19 to CY21F



Selling expenses as a percentage of revenue decreased by 1.0 ppts from 21.4% in FY19 to 20.4% in FY20. This was driven by:

- $1.2 million reduction in store labour costs as a result of tighter roster management, reduced trading hours in Best & Less and store closures in New Zealand for six weeks during April and May 2020;
- $6.1 million reduction in marketing spend resulting from a movement away from the traditional TV and catalogue marketing towards more cost-effective digital media (see Section 3.11 for further information on marketing);
- Online distribution expenses increased by $2.6 million in line with increased online sales volumes;
- Other online costs increased due to additional investment in the online business; and
- Other store costs decreased $0.5 million as a result of ongoing cost control.

Selling expenses as a percentage of revenue are forecast to decrease to 19.1% in FY21F. This is driven by:

- A continued reduction ($3.7 million) of store employment costs, partially due to fewer stores open in FY21F compared to FY20, shutdowns in Victoria and a continuation of tighter roster management; and
- Marketing expenses reducing by $1.6 million in FY21F as the full effect of the transition to cost-effective digital media is being realised (see Section 3.11 for further information on marketing).

Selling expenses as a percentage of revenue are forecast to increase to 19.6% in CY21F. This is driven by:

- An increase in store employment expenses due to stores being open in CY21F that were closed due to COVID-19 related reasons in CY20;
- Marketing costs are forecast to increase by $4.1 million to support the forecast revenue growth with a focus on digital and targeted social media marketing; and
- Online distribution expenses are forecast to increase in line with volume increases.

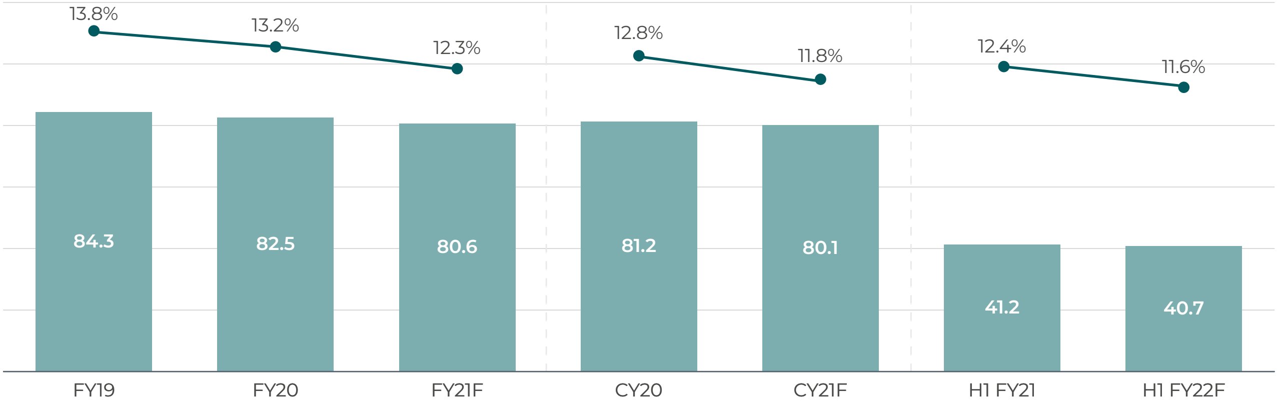
Selling expenses in H1 FY22F are expected to be $7.1 million higher than H1 FY21 primarily due to:

- Full period of open stores;
- An increase in the Superannuation Guarantee Levy; and
- A $2.4 million increase in marketing to support forecast revenue growth in H1 FY22F.

Management believes selling expenses as a percentage of revenue in CY21F is at a sustainable level.

4.7.7.2 Property expenses

Figure 51: Property expenses ($ millions) – FY19 to CY21F



Property expenses as a percentage of revenue decreased by 0.6% from 13.8% in FY19 to 13.2% in FY20. The $1.8 million reduction in property expenses was driven by:

- A reduction in store numbers;
- Impact of negotiated lower rent agreements; and
- Temporary COVID-19 relief abatements.

Property expenses as a percentage of revenue is forecast to decrease by 0.9% and 1.0% in FY21F and CY21F respectively. These reductions are driven by:

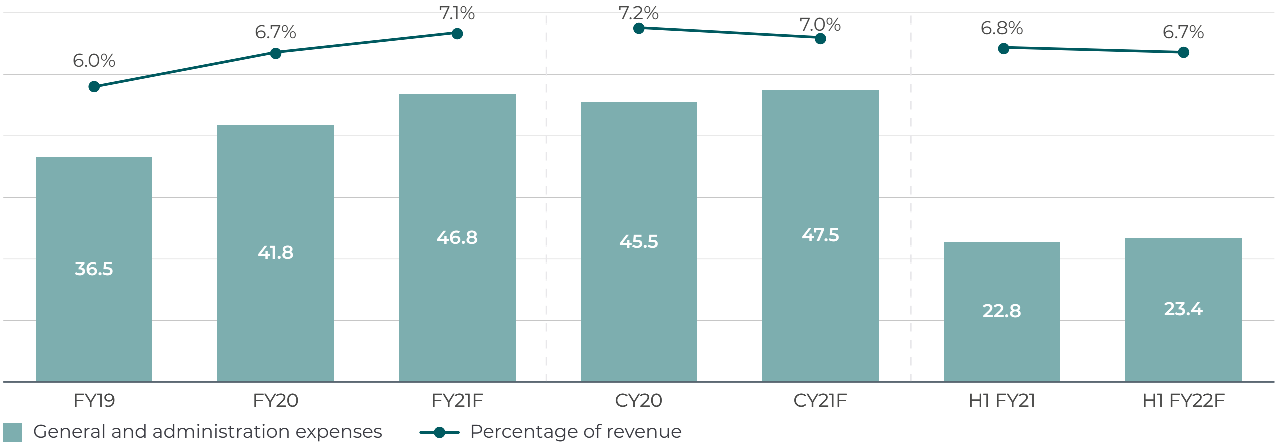
- Full year impact of lease renewals which averaged a ~15% reduction during CY20; and
- Reduction in store numbers.

The forecast period assumes a continuation of the improving rental outcomes for leases which are renewed in CY21F. CY21F does not assume any benefit from temporary rental abatements.

H1 FY22F is forecast at $0.5 million below H1 FY21 due to a reduction in store numbers and the impact of rental savings achieved through the lease renewal process.

4.7.7.3 General and administration expenses

Figure 52: General and administration expenses ($ millions) – FY19 to CY21F



In FY20, general and administration expenses increased by $5.3 million to $41.8 million from $36.5 million in FY19. This was driven by an increase in support office costs due to the restrictions on variable remuneration in FY19.

In FY21F, general and administration expenses increased by $5.0 million to $46.8 million from $41.8 million in FY20. This increase includes an assumption of full employment in the support centre during the forecast period.

In CY21F, general and administration expenses increased by $2.0 million to $47.5 million from $45.5 million in CY20. This was driven by the benefits of cost savings initiatives and lower support office costs.

In H1 FY22F, general and administration expenses increased by $0.6 million to $23.4 million from $22.8 million in H1 FY21. This was driven by the benefits of cost savings initiatives and lower support office costs.

4.7.7.4 Wage subsidies

Best & Less qualified for JobKeeper support payments for the June 2020 and September 2020 quarters. An $11.4 million adjustment has been made to BLG's FY20 Statutory Historical Results to remove the non-recurring benefit to FY20 earnings of the JobKeeper payment. The $11.4 million reflected the amount of wage subsidy received by BLG to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business that would otherwise have been incurred by the Company. The FY21F earnings also exclude a non-recurring benefit of $14.1 million which was received in H1 FY21. The pro forma employee expenses presented in Section 4.7.7.3 above also exclude this non-recurring benefit.

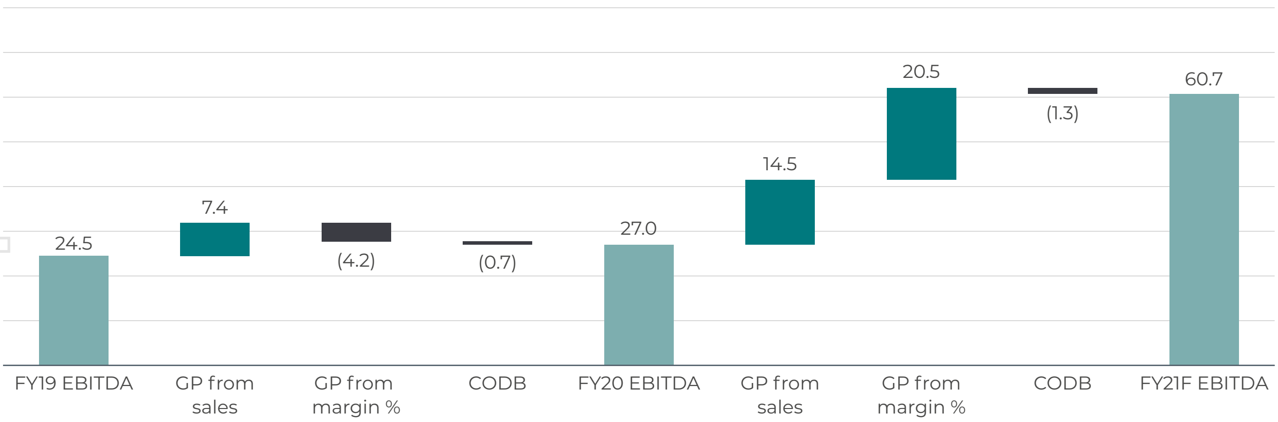
Postie qualified for the New Zealand Wage Subsidy for the June 2020 quarter only. A $1.4 million adjustment has been made to BLG's FY20 Statutory Historical Results to remove the non-recurring benefit to FY20 earnings of the Wage Subsidy. The $1.4 million reflected the amount of Wage Subsidy received by BLG to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business that would otherwise have been incurred by the Company.

In addition, BLG also received additional JobKeeper payment in relation to staff who were not working, or where the amounts received were greater than the amount earned by staff in relation to hours worked. BLG paid these JobKeeper payment amounts received through to staff. As a result, there was no net benefit to BLG's earnings from this portion of the total amount of the JobKeeper payment received and therefore no pro forma adjustment has been made to remove this component of the JobKeeper payment received ($8.5 million in FY20 and $8.6 million in FY21F) from BLG's earnings. BLG also received $1.0 million of similar payments from the Wage Subsidy in New Zealand. No pro forma adjustment was made to remove this component of the Wage Subsidy.

4.7.8 EBITDA and EBITDA margin

A$ MILLIONS	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
	FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
Revenue	608.7	625.0	657.7	636.3	675.7	333.6	351.6
Cost of sales	(333.3)	(346.4)	(344.0)	(340.1)	(353.2)	(171.1)	(180.2)
Gross profit	**275.4**	**278.6**	**313.6**	**296.2**	**322.5**	**162.5**	**171.4**
Selling costs	(130.1)	(127.3)	(125.4)	(121.6)	(132.6)	(60.0)	(67.1)
Property expenses	(84.3)	(82.5)	(80.6)	(81.2)	(80.1)	(41.2)	(40.7)
General & administration expenses	(36.5)	(41.8)	(46.8)	(45.5)	(47.5)	(22.8)	(23.4)
Total CODB	**(250.9)**	**(251.6)**	**(252.9)**	**(248.4)**	**(260.1)**	**(124.1)**	**(131.2)**
EBITDA	**24.5**	**27.0**	**60.7**	**47.8**	**62.4**	**38.4**	**40.2**
EBITDA margin	4.0%	4.3%	9.2%	7.5%	9.2%	11.5%	11.4%

Figure 53: Pro forma EBITDA movements ($ millions) – FY19 to FY21F

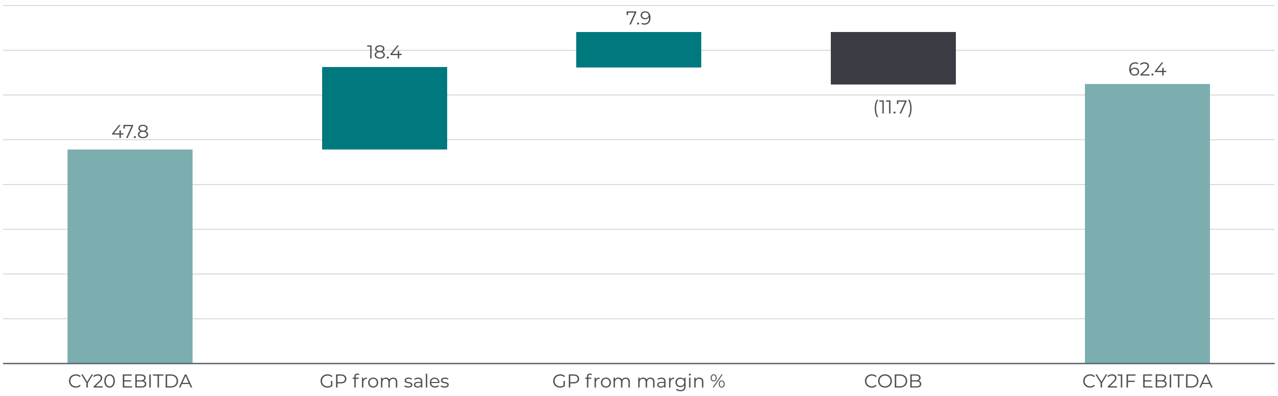


In FY20, EBITDA margin increased to 4.3% from 4.0% in FY19. FY20 EBITDA increased to $27.0 million from $24.5 million. The increased EBITDA was due to the strong revenue growth achieved, offset by a gross profit margin reduction and increase in CODB.

In FY21F, EBITDA margin increased to 9.2% from 4.3% in FY20. FY21F EBITDA increased to $60.7 million from $27.0 million. The increase in EBITDA was driven by:

- Revenue growth which delivers $14.5 million in additional EBITDA; and
- Gross margin improvement of $20.5 million, due to a percentage improvement of 3.1% due to improved product mix, more favourable FX rates and 'cleaner' inventory with respect to a lower level of aged stock (see Section 4.7.6).

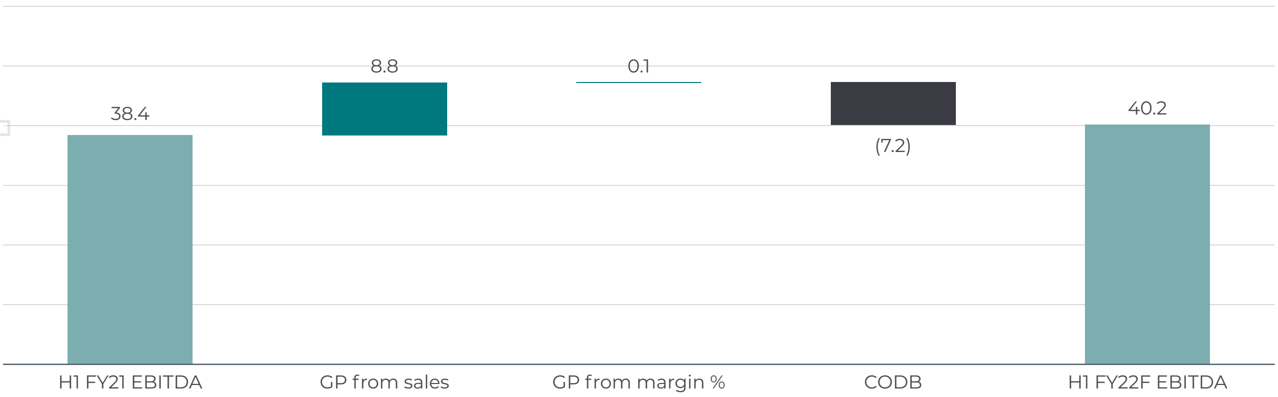
Figure 54: Pro forma EBITDA movements ($ millions) – CY20 to CY21F



The relative changes in contribution from revenue growth, gross profit improvements and CODB to EBITDA growth from CY20 to CY21F are:

- Revenue growth delivers $18.4 million in additional EBITDA; of this additional EBITDA, $3.6 million was delivered through the $10.6 million online revenue increase;
- Gross margin percentage improvement of 1.2 ppts ($7.9 million), attributable to an underlying margin improvement as a result of pricing improvements and cleaner inventory combined with FX improvements (as described in Section 4.7.6); and
- CODB is forecast to increase by $11.7 million, primarily reflecting an additional $4.0 million investment in marketing to support forecast sales and $4.0 million in additional employment costs from forecasting full employment (i.e. no store closures or reduced opening hours) and legislated award and superannuation guarantee increases.

Figure 55: Pro forma EBITDA movements ($ millions) – H1 FY21 to H2 FY22F



H1 FY22F EBITDA is forecast to be $40.2 million, up from $38.4 million in H1 FY21. This is attributed to an increase in gross profit contribution from increased sales, partially offset by an increase in CODB as the business invests in marketing initiatives to support the forecast sales.

4.7.9 Depreciation and amortisation

Depreciation and amortisation expense includes depreciation of property, plant and equipment, amortisation of software and intangibles and additions to, or releases from, impairment provisions.

Depreciation is presented in accordance with AASB 117 and does not include any depreciation in respect of the right of use asset that would be applicable under AASB 16 Leases (see Section 4.3).

A$ MILLIONS	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
	FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
Depreciation	(2.3)	(2.2)	(2.0)	(2.5)	(1.9)	(1.1)	(1.0)
Amortisation	(1.5)	(1.0)	(0.8)	(0.8)	(0.6)	(0.5)	(0.3)
Total depreciation and amortisation	**(3.8)**	**(3.2)**	**(2.8)**	**(3.4)**	**(2.5)**	**(1.5)**	**(1.3)**

Forecast depreciation and amortisation is based on the following assumptions:

- Store fit-outs are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the fit-out;
- Computer software is amortised on a straight-line basis over 4 to 10 years;
- Software held on the balance sheet is being amortised over 10 years; and
- Goodwill is not amortised, however it is subject to annual review for impairment.

In FY20, depreciation and amortisation decreased to $3.2 million from $3.8 million in FY19, due to the lower asset base resulting from the revaluation of assets in August 2020.

In FY21F, depreciation and amortisation is forecast to decrease to $2.8 million from $3.2 million in FY20, due to lower capital investment in H1 FY21 as a result of limitations of doing store refurbishments due to COVID-19 related disruptions and uncertainties.

In CY21F, depreciation and amortisation is forecast to decrease to $2.5 million from $3.4 million in CY20, due to the impact of lower capital expenditure resulting from COVID-19 related disruptions and uncertainties.

In H1 FY22F, depreciation and amortisation is forecast to decrease to $1.3 million from $1.5 million in H1 FY21 for the same reason as above.

4.7.10 Taxation

BLG operates in Australia and New Zealand. In Australia it pays the corporate tax rate of 30% and in New Zealand it pays the corporate tax rate of 28%.

4.7.11 Summary Pro Forma Free Cash Flow

A$ MILLIONS	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
	FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
EBITDA	24.5	27.0	60.7	47.8	62.4	38.4	40.2
Non-cash items	(0.1)	0.4	(0.3)	1.4	(0.3)	0.3	0.2
Change in working capital	(3.3)	58.4	(8.1)	41.8	(13.8)	(7.9)	(14.3)
Operating cash flow	**21.1**	**85.7**	**52.4**	**91.0**	**48.3**	**30.9**	**26.1**
Capital expenditure (net of landlord contributions)	(5.3)	(3.9)	(4.0)	(1.9)	(6.3)	(1.1)	(3.4)
Free cash flow	**15.8**	**81.8**	**48.4**	**89.0**	**42.0**	**29.8**	**22.7**

In FY20, free cash flow increased from $15.8 million in FY19 to $81.8 million, largely driven by a positive cash flow inflow from net working capital of $58.4 million, due to the cash flow preservation measures associated with the initial uncertainty of COVID-19 and inventory optimisation (see sections below on inventory and changes in net working capital for further information).

In FY21F, free cash flow is forecast to decrease from $81.8 million in FY20 to $48.4 million, despite EBITDA being $33.7 million higher in FY21F when compared to FY20. The decrease in free cash flow is due to net working capital being expected to increase by $8.1 million, driven by an $8.0 million increase in inventory as the FY20 inventory balance was low due to COVID-19 related events.

In CY21F, free cash flow is forecast to decrease from $89.0 million in CY20 to $42.0 million, despite EBITDA being $14.6 million higher in CY21F when compared to CY20. The decrease in free cash flow is due to net working capital being expected to increase $13.8 million from CY20 as it is normalised following the initial impacts of COVID-19, with inventory increasing by $8.4 million.

In H1 FY22F, free cash flow is forecast to decrease to $22.7 million from $29.8 million in H1 FY21, due to a $14.3 million increase in net working capital, driven by a $9.0 million increase in inventory.

4.7.12 Inventory

As of 27 December 2020, BLG's inventory balance was $80.7 million, compared to $72.1 million as of 28 June 2020. BLG's inventory balance as at 28 March 2021 was $101.0 million.

Prior to the onset of COVID-19, optimising inventory levels was a key focus area for Management and this optimisation was accelerated during CY20. Aged inventory[78] was reduced from $7.6 million as at 29 December 2019 to $2.3 million as at 27 December 2020. Management believes inventories are now at a normalised and sustainable level to support the forecast growth in the business.

78. Aged inventory is defined as last receipt date greater than 12 months.

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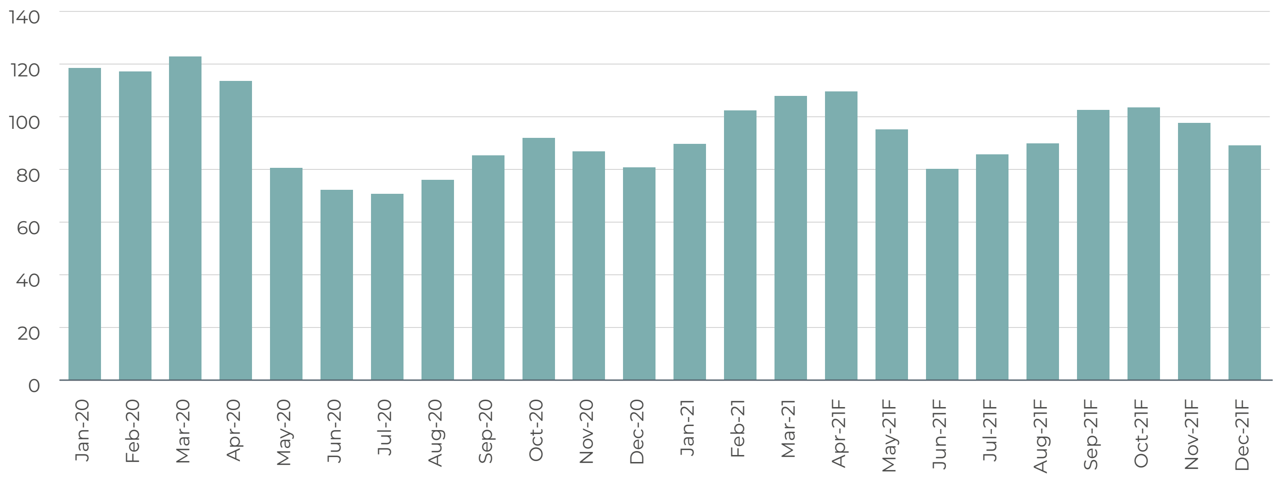
Figure 56: BLG monthly inventory position ($ million) – January 2020 to December 2021



BLG's inventory position typically peaks in the period from March to April and the period from September to November. The March to April peak supports Easter and Mother's Day key trading periods. The September to November peak supports the Black Friday and Christmas key trading periods.

4.7.13 Changes in net working capital

A$ MILLIONS	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
	FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
Inventory (increase)/decrease	(1.0)	37.0	(8.0)	22.0	(8.4)	(8.6)	(9.0)
Receivables (increase)/decrease	0.2	0.5	4.9	3.1	(0.9)	5.3	(0.5)
Trade, other payables and provisions increase/(decrease)	(2.7)	20.8	(4.9)	16.6	(4.6)	(4.6)	(4.9)
Other	0.3	0.1	–	0.0	–	–	–
Change in net working capital	**(3.3)**	**58.4**	**(8.1)**	**41.8**	**(13.8)**	**(7.9)**	**(14.3)**

Movements in working capital are influenced by several factors including the timing of creditor payment cycles and the timing of inventory flows. The business aims to obtain an average of 60-day payment terms from merchandise suppliers. As at December 2020, average trade credit supplier terms are 33 days.[79]

79. Defined as trade payables/cost of sales x 365.

During H2 FY20, BLG pursued several cash preservation initiatives, in consultation with suppliers, to protect liquidity given the uncertainty created by COVID-19. Some of these initiatives included:

- Rescheduling orders from April 2020 due to uncertainty over future demand;
- Focus on reducing inventory levels in April, May and June 2020;
- Negotiating payment terms with suppliers; deferring payments for initially 30 days and entering into extended term arrangements through to September 2020; and
- Negotiating temporary deferrals of goods and services tax and payroll tax. These returned to normal terms by September 2020.

As a result of these initiatives, net inventory levels reduced significantly from $109.1 million at June 2019 to $72.1 million at June 2020, while trade and other payables increased from $70.3 million at June 2019 to $91.1 million at June 2020. These working capital movements resulted in a relatively high level of cash flow conversion for BLG in FY20. Since June 2020, BLG's inventory has increased to $80.7 million at December 2020 and trade and other payables are at $87.2 million at December 2020 and represent a normalised and sustainable level.

Management believes the current level of net working capital is normalised, sustainable and supports the forecast growth of the business.

4.7.14 Capital expenditure

BLG's capital expenditure largely relates to new store fit-outs, existing store refurbishments and non-store capital expenditure (such as investing in the online store, head office and distribution centre).

A$ MILLIONS	PRO FORMA HISTORICAL		PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST	PRO FORMA HISTORICAL	PRO FORMA FORECAST
	FY19	FY20	FY21F	CY20	CY21F	H1 FY21	H1 FY22F
New stores	1.7	1.6	0.7	0.7	0.8	0.1	0.2
Store upgrades/ refurbishments	2.3	2.9	1.5	1.1	3.1	0.1	2.3
Other replacement capex	1.0	0.3	0.4	0.4	0.8	0.2	0.3
Support office	0.2	0.5	0.1	0.2	0.3	0.1	0.1
IT projects	0.8	0.7	0.7	0.6	0.5	0.3	0.2
Warehouse	0.7	0.3	0.6	0.1	0.7	0.2	0.3
Gross capital expenditure	**6.7**	**6.3**	**4.0**	**3.0**	**6.3**	**1.1**	**3.4**
Landlord contributions and other adjustments	(1.4)	(2.4)	–	(1.1)	–	–	–
Net capital expenditure	**5.3**	**3.9**	**4.0**	**1.9**	**6.3**	**1.1**	**3.4**

The largest contributor to gross capital expenditure is new store fit-outs, upgrades and refurbishments. New store capital expenditure is the gross amount and does not include landlord contributions which are accounted for as a lease fit-out incentive. Included in store upgrades and refurbishments capital expenditure are visual merchandise and electrical assets (e.g. CCTV upgrades).

Other capital expenditure includes spending on IT, support office, the distribution centre and online fulfilment centre.

Between FY19 and FY20, BLG invested $0.9 million associated with several online initiatives, including the upgrade to the SAP Hybris platform, digital studio and expansion of the online fulfilment centre. Investment in the online platform is a combination of capital expenditure and operating expenditure (other online costs and general and administration expenses). The vast majority of planned investments associated with the online platform and online fulfilment centre have already been made, allowing BLG to scale its online platform leveraging these historical investments.

In FY20, capital expenditure decreased to $6.3 million from $6.7 million in FY19, due to:

- Reduction in replacement capital expenditure; and
- Offset by an increase in store upgrades and refurbishments.

In FY21F, capital expenditure is forecast to decrease to $4.0 million from $6.3 million in FY20, due to:

- Forecast reduction in new stores; and
- Reduction in store upgrades and refurbishments during the COVID-19 period.

In CY21F, capital expenditure is forecast to increase to $6.3 million from $3.0 million in CY20, due to:

- Upgrades of high performing stores where favourable leases have been agreed.

In H1 FY22F, capital expenditure is forecast to increase to $3.4 million from $1.0 million in H1 FY21, due to upgrades of high performing stores. Management believes this reflects a normalised and sustainable level of capital expenditure.

4.8 SENSITIVITY ANALYSIS

The Forecast Financial Information included in Section 4 of this Prospectus is based on a number of estimates and assumptions as described in Section 4.6.1 and Section 4.6.2. These estimates and assumptions are subject to business, general economic and competitive uncertainties, many of which are beyond the control of BLG's Directors and Management. These estimates are also based on assumptions with respect to future business developments and decisions, which are subject to change.

Table 17 sets out a summary of the sensitivity of certain of the Pro Forma Forecast Financial Information to changes in a number of key assumptions. The changes in key assumptions are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown, and these variances may be substantial.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely key impact on the Pro Forma Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions. In practice, changes in assumptions may offset each other or be additive, and, where reasonable, it is likely that BLG Management would seek to respond to a known adverse change in one assumption to seek to minimise the net effect on BLG's earnings and cash flow.

For the purpose of the sensitivity analysis shown in Table 17 each sensitivity is presented in terms of the impact on FY21F and CY21F pro forma forecast consolidated EBITDA and NPAT respectively.

4.8.1 Table 17: Sensitivity analysis on pro forma EBITDA and NPAT for FY21F and CY21F

		PRO FORMA FY21F		PRO FORMA CY21F	
ASSUMPTION	INCREASE/ DECREASE	EBITDA IMPACT ($M)	NPAT IMPACT ($M)	EBITDA IMPACT ($M)	NPAT IMPACT ($M)
Change in revenue	+/- 1%	+/- 1.3	+/- 0.9	+/- 2.9	+/- 2.0
Change in gross profit percentage	+/- 1%	+/- 2.8	+/- 2.0	+/- 6.3	+/- 4.4
Change in AUD/USD FX rate	+/- 1 cent	+/- nil	+/- nil	+/- 0.3	+/- 0.2
Change in CODB	+/- 1%	+/- 1.0	+/- 0.9	+/- 2.2	+/- 2.0

Notes:

1. The sensitivity above illustrates the impact on EBITDA and NPAT if forecast revenue was 1% higher or lower than forecast.
2. The sensitivity above illustrates the impact on EBITDA and NPAT if forecast gross margin percentage was 1% higher or lower than forecast.
3. The sensitivity above illustrates the impact on EBITDA and NPAT if the AUD/USD FX rate was 1 cent higher than forecast. For FY21F the impact is nil as there is no currency exposure for this period as the COGS are fully hedged. In CY21F, this reflects the level hedging in place for the period.
4. The sensitivity above illustrates the impact on forecast EBITDA and NPAT if CODB was 1% higher or lower than forecast.

4.9 DIVIDEND POLICY

The current intention of the Board is to target a payout ratio of 60% to 80% of annual statutory NPAT (subject to the availability of profits and the financial position of the Company) and for the dividends to be fully franked to the extent franking credits are available.

The actual payout ratio may vary between periods depending on a number of factors including the general business environment, the operating results and financial condition of BLG, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by BLG and any other factors the Directors consider relevant.

It is estimated that 50% of the annual dividend will be paid in or around March (interim dividend) and 50% in or around October (final dividend). The first dividend which is expected to be paid in or around March 2022 will be based on the pro forma NPAT generated by the Company between Completion and 26 December 2021.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. There may be periods in respect of which dividends are not paid.

5. RISKS

5. RISKS

5.1 INTRODUCTION

The future performance of BLG and the future investment performance of Shares may be influenced by a range of factors, many of which are outside the control of BLG, its Directors and Management.

This Section 5 describes what BLG believes to be the key risks associated with BLG's business, the industry it operates in and the general risks associated with an investment in BLG. It does not purport to list every risk that may be associated with BLG's business or the industry in which it operates or an investment in BLG now or in the future. The occurrence or consequence of some of the risks described in this Section 5 are partially or completely outside the control of BLG, its Directors and Management.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and Management as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Any of these risks, and any other risks that may emerge, may in isolation or in combination, if they eventuate, have a material adverse effect on BLG's business, future financial position and future financial performance and cash flows. There can be no guarantee that the Group will achieve its stated objectives or that the Forecast Financial Information or any forward-looking statements contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Before deciding to invest in BLG and applying for Shares, you should satisfy yourself that you have a sufficient understanding of the risks described in this Section 5 and all of the other information set out in this Prospectus, and consider whether the Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and particular needs (including financial and taxation issues). If you do not understand any part of this Prospectus, or have any questions about whether to invest in BLG, you should consult your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN BLG

5.2.1 Retail environment and general economic conditions may worsen

BLG's operational and financial performance are sensitive to consumer sentiment. Key factors that may adversely affect demand for BLG's products include increases in interest rates, economic shocks, increased unemployment and decreases in the asset values of homes and other dwellings. Other factors that may also impact BLG's sales and earnings include government stimulus or support provided (or removed) to consumers either directly or indirectly (for example, measures such as JobKeeper and JobSeeker, and the early release of superannuation scheme amongst others, which were introduced in response to COVID-19).

BLG's target consumer is typically attracted to BLG's customer value proposition (see Section 3.7 for further details), which may mitigate the effect of an economic downturn. Notwithstanding this, a sustained deterioration in economic conditions may still generally reduce consumer disposable incomes or change their preference or needs as to allocation of their disposable income. Any material reduction in consumer disposal income may reduce demand for BLG's products which may in turn result in lower levels of revenue or profitability for BLG.

5.2.2 Competitive environment

BLG operates in a competitive market and there is a risk that BLG may lose market share to new or existing competitors in the market. This loss in market share could be driven by a number of factors, such as competitors delivering superior products and customer experiences, increasing their store rollout, increasing advertising or product discounting or consolidating with other retailers to deliver enhanced scale benefits against which BLG is unable to compete.

If BLG's competitive position were to deteriorate as a result of increased competition, BLG's customers may choose to purchase products from competitors rather than from BLG and this may in turn reduce BLG's revenue and profit margins. Such a reduction in profitability and revenue may subsequently have an adverse impact on BLG's financial and operating performance.

There is also a risk that a general increase in competition may require BLG to invest in additional marketing or product development initiatives, or to lower prices paid for its products, which could decrease profitability, even where its market share remains unchanged.

A failure by BLG to offer products and services that remain competitive with new entrants and existing competitors, in a timely manner or at all, may also result in a decrease in BLG's market share, which would have an adverse impact on BLG's financial and operating performance.

5.2.3 There may be a mismatch between fashion trends and consumer preferences and BLG's product decisions

Consumer demand for BLG's products is dependent on the decisions made (and implemented) by Management on the range, selection and quantity of its products. There is a risk that the product ranges developed and sourced by Management do not align with consumer preferences. Whilst BLG's product range is predominately focused on basic, everyday apparel, sustained and material mismatches in relation to evolving fashion trends and consumer preferences can adversely affect sales levels and consumer perspectives of BLG's brands and result in a loss of market share. This could negatively affect sales in the Best & Less women's range in particular, where significant investment has gone into products targeted towards younger, fashion-focused customers – a key growth strategy for Best & Less (see Section 3.12.3 for further details). Further, a sustained mismatch in demand between customer preferences and the stock that BLG holds may result in stock shortages leading to lost sales, or excess stock, which would increase BLG's markdown costs and operating expenses.

5.2.4 Risk of decline of foot traffic in shopping centres

As outlined in Section 3.7.3, BLG's growth strategy includes new store openings, particularly targeting key parts of shopping centres. Foot traffic in shopping centres fluctuates over time, and in the last 12 months has experienced volatility and a significant decline due to the impact of COVID-19. Whilst BLG has a disciplined approach to identifying, evaluating and prioritising new store locations, if a downward trend were to continue, BLG's new stores may not achieve the anticipated return on capital benchmarks and/or existing stores may generate lower revenue. Ultimately, these outcomes could result in reduced financial performance.

5.2.5 Impact of COVID-19

The global COVID-19 pandemic has impacted many aspects of daily life and the global economy. This has caused disruption to ordinary patterns of consumer spending and impacted global supply chains that supply consumer products such as everyday apparel, resulting in significant market volatility.

Although COVID-19 vaccines may mitigate the medium to long-term risks, the short-term risks associated with COVID-19 are still uncertain and may have an adverse impact on BLG's business and financial and operating performance, including:

- Economic risk – the restrictions and uncertainty caused by COVID-19 may result in an overall economic downturn that adversely affects demand for BLG's products (such as described in Section 5.2.1 above);
- Operational risk – the ongoing COVID-19 pandemic may disrupt BLG's store operations and/or its supply chain. Government orders have resulted in a number of BLG's stores having to close at various times during the pandemic, reducing sales and affecting profitability. Instances of positive COVID-19 tests in customers and staff have also disrupted operations and sales at the relevant store. Similar incidents may occur in the future. Supply shortages and higher operating costs for the BLG business may arise if the manufacturers and suppliers of BLG's products, distribution centres or other service providers are disrupted, temporarily closed or experience worker shortages as a result of COVID-19 travel and work related restrictions. If manufacturer and suppliers' operations are curtailed, BLG may need to seek alternate sources, which may not be available or be more expensive and less reliable and ultimately BLG's financial and operating performance may be adversely impacted; and

- Consumer spending risk – the BLG business depends on consumer spending, which has been, and may continue to be, impacted by COVID-19 in unpredictable ways. While the initial outbreak of COVID-19 had an immediate adverse impact on in-store purchases (due to the closure of retail stores in New Zealand and subsequently in the Australian state of Victoria, and social-distancing measures limited customer numbers in those retail stores which remained open), online purchases have grown during this period. There is no guarantee however that online purchases will continue to grow, or grow at the same rate, in the case of further COVID-19 outbreaks. Consumer spending is affected by the level of government support, either directly via transfer payments (such as JobKeeper) or indirectly (such as the rules around Superannuation withdrawal). Any reduction in this support may adversely affect consumer spending and the financial performance of BLG.

The extent of any ongoing impact of COVID-19 on BLG's business and financial and operating performance, including the ability of BLG to execute near-term and long-term business strategies and initiatives within the relevant time frames is very difficult to predict or ensure. BLG's ability to execute its business strategies and initiatives will accordingly depend on future developments, including the duration and severity of the pandemic, and the related impact on general economic conditions, consumer confidence and discretionary spending, all of which are highly uncertain and cannot be predicted.

A description of the impact of COVID-19 on the BLG business as at the Prospectus Date is set out in Section 3.13.

5.2.6 Changes in Australian and New Zealand population growth

Any medium-term or permanent reduction in Australia and New Zealand's population growth (including net immigration) or the birth rate, may adversely impact BLG's future financial and operating performance, particularly due to BLG's strong focus on the baby and kids' segments. A prolonged period of COVID-19 related disruptions to international travel (including travel restrictions, quarantine programs and other associated measures) may impact on the number of people in Australia and New Zealand at any given time and therefore overall demand for BLG's products.

5.2.7 Underpayment of wages and failure to comply with industry awards

BLG has a number of controls in place in an effort to ensure compliance with all employment laws, however, there is a risk underpayment of employees could occur. This could arise where employee rostering is mismanaged, employees are mischaracterised as either casual or permanent, or where payroll errors are otherwise made in relation to a high number of employees, across a national store network.

Underpayment of employees could have significant consequences for BLG's reputation and a negative financial impact on the business. It may involve:

- a significant financial liability related to correcting multiple years of accumulated errors;
- a loss of trust in BLG resulting in reduced ability to attract and retain employees;
- negative media which impacts the reputation of BLG and its brands; and
- regulatory scrutiny, such as from the Fair Work Ombudsman.

In 2020, BLG became aware of underpayments, affecting a number of employees in Australia, which totalled approximately $5.2 million plus associated superannuation (relating to a seven-year period from 2013 to 2020). This amount represented less than 1% of the total payroll amount paid to employees over that same period. BLG has now paid the relevant amounts owed to the affected current employees and has initiated contact and is seeking to make the payment of the relevant amounts to the affected former employees. BLG has voluntarily reported the underpayments to the Fair Work Ombudsman and a provision has been made in the financial statements (including for additional interests and on-costs). In New Zealand, BLG has also found some anomalies in respect of how holiday pay is calculated and paid. An analytical and remediation process is currently underway, with total payments to be made to affected current and past employees expected to be less than NZ$500,000.

To prevent any reoccurrence of similar underpayments BLG has introduced a number of measures, including the development of new management rosters, the implementation of a new time and attendance policy and system, improved management oversight and quarterly salary reconciliations.

5.2.8 Management may be unable to successfully execute growth strategies

BLG plans to achieve growth by executing its strategies as outlined in Section 3.12, which include increasing its market shares in the baby, kids and womenswear categories and increasing online sales at an above-market growth rate. The success of BLG's growth strategies is key to BLG's future financial performance. There is no guarantee that any or all of BLG's growth strategies will be successfully implemented, deliver the expected returns or ultimately maintain the targeted level of profitability. There is also a risk that the growth strategies may be subjected to unexpected delays and/or additional implementation costs.

BLG may also fail to adopt and execute growth strategies that will enable it to successfully maintain or improve its product offering and match any change in customer preferences. Failure to do so could result in consumers choosing BLG's competitors for product purchases, which could have a materially adverse impact on BLG's business and operating and financial performance. Any change to BLG's ability to achieve any or all of its growth strategies, or the market's perception of BLG's ability to deliver growth to Shareholders, could have a significant impact on the price of the Shares.

5.2.9 BLG may be unable to retain and secure suitable store sites

BLG's store footprint and portfolio are assessed by Management on an ongoing basis and revised in order to optimise the financial and operational performance of BLG. While underperforming stores are typically closed or their leases are not renewed on expiry, store lease initial terms are generally at least three years and the rent payable under these leases can sometimes be difficult to renegotiate, despite underperformance. This may result in BLG running underperforming stores that are operating at a loss where it cannot cancel the lease or renegotiate the lease terms.

BLG's financial performance and future growth could be dependent on its ability to both retain existing store sites and secure new store sites in suitable locations and on acceptable terms. BLG's ability to achieve this may be impacted by a range of factors, including:

- delays to store openings (including caused by COVID-19);
- availability of new store sites;
- profitability of new stores;
- potential cannibalisation of existing stores by new store openings;
- competition for acceptable new store sites with other retailers;
- higher than budgeted operating costs; and
- landlord disputes.

These factors may adversely affect BLG's future financial and operational performance.

5.2.10 BLG may be in contravention of leases

A number of the leases discussed at Section 5.2.9 above require the landlord's consent for the relevant BLG entity to continue as the tenant following a change of control event of the tenant or a holding company of the tenant. Such a change of control may have occurred in a number of these leases in the past (for example, as a result of the acquisition of Best & Less Group Pty Ltd and its subsidiaries by Allegro Funds) and may occur in the future (for example, a change of control may occur upon Completion).

If the relevant BLG entity did not or does not in the future satisfy their obligations under the relevant change of control provision, the relevant BLG entity may be in breach of their lease and the relevant landlord may take actions adverse to BLG, which may result in variations to lease terms or termination of the leases and store closures. Should this occur on a broader scale, this may have a material adverse impact on BLG's ability to generate revenue to the extent similar replacement stores are not found or there is an increase in operating costs from disadvantageous lease terms.

5.2.11 There may be adverse foreign exchange rate movements

As most of BLG's overseas purchases are denominated in US dollars, BLG's financial position may be negatively affected by any adverse foreign exchange rate fluctuations.

While BLG undertakes currency hedging, which provides some shorter-term foreign exchange rate protection, BLG may not be able to renew or replace currency hedging contracts on favourable terms or at all.

A severe and/or sustained decline in the AUD against the USD could increase the cost of purchases and if BLG is not able to pass the increased cost to customers, this could adversely impact on BLG's financial and operating performance by increasing the business's costs.

BLG has operations in New Zealand (Postie) and it translates Postie's monthly NZD results into AUD to arrive at the consolidated BLG results. No currency hedging is maintained by BLG for the AUD/NZD therefore any deterioration in the NZD against the AUD could adversely impact reported results.

5.2.12 BLG may lose key members of Management

BLG relies heavily on its existing Management team who have intimate knowledge of the BLG business, systems and its products. If a key member of the Management team were to resign or leave the business this could have an adverse effect on BLG's performance, and there is no guarantee that BLG could attract a suitably qualified replacement, or if it is able to do so, how long it may take to attract and employ such a replacement.

Although the Company has structured incentive programs aimed at assisting the recruitment and retention of key Management, these measures alone may not be sufficient to attract new personnel in a timely manner or retain existing personnel.

5.2.13 The value of BLG's brands may diminish

BLG's brands ("Best & Less" and "Postie") and reputation are very important to attracting, retaining and increasing its customer base, managing its relationship with stakeholders and implementing BLG's business strategy. BLG's brands and reputation are also very important to BLG maintaining its existing relationships with manufacturers and distributors, and also retaining and attracting a skilled and engaged workforce. Maintaining the strength of BLG's brands is integral to BLG's ability to consistently appeal to its existing customers, attract new customers and generate sales growth.

As such, the ongoing success of BLG may be dependent on the business maintaining its strong reputation and protecting its brands.

The Best & Less name and its related intellectual property rights are also key to the BLG business, making up a substantial proportion of its total assets. The reputation and value associated with the BLG brands and its related intellectual property rights could be adversely impacted by a number of factors, including by a failure to provide customers with the quality of product and service standards they have come to expect, the existence of disputes or litigation with third parties such as employees, suppliers or customers, a failure to adequately protect BLG's intellectual property rights or by adverse media (including social media) coverage. Significant erosion in the reputation of or value associated with the BLG brands could have an adverse impact on customer loyalty, relationships with key suppliers, employee retention rates and demand for the relevant products, any of which could adversely impact BLG's market share, revenue and its future financial performance.

BLG's ability to benefit from its existing brands, innovative developments and expertise depends in part upon its ability to protect its intellectual property and any improvements to it, as well as BLG's confidential information. BLG relies on laws relating to trade secrets, copyright and trademarks in protecting its intellectual property portfolio. However, there is a risk of unauthorised use of, or access to, BLG's software, data, technology or platforms. In addition, there is a risk that the validity, ownership or authorised use of BLG's intellectual property may be successfully challenged by third parties. If BLG is required to bring or defend intellectual property enforcement proceedings as a consequence of unauthorised or improper use, BLG may be forced to incur significant costs and this may also result in BLG being unable to use the intellectual property, either temporarily or permanently. Such disputes may also impact BLG's ability to integrate new or existing systems, which could adversely impact BLG's operations and financial performance.

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5.2.14 BLG's brands and their product offerings rely on maintaining and enhancing these brands and require the avoidance of negative publicity and customer complaints

Maintaining and enhancing BLG's brands is critical to expanding BLG's customer base and suppliers. A significant portion of the customer's brand experience is dependent on third parties who supply products and other services, such as logistics, to BLG. Whilst suppliers are audited regularly and BLG has ethical sourcing and supply terms, ultimately, these third parties are outside of BLG's control.

If these third parties do not meet the expectations of BLG's customers, BLG's brands may suffer damage. If BLG fails to promote and maintain the BLG brands, or if it incurs excessive expenses in this effort, the BLG business and its operating and financial performance may be materially adversely affected. Maintaining and enhancing BLG's brands will depend largely on BLG's ability to provide quality products to its customers and facilitate a reliable, trustworthy and profitable sales channel to its suppliers, which it may not be able to do successfully.

Customer complaints or negative publicity about any of BLG's websites, products, online delivery times, customer data handling and security practices or customer support, especially on blogs, social media websites and BLG's own websites, could rapidly and severely diminish consumer use of the websites and consumer and supplier confidence in BLG and could result in harm to the BLG brands.

Given that all of BLG's products are manufactured by third party suppliers or sourced directly from manufacturers (most of whom are offshore and in less developed economies), BLG's brands and reputation are exposed to the public perceptions of these suppliers and manufacturers (and BLG's relationship with them). BLG's brands and reputation may be damaged if its suppliers or manufacturers engage in inappropriate behaviour, such as violating minimum employment standards or failing to meet environmental standards.

5.2.15 Product sourcing may be disrupted

BLG maintains long-standing supplier relationships with international suppliers; 73% of Best & Less goods and 90.5% of Postie goods are sourced internationally, primarily from China, Bangladesh, India and Pakistan.

While BLG has a diversified supplier base, the business still relies on Chinese and other Asian suppliers. Any material adverse changes related to the impact of COVID-19, adverse economic conditions, regulatory changes (e.g. export duties) or changes in the political environment in these markets may adversely impact BLG's ability to source and sell its products reliably and without material delays.

Further, whilst BLG regularly audits its suppliers and has ethical sourcing and supply terms, BLG faces a reputational risk to the extent that any foreign manufacturer or supplier from whom BLG purchases products (directly or indirectly) employs labour or engages in environmental, corruption, workplace safety or other business practices in a manner that varies from what is commonly accepted in Australia and New Zealand, BLG's reputation could be damaged by any resulting negative publicity or, in some cases, potential claims of liability.

Any such factor causing a disruption to BLG's ability to source its product may require that BLG purchases product from alternative sources, including domestically. This product may be of lesser quality or more expensive than the merchandise currently purchased abroad. If any of these or other factors were to cause a disruption of trade from the countries in which BLG's suppliers are located, inventory levels may be reduced or the costs of merchandise may increase.

From a regulatory perspective, the operations of suppliers may also be impacted by increased regulation, including in order to address global concerns regarding global warming. Any such increased regulations could increase costs from BLG's suppliers in a number of forms, including the cost of raw materials, pollution control equipment and transportation of goods.

Any of these identified risks may result in the increase of product sourcing costs for BLG or a reduction in the available range. This may adversely impact BLG's financial performance.

5.2.16 Product failure

Australia and New Zealand have product safety standards for apparel and footwear, particularly in regard to the baby and kids' segments. Whilst BLG has a strong record with regard to product safety, goods sold by BLG may in the future, be defective and/or subject to product recalls which may require BLG to immediately stop selling the affected products, remove all stock from retail outlets and recall the products from the supply chain and consumers.

The risk and potential liability for BLG for product recalls will depend on the extent of the failure rate and the quantity of affected product in the market. Potential liability for BLG could extend to warranty claims, product recalls and other costs that BLG may be unable to fully recover from suppliers or third parties (including insurers). In addition, breaches of Australia or New Zealand's mandatory product safety laws by BLG could result in fines. To the extent that these events occur, they may have an adverse impact on BLG's business due to increased costs and reduced sales from not being able to sell recalled products or reputational damage.

5.2.17 Employment risks

BLG's in-store, supply chain and distribution centre staff are currently covered by a combination of modern wage awards, an enterprise agreement and individual employment contracts. The enterprise agreement covering Best & Less employees may be subject to periodic renegotiation and renewal and has a nominal end date of 31 May 2022. Any such renegotiation could result in increased labour costs for BLG. The minimum wages rates in modern awards are subject to annual review by the Fair Work Commission and typically increase each year and other terms may be changed by the Fair Work Commission. This may increase BLG's labour costs, which may adversely impact BLG's financial performance. Factors such as low unemployment or a shortage of skilled employees may also place upward pressure on wages.

5.2.18 Risks associated with privacy and IT systems

BLG is focused on the protection of its customers' and employees' personal information. A significant breach of customer, employee or company information could attract significant media (including social media) attention, require BLG to pay fines or engage in litigation and/or damage BLG's customer relationships, brands and reputation, each of which may also negatively affect BLG's reputation and financial performance.

BLG's store and online offerings are an essential part of BLG's business and rely on the use of certain point-of-sale and online technologies. Although BLG has designed its technology and systems with a primary focus on security and data protection, information technology systems can be susceptible to security issues and it is possible that hacking, cyberattacks or other exploitation of BLG's systems could cause loss, theft or corruption of data (including personal data of customers) held by or on behalf of BLG. This could occur through the deployment of viruses or malware designed to create system and service disruptions or to expose confidential information. Security or data breaches may result from human error, defects in technology or from third party service providers failing to comply with their obligations to BLG in respect of the protection of personal data.

BLG may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyberattacks. Actual or anticipated attacks could require the expansion of significant resources related to information systems and infrastructure, and could subject BLG to additional legal and financial risks, including increased investments in protection technologies, costs to deploy additional personnel, costs to train team members and engage third party experts and consultants, costs associated with implementing measures to ensure compliance with privacy laws and obligations, or expenses associated with providing customers with credit protection and potential fees and penalties from BLG's credit card processing partners, any of which could adversely affect BLG's reputation, business, results of operations and financial condition.

A security breach or failure to protect customer information (including from cyberattacks) may lead to a disruption in the availability of BLG's online offering. As a result, consumers may not be able to access BLG's online offering to purchase BLG products, which is critical to the successful operation of the BLG business and if access is unavailable for an extended period of time, BLG may experience a significant reduction in purchases of its products and a corresponding reduction in revenues.

While BLG has a disaster recovery plan in place, a significant IT failure could adversely impact the ability of the BLG business to maintain normal operations, potentially leading to a reduction in the financial performance of the business in the short to medium term.

There is a risk that BLG may be found to be in breach of data protection laws or industry standards, which could result in penalties or fines imposed on BLG and expose it to claims by customers whose data, personal information or security has been compromised. BLG has an obligation under privacy laws (including the *Privacy Act 1998* (Cth) and the *Privacy Act 2020* (NZ)) to notify individuals, the Office of the Australian Information Commissioner (in Australia) and the Office of the Privacy Commissioner (in New Zealand) of certain privacy breaches.

Data protection and system security is an integral part of the design and implementation of BLG's processes, technology and systems. BLG undertakes regular penetration testing and engages external consultants to audit its security systems.

In addition, BLG maintains insurance policies that partially mitigate against the consequences of these cybersecurity risks eventuating. However, despite these protective measures, it is possible that a security or data breach could occur. If these risks eventuate, they could have a material adverse effect on BLG's business, operating and financial performance, and/or growth and the value of the Shares.

5.2.19 BLG may experience technology failure or its technology may become obsolete

The success of BLG's business relies on (among other things) the technology it has developed in respect of certain business functions including its point-of-sale, online offering, inventory management and general order processing management. If there is any decrease in the effectiveness or functionality of the information technology systems which support this technology (or if these systems are not able to be further developed and become obsolete in comparison to its competitors) then this could have a significant impact on BLG's ability to continue to deliver its services and generate revenues.

There is a risk that the technology systems may experience downtime or interruption due to system failures, service outages, corruption of information technology networks or information systems as a result of computer viruses, software bugs or cyberattacks, as well as natural disasters, fire, power outages or other events outside the control of BLG. This could impact the availability of BLG's online offering and order fulfilments and result in reduced product purchasing volumes. Any systemic failure could have reputational damage and affect BLG's ability to retain existing customers and attract new customers. Any of these events could have a materially adverse impact on BLG's business, operating and financial performance and/or growth.

BLG's technology platform or product offering may also become obsolete or outdated through the investment of its peers in superior technology and/or product offerings, or general market developments. This could necessitate BLG undertaking substantial investment in updating or improving its current technology platform and product offering, which could require BLG to incur significant costs and have a material adverse impact on BLG's business, operating and financial performance and/or growth.

5.2.20 Online channel risks

BLG's customers are increasingly using computers, tablets, mobile phones and other devices to purchase products. Approximately 9% of BLG's CY20 revenue was generated from online sales.

Maintaining and continuing to improve its online channel offering involves investment of capital and resources, integrating a number of information and management systems from different vendors, increasing supply chain and distribution capabilities, attracting, developing and retaining qualified personnel with relevant subject matter expertise, and effectively managing and improving the customer experience.

BLG's online channel operations are subject to numerous risks, including:

- website operating issues, including website availability, system reliability, website operation, internet connectivity, website errors,
- computer viruses, telecommunication failures, electronic break-ins or similar disruptions;
- the need to keep pace with rapid technological change and maintain investments necessary;
- legal compliance issues related to the online sale of products;
- intellectual property litigation;
- privacy and personal data security;
- protection against credit card and gift card fraud;
- fulfilment, inventory control and shipping issues for online channel transactions;
- hiring, retention and training of personnel qualified to conduct omnichannel operations;
- ability to procure adequate computer hardware and software and technology services and solutions from third party providers;
- the rate of penetration and migration to the online channel by consumers, which has been accelerated as a result of COVID-19, fails to grow at the expected rate;
- customer behaviour accelerates significantly beyond Management's expectations, not allowing the business to adjust capacity and capability fast enough to deal with the online demand increase resulting in possible lost sales and customers to a competitor; and
- success of online channel operations may come at the cost of the success of BLG's "brick and mortar" stores.

If BLG cannot successfully avoid, mitigate or navigate these risks then it could have a material adverse impact on BLG's business, operating and financial performance and/or growth.

5.2.21 BLG may experience unexpected increases in operating and other expenses that may reduce its profitability

BLG's operating and other expenses could increase without a corresponding increase in revenue. A number of factors which could increase operating and other expenses include unforeseen increases in, without limitation:

- freight and distribution expenses (e.g. the cost of third party delivery services);
- costs associated with BLG being listed;
- costs associated with insurances, telecommunications and IT;
- marketing, promotion and advertising expenses, including any increase in the cost of customer acquisition;
- leasing costs in relation to stores, head office and distribution facilities; and
- costs of products from BLG's suppliers due to input cost inflation and exchange rate pressures translating through to higher manufacturer prices which cannot be fully passed through to customers or a deterioration in BLG's relationships with its suppliers or credit limit reductions with suppliers.

BLG's profitability will be reduced if there are increases in operating and other expenses that exceed or do not correspond with increases in BLG's revenue. This may have a material adverse effect on BLG's business, financial performance and operations.

5.2.22 Growth in online penetration and rate of migration to online channel

BLG's future growth strategy involves targeting growth in online sales.

Across the broader retail market, growth in online sales is being driven partly by the migration of customers from a traditional offline retailing experience to online retailing platforms across a number of segments. This trend has accelerated during the period since COVID-19. There is no guarantee that the migration of customers will continue to grow in the future, or will be retained despite the historical and forecast growth patterns. If the rate of penetration and migration to the online channel does not increase in line with BLG's assumptions, this may have a material adverse effect on its financial and operational performance in the future.

5.2.23 A workplace accident or incident may occur

BLG's employees and customers are at risk of workplace accidents and incidents. Should an employee or customer be injured in the course of engaging with the BLG business (either as a result of their employment or from engaging with the BLG business as a consumer), BLG may be liable for penalties or damages as a result. If BLG were required to pay monetary penalties, this may adversely affect its financial position and reputation in the market.

5.2.24 BLG's recent growth rates may not be sustainable or indicative of its future growth

BLG's recent growth rates may not be sustainable or indicative of future growth. BLG may be unable to attain further sales growth through its online channel or increase its market share in the baby and kids' segments or leverage its relationship with its target customer to grow sales in other categories including womenswear and menswear. Alternatively, BLG may be able to maintain these growth rates in sales but have to expend significantly more resources in order to maintain the growth rates, thus reducing profitability. Should revenue growth rates materially decline or operating expenses materially increase, BLG's financial and operational performance may be adversely affected.

5.2.25 BLG relies on services provided by third party payment and logistics providers

BLG relies on the services provided by third party banking and payment providers such as credit card companies. It also relies on the services of third party logistic providers to deliver ordered products to customers. BLG has limited influence over these third parties and the contracts with these providers are generally short-term in nature.

Any system or service failure that causes an interruption to BLG's ability to effect payment transactions or receive payments could adversely affect its business.

A system or service failure that affects the delivery of ordered products to customers could adversely affect the customer experience and reduce the attractiveness of the BLG brand to customers and may result in cancellations or limiting future sales.

Any of these system or service failures could have an adverse impact on the reputation and brand of BLG's business which could materially adversely affect its financial performance and operations.

5.2.26 BLG sells some product under third party licence

For CY20, approximately 14% of BLG's sales were from products that are sold using a licence from a third party. Examples of such licences include Disney, Bonds, Tradie, NRL, AFL and Bad Boy. BLG may lose the right to sell these brands in the future, the licence fees paid by BLG may increase or these brands may become less relevant with BLG customers. As a result BLG sales may decline and/or its achieved gross margin from these brands may fall.

5.2.27 BLG may be involved in disputes or litigation

BLG may be the subject of complaints, litigation, inquiries or audits initiated by a range of stakeholders including customers, employees, landlords, government agencies, regulators or other third parties. These disputes may be related to product warranties, product descriptions, industrial action, personal injury, health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable contracts, laws and regulations.

There can be no assurance that legal claims will not be made against BLG, or that BLG's insurance will be adequate to cover liabilities resulting from any such claims. Even if a claim is successfully disposed of without any direct adverse financial effects on the business, there may still be adverse effects on BLG's reputation. If BLG were to be found liable under a claim, BLG's financial position and future financial and operational performance may be adversely affected.

5.2.28 Regulatory risk and potential for laws and regulations to change

BLG is required to comply with a range of laws and regulations in Australia, New Zealand and in the foreign jurisdictions in which it sources its products (including China). These laws and regulations include product and safety standards, fair trading and consumer protection, public health, employment, occupational health and safety, quarantine, customs and tariff and tax laws. Compliance with these laws and regulations, and BLG's ability to comply with any changes to these laws and regulations, is critical to the success of BLG's business. Any failure to comply with existing or new laws and regulations such as that described in Section 5.2.16 may result in a fine or penalty, loss of accreditation or brand damage, any of which could have a material and adverse effect on BLG's operations, performance and reputation.

Changes to laws and regulations in these areas may adversely impact BLG, including by increasing BLG's costs either directly (such as an increase in the amount of tax the Company is required to pay), or indirectly (including by increasing the cost to the business of adapting to and complying with changing regulatory requirements). Any such adverse effect may impact BLG's future financial performance.

In particular, the receipt of a proportion of BLG's total revenue is facilitated by the "Buy Now Pay Later" (**BNPL**) sector (for example, BLG offers its customers options to pay by Afterpay and Zip Co in Australia and Lay By, Afterpay and Zip Co in New Zealand). BLG forecasts assume the continued unfettered operation of BNPL platforms to assist BLG's customers to fund their purchases. However, the BNPL sector may be subject to increased regulation that could affect the sector's growth, functionality and customer utilisation. BLG's financial, operational performance and/or growth objectives may be adversely impacted if BNPL services were restricted in use by BLG's customers, or if the costs or ease of use were adversely altered.

BLG sells a large number of products that bear the "Mango", "Mini Mango" and "Miss Mango" brands. Whilst BLG owns the rights for these brands in Australia, the rights for distribution of these brands in China and for other parts of the world are not owned by BLG and occasionally there are disruptions in the supply of BLG Mango branded product sourced from China. Whilst BLG has registrations in process for elements of these brands in China, should supply disruptions become more frequent or if BLG could no longer manufacture Mango branded product in certain countries, then BLG would need to change the brands that these products are sold under or cease to sell these products. This would incur operating costs and may result in sales of those products falling, impacting the financial performance of BLG.

5.2.29 Failure to effectively manage inventory

BLG may fail to accurately forecast or manage its inventory levels. This may result in BLG incurring additional costs and/or losing revenue. If BLG purchases levels of product that it cannot sell in a timely manner, this excess stock may need to be cleared at a discount, otherwise the excess stock will become obsolete and BLG may be required to recognise inventory write-down costs. Conversely, if BLG fails to maintain adequate levels of inventory it may experience "out of stock" issues, which may result in foregone sales and damage to BLG's reputation or brands which may have an adverse effect on financial performance.

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5.2.30 Climate change, severe weather, natural disasters and seasonality may adversely affect BLG

Whilst BLG stores have experienced weather related and other natural disasters in the past, the increased likelihood of natural disasters and severe weather conditions such as flooding and bushfires in areas in which BLG operates or in areas where BLG sources or obtains supplies or products as a result of climate change, presents a risk to the BLG business. These adverse conditions have the potential to cause supply chain disruptions, store closures and damage to BLG's stores, warehouses or products.

Further, there is a risk that unexpectedly mild or severe weather patterns may result in fluctuations in demand for seasonal products. Whilst a large portion of BLG's product range is non-seasonal, to the extent these fluctuations are unexpected and unaccounted for by Management, there may be excess demand for stock resulting in "out of stock" issues or conversely an oversupply resulting in lost sales or lower margins from markdowns.

Such events may lead to an increase in operational costs or business interruption and may have a detrimental impact on BLG's financial and/or operating performance.

5.2.31 Financial information and basis of forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus (including any forecast financial information provided) rely on various contingencies and assumptions, some of which are described in Section 4. Various factors and risks, both known and unknown, many of which are outside the control of BLG, may impact upon BLG's performance and cause actual performance to vary from expected results. Whilst the forecasts have been prepared with due care and attention, and BLG considers the assumptions to be reasonable, future events and conditions cannot be reliably predicted and the assumptions are subject to uncertainties. Actual results are likely to vary from the forecast and any variation may be materially positive or negative. There is no guarantee that BLG will achieve its stated objectives or that any forward-looking statements or forecasts outlined in this Prospectus will eventuate.

5.3 GENERAL RISKS OF AN INVESTMENT IN THE COMPANY

5.3.1 Uncertainty may affect the price and value of Shares

Once the Company becomes a publicly listed company on ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the fundamental operations and activities of BLG.

The price of Shares as quoted on ASX may fluctuate due to a range of factors. These include:

- the number of potential buyers or sellers of Shares on ASX at any given time;
- fluctuations in the domestic and international markets for listed stocks (and for technology stocks in particular);
- general economic conditions including interest rates, inflation rates, foreign exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation policies;
- recommendations by brokers or analysts;
- the inclusion in or removal of the Company from major market indices;
- the nature of the markets in which BLG operates; and
- general operational and business risks.

These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation on ASX, even if the Company's earnings increase.

Deterioration of general economic conditions may also affect BLG's business operations, and the consequent returns from an investment in Shares.

5.3.2 Liquidity of Shares and Escrowed Shareholders retaining a significant stake

There is currently no public market through which Existing Shares may be sold. On Completion, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares, or disposing of Shares they acquire under the Offer.

The Escrowed Shareholders will hold approximately 61.1% of the Shares following Completion, which may impact on liquidity. The Escrowed Shareholders have entered into voluntary escrow arrangements in relation to all of the Shares they hold immediately following Completion. A summary of the escrow arrangements is set out in Section 9.8. The absence of any sale of Shares by the Escrowed Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

Following the end of the Escrow Periods, a significant sale of Shares by some or all of the Escrowed Shareholders, or the perception that such sales have occurred or might occur, may adversely affect the price of Shares. Alternatively, the absence of any sale of Shares by the Escrowed Shareholders may cause or contribute to a diminution in the liquidity of the market for the Shares.

5.3.3 Force majeure events

Events may occur within or outside Australia and New Zealand that could impact upon the global and Australian and New Zealand economies, the operations of BLG and the price of the Shares. These events include but are not limited to terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for BLG's products.

5.3.4 Potential changes to tax rates or laws

Changes in tax law (including transfer pricing, GST and stamp duties), or changes in the way tax laws are interpreted, may impact the tax liabilities of BLG, Shareholder returns, the level of dividend imputation or franking, or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. Furthermore, the status of some key tax reforms remains unclear at this stage.

In addition, tax authorities may review the tax treatment of transactions entered into by BLG in any jurisdictions in which BLG operates or has activities. Any actual or alleged failure to comply with, or any change in the application or interpretation of, tax rules applied in respect of such transactions, could increase its tax liabilities or expose it to legal, regulatory or other actions.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

5.3.5 Shareholder dilution

In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of such issues of Shares or other securities.

5.3.6 Accounting standards

Australian Accounting Standards are set by the AASB and are outside the control of BLG, its Directors, or its Management team. The AASB may introduce new or refined Australian Accounting Standards in future periods, which may affect future measurement and recognition of key statement of income and balance sheet items, including sales and receivables.

There is also the risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of income and balance sheet items, including sales and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in BLG's financial statements.

5.3.7 Inability to pay dividends or make other distributions or to frank dividends

The payment of dividends by the Company is determined by the Board from time to time at its discretion, depending on the profitability and cash flow of BLG's business and its financial position at the time. Circumstances may arise where the Company is required to reduce or cease paying dividends for a period of time.

To the extent that the Company pays dividends, the Company may not have sufficient franking credits in the future to frank dividends, or the franking system may be subject to review or reform. In addition, if the proportion of the Company's earnings from offshore operations increases, it may not be possible to frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.8 Epidemics and pandemics

A rapid spread of infectious disease to a large number of people within a short period of time may occur within or outside the countries in which BLG operates. In particular, a pandemic similar in nature to COVID-19 may adversely affect general economic sentiment, the global economy, stock markets and other financial markets.

COVID-19 is currently of significant concern to the worldwide community and has clouded the near and medium-term outlook for the global economy. Financial markets have also been volatile as market participants and governments worldwide assess the risks associated with COVID-19 and global supply chains are being severely impacted across major industries. Measures introduced to limit transmission of the virus are likely to have a negative impact on the global economy and economic growth.

As a result of the COVID-19 outbreak, monetary policy has been eased to provide additional support to employment and economic activity. Given the evolving situation, it is difficult to predict the nature and extent of the risk and the impact on BLG. The impact of the virus on consumer sentiment, demand and confidence generally could materially and adversely affect BLG's operations and/or financial performance.

5.3.9 No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by BLG or by investors in BLG. The above factors, and others not specifically referred to above, may materially affect the financial performance of BLG and the value of the Shares under the Offer. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on the ASX, which could impact the ability of prospective Shareholders to sell their Shares.

Investors should consult their professional adviser before deciding whether to apply for Shares under the Offer.

6.

KEY INDIVIDUALS, INTERESTS AND BENEFITS

6. KEY INDIVIDUALS, INTERESTS AND BENEFITS

Best&Less Group

6.1 BOARD OF DIRECTORS

The Directors bring to the Board relevant experience and skills, including sector and business knowledge, financial management experience and corporate governance experience. Profiles of each member of the Board are set out in the table below.

BOARD MEMBER	EXPERIENCE AND BACKGROUND
 **Jason Murray** *Chair and Non-Executive Director*	Jason first joined Best & Less Group in February 2012 as Managing Director (when the Group was known as Pepkor South East Asia). He left the business in October 2018 and then re-joined in December 2019 when the business was acquired by Allegro Funds. Jason's previous experience includes eight years at The Just Group, including as CEO and Managing Director for the last four and a half years, and over ten years with the global management consulting company McKinsey & Co. Jason's core capabilities and passions are the leadership, strategy development and transformation of retail businesses. Jason has a Bachelor of Economies (First Class Honours and University Medal) from the University of Sydney and a Masters of Business Administration (Dean's List) from IMD in Lausanne. He is a member of the Australian Institute of Company Directors.
 **Colleen Callander** *Non-Executive Director*	Colleen joined Best & Less Group in March 2021. Colleen has 30 years of fashion retail experience with 13 of those years as CEO of two of Australia's iconic fashion brands – Sportsgirl and Sussan. Colleen has a wealth of knowledge and a proven track record in building brands, creating a winning culture and building environments for success. Colleen is also a member of the Starlight Victorian Advisory Board and an Ambassador for The Children's Cancer institute.
 **Fay Bou** *Non-Executive Director*	Fay is a Managing Director at Allegro Funds and is a member of its Investment Committee. Fay led Allegro's acquisition of the Best & Less Group in 2019. Fay has 18 years of experience in finance and strategy in Australia, the U.S. and Asia, working for firms including Pacific Equity Partners, Babcock & Brown and PAG. Fay is a Non-Executive Director of The Interiors Group and Endeavour Learning Group and was previously Chair of Ngahuia Group. Fay holds a Bachelor of Science in Business Information Technology from the University of New South Wales (Co-op Scholar), a Master of Business Administration from The Wharton School, of the University of Pennsylvania (Macquarie Scholar), a Master of Arts from the Lauder Institute, of the University of Pennsylvania (Leonard Lauder Fellow), and a Graduate Diploma of Applied Finance and Investment from FINSIA.

BOARD MEMBER	EXPERIENCE AND BACKGROUND
 **Melinda Snowden** *Non-Executive Director and Chair of the Audit and Risk Committee*	Melinda joined Best & Less Group in December 2020. Melinda has 27 years of experience in finance. Melinda is currently a Non-Executive Director and Chair of the Audit and Risk Committee of WAM Leaders, and Sandon Capital Investments and Megaport and a Non-Executive Director of Our Ark Mutual. Melinda has held previous non-executive roles at MLC, Vita Group, Mercer Investments (Australia) and Kennards Self Storage. Prior to her non-executive career, she held investment banking roles with Grant Samuel, Merrill Lynch and Goldman Sachs. Melinda holds a Bachelor of Economics and Laws from the University of Sydney and is a member of the Australian Institute of Company Directors.
 **Stephen Heath** *Non-Executive Director and Chair of the Remuneration and People Committee*	Stephen joined Best & Less Group in December 2020. Stephen has 32 years of experience in retail and is a specialist in consumer goods brand management. Stephen is currently Chair of Temple & Webster, Glasshouse Fragrances and Shiro Holdings. He is also a Non-Executive Director of Redhill Education and previously a Non-Executive Director of Total Tools. Prior to his non-executive career, Stephen spent 16 years as CEO of iconic Australian consumer brands, including Rebel Sport, Godfreys and Fantastic Holdings.
 **Brett Blundy** *Non-Executive Director*	Brett Blundy is the Chairman and Founder of BBRC, a private investment group with diverse global interests across retail, capital management, retail property, agriculture, and other innovative ventures. Brett is one of Australia's most successful retailers, with BBRC's retail presence extending to over 800 stores across more than 15 countries. Brett is currently Chairman of Lovisa Group (ASX: LOV) and a non-executive director of Accent Group Limited (ASX: AX1). Brett is a significant shareholder in a number of Australian publicly listed companies: • Accent Group (ASX: AX1) • Aventus Group (ASX: AVN) • Dusk Group (ASX: DSK) • Lovisa Group (ASX: LOV) • Universal Stores (ASX: UNI)

Following Completion, BBRC will nominate Brett Blundy to be a Non-Executive Director of the Company. It is anticipated that Brett Blundy will be appointed shortly following Listing.

6.2 SENIOR LEADERSHIP TEAM

Profiles of the key members of the Management team are set out in the table below.

EXECUTIVE	EXPERIENCE AND BACKGROUND
 **Rodney Orrock** *Chief Executive Officer*	Rodney joined Best & Less Group as Chief Executive Officer in 2016. Since commencing Rodney has overseen both the Best & Less and Postie businesses. Rodney has over 35 years of retail and supply chain experience, running national teams and groups across diverse product areas. During this period Rodney has worked for brands such as IBM, Harvey Norman and Domayne. These have spanned across business functions such as sales, marketing, merchandising, operations and as a business owner and operator. Rodney is a customer focussed and practical retail leader. Since joining Best & Less in 2016 he has transformed the business from a promotional high-low discounter to an everyday low price customer centric business with the focus on increasing customer traffic through better attraction and relevance, and leveraging the business's volumes to achieve better value outcomes.
 **(John) Andrew Moore** *Chief Financial Officer and Company Secretary*	Andrew joined Best & Less Group as Chief Financial Officer in 2015. He has been responsible for financial and accounting at Best & Less Group. Andrew was appointed Company Secretary in 2021. Andrew has 38 years of experience in Finance & Accounting, including at Jalco, Sheridan International and KPMG. Andrew has extensive experience in retail, distribution, manufacturing and supply chain, both locally and internationally. Andrew graduated from the University of New South Wales with a Bachelor of Commerce. He is a member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.
 **Linda Leonard** *CEO – Postie*	Linda joined Best & Less Group in February 2015 and was appointed as CEO of Postie in April 2019. Prior to being appointed as CEO of Postie, Linda held the role of Merchandise Director of Postie. Linda has over 30 years of experience in the apparel industry across New Zealand and the United Kingdom. Prior to joining Best & Less Group, she held senior buying roles in New Zealand at The Warehouse, Farmers and Number One Shoes. Prior to moving to New Zealand from the United Kingdom, she had ten years of experience leading buying teams at British multinational retailer Debenhams as well as other merchandising roles across the Arcadia Group. Linda has extensive experience in local and international fashion.

6. KEY INDIVIDUALS, INTERESTS AND BENEFITS

EXECUTIVE	EXPERIENCE AND BACKGROUND
 **Lily Aforo-Addo** *Deputy Chief Financial Officer*	Lily joined Best & Less Group as Group Financial Controller in 2014 and was promoted to Deputy Chief Financial Officer in 2021. Lily is a chartered accountant with over 20 years of accounting and finance experience. Prior to commencing her role at Best & Less Group, Lily spent 13 years at PricewaterhouseCoopers in the assurance practice working with large, multi-national listed companies in the retail, FMCG and pharmaceutical industries. Lily graduated from the University of Sydney with a Bachelor of Commerce majoring in Accounting & Finance and is a member of Chartered Accountants Australia and New Zealand.
 **Joseph Van Dyk** *Head of Retail*	Joseph was appointed as Head of Retail in 2013 with over 10 years of experience in general management roles across retail operations. During his tenure he has been responsible for both Best & Less and Postie store operations, including the online fulfilment centre, in-store visual merchandising and as a member of the property committee. Joseph has 27 years of experience in leadership roles, having worked in South Africa, Australia and New Zealand across both specialty and big box retail formats. During his career, Joseph has worked for several brands which include The Foschini Group, MR Price Group, Rebel Sport, Toys “R” Us, Specialty Fashion Group and The Just Group.
 **Kerry Scotney** *Head of Online*	Kerry joined Best & Less Group in January 2020 and has nearly 25 years of retail experience in the United Kingdom and Australia. He is responsible for leading the e-commerce, digital marketing and CRM functions as well as the in-house team of developers. Prior to his current role, he delivered online growth at Speciality Fashion Group and Mosaic Brands. Prior to moving to Australia from the United Kingdom, he led e-commerce teams in the UK in the fashion, FMCG and sportswear categories. Kerry graduated from the University of Manchester with an Honours degree in Economics, holds a Chartered Institute of Marketing (United Kingdom) qualification and is a member of the ARA Digital Advisory Committee.

Best&Less Group

EXECUTIVE	EXPERIENCE AND BACKGROUND
 **Andrea Kenworthy** *Head of Buying, Adults*	Andrea joined Best & Less Group in 2019 and has over 30 years of experience in retail clothing and footwear buying offices across the UK, New Zealand and Australia, including over 15 years at executive level. Andrea currently manages a team of buyers and graphic artists. Andrea has held previous leadership roles including General Manager (Rivers Brand) at Specialty Fashion Group, General Manager (Apparel and Home) at The Warehouse Group and headed the clothing division at Woolworths in the UK. Andrea graduated from Nottingham Trent University in the United Kingdom with a degree in Textiles.
 **Vanessa Noy** *Head of Buying, Kids*	Vanessa joined Best & Less Group as a Buyer in 2012, before being promoted to the role of Merchandise Manager and subsequently to Head of Buying (Kids) in 2017. She has 25 years of buying, design and product development experience, including 19 years specialising in youth and kids' apparel. At Best & Less Group, Vanessa established the Baby Berry brand offer and currently leads a team of kidswear buying specialists and an in-house design capability. She also manages the strategy and allocation of budgets for kids and baby apparel. Vanessa graduated from studies in both Fashion Production and Design at the Whitehouse Institute of Design.
 **Teresa Gallo** *Head of People & Culture*	Teresa joined Best & Less in 2010 and has over 30 years of retail experience across roles at Woolworths, David Jones, Coles, Myer Corporate and Target Australia. Throughout her career, Teresa has focused on aligning people strategies with business priorities, and she has expertise in organisational change, talent management and succession, culture, leadership and organisational capability building. Teresa currently manages all aspects of people and culture, workplace safety and payroll. Teresa holds a Bachelor of Arts majoring in Psychology and selected MBA studies.
 **Janine Van Deventer** *Head of Marketing*	Janine joined Best & Less as Head of Marketing in 2019. She has over 20 years of experience in value fashion retail marketing to the mass middle market at Ackermans, one of the biggest retail groups in Southern Africa. She is responsible for the Best & Less customer with the Friends Club programme and research and positioning Best & Less as the Best Value Retailer in Australia. This includes all customer facing messages and creative across all channels. Janine is responsible for managing a team of customer specialist, brands specialist, designers, producers and e-commerce studio specialists. As a mum herself, she has a passion for mum and is dedicated to adding value to mum's life.

EXECUTIVE	EXPERIENCE AND BACKGROUND
 **Angela Astone** *Head of Planning*	Angela was appointed Head of Planning at Best and Less in 2018. She has more than 20 years of experience in global and domestic companies across corporate and franchise models in manufacturing, wholesaling and retailing businesses. Angela has extensive cross functional experience including finance, business operations, business analysis and insights, inventory management, merchandise planning and supply chain. Angela's previous leadership roles include Vice President – Planning & Supply Chain at Luxottica Retail Australia. Angela graduated from Monash University with a Bachelor of Business majoring in Accounting.
 **David Marjoribanks** *Head of IT*	David joined Best & Less as Head of IT in 2013 and has over 25 years of experience implementing and managing technology solutions in retail. Previously a senior implementation consultant with Retek, a tier one retail software vendor later acquired by Oracle, he provided functional expertise and business process realignment solutions on numerous transformation projects for local and international retailers. David has also had IT management roles with other national retailers including Colorado Group and Amart Furniture. David holds a Master's degree in Information Technology Management from Southern Cross University.
 **Rosita van Vuuren** *Head of Merchandise Operations*	Rosita has over 30 years' experience in the Apparel and Footwear Industry. She joined Best & Less in January 2013 and was appointed Head of Merchandise Operations in June 2019. As Head of Merchandise Operations, Rosita works with all operational aspects of the business, including Postie international suppliers, sourcing collaboration and sustainability and Ethical Sourcing and Corporate Social Responsibility initiatives across the Company. She has extensive experience in international sourcing and operations, including supply chain, production and quality. Prior to becoming Head of Merchandise Operations, Rosita was the Sourcing and Quality Assurance Manager. Prior to joining Best & Less, Rosita held roles including VP of Operations with Bloch International managing complex supply bases across multiple countries. In 2017 Rosita graduated from the Australian Institute of Business with a Master of Business Administration.

6.3 INTERESTS AND BENEFITS

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- Underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a director of the Company or SaleCo.

6.3.1 Interests of advisers

BLGH has engaged the following professional advisers in relation to the Offer:

- Macquarie Capital (Australia) Limited and Bell Potter Securities Limited have acted as Joint Lead Managers to the Offer and the fees payable to the Joint Lead Managers pursuant to the Underwriting Agreement are described in Section 9.7.1;
- Ashurst Australia has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately A$1,225,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to Ashurst Australia in accordance with its normal time based charges;
- Mayne Wetherell has acted as New Zealand legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately NZ$120,000 (excluding disbursements) for these services up until the Prospectus Date. Further amounts may be paid to Mayne Wetherell in accordance with its time-based charge;
- PricewaterhouseCoopers Securities Ltd has acted as the Investigating Accountant in connection with the Offer and has performed work in relation to the Investigating Accountant's limited assurance reports. The Company has paid, or agreed to pay, approximately A$1,275,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd in accordance with its normal time based charges;
- PricewaterhouseCoopers has acted as the Australian taxation adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately A$375,000 (excluding disbursements and GST) for these services up and until the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time based charges; and
- Frost & Sullivan has acted as the Independent Market Expert to the Offer and has prepared the Independent Market Report referred to in Section 2. The Company has paid, or has agreed to pay, approximately $16,500 (excluding disbursements and GST) for these services up and until the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by the Company out of available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Directors' interests and remuneration

6.3.2.1 Non-Executive Director remuneration

Under the Constitution, the Board may decide the total amount paid to each Director as remuneration for their services as a Director. However, under the Constitution and the Listing Rules, the total amount of fees payable to all Non-Executive Directors for their services must not exceed, in aggregate in any financial year, the amount approved by Shareholders at the Company's general meeting. This amount has been fixed by the Shareholders at $950,000 per annum. Any change to that aggregate annual sum needs to be approved by Shareholders.

The following annual base fees are payable to Directors from Completion:

DIRECTOR FEES	$ DIRECTOR FEES
Chairperson	190,000
Non-Executive Directors	110,000

Pursuant to the terms of the Relationship Deed summarised at Section 9.7.2, Fay Bou will not be remunerated by the Company as Fay Bou is the nominee Director of Allegro Funds. However, the Company will pay Allegro Funds $110,000 per annum which is equal to the cash component of Non-Executive Director remuneration that would have been paid to Fay Bou.

The following annual committee fees are payable to the Chairperson of the Audit and Risk Committee and Remuneration and People Committee:

COMMITTEE FEES	$ CHAIR FEES	AT COMPLETION
Audit and Risk Committee	30,000	Melinda Snowden
Remuneration and People Committee	30,000	Stephen Heath

Directors will not receive any additional fees for being a member of a Board committee.

All Directors' fees include superannuation payments as required by law.

Each Non-Executive Director (other than Jason Murray, Brett Blundy and Fay Bou) will be paid an amount of $25,000 for services performed in connection with the Offer prior to the date of this Prospectus.

6.3.2.2 Deeds of access, insurance and indemnity

BLGH has entered into a deed of access, insurance and indemnity with each Director. Each deed contains the right of access to certain books and records of the Company for the period from the date of the deed until seven years after the person ceases to hold office. This seven-year period can be extended where certain actions or proceedings commence before the period expires. Pursuant to the Constitution, the Company must indemnify officers (including Directors) past and present, against all liabilities incurred as an officer of the Company, to the extent permitted by law. Under the deed, the Company indemnifies each Director and relevant officers against any liability that may arise from their position as an officer of the Company, to the extent permitted by law. The deed provides that the Company must meet the full amount of any such liabilities, including legal costs that are reasonably incurred, charges and expenses. Pursuant to the Constitution, the Company may arrange directors' and officers' insurance for its Directors, to the extent permitted by law. Under the deed, the Company must maintain such insurance for the period from the date of the deed until seven years after the Director ceases to hold their position as an officer of the Company or a wholly-owned subsidiary of the Company except in certain cases. This seven-year period can be extended where certain actions or proceedings commence before the period expires.

6.3.2.3 Directors' interests in Shares and other securities

Directors are not required by the Constitution to hold any Shares. The Directors (and their associates) are entitled to apply for Shares under the Offer with the final Directors' shareholdings (including held indirectly by associates) to be notified to ASX following Completion.

The Directors' interests in Shares immediately before Completion and as at Completion are set out below. The Directors are entitled to apply for Shares under the Offer. The below table does not take into account any Shares the Directors may acquire under the Offer. Final Shareholdings held directly or indirectly by the Directors will be notified to ASX following Listing.

	SHARES HELD IMMEDIATELY BEFORE COMPLETION AND FOLLOWING THE SALE TO BBRC	SHARES HELD AT COMPLETION	
	ORDINARY SHARES	ORDINARY SHARES	% (ON A FULLY DILUTED BASIS)
Director			
Jason Murray[80]	11,318,449	10,368,021	8.3%
Fay Bou	Nil	Nil	Nil
Melinda Snowden	Nil	Nil	Nil
Stephen Heath	Nil	Nil	Nil
Colleen Callander	Nil	Nil	Nil
Brett Blundy[81]	20,618,556	20,618,556	16.4%

The Shares held by Jason Murray at Completion will be subject to voluntary escrow arrangements. Refer to Section 9.8 for further information on escrow arrangements in relation to the Offer.

80. Jason's shares are held by an investment vehicle. Please refer to Section 9.6 for details of the sale by Jason Murray's investment vehicle of Shares to BBRC.
81. Whilst Brett Blundy is not yet a Director of the Company, his details have been included in this table for completeness and transparency. Brett Blundy's shares will held by investment vehicle BBRC.

6.4 EXECUTIVE REMUNERATION

6.4.1 Chief Executive Officer

TERM	DESCRIPTION
Employer	Best & Less Pty Limited
Fixed remuneration (including base salary and superannuation)	$813,305 per annum
Incentives	A discretionary annual short term cash incentive (**STI**) bonus as determined by the Board from time to time. Rodney's FY21 STI will entitle him to approximately nil – 50% of his total fixed remuneration (depending on his performance measured against relevant KPIs). A discretionary annual long term incentive (**LTI**) bonus as determined by the Board from time to time, being currently a grant of Performance Rights for nil considerations under the LTIP (refer to Section 6.5.2).
Termination	The notice period for termination under Rodney's employment agreement is six months by either Rodney or Best & Less Pty Limited.
Restraints	Rodney is subject to a post employment restraint period of six months and a 12-month non-solicitation period, enforceability of which is subject to usual legal requirements and exceptions.

As detailed in Section 6.5.3, Rodney Orrock will hold 4,758,440 Shares at Completion. This does not take into account any Shares that Rodney Orrock may acquire under the Offer. The Shares held by Rodney Orrock at Completion will be subject to voluntary escrow arrangements. Refer to Section 9.8 for further information on escrow arrangements in relation to the Offer.

6.4.2 Chief Financial Officer

TERM	DESCRIPTION
Employer	Best & Less Pty Limited
Fixed remuneration (including base salary and superannuation)	$374,533 per annum
Incentives	A discretionary annual STI bonus as determined by the Board from time to time. Andrew's FY21 STI will entitle him to approximately nil – 50% of his total fixed remuneration (depending on his performance measured against relevant KPIs). A discretionary annual LTI bonus as determined by the Board from time to time, being currently a grant of Performance Rights for nil consideration under the LTIP (refer to Section 6.5.2).
Termination	The notice period for termination under Andrew's employment agreement is six months by either Andrew or Best & Less Pty Limited.
Restraints	Andrew is subject to a post employment restraint period of six months and a 12-month non-solicitation period, enforceability of which is subject to usual legal requirements and exceptions.

As detailed in Section 6.5.3, Andrew Moore will hold 2,478,354 Shares at Completion. This does not take into account any Shares that Andrew Moore may acquire under the Offer. The Shares held by Andrew Moore at Completion will be subject to voluntary escrow arrangements. Refer to Section 9.8 for further information on escrow arrangements in relation to the Offer.

6.5 EMPLOYEE INCENTIVE PLANS

6.5.1 Short term incentive plans

Best & Less

There is a cash based annual short term incentive scheme (**BL STI Scheme**) which is only available to a limited number of Best & Less employees, including the CEO, Rodney Orrock. Payments under the BL STI Scheme are linked to key performance indicators, as set by the Best & Less Chief Executive Officer and approved by the board of Best & Less Pty Limited. Remuneration is based on a percentage of the relevant employee's total fixed remuneration. The maximum percentage payable ranges between 15% and 50% depending on the seniority of the individual. Key performance indicators that are used to measure performance include EBITDA dollars, total sales dollars, cash generation, cost of doing business as a percentage of sales, gross margin dollars and closing stock dollars.

Postie

There is a cash based annual short term incentive scheme (**NZ STI Scheme**) which is only available to a limited number of Postie employees, including the CEO, Linda Leonard. Payments under the NZ STI Scheme are linked to key performance indicators, as set by the Postie Chief Executive Officer and approved by the board of Postie Plus Group Limited. Remuneration is based on a percentage of the relevant employee's total fixed remuneration. The maximum percentage payable ranges between 10% and 50% depending on the seniority of the individual. Key performance indicators that are used to measure performance include EBITDA dollars, online sales dollars, cash generation, cost of doing business as a percentage of sales and gross margin percentage.

6.5.2 Long term incentive plan

The Company has established a long term incentive plan (**LTIP**) to assist in the motivation, retention and reward of eligible employees through grants of long term incentives. The LTIP is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company.

The LTIP provides flexibility for the Company to grant:

- performance rights, granted to participants for nil consideration, have a nil exercise price and may require exercise by the participants (**Performance Rights**); and/or
- Options, granted to participants for nil consideration, have an exercise price and will require exercise by the participants (**Options**),

(together, Performance Rights and Options are referred to as **Awards**).

A summary of the key terms of the LTIP is set out in the table below.

TERM	DESCRIPTION
Approval	The LTIP has been approved by the Board and by the Company's shareholders prior to Completion.
Eligibility	The Board has the absolute discretion to determine which employees or Executive Directors of the Company and its subsidiaries are eligible to participate in the LTIP. Generally, eligibility will depend on the extent to which an employee has accountability for and is able to directly impact the long-term results of the Company, and the extent to which an employee is critical to the future success and value of the Company. The Board may, but is not obliged, to permit participants to nominate a relative or related entity (**Nominated Affiliate**) to receive their grant of Awards under the LTIP.
Terms and conditions	The Board has absolute discretion to determine the terms and conditions (including in relation to vesting, exercise, forfeiture, disposal and pricing) on which it will make offers under the LTIP and it may set different terms and conditions for different participants in the LTIP.
Dividend and voting entitlement	Awards are not entitled to dividend or voting rights. Awards do not confer the right to participate in new issues of Shares or other securities in the Company. Shares issued, allocated or transferred to participants upon exercise of vested Awards will carry the same rights and entitlements as other Shares on issue, including as to voting and dividends.
Restrictions	Subject to applicable laws and the Listing Rules, without the prior approval of the Board: • Awards may not be sold, transferred, mortgaged, pledged, charged, granted as security or otherwise disposed of, other than in accordance with the LTIP rules and the relevant invitation; and • Participants may not enter into any arrangement which hedges or otherwise affects the participant's economic exposure to the Awards granted to them under the LTIP.

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TERM	DESCRIPTION
Quotation	Awards will not be quoted on ASX. The Company will apply for official quotation of any Shares issued to a participant upon vesting and exercise of their Awards, in accordance with the Listing Rules.
Vesting and exercise	Awards will vest if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant (collectively **Vesting Conditions**) are satisfied or waived and the Company has given (or is deemed to have given) the participant a vesting notice. Awards will be exercisable if and to the extent that any applicable exercise conditions specified at the time of the grant (collectively the **LTIP Exercise Conditions**) are satisfied or waived and the Company has given (or is deemed to have given) the participant a confirmation notice. If no LTIP Exercise Conditions apply to the grant of Awards, a vesting notice will be deemed to also be a confirmation notice.
Settlement of Awards	The LTIP has the flexibility for Awards to be settled in either Shares or cash. Cash settlement will only be available if the Company permits it in the relevant participant's invitation to participate in the LTIP. Shares to be delivered to participants upon the exercise of vested Awards may be issued by the Company to the participants, acquired on or off market and transferred to the participants, and/or allocated within an employee share trust to the participants. The Company may, but is not obliged to, limit the manner in which it delivers Shares to a participant that has exercised an Award. For example, to obtain the benefit of Listing Rule 10.16A, the Company may limit itself to only sourcing Shares from on-market to fulfil particular vested and exercised Awards.
Lapse/forfeiture of Awards	The LTIP contains provisions concerning the treatment of Awards and any Shares issued, allocated or transferred following the exercise of Awards, including without limitation in the event that: • a participant ceases employment with the Company or a subsidiary; • the LTIP Vesting Conditions or LTIP Exercise Conditions attaching to the relevant Awards are not satisfied or the Board forms the view they cannot be satisfied; • a participant acts fraudulently, dishonestly or materially breaches the obligations that they owe to the Company and its subsidiaries; • a participant has made a material misstatement on behalf of the Company, or there is otherwise a financial misstatement event which results in a benefit to a participant under the LTIP which, in the opinion of the Board, the relevant Award would not otherwise have vested or become exercisable; • a participant becomes insolvent; • a participant materially breaches (without remedy) the obligations it owes the Company in respect of the LTIP; and • the Awards are not exercised before the applicable expiry date.

TERM	DESCRIPTION
Expiry	Awards will be issued with an expiry date. If no date is specified, the expiry date will be the Business Day prior to the five-year anniversary of the date of grant of the Awards.
Change of Control Event	If a Change of Control Event in relation to the Company occurs or is likely to occur (as determined by the Board), the Board may in its absolute discretion determine the manner in which any or all of a participant's vested or unvested Awards will be dealt with. A Change of Control Event includes without limitation: • where a person and their associates become the owner or the holder of a Relevant Interest in more than 50% of the issued share capital of the Company; • where a takeover bid is made, the takeover bid becomes unconditional and the bidder (together with its associates) has a Relevant Interest in more than 50% of the issued capital of the Company; • a resolution is passed for the voluntary winding up of the Company or an order is made for the compulsory winding up of the Company; or • any other event determined by the Board in good faith to constitute a "Change of Control Event" for the purposes of the LTIP.
Employee share trust	The Company may operate an employee share trust in conjunction with the LTIP. Participants that have Shares held in an employee share trust on an allocated basis are entitled to dividends paid on those Shares and to instruct the trustee how to exercise votes attaching to those Shares.
Other terms	The LTIP contains customary and usual terms having regard to Australian law and the Listing Rules for dealing with the administration, variation and termination of the LTIP (including in relation to the treatment of Awards in the event of a reorganisation of the Company's share capital structure or a bonus share issue).

The Awards to be initially granted under the LTIP on or around Completion will be on the terms generally described above and as set out in the table below.

TERM	DESCRIPTION
Grant date	On or around Completion.
Eligibility & allocation methodology	The initial offers of Performance Rights under the LTIP will be made to the members of Management listed at Section 6.2. The Board proposes that the number of Performance Rights to be granted to the initial participants will be calculated by dividing the maximum award opportunity of a participant by the Offer Price. The maximum award opportunity will be for: • CEO, CFO and CEO (Postie): 75% of each individual's total fixed remuneration; and • All other executives: 40% of each individual's total fixed remuneration.

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TERM	DESCRIPTION
Quantum of grants	The quantum of the grants at or around Completion will be as follows: • Rodney Orrock, CEO – 282,398 of Performance Rights; • Andrew Moore, CFO – 130,046 of Performance Rights; and • Other members of Management (11 members in total) – 658,353 of Performance Rights. For the purposes of Listing Rule 7.2 Exception 13(a) in the three years following the Prospectus Date only, the maximum number of equity securities proposed to be transferred or issued under the LTIP is 6,282,640 equity securities, representing 5% of the Company's issued share capital based on the number of securities on issue on Completion. This maximum number is not intended to be a prediction of the actual number of equity securities to be transferred or issued under the LTIP. An issue of securities above this maximum number will only be able to be made without shareholder approval under Listing Rule 7.1 if the Company has sufficient placement capacity available at the time under Listing Rule 7.1.
Vesting conditions	The initial Performance Rights are divided into two tranches: • 50% of the participant's Performance Rights will be subject to a relative total shareholder return (**rTSR**) vesting condition, which compares the TSR performance of the Company with the TSR performance of each of the entities in the Small Ordinaries Index (less Financial, Resources and Real Estate companies) over the period from Completion until 30 June 2024; and • 50% of the participant's Performance Rights will be subject to an earnings per share compound annual growth rate (**EPS CAGR**) vesting condition over the three financial years ending 30 June 2024. For the above vesting conditions to be tested at the relevant time in relation to a participant, that participant must be continuously employed or engaged by a member of the Group at all times from the date the relevant Performance Rights are granted until the final day of the performance period (inclusive).

TSR vesting condition

The vesting schedule for the Performance Rights that are subject to the rTSR vesting condition is as follows:

COMPANY'S RTSR PERCENTILE RANKING FOR THE RELEVANT PERFORMANCE PERIOD	PROPORTION OF RELEVANT PERFORMANCE RIGHTS THAT SATISFY THE RTSR VESTING CONDITION
Less than 50th percentile	0%
At the 50th percentile	50%
Between the 50th percentile and the 75th percentile	Pro rata vesting on a straight-line basis between 50% and 100%
At or above 75th percentile	100%

The rTSR vesting condition will be tested after the end of the performance period. For the avoidance of doubt, there will be no re-testing of the TSR vesting condition.

TERM — DESCRIPTION

Vesting conditions continued

EPS vesting condition

EPS growth will be measured by reference to the Group's underlying net profit for the performance period (statutory net profit adjusted for the after tax effect of any significant items and unusual one-off costs, benefits or adjustments), divided by the weighted average number of shares on issue across the performance period. The Board may (in its discretion) make adjustments to exclude the effects of extraordinary events, material business acquisitions or divestments and for certain one-off costs. EPS growth will be expressed as a compound annual growth rate (**CAGR**) percentage.

The EPS vesting condition will be tested following announcement of the Company's audited consolidated results for FY24 (expected within approximately two months of the end of FY24).

The vesting schedule for the Performance Rights subject to the EPS vesting condition is as follows:

EPS CAGR FOR THE RELEVANT PERFORMANCE PERIOD	PROPORTION OF RELEVANT PERFORMANCE RIGHTS THAT SATISFY THE EPS VESTING CONDITION
EPS CAGR is less than 10%	0%
EPS CAGR is equal to 10%	50%
EPS CAGR is greater than 10% and less than 15%	Pro rata vesting on a straight-line basis between 50% and 100%
EPS CAGR is equal to or greater than 15%	100%

Exercise

The initial grants of Performance Rights will not be subject to any LTIP Exercise Conditions.

Participants may exercise their vested Performance Rights by delivering an exercise notice to the Company at any time that is within 20 days following the release of the Company's half year or full year results to ASX and provided the participant is permitted to exercise their Award under the Company's Securities Trading Policy.

If any of the Performance Rights issued in the initial grants are not exercised by 5:00pm (Sydney time) on 15 September 2026, those Performance Rights will lapse and be automatically forfeited.

Settlement mechanism

The initial Performance Rights granted will be equity settled and not cash settled.

The Company may fulfil a validly exercised Performance Right by issuing, allocating and/or causing to be transferred to the relevant participant the number of Shares to which they are entitled.

Restrictions on dealing

Any Shares that an initial participant receives on vesting of their Awards will be subject to a disposal restriction of six months following receipt of those Shares, in the form of an ASX holding lock.

TERM	DESCRIPTION
Cessation of employment	If a participant ceases employment in circumstances including, without limitation, death, TPD, redundancy, bona fide retirement with the prior approval of the Board, or such other circumstances determined by the Board, the participant will retain their vested Performance Rights and (unless otherwise determined by the Board) a pro rata amount of unvested Performance Rights determined by reference to the performance period served before ceasing employment. Any unvested Performance Rights that are retained will remain subject to the vesting conditions that previously applied to them, unless otherwise determined by the Board. Upon cessation of employment in all other circumstances, participants will forfeit all of their vested and unvested Performance Rights.

6.5.3 Historical incentive arrangements

BLG previously established an equity incentive plan (the **BLGPL MEP**), under which certain members of Management, including Rodney Orrock and Andrew Moore, received equity (in the form of **CRPS**) in BLGPL which is a subsidiary of the Company. In connection with the Offer, Rodney and Andrew, together with the other BLGPL MEP participants, have entered into a conditional sale agreement with the Company, under which their CRPS (securities in BLGPL) will be sold to the Company for a combination of cash and Shares. Once acquired by the Company the CRPS will automatically vary in accordance with their terms so as to become ordinary shares in BLGPL.

An overview of the treatment of the CRPS in connection with the Offer for Rodney Orrock, Andrew Moore and other participants in the BLGPL MEP is set out below:

	CONSIDERATION FOR SALE OF CRPS		SHARES HELD AT COMPLETION	
	CASH	SHARES HELD IMMEDIATELY BEFORE COMPLETION	ORDINARY SHARES	% (ON A FULLY DILUTED BASIS)
Shareholder				
Rodney Orrock	A$1,812,103	4,758,440	4,758,440	3.8%
Andrew Moore	A$943,804	2,478,354	2,478,354	2.0%
Other members of Management (CRPS holders)	A$1,964,684	4,556,523	4,556,523	3.6%

The Shares held by Rodney Orrock, Andrew Moore and the other members of Management who are participants in the BLGPL MEP at Completion will be subject to voluntary escrow arrangements. Refer to Section 9.8 for further information on escrow arrangements in relation to the Offer.

The Company previously established an equity incentive plan (**BLGH MEP**) under which Jason Murray was entitled to co-invest in BLG with Allegro Funds in return for the issue of Class A Shares in BLGH. In connection with the Offer and immediately prior to Completion, the Class A Shares will split and convert into Shares (being fully paid ordinary shares in BLGH) in accordance with their terms of issue (refer to Section 6.3.2.3 for the number of Shares had by Jason Murray immediately before and at Completion). The Shares held by Jason Murray at Completion will be subject to voluntary escrow arrangements. Refer to Section 9.8 for further information on escrow arrangements in relation to the Offer.

In addition, under an historical incentive arrangement with Allegro Funds that was entered into in connection with Jason Murray's co-investment in the Group, Jason is on Completion entitled to a cash incentive payment of approximately A$3,811,176. This amount is not payable by the Company or any other member of BLG, but by entities associated with Allegro Funds.

The incentive arrangements described above will not continue to operate post Completion other than with respect to the restraint for Jason Murray which will continue to operate until he ceases to own Shares in the Company.

6.6 RELATED PARTY AGREEMENTS

Other than as disclosed in this Prospectus, BLG is not party to any material related party arrangements.

6.7 CORPORATE GOVERNANCE

This Section explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance and strategic goals. The Board monitors the operational and financial position and performance of BLGH and oversees its business strategy, including approving the strategic goals of the Company and considering and approving an annual business plan (including a budget).

The Board is committed to maximising performance, generating appropriate levels of returns for Shareholders and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on ASX. The ASX Corporate Governance Council has developed and released its 4th edition of the Corporate Governance Principles and Recommendations for ASX listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. Under the Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it and must also disclose what (if any) alternative governance practices it adopted instead of the recommendation during that period.

Copies of the Company's key policies and practices and the charters for the Board and each of its committees will be available at www.bestandlessgroup.com.au.

6.8 DIRECTORS' INTERESTS

Profiles of the Board members are provided in Section 6.1.

Each Director has confirmed to the Company that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director without constraint having regard to their other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. In assessing independence, the Board will have regard to the ASX Recommendations.

The Board Charter sets out guidelines of materiality for the purpose of determining the independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

Stephen Heath, Melinda Snowden and Colleen Callander are considered to be independent Directors.

As an executive of the Company up until Completion (at which point Jason will transition to a non-executive role), Jason Murray is currently considered by the Board not to be independent having regard to the ASX Corporate Governance Principles and Recommendations.

Fay Bou is currently considered by the Board not to be independent having regard to his role as nominee Director of Allegro Funds.

It is currently considered by the Board that once Brett Blundy joins the Board post Listing, he would not be independent having regard to his role as nominee Director of BBRC.

The current structure and composition of the Board and its committees has been determined having regard to the nature and size of BLG's operations, the skill set of the Directors both individually and collectively, and the best interests of Shareholders.

As at the date of this Prospectus, the Company will be compliant with the ASX Recommendations except as set out in the table below:

ASX RECOMMENDATION	SUMMARY OF POSITION OF THE BOARD
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The current structure and composition of the Board has been determined having regard to the nature and size of BLG's operations, the skill set of the Directors both individually and collectively, and the best interests of Shareholders. However, Jason Murray is currently considered by the Board not to be independent having regard to his previous executive role. The Board believes that Jason Murray brings objective and unbiased judgement to the position of Chair of the Board and having regard to the Company and the retail industry, has considerable skills, knowledge, experience and understanding of the Company's business and the retail industry which he will bring to the role of Chair of the Board. Accordingly, the Board is satisfied that non-compliance with Recommendation 2.5 will not be detrimental to the Company.

Once Brett Blundy joins the Board as a Non-Executive Director, the Company will no longer be compliant with ASX Recommendation 2.4 as set out in the table below:

ASX RECOMMENDATION	SUMMARY OF POSITION OF THE BOARD
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	Jason Murray and Fay Bou are not be considered by the Board to be independent and when Brett Blundy joins the Board as a Non-Executive Director, he will not be considered by the Board to be independent. Accordingly, only 50% of the Board (not a majority) will be independent directors. Notwithstanding the above, the Board believes that each of Brett Blundy, Jason Murray and Fay Bou bring objective and unbiased judgment to their respective positions on the Board and having regard to the Company and the retail industry, have considerable skills, knowledge, experience and understanding of the Company's business and the retail industry which each will bring to their respective roles on the Board. Accordingly, the Board is satisfied that non-compliance with Recommendation 2.4 will not be detrimental to the Company.

6.8.1 Board Charter

The Board has adopted a written charter setting out the responsibilities of the Board and the framework for its effective operation. The charter provides that the Board should comprise Directors with the appropriate mix of skills, experience, expertise and diversity which are relevant to the Company's businesses and the Board's duties and responsibilities. The Board Charter allows the Board to delegate powers and responsibilities to the Chief Executive Officer and committees established by the Board. The Board retains ultimate accountability to Shareholders in discharging its duties. Under the charter, the Board assumes responsibilities including, but not limited to the following:

- approving and monitoring the Company's strategy, business performance objectives and financial performance objectives, and overseeing and monitoring the establishment of systems of risk management and systems of internal controls;
- overseeing and monitoring systems of risk management, operational risk policies and procedures (including policies relating to health, safety and injury management), internal control and legal compliance;
- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning the succession of the Board, its committees and individual directors;
- approving the Company's annual budget and major capital expenditure, acquisitions, incentive plans and overseeing capital management; and
- developing and reviewing the Company's corporate governance policies and culture with respect to the establishment and observance of appropriate ethical standards.

6.8.2 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Remuneration and People Committee. Membership of Board committees will be based on the skills and experience of individual Directors and the relevant legislative and regulatory requirements.

6.8.2.1 Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Company's financial and corporate reporting, internal control structure, risk management systems and internal and external audit functions. This includes confirming the quality and reliability of the financial information prepared by the Company, working with the external auditor on behalf of the Board and reviewing non-audit services provided by the external auditor to confirm they are consistent with maintaining external audit independence.

The Audit and Risk Committee provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the Committee's risk management process is to assist the Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

The Audit and Risk Committee's charter sets out the required composition of the Committee, the Committee's ability to have access to Company records and employees and the external auditor for the purpose of carrying out its responsibilities and the Committee's specific responsibilities in the areas of risk management and compliance, financial and corporate reporting and external audit matters.

The Company will comply with the recommendations set by the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise three Non-Executive Directors, being Melinda Snowden (as Chair), Jason Murray and Stephen Heath.

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6.8.2.2 Remuneration and People Committee

The role of the Remuneration and People Committee is to assist the Board in fulfilling its statutory and regulatory responsibilities for corporate governance and overseeing the Company's nomination and remuneration policies and practices related to the Directors and senior management and to ensure that these policies and practices are consistent with the strategic goals of the Board.

This includes evaluating and approving the remuneration packages and policies related to the CEO, Directors and other members of Management. The Remuneration and People Committee is also responsible for administering short term and long term incentive plans (including any equity plans). In addition, the Committee is responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and Management). Independent advice will be sought where appropriate.

The Remuneration and People Committee's charter sets out the required composition of the Committee, the Committee's ability to have access to Company records and employees and the external auditor for the purpose of carrying out its responsibilities and the Committee's specific responsibilities in the areas of nomination and remuneration.

BLGH will comply with the recommendations set by the Listing Rules and the ASX Corporate Governance Council in relation to the composition and operation of the Committee. The Committee will comprise Stephen Heath (as Chair), Fay Bou and Colleen Callander.

6.9 CORPORATE GOVERNANCE POLICIES

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to ASX Principles.

6.9.1 Continuous Disclosure Policy

Following Listing, the Company will be required to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act. Subject to exceptions contained in the Listing Rules, the Company will be required to disclose to ASX any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities were that information to be generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company has adopted a Continuous Disclosure Policy to reinforce the Company's commitment to its continuous disclosure obligations, and describes the procedures in place that enable the Directors and Management to fulfil their obligations in relation to the timely disclosure of market sensitive information. The policy also sets out the processes for dealing with external communications that seek to ensure, among other things, that market sensitive information is immediately disclosed to ASX before being communicated to third parties.

The Company is committed to observing its disclosure obligations. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and continuous disclosure announcements will be made available on the Company's website at www.bestandlessgroup.com.au.

6.9.2 Communications Policy

The Company seeks to ensure that Shareholders are provided with sufficient and accurate information to assess the performance of the Company and be informed of any major developments affecting the state of affairs of the Company. The Company's Communications Policy is designed to promote effective communication with Shareholders and other stakeholders and to ensure Shareholders and other stakeholders are informed in a timely and readily accessible manner of all major developments affecting the Company. The policy outlines the Company's policy of shareholder communications and the processes which the Company has in place to facilitate and encourage participation at shareholder meetings.

The Board aims to ensure that the Company is committed to maintaining direct, open, timely and effective two-way communications with all Shareholders. Information will be communicated to Shareholders through announcements to ASX, the Company's annual report, annual general meetings, half year and full year results, and the BLG website, www.bestandlessgroup.com.au.

6.9.3 Securities Trading Policy

The Company has adopted a Securities Trading Policy to:

- ensure that all Directors, employees and contractors of the Company (and their associates) are aware of the Australian insider trading laws under the Corporations Act as they apply to trading in Shares (and other securities of the Company to the extent there are any); and
- establish procedures and restrictions on the dealing in Shares (and other securities of the Company to the extent there are any) which will apply to the Company's Directors, senior executives, other specified employees and other persons nominated by the Board from time to time (referred to in the policy as **Restricted Persons**).

The Securities Trading Policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited and to establish procedures in relation to the Restricted Persons dealing in the Shares. These procedures include that the Restricted Persons must not deal in the Company's securities when they are aware of inside information.

Further, Restricted Persons are prohibited from trading in Shares during certain 'blackout periods'. Those blackout periods are currently defined as any of the following periods:

- between the day one month before the end of the full or half year and until the trading day after the release of the Company's results for that period and any other period the Board may specify; and
- any other period that the Board specifies from time to time.

The Restricted Persons must obtain prior approval for any proposed dealing in the Company's securities outside of the above blackout periods (including any proposed dealing by one of their connected persons). The policy specifies exemptions to certain types of trading, which include disposals arising as a result of acceptance of a takeover bid or equal access buyback, acquisitions under a dividend reinvestment plan and acquisitions under an employee incentive plan (noting that subsequent trading of Shares acquired in the scheme must comply with the policy).

6.9.4 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct which sets out the way the Company conducts business and how the Company expects its employees to behave. The Company will carry on business respectfully, honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations.

The Code of Conduct applies to all employees, regardless of employment status or work location and the Directors, in the Board Charter, have committed to abiding by the Code of Conduct as it applies to the Board.

The Code of Conduct is designed to:

- provide a benchmark for ethical and professional behaviour throughout the Company;
- promote a healthy, respectful and positive workplace and environment for all team members;
- ensure that there is compliance with laws, regulations, policies and procedures relevant to the Company's operations, including workplace health and safety, privacy, fair trading and conflict of interest;
- ensure that there is an appropriate mechanism for team members to report conduct which breaches the Code of Conduct; and
- ensure that team members are aware of the consequences they face if they breach the Code of Conduct.

6.9.5 Diversity and Equal Opportunity Policy

The Company has adopted a Diversity and Equal Opportunity Policy which sets out the Company's commitment to diversity and inclusion in the workplace and certain obligations on employees and Management in relation to diversity and equal opportunity objectives. The Company will include in its corporate governance statement each year details of the measurable objectives set under the Diversity and Equal Opportunity Policy for the year to which the corporate governance statement relates, and a summary of the Company's progress and metrics towards achieving those measurable objectives.

6.9.6 Whistleblower Protection Policy

The Company is committed to the highest standards of conduct and integrity in all of its business activities and to safeguard a culture of honest and ethical behaviour, compliance and good corporate governance. This policy has been adopted to provide a safe and confidential environment where whistleblowers can raise concerns about suspected fraud, corrupt conduct or any other form of inappropriate behaviour without fear of reprisal or detrimental treatment.

6.9.7 Anti-Bribery and Corruption Policy

The Company is committed to operating in a manner consistent with the laws and regulations of the jurisdictions in which its businesses operate, including those relating to bribery and corruption. The Company's approach to anti-bribery and corruption, which is set out in the Company's Code of Conduct, sets out the responsibilities of the Company and its employees or other personnel or representatives in observing and upholding the prohibition on bribery and related improper conduct and provides information and guidance on how to recognise and deal with instances of bribery and corruption.

6.9.8 Risk Management Policy

The identification and proper management of the Company's risks are integral to successful execution of the Company's objectives. The Board has adopted a risk management policy designed to monitor the effectiveness of the systems of risk management, operational risk policies, procedures and systems internal controls.

The Board is responsible for overseeing and approving risk management strategy and polices, and ensuring that major business risks are identified, consistently assessed and appropriately addressed by the Audit and Risk Committee. The Board has in place a system whereby Management is required to report as to its assessment of risk management, which the Board will review regularly.

7.

DETAILS OF THE OFFER

7. DETAILS OF THE OFFER

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7.1 THE OFFER

This Prospectus relates to an initial public offering of approximately 2.2 million New Shares by the Company and the sale of 25.6 million Existing Shares by SaleCo at the Offer Price.[82] The Shares offered under this Prospectus will represent approximately 22.5% of the Shares on issue at Completion. The total number of Shares on issue at Completion will be 125.7 million and all Shares on issue will rank equally with each other.

At the Offer Price, the Offer is expected to raise a minimum of approximately $60 million, comprising approximately $4.7 million from the issue of New Shares by the Company and approximately $55.3 million from the sale of Existing Shares by SaleCo.

The Shares held by the Existing Shareholders will be subject to escrow arrangements described in Section 9.8 of the Prospectus.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the **Retail Offer** which includes:
  - the **Broker Firm Offer** – which is open to Australian and New Zealand resident retail clients of participating Brokers, who receive an invitation from a Broker to acquire Shares;
  - the **Employee Gift Offer** – which is open to Eligible Gift Employees who have received an offer from the Company to acquire, at no cost, $500 worth of Shares (rounded down to the nearest whole Share based on the Offer Price);
  - the **Employee Offer** – which is open to Eligible Employees who have received an Employee Invitation; and
  - the **Priority Offer** – which is open to selected investors in Australia who have received a Priority Invitation; and
- the **Institutional Offer**, which consisted of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares under the Broker Firm Offer.

For further details of the:

- Broker Firm Offer and the allocation policy under it, see Section 7.3;
- Employee Gift Offer and the allocation policy under it, see Section 7.4;
- Employee Offer and the allocation policy under it, see Section 7.5;
- Priority Offer and the allocation policy under it, see Section 7.6; and
- Institutional Offer and the allocation policy under it, see Section 7.7.

The allocation of Shares between the Broker Firm Offer, the Employee Gift Offer, the Employee Offer, the Priority Offer and the Institutional Offer will be determined by the Joint Lead Managers, the Company and SaleCo, having regard to the allocation policies outlined in Sections 7.3.6, 7.4.4, 7.5.6, 7.6.6 and 7.7.2.

The Offer is being arranged, managed and fully underwritten (with the exception of the Employee Gift Offer) by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, are set out in Section 9.7.1.

82. Includes the issue of shares under the Employee Gift Offer, under which no proceeds will be raised.

7.1.2 Purpose of the Offer

The purpose of the Offer is to:

- provide the Selling Shareholders and Management with an opportunity to realise part of their investment in the Company and fund the settlement of the settlement of the CRPS as described in Section 6.5.3;
- provide a liquid market for Shares and an opportunity for others to invest in the Company;
- provide BLG with the benefits of an increased profile that arises from being a listed entity; and
- provide the Company with ready access to capital following Completion to fund future growth opportunities.

Figure 57: Sources and use of funds

SOURCES	$ MILLIONS	USES	$ MILLIONS
Proceeds from the sale of Existing Shares by SaleCo	55.3	Payment of proceeds to Selling Shareholders	55.3
Proceeds from the issue of New Shares under the Offer	4.7	Payments made to MEP holders for buyback of the CRPS	4.7
Total sources	**60.0**	**Total uses**	**60.0**

The above represents a statement of the current intentions as at the Prospectus Date. Investors should note that this may change depending on a number of factors, including changes in the competitive environment, business performance, strategic and operational considerations, regulatory developments and market and general economic conditions. The Board retains the right to vary these uses of funds, acting in the best interests of Shareholders and as circumstances require.

7.1.3 Pro forma statement of financial position

The Company's pro forma statement of financial position following Completion, including details of pro forma adjustments, is set out in Section 4.4.

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7.1.4 Shareholding structure

The details of the ownership of the Company held immediately prior to Completion and immediately after Completion are set out below.

NAME OF SHAREHOLDER[83]	SHARES HELD IMMEDIATELY PRIOR TO COMPLETION AND FOLLOWING THE SALE TO BBRC		IMMEDIATELY AFTER COMPLETION OF OFFER[84]	
	NUMBER	%	NUMBER	%
Allegro Shareholders	79,242,370	64.4%	54,600,479	43.5%
BBRC	20,618,556	16.8%	20,618,556	16.4%
Jason Murray	11,318,449	9.2%	10,368,021	8.3%
Rodney Orrock	4,758,440	3.9%	4,758,440	3.8%
Andrew Moore	2,478,354	2.0%	2,478,354	2.0%
Other Management Shareholders	4,556,523	3.7%	4,556,523	3.6%
Successful Applicants	Nil	Nil	28,272,463	22.5%
Total	**122,972,692**	**100.0%**	**125,652,836**	**100.0%**

At Completion 61.10% of the Existing Shares will be subject to voluntary escrow arrangements (see Section 9.8 for further information). In the opinion of the Company, the free float of Shares at the time of Listing will be no less than 20% of Shares on issue at that time.

7.1.5 Control implications of the Offer

The Directors do not expect any single Shareholder to control the Company on Completion (based on the definition of control in section 50AA of the Corporations Act).

7.1.6 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Company's stated business objectives.

83. Shareholders may hold their interests in Shares directly, or through entities associated with them (e.g. through holdings by companies or trusts).
84. This does not take into consideration the Shares that Existing Shareholders may acquire under the Offer.

7.2 TERMS AND CONDITIONS OF THE OFFER

What is the type of security being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the securities?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.12.1.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer (other than under the Employee Gift Offer) will pay the Offer Price, being $2.16 per Share.
What is the Retail Offer Period?	The Retail Offer opens at 9:00am on 5 July 2021 and closes at 5:00pm on 16 July 2021. The key dates, including details of the Offer Period, are set out on page 4. Unless otherwise indicated, all times are stated in Sydney, Australia time. The Company, in consultation with the Joint Lead Managers, reserves the right to vary any and all of the times and dates without notice to you (including, subject to the Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No securities will be issued on the basis of this Prospectus later than the Expiry Date of 13 months after the date of the Prospectus.
What are the cash proceeds to be raised?	Approximately $60.0 million will be raised if the Offer proceeds, comprising approximately $4.7 million from the issue of New Shares by the Company and approximately $55.3 million from the sale of Existing Shares by SaleCo.
Is the Offer underwritten?	Yes. The Offer is being fully underwritten by the Joint Lead Managers, with the exception of the Employee Gift Offer.
Who are the Joint Lead Managers to the Offer?	The Joint Lead Managers are Macquarie Capital and Bell Potter.

What is the minimum and maximum Application size under the Offer?	The minimum Application size under the Broker Firm Offer is $2,000 worth of Shares. There is no maximum Application under the Broker Firm Offer. Under the Employee Gift Offer, Eligible Gift Employees will be offered the opportunity to apply for up to $500 worth of Shares at no cost. Eligible Gift Employees who submit a valid Application will receive a guaranteed allocation of $500 worth of Shares (rounded down to the nearest whole Share based on the Offer Price.) The minimum Application size under the Employee Offer is $2,000 worth of Shares. The minimum Application size under the Priority Offer is $2,000 worth of Shares. Priority Offer Applicants may apply for the value of shares indicated in their Priority Offer invitation. The Company and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of Shares than applied for. In addition, the Company and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Broker Firm Offer which are for more than $250,000 worth of Shares.
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Company and the Joint Lead Managers having regard to the allocation policy outlined in Sections 7.3.6, 7.4.4, 7.5.6, 7.6.6 and 7.7.2. For Broker Firm Offer participants, the relevant Broker will decide how they allocate Shares amongst their retail clients. The relevant Broker (and not the Company nor the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation of Shares from the Broker actually receive those Shares. As noted above, Eligible Gift Employees will be offered the opportunity to apply under the Employee Gift Offer for up to $500 worth of Shares each for no consideration. With respect to the Employee Offer, allocations are at the absolute discretion of BLG. The allocation of Shares among Applicants in the Priority Offer will be determined by the Company in its absolute discretion. The allocation of Shares among Applicants in the Institutional Offer was determined by the Company and the Joint Lead Managers. For further information on the Broker Firm Offer, Employee Gift Offer, Employee Offer, Priority Offer and the Institutional Offer, see Sections 7.3, 7.4, 7.5, 7.6 and 7.7, respectively.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or about 22 July 2021. Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after Completion.

Will the Shares start trading and be quoted on ASX?	The Company will apply to ASX within seven days of the Prospectus Date for admission to the Official List of, and quotation of its Shares by, the ASX (under the code '**BST**'). It is anticipated that trading on ASX will commence on a normal settlement basis, which is expected to commence on or about 26 July 2021. Following the issue of New Shares on the Allotment Date, successful Applicants will receive a holding statement setting out the number of Shares issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on or about 22 July 2021. It is the responsibility of each person who trades in Shares to confirm their own holding before trading in Shares. Investors will be able to confirm their holdings by telephoning the Offer Information Line on 1800 647 819 (within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Sydney, Australia time), Monday to Friday (Business Days only). If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Offer Information Line or confirmed your firm allocation through a Broker. The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.
Are there any escrow arrangements?	Yes. Details are provided in Section 9.8.
Has any ASIC relief or ASX waivers or confirmations been sought, obtained or relied on?	Yes. Details are provided in Section 9.9.
Are there any tax considerations?	Yes. Refer to Section 9.10. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.7.1 for details of various fees payable by the Company to the Joint Lead Managers and by the Joint Lead Managers to the Brokers.

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What should you do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1800 647 819 (within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Sydney, Australia time), Monday to Friday (Business Days only). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

7.3 BROKER FIRM OFFER

7.3.1 Who can apply?

The Broker Firm Offer is open only to Australian and New Zealand resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate. The Broker Firm Offer is not open to persons in the United States or a US Person.

If you have received an invitation to participate from your Broker, you will be treated as a Broker Firm Applicant under the Broker Firm Offer. You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer.

7.3.2 How to apply?

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to complete and lodge your Broker Firm Offer Application Form and for payment instructions. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or the Offer Information Line on 1800 647 819 (toll free within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Sydney, Australia time), Monday to Friday (Business Days only) to request a Prospectus and Application Form, or download a copy at www.bestandlessgroupoffer.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (Sydney, Australia time) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.**

The minimum application under the Broker Firm Offer is $2,000 worth of Shares. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Joint Lead Managers reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer which are for more than $250,000 worth of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in their discretion in compliance with applicable laws.

The Company, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (Sydney, Australia time) on 5 July 2021 and is expected to close at 5:00pm (Sydney, Australia time) on 16 July 2021. The Company and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 How to pay?

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued to successful Applicants.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to apply for Shares specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.11 and the acknowledgements in Section 7.8). To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted by the Company and the Joint Lead Managers in respect of the full number of Shares specified on the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of shares to successful Applicants.

The Joint Lead Managers, in agreement with the Company, reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any error made by the Applicant in completing the Application.

7.3.6 Broker Firm Offer allocation policy

The allocation of Shares to Brokers was determined by the Joint Lead Managers and the Company. Shares that have been allocated to Brokers for allocation to their Australian and New Zealand resident retail clients who have received a valid allocation of Shares from those Brokers (subject to the right of the Company and the Joint Lead Managers to reject or scale back Applications which are for more than $250,000 worth of Shares). It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not the Company or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

Applicants in the Broker Firm Offer will be able to call the Offer Information Line on 1800 647 819 (within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Sydney, Australia time) Monday to Friday (Business Days only) to confirm their allocation. Applicants under the Broker Firm Offer, including those in New Zealand, will also be able to confirm their allocation through the Broker from whom they received their allocation.

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However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Offer Information Line or confirmed your allocation through the Broker from whom you received your allocation.

7.4 EMPLOYEE GIFT OFFER

7.4.1 Who can apply?

The Employee Gift Offer is open to Eligible Gift Employees. The Employee Gift Offer is not open to persons in the United States or a US Person.

Eligible Gift Employees are all employees of the Group who are permanent employees with greater than six months' service and all casual employees with greater than three years' service resident in Australia and New Zealand as measured at 5:00pm (Sydney time) on 25 June 2021 and an employee at Completion.

Eligible Gift Employees will receive a personalised invitation to apply for Shares under the Employee Gift Offer on the Prospectus Date. Eligible Gift Employees should read the invitation and this Prospectus carefully and in their entirety before deciding whether to apply for Shares under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.4.2 How to apply?

If you are an Eligible Gift Employee, who wishes to apply for Shares under the Employee Gift Offer, you must complete and submit the Application Form included with your personalised invitation in accordance with the application instructions provided to you by the Company.

When applying to participate in the Employee Gift Offer, you must do so by no later than 5:00pm (Sydney time) on 16 July 2021 and it is your responsibility to ensure that this occurs.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.**

7.4.3 How to pay?

No payment for Shares is required under the Employee Gift Offer.

7.4.4 Allocation policy

Eligible Gift Employees who submit a valid Application Form will, subject to Completion occurring, receive a guaranteed allocation of $500 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.4.5 Restrictions on disposing of Shares

Eligible Gift Employees may not sell, transfer, encumber or otherwise dispose of any Shares acquired under the Employee Gift Offer for a minimum holding period of three years, unless either the Eligible Gift Employee has ceased to be employed by the Group, the Board has expressly permitted such disposal or the dealing is required by law.

By applying for Shares under the Employee Gift Offer, Eligible Gift Employees will be agreeing to the imposition of arrangements considered necessary by the Company to give effect to this restriction, including a holding lock on sale, transfer or disposal of those Shares.

Any disposal of Shares after the disposal restriction ceases to apply, must be in accordance with the Company's Securities Trading Policy.

Employee Gift Offer Shares are not subject to forfeiture.

7.5 EMPLOYEE OFFER

7.5.1 Who can apply?

All Eligible Employees are entitled to participate in the Employee Offer.

Eligible Employees are all employees of the Group resident in Australia who are employed by the Group as at 5:00pm (Sydney time) on 25 June 2021.

7.5.2 How to apply?

If you are an Eligible Employee, you should have received a letter of offer detailing the terms of the Employee Offer, together with this Prospectus.

The minimum Application size under the Employee Offer is $2,000 worth of Shares.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.**

7.5.3 How to pay?

Applicants under the Employee Offer must pay their Application Monies by BPAY® in accordance with the instructions on the online Employee Offer Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique Customer Reference Number (**CRN**) provided to you or generated by the online Application Form.

Application Monies paid via BPAY® must be received by the Share Registry by no later than 5:00pm (Sydney time) on 16 July 2021 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

Neither the Company nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies or payment by BPAY® before the Employee Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

For more details, prospective Applicants should contact the Offer Information Line on 1800 647 819 (within Australia) or +61 1800 647 819 (from outside Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday.

7.5.4 Application monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Employee Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).

If the amount of your Application Monies that you pay via BPAY® is less than the amount specified on your online Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

7.5.5 Acceptance of applications

An Application in the Employee Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.11 and the acknowledgements in Section 7.8). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Joint Lead Managers in respect of the full number of Shares specified on the Application Form or any of them, without further notice to the Applicant. The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Employee Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected. Acceptance of an Application will give rise to a binding contract.

7.5.6 Employee Offer allocation policy

The allocation of Shares among Applicants in the Employee Offer will be determined by the Company in its absolute discretion provided these allocations (in aggregate) do not exceed $100,000. There is no assurance that any Applicant will be allocated any Shares under the Employee Offer, or the number of Shares for which the Applicant applied.

7.6 PRIORITY OFFER

7.6.1 Who can apply?

The Priority Offer is open to selected investors in Australia who have received a Priority Invitation from the Company to apply for the number of Shares specified on the Priority Invitation. A Priority Invitation is a personalised invitation to apply for Shares in the Priority Offer. The Priority Offer is not open to persons in the United States or a US Person.

7.6.2 How to apply?

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you must apply in accordance with the instructions provided in your personalised invitation for how to apply under the Offer.

You may apply for an amount up to and including the amount indicated on your Priority Invitation. Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. **The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.**

7.6.3 How to pay?

Priority Invitation recipients may only apply for Shares by applying online at www.bestandlessgroupoffer.com.au using the online Application Form and by paying their Application Monies by BPAY®, electronic funds transfer or otherwise in accordance with instructions on their personalised invitation and the online Application Form. For more details, Priority Invitation recipients should refer to www.bestandlessgroupoffer.com.au or contact the Offer Information Line on 1800 647 819 (toll free within Australia) or +61 1800 647 819 (outside Australia) between 8:30am and 5:30pm (Sydney, Australia time), Monday to Friday (Business Days only). If completing your payment by BPAY®, please make sure to use the specific biller code and unique CRN generated by the online Application Form.

Application Monies under the Priority Offer must be received by the Share Registry by no later than 5:00pm on 16 July 2021 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment.

Neither the Company nor the Joint Lead Managers take any responsibility for any failure to receive Application Monies before the Priority Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.6.4 Application Monies

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).

If the amount of your Application Monies that you pay via BPAY® is less than the amount specified on your online Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

7.6.5 Acceptance of Applications

An Application in the Priority Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.11 and the acknowledgements in Section 7.8). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Joint Lead Managers in respect of the full number of Shares specified on the Application Form or any of them, without further notice to the Applicant. Subject to any guaranteed allocation referred to in Section 7.2, the Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected. Acceptance of an Application will give rise to a binding contract.

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7.6.6 Priority Offer allocation policy

The allocation of Shares among Applicants in the Priority Offer will be determined by the Company in its absolute discretion provided these allocations (in aggregate) do not exceed $9.0 million. There is no assurance that any Applicant will be allocated any Shares under the Priority Offer, or the number of Shares for which the Applicant applied.

7.7 INSTITUTIONAL OFFER

7.7.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia, New Zealand and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the application procedures for the Institutional Offer. The Institutional Offer was not open to persons in the United States.

7.7.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers and the Company. The Joint Lead Managers and the Company had absolute discretion regarding the basis of allocation of Shares among Institutional Investors and there was no assurance that any Institutional Investor would be allocated any Shares, or the number of Shares for which it had bid.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion;
- the Company's desire to establish a wide spread of institutional Shareholders;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

7.8 ACKNOWLEDGEMENTS

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form (including electronically), it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;

- authorised the Company and the Joint Lead Managers, and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia or New Zealand (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer, and each person to whom the Institutional Offer has been made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may only be offered or sold in the United States to Eligible U.S. Fund Managers in reliance on Regulation S of the US Securities Act;
- it is not in the United States or it is an Eligible U.S. Fund Manager;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
- (i) it is purchasing the Shares outside the United States in an offshore transaction meeting the requirements of Regulation S or (ii) it is an Eligible U.S. Fund Manager purchasing the Shares in the United States in reliance on Regulation S under the US Securities Act; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

7.9 UNDERWRITING ARRANGEMENTS

The Joint Lead Managers have been appointed to arrange, manage, underwrite and act as Joint Lead Managers of the Offer, pursuant to the Underwriting Agreement. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite applications for all Shares with the exception of the Employee Gift Offer. A summary of certain terms of the agreement, including the conditions precedent and termination provisions, is provided in Section 9.7.1.

7.10 VOLUNTARY ESCROW ARRANGEMENTS

7.10.1 Escrowed Shareholders

The Shares held by the Existing Shareholders immediately following Completion will be subject to voluntary escrow arrangements, which prevent the Existing Shareholders from disposing of their Shares during the relevant Escrow Periods (subject to limited exceptions). See Section 9.8 for a summary of the terms of the escrow arrangements and the limited exceptions that permit dealing in the Shares during the relevant Escrow Periods.

7.11 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia and New Zealand, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia and New Zealand and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States except in accordance with US Securities Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable state securities laws.

7.12 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Joint Lead Managers and the Company also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than those applied for.

7.13 LISTING, REGISTERS AND HOLDING STATEMENTS

7.13.1 Application to ASX for Listing and quotation of Shares

The Company will apply to ASX within seven days of the Prospectus Date, for admission to the Official List and quotation of the Shares on ASX under the code 'BST'.

Completion is conditional on ASX approving this application. If approval is not given for the official quotation of the Shares on ASX within three months after such application is made (or any longer period permitted by law) or the Offer is withdrawn, all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits the Company or the Shares offered under this Prospectus.

7.13.2 CHESS and issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and must comply with the Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.14 DESCRIPTION OF SHARES

7.14.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares, which is qualified by the fuller terms of the material provisions of the Constitution, is set out below. This summary is not exhaustive and does not constitute the Constitution. The summary assumes that the Company is admitted to the Official List.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally.

7.14.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each Share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.14.3 Meetings of members

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at, general meetings of the Company and to receive all financial statements, notices and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules. The Company must give Shareholders at least 28 days' written notice of a general meeting.

7.14.4 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies. The Directors may fix the amount, time and method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attached to any shares or class of shares, all dividends must be paid equally on all Shares and in proportion to the number of, and the amounts paid on, the Shares held.

7.14.5 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a member's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, the Corporations Act (and Corporations Regulations) and Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the Listing Rules.

The Company must refuse to register a transfer of shares if required to do so by the Listing Rules. The Directors may suspend the registration of a transfer at such time and for such periods, not exceeding in total 30 days in any year, as they think fit as permitted by the Listing Rules and the ASX Settlement Operating Rules.

7.14.6 Issue of further Shares

Subject to the Constitution, the Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue Shares or grant options over unissued Shares to any person and they may do so at such times and on the conditions they think fit. The Shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

7.14.7 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or converted to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.14.8 Winding up

If the Company is wound up, then subject to the Constitution and the rights or restrictions attached to any shares or class of shares, any surplus must be divided among the Company's members in the proportion to the number of fully paid ordinary shares held by them.

7.14.9 Sale of unmarketable parcels

Provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of Shares is defined in the Listing Rules and is, generally, a parcel of securities of not less than $500.

7.14.10 Share buybacks

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the Listing Rules.

7.14.11 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval before any proportional takeover bid can proceed. The provision will lapse three years from the date of adoption of the Constitution unless it is renewed by special resolution of Shareholders in a general meeting.

7.14.12 Variation of class rights

On Completion the Company's only class of shares on issue will be ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the written consent of the holders of 75% of the shares of the affected class; or
- by a special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

7.14.13 Reduction of share capital

Subject to the Constitution, Corporations Act and Listing Rules, the Company may reduce its share capital in any way permissible by the Corporations Act.

7.14.14 Dividend reinvestment plans

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan. See further details at Section 9.15.

7.14.15 Employee share plans

The Directors may implement an employee share plan for officers or employees of the Company on such terms and conditions as they think fit.

7.14.16 Directors – appointments and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is ten or such higher number as the Directors determine provided the maximum number applying at any time cannot be reduced except by the Company's members in a general meeting. The Company may elect directors by resolution.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

A Director must retire from office at the third annual general meeting after the Director was elected or last re-elected, but is eligible for re-election.

7.14.17 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the matter is decided in the negative.

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7.14.18 Directors' remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total amount provided to all Directors (other than Executive Directors, of which there are currently none) for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting. This amount has been fixed at $950,000, with the initial remuneration of the Non-Executive Directors set out in Section 6.3.2. The remuneration of a Director (who is not a managing director) must not include a commission on, or a percentage of, profits or operating revenue.

The Constitution also makes provision for the Company to pay travel and other expenses of Directors incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Director who devotes special attention to the business of the Company or who performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director may be remunerated for the services (as determined by the Board) out of the funds of the Company.

7.14.19 Power and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or by the Constitution to be exercised by the Company in general meeting.

7.14.20 Indemnities

The Company, to the extent permitted by law, indemnifies each person who is a current or former Director, executive officer or officer of the Company and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine against all losses or liability incurred by that person as an officer of the Company or of a Related Body Corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer or officer of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any liability incurred by the person as an officer of the Company or of a Related Body Corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company has entered into deeds of access, insurance and indemnity with each Director. These are summarised in Section 6.3.2.2.

7.14.21 Amendment

The Constitution may be only amended in accordance with the Corporations Act, which requires a special resolution passed by at least 75% of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of BLG. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

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INVESTIGATING ACCOUNTANT'S REPORT

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The Directors
Best and Less Group Holdings Ltd
657-673 Paramatta Road
LEICHARDT NSW 2040

The Directors
Best & Less Group SaleCo Ltd
657-673 Paramatta Road
LEICHARDT NSW 2040

The Directors
Best & Less Pty Ltd
657-673 Paramatta Road
LEICHARDT NSW 2040

25 June 2021

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Best & Less Group Holdings Ltd's Historical Financial Information and Forecast Financial Information and Financial Services Guide

We have been engaged by Best & Less Group Holdings Ltd (the **Company**), Best & Less Group SaleCo Ltd (**SaleCo**) and Best & Less Pty Ltd to report on the Historical Financial Information of the Company for the 52 week periods ended 30 June 2019, 28 June 2020 and 27 December 2020 and the 26 week period ended 27 December 2020 and the Forecast Financial Information for the 52 week periods ending 27 June 2021 and 26 December 2021 and the 26 week period ended 26 December 2021 as described below for inclusion in the prospectus dated on or about 25 June 2021 and relating to the issue of ordinary shares in the Company.

Expressions and terms defined in the prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572
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Scope

You have requested that PricewaterhouseCoopers Securities Ltd review the following Financial Information of the Company (the responsible party) included in the prospectus:

Statutory Historical Financial Information

- the Statutory Historical Statement of Financial Position as at 27 December 2020;
- the Statutory Historical Results for the 52 week periods ended 30 June 2019 and 28 June 2020 and the 26 week period ended 27 December 2020; and
- the Statutory Historical Cash Flows for the 52 week periods ended 30 June 2019 and 28 June 2020 and the 26 week period ended 27 December 2020.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Statutory Historical Financial Information has been extracted from the financial reports of Best & Less Pty Ltd and Postie Plus Group Ltd for the 52 week periods ended 30 June 2019 and 28 June 2020, which were audited by PricewaterhouseCoopers Securities Ltd and PricewaterhouseCoopers NZ respectively in accordance with the Australian and New Zealand Auditing Standards, and the financial reports of Best & Less Pty Ltd and Postie Plus Group Ltd for the 26 week period ended 27 December 2020, which were reviewed by PricewaterhouseCoopers Securities Ltd and PricewaterhouseCoopers NZ respectively in accordance with the Australian and New Zealand Auditing Standards. PricewaterhouseCoopers Securities Ltd and PricewaterhouseCoopers NZ issued unmodified audit opinions on the financial reports for the 52 week periods ended 30 June 2019 and 28 June 2020, and unmodified review opinions for the 26 week period ended 27 December 2020. The Statutory Historical Financial Information is presented in the prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Pro Forma Historical Financial Information

- the Pro Forma Historical Statement of Financial Position as at 27 December 2020;
- the Pro Forma Historical Results for the 52 week periods ended 30 June 2019, 28 June 2020 and 27 December 2020 and the 26 week period ended 27 December 2020; and
- the Pro Forma Historical Cash Flows for the 52 week periods ended 30 June 2019, 28 June 2020 and 27 December 2020 and the 26 week period ended 27 December 2020.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information , after adjusting for the effects of pro forma adjustments described in sections 4.3.4, 4.4 and 4.5.1 of the prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in sections 4.3.4, 4.4 and 4.5.1 of the prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance and/or cash flows.

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Statutory Forecast Financial Information

- the Statutory Forecast Results and Statutory Forecast Cash Flows of the Company for the 52 week period ending 27 June 2021 and the 26 week period ending 26 December 2021, as described in sections 4.3 and 4.5 of the prospectus.

The directors' best-estimate assumptions underlying the Statutory Forecast Financial Information are described in section 4.6 of the prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies;

Pro Forma Forecast Financial Information

- Pro Forma Forecast Results and Pro Forma Forecast Cash Flows of the Company for the 52 week periods ending 27 June 2021 and 26 December 2021 and the 26 week period ending 26 December 2021, described in sections 4.3 and 4.5 of the prospectus.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in sections 4.3.4, 4.4 and 4.5.1 of the prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the events or transactions to which the pro forma adjustments relate, as described in sections 4.3.4, 4.4 and 4.5.1 of the prospectus, as if those events or transactions had occurred as at 27 December 2020. Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance, and/or cash flows for the 52 week periods ending 27 June 2021 and 26 December 2021 and the 26 week period ending 26 December 2021.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Forecast Financial Information, including its basis of preparation and the best-estimate assumptions underlying the Forecast Financial Information. They are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of the Historical Financial Information and the Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and the Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information itself, based on

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our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in section 4 of the prospectus, and comprising:

- the Statutory Historical Statement of Financial Position as at 27 December 2020;
- the Statutory Historical Results for the 52 week periods ended 30 June 2019 and 28 June 2020 and the 26 week period ended 27 December 2020; and
- the Statutory Historical Cash Flows for the 52 week periods ended 30 June 2019 and 28 June 2020 and the 26 week period ended 27 December 2020.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the prospectus, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in section 4 of the prospectus, and comprising:

- the Pro Forma Historical Statement of Financial Position as at 27 December 2020;
- the Pro Forma Historical Results for the 52 week periods ended 30 June 2019, 28 June 2020 and 27 December 2020 and the 26 week period ended 27 December 2020; and
- the Pro Forma Historical Cash Flows for the 52 week periods ended 30 June 2019, 28 June 2020 and 27 December 2020 and the 26 week period ended 27 December 2020.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the prospectus, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Statutory Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4 of the prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information.

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Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Results and Statutory Forecast Cash Flows for the 52 week period ending 27 June 2021 and the 26 week period ending 26 December 2021 do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- in all material respects, the Statutory Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions as described in section 4 of the prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Results and Pro Forma Forecast Cash Flows of the Company for the 52 week periods ending 27 June 2021 and 26 December 2021 and the 26 week period ending 26 December 2021 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4 of the prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Pro Forma Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the Statutory Forecast Financial Information; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

Forecast Financial Information

The Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the 52 week periods ending 27 June 2021 and 26 December 2021 and the 26 week period ending 26 December 2021. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur.

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Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 4.8 and 5 of the prospectus. The sensitivity analysis described in section 4.8 of the prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

The Forecast Financial Information has been prepared by the directors for the purpose of inclusion in prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Notice to investors outside Australia and New Zealand

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4 of the prospectus, which describes the purpose of the financial information, being for inclusion in the prospectus. As a result, the financial information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability
The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the prospectus.

Independence or Disclosure of Interest
PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Financial Services Guide
We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

Glen Hadlow
Authorised Representative
PricewaterhouseCoopers Securities Ltd

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 25 June 2021

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Best & Less Group Holdings Ltd (the **Company**), Best & Less Group SaleCo Ltd (**SaleCo**) and Best & Less Pty Ltd to provide a report in the form of an Independent Limited Assurance Report in relation to the Historical Financial Information and Forecast Financial Information of the Company (the **Report**) for inclusion in the Offer Document dated 25 June 2021.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. **Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees charged are disclosed in section 6.3.1.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. **Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the auditor of the Company.

7. **Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (**AFCA**), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

8. **Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Mr Glen Hadlow
Authorised Representative
PricewaterhouseCoopers Securities Ltd
One International Towers Sydney, Watermans Quay
Barangaroo NSW 2000

9. ADDITIONAL INFORMATION

9. ADDITIONAL INFORMATION

Best&Less Group

9.1 INTRODUCTION

The Company was incorporated in New South Wales, Australia on 29 July 2020 as a proprietary company limited by shares and was converted to a public company limited by shares on 16 February 2021.

SaleCo was incorporated in New South Wales, Australia on 10 March 2021 as a public company limited by shares.

9.2 COMPANY TAX STATUS AND FINANCIAL YEAR

The Company will be taxed as an Australian tax resident public company for the purpose of Australian income tax law.

The Company's financial year ends on each 30 June.

9.3 ALLEGRO FUNDS ACQUISITION AND RESTRUCTURE

In December 2019 investment entities controlled by Allegro Funds acquired Greenlit Brands General Merchandise Pty Ltd (**GBGM**) from Greenlit Brands Pty Limited (an entity ultimately owned by Steinhoff International).

At the time of the acquisition, GBGM was the holding company of the Greenlit Brands general merchandise business in Australia and New Zealand and included the Best & Less, Harris Scarfe, Postie and Debenhams businesses. The acquisition comprised both an acquisition of the equity in GBGM and assumption and acquisition of certain debts of GBGM and its related bodies corporate.

The Harris Scarfe and Debenhams group of companies (**HS Group Companies**) were put into administration on 11 December 2019, and receivers were appointed. As a result of a receiver run sales process, the Spotlight Group acquired select members of the HS Group Companies. The transaction was conditional on the restructuring of the historic debt of the HS Group Companies through a deed of company of arrangement (**DOCA**) proposed by the Spotlight Group. The DOCA was effectuated and the sale completed on 29 April 2020.

On 20 August 2020 a corporate restructure was completed and GBGM (renamed to Best & Less Group Pty Ltd) was acquired by BLGH, while a number of dormant entities within the group were wound up. The brands acquired by BLGH were Best & Less and Postie. The fair value of net identifiable assets acquired at as 20 August 2020 was $65.5 million. Refer to Section 4.3.4 for a discussion of the acquisition accounting implications of the restructure.

9.4 CORPORATE STRUCTURE

The following diagram shows a high level corporate structure of the Company on Completion.

Australian company ■ New Zealand company

9.5 SALE OF SALE SHARES BY SALECO

SaleCo has been established as a special purpose vehicle so that the Selling Shareholders can sell their Sale Shares and realise part of their investment in the Company. The Selling Shareholders have entered into a sale agreement in favour of SaleCo under which the Selling Shareholders irrevocably offers to sell the Sale Shares to SaleCo free from encumbrances and third party rights and to deliver the Sale Shares on Completion to, or as directed by, SaleCo. Each sale agreement is conditional on admission of the Company to the Official List and the Underwriting Agreement not being terminated.

The Sale Shares which SaleCo will agree to acquire from the Selling Shareholder upon its acceptance of the sale agreement will be transferred to successful Applicants allocated Sale Shares under the Offer, as directed by SaleCo. The price payable for the Sale Shares will be the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interest in the irrevocable offers and the SaleCo indemnity deed (under which the Company indemnifies SaleCo and its directors against any loss or liability that they may suffer or incur as a result of the Offer). The directors of SaleCo are Jason Murray, Stephen Heath and Melinda Snowden. The sole shareholder of SaleCo is Jason Murray. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and the Company has indemnified SaleCo and the shareholder and officers of SaleCo for any loss which they may incur as a consequence of the Offer.

9.6 INVESTMENT BY BBRC

The Company, the Selling Shareholders and BBRC have entered into a share sale agreement (**Blundy Sale Agreement**) for the purchase of approximately $40 million worth of Shares (the **Investment Amount**). The Blundy Sale Agreement is not conditional upon the Offer proceeding.

Specifically, BBRC has agreed to purchase Shares from the Selling Shareholders at a price of A$1.94 per Share (which is approximately a 10% discount to the Offer Price), as set out below:

SELLING SHAREHOLDER	NUMBER OF SHARES	CONSIDERATION ($)
Allegro Shareholders	19,639,629	38,100,880.26
Bignor Family Pty Ltd (Jason Murray investment vehicle)	978,927	1,899,118.38
Total	**20,618,556**	**39,999,998.64**

There are no conditions precedent to the Blundy Sale Agreement and completion of the Blundy Sale Agreement is expected to occur on or around Completion. In the event that the Offer does not proceed, completion of the Blundy Sale Agreement is intended to occur on 31 July 2021 and no later than 30 August 2021.

BBRC has the right under the Blundy Sale Agreement to appoint a nominee Director to the Board. BBRC have stated that they intend to appoint Brett Blundy as the nominee Director. Further details on Brett Blundy are provided in Section 6.1.

Under the Blundy Sale Agreement, the Company has agreed to pay BBRC a commitment fee of $960,000 (ex GST).

On completion of the Blundy Sale Agreement and the Offer, BBRC will hold 16.4% of the Shares in the Company.

9.7 MATERIAL CONTRACTS

Summaries of contracts set out in this Prospectus are included for the information of potential investors, but do not purport to be complete and are guided by the text of the contracts themselves.

Best&Less Group

9.7.1 Underwriting Agreement

The Offer is fully underwritten (with the exception of the Employee Gift Offer) and managed by the Joint Lead Managers pursuant to an underwriting agreement dated on or about the date of the Prospectus between the Joint Lead Managers, the Company and Sale Co (**Underwriting Agreement**).

(a) Fees and Expenses

The Company has agreed to pay the Joint Lead Managers an underwriting fee equal to 2.4% of the gross subscription monies raised under the Offer (the **Offer Proceeds**), and a management fee equal to 0.6% of the Offer Proceeds. The underwriting and management fees will become payable to the Joint Lead Managers on the date of Settlement of the Offer. In addition, an incentive fee of up to 0.5% of the Offer Proceeds may also be payable to the Joint Lead Managers at the discretion of the Company, acting reasonably and in good faith.

In connection with the Blundy Sale Agreement, under a separate mandate agreement, the Company has agreed to pay the Joint Lead Managers a fee of $440,000. The fee will become payable to the Joint Lead Managers on the date of completion of the Blundy Sale Agreement.

Any fees payable to any Brokers appointed in relation to the Offer are payable to the Joint Lead Managers on behalf of the Company and in their respective proportions (as set out in the Underwriting Agreement) out of the underwriting and management fees payable to them under the Underwriting Agreement (**Broker Firm Allocation**).

In addition to the fees described above, the Company has agreed to reimburse the Joint Lead Managers for certain other agreed costs and expenses, including legal costs, incurred by the Joint Lead Managers in relation to the Offer.

(b) Termination events not subject to materiality

A Joint Lead Manager may, by notice given to the Company and SaleCo and the other Joint Lead Manager, and without cost or liability, terminate the Underwriting Agreement, if any of the following events has occurred at any time from the date of the Underwriting Agreement until 5:00pm on the Allotment Date, or at any other time earlier as specified below:

i. (**disclosure in Offer Documents**) in that Joint Lead Manager's reasonable opinion a statement in the Offer Documents is or becomes misleading or deceptive or is likely to mislead or deceive (including by omission), or a matter required to be included is omitted from the Prospectus;

ii. (**supplementary prospectus**) the Company and SaleCo issue or are required to issue a supplementary prospectus to comply with section 719 of the Corporations Act, or lodge a supplementary prospectus with ASIC in a form and substance that has not been approved by the Joint Lead Managers;

iii. (**forecasts**) there are not, or there ceases to be, reasonable grounds for any statement or estimate in the Offer Documents which relate to a future matter or any statement or estimate in the Offer Documents which relate to a future matter is, in the reasonable opinion of the terminating Joint Lead Manager, unlikely to be met in the projected time frame (including in each case financial forecasts);

iv. (**market fall**) at any time before the Settlement of the Offer, the S&P/ASX 200 Index falls to a level that is 87.5% or less of the level as at close of trading on the business day immediately prior to the date of the Underwriting Agreement and closes at or below that level for three consecutive Business Days or on the Business Day immediately prior to the Settlement Date;

v. (**voluntary escrow deeds**) without the consent of the Joint Lead Managers any voluntary escrow deed entered into by an Escrowed Shareholder is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;

vi. (**SaleCo sale agreement**) without the consent of the Joint Lead Managers the SaleCo sale agreement entered into by an Escrowed Shareholder is, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;

vii. (**Blundy Sale Agreement**) without the consent of the Joint Lead Managers the Blundy Sale Agreement is materially varied, terminated, rescinded, altered or amended, breached or failed to be complied with;

viii. (**mutual recognition**) the Company and SaleCo fail in a material respect to comply with the requirements of NZ FMC Laws to enable the Offer into New Zealand to proceed on the basis of the Prospectus, under those laws;

ix. (**force majeure**) there is after the execution of this agreement an event or occurrence, including any statute, order or rule, regulation, directive or request (including one compliance with which is in accordance with general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Joint Lead Managers to satisfy an obligation under this agreement, or to market, promote or sell the Offer;

x. (**compliance with laws**):

1. the Prospectus or any aspect of the Offer does not comply with the Corporations Act, the constitution of the Company, SaleCo or any Group Member, the NZ FMC Laws, or the Listing Rules (as applicable); or
2. public information released by the Company in respect of the Offer does not comply with the Corporations Act, the constitution of any of the Company, SaleCo or any Group Member, the NZ FMC Laws, or the Listing Rules (as applicable);

xi. (**change in directors, chief executive officer or chief financial officer**) a change occurs in the directors, chief executive officer or chief financial officer of the Company, or a director, chief executive officer or chief financial officer of the Company dies or becomes permanently incapacitated;

xii. (**actions against directors or senior management**) any of the following occur:

1. a director or senior executive of the Company is charged with an indictable offence relating to a financial or corporate matter;
2. any government agency commences any public action against a director or senior executive of the Company;
3. any director or senior executive of the Company is disqualified from managing a corporation under Part 2D.6;
4. the Company or any of its respective directors or senior executives engages in any fraudulent conduct or activity;

xiii. (**listing and quotation**) approval is refused or not granted prior to the Listing Approval Date, or approval is granted subject to conditions other than customary conditions, to:

1. the Company's admission to the Official List on or before the Listing Approval Date; or
2. the quotation of all of the Company's ordinary shares on ASX or to be traded through CHESS on or before the date on which the Shares are to be first quoted on ASX,

or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld.

xiv. (**notifications**) any of the following notifications are made in respect of the Offer:

1. ASIC issues an order (including an interim order) under section 1324B or under section 739 of the Corporations Act;
2. ASIC holds a hearing under section 739(2) of the Corporations Act;
3. an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
4. any person (other than a Joint Lead Manager) who has previously consented to the inclusion of its name in any Prospectus withdraws that consent; or
5. any person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;

Best&Less Group

vx. (**certificate**) the Company or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;

xvi. (**withdrawal**) the Company withdraws the Prospectus or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;

xvii. (**regulatory approvals**) a regulatory body withdraws, revokes or amends any regulatory approvals, including an ASX waiver or ASIC modification, required for the Company or SaleCo to perform its obligations under the Underwriting Agreement, such that the Company or SaleCo is rendered unable to perform its obligations under the Underwriting Agreement;

xviii. (**insolvency events**) any member of the Best & Less Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Best & Less Group becoming insolvent;

xix. (**timetable**) an event specified in the timetable is delayed by more than two Business Days (other than a delay agreed to between the Company and the Joint Lead Managers or as a consequence of ASIC extending the exposure period);

xx. (**unable to issue Shares**) the Company is prevented from allotting and issuing the Shares within the time required by the timetable for the Offer, the Offer Documents, the Listing Rules, an order of a court of competent jurisdiction or a Governmental Authority, or any other applicable laws;

xxi. (**unauthorised change**) without the prior written consent of the Lead Manager, the Company:

1. disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
2. ceases or threatens to cease to carry on business;
3. alters its capital structure; or
4. amends its Constitution or any other constituent document, or the terms of issue of the Offer Shares or corresponding Shares,

other than as disclosed in the Prospectus.

xxii. (**Encumbrance**) other than as disclosed in the Prospectus, the Company creates or agrees to create an Encumbrance over the whole or a substantial part of its business or property.

(c) Termination events subject to materiality

A Joint Lead Manager may, by notice given to the Company, SaleCo and the other Joint Lead Manager, and without cost or liability, terminate the Underwriting Agreement, if any of the following events has occurred or occurs at any time on or before 4:00pm on the Completion Date or at any other time as specified below, if that Joint Lead Manager has reasonable grounds to believe and does believe that the event:

i. has, or is likely to have, a materially adverse effect on the success, settlement or outcome of the Offer, the ability of the Joint Lead Managers to promote or settle the Offer or the likely price at which Shares will trade on ASX; or

ii. will, or is likely to, give rise to:

1. the Joint Lead Managers contravening, or being involved in a contravention of, any applicable law or regulation, including the Corporations Act; or
2. a liability of the Joint Lead Managers under any applicable law or regulation.

A Joint Lead Manager can terminate as above if any of the following events occur:

i. (**Material contracts**) if any of the obligations of the relevant parties under the Banking Facility are not capable of being performed in accordance with their terms (in the reasonable opinion of the Joint Lead Manager) or if all or any part of the Banking Facility:

1. is amended or varied without the consent of the Joint Lead Managers (acting reasonably and without delay);
2. is terminated;

3. is breached;
4. ceases to have effect, otherwise than in accordance with its terms; or
5. is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;

ii. (**information supplied**) any information supplied including any information supplied prior to the date of this agreement by or on behalf of a member of the Group to the Joint Lead Manager in respect of the Offer or the Best & Less Group is, or is found to be, misleading or deceptive, or is likely to mislead or deceive (including by omission);

iii. (**disclosures in public information**) a statement in any of the public information is or becomes misleading or deceptive or likely to mislead or deceive;

iv. (**new circumstances**) there occurs a new circumstance that arises after lodgement of this Prospectus that would have been required to be included in this Prospectus if it had arisen before lodgement (as applicable);

v. (**disclosures in the due diligence report**) the due diligence report or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Offer or the Best & Less Group is, or becomes, untrue, incorrect, misleading or deceptive (including by way of omission);

vi. (**adverse change**) an event occurs which is, or likely to give rise to:

1. an adverse change in the assets, liabilities, financial position or performance, profits, losses, earnings, prospectus or condition or otherwise of the Best & Less Group from those disclosed in the Prospectus; or
2. an adverse change in the nature of the business conducted by the Best & Less Group as disclosed in the Prospectus;

vii. (**change of law**) there is introduced or there is a public announcement of a proposal to introduce a new law, or regulation or policy in Australia or any State or Territory of Australia (including a policy of the Reserve Bank of Australia) or New Zealand or a State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the underwriting agreement);

viii. (**breach of laws**) there is a contravention by the Company or any member of the Best & Less Group of its Constitution or other constituent document, an Encumbrance or document that is bringing on it or any applicable law, regulation, authorisation, ruling, consent, judgement, order or decree of any Government Authority (including the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act and the Listing Rules;

ix. (**representations and warranties**) a representation or warranty, contained in the Underwriting Agreement on the part of the Company or the Best & Less Group (whether severally or jointly) defaults on one or more of its undertakings or obligations under the Underwriting Agreement;

x. (**legal proceedings**) the commencement of legal proceedings against the Company, or any other member of the Best & Less Group or against any director of the Company or any other member of the Group in that capacity, or any regulatory body commences any Inquiry or public action against a member of the Best & Less Group;

xi. (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not), or a major terrorist act is perpetrated involving any one or more of Australia, New Zealand, the United States, the United Kingdom, the People's Republic of China, Singapore, Democratic People's Republic of Korea and any member of the European Union or involving any diplomatic, military, commercial or political establishment of any of those countries;

xii. (**certificate**) a statement in a Closing Certificate provided under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect; or

xiii. (**disruption in financial markets**) any of the following occurs:

1. a general moratorium on commercial banking activities in Australia, the United Kingdom, the United States, Singapore or Hong Kong is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
2. any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in Australia, the United Kingdom, the United States, Singapore or Hong Kong; or
3. trading in all securities quoted or listed on ASX, New York Stock Exchange, London Stock Exchange or the Singapore Stock Exchange is suspended for at least one day on which that exchange is open for trading.

(d) Representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers. The representations and warranties given by the Company and SaleCo relate to matters such as conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, financial information, information in this Prospectus, the conduct of the Offer, compliance with laws, the ASX Listing Rules and other legally binding requirements.

The Company also provides additional representations and warranties in connection with matters including, but not limited to, in relation to its assets, litigation, non-disposal of escrowed Shares, entitlements of third parties, tax, insurance, authorisations and eligibility for Listing. The Company's undertakings include, among other things, that it will not, during the period following the date of the Underwriting Agreement until 120 days after Shares have been issued under the Offer, issue (or agree to issue) any Shares or securities without the prior written consent of the Joint Lead Managers, subject to certain exceptions.

(e) Termination events subject to materiality

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers (as well as common conditions precedent, including conducting due diligence, lodgement of this Prospectus, the entry into voluntary escrow deeds by the Escrowed Shareholders, and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company and SaleCo include, but are not limited to, matters such as power and authorisation, validity of obligations, status, compliance, Offer Documents and Public Information, financial information, disclosure, due diligence, litigation, conduct, licences, title to property, anti-money laundering, and include matters such as compliance of the Offer and the Offer Documents with the Corporations Act, the Listing Rules, legislative instruments and other applicable rules.

The undertakings given by the Company and SaleCo relate to matters including, but not limited to, provision of and consultation with the Joint Lead Managers in respect of ASIC or ASX correspondence and notification of breach of any applicable laws or regulations to the Joint Lead Managers.

In addition, the Company has undertaken not to withdraw the Offer without the consent of the Joint Lead Managers, such consent not to be unreasonably withheld.

(f) Indemnity

Subject to certain exclusions relating to, among other things, the gross negligence, fraud or wilful misconduct of the Joint Lead Managers or certain representatives, the Company and SaleCo agree to keep the Joint Lead Managers and certain representatives of the Joint Lead Managers indemnified from losses suffered in connection with the Offer.

9.7.2 Relationship Deed

The Company has entered into a Relationship Deed with Allegro Funds that governs the relationship between the Company and Allegro Funds whilst the Allegro Shareholders hold 10% of issued Shares in the Company. The Relationship Deed has the following terms:

- the obligations of the parties to the Relationship Deed are conditional on, amongst other things, Completion;
- Allegro Funds has the right to nominate one Director and one observer to the Board;
- Allegro Funds is granted rights in respect of certain information of the Company including regular and other periodic financial reports prepared by Management; and
- if the Allegro Shareholders in aggregate are deemed to be a "controller" of the Company for the purposes of the Corporations Act, the Company will provide market disclosure (subject to certain conditions) to facilitate a disposal of Shares by the Allegro Shareholders during certain time periods.

9.7.3 Banking Facility

The Company has entered into a facility agreement and other related finance documents with Commonwealth Bank of Australia (the **Lender**) for the provision of, amongst other things, financial accommodation by way of a $40 million cash advance facility and $10 million bank guarantee facility (each with a three-year tenor), derivative documents for interest and currency hedging, and a $500,000 corporate credit card facility for working capital and general corporate purposes of BLG (the **Banking Facility**).

Subject to customary carve-outs, the Banking Facility will be guaranteed by the Company and each other Australian wholly-owned subsidiary of the Best & Less Group. The Lender under the Banking Facility will have a general security over all of the assets of the guarantors. The Banking Facility also includes representations and warranties, undertakings and events of default which are customary for a facility of this type.

If a review event occurs under the Banking Facility and an agreement cannot be reached after consultation between the Lender and the Company 30 days after the occurrence of the review event, or any longer period the Company and the Lender agree (the **Review Period**) (at which time the review event is subsisting) the Lender may, by notice to the Company given no later than five Business Days after expiry of the Review Period, require repayment of the Banking Facility in full by a date no earlier than the 60th day after the date of that notice. A review event will occur under the Banking Facility if:

(a) following Completion, any person (either alone or jointly) (other than Allegro Funds) directly or indirectly gains control (as defined in the Corporations Act) of the Company; or

(b) the Company is removed from the Official List of the ASX or any class of securities in the Company are suspended from trading on the ASX for a continuous period of 10 Business Days or longer (for reasons other than there being an announcement of a major acquisition or transaction).

Best&Less Group

9.8 VOLUNTARY ESCROW ARRANGEMENTS

9.8.1 Escrow arrangements

The following Existing Shareholders are subject to voluntary escrow arrangements (the **Escrowed Shareholders**):

SHAREHOLDER	NUMBER OF ESCROWED SHARES ON COMPLETION	ESCROWED SHARES (AS A % OF SHARES ON ISSUE ON COMPLETION)
Allegro Shareholders	54,600,479	43.5%
Jason Murray	10,368,021	8.3%
Rodney Orrock	4,758,440	3.8%
Andrew Moore	2,478,354	2.0%
Lily Aforo-Addo	744,745	0.6%
Joseph Van Dyk	574,978	0.5%
Kerry Scotney	382,687	0.3%
Andrea Kenworthy	483,279	0.4%
Vanessa Noy	693,939	0.6%
Teresa Gallo	297,402	0.2%
Janine Van Deventer	464,691	0.4%
Angela Astone	619,588	0.5%
David Marjoribanks	164,008	0.1%
Rosita van Vuuren	131,206	0.1%
TOTAL	**76,761,817**	**61.1%**

Each Escrowed Shareholder entered into a voluntary escrow deed in respect of their Shareholding to take effect on Completion (other than Shares acquired under the Offer), which prevents them from disposing of their respective Escrowed Shares for the applicable Escrow Periods as described below.

The restriction on disposing is broadly defined in the voluntary escrow deeds outlined in this Section. It restricts the Escrowed Shareholder from, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Escrowed Shares, creating or agreeing to create a security interest over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares or agreeing to do any of those things.

9.8.2 Escrow Periods

The Escrowed Shares will be subject to voluntary escrow arrangements outlined above, released on a staged basis as follows:

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

9.8.3 Restrictions on transfers

During the Escrow Periods, Escrowed Shareholders whose Shares remain subject to escrow may dispose of any of their Escrowed Shares to the extent that the disposal is for:

- the Escrowed Shareholder to accept a bona fide takeover bid in respect of all or a proportion of the Shares, provided the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the bid relate, have accepted an offer under the takeover bid;
- the transfer or cancellation of the Escrowed Shares as part of a scheme of arrangement under Part 5.1 of the Corporations Act, provided that the scheme of arrangement has received all necessary approvals, including such necessary court and Shareholder approvals;
- the Escrowed Shareholder to participate in an equal access share buyback, equal access capital return or equal access capital reduction (in each case made in accordance with the Corporations Act); and
- the Escrowed Shareholder to dispose of, but not create a security interest in, some or all of the Escrowed Shares to a company wholly owned by the Escrowed Shareholder, or a trust in relation to which the Escrowed Shareholder is the beneficiary, provided that all of the Escrowed Shares held by the Escrowed Shareholder will remain subject to, and will be released in accordance with, the original escrow conditions,

and provided, in each case, that if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement (including because the takeover bid does not become unconditional) then the Escrowed Shareholder agrees that the restrictions applying to the Escrowed Shares under the voluntary escrow deed will continue to apply.

9.9 REGULATORY RELIEF

9.9.1 ASIC exemptions and relief

ASIC has granted relief to extend the benefit of ASIC Class Order [CO 14/1000] to the grant of Performance Rights under the LTIP.

9.9.2 ASX confirmation

ASX has granted confirmation in respect of the following Listing Rules:

- confirmation that the Company has a structure and operations acceptable to ASX for admission to the Official List for the purposes of Listing Rule 1.1 (Condition 1); and
- confirmation that ASX would likely form the view that the restrictions in clauses 1, 2, 3, 4, 6, 7, 8 and 9 of Appendix 9B of the Listing Rules will not apply to the Company as it has a track record of profitability acceptable to ASX.

9.10 FOREIGN AND OTHER OWNERSHIP RESTRICTIONS

9.10.1 Foreign ownership restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person and Shares may not be offered or sold, in any country outside Australia or New Zealand except as provided below.

Foreign Acquisitions and Takeovers Act 1975 (Aust)

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to the acquisition of shares and voting power in a company of 20% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates, where the acquisition meets a threshold value (which varies by investor type and industry). In addition, FATA applies to acquisitions of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A 'direct interest' is an interest of 10% in the entity but may also include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor is in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting.

An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a non-objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply to failing to give notification of certain acquisitions, undertaking certain acquisitions without no objection notification or contravening a condition in a no objection notification.

Overseas Investment Act 2005 (NZ)

If an overseas person (which includes a body corporate that is incorporated outside New Zealand or is a more than 25% subsidiary of a body corporate incorporated outside New Zealand), or an associate of an overseas person, within the meaning of the Overseas Investment Act 2005, acquires (either alone or together with its associates) a more than 25% ownership or control interest in the Company, or increases an existing more than 25% ownership or control interest in the Company, they may require a consent or direction order from the Overseas Investment Office (New Zealand) or relevant Government Ministers.

9.10.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

9.11 TAXATION CONSIDERATIONS

9.11.1 Summary of taxation issues for Australian tax resident investors

The following comments provide a general summary of Australian taxation issues for Australian tax resident investors who acquire Shares under this Prospectus.

The categories of investors considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation funds, each of whom hold their Shares on capital account for income tax purposes.

These comments do not apply to investors that hold their Shares on revenue account or as trading stock for income tax purposes, or to non-Australian tax resident investors. They also do not apply to investors that are banks, insurance companies or taxpayers that carry on a business of trading in Shares, or investors who are exempt from Australian income tax or subject to concessional tax regimes (for example, the Australian Investment Manager Regime). This summary also does not cover the consequences for Australian tax resident investors who are subject to the Taxation of Financial Arrangements rules (i.e. **TOFA** regime) contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth). These investors should seek their own professional advice based on their particular facts.

Tax laws are complex and subject to ongoing change. The comments below are based on the *Income Tax Assessment Act 1936* (Cth), the *Income Tax Assessment Act 1997* (Cth), the *A New Tax System (Goods and Services Tax) Act 1999* (Cth), relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory revenue authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to relevant tax law after the date of this Prospectus. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by investors in light of the changes. The summary provided below does not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. This summary does not constitute financial product advice as defined in the Corporations Act. The Company and its advisers disclaim all liability to any investor or other party for all costs, loss, damage and liability that the investor or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the investor or other party or the reliance on this summary by the investor or other party.

The precise implications of ownership or disposal of the Shares will depend upon each investor's specific circumstances. Investors should seek professional advice on the taxation implications of acquiring, owning and disposing of Shares, taking into account their specific circumstances.

9.11.2 Dividends on a Share

(a) Individuals and complying superannuation entities

Dividends distributed by the Company on a Share will constitute assessable income of an Australian tax resident investor for Australian income tax purposes.

Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, and on the proviso they are a "qualified person", any franking credit attached to that dividend should also be included in their assessable income for the same income year. Where a franking credit is included in the investor's assessable income, the investor will generally be entitled to a corresponding tax offset against tax payable on the investor's taxable income, subject to being a "qualified person" (refer to further comments below). Where an investor is an individual or a complying superannuation entity, the investor will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the investor's income tax liability for the income year.

Where a dividend paid by the Company is unfranked, the investors should receive no tax offset

(b) Corporate investors

Where an investor is a company, the investor is required to include both the dividend and associated franking credit in their assessable income subject to being a "qualified person". A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate investors can then pass on the benefit of franking credits to their own investor(s) on the payment of dividends.

Excess tax offsets from franking credits arising in any income year will not usually give rise to a refund, but may be able to be converted into carry forward tax losses.

Investors that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation and availability of carry forward tax losses arising from excess tax offsets.

(c) Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and any associated franking credit in their assessable income in the year of derivation in determining the net income of the trust or partnership.

Subject to being a "qualified person", the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the trust or partnership.

The relevant beneficiary or partner should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

(d) Shares held at risk

To be eligible for the franking credit tax offset, an investor must be a "qualified person". Broadly, to be a qualified person, an investor must satisfy the "holding period" rule and "related payments" rule.

The holding period rule broadly requires an investor to hold the Shares 'at risk' for more than 45 days continuously (measured as the period commencing the day after the investor acquires the Shares and ending on the 45th day after the Shares become ex-dividend, i.e. excluding the days of acquisition and disposal). Any day on which an investor has a materially diminished risk of loss or opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares 'at risk'. This holding period rule is subject to certain exceptions, including that it will not apply to an investor who is an individual whose tax offset entitlement (from all franked distributions received in the income year) does not exceed $5,000. Special rules apply to trusts and beneficiaries.

Under the related payments rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. Broadly, a related payment is one where an investor or their associate passes on the benefit of the dividend to another person. The related payments rule requires the investor to have held the Shares at risk for a continuous period of 45 days in the period commencing on the 45th day before, and ending on the 45th day after the day on which the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in assessable income) for a dividend received. Investors should consider the impact of these as well as other integrity measures which may apply to the claiming of tax offsets, having regard to their own facts and circumstances.

9.11.3 Disposal of Shares

The disposal of a Share by an Australian tax resident investor will be a capital gains tax (**CGT**) event. The investor will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the reduced cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses incurred may only be offset against capital gains made by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other forms of assessable income. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

Generally, a net capital gain arises where a taxpayer's capital gains for a year exceed their capital losses for that year, plus any unused capital losses from prior years. A net capital loss arises where a taxpayer's capital losses for a year exceed their capital gains for that year. A net capital gain is included in an investor's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If an investor is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the investor may be entitled to apply a "CGT discount" against the net capital gain made on the disposal of the Share. Where the CGT discount applies, any net capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half. For a complying superannuation entity, any net capital gain may be reduced by one-third.

Where the investor is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

9.11.4 Goods and Services Tax (GST)

No GST should be payable by investors in respect of the acquisition or disposal of their Shares, regardless of whether or not the investor is registered for GST.

Investors may not be entitled to claim input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect, relevant to their particular circumstances.

No GST should be payable by investors on receiving dividends distributed by the Company.

9.11.5 Stamp duty

Investors should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of the listed Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.11.6 Tax file numbers (TFN)

Investors are not required to quote their Tax File Number (**TFN**) or, where relevant, Australian Business Number (**ABN**) to the Company. However, if a valid TFN, a valid ABN or exemption details are not provided, Australian income tax may be required to be deducted by the Company from certain distributions and/or unfranked dividends at the maximum marginal tax rate plus any relevant levy (e.g. Medicare levy). Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

An investor that holds Shares as part of an enterprise may quote their ABN instead of their TFN.

9.12 SELLING RESTRICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia or New Zealand except to the extent provided below.

9.12.1 European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the **Prospectus Regulation**).

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2€ of the Prospectus Regulation).

9.12.2 Hong Kong

WARNING: This document has not been, and will not be, registered as a "prospectus" under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares may or will be issued or, has been or will be in the possession of any person for the purpose of issue, in Hong Kong (except if otherwise permitted to do so under the laws of Hong Kong) other than with respect to the Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted the New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

9.12.3 Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered, sold or issued in Malaysia except pursuant to, and to persons prescribed under, Schedules 5 and 6 of the Malaysian Capital Markets and Services Act.

9.12.4 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in the Norwegian Securities Trading Act).

9.12.5 Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an “institutional investor” (as defined in the SFA) or (ii) an “accredited investor” (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.12.6 South Africa

This document does not, nor is it intended to, constitute a prospectus prepared and registered under the *South African Companies Act 2008* and may not be distributed to the public in South Africa. This document has not been registered with nor approved by the South African Companies and Intellectual Property Commission.

Any offer of New Shares in South Africa will be made by way of a private placement to, and capable of acceptance only by, investors who fall within one of the specified categories listed in section 96(1)(a) of the South African Companies Act.

An entity or person resident in South Africa may not implement participation in the offer unless (i) permitted under the South African Exchange Control Regulations or (ii) a specific approval has been obtained from an authorised foreign exchange dealer in South Africa or the Financial Surveillance Department of the South African Reserve Bank.

9.12.7 Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

No offering or marketing material relating to the Shares has been, or will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

9.12.8 United Arab Emirates

This document does not constitute a public offer of securities in the United Arab Emirates and the Shares may not be offered or sold, directly or indirectly, to the public in the UAE. Neither this document nor the Shares have been approved by the Securities and Commodities Authority (**SCA**) or any other authority in the UAE.

This document may be distributed in the UAE only to "qualified investors" (as defined in the SCA Board of Directors' Chairman Decision No. 37 RM of 2019, as amended) and may not be provided to any person other than the original recipient. No marketing of the Shares has been, or will be, made from within the UAE other than in compliance with the laws of the UAE and no subscription for any securities may be consummated within the UAE.

No offer or invitation to subscribe for Shares is valid, or permitted from any person, in the Abu Dhabi Global Market or the Dubai International Financial Centre.

9.12.9 United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares.

The Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

9.12.10 United States

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The Shares will only be offered and sold in the United States to dealers or other professional fiduciaries organised or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act and in compliance with Regulation S.

9.13 CONSENT TO BE NAMED AND INCLUSION OF STATEMENT OF DISCLAIMERS OF RESPONSIBILITY

Chapter 6D of the Corporations Act imposes a liability regime on the Company and SaleCo (as the offerors of the Shares), the directors of the Company and SaleCo, persons named in the Prospectus with their consent as proposed directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company and SaleCo bear primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below:

- Macquarie Capital (Australia) Limited;
- Bell Potter Securities Limited;
- Ashurst Australia;
- Mayne Wetherell;
- PricewaterhouseCoopers Securities Ltd;
- PricewaterhouseCoopers;
- PricewaterhouseCoopers NZ;
- Link Market Services Limited; and
- Frost & Sullivan.

PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, being its Independent Limited Assurance Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

The Company has included statements in this Prospectus made by, attributed to or based on, statements by the following parties:

- KPMG Customer Experience Excellence Report 2020;
- Euromonitor International Apparel and Footwear in Australia, March 2020;
- Australian Bureau of Statistics, Online sales, November 2020 – Supplementary COVID-19 analysis;
- Australian Bureau of Statistics, Data series 8501.0, Retail Trade Australia (Seasonally Adjusted);
- Myer Full Year 2020 Results Media Release, 10 September 2020; and
- McKinsey, the State of Fashion 2020 Coronavirus Update.

The inclusion of statements made by, attributed to or based on statements made by these parties has not been consented to by the relevant party for the purpose of section 729 of the Corporations Act and are included in this Prospectus by the Company on the basis of *ASIC Corporations (Consent to Statements) Instrument 2016/72* relief from the Corporations Act for statements used from books, journals or comparable publications.

9.14 LEGAL PROCEEDINGS

The Company is from time to time party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, there are no current, pending or threatened legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on its future financial results and the Company is not aware of any such legal proceedings.

9.15 DIVIDEND REINVESTMENT PLAN

Subject to the applicable requirements of the Corporations Act and Listing Rules, the Constitution provides that the Board may adopt and implement a dividend reinvestment plan (under which Shareholders may elect for any dividend or cash payment in respect of a share or convertible security payable by the Company may be retained by the Company and applied to a subscription of shares or convertible securities in BLG). The Directors do not intend to implement a dividend reinvestment plan on Listing.

9.16 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

9.17 STATEMENT OF DIRECTORS AND SALECO DIRECTORS

This Prospectus has been authorised by each director of the Company and by each director of SaleCo, who each consent to its lodgement with ASIC and its issue and has not withdrawn that consent.

APPENDIX A:
SIGNIFICANT ACCOUNTING POLICIES

APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

The Group's principal accounting policies are set out below.

BASIS OF PREPARATION

The financial information has been prepared under the historical cost convention, except for certain assets which, as noted, are at fair value.

A single reportable operating segment has been presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers (**CODM**). The CODM is the Group's Senior Leadership Team and they are responsible for the allocation of resources to operating segments and assessing their performance.

PRINCIPLES OF CONSOLIDATION

The Company consolidates all subsidiaries in preparing consolidated financial information of the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity where 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 deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

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

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions – Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Group companies – The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

REVENUE RECOGNITION

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

Sale of goods – For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at a retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods. For online sales, revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location.

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

GOVERNMENT GRANTS

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

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

INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income.

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.

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.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

CASH AND CASH EQUIVALENTS

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

RECEIVABLES

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

INVENTORIES

Finished goods are stated at the lower of cost and net realisable value on a 'first in, first out' basis. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group enters into hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

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

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

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

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

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

Best&Less Group

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land and construction in progress) over their expected useful lives as follows:

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

INTANGIBLE ASSETS

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Costs associated with maintaining software programs are recognised as an expense as incurred. Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future year financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 4 to 10 years.

LEASES

Right of use assets

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

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

The Company has elected not to recognise a right of use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

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

BUSINESS COMBINATIONS

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

TRADE AND OTHER PAYABLES

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

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

FINANCE COSTS

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

PROVISIONS

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

EMPLOYEE BENEFITS

Short-term employee benefits

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

Other long-term employee benefits

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

Termination benefits

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

Share based payments

Executives of the Group receive remuneration in the form of share based payments, whereby employees render services as consideration for equity instruments (equity settled transactions).

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

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

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

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

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

ISSUED CAPITAL

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

DIVIDENDS

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

EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) 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 the conversion of all dilutive potential ordinary shares.

GOODS AND SERVICES TAX (GST) AND OTHER SIMILAR TAXES

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

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

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

SIGNIFICANT 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 amount of assets and liabilities (refer to respective notes) are discussed below.

Coronavirus (COVID-19) pandemic – Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

Goodwill – The Group tests annually, or more frequently if events or changes in circumstances indicate impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

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

Incremental borrowing rate – Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right of use asset, with similar terms, security and economic environment.

AASB 16 *Leases*

The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 2 July 2018. The Group elected to use the recognition exemptions for lease contracts for which the underlying asset is of low value (low-value assets) and for lease contracts that, at the transition date, have a lease term of 12 months or less (short-term leases). Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short term and leases of low-value assets where applicable. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities, adjusted for any related deferred lease incentive and accrued lease payments previously recognised. The liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 2 July 2018.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

As outlined in Section 4.2, the Pro Forma Historical Financial Results and Cash Flows and the Pro Forma Forecast Financial Results and Cash Flows have been prepared under AASB 117. The Statutory Historical Financial Information, the Statutory Forecast Financial Information and the Statutory and Proforma Statement of Financial Position were prepared under AASB16.

APPENDIX B: GLOSSARY

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TERM	MEANING
~	Approximately
$	Australian dollars, unless otherwise stated
$bn	Australian billion dollars, unless currency otherwise stated
$m	Australian million dollars, unless currency otherwise stated
3PL	Third party logistics
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ACCC	Australian Competition & Consumer Commission
Allegro Funds	Allegro Funds Pty Ltd
Allegro Shareholders	Allegro Fund III, LP and Allegro Services III D Pty Ltd
Andrew Moore	John Andrew Barrington Moore
ANZ	Australia and New Zealand
Applicant	A person who submits an Application under this Prospectus
Application Form	The relevant form attached to, or accompanying, this Prospectus, including the online application form available at www.bestandlessgroupoffer.com.au, pursuant to which applicants apply for Shares
Application Monies	The amount accompanying an Application Form submitted by an applicant
ASIC	Australian Securities and Investments Commission
ASP	Average sale price
ASX	Australian Securities Exchange, as operated by ASX Limited (ACN 008 624 691)
ASX Corporate Governance Principles and Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (fourth edition)
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532)
ASX Settlement Operating Rules	The operating rules of ASX Settlement and, to the extent that they are applicable, the operating rules of each of ASX and ASX Clear Pty Limited (ACN 001 314 503)
ATV	Average transaction value
AUD	Australian dollar
Australian Accounting Standards or **AAS**	The Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
BB Retail Capital	BBRC International Pte Limited as trustee for The BB Family International Trust
Bell Potter	Bell Potter Securities Limited
Best & Less	The Best & Less brand, operating in Australia

TERM	MEANING
BLG	The Best & Less Group comprising BLGH and its subsidiaries
BLGH (or **the Company**)	Best & Less Group Holdings Ltd
BLGH MEP	The management equity plan associated with BLGH, discussed at Section 6.5.3
BLGPL	Best & Less Group Pty Ltd
BLGPL MEP	The management equity plan associated with BLGPL, discussed at Section 6.5.3
Board	The board of directors of the Company
Broker	Any ASX participating organisation selected by the Joint Lead Managers to participate in the Broker Firm Offer
Broker Firm Offer	The invitation to apply for Shares under this Prospectus to Australian and New Zealand resident clients of Brokers who have received an invitation to participate from their Broker
Business Day	A day on which (a) ASX is open for trading in securities and (b) banks are open for general banking business in Sydney
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital gains tax
Chairperson	The chairperson of the Board
CHESS	Clearing House Electronic Subregister System operated in accordance with the Corporations Act
Closing Date	The date on which the Offer is expected to close being 16 July 2021 in respect of the Broker Firm Offer and the Priority Offer, unless varied
Company (or **BLGH**)	Best & Less Group Holdings Ltd ACN 642 843 221
CODB	Cost of doing business
COVID-19	COVID-19 global pandemic first identified in 2019 and spreading worldwide in 2020 and 2021
Completion	Completion in respect of the issue and transfer of Shares pursuant to the Offer in accordance with the Underwriting Agreement
Constitution	The Constitution of the Company as amended from time to time
Corporations Act	*Corporations Act 2001* (Cth)
Corporations Regulations	*Corporations Regulations 2001* (Cth)
CPI	Consumer Price Index
CRPS	Convertible Redeemable Preference Shares issued under the BLGPL MEP, discussed at Section 6.5.3

APPENDIX B: GLOSSARY

TERM	MEANING
Cth	The Commonwealth of Australia
CY	Calendar year
CY19	Calendar year ended 29 December 2019
CY20	Calendar year ended 27 December 2020
CY21F	Calendar year ending 26 December 2021
Director	Each of the directors of the Company from time to time
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDLP	Every day low price
EDM	Electronic direct mail
Eligible Employees	Eligible employees are those employees of the Group resident in Australia who are employed by the Group as at 5:00pm (Sydney time) on 25 June 2021 who will receive a personalised invitation to apply for Shares under the Employee Offer
Employee Gift Employees	Eligible Gift Employees are those employee of the Group who are permanent employees with greater than six months services or casual employees with greater than three years' service who will receive a personalised invitation to apply for Shares under the Employee Gift Offer
Enterprise value	Calculated as the Company's indicative market capitalisation of $248.7 million (based on the Offer Price), plus pro forma net debt on Completion
EPS	Earnings per share
ESC	Ethical sourcing code
Escrow Periods	The periods set out at Section 9.8.2 during which Shares held by the Escrowed Shareholders (other than any Shares acquired under the Offer) will be subject to escrow arrangements
Escrowed Shareholders	The Allegro Shareholders, Management Shareholders and Jason Murray
Escrowed Shares	Certain of the Shares held by the Escrowed Shareholders on Completion
Executive Director	A Director who performs executive functions in connection with the management and administration of the Company
Existing Shareholders	The holders of Shares in the Company immediately prior to Completion, with the exception of BBRC
Existing Shares	The Shares held by the Existing Shareholders immediately prior to Completion
Expiry Date	25 July 2022, being the date which is 13 months after the Prospectus Date, after which no Shares will be issued or transferred under this Prospectus

TERM	MEANING
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the Prospectus Date, during which an application must not be accepted. ASIC may extend this period by a further seven days after the end of this period
Financial Information	Has the meaning given in Section 4.1
Forecast Financial Information	Has the meaning given in Section 4.1
FX	Foreign exchange
FY	Financial year
FY19	Financial year ended 30 June 2019
FY20	Financial year ended 28 June 2020
FY21	Financial year ending 27 June 2021
Group	The Company and its subsidiaries or, where the context requires, the business described in this Prospectus
GST	Goods and services or similar tax imposed in Australia
H1 FY19	Half year ended 30 December 2018
H1 FY20	Half year ended 29 December 2019
H1 FY21	Half year ended 27 December 2020
H1 FY22F	Half year ending 26 December 2021
H1 FY23F	Half year ending 29 December 2022
H2 FY19	Half year ended 30 June 2019
H2 FY20	Half year ended 28 June 2020
H2 FY21F	Half year ending 27 June 2021
HIN	Holder Identification Number
Historical Financial Information	Has the meaning given in Section 4.1
HY	Half year
IFRS	International Financial Reporting Standards
Independent Limited Assurance Report	The Independent Limited Assurance Report set out in Section 8

APPENDIX B: GLOSSARY

TERM	MEANING
Institutional Investor	An investor who is: • a person in Australia who is a sophisticated investor or professional investor under sections 708(8) and 708(11) of the Corporations Act; and • an institutional investor in certain other jurisdictions, as agreed between the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing, registration or qualification with, or approval by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply), provided that in each such case such investor is not in the United States or acting for the account or benefit of a person in the United States
Institutional Offer	The invitation to apply for Shares made to Institutional Investors to acquire Shares under this Prospectus as described in Section 7.7
Investigating Accountant	PricewaterhouseCoopers Securities Ltd
Joint Lead Managers	Macquarie Capital (Australia) Limited and Bell Potter Securities Limited
k	Thousand
LFL revenue growth	LFL revenue growth is calculated as a percentage change of the total aggregated revenue generated from stores (including the online stores) in a relevant period, compared to the total aggregated revenue from the same set of stores in the relevant previous corresponding period. See Section 4.7.3.4 for further details
Listing	The date on which the Company is admitted to the Official List
Listing Rules	The official listing rules of ASX
LTIP	The Company's long term incentive plan, as described in Section 6.5.2
LTIP Exercise Conditions	The exercise conditions relating to the exercise of the Performance Rights offered under the LTIP described in Section 6.5.2
LTIP Vesting Conditions	The vesting conditions relating to the vesting of the Performance Rights offered under the LTIP described in Section 6.5.2
Macquarie Capital	Macquarie Capital (Australia) Limited
Management	The Group's management team, led by Rodney Orrock as CEO
Management Shareholders	Those members of Management who hold securities in BLGPL as at the date of the Prospectus
MEP or **Management Equity Plan**	The legacy management equity plans relating to BLG being the BLGPL MEP and BLGH MEP
New Shares	Shares to be issued by the Company pursuant to this Prospectus
Non-Executive Director	A Director who is not an Executive Director
Non-IFRS financial measures	Has the meaning given in Section 4.2.5

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TERM	MEANING
NPAT	Net profit after tax
NZ or **NZ$**	New Zealand
NZD	New Zealand dollar
Offer	The invitation by the Company and SaleCo to apply for New Shares and Sale Shares respectively under this Prospectus
Offer Document	The documents issued or published by or on behalf of the Company in respect of the Offer, including this Prospectus, any Application Forms, any investor presentation used in connection with the Institutional Offer and any supplementary or replacement prospectus
Offer Information Line	1800 647 819 (toll free within Australia) or +61 1800 647 819 (outside Australia) from 8:30am to 5:30pm (Sydney, Australia time), Monday to Friday (Business Days only)
Offer Price	The price payable for a Share under the Offer, being $2.16 per Share
Official List	Official list of entities that the ASX has admitted to, and not removed, from listing
OFC	Online fulfilment centre
pcp	Prior corresponding period
Performance Rights	Performance rights granted pursuant to the LTIP
Postie	The Postie brand, operating in New Zealand
PricewaterhouseCoopers NZ	PricewaterhouseCoopers, the Auditor of Postie Plus Group Limited in New Zealand
Priority Invitation	The invitation under this Prospectus to selected investors nominated by the Company to participate in the Priority Offer on a firm basis up to the allocation of Shares nominated by the Company
Priority Offer	The component of the Offer under which investors who have received an invitation can apply for Shares, as discussed in Section 7.6
Pro Forma Historical Balance Sheet	Has the meaning given in Section 4.1
Pro Forma Historical Cash Flows	Has the meaning given in Section 4.1
Pro Forma Historical Financial Information	Has the meaning given in Section 4.1
Pro Forma Historical Results	Has the meaning given in Section 4.1
Prospectus	This document (including the electronic form of this document) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus was lodged with ASIC, being 25 June 2021
Regulation S	Regulation S promulgated under the Securities Act

APPENDIX B: GLOSSARY

TERM	MEANING
Related Body Corporate	Has the meaning given in section 50 of the Corporations Act
Relevant Interest	Has the meaning given in the Corporations Act. In summary, a person has a relevant interest in a security if that person is the holder of the security or if that person has the power to control the voting or disposal of the security
Retail Offer	The Broker Firm Offer, Employee Gift Offer, Employee Offer and the Priority Offer
SaleCo	Best & Less Group SaleCo Ltd ACN 648 577 020
SaleCo Director	The directors of SaleCo
Sale Shares	Shares offered for sale by SaleCo pursuant to this Prospectus
Selling Shareholders	Allegro Shareholders and Bignor Family Pty Ltd (being Jason Murray's investment vehicle)
Settlement	Settlement in respect of the Shares the subject of the Offer occurring as described in the Underwriting Agreement
Share	A fully paid ordinary share in the Company
Share Registry	Link Market Services Limited
Shareholder	The registered holder of a Share from time to time
SRN	Securityholder Reference Number
Statutory Historical Balance Sheet	Means the aggregation of the historical balance sheets extracted from the financial statements for Best & Less Pty Limited and Postie Plus Group Limited (translated from NZD into AUD)
Statutory Historical Cash Flows	Means the aggregation of the historical cash flows extracted from the financial statements for Best & Less Pty Limited and Postie Plus Group Limited (translated from NZD into AUD)
Statutory Historical Financial Information	Means the aggregation of the historical financial information extracted from the financial statements for Best & Less Pty Limited and Postie Plus Group Limited (translated from NZD into AUD)
Statutory Historical Results	Means the aggregation of the historical results extracted from the financial statements for Best & Less Pty Limited and Postie Plus Group Limited (translated from NZD into AUD)
Underwriting Agreement	The underwriting agreement, dated on or about the Prospectus Date, between the Company, SaleCo and the Joint Lead Managers as described in Section 9.7.1
UPT	Units per transaction
US	The United States of America
US Person	Has the meaning given in Rule 902(k) of Regulation S
US Securities Act	United States Securities Act of 1933, as amended
WALE	Weighted average lease expiry

BEST & LESS GROUP HOLDINGS LTD
ACN 642 843 221

Broker Code | Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Best & Less Group Holdings Ltd ACN 642 843 221 (**BLGH** or the **Company**) under the Broker Firm Offer on the terms set out in the Prospectus dated 25 June 2021. The minimum Application size under the Broker Firm Offer is $2,000 worth of Shares. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares. By applying under the Broker Firm Offer, you make the acknowledgement, declarations, representations and warranties set out in the Prospectus.

A Shares applied for ___,___,___ at Price per Share **A$2.16** **B** Application Monies **A$** ___,___,___.__

(minimum application size is $2,000 worth of Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

C Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2

Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D TFN/ABN/Exemption Code

First Applicant | Joint Applicant #2 | Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box: Company | Partnership | Trust | Super Fund

E **PLEASE COMPLETE ADDRESS DETAILS**

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESS HIN

X

If you have a Broker Sponsored account and would like your securities to be allocated to this account, it is important that you enter your HIN at this step. Failure to do so will result in your securities being allocated to a new Issuer Sponsored account. You will not be able to change this until after the stock exchange listing takes place and you will need to request your broker to do this for you.

G Telephone Number where you can be contacted during Business Hours ( ) | Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

H Cheque or Bank Draft Number | BSB ___ - ___ | Account Number

Total Amount **A$** ___,___,___.__

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

BST BRO001

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Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Best & Less Group Holdings Ltd ("BST") Shares. Further details about the Shares are contained in the Prospectus dated 25 June 2021 issued by Best & Less Group Holdings Ltd ACN 642 843 221 (**BLGH** or the **Company**). The Prospectus will expire 13 months after the Prospectus Date . While the Prospectus is current, Best & Less Group Holdings Ltd will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of $2,000 worth of Shares. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Best & Less Group Holdings Ltd will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from Best & Less Group Holdings Ltd and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Best & Less Group Holdings Ltd's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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Surname

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D TFN/ABN/Exemption Code

First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

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Total Amount **A$** , , .

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Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
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Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
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CORPORATE DIRECTORY

Best&Less Group

ISSUER'S REGISTERED OFFICE

Best & Less Group Holdings Ltd
657-674 Parramatta Road
Leichhardt NSW 2040

AUSTRALIAN LEGAL ADVISER

Ashurst Australia
Level 11, 5 Martin Place
Sydney NSW 2000

JOINT LEAD MANAGERS

Macquarie Capital (Australia) Limited
50 Martin Place
Sydney NSW 2000

Bell Potter Securities Limited
Level 38, Aurora Place, 88 Phillip Street
Sydney NSW 2000

SHARE REGISTRY

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

OFFER WEBSITE

www.bestandlessgroupoffer.com.au

COMPANY WEBSITE

www.bestandless.com.au
www.postie.co.nz

NEW ZEALAND LEGAL ADVISER

Mayne Wetherell
Level 5, Bayleys House
30 Gaunt Street
PO Box 3797
Auckland 1140, New Zealand

INVESTIGATING ACCOUNTANT & AUDITOR

PricewaterhouseCoopers Securities Ltd
One International Towers
Watermans Quay
Barangaroo NSW 2000

TAX ADVISER

PricewaterhouseCoopers
One International Towers
Watermans Quay
Barangaroo NSW 2000

OFFER INFORMATION LINE

1800 647 819 (within Australia)
+61 1800 647 819 (outside Australia)

Monday to Friday (excluding public holidays), from 8:30am to 5:30pm (Sydney Time)

Best&Less Group