adairs

APPENDIX 4E

PRELIMINARY FINAL REPORT

53 weeks ended 30 June 2024

1. DETAILS OF THE CURRENT REPORTING PERIOD AND THE PRIOR CORRESPONDING PERIOD

Current period: 26 June 2023 to 30 June 2024 (53 weeks)

Prior corresponding period: 27 June 2022 to 25 June 2023 (52 weeks)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory results

	53 weeks ended 30 Jun 2024 $'000	52 weeks ended 25 Jun 2023 $'000	Change %
Revenue from continuing operations	594,356	621,335	(4.3)
Profit after tax from continuing operations attributable to members	31,090	37,843	(17.8)
Net profit attributable to members	31,090	37,843	(17.8)

Underlying results

The table below presents the Group's underlying financial results for sales and earnings before interest and tax ("EBIT"). Underlying EBIT has been calculated to exclude the impact of (i) AASB 16 Leases; (ii) National Distribution Centre transition costs; and (iii) SaaS cloud computing project costs. The underlying results have been calculated on a comparable basis for the prior corresponding period.

	53 weeks ended 30 Jun 2024 $'000	52 weeks ended 25 Jun 2023 $'000	Change %	Adjusted change[1] %
Sales	594,356	621,335	(4.3)	(6.6)
Underlying EBIT	57,628	63,892	(9.8)	(14.8)

1. Refers to the change for a comparable adjusted 52-week period in FY24.

Refer to the Investor Presentation released to the ASX for a reconciliation between statutory and underlying results.

Dividends

Dividends (ordinary shares)	Amount per security	Franked amount per security
2024 interim dividend	5.0 cents	5.0 cents
2024 final dividend (resolved, not yet provided for at 30 June 2024)	7.0 cents	7.0 cents

Dividends (ordinary shares)	2024 final dividend
Record date for determining entitlements	12 September 2024
Payment date	8 October 2024

Commentary of results and operations

Refer to the accompanying Annual Report and Investor Presentation released to the ASX.

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Refer to the Consolidated Statement of Profit or Loss and Consolidated Statement of Other Comprehensive Income within the attached Financial Report.

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Refer to the Consolidated Statement of Financial Position within the attached Financial Report.

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Refer to the Consolidated Statement of Changes in Equity within the attached Financial Report.

6. CONSOLIDATED STATEMENT OF CASH FLOWS

Refer to the Consolidated Statement of Cash Flows within the attached Financial Report.

7. DIVIDEND DETAILS

Refer to Note 24 of the attached Financial Report for further details of dividends during the current period.

8. DIVIDEND OR DISTRIBUTION REINVESTMENT PLAN DETAILS

The Company's dividend reinvestment plan ("DRP") continues to be available to eligible shareholders. The last date for receipt of election notices for participation in the interim dividend under the DRP is 13 September 2024. The Company intends to issue new shares to satisfy its obligations under the DRP.

There is currently a 1.5% DRP discount applied to the dividend and no limit on the number of shares that can participate in the DRP. Shares will be allocated based on the average of the daily volume weighted average market price of ordinary shares of Adairs Limited traded over the period of 5 trading days commencing on 16 September 2024, less the 1.5% discount.

9. NET TANGIBLE ASSET BACKING PER ORDINARY SECURITY

	30 Jun 2024	25 Jun 2023
Net tangible asset/(liability) backing per ordinary security[1]	(25.0) cents	(34.0) cents

1. The net tangible assets backing includes the Right-of-use assets as per AASB 16.

10. CONTROL GAINED OR LOST OVER ENTITIES IN THE CURRENT PERIOD

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

11. DETAILS OF AGGREGATE SHARE OF PROFITS (LOSSES) OF ASSOCIATES AND JOINT VENTURE ENTITIES

There were no associates or joint ventures during the 53 weeks ended 30 June 2024, or during the prior corresponding period.

12. FOREIGN ENTITIES

All entities comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

13. COMMENTARY

Refer to the accompanying Annual Report and Investor Presentation released to the ASX.

14. AUDIT AND AUDITOR'S REPORT

This report is based on financial statements which have been audited. The audit opinion is unqualified.

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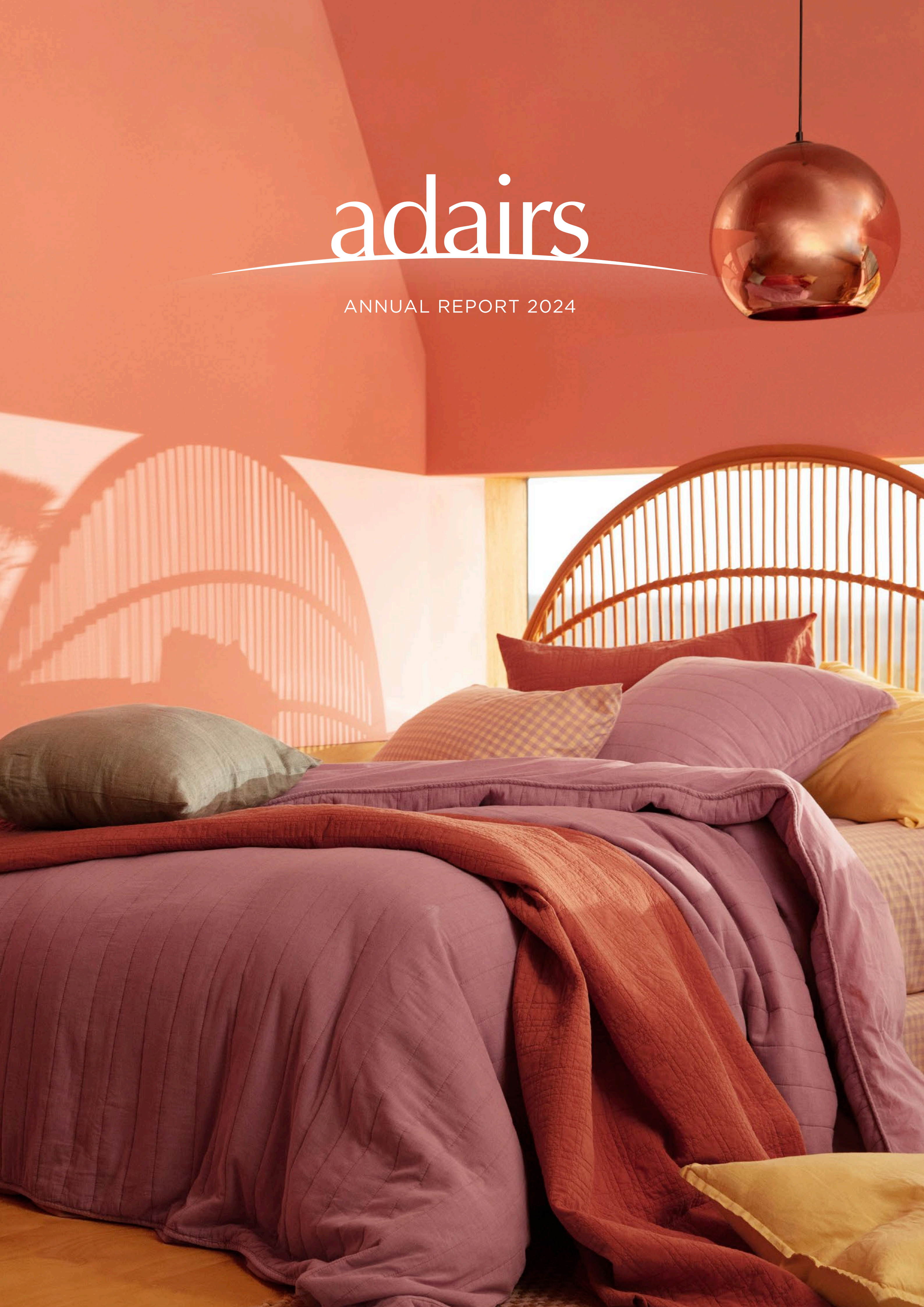


adairs

ANNUAL REPORT 2024

ABOUT ADAIRS LIMITED

Adairs Limited (ASX code: ADH) is Australia's largest omnichannel specialty retail group, whose businesses offer product ranges spanning home furnishings, furniture, and home decoration products. The Group comprises three brands: Adairs, Focus on Furniture, and Mocka. All businesses are design-led, source and procure their own product, retail through their owned or controlled channels, and are customer-focused and service-oriented.

About Adairs

Adairs is a leading specialty omnichannel retailer of home furnishings in Australia and New Zealand. It has a national footprint of stores across several formats and a large and growing online channel. Adairs' strategy is to present customers with a differentiated proposition that combines on-trend fashion products, quality staples, strong value, and superior customer service. The company's head office is in Melbourne, Australia.

For further information visit **www.adairs.com.au**

About Focus on Furniture

Focus on Furniture ('Focus') is a vertically integrated omnichannel furniture and bedding retailer offering well-designed, functional, and on-trend products at great value for money through its network of stores in Australia and its online channel. Focus is characterised by its attention to customer service, support, product quality, and range. Focus' head office is in Melbourne, Australia.

For further information visit **www.focusonfurniture.com.au**

About Mocka

Mocka is a vertically integrated pure-play online home and living products designer and retailer operating in Australia and New Zealand. Mocka sells its own exclusive, well-designed, functional and stylish products in the Home Furniture & Décor, Kids and Baby categories. Delivering great products and compelling everyday value for money is core to the Mocka customer proposition. Mocka's head office is in Brisbane, Australia.

For further information visit **www.mocka.com.au**

CONTENTS

IMPORTANT INFORMATION

FY24 was a 53-week period for statutory purposes, compared to a 52-week period in FY23. Unless otherwise stated, all references compare the 53-week period in FY24 to the 52-week period in FY23.

2024 ANNUAL GENERAL MEETING

Notice is hereby given that the 2024 Annual General Meeting of members of Adairs Limited will be held at the Hyatt Centric Melbourne, 25 Downie Street, Melbourne on Friday, 25 October 2024 at 11.00am (Melbourne time).

Full details will be provided to all shareholders in the Notice of Meeting.

KEY FY24 OUTCOMES

GROUP SALES down $594.4m, down 4.3%

Materially impacted by a reduction in customer traffic

ONLINE SALES 29.4% of total group sales (+130bps)

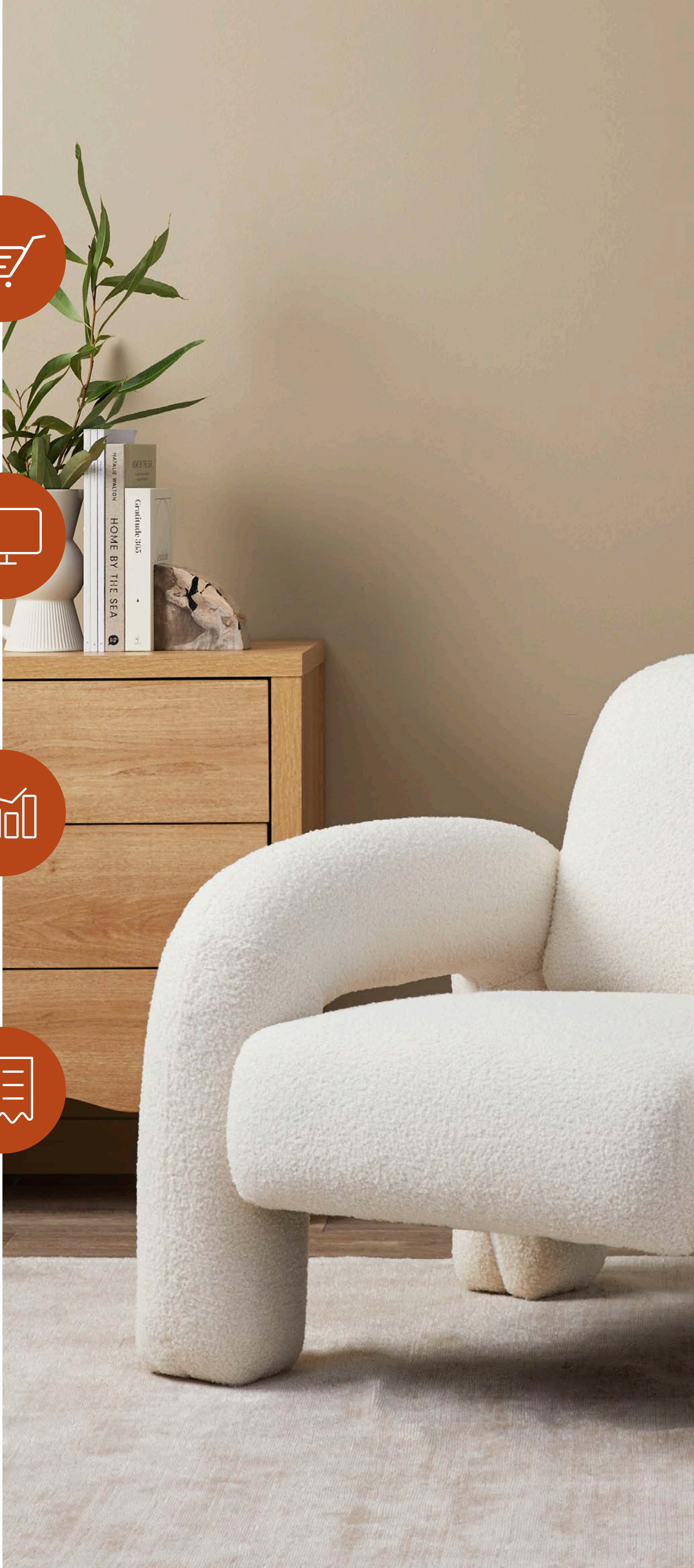
First full year of new Adairs website and introduction of click & collect

UNDERLYING GROUP GROSS MARGIN of 60.3% (+170bps)

Gross margin gains at all three businesses

COSTS WELL CONTROLLED

Strong cost management offset significant inflationary pressure



UNDERLYING GROUP EBIT of $57.6m

Down 9.8% reflecting the lower sales

FOCUS ON FURNITURE

Two new stores, two refurbishments, with new store pipeline continuing to build

MOCKA

Successful turnaround with underlying EBIT up +$5.0m to $6.5m

LINEN LOVER MEMBERSHIP

1 million members contributed 85% of Adairs sales in FY24

ADAIRS' NATIONAL DISTRIBUTION CENTRE

Successful transition to Adairs as operator and implementation of new warehouse management system. Delivering superior service at a lower cost

CHAIR'S REPORT

Dear Shareholders,

I am pleased to present the 2024 Annual Report of Adairs Limited (the 'Company') and its subsidiaries (the 'Group').

Delivering on our goals

The 2024 financial year was a year of good progress for the Group as we delivered on the key objectives of each of our businesses – Adairs, Focus on Furniture and Mocka.

As a discretionary retailer, we are not immune from the challenging macroeconomic environment. However, the FY24 results also highlighted that focusing on matters within our control or influence, getting the fundamentals right in terms of knowing our customers, delivering great products, and outstanding service are important drivers of results.

Some of the highlights from FY24 are:

- expanding our gross margins in all three businesses;
- managing our costs of doing business despite significant inflationary pressures, including executing cost-out programs, particularly within Adairs;
- taking operational control of the Adairs National Distribution Centre ("NDC") from DHL, which has delivered the expected improved customer service and allowed us to access the initial phase of significant cost savings and improvements in stock flows;
- executing the turnaround of Mocka, which delivered an Underlying[1] EBIT of $6.5 million (FY23: $1.5 million), enabling the business to now more confidently plan for and pursue its long-term growth strategy; and
- opening two new Focus on Furniture stores and refurbishing two existing stores with the new store pipeline continuing to build.

These outcomes have enabled the Group to:

- continue to reduce net debt[2] to $64.1 million (down $10.0 million from end of FY23); and
- declare fully franked total dividends of 12.0 cents per share (interim: 5.0 cents per share; final: 7.0 cents per share) for FY24, an increase from 8.0 cents per share declared in FY23. The dividend reinvestment plan ("DRP") remains active with a 1.5% discount.

Overall, our FY24 result positions the Group well to execute on our priorities into FY25.

Sustainability

Our businesses continue to make good progress with their respective sustainability strategies.

We welcome the forthcoming mandatory climate-related disclosure regime. As a group, we have been measuring and reporting our Scope 1 and 2 greenhouse gas emissions for the last three years and are well-placed to meet the new disclosure requirements that will apply to the Group from FY26.

Sustainability extends beyond climate, and our Sustainability Report on page 14 provides an update of the various strategies, goals, and initiatives we undertake to manage our environmental impact, support the communities we serve, and meet growing stakeholder expectations.

Our sustainability strategy is coordinated by our People, Product, and Planet Committee, which is made up of a diverse group of team members with a shared vision and commitment to ensuring that sustainability is front of mind across all aspects of our business. All key departments are represented, including product, stores, supply chain, marketing, technology, finance and compliance.

To hold ourselves accountable, we have, where possible, set targets, quantified outcomes and provided examples of our efforts.

1. Refer to the Directors Report and FY24 Investor Presentation for a reconciliation of statutory and underlying results.
2. Net debt calculated as cash less borrowings.

Group Sales	Underlying Group EBIT	Earnings per Share	Dividends per Share
$594.4M	$57.6M	17.9cps	12.0cps

Board changes

As advised to shareholders, Brett Chenoweth resigned as non-executive Chairman in March 2024 to focus on his other corporate responsibilities, particularly those related to the digital infrastructure and media sectors, where most of his career has been spent. The Company has commenced a search for new non-executive directors, having identified the skills and experience that would best complement the existing Board members.

I was appointed Interim non-executive Chair and wanted to thank Brett on behalf of the board for his valued contribution over the last four years. Following Brett's resignation, the Board has five Directors, three of whom are independent.

On a personal note, my interest in Adairs has always extended beyond the board room. Long before I became a director, I was (and remain) an avid and loyal Adairs customer and Linen Lover member, drawn by the beautiful and unique products that appear in the stores each month and the warm welcome and expertise I receive from the talented in-store teams. I am equally excited by the product and prospects of Focus on Furniture and Mocka, which provide shareholders with a portfolio of complementary, strongly profitable and growing businesses in the home furnishing market.

Outlook

As I noted in the beginning of my report, management's focus remains squarely on the many parts of our businesses that we control. This begins with offering customers inspiring and differentiated products at compelling value with an outstanding customer experience, both in-store and online.

We will remain financially disciplined with costs set at a level appropriate for the prevailing sales environments and managed against inflationary pressures within the Group. Significant areas of the Group's cost base have been reset during FY24 which means we expect future sales growth to translate into superior earnings growth as operational leverage returns.

Thank you

On behalf of the Board, I would like to thank you, our shareholders, for your continued support. As has been noted in past reports, our company operates in a cyclical industry. That is not new, and we manage the business with that knowledge and experience, as our track record over many years demonstrates.

As a Board, we are excited about the future. We have a strong pipeline of new and inspiring products that will offer compelling value to our passionate and loyal customers, delivered by an outstanding team for whom service and customer experience are paramount. Supported by our omnichannel business model, these are the foundations that will deliver profitable growth for our shareholders.

KATE SPARGO
Interim Independent Chair

MANAGING DIRECTOR AND CEO REPORT

Dear Shareholders,

As we prepared for FY24, we anticipated a more challenging year due to the macroeconomic environment and the impact it was having, and continues to have, on many households. Given this backdrop, I am pleased with how each business was managed during FY24 and the outcomes we achieved as a Group.

Throughout the year, it was clear that our businesses' critical competitive advantages served us well and will provide strong foundations for the future:

- Three strong businesses that we own and control provided the Group with diversity across both product and customers, reducing volatility in Group sales and earnings as well as increasing the size of our total accessible market.
- Our vertically integrated business model enabled us to respond more quickly to changes in market conditions, supporting the gross margin expansion achieved across all three businesses.
- Our omnichannel offering allowed customers to choose how, where and when they shopped. Online sales as a percentage of total Group sales grew to 29.4%, which reduced the sales impact from a reduction in foot traffic, particularly within shopping centres.
- Having clearly defined, loyal and engaged customers allowed each business to focus on marketing to their specific customer base. Conversion improved over the year, both in-store and online, which helped mitigate the impact of lower traffic levels.

Group results

Group sales fell 4.3% to $594.4 million, with the higher cost of living pressures leading to a reprioritisation of household expenditure.

Gross profit was down 1.2% with all brands recording an improvement in gross margin. Disciplined purchasing and pricing strategies supporting less clearance activity helped to reduce the impact of the sales decline.

Costs of doing business ("CODB") were well controlled, with cost management initiatives offsetting inflationary pressures from higher wage rates and on-costs, rents, utilities and freight. In addition, taking operational control of the Adairs NDC in September 2023 delivered warehousing cost savings of $4.0 million in FY24 and we believe there is more to come in this area.

Underlying[1] Group EBIT fell 9.8% to $57.6 million with Adairs contributing $31.7 million (down 9.4%), Focus on Furniture $19.5 million (down 28.8%) and Mocka $6.5 million (up 322.9%).

The impact of non-underlying items and increased interest cost arising from higher interest rates (despite reduced debt levels) resulted in statutory NPAT of $31.1 million (down 17.8%).

1. Refer to the Directors Report and FY24 Investor Presentation for a reconciliation of statutory and underlying results.

Adairs

Adairs delivered sales of $413.4 million, down 4.1%, driven by lower customer traffic and a disappointing Fashion Bedlinen result. This was partially offset by a strong performance in other categories, including Kids and Furniture. Looking ahead, the learnings from both these challenges and successes, combined with ongoing investment in range expansion and core stock availability, provides growth opportunities for the future.

Online sales accounted for 27.7% of total sales (FY23: 27.1%), declining less than physical stores with the introduction of 'click and collect' in Australia and improving service levels from the NDC.

A key focus for the year was conversion, and it was pleasing to see this improve both in-store and online. Adairs in-store service model remains a differentiator, and conversion is an important measure of the return on our investment in service, whilst the ongoing investments we have been making to improve the customer experience online have also delivered positive results.

Gross margin improved by 130bps in FY24 due to good inventory disciplines, carefully managed promotional activity and lower import costs. Understanding there were fewer customers shopping, we redirected our marketing and promotional efforts to the customers we know and those already in store. This meant less clearance stock and more targeted promotional activity driving a better gross margin outcome.

Despite cost escalations to store wage rates and on-costs, rents, utilities and domestic freight, total CODB declined due to cost-base reduction initiatives alongside lower sales volumes. However, the reduction in costs was insufficient to cover the sales decline leading to a 9.4% decrease in Underlying EBIT to $31.7 million.

The success of the Linen Lover loyalty program continues to underpin customer engagement with the Adairs brand and is a key strategic lever for future growth. One million members now benefit from the paid program, resulting in significantly higher transaction frequency and annual spend compared to our regular customers. We continue to engage with our Linen Lover members through a variety of channels and are constantly evolving our offering to improve their overall shopping experience.

Adairs continues to proactively seek out opportunities to build our store pipeline with a focus on larger store formats that offer better product-ranging opportunities and superior store economics. In FY24, Adairs opened seven new stores, upsized or refurbished six stores, and closed seven smaller stores. These collectively delivered a +3.9% increase in gross lettable area ("GLA").

Adairs NDC

The decision to assume operational control of the NDC in September 2023 has been justified with significant improvements in customer service levels and a materially lower cost to operate the NDC. Cost savings in FY24 amounted to $4.0 million (net of depreciation), resulting in a 100bps reduction in warehousing costs as a percentage of sales.

The gains realised in FY24, both financial and operational, have come largely from a change in the management team operating the NDC. The Adairs team have been using the legacy DHL warehouse management system and inherited warehouse operating processes while it investigated and planned for a new purpose-built warehouse management system ("WMS").

I am pleased to update that in late July 2024, we transitioned to our new WMS. This now paves the way for further material productivity improvements through more efficient processes across the NDC. Importantly it allows us to continuously improve our processes, including a potential re-design of elements of the facility, to pursue further efficiencies in the coming years and to accommodate ongoing product category changes.

We are still in the early stages of realising the full benefits of our decision to assume operational control with benefits to come in from improved inventory availability, customer satisfaction, CODB reduction, team morale and management focus. This has been a challenging and costly journey for the business, but we are confident we are on the right track, and I extend my appreciation to our team and customers for their patience and persistence.

Focus on Furniture

Focus on Furniture ("Focus") delivered sales of $129.6 million, down 8.7%. Whilst inbound stock delays impacted customer deliveries in the final months of the year, Focus's quality mid-market product range continues to resonate with customers and is well placed to retain share as consumer spend is tightened. Gross margin lifted 70bps during FY24, however a 3.8% increase in cost of doing business combined with the weaker sales outcome resulted in Underlying EBIT of $19.5 million, down 28.8%.

During the year, Focus opened two new stores at Helensvale (QLD) and Prospect (NSW) which are trading well and provide us with further confidence in our national store roll out opportunity. New store openings remain a priority and a pipeline of opportunities is building despite the tight market for homemaker space. Focus is expecting to open up to three new stores in FY25, with the target portfolio of 50+ stores nationally remaining.

In addition, the store refurbishment program saw existing stores at Springvale (VIC) and Essendon (VIC) refurbished to our new refreshed layout. The new layout sees an investment in-store design and in-store lighting, elevating the way the product is presented and supports an improved customer experience. This process requires the stores to close for four to six weeks, however the relative uplift in sales performance upon re-opening validates the investment and enduring repositioning in the market. The program will continue in FY25 with up to three existing stores planned for refurbishment.

As we grow the Focus store network, we need to build out our state-based logistics capacity. To support Focus' growth in Queensland, Mocka's Brisbane warehouse has been reconfigured at no incremental cost to the Group. This allows Focus to increase the number of direct supplier container deliveries into Queensland, reducing cost and providing a better customer service to this region.

Mocka

Mocka achieved sales of $51.4 million, up 5.7%. Clearing excess and underperforming inventory during FY23 enabled Mocka to trade on a better stock position throughout FY24. The combination of reduced clearance inventory, success of new ranges and strong promotional discipline delivered increased average order values and a significant improvement in gross margin to 58.4% (FY23: 50.5%).

Across the year we worked with our suppliers and amended our pricing structure to reduce the net cost of customer delivery. This reduction, together with the material reduction in average stock holding which reduced our warehousing costs, drove an improved all-inclusive delivered margin for FY24. Further initiatives across the business to manage the cost base helped deliver a turnaround in Underlying EBIT to $6.5 million (FY23: $1.5 million) with an improvement in Underlying EBIT margin to 12.6%.

The Australian website and backend supporting systems were successfully re-platformed in late FY24. This saw us upgrade the majority of our technology platforms to support a range of medium-term initiatives as well as enabling future growth options. We are pleased that we have seen improved website performance and functionality, including a better showcasing of product, superior customer experience, faster check-out, and enhanced reporting since going live. We expect to complete the NZ upgrade in 1H FY25.

Excitingly, by re-establishing Mocka's foundations across the last two years, we are now in a position to drive growth in both our existing channels and explore new opportunities such as wholesale and physical stores.

Cashflow and balance sheet

Group capital expenditure of $27.4 million in FY24 included $12.5 million to acquire the Adairs NDC assets as well as store network expansion projects and ongoing investments in IT and digital initiatives across the Group.

Group net debt reduced by $10.0 million to $64.1 million. This equates to c.0.9x Underlying EBITDA and provides substantial covenant headroom. The Group has total finance facilities of $135.0 million secured until January 2026 ($90.0 million) and January 2027 ($45.0 million).

Sustainability

Our FY24 Sustainability Report is included in this Annual Report and highlights the continued progress the Group is making in this important area. Two areas I would like to highlight are our efforts related to climate change and a new agreement with the Red Cross to support our landfill reduction and corporate social responsibility efforts.

The Group is well placed to meet its obligations under the mandatory climate disclosure requirements which will apply to us from July 2025. We measure our greenhouse gas emissions on a calendar year basis and in 2023 achieved a 6.3% reduction in our Scope 1 and 2 greenhouse emissions over 2022 and now sit 14.3% below our base year (2021) levels. Importantly, we have set ourselves the target of being net zero on our Scope 1 and 2 emissions by 2030, which aligns with the Australian Retailers Association's Net-zero Roadmap. This will require us to use renewable electricity across the Group, which will be sourced either directly from electricity retailers (green energy) and/or through direct Power Purchase Agreements with solar operators. Depending upon market pricing, it may also involve the purchase of carbon credits.

In November 2023, Adairs entered a partnership with Red Cross Australia, whereby certain products (slightly damaged, discontinued lines, samples) are collected in stores and distribution centres and then donated to the Red Cross for sale through their network of over 160 Red Cross Shops across Australia. The funds raised by Red Cross through their Shops are used to provide support for people overcoming hardship, crisis and disaster. In FY24, Adairs donated over 4,000 kilograms of product under our Red Cross partnership. This not only helped support the important humanitarian work undertaken by the Red Cross but also helped the environment by reducing emissions by over 142 metric tonnes of CO_2 equivalents from the production of new textiles and the decomposition of waste in landfill.

Outlook

At a macroeconomic level, FY25 looks likely to be another challenging year as high interest rates and cost of living pressures continue to weigh on discretionary spending and a weaker Australian dollar will raise the cost of goods we sell and the cost of importing them.

However, we are optimistic around what we can achieve in FY25 as we know we can successfully manage our business in this type of environment. As always, it begins with knowing our customers and inspiring them with outstanding products and service across each of our businesses. We have significant opportunity to improve performance in areas we can control and the progress we have made in major projects like taking control of the NDC and re-platforming of Mocka systems enable us to focus more on new growth initiatives to drive future profitability.

The work undertaken across FY24 has seen all businesses look to manage costs tightly across the year which will annualise and support CODB management in FY25. Managing CODB, together with disciplined inventory management and initiatives supporting operating efficiencies, will ensure that we continue to receive solid returns from our existing operations.

Gratitude

As I do each year, I want to acknowledge and thank our passionate and talented team in all three businesses. Across FY24, the team has worked diligently to implement new ways of doing things to drive efficiencies and support the underlying profitability of the Group. Whilst implementing these changes, the team's commitment to providing our customers with the very best retail experience has never wavered, and this has shone through in our customers' feedback throughout the year.

Finally, I would like to thank our many customers, both longstanding and new, for their support. We look forward to continuing to help each of you create a home you love with products that will both inspire and delight in the year ahead.

MARK RONAN
Managing Director & CEO

2024 SUSTAINABILITY REPORT

Creating shareholder value and corporate resilience through sustainability

"Being sustainable builds shareholder value by ensuring we take a long-term view of our opportunities and risks. It also reinforces our social licence to operate by demonstrating our strong sense of corporate social responsibility."

Mark Ronan
Group CEO & Managing Director

Welcome to our 2024 Sustainability Report.

By producing an annual Sustainability Report, we seek to be transparent and accountable to our stakeholders about the progress we have made in achieving our long-term sustainability goals and objectives.

Given the forthcoming introduction of mandatory climate reporting in 2025, this year's report provides greater focus on the risks and opportunities posed to the Group from a changing climate and how we seek to address these from a governance, strategy, risk management and performance perspective.

Our Scope 1 and 2 greenhouse gas emissions for the year ending 31 December 2023 (the most recent year reviewed) were 6.3% lower in absolute terms than in 2022 and 14.3% lower than our base year (2021). This was an excellent outcome given the ongoing growth in floorspace over the same period and the fact that our 2021 base year emissions were tempered by COVID-related store closures. Importantly, we have set ourselves the target of being net zero on our Scope 1 and 2 emissions by 2030, and this year's report details our path to getting there.

As is the case with most retailers, the majority of our emissions are categorised as Scope 3, meaning they are outside of our direct control – sitting either upstream within our supply chain in the manufacture and transporting of our products or downstream with our customers in their use and ultimate disposal of our products. Addressing these emissions requires close collaboration with all stakeholders across our value chain to encourage and support their journey towards more sustainable processes and behaviours. Lowering our Scope 3 emissions will be the most difficult but also the most impactful action we can take in reducing our impact on the planet.

Following the elimination last year of almost all single-use plastic carry bags from our stores, our waste reduction initiatives in FY24 have centred around our move towards more sustainable packaging. Pleasingly, approximately 46.4% of Group waste was diverted from landfill (able to be recycled) in FY24, compared to 40.0% in FY23.

In terms of supporting our community, Adairs remains a proud partner of Orange Sky, delivering over $186,000 in donations in FY24. Since the formalisation of our strategic partnership four years ago, Adairs has facilitated donations of over $1 million to those experiencing homelessness in Australia and New Zealand, which is something we are all very proud of.

I would like to thank our customers, shareholders, team and business partners for your support and encouragement of Adairs in pursuing its sustainability goals, many of which require a significant investment and a long-term perspective. We look forward to continuing to share our sustainability journey with you.

MARK RONAN
Managing Director & CEO

1. Sustainability Goals

Companies worldwide have a clear role to play in addressing sustainability. While the impact each can make will vary by factors such as industry, geography, and scale, there is a need for all to work towards a common set of broad sustainability goals. The Sustainable Development Goals ('SDGs'), created by the United Nations in 2015, are designed to provide a framework for all organisations to work towards. They seek to improve health and education, reduce inequality, and spur economic growth – while tackling climate change and working to preserve the earth's natural assets.

As a specialist retailer of home furniture and home furnishings, Adairs' ability to address individual SDGs varies, and its focus is on those most relevant to its operations. The achievement of Adairs' sustainability goals is underpinned by a series of initiatives which are summarised in the table below and outlined in more detail in the balance of this report.

Relevant	People	Planet	Product
SUSTAINABLE DEVELOPMENT GOALS	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION; 15 LIFE ON LAND	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS
Initiatives to support Goals	› Initiatives relating to human rights, including modern slavery, and ethical sourcing › Initiatives to make sure that everyone in our supply chain is treated with dignity and respect › Initiatives to support the communities we operate in › Initiatives which ensure our team work in a safe and inclusive environment which allows each to be their best self regardless of their gender, age, ethnicity, faith, ability or sexual orientation.	› Initiatives designed to address climate change, waste and our impact on the environment	› Initiatives to ensure our products are sustainably sourced, manufactured and responsibly packaged › Initiatives which enable our products to be recycled and/or reused at their end-of-life whenever possible › Communication initiatives which make it easier for stakeholders to appreciate our sustainability efforts and outcomes

2. Sustainability Governance

The Board oversees sustainability (including climate) related risks and opportunities through the Group's formal risk management framework, as described in section 2 of the Company's FY24 Corporate Governance Statement.

Adairs' sustainability efforts are overseen on a day-to-day basis by the People, Product, and Planet Committee (PPP Committee), which includes representatives from all business divisions. The PPP Committee meets monthly, reports to the Chief Executive Officer, and coordinates the identification, development, execution, and review of sustainability initiatives across the Group to achieve its sustainability objectives.

Ideas and suggestions for improving our sustainability practices are invited from all team members via Advance at Adairs, the company's intranet, and communicated via internal communication channels, including the CEO's quarterly broadsheet and regular town hall meetings.

3. Reporting boundary and scope

This Sustainability Report provides an overview of Adairs' sustainability framework, goals and FY24 achievements. It relates to Adairs' wholly owned and operated assets, and the operational aspects of non-Adairs assets such as stores, warehouse facilities and distribution centres where Adairs maintained operational control during the reporting period.

4. People

4.1. Ethical sourcing

Adairs is committed to sourcing products in an ethical manner and seeks to partner with suppliers who share its commitment to operating legally, ethically and within global laws, regulations, codes and frameworks. The Group's Ethical Sourcing Policy and latest Modern Slavery Statement can be viewed on the Corporate Governance page of its investor relations website.

Supply chains can be complex, particularly where they cross country borders and involve multiple levels of suppliers and subcontractors across the production process. These complexities raise the risk of unethical practices and require robust processes and constant vigilance.

Country of origin[1]	Adairs	Focus	Mocka	Group
China (ex HK)	63%	87%	82%	71%
India	10%		7%	8%
Australia	7%			5%
Hong Kong	4%		7%	5%
Malaysia		12%	4%	2%
Vietnam	2%	1%		1%
Turkey	2%			1%
Bangladesh	6%			4%
Indonesia	1%			0%
Other various	5%			3%
Total	**100%**	**100%**	**100%**	**100%**
Suppliers[2]				
Number of suppliers	273	26	28	327
Concentration[1]				
Largest supplier	16%	24%	30%	–
Top 10	50%	92%	87%	–
Top 20	65%	99%	99%	–

c.95% of Adairs' products are sourced outside of Australia

Note 1: Percentage of total stock purchases by value for that brand (FY24).

Note 2: Suppliers across all tiers as at June 2024. One supplier may have more than one factory across different tiers. Total factory numbers across all tiers are c.500.

A key tool in managing the Group's ethical sourcing program is its Supplier Code of Conduct.

4.1.1. Supplier Code of Conduct

Adairs has a Supplier Code of Conduct, which outlines its strong governance requirements, and which all suppliers (and any subcontractors) are required to sign up to before commencing any work. In FY24, Adairs conducted a review of the Code of Conduct, to ensure it continues to address the greatest areas of risk.

The Supplier Code of Conduct covers:

- human rights (including child labour, harassment, discrimination, freedom of association, grievance procedures, wages and working hours);
- forced labour (including modern slavery);
- safe working conditions;
- restricted raw materials and practices (ensuring banned substances and banned processes are not used in or on any Adairs product), and animal welfare protections;
- environment (multiple initiatives to promote greater environmental responsibility);
- business licenses and registrations;
- transparency (across end-to-end production process);
- unauthorised sub-contracting; and
- anti-bribery and corruption.

Adairs communicates regularly with suppliers to discuss matters including ethical risk mitigation and to ensure suppliers understand and comply with its requirements.

4.1.2. Subcontractors

Given the practical limitations on Adairs having direct management of, or involvement in, the lower levels of its supply chain, the Company places the onus for managing subcontractors' compliance with its Code of Conduct on its upstream suppliers. These suppliers have a direct relationship with the relevant subcontractor and are expected to visit subcontractor factories frequently to monitor and ensure compliance with Adairs' Code of Conduct. Regardless of where a subcontractor sits in the Adairs supply chain, Adairs seeks to have all subcontractors identified and approved before any subcontracting work can commence.

Adairs complements this process with periodic visits to sub-contractors by independent agents of Adairs to confirm compliance. The use of undisclosed subcontractors is strictly prohibited under the Code of Conduct and measures are in place to investigate any suspected breaches of these requirements.

In FY24, the Adairs ethical sourcing team identified a small number of instances of suppliers utilising unapproved subcontractors. While this constituted a breach of the code, the team opted for a collaborative approach and worked with the suppliers to re-educate them on expectations and onboard the previously unapproved factories following a thorough due diligence process.

4.1.3. Onboarding

Adair's onboarding procedures begins with a rigorous due diligence process of all new suppliers. This is overseen by the Risk & Compliance team operating independently of the Product team. This multi-step process ensures new partners meet Adairs' high ethical standards and includes:

- **Third-Party Audits:** Social compliance audits conducted by pre-approved, independent auditors are undertaken and reviewed.
- **Detailed Self-Assessments:** Suppliers must complete comprehensive factory self-assessments, including verifiable evidence and photographs to support their claims.
- **On-Site Visits:** Whenever possible, an Adairs' Product team member will visit the supplier's facilities for firsthand insights.
- **Subcontractor Transparency:** Suppliers are required to disclose all subcontractors involved in production for review and approval by Adairs.

By implementing these thorough procedures, Adairs can be confident that new suppliers adhere to its high ethical sourcing standards before entering into any agreements.

4.1.4. Traceability

Supply chain traceability, where a company can track the provenance and journey of its products and their inputs from the very start of the supply chain through to end-use, is a key element in managing ethical sourcing and modern slavery risk.

Adairs' traceability program seeks to have transparency of all factories, facilities and inputs used in its supply chain. Currently this is the case for all Tier 1 (c.300) suppliers across the Group, being those suppliers it directly deals with. The Group continues its work to gain visibility of subcontractors and Tier 2-4 suppliers, and this improves on a day-to-day basis. To support this, Adairs has invested in additional resources within its Risk & Compliance team, whose role is to manage traceability as part of the greater social compliance program. Adairs is committed to tracing all stages of production across its supply chain and has built into its supplier contracts the requirement that all suppliers disclose this information to it in a comprehensive and timely manner.

4.1.5. Modern Slavery

Adairs has procedures in place to identify if modern slavery exists within its supply chain and broader business. Vigilance is required as risks remain, particularly where operations are several steps removed from Adairs' direct involvement.

Adairs recognises the importance of ensuring that its supply chain and broader business are free of modern slavery and uses four primary tools to identify where it may inadvertently cause, contribute to, or be linked to potential risks of modern slavery:

Tool	Explanation
Dedicated internal resources and the use of industry-leading external specialists	Adairs has a dedicated internal Ethical Sourcing team that works closely with leading ethical sourcing specialist organisations to provide Modern Slavery expertise and support across its entire business, including sourcing markets and supply chains.
Independent audits	Adairs requires all of its Tier 1 factories to supply a current Social Compliance Audit, completed by an independent and appropriately qualified party. These audits involve worker interviews in both group and individual settings by experienced specialists who have the knowledge and skill to identify any weaknesses or problem areas.
Factory visits	Adairs has a program of in-person factory visits across the supply chain. These are conducted by members of the Product, Management, and Risk and compliance teams.
Industry collaboration	Adairs regularly works with other retailers and industry bodies, such as the Australian Retailers Association, to ensure it is aware of modern slavery developments, legislation and the experiences of others.
Confidential reporting	Adairs provides confidential hotlines and reporting systems so workers can anonymously raise concerns.

The Group's Ethical Sourcing Policy and latest Modern Slavery Statement can be viewed on the Corporate Governance page of its investor relations website.

4.2. Corporate Social Responsibility

Adairs is committed to supporting the communities that support it. This support takes the form of formal partnerships as well as one-off initiatives directed at situations of need where it can make a meaningful difference to those to whom it is directed.

4.2.1. Supporting those experiencing homelessness

Adairs is proud to support Orange Sky, an outreach organisation providing free laundry and shower services to people experiencing homelessness across Australia and New Zealand, with a mission to positively connect communities. Their focus is on creating a safe, positive and supportive environment for people who are too often ignored or who feel disconnected from the community. Orange Sky believes that all people should have access to basic human needs such as clean clothes, safe hot showers, and most importantly, genuine non-judgemental conversation.

Orange Sky also assists people who are affected by temporary homelessness through natural disasters, such as cyclones, floods, bushfires, and earthquakes.

From humble beginnings in 2014 when they operated one van with two washers and dryers in a park in Brisbane, Orange Sky now service over 300 locations across Australia and New Zealand with a network of 30 vans and over 2,000 volunteers. Vans are based in metropolitan, regional and remote locations, where anyone who wants to use their service can do so freely, without judgment.

Adairs has supported Orange Sky in a number of ways since 2019, when it first became a Strategic Partner:

- All profits from the sale of Adairs in-house designed reusable totes (introduced to replace in-store plastic carry bags) go to Orange Sky
- Adairs collects donations made via in-store donation boxes

In FY24 Adairs, together with its customers and team, contributed over $186,000 to Orange Sky which, when added to prior year contributions, takes Adairs' total contribution to Orange Sky since 2019 to over $1 million. For context, this represents a social impact equivalent to:

37,421	**28,636**	**14,990**
loads	**hours**	**warm showers**
of laundry for friends experiencing homelessness and hardship	of non-judgemental conversation between friends and volunteers	in communities across Australia and Aotearoa

4.2.2. Supporting others in need

In November 2023, Adairs entered into a partnership with Red Cross Australia, whereby certain products (slightly damaged, discontinued lines, samples) are collected in stores and distribution centres and then donated to the Red Cross for sale through their network of over 160 Red Cross Shops across Australia. The funds raised by Red Cross through their Shops are used to provide support for people overcoming hardship, crisis and disaster.

In FY24, Adairs donated 4,098 kilograms of product under our Red Cross partnership. This not only helped support the important humanitarian work undertaken by the Red Cross in Australia and around the world, but it also helped the environment by keeping items out of landfills and reducing CO_2 emissions.

4.2.3. Supporting women's sport

Adairs is a proud major sponsoring partner of the Melbourne Boomers, an Australian professional women's basketball team participating in the Women's National Basketball League. For thousands of girls who aspire to play at the elite level in Melbourne, the Boomers' provide local access to a national competition and has produced more Australian Opals, World Champions and Olympians than any other club in Australia.

However, it is not just about elite sport. Adairs loves that the Boomers provide an opportunity for the community to see and interact with wonderful, strong, healthy role models.

4.3. Supporting our Team

People are Adairs' most valuable resource, and the Company is committed to providing a safe and healthy workplace where all team members are treated with dignity and respect. This includes valuing diversity and inclusivity and excluding discrimination and harassment. Adairs wants its team to be their best selves regardless of their gender, age, ethnicity, faith, ability, or sexual orientation. It also wants them to be engaged and supported in all aspects of their role, including their learning and development.

Since the pandemic, we have implemented a set of flexible work guidelines that give team members the flexibility to work in ways that enable their best performance. These guidelines include flexible choices in terms of when, where, and how they work, which in turn helps drive empowerment, autonomy, and trust.

4.3.1. Team health and safety

Adairs seeks to protect the health and safety of its team members, customers, contractors, and visitors in its workplace by ensuring that risks to health or safety are proactively identified and if possible, eliminated or otherwise minimised or controlled. Adairs considers that all team members have a legal and ethical responsibility to participate in the development, implementation and monitoring of strategies to prevent work-related injuries and illness. By working together, it seeks to ensure that:

- all physical and psychosocial risks are identified and controlled to prevent accidents and injury as far as practicable
- safety is integrated into all aspects of the workplace and all team members are active participants
- communication and consultation on matters related to safety are encouraged
- the Workplace Health & Safety Plan is updated, implemented and monitored
- all team members and contractors receive relevant training, information, and advice
- there are regularly scheduled audits, reports, and clear targets/objectives which improve the Group's safety and injury management performance
- all team members have access to early assistance and support in the event of any work-related injury, illness, or disability
- the Group is in compliance with all relevant legislation.

While the Group takes a proactive and forward-looking approach to occupational health and safety, it recognises that 'outcome measures' remain an important tool to track trends over time and seeks to achieve a year-on-year improvement in key metrics such as Lost Time Injury Frequency Rate (LTIFR[1]) and Total Recordable Injury Frequency Rate (TRIFR[2]).

In this respect, the last five years have seen significant progress, with a 54% reduction in LTIFR (currently at 15.8) and a 62% reduction in TRIFR (currently at 22.6). It is worth highlighting that these improvements were achieved during a period when Adairs took full operational control of its National Distribution Centre, expanding the workforce in a higher-risk environment. For consistent year-over-year comparisons, Adairs maintains the same reporting methodologies and definitions across all review years.

4.3.2. Team engagement and development

Adairs conducts an annual engagement survey of its team supplemented by smaller periodic 'pulse surveys'. In both FY24 and FY23 the participation rate for the engagement survey was over 70% of our workforce. These surveys are an opportunity for individual team members to provide confidential feedback and insights on the company's purpose, behaviours, values and culture; and their experience working at Adairs. The detailed results are discussed with the team collectively and in smaller groups with a view to identifying and implementing specific initiatives to raise engagement.

Adairs is committed to creating a highly engaged and performing workforce where team members feel connected to, and part of, our business. In response to the FY23 engagement survey feedback, focus was directed to key actions around leadership, communication, enablement and learning & development. Positively, the FY24 engagement survey showed a small increase in engagement across the company although there is still much to be done. Engagement will remain a key component of the people strategy for FY25, with a particular focus on supporting career development, recognising and rewarding outstanding contributions and fostering an inclusive workplace.

All team members are encouraged to undertake a range of learning and development offerings to build on their existing skills and experiences. Working with a range of leading external learning providers, thousands of hours of on-the-job training was delivered through both face-to-face and online venues. These covered a broad range of topics, including leadership and management training, self-awareness, communication and presentation skills, coaching and how to provide effective feedback to others.

4.3.3. Diversity

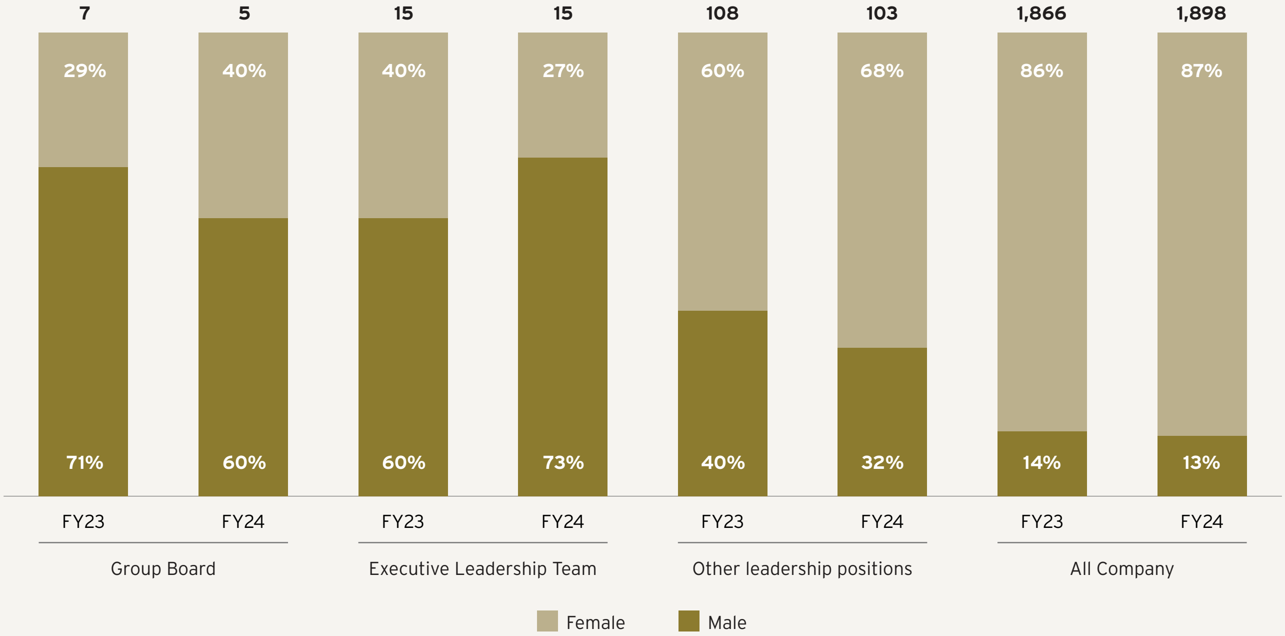
The Board has adopted a Diversity Policy that aims to, among other things, address the representation of women in senior management positions and on the Board and actively facilitate a more diverse and representative management and leadership structure.

Adairs actively promotes diversity through its hiring and promotion practices, measures gender diversity in the composition of its senior executives and workforce generally, and reports these annually to the Australian Government's Workplace Gender Equality Agency.

1. LTIFR is calculated by the number of Lost Time Injuries divided by the number of hours worked, multiplied by one million. A Lost Time Injury is defined by Adairs as a work-related injury or illness resulting in a team member missing their next rostered shift, regardless of whether a Workcover claim is accepted or not.
2. TRIFR is calculated by the number of Total Recordable Injuries divided by the total number of hours worked, multiplied by 1 million. A Total Recordable Injury is defined by Adairs as a lost time injury, an injury resulting in restricted duties or substitute work and any injury that requires medical treatment by a medical professional.

Adairs is a signatory to the 40:40 Vision initiative, an investor-led initiative to achieve gender balance – defined as 40% women, 40% men and 20% any gender – in executive leadership across Australia's largest listed companies by 2030.

As at 31 March 2024, the gender diversity of team members across the group workforce was as follows:



Note: The Executive Leadership Team comprises the 15 employees listed on the 'Management' page of the Adairs Investor Relations website (investors.adairs.com.au). Other leadership positions are defined as all employees classified as "Other Managers" or above, as those terms are defined under the Australian Government's Workplace Gender Equality Act. This includes roles such as store and warehouse managers.

The Company increased its proportional representation of women on the Board of Directors to 40% following the resignation of two male directors. The proportion of women in the group's Executive Leadership team declined from 40% to 27%, primarily as a result of a re-defining of that group rather than an underlying change in roles by gender.

The Board has set the following gender diversity targets:

Group	Gender diversity target	FY24 outcome
Board of directors	Not less than 40% of each gender	The composition of the Board changed in FY24, which saw the representation of women rise from 29% to 40%
Executive Leadership Team[1]	Not less than 40% of each gender by 2030 with an interim target of 35% by 2027	A redefining of the ELT in FY24 (rather than an underlying change in roles) meant the reported representation of women fell from 40% to 27%
Entire workforce	A majority of women across the Group workforce, reflective of its customer profile	Currently 86% women

Note 1. The Executive Leadership Team (ELT) comprises the 15 employees listed on the 'Management' page of the Adairs Investor Relations website (investors.adairs.com.au).

4.4. Strategic commitments (People)

Below is a summary of the Group's commitments relating to the welfare of people across its value chain, operations, and the communities it serves.

Initiative	Our commitment	Where we are today/FY24 outcome
Ethical Sourcing (refer 4.1)	Adairs is committed to undertaking ethical audits and Code of Conduct assessments of › all direct suppliers (Tier 1 factories); and › downstream sub-contractors (Tier 2-4 factories) who do not face the Group directly however are part of its supply chain as they provide components, parts or raw materials to our direct suppliers across each of Adairs, Mocka and Focus on Furniture	Tier 1 factories are fully traced for Adairs, Mocka and Focus on Furniture In FY24 Tier 2-4 sub-contractor factory tracing continued to be undertaken across all three brands. This is a multi-year project
Modern Slavery (refer 4.1.5)	The Group is committed to ensuring no modern slavery exists within its supply chain and meeting all obligations under the Modern Slavery Act	The Group's Modern Slavery Statement has been published annually since FY20 and can be viewed on its investor relations website In FY24, there was no evidence of modern slavery in the Group's supply chain
Corporate social responsibility (refer 4.2)	The Group is committed to: 1. Supporting those experiencing homelessness or other forms of acute home-related emergencies from events such as natural disasters 2. Supporting and promoting strong and healthy women role models in sport	1. Adairs is a Strategic Partner of Orange Sky with donations of >$186k in FY24 and >$1 million since the partnership began in FY20 2. Adairs donated 4,098 kg of its products to Red Cross Shops in FY24 to help it fund its support for people overcoming hardship, crisis and disaster 3. Adairs is a Principal Sponsor of the Melbourne Boomers, who play in the Women's National Basketball League and are the longest-running elite-level women's sports team in Australia
Gender diversity (refer 4.3.3)	The Group is committed to both its Board and executive leadership team having not less than 40% of each gender	Women currently comprise 40% of the Group Board and 27% of its executive leadership team
Team health and safety (refer 4.3.1)	The Group is committed to year-on-year improvement in both Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate across the Group	LTIFR: 21.8 in FY23, down 38% in the last three years TRIFR: 27.3 in FY23, down 54% in the last three years

5. Planet

Adairs recognises the importance of minimising the impact that its operations have on the planet through reducing its emissions, waste, and energy consumption.

5.1. Climate change

Climate change presents both risks and opportunities for the group, which need to be proactively managed to ensure business resilience and alignment with regulatory and consumer expectations in a shifting environmental landscape.

5.1.1. Climate change – Governance

The Board has oversight of sustainability (including climate) related risks and opportunities through the Group's formal risk management framework as described in section 2 of the Company's FY24 Corporate Governance Statement. On a day-to-day basis Adairs sustainability efforts are overseen by the People, Product and Planet Committee (PPP Committee) with representation from all business divisions. The PPP Committee meets monthly, reports to the Chief Executive Officer, and coordinates the identification, development, execution and review of sustainability initiatives across the Group to achieve its sustainability objectives.

Ideas and suggestions for improving our sustainability practices are invited from all team members via Advance at Adairs, the company's intranet, and communicated via internal communication channels include the CEO's quarterly broadsheet and regular townhall meetings.

5.1.2. Climate change – Risks

In terms of risks, climate change has clear implications for supply chain management, risk assessment, adaptation planning, and stakeholder engagement.

Climate change risks of greatest relevance to the group can be divided into transition risks (associated with developments that may occur in the process of adjusting towards a lower-carbon economy) and physical risks (the risks associated with rising aggregate global temperatures). Below are the risks identified by Adairs as capable of having a material financial impact on the Group, and a qualitative assessment of each in terms of financial impact, having regard to both the likelihood of occurrence and the impact consequence of each event if there were to be no mitigants or countermeasures undertaken by the company. The analysis considers how the financial impact potentially changes over time, assuming a continued worsening of climatic conditions.

	Climate change risk	Timescale and financial consequence of no mitigation	
Transition risks	**Costs of Goods:** Climate-related impacts on agriculture, such as droughts or heatwaves, can lead to crop failures or reduced yields, resulting in higher prices for materials like cotton or timber used in the manufacture of many of our products.	1-5 years 5-15 years 15-50 years	Moderate High High
	Energy Costs: Adairs' efforts to reduce emissions may require the purchase of more expensive 'green electricity', or carbon credits (to offset emissions) leading to higher energy bills. Rising temperatures can increase the demand for air conditioning in stores and distribution centres, and disruptions in energy supply due to extreme weather events can impact operating costs.	1-5 years 5-15 years 15-50 years	Moderate Moderate Moderate
	Consumer Demand Shifts: Changing weather patterns and increased awareness of climate change can influence consumer preferences, leading to shifts in demand for certain products. Most Adairs products meet independently verified sustainable standards to help customers make informed purchase decisions.	1-5 years 5-15 years 15-50 years	Low Low Low
	Regulatory Compliance: Government regulations aimed at reducing greenhouse gas emissions, improving energy efficiency, or promoting sustainable practices will require investments in compliance measures including talent, systems, and external specialists.	1-5 years 5-15 years 15-50 years	Low Moderate Moderate
	Brand Reputation: Adairs may face reputational risks associated with perceived inaction or insufficient response to climate change. Consumers, investors and employees increasingly expect companies to demonstrate environmental responsibility and transparency in their operations, targets and results.	1-5 years 5-15 years 15-50 years	Moderate High High
Physical risks	**Supply Chain Disruptions:** Climate-related events such as extreme weather, floods, or wildfires can disrupt the production and transportation of goods, leading to delays in receiving inventory from suppliers and/or the need to engage with alternate suppliers.	1-5 years 5-15 years 15-50 years	Moderate High High
	Disruption of Seasonal Patterns: Climate variability and extreme weather events can disrupt traditional seasonal patterns, affecting sales forecasts, inventory management, and promotional strategies for seasonal products like winter bedding or outdoor furniture.	1-5 years 5-15 years 15-50 years	Moderate Moderate Moderate

5.1.3. Climate change – Opportunities

Adairs is already well advanced in a number of areas regarding sustainable products and packing (see sections 6.1 and 6.3), which enhance brand loyalty as customers increasingly prefer to shop with retailers that demonstrate environmental responsibility. Work is also underway to investigate cost savings with energy-efficient practices, and strengthening our supply chain resilience.

Opportunity	Where Adairs is today
Climate-Resilient Products Developing products that are designed to withstand climate-related risks and can cater to consumer needs in regions prone to extreme weather events.	The majority of Adairs products are designed and manufactured in accordance with independently verified sustainable standards (see section 6.1) Adairs continues to explore the use of alternate fibres to cotton, such as flax, hemp, TENCEL, and bamboo. These fibres are recognised as being more environmentally friendly, having a lower impact on the environment, and are more climate resilient. Recycled fibres, primarily polyester made from post-consumer waste, are also being investigated.
Energy Efficiency Implementing energy-efficient practices in stores, warehouses, and distribution centres to reduce emissions and operating costs and to enhance the brand reputation as a sustainable retailer.	95% of stores use LED lighting. The balance are being upgraded as part of planned refurbishment programs. An internal review of heating, ventilation and air conditioning (HVAC) practices has been undertaken to identify opportunities to be more efficient and reduce operating costs. Adairs is currently investigating installing solar in its larger stores (subject to landlord approval).
Supply Chain Reviewing the group's supply chain to incorporate more sustainable practices. This could involve selecting suppliers with strong environmental credentials, reducing packaging, and optimising transportation routes to lower carbon emissions	Approximately 95% of group products are contract-manufactured offshore (see section 4.1). The group is working hard to diversify its supplier concentration risk by country, which has significant potential benefits, including the opportunity to direct business to suppliers with stronger sustainability credentials, as well as those closer to end markets (less transport). Balanced against these are important quality and all-in cost considerations.
Marketing and education Campaigns to educate consumers and team about the sustainability of our products and the benefits of purchasing eco-friendly products can enhance brand reputation, inform consumer choices and help drive brand loyalty.	Educating stakeholders on our existing sustainability credentials is a significant opportunity for Adairs. Aside from our annual Sustainability Report, there is more to be done in communicating our sustainability values and credentials to customers and our team.
Emission Transparency Being transparent about our actual greenhouse gas emissions, having meaningful and achievable emission targets, and reporting annually against those targets make us accountable to our stakeholders. This builds credibility and stakeholder trust, which in turn helps build brand loyalty and enhances our ability to attract/retain talent.	Adairs has measured and reported its Scope 1 and 2 emissions since 2021 (its base year) and has set itself a target of being net zero on these emissions by 2030. While planning is underway to determine the categories to be reported upon in measuring our Scope 3 emissions, this is a major exercise requiring a material investment in systems and people, as well as the appropriate engagement from entities across our value chain. Many of our suppliers are in regions which are less developed in tracking their GHG emissions. It is currently expected that, in accordance with current regulatory reporting requirements, the measurement and reporting of Scope 3 emissions will occur from FY27.

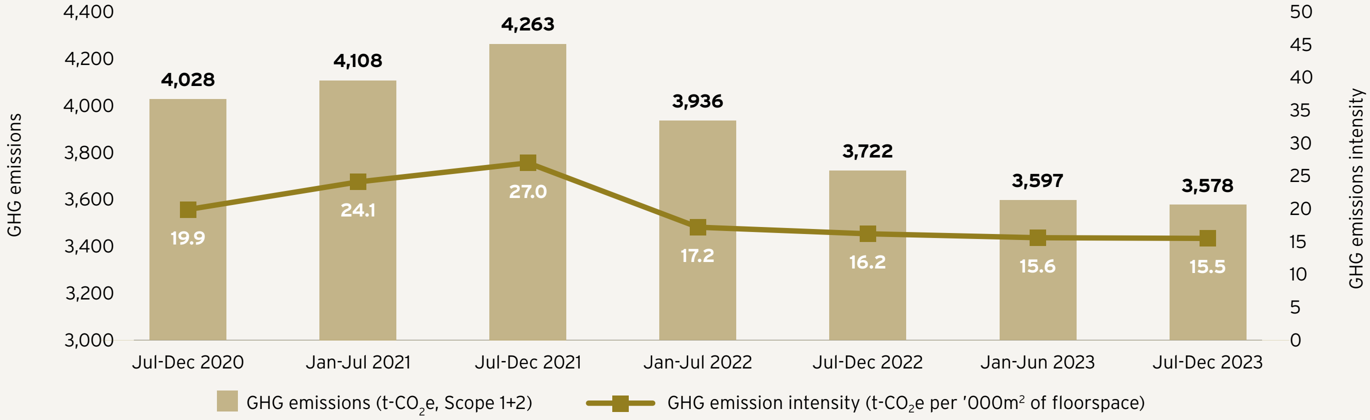
5.1.4. Greenhouse gas (GHG) emissions

Adairs is committed to taking responsibility for its GHG emissions and in FY24 undertook a number of related initiatives, including:

- quantified its Scope 1+2 emissions for the year to 31 December 2023
- participated in a series of roundtables organised by the Australian Retailers Association (ARA) for retailers to share and develop strategies for reducing their carbon footprint with a focus on developing a climate action plan and tackling Scope 3 indirect emissions.

The below chart sets out the Group's GHG emissions (Scope 1 and 2) by half since July 2020 (when measurements began). While there is typically some seasonality across halves the favourable trend in recent years is clear.

Group greenhouse gas emissions[1] (tonnes CO_2e, Scope 1+2)



Notes:

1. Emissions are measured in metric tonnes of carbon dioxide (CO_2) equivalents.
2. Emission intensity refers to emissions per thousand square metres of floor space across retail stores, warehouses and corporate offices (after adjusting for COVID-related store closures).

Scope 1 and 2 greenhouse gas emissions for the year ending 31 December 2023 (the most recent year reviewed) were 14.3% lower in absolute terms than our base year (ending 31 December 2021). This was an excellent outcome given the growth in floorspace within our Adairs store network (from new and upsized stores) over the same period and the fact that our 2021 base year emissions were tempered by COVID-related store closures. Reductions to date reflect grid decarbonisation and individual store-based initiatives driven by raised awareness of the importance of energy conservation amongst store team members.

Approximately 99% of the above emissions are Scope 2, being indirect emissions related to purchased grid electricity. While these figures have been prepared having regard to actual usage data (where available), no assurance has been conducted in relation to these amounts.

5.1.5. Reduction targets

The Group has set itself a target to achieve net-zero Scope 1 and 2 emissions by 2030.

This target has been set having regard to our progress to date, our company values, stakeholder expectations, the current climate landscape, advances in technology and evolving regulatory frameworks.

The reduction in Scope 2 emissions will come from:

- a move towards renewable energy across our business operations, including through the purchase of green electricity and the potential installation of solar generation on certain sites under Power Purchase Agreements (subject to landlord agreement and business case assessment)
- training of store and warehouse teams on HVAC best practices - leveraging work already done to understand how air-conditioning, heating, lighting and doors are used and operated within each store, warehouse and support office

- the continued transition to energy-efficient appliances, particularly in the areas of lighting, heating and cooling; and
- overall decarbonisation of the power grid.

As a secondary measure, the Group may also purchase suitable carbon credits to offset any residual Scope 1 and 2 emissions.

5.1.6. Scope 3 emissions

The Group has not yet identified and quantified its Scope 3 emissions although preparation work has commenced for their measurement from July 2026 in line with proposed mandatory reporting requirements.

These relate to indirect emissions within the Group's value chain, both upstream with suppliers (in their production and transport of group products) and downstream with customers (in their use and ultimate disposal of its products). As is the case for most retailers, a majority of Adairs' carbon emissions sit within Scope 3. The identification and quantification of these emissions is particularly challenging given it relies on the cooperation of a large number of parties and the availability and reliability of the data provided varies widely. Lowering our Scope 3 emissions is however the most impactful action we can take in reducing our impact on the planet.

Going forward, the Group will work with its largest suppliers (many of whom have partnered with it over many years) to better understand, encourage, and support them in adopting more sustainable business practices. As a vertically integrated retailer, Adairs has an important role in the selection of suppliers, product materials, and, for its Tier 1 factories, a clear understanding of the production process. Quantifying Scope 3 emissions and working with suppliers and customers to reduce these is a challenging multi-year undertaking that Adairs is committed to.

5.1.7. Methodology

Adairs greenhouse gas accounting process has followed 'Method 1' within the National Greenhouse and Energy Reporting (2023)[1]. This method applies the internationally recognised and approved emission factors for electricity, fuel, and gas to consumption data across all business assets.

In preparing the above calculations, it is noted that:

- Approximately 0.7% of the calculated Scope 2 emissions in 2023 are estimates for stores with data gaps. For any store having no electricity data available, the electricity consumption has been benchmarked based on stores with similar physical characteristics; and
- Given the variety of servicing arrangements at our stores and the relatively small size of the air-conditioning systems, we have not included refrigerant use in the air-conditioning systems of our stores as part of this inventory.[2]
- The GHG emissions factors used are per The Australian National Greenhouse Accounts Factors (August 2023).

5.2. Waste and recycling

The majority of Group waste is related to product packaging and, as described in Section 6.3, Adairs is committed to achieving Australia's 2025 National Packaging Targets, which includes a goal of 100% of packaging being reusable or recyclable.

In FY24, the Group generated 1,697 tonnes of waste across its stores, distribution centres and support offices. This represents an increase of 20.4% over FY23, which is purely a reflection of Adairs taking operational control of its National Distribution Centre for 10 months in FY24 (none in FY23) and thus responsibility for its waste. In contrast, Focus on Furniture and Mocka each significantly reduced their waste volumes over prior year levels.

Pleasingly, approximately 46.4% of Group waste was diverted from landfill (able to be recycled), compared to 40.0% in FY23. This favourable trend is expected to continue over the next few years as further sustainable packaging initiatives are implemented.

1. .National Greenhouse and Energy Reporting (2023) 'Methods and measurement criteria guideline'.
2. National Greenhouse and Energy Reporting (2023) 'Reporting hydrofluorocarbons and sulphur hexafluoride gases guideline'.

Waste from Group[1] stores, distribution centres and support offices (tonnes)

	FY24	FY23	Change
Waste to landfill	910.1	845.6	7.6%
Recycled waste	787.2	564.7	39.4%
Total waste (in tonnes)	1,697.3	1,410.3	20.4%
Recycle %	46.4%	40.0%	6.4%

Note 1: Waste data and analysis are not currently available for Mocka operations in New Zealand.

5.3. Elimination of single-use plastic carry bags

Single-use plastic carry bags have been eliminated from stores, and customers are now invited to purchase in-house designed re-usable bags from an exclusive range. All profits from the sale of these bags go to Adairs' major charity partner, Orange Sky. These reusable bags are made of 100% recycled polypropylene, which is highly recyclable and has a lower carbon footprint than other plastics in both production and disposal.

Plans are underway to move to a cotton canvas re-useable bag in FY25 and to also introduce paper bags with twisted paper handles for our 'Click and Collect'' customer orders.

5.4. Recycling of obsolete plastic carry bags

The decision to cease providing single-use plastic carry bags resulted in Adairs having almost 2 million surplus bags (30+ tonnes) remaining within its store network, distribution centres and bag supplier. Rather than send these to landfill Adairs entered into an agreement with a third-party sustainability specialist who brokered their recycling to ensure the plastic did not end up in landfill.

5.5. National Distribution Centre

Most of the Adairs-brand products are processed through its dedicated National Distribution Centre which was commissioned with several key environmental attributes:

- 100kw in solar panels on its roof;
- a system to capture rainwater for gardens and greywater use (toilets);
- LED and sensor-operated lighting throughout (lights will only power on for fixed periods of time based upon activity being detected); and
- a system to separate and compact cardboard waste from general waste.

6. Product

6.1. Product standards

First and foremost, Adairs' products are designed and made to last – high-quality materials are used to make sure each product lives a long and rewarding life.

Adairs strives to add sustainable attributes across its various product categories. Examples include:

Responsible Down Standard (RDS)	**100% of Adairs down-filled products, quilts, and cushion inserts are RDS certified.** This standard aims to make sure, to the highest possible extent, that down and feathers do not come from animals in a supply chain that have been subjected to any unnecessary harm. It takes a holistic approach to the animal welfare of the birds, from hatching to slaughter. Any removal of down and feathers from live birds is prohibited, as is force-feeding.
OEKO TEX STANDARD 100	**100% of Adairs bedlinen is certified under OEKO TEX Standard 100.** The STANDARD 100 label certifies that every component of the article to which the label is attached (being every thread, button and other accessory) has been independently tested for harmful substances and that the article is harmless to human health.
Forest Stewardship Council (FSC) certified timber and sustainable timber	**100% of all Mark Tuckey furniture sold by Adairs is made from FSC certified and/or sustainable timber.** FSC certification designates that wood has been harvested from forests that are responsibly managed, socially beneficial, environmentally conscious, and economically viable.

Adairs continues to explore the use of alternate fibres to cotton, such as flax, hemp, TENCEL™, and bamboo, which are recognised as being more environmentally friendly and have a lower impact on the environment. Recycled fibres, primarily polyester made from post-consumer waste, are already being used in our wadded quilt covers and coverlets.

6.2. Product safety

Adairs is committed to product safety and has processes in place to ensure its compliance with product safety requirements under Australian and New Zealand consumer laws.

A well-established product testing regime which addresses all applicable regulatory safety standards exists for all products. Product testing is conducted at recognised third-party National Association of Testing Authorities (NATA)-accredited facilities and certain products are re-tested at regular intervals.

6.3. Sustainable packaging

Adairs is a signatory to the Australian Packaging Covenant (APCO), an agreement between government and businesses to share the responsibility for managing the environmental impacts of packaging in Australia. As a signatory, Adairs reports on its progress against set targets annually and is scored based on its performance.

Adairs most recent report (2023) saw APCO give the company an Overall Performance rating of 'Advanced'. Copies of the most recent annual APCO reports are available on Adairs investor relations website.

As a signatory Adairs is committed to achieving the APCO 2025 National Packaging Targets:

- 100% of packaging to be reusable, recyclable or compostable
- 70% of any plastic packaging being recycled or composted
- 50% of packaging content to come from recycled sources
- The phasing out of single-use plastic packaging.

Adairs has completed a review of all its product packaging against the following Sustainable Packaging Principles (SPGs) which provide an industry framework to assist the design and manufacture of packaging to meet the sometimes-conflicting demands of the market, consumer protection and the environment:

- Design for recovery
- Optimise material efficiency
- Design to reduce product waste
- Eliminate hazardous materials
- Use of renewable materials
- Use recycled materials
- Design to minimise litter
- Design for transport efficiency
- Design for accessibility
- Provide consumer information on environmental sustainability

New Supplier Packaging Specifications have been provided to suppliers; however, the process of transitioning packaging arrangements across a large and geographically diverse supplier group is a complex and challenging process. Nevertheless, Adairs is well advanced in many of its product lines. For example, the majority of Adairs bedlinen packaging is now 'plastic free', instead using packaging made of the same fabric as the item enclosed. Elsewhere we are working with suppliers to progressively phase out polystyrene and plastics from their packing materials.

CORPORATE GOVERNANCE

Other than as noted below, Adairs has followed the recommendations of the ASX Corporate Governance Council's Principles and Recommendations (4th Edition) throughout the reporting period. Further details are set out in the Group's Appendix 4G and Corporate Governance Statement, authorised for issue by the Directors on 28 August 2024, which are available to be viewed on the Group's investor relations website at: www.investors.adairs.com.au

There were two departures from the ASX Corporate Governance Council's Principles and Recommendations (4th edition), which are both timing-related:

ASX Corporate Governance Council's Principles and Recommendations	Explanation by the company
Board diversity: The measurable objective for achieving gender diversity in the composition of a board is to have not less than 30% of directors being from each gender.	› The Adairs board comprised 29% women for the first seven weeks of FY24, rising to over 30% for the balance of the year. › As at the date of this report, the Board comprises 40% women.
Chair of Audit Committee: The board of a listed entity should have an audit committee which is chaired by an independent director, who is not the chair of the board.	› Adairs has an Audit & Risk Committee, ordinarily chaired by an independent director who is not the Board chair. › Following the unplanned resignation of the previous Board Chair on 22 March 2024, an Interim Chair was appointed, who is also Chair of the Audit & Risk Committee. It was always acknowledged that this was a temporary arrangement, and the Board is currently searching for a suitably qualified new non-executive director. › The separation of Chair roles will be reinstated as soon as the new independent director is appointed.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity, Adairs Limited (the "Company") and its subsidiaries (the "Group") for the 53 weeks ended 30 June 2024 ("FY24").

Directors

The following persons were directors of Adairs Limited during the period and up to the date of this report, unless otherwise stated.

Kate Spargo

Trent Peterson

Kiera Grant

David MacLean

Mark Ronan

Brett Chenoweth (resigned 22 March 2024)

Michael Cherubino (resigned 18 August 2023)

Information on the qualifications and experience of directors is included on pages 43 to 45 of this report.

Principal Activities

During the period, the principal continuing activity of the Group consisted of retailing homewares, furniture, and home furnishings in Australia and New Zealand through both retail stores and online channels.

Dividends

In respect of FY24, an interim dividend of 5.0 cents per share was paid to the holders of fully paid ordinary shares on 8 April 2024 and directors have declared a final dividend of 7.0 cents per share, to holders of fully paid ordinary shares on 12 September 2024 (Record Date) with payment on 8 October 2024 (Payment Date). Both dividends are 100% franked to the 30% corporate income tax rate. The total dividend for the full year of 12.0 cents per share represents a payout ratio of 67% of the reported net profit after tax, in line with the Company's dividend payout policy (65-80% of NPAT).

The dividend reinvestment plan (DRP) has operated throughout the current reporting period, with DRP shares sourced from an issue of new shares by the Company.

Operating and Financial Review

The following provides a summary for FY24:

- Total sales of $594.4 million, representing a decrease of 4.3%. Sales were materially impacted by a fall in customer traffic, both in stores and online, which reflected the weaker macro trading environment.
- Gross profit of $282.2 million declined by 1.2%, however gross profit margin % improved by 160bps. Gross margin improvement was achieved across all brands and reflects improved sourcing and pricing strategies, disciplined promotional activity and an easing of import container rates.
- Whilst strong cost management offset significant inflationary pressures from higher wage rates and on-costs, rents, utilities, freight and other general costs of doing business, this was not enough to offset the decline in sales. Underlying EBIT of $57.6 million was down 9.8%.
- Statutory basic earnings per share ("EPS") of 17.9 cents was a decrease of 18.5%.
- Net debt[1] of $64.1 million, was a reduction of -$10.0 million since 25 June 2023.

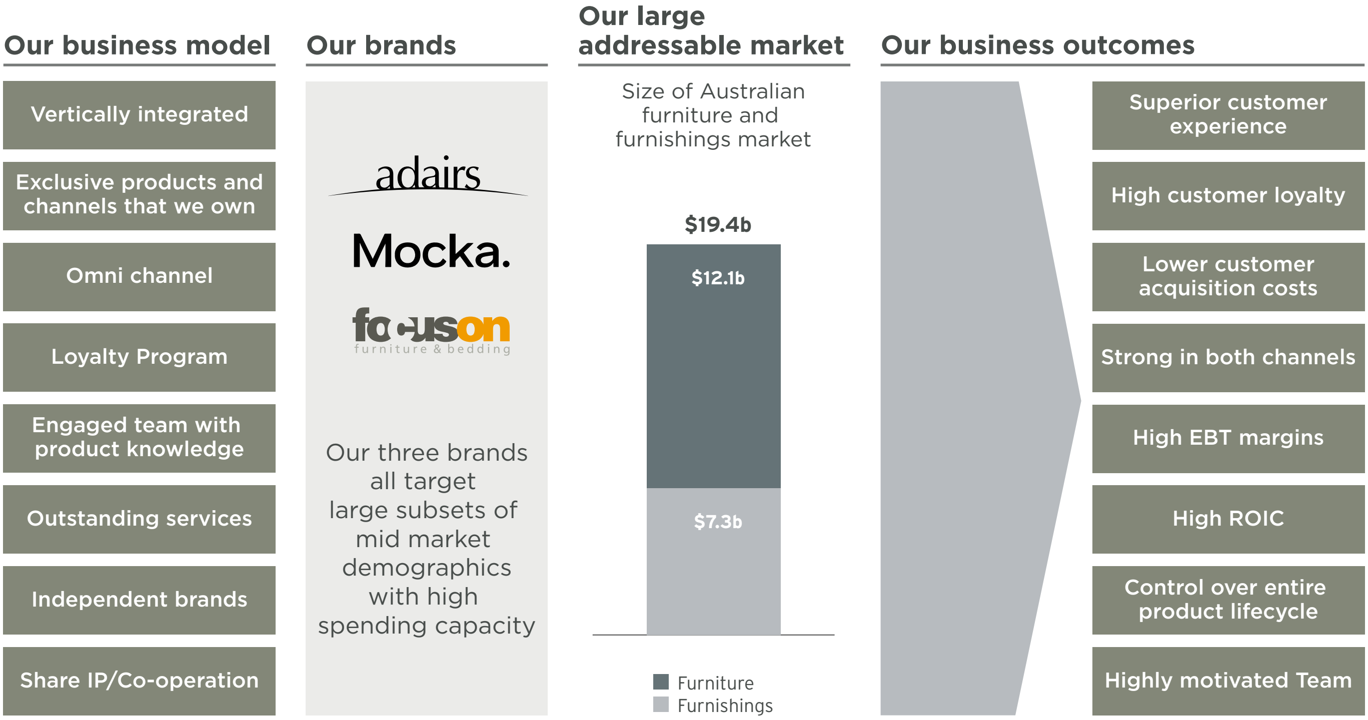
The following table provides a reconciliation from statutory profit before tax to underlying earnings before interest and tax.

Unaudited	53 weeks ended 30 Jun 2024 $'000	52 weeks ended 25 Jun 2023 $'000	Change	Adjusted change[2]
Sales	594,356	621,335	(4.3%)	(6.6%)
Gross profit	282,204	285,492	(1.2%)	(3.6%)
Gross profit margin %	47.5%	45.9%	+160bps	+150bps
Underlying EBIT (non-IFRS)	**57,628**	**63,892**	**(9.8%)**	**(14.8%)**
Significant items:				
Impact of AASB 16 *Leases*	7,499	3,972		
National Distribution Centre transition costs	(1,871)	(389)		
SaaS cloud computing project costs	(3,061)	–		
Statutory EBIT (IFRS)	**60,195**	**67,475**	**(10.8%)**	
Finance expenses	(16,237)	(13,677)		
Finance income	444	405		
Profit before income tax	**44,402**	**54,203**	**(18.1%)**	
Income tax expenses	(13,312)	(16,360)		
Profit after income tax	**31,090**	**37,843**	**(17.8%)**	

1. Net debt is Borrowings less Cash and cash equivalents.
2. Refers to the change for a comparable adjusted 52-week period in FY24.

Strategy Update

The Group will continue to pursue its vertically integrated omni-channel model which it believes will deliver significant growth in shareholder value over the long term.



Source of market size data: ABS (Turnover in Furniture, floor coverings, houseware and textile goods retailing) and management estimates

Set out below are the key drivers of this growth.

Our proven and resilient business model

- A portfolio of three strongly profitable businesses that are owned and controlled, all targeting the Australian home furnishings and furniture middle market. Vertical integration provides the Group with a lower cost of customer acquisition and retention than peers. Offering exclusive products through channels that we control also delivers higher margins.
- The Adairs brand has a large and loyal customer base, with around one million paid-up members of its proprietary loyalty program, Linen Lovers. Linen Lovers are highly engaged, visiting Adairs more often and spending more each visit than non-members (continuing to account for over 80% of Adairs sales).
- High exposure to the strong trend to online shopping with digital channel shoppers representing c.30% of Group sales. Adairs will continue to win additional market share as more customers transition from store-only to online/omni.
- A vertical supply chain which enables control of the range, quality, cost and timing of the product offering. It also makes each business more responsive to changing markets and provides for higher gross margins and levels of profitability.

Our profitable store formats

- Stores provide a valued and trusted engagement point with our customers in both Adairs and Focus on Furniture. Our experienced, customer-centric store team can create and inspire a customer's vision, deliver a personalised and tailored experience and increase sales conversion and loyalty.
- Every store in the Group is profitable, and the group actively manages its portfolio, allowing the company to take advantage of profitable new store and upsizing opportunities whilst optimising the portfolio where appropriate.
- Larger Adairs stores are more profitable and upsizing opportunities remain within the current Adairs portfolio. Upsizing stores allows Adairs to showcase more products/categories and typically delivers a c.60% increase in store contribution amount. To date Adairs have upsized over 35 Adairs stores and believe a further 10-15 upsize opportunities remain over the next few years.
- Focus provides exposure to the bulky furniture category with clear growth opportunities for the brand through a national store roll-out program (c.30+ new stores to the existing 25 store network), online growth and category/range expansion.
- Mocka is currently a pure online retailer with relatively low awareness in Australia. We intend to explore new channel opportunities such as wholesale and physical stores and expect to trial the first of these opportunities in the first half of FY25 which would be executed at low-cost with minimal investment.

Our digital transformation

- Being multi-channel delivers a larger total addressable market (TAM), significant synergies across channels, and provides customers with a superior and more flexible shopping experience than a single-channel retailer.
- Customers who engage with our brands across multiple channels shop with us more often and spend more each time they shop than those who only engage via one channel.
- We are focused on the development of our digital channel and accelerating our digital transformation through additional investment in customer acquisition, customer experience, technology and our team.
- There are valuable cross-learnings across all three businesses which benefit each other and the broader Group.

Material Business Risks

A number of risk factors, both specific to the Group and general, may impact its future operating and financial performance. The performance of the Group is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets, and government policies.

The specific material business risks that are likely to influence the financial prospects of the Group and their mitigants include:

Risk	Explanation	Mitigation
Major economic downturn	Macroeconomic headwinds include geopolitical unrest, inflation, high interest rates, rising unemployment, and declining consumer confidence. Group sales levels are sensitive to consumer and retail sentiment as many of its products are considered discretionary. The above macroeconomic changes continue to impact sales and profits adversely. If consumer and retail sentiment were to decline significantly from existing levels, this would likely materially reduce demand for the Group's products and adversely affect financial performance.	The Group proactively and conservatively manages its business based on its assessment of the likely future environment in which it operates. This includes planned responses to changing economic conditions, ensuring that its cost base is aligned with its expected sales levels, and retaining access to liquidity.

Risk	Explanation	Mitigation
Group business interruption	Unforeseen disruptions, including pandemics, geopolitical tensions, cyberattacks, and natural disasters, have the potential to significantly impact the Group. These disruptions can affect our supply chain, consumer behaviour, and day-to-day operations. Geopolitical tensions may lead to trade restrictions, rising costs, resource scarcity, and regional instability, impacting our ability to source materials and deliver products.	The Group has a dedicated Risk & Compliance team that is responsible for monitoring business continuity risk and developing continuity plans across all aspects of the Company's operations. Physical and system redundancies mitigate the duration and impact of business-impacting events. Scenario-based training on critical incidents is undertaken regularly to test the efficacy of these mitigations. Supplier concentration and third-party risks are also monitored and managed as required.
Availability of funding and liquidity	The availability of funding and management of capital and liquidity are important to funding the Group's business operations and growth objectives. Reduced access to liquidity increases the risk of insolvency in the event of a rapid and extended decline in sales.	The Group has a strong and long-standing relationship with its primary bank and broader banking syndicate. It has Group term debt facilities of $135 million available until January 2026 ($90 million) and January 2027 ($45 million). The Group undertakes detailed short and medium term cashflow forecasts, including stress testing to ensure there is sufficient headroom to accommodate unforeseen material shocks.
Major projects	The Group has a number of major projects underway which need to be delivered on time and within budget. Failure to manage and complete major projects could lead to material business disruption and costs.	Major projects are overseen by a steering committee to manage costs and resources appropriately. A dedicated Head of Project Delivery is responsible for working across the business to ensure regular project reviews are in place and provides regular status updates to key stakeholders. A project specific risk register is also in place to identify and mitigate risks.

Risk	Explanation	Mitigation
Customers buying habits or seasonal trading patterns may change	The majority of the Group's products are discretionary in nature, particularly products in the Group's fashion item lines, where consumer preferences and tastes can change quickly. Consumer demand for these products is sensitive to the Group's fashion and design selections and product range. A broad-based or series of significant misjudgments in interpreting product and fashion trends and overestimation of the quantum of demand for these products could adversely affect the Group's financial performance.	The Group has a highly experienced product development team that actively monitors and forecasts fashion trends domestically and internationally. The company undertakes range review processes prior to purchase and post-season reviews to capture key learnings. Further category expansion has diversified risk across more product groups. A robust QA program is in place to support a commitment to quality and compliance to mandatory standards.
Competition may increase or change	The competitive environment in which the Group operates is relatively stable. However, there are low barriers to entry, so there is a risk that the Group may lose market share to new or existing competitors. The Group's competitive position may deteriorate as a result of increased competition, and customers may choose to purchase products from its competitors rather than from the Group, which could lead to downward pressure on margins and subsequently have an adverse impact on the Group's financial performance. There is also the risk that the Group does not act on opportunities to increase market share if our competitor's circumstances change in the current environment.	All three brands monitor competitor activity on an ongoing basis. The primary defences against new competition are exclusive, on-trend products, a market-leading customer service culture, and a popular and effective customer loyalty program (Linen Lover).
Cyber security and IT infrastructure	A considerable proportion of the Group's business is conducted online and involves collecting customer data. This includes Adairs' Linen Lover loyalty program. The protection of customer and corporate data and our digital infrastructure is critical to our operations, and a breach could have significant reputational, financial, and regulatory implications for the Group. The Group also recognises the increasing potential for misuse of Artificial intelligence (AI) as its capabilities advance.	Protection of customer data, corporate applications and IT infrastructure is managed by a control framework and the continuing focus on system control improvements, supported by an established and embedded security strategy which includes the real-time services of external security specialists. Periodic cyber security audits are undertaken across all three businesses, this includes penetration testing and dark web monitoring. The Group cyber security framework encompasses not only traditional threats but also the evolving risks associated with Artificial Intelligence.

Risk	Explanation	Mitigation
Regulatory compliance	The Group is subject to applicable laws, regulations, and contractual arrangements and is exposed to adverse regulatory or legislative changes. Breaches or adverse changes could negatively impact the Group's reputation and profitability, result in the imposition of significant fines, or cause other adverse consequences.	The Group has a dedicated Head of Risk and Compliance appointed to monitor, record, and ensure compliance with all regulatory requirements. In-house compliance training and an internal audit function are supported by external legal advisors who understand the business and are readily available.
Environmental, social and governance (ESG) responsibility	The Group's stakeholders (including customers, shareholders and team) have expectations for the Group on a range of important environmental, social and governance matters including its governance structure, the impact of its activities on climate change, the transparency and practices of its supply chain, and the sustainability of its business operations. A failure to acknowledge and adequately address these expectations could negatively impact the Group's reputation and profitability.	The Group meets regularly with internal and external shareholders to review the efficacy of the company's current initiatives, whilst assessing the business justification for any new initiatives. Sustainability and broader ESG initiatives are coordinated by an internal working group that reports to the Chief Financial Officer and reported upon annually in the Corporate Governance Statement and Sustainability Report, which forms part of the Group's Annual Report.
Workplace health and safety	The Group recognises its moral and legal responsibilities to provide a safe and healthy work environment for its team and shopping environment for its customers. Any failure to adequately address these responsibilities could result in serious injury and/or death and negatively impact the Group's reputation and profitability including via the imposition of significant fines or other adverse consequences.	The Group has an ongoing program to embed a safety culture across the business through training and leadership. Quarterly health and safety reports are provided to the Audit & Risk Committee. The Health and Safety program is regularly audited across the business to ensure key areas of risk are adequately identified and mitigated. Regular training across all levels of the business is also in place to embed a positive safety culture. The Group also recognises the importance of integrating psychosocial risk management into the broader Health and Safety program.

Risk	Explanation	Mitigation
Management succession	The Group has a number of executive team members considered key to the success of the Group by its stakeholders. A failure to adequately plan for their succession may result in the appointment of inappropriate persons, high turnover of senior management, loss of market share, reputational damage and a decline in investor sentiment towards the company.	A regular risk assessment is conducted to identify critical roles and to ensure mitigants are implemented, such as knowledge transfer, talent development and retention strategies and continuity planning. Succession plans are in place for all key management personnel. A newly developed and comprehensive leadership development program has been implemented across all leadership roles of the business which seeks to develop the leadership capabilities of the next level of talent within the business.
Supply chain risk	Short-term disruptions in the supply chain can be caused by factors such as shipping delays, port closures and labour shortages. The Group currently sources over 90% of its products from outside Australia (primarily China, India and Bangladesh). Failure to adequately diversify the supply chain both geographically and/or by supplier volume raises risks associated with supplier concentration, geopolitical exposure, raw material supply, and climate risk. The current economic environment also presents the threat of an immediate unplanned loss of supply as a result of supplier insolvency.	The Group also maintains regular and transparent communication with suppliers, to minimise the risk of unforeseen circumstances impacting on the supplier's ability to fulfill orders.

Outlook

While the medium-term outlook for discretionary retailers is uncertain, management's focus is on the many parts of our three businesses within its control. This begins with offering customers inspiring and differentiated products at compelling value with an outstanding customer experience, both in-store and online.

Management will remain financially disciplined with costs set at a level appropriate for the prevailing sales environments and managed against inflationary pressures within the Group. Significant areas of the Group's cost base were reset during FY24 so that future sales growth should translate into superior earnings growth as operational leverage returns.

The Board remains confident that existing strategies are appropriate and that the Group is well placed to navigate the challenges of the current trading environment, underpinned by strong execution capabilities, its resilient omnichannel business model, loyal customer base and large addressable market.

Significant changes in the state of affairs

The directors believe that no significant changes occurred in the Group's state of affairs during the financial year other than those included in this Directors' Report.

Matters subsequent to the end of the financial year

On 28 August 2024, the Directors of Adairs Limited declared a final dividend on ordinary shares in respect of the 2024 financial year. The total amount of the dividend is $12.2 million which represents a fully franked final dividend of 7.0 cents per share. The dividend has not been provided for in the 30 June 2024 financial statements.

No other matters or circumstances have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

Environmental regulation

The Group's operations are not subject to any significant environmental obligations or regulations.
No environmental breaches have been notified to the Group during the 53 weeks ended 30 June 2024.

Directors and Directors' Interests

The Directors of Adairs Limited in office at the date of this report are listed below, together with details of their relevant interests in the securities of the Company at this date.

Kate Spargo
Independent Interim Chair, Non-Executive

Kate has broad commercial and organisational experience, as well as a focus on risk, audit and governance, supported by her legal background in both government law and private practice. Kate has been an independent company director for over 20 years, covering listed and unlisted companies in a variety of sectors, including infrastructure, construction and engineering, energy, financial services, building product manufacture and distribution, and health services. In addition to her listed roles Kate is a non-executive director of the CIMIC Group Ltd, Future Fuels Cooperative Research Centre and the Geelong Football Club.

Special Responsibilities

Chair of the Audit and Risk Committee

Member of the People and Remuneration Committee

Member of the Nomination Committee

Interest in Adairs Limited shares and options

80,000 ordinary shares

Other Current Listed Directorships

Non-executive director of Sonic Healthcare Ltd (since July 2010)

Non-executive director of Sigma Healthcare Ltd (since December 2015)

Non-executive director of Bapcor Ltd (since March 2023)

Former Listed Directorships in the last 3 years

Kate has been a non-executive director of CIMIC Group Ltd since September 2017 (delisted May 2022)

Trent Peterson
Independent Non-Executive Director

Trent has over 20 years of investment and private equity experience, focused primarily on businesses operating in the consumer, retail and media sectors. Trent is Managing Director of Catalyst Investment Managers and the founder and Managing Director of Catalyst Direct Capital Management. Trent was non-executive Chair of Adairs from 2010 until the IPO in 2015, being the period of Catalyst's majority ownership. Trent is also a non-executive director of a number of unlisted companies including Australian Doctor Group Pty Ltd and Australian Pure Health Pty Ltd (trading as Mr Vitamins).

Special Responsibilities

Chair of the People and Remuneration Committee

Member of the Audit and Risk Committee

Member of the Nomination Committee

Other Current Listed Directorships

Non-executive director of dusk Group Limited (since February 2015)

Non-executive director of Universal Store Holdings Limited (since September 2018)

Non-executive director of Shaver Shop Group Limited (since May 2016)

Interest in Adairs Limited shares and options

1,300,334 ordinary shares

Former Listed Directorships in the last 3 years

None

Kiera Grant
Independent Non-Executive Director

Kiera has extensive board and senior management experience, having spent 15 years working in investment banking. Kiera has extensive financial and strategic assessment knowledge combined with mergers and acquisitions, capital market and corporate governance experience.

In addition to being a Non-Executive Director of Adairs Limited, Kiera is a Non-Executive Director of Future Generation Global Investment Company Ltd, and holds a number of unlisted non-executive directorships including Samuel Smith and Sons Pty Ltd (incorporating Yalumba Wine Co and Negociants Fine Wine Distributors) and Perennial Partners. She is also a Trustee of the Art Gallery of New South Wales Trust.

Special Responsibilities

Member of the Audit and Risk Committee
Member of the People and Remuneration Committee
Member of the Nomination Committee

Other Current Listed Directorships

Non-Executive Director of Future Generation Global Investment Company Ltd (since March 2018)

Interest in Adairs Limited shares and options

170,427 ordinary shares

Former Listed Directorships in the last 3 years

None

David MacLean
Non-Executive Director

David was the Chief Executive Officer and Managing Director of Adairs for 14 years from 2002-2016, having previously held the role of General Manager from 1989-2002. David now runs his family investment office and holds minority interests in a number of private retail businesses.

Special Responsibilities

Member of the Nomination Committee
Member of the People and Remuneration Committee

Other Current Listed Directorships

Non-executive director of dusk Group Limited (since November 2015)

Non-executive director Universal Store Holdings Limited (since October 2019)

Interest in Adairs Limited shares and options

3,316,216 ordinary shares

Former Listed Directorships in the last 3 years

None

Mark Ronan
Managing Director and Chief Executive Officer

Mark was appointed Chief Executive Officer and Managing Director in November 2016, following roles at Adairs in Finance, Merchandise Planning, Store Operations and as Chief Operating Officer. Mark is a Chartered Accountant with prior experience in operating businesses, funds management and accounting.

Special Responsibilities

Managing Director and Chief Executive Officer
Member of the Nomination Committee

Other Current Listed Directorships

None

Interest in Adairs Limited shares and options

855,267 ordinary shares
540,000 options
745,677 performance rights

Former Listed Directorships in the last 3 years

None

Company Secretary

Jamie Adamson and Ashley Gardner are Joint Company Secretaries.

Meetings of Directors

The following table sets out the number of meetings of the Company's Board of Directors and each Board Committee held during the 2024 financial year and the number of meetings attended by the members of the Board or the relevant Committee.

			Meetings of Committees					
	Board		Audit & Risk		Nomination		People & Remuneration	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Brett Chenoweth	10	10	3	3	–	–	1	1
Kate Spargo	14	13	4	4	1	1	2	2
David MacLean	14	14	–	–	1	1	2	2
Trent Peterson	14	14	4	4	1	1	2	2
Kiera Grant	14	14	1	1	1	1	2	2
Michael Cherubino	3	2	–	–	–	–	–	–
Mark Ronan	14	13	–	–	1	1	–	–

Held: Number of meetings held while a Director was a member of the Board or Committee
Attended: Number of meetings attended

Non-Audit Services

The Group may decide to engage the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Group are important.

Details of the amount paid to the auditor Ernst & Young Australia for audit and non-audit services provided during the year are set out in Note 27 of the financial statements.

The directors are satisfied that the provision of non-audit services is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services provided did not compromise the external auditor independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure that they do not impact the integrity and objectivity of the auditor; and
- the nature of the services provided does not compromise the general principles relating to auditor independence as set out in APES110 – Code of Ethics for Professional Accountants.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 69.

Proceedings on behalf of the Company

There are currently no proceedings on behalf of the Group.

Indemnification and insurance of officers

The Company has agreed to indemnify all the directors and executive officers against loss, cost, damage, expense or other liability suffered or incurred by the directors as officers of the Company. The indemnity does not extend to indemnify the director:

a) in bringing or prosecuting any claim, unless the claim is a claim in the nature of a cross-claim or third-party claim for contribution or indemnity in, and results directly from, any proceedings in respect of which the directors have made a claim under the indemnity;
b) in connection with any proceedings between the directors and the director's appointee or any related body corporate of the appointer (within the meaning of section 50 of the Corporations Act 2001) or their respective insurers; or
c) to the extent that the amount of the claim under the indemnity is increased as a result of failure of the director to comply with their obligations under the indemnity agreement.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Adairs Limited against legal costs incurred in defending proceedings for conduct other than:

a) a wilful breach of duty
b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the *Corporations Act 2001*.

Under the terms of the policy, the total amount of insurance contract premiums paid cannot be disclosed.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rounding

The amounts contained in the financial report have been rounded to the nearest $1,000 (when rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (*Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which this legislative instrument applies.

REMUNERATION REPORT (AUDITED)

The directors of Adairs Limited (the Company or Group) present the Remuneration Report for the Group for the 53 week period from 26 June 2023 to 30 June 2024 (FY24). This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

This Remuneration Report sets out the remuneration arrangements for the Group's key management personnel (KMP) (listed in the table below) who were KMPs during all or part of the reporting period. Throughout this Remuneration Report, the KMP are referred to as either non-executive Directors or Senior Executives (being Executive Directors and Other KMP). In FY24 the Board reviewed the authority and responsibilities of individual executive team members and concluded that Mark Ronan (Managing Director and Chief Executive Officer) and Ashley Gardner (Chief Financial Officer) are the only executives meeting the definition of a KMP. Michael Cherubino is included in this year's report as he was a KMP from 26 June 2023 to 18 August 2023 when he resigned as a Director of the Company. The Board has determined that, while he remains an executive of the Company, he is not classified as a KMP following his resignation as a Director.

All non-executive Directors and Senior Executives have held their positions for the entire duration of the reporting period unless indicated otherwise.

Name	Position
Non-executive Directors	
Brett Chenoweth	Independent, non-executive Chair (resigned 22 March 2024)
Kate Spargo	Independent, non-executive Interim Chair (appointed Interim Independent Chair 22 March 2024 having previously been a non-executive Director)
Kiera Grant	Independent, non-executive Director
Trent Peterson	Independent, non-executive Director
David MacLean	Non-executive Director
Executive Directors	
Mark Ronan	Chief Executive Officer (CEO) and Managing Director
Michael Cherubino[1]	Executive Director – Group Property (resigned 18 August 2023)
Other Key Management Personnel	
Ashley Gardner	Chief Financial Officer (CFO)

1. Michael Cherubino resigned as a Director of Adairs Limited on 18 August 2023. He remains an executive of the Group with responsibility for Group Property, however the Board has determined that he is not classified as a KMP from 18 August 2023.

SECTION 1: REMUNERATION OVERVIEW

The Board continues to focus on building and delivering value to shareholders, progressing its growth plans and selectively pursuing opportunities which are expected to add value having regard to the appropriate associated risks.

Having a robust remuneration and reward framework that supports and encourages sustainable growth, risk management, and retains our people, is critical to the successful execution of our strategy. The remuneration outcomes outlined in this Remuneration Report reflect the Group's approach to rewarding non-executive Directors and Senior Executives for delivering strong performance and holding executive team members accountable to ensure value for shareholders.

In this report, Key Management Personnel (KMP) include all non-executive Directors of the Board, Mark Ronan (Managing Director and Chief Executive Officer), and Ashley Gardner (Chief Financial Officer). Michael Cherubino is included in this year's report as he was a KMP until 18 August 2023.

FY24 Remuneration

Remuneration packages: During the 2024 financial year, the Board considered the remuneration levels for Senior Executives with reference to external market benchmarks and other factors, including Company and individual performance. As a result of this review, no changes were made to the remuneration packages of the Senior Executives in relation to their short-term or long-term incentive as a percentage of their overall salary package.

Short term incentive: The Group's short-term incentive (STI) plan for our Senior Executives rewards these executives for financial performance of the portfolio of businesses as a whole, together with a number of individual KPI's.

There was mixed financial performance across the various businesses in the portfolio, however in aggregate the EBIT result of the Group was sufficient to trigger a portion (30%) of the maximum STI opportunity to be payable to our Senior Executives. Specifically, the following STI amounts were payable to our Senior Executives in relation to FY24:

Executive	Amount
Mark Ronan	$175,500
Ashley Gardner	$132,000
Michael Cherubino[1]	$97,500

1. Michael Cherubino ceased to be a KMP on 18 August 2023. $97,500 represents the full STI awarded for FY24.

Long term incentive: Long term incentives (LTI) issued to Senior Executives in FY24 are in the form of performance rights (Performance Rights). Each Performance Right entitles the executive to acquire an ordinary share in the Company for no consideration subject to the Performance Rights vesting after meeting specific performance and service conditions. Details of the Performance Rights for the Senior Executives are included in Section 8 of the Remuneration Report.

As part of his remuneration package, the Group continues to provide Ashley Gardner with an interest-free, non-recourse loan. This loan was made in FY20. Details of this arrangement are included in Section 7 of this Remuneration Report.

Fees for non-executive Directors: Non-executive Director fees are determined within an aggregate non-executive Directors' pool limit of $800,000. The non-executive Directors' fees are reviewed annually to ensure that the fees reflect market rates. During FY24 there were no changes to the base remuneration of non-executive directors. Kate Spargo's remuneration was adjusted from the time she was appointed Interim Non-Executive Chair to a level equal to that paid to Brett Chenoweth for the Chair role prior to his resignation. The Board believes the current remuneration levels are fair and appropriate and reflect the alignment between shareholders' interests and the Group's remuneration policies and practices.

SECTION 2: REMUNERATION STRATEGY AND POLICY

A core belief of the Board is that the attraction, engagement, and retention of skilled and culturally aligned leaders and team members provide a competitive advantage that is fundamental to the long-term success of the Group. Maintaining and developing these leaders and fostering a workplace culture that supports this belief are priorities for the Group.

The Group is committed to creating a focused and high-performance culture that encompasses our philosophy of providing competitive market-based total remuneration arrangements. The Group's remuneration approach is linked in material part to measures of financial performance that best represent the outcomes relevant to the Group's value creation strategy.

Remuneration can include a number of different elements such as fixed remuneration, superannuation, short-term incentives, long-term incentives and other benefits such as loans to acquire shares in the Company, tools of trade, study and relocation assistance, and car lease arrangements. The elements of the total remuneration package may vary according to the job role, team members experience and performance. The Board believes that equity ownership is an important mechanism for aligning the interests of KMPs with shareholders. Accordingly, the People & Remuneration Committee has regard for equity ownership considerations when setting KMP remuneration packages.

In considering the remuneration arrangements of KMPs, the People & Remuneration Committee makes recommendations based on seven important concepts:

1. **Simplicity:** Seek to ensure remuneration arrangements are simple and can be easily understood by both the KMP and other key stakeholders.
2. **Alignment:** Seek to ensure material components of the KMP's remuneration arrangements (including their shareholding as appropriate) contribute to the alignment of interests between KMPs and shareholders.
3. **Sustainability:** Seek to ensure the material aspects of a KMP's remuneration arrangements are sustainable and could withstand independent scrutiny and tests of precedent and transparency within the organisation and marketplace.
4. **Competitive:** Seek to ensure KMP's are remunerated such that (when taken as a whole, and having regard to their particular circumstances, including any risks and opportunities) their individual remuneration arrangements are competitive with relevant comparable positions.
5. **Risk aware:** In considering remuneration arrangements, the Group seeks to manage certain key risk exposures, including the risk of loss of an individual, retention of intellectual property and skills, issues associated with replacement of the individuals, risk of poaching, and the presence and quality of succession planning.
6. **Company first:** The Group develops systems, policies, processes, and team depth to manage its reliance on any given individual within its leadership team (which includes the KMP). This extends to remuneration, where it seeks to ensure the remuneration architecture and individual arrangements are orderly and considered. Finally, the Group seeks to respond to changes in an individual's circumstance or market conditions in a measured and sustainable manner.
7. **Reward for outcomes and performance:** The Group seeks to identify the outcomes that drive sustainable value creation (or value protection) and seek to reward executives who influence those outcomes most significantly and directly.

In addition, the Board and People & Remuneration Committee carefully considers the alignment between the Company's values and strategy and the approach to remuneration. They are also mindful of their commitment to meeting and maintaining robust standards of corporate governance and ensuring that any material ESG breach has direct implications for executive remuneration.

SECTION 3: ROLE OF THE PEOPLE & REMUNERATION COMMITTEE AND EXTERNAL ADVISERS

The primary objective of the People & Remuneration Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities regarding the Group's people strategy, including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management, and succession planning.

The People & Remuneration Committee also works with the CEO to consider specific situations pertaining to employment terms for individuals or groups of individuals as needed.

The People & Remuneration Committee undertakes an annual review of the Group's remuneration strategy and remuneration policy to facilitate an understanding of the overall approach to remuneration and to confirm alignment with the Group's strategy, high standards of governance, and compliance with regulatory standards.

The People & Remuneration Committee reviews and recommends to the Board for approval, remuneration arrangements for the CEO and other Senior Executives. The People & Remuneration Committee also establishes the policy for the remuneration arrangements for non-executive directors. The People & Remuneration Committee reviews KMP arrangements annually against the remuneration policy, external remuneration practices, market expectations and regulatory standards. It also reviews relevant individual's remuneration arrangements in the event that significant circumstances change (for example a company restructure or change of role). The People & Remuneration Committee obtains independent external remuneration advice where appropriate.

The People & Remuneration Committee exercises caution in interpreting remuneration surveys. While it seeks independent data from time to time, benchmarking of salaries requires an intimate knowledge of the details, role and circumstances of the components of the reference data set, and this is rarely possible, is complex and prone to error. Such information is therefore regarded as only one component of the balanced consideration of base salaries and other remuneration terms, and as a result the People & Remuneration Committee does not have a stated position regarding a target benchmark. Market information is sourced from internal and external sources.

No remuneration consultants or external advisors provided remuneration advice or recommendations during the 53 weeks ended 30 June 2024.

SECTION 4: COMPANY PERFORMANCE – RELATIONSHIP BETWEEN FINANCIAL PERFORMANCE AND REMUNERATION

Remuneration for Senior Executives is directly linked to the performance of the Group.

The FY24 Short term incentive (STI) scheme for Senior Executives is based on achieving pre-determined performance criteria and targets. For KMP, the primary performance condition is the Underlying EBIT of the Group. For the leadership teams within each of our businesses, the primary performance condition is the Underlying EBIT of the business unit in which they principally work. The FY24 Long term incentive (LTI) plan offered Senior Executives Performance Rights over the ordinary shares of Adairs Limited. Performance Rights are issued for nil consideration and are subject to the satisfaction of both performance and service conditions. Key details of the LTI plan are summarised in Section 5. Shareholder approval for the FY24 LTI scheme for the issue of Performance Rights to certain Executive Directors of the Company was obtained at the Annual General Meeting on 24 November 2023.

The following table shows the Group's financial performance for the five years from FY20 to FY24.

Continuing Operations	FY24[4] Performance	FY23 Performance	FY22[2] Performance	FY21 Performance	FY20[3] Performance
Sales ('000)	$594,356	$621,335	$564,476	$499,762	$388,933
Underlying EBIT ('000)[1]	$57,628	$63,892	$76,382	$109,067	$54,012
Net profit before tax ('000)	$44,402	$54,203	$64,609	$95,290	$52,791
Net profit after tax ('000)	$31,090	$37,843	$44,890	$63,742	$35,281
Share price at end of year	$1.84	$1.35	$1.98	$4.20	$2.25
Dividends paid per share	12.0 cents	8.0 cents	18.0 cents	23.0 cents	11.0 cents
Basic earnings per share	17.9 cents	22.0 cents	26.4 cents	37.7 cents	21.0 cents

1. Underlying EBIT refers to earnings before interest and tax, less significant items.
2. FY22 performance includes Focus on Furniture for 30 weeks. EBIT is therefore not entirely comparable to prior periods.
3. FY20 performance includes Mocka for 30 weeks only.
4. FY24 was a 53-week year for statutory purposes. Therefore, it is not entirely comparable to other financial years that have a 52-week year.

SECTION 5: SENIOR EXECUTIVE REMUNERATION STRUCTURE

Senior Executives are remunerated under a total reward structure which currently consists of three elements:

- Fixed remuneration, comprising base salary package (inclusive of superannuation contributions, car allowances and other benefits);
- short-term incentives (STI); and
- long-term incentives (LTI).

The mix of remuneration between fixed and variable (at risk) components for a Senior Executive is determined having regard to the seniority of the role, the responsibilities of the role for driving business performance and responsibilities for developing and implementing business strategy.

The mix of fixed remuneration, STI and LTI elements as a percentage of total target remuneration for FY24 was as follows:

Figure 1:

		% of total target remuneration for FY24	
Senior Executive	Fixed remuneration	At risk remuneration STI maximum opportunity	At risk remuneration LTI – FY24 Tranche[1]
Mark Ronan	37%	30%	33%
Ashley Gardner	37%	30%	33%
Michael Cherubino	44%	29%	27%

1. Performance Rights vest on 28 June 2026, subject to service and performance conditions as set out on page 57.

Fixed remuneration

The remuneration for Senior Executives includes a fixed component comprised of base salary and employer superannuation contributions that are in line with statutory obligations.

KMP base salaries are reviewed on an annual basis by the People & Remuneration Committee and recommendations are made to the Board. Any change is usually effective from the commencement of the new financial year. There is no guaranteed salary increase in any Senior Executive's service contract. Salaries are benchmarked against the base salary levels for a comparable role in similarly sized public companies operating in the specialty retail industry in Australia, having regard to the experience and expertise of the Senior Executive, their performance and history with the Group, and other relevant factors. Senior Executives and the Board acknowledge that this requires both quantitative and subjective assessment.

Short term incentives (STIs)

The Group's STI scheme aligns Senior Executive reward with the achievement of performance targets that are aligned to delivering and protecting sustainable value to shareholders. Senior Executives are eligible to participate in an annual STI based on the achievement of annual performance conditions.

The amount of any STI paid in a year is firstly dependent upon a minimum level of Underlying EBIT being achieved by the Company (EBIT benchmark). If the Underlying EBIT benchmark is not achieved no STI is payable to any Senior Executive, unless the Board elects to exercise its discretion (which happens rarely). If the EBIT benchmark is met the amount of STI paid to each Senior Executive is set having regard to individual contribution and continuing service conditions as set out below:

Condition	Explanation
Performance conditions:	
The level of Group EBIT achieved for the financial year	At the beginning of each year the Board determines a set of tiered Underlying EBIT targets for the forthcoming year with reference to the annual forecast, prior year results, and the Board's assessment of the risks and opportunities to deliver certain results in the period. At each tier a prescribed percentage of an individual's maximum STI opportunity is notionally payable. The People & Remuneration Committee has the ability to subsequently adjust Underlying EBIT targets for any significant changes including, but not limited to, material variances in the number of stores compared to budget; or other event(s) which were not contemplated by the budget which require a significant change in capital structure, including but not limited to a material acquisition or divestment, or other event which requires a significant capital raising (equity or debt).
Individual contribution	The People & Remuneration Committee's assessment of the Senior Executive's value adding performance as measured by the achievement of their individual KPI's.
Continuing service conditions:	On the STI payment date (anticipated to be in September each year), the Senior Executive must be employed by the Group (and not have given notice or be suspended from employment) otherwise no STI will be paid, subject to the Board's discretion.

Following the end of the financial year, the People & Remuneration Committee assesses achievement against performance conditions and determines the STI awards to be made to each Senior Executive (if any).

STI targets and outcomes for FY24

For the STI targets, the Board continues to use Underlying EBIT as the primary measure of the Company's performance. Underlying EBIT as a financial measure is well understood within the Company and is consistently tracked and reported by the Board and the KMP. Underlying EBIT is regarded as a key indicator of the Group's financial results in the eyes of the investment community and is a reasonable proxy for the operating cash generation of the business. The Board retains the discretion to normalise either the EBIT targets or the EBIT outcomes where highly unusual events or circumstances arose in the financial year. However, the Board would only use this discretion in compelling circumstances, specifically where it considers that inappropriate remuneration outcomes were likely to arise in the absence of such discretion.

At the beginning of FY24, the Board set a minimum FY24 Underlying EBIT benchmark of $54.0 million and a maximum FY24 Underlying EBIT benchmark of $66.0 million. In setting the benchmarks for FY24, the Board considered a range of variables and inputs. The primary input for the FY24 EBIT targets for the STI was the Board approved budget. As has been the case in prior years, the uncertainty in the macro-economic environment remained high and as such the Board considered a wide range of EBIT outcomes appropriate for the assessment of whether an STI would be payable.

The table below summarises the FY24 EBIT benchmark tiers and STI participation levels set by the Board:

Tier	FY24 Underlying EBIT benchmark	Implied FY24 v FY23 Underlying EBIT growth	Potential Incentive as a % of Maximum Potential Incentive
Bottom Tier	$54.0 million	-15.5%	20%
Mid Tier	$60.0 million	-6.1%	50%
Top Tier	Over $66.0 million	≥3.3%	100%

We note that there are tiers interposed between the Bottom, Mid and Top Tiers set out above.

Under the above tiers, if the FY24 Underlying EBIT was less than $54.0 million no incentive would be payable to any Adairs Senior Executive, regardless of whether they achieved their individual KPI's. If the FY24 Underlying EBIT met or exceeded the relevant Underlying EBIT benchmark level of $66.0 million, the Senior Executive has a notional entitlement to 100% of their maximum potential incentive.

Senior Executives were advised that, for the purposes of determining if the Underlying EBIT benchmark had been met, the FY24 Underlying EBIT calculation would be adjusted to remove any non-recurring costs , distribution centre transition costs and any abnormal items as determined by the Board.

At the end of FY24, the People & Remuneration Committee reviewed the business's performance for the 53-week period from 26 June 2023 to 30 June 2024. The Company's Underlying EBIT was above the minimum benchmark of $54.0 million and as such KMP were entitled to a portion of their STI.

The results of this review were as follows:

Figure 2: Percentage of FY24 STI paid and forfeited for Senior Executives

The STI outcomes for FY24 were as follows:

Senior Executive	Target STI (Base) ($)	Actual STI awarded ($)	Actual STI awarded as % of maximum STI	% of maximum STI award forfeited
Mark Ronan	$585,000	$175,500	30%	70%
Ashley Gardner	$440,000	$132,000	30%	70%
Michael Cherubino	$325,000	$97,500[1]	30%	70%

1. Michael Cherubino ceased to be a KMP on 18 August 2023. $97,500 represents the full STI awarded for FY24.

STI arrangements for FY25

Set out in Figure 3 (below) is the maximum STI opportunity for each Senior Executive for FY25.

The FY25 STI for KMP will be predominantly based on Underlying EBIT. Similar individual KPI measures (i.e. the metric, not the quantum) and service conditions have been set as the FY24 STI. While there is expected to be a minor net increase in store floor space the Underlying EBIT benchmark targets for FY25 have been set recognising the loss of one trading week (FY24 had 53 weeks) and with an expectation of no change to the current challenging trading environment.

Details of the FY25 STI and any amounts awarded to Senior Executives will be disclosed in the FY25 Remuneration Report.

Figure 3: FY25 remuneration opportunities

Senior Executive	Fixed remuneration (for FY25)	Maximum STI opportunity for FY25[1]	% of fixed remuneration available as base STI
Mark Ronan	$730,000 (unchanged vs FY24)	$585,000	80%
Ashley Gardner	$550,000 (unchanged vs FY24)	$440,000	80%

1. This is based on the maximum STI opportunity. The actual reward is dependent on achieving performance conditions in FY25. The board also reserves the right to pay participants a discretionary amount where they believe circumstances demand, though this discretion is exercised sparingly.

Long term incentives (LTIs)

The LTI plan has been offered to Senior Executives since FY17. The plan assists in motivating, retaining, and rewarding senior executives. The Board believe that equity ownership and mechanics that allow key Senior Executives to share in shareholder value creation is an important component of aligning the interests of KMPs with shareholders and focusing performance on achieving long-term metrics, including sustainable shareholder value creation (and value protection) over time. The Board reassess the LTI plan and its structure to best support and facilitate the long-term growth in shareholder value annually.

LTI awards take the form of performance rights (**Performance Rights**) which aligns the Group's LTI plan with those of peers at other ASX-listed retailers and provides participants with more certainty and transparency in relation to the value of the award and the measures and outcomes that need to be delivered for the award to have monetary value. The performance measures focus on outcomes that are in the reasonable control of management (such as Earnings Per Share) and, over the long term, are expected to correlate strongly with the value created for shareholders. The Performance Rights do not entitle an Eligible Participant to dividends or voting rights; however, any shares allocated following the vesting and exercise of Performance Rights rank pari passu in all respects with other ordinary shares (including with respect to dividends and voting rights).

LTI vesting during FY24

In FY24, the outcomes of relevant LTI tranches that vested during the period for all KMPs were as follows:

LTI tranche (grant year)	Performance / service conditions	Condition met	Proportion of target LTI (%)	% of LTI Options that vested
FY20	EPS performance condition	Yes	60%	100%
	Sales performance condition	Yes	40%	100%
	Service condition	Yes		
FY22	EPS performance condition	No	60%	0%
	Sales performance condition	No	40%	0%
	Service condition	N/A[1]		

1. The performance conditions were not satisfied before completion of the service condition. The service condition is therefore no longer relevant

Details of the number of LTI Options exercised and lapsed during FY24 are detailed in Section 8 of this report.

LTI grants during FY24

On 24 November 2023, Mark Ronan, Michael Cherubino and Ashley Gardner received grants of Performance Rights as their FY24 LTI award. Each Performance Right entitles the Senior Executive to receive an ordinary share in the Company for no cost subject to meeting specific performance and service conditions (as set out below). The Performance Rights were granted at no cost to the Senior Executives as they form part of the Senior Executive's remuneration for FY24. Performance Rights do not carry any voting or dividend entitlements prior to exercise.

The performance period is the three financial years FY23-FY26 (26 June 2023 to 28 June 2026). In addition to the performance condition, there is also a service condition which must be satisfied ending on 28 June 2026 (unless determined otherwise by the Board). The Performance Rights will vest and be automatically exercised if the relevant performance and service conditions have been met. Subject to these conditions being met, each Performance Right entitles the Senior Executive, upon vesting, to receive, at the discretion of the Board:

- by way of issue or transfer, one fully paid ordinary share in the capital of the Company (Share); or
- a cash payment in lieu of the issue or transfer of a Share equal to the Current Market Value of a Share at the vesting date of the Right, less any Tax required to be withheld and inclusive of any statutory superannuation contributions. The Current Market Value of a Share will be determined by the Board in accordance with the Rules.

Performance conditions

In the Board's view, long term EPS performance provides a reliable and consistent measure of executive performance and is a primary driver of shareholder value creation. A three-year EPS condition period encourages executives to prioritise longer term initiatives that enhance operational efficiency, cost control, and revenue growth which should in turn lead to improvements in productivity, competitiveness, and overall profitability.

For any Performance Rights to vest, a threshold level of performance against the EPS target must be achieved. The percentage of Performance Rights that vest, if any, will be determined over the performance period by reference to the vesting schedule set out below.

Diluted EPS is calculated by dividing the net profit attributable to ordinary equity holders of the Company in FY26 by the weighted average number of ordinary shares outstanding during FY26 plus the weighted average number of ordinary shares that would be issued under existing LTI plans.

The table below sets out the percentage of Performance Rights that can vest depending on the Company's FY26 EPS result. The implied 3-year (FY23-FY26) EPS compound annual growth rate (CAGR) is also provided for reference.

Diluted EPS in FY26	Implied 3-year CAGR (FY23 Diluted EPS of $0.219)	% of Performance Rights that vest
Less than $0.30	Less than 11.1%	Nil
From $0.30 to $0.37	Between 11.1% and 19.1%	Straight line pro-rata between 30% and 100%
At or above $0.37	At or above 19.1%	100%

For the purpose of testing the achievement of the EPS performance condition, financial results are extracted by reference to the Group's audited financial statements adjusted for any abnormal items (revenue or expense) as determined by the Board. The use of audited financial statements ensures the integrity of the measure and alignment with the true financial performance of the Group. The Board retains discretion to adjust the EPS in circumstances where the Board determines this to be appropriate.

Service condition

The Performance Rights are also subject to a service condition where participants must remain employed on a full-time basis by, and must not have given notice of resignation from, the Group at the vesting date (being 28 June 2026).

Treatment on cessation of employment

Where a Senior Executive ceases employment for cause or due to resignation, all unvested Performance Rights lapse unless determined otherwise by the Board. In certain circumstances the Board may consider on cessation of employment, a pro rata portion (based on the portion of the performance period that has elapsed) of a Senior Executive's unvested Performance Rights remaining on foot and subject to the original performance conditions, as if the participant had not ceased employment. The Board expects that such discretion may be exercised where an executive is considered a 'good leaver'.

However, pursuant to the Plan Rules, the Board retains absolute discretion to determine to vest or lapse some or all Performance Rights in all circumstances.

Treatment on change of control

If a change of control event occurs with respect to the Company, the Board may determine, at its discretion, how all unvested Performance Rights will be dealt with. This may include determining that some or all of the Performance Rights will vest, lapse or remain on foot. Where the Board does not exercise its discretion and a change of control event occurs, unless the Board determines otherwise, any unvested Performance Rights will vest on a pro-rata basis to time, based on the proportion of the relevant performance period that has elapsed at the time of the change of control event.

Service Agreements

Adairs Holdings Australia Pty Ltd (ACN 128 275 838) (a wholly owned subsidiary of the Company) (**Adairs Holdings**) entered into service agreements with Mark Ronan, Ashley Gardner and Michael Cherubino to formalise the remuneration and terms of their employment with Adairs. Each of these agreements provides for the provision of fixed remuneration, performance related cash bonuses and other benefits.

The term of the service agreements with the Senior Executives are ongoing until terminated by either Adairs Holdings or the relevant Senior Executive. The service agreements with the Senior Executives may be terminated early by either party with six months' notice. In either event, Adairs Holdings may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, Adairs Holdings may terminate the Senior Executive's employment contract immediately without notice.

The Corporations Act restricts the termination benefits that can be provided to KMP on cessation of their employment, unless shareholder approval is obtained. The shareholders of the Company and Adairs Holdings approved termination arrangements for Michael Cherubino at a general meeting of the Company on 1 June 2015.

After cessation of employment for any reason, for a period of 6 months, the Senior Executive must not compete with the Company (including direct or indirect involvement as a principal, agent, partner, employee, shareholder, unit holder, director, trustee, beneficiary, manager, contractor, adviser or financier), without first obtaining the consent of the Company in writing, subject to certain carve-outs and exemptions.

In addition, in the case of Mark Ronan, Ashley Gardner and Michael Cherubino, where the Senior Executive has resigned from the Company, the Board may elect to extend this restraint period for a further period of up to 6 months by notifying the employee and paying the employee a further amount for each month (up to a maximum of 6 months) on a monthly basis.

No contracted retirement benefits are in place with any of the Group's Senior Executives.

SECTION 6: NON-EXECUTIVE DIRECTORS REMUNERATION STRUCTURE

Overview

The Company's remuneration strategy is designed to attract and retain experienced, qualified non-executive directors and to remunerate appropriately to reflect the demands which are made on them and the responsibilities of the position.

The level of fees are reviewed annually by the People & Remuneration Committee and are based on the fees paid for comparative non-executive director roles in similarly sized publicly listed companies operating in the retail industry.

Non-executive Directors' fees

Non-executive director fees are determined within an aggregate non-executive Directors' fee pool approved by shareholders. The current approved fee pool of up to $800,000 per annum was approved by shareholders at a general meeting of the Company on 20 October 2021.

Currently, annual base non-executive Directors' fees (including superannuation where applicable) are $200,000 for the Chairman (inclusive of all fees for Committee participation), $102,000 for the Chairman of the Audit & Risk Committee, $95,000 for the Chairman of the People & Remuneration Committee and $90,000 for each other non-executive Director. An additional $4,000 was paid to members of the Audit & Risk Committee and $2,000 for members on the People & Remuneration Committee. No additional fees were paid to directors for their roles on the Nomination Committee.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs. Directors may be paid additional or special remuneration where a Director performs services outside the ordinary duties of a non-executive Director. There are no retirement benefit schemes for non-executive Directors other than statutory superannuation contributions, and non-executive Directors do not currently receive shares, performance rights or options as part of their remuneration.

The non-executive Directors held the following positions within the Board (continuously throughout FY24 unless otherwise stated):

Name	Chair of Adairs Limited	Audit and Risk Committee	Nomination Committee	People and Remuneration Committee
Brett Chenoweth	Chair[1]	Member[1]	Chair[1]	Member[1]
Kate Spargo	Interim Chair[2]	Chair	Chair[2]	Member
Kiera Grant		Member[3]	Member	Member
Trent Peterson		Member	Member	Chair
David MacLean			Member	Member

1. Resigned as a non-executive Director on 22 March 2024.
2. Appointed on 22 March 2024.
3. Appointed on 22 March 2024. Remuneration for membership to the Audit and Risk Committee will begin in FY25.

SECTION 7: KMP DISCLOSURES

Material Contracts with the Company

No director or other KMP (including their related parties) has entered into a material contract with the Company or a subsidiary during the reporting period.

Loans with the Company

During FY20, the Group provided an interest free, non-recourse loan amounting to $750,000 to Ashley Gardner to acquire shares in the Company. Mr Gardner must use proceeds arising from the sale of the shares to repay any outstanding loan balance. The loan must also be repaid if Mr Gardner ceases employment with the Group. As a condition of the loan, Mr Gardner was required to invest a further $250,000 of personal funds to purchase shares in the Company, with the sum of the loan and his personal investment totalling $1,000,000. A total of 572,300 shares were purchased on-market by Mr Gardner at an average price of $1.75 per share. As part of this agreement, up to 55% of the loan will be forgiven progressively between August 2022 until maturity in August 2027 as follows, subject to continued employment with the Group:

Date	Forgiveness Amount
14 August 2022	$93,750
14 August 2023	$93,750
14 August 2024	$56,250
14 August 2025	$56,250
14 August 2026	$56,250
14 August 2027	$56,250

The balance of the loan amounting to $337,500 (assuming continued employment), must be repaid on or before 14 August 2027. Repayment of the loan may also be made in full by returning the purchased shares under the arrangement back to the Company at any time during the term of the loan and at maturity.

The non-recourse nature of the loan and the potential loan forgiveness give rise to benefits to Mr Gardner that are considered share-based payments. The share-based payment expense is measured at fair value at the grant date and recognised as an expense when the arrangement is considered to vest, being immediately at the grant date. The vesting date is considered to be the grant date due to the non-recourse nature of the arrangement allowing Mr Gardner to return the subject shares to the Company in order to extinguish the loan during the term to maturity. The cost of this arrangement was recognised in full as a share-based payment in FY20 and there have been no further costs recognised by the Company in FY24 (FY23: $Nil).

No director or other KMP (including their related parties) has entered into a loan made, guaranteed or secured, directly or indirectly, by the Group during the reporting period.

SECTION 8: DETAILS OF REMUNERATION

Details of the remuneration of the Directors and KMP of the Company for the current financial year are set out below.

53 weeks ended 30 June 2024	Short term employee benefits			Post-employment benefits		Other long-term benefits	Termination benefits	Share-based payments	
In AUD	**Cash salary and fees**	**Short Term Incentive Cash bonuses**	**Non-monetary benefits**	**Superannuation**	**Other**			**Long Term Incentive Share options**	**Total**
Non-executive Directors									
Brett Chenoweth[1]	$145,161	–	–	–	–	–	–	–	$145,161
Trent Peterson	$99,000	–	–	–	–	–	–	–	$99,000
Kate Spargo	$130,400	–	–	–	–	–	–	–	$130,400
David MacLean	$82,883	–	–	$9,117	–	–	–	–	$92,000
Keira Grant	$82,883	–	–	$9,117	–	–	–	–	$92,000
Total non-executive Directors	**$540,327**	**–**	**–**	**$18,234**	**–**	**–**	**–**	**–**	**$558,561**
Executive Directors									
Mark Ronan	$716,553	$175,500	–	$27,974	–	–	–	$54,792	$974,819
Michael Cherubino[2]	$71,493	$14,191	–	$4,215	–	–	–	$4,573	$94,472
Other Senior Executives									
Ashley Gardner	$533,094	$132,000	–	$27,974	–	–	–	$46,541	$739,609
Total executives	**$1,321,140**	**$321,691**	**–**	**$60,163**	**–**	**–**	**–**	**$105,906**	**$1,808,900**
Total FY24	**$1,861,467**	**$321,691**	**–**	**$78,397**	**–**	**–**	**–**	**$105,906**	**$2,367,461**

1. Brett Chenoweth resigned as a Director of Adairs Limited on 22 March 2024.
2. Michael Cherubino resigned as a Director of Adairs Limited on 18 August 2023 and the amounts allocated to him in this table reflect a pro-rata share prior to this date. He remains an executive of the Group with responsibility for Group Property, however the Board has determined that he should not be classified as a KMP from 18 August 2023.

Details of the remuneration of the Directors and KMP of the Group for the previous financial year are set out below.

52 weeks ended 25 June 2023	Short term employee benefits			Post-employment benefits		Other long-term benefits	Termination benefits	Share-based payments	
In AUD	**Cash salary and fees**	**Short Term Incentive Cash bonuses**	**Non-monetary benefits**	**Superannuation**	**Other**			**Long Term Incentive Share options**	**Total**
Non-executive Directors									
Brett Chenoweth	$200,000	–	–	–	–	–	–	–	$200,000
Trent Peterson	$99,000	–	–	–	–	–	–	–	$99,000
Kate Spargo	$104,000	–	–	–	–	–	–	–	$104,000
David MacLean	$83,258	–	–	$8,742	–	–	–	–	$92,000
Keira Grant	$83,258	–	–	$8,742	–	–	–	–	$92,000
Total non-executive Directors	**$569,516**	**–**	**–**	**$17,484**	**–**	**–**	**–**	**–**	**$587,000**
Executive Directors									
Mark Ronan	$704,674	–	–	$25,325	–	–	–	$7,638	$737,637
Michael Cherubino	$464,674	–	–	$25,325	–	–	–	($6,384)	$483,615
Other Senior Executives									
Ashley Gardner	$524,674	–	–	$25,325	–	–	–	($2,618)	$547,381
Total executives	**$1,694,022**	**–**	**–**	**$75,975**	**–**	**–**	**–**	**($1,364)**	**$1,768,633**
Total FY23	**$2,263,538**	**–**	**–**	**$93,459**	**–**	**–**	**–**	**($1,364)**	**$2,355,633**

Shareholdings of Key Management Personnel

The following table details the ordinary shareholdings and the movements in the shareholdings of KMP (including their related entities) for FY24.

No. of Shares	Held at 25 June 2023	Granted as Remuneration	Received on the exercise of options	Other net change[1]	Held at 30 June 2024
Non-executive Directors					
Brett Chenoweth[2]	66,312	n.a.	n.a.	n.a.	n.a.
Trent Peterson	1,540,334	–	–	(240,000)	1,300,334
Kate Spargo	80,000	–	–	–	80,000
David MacLean	2,993,486	–	–	322,730	3,316,216
Kiera Grant	170,427	–	–	–	170,427
Executive Directors					
Mark Ronan	785,047	–	345,220	(275,000)	855,267
Michael Cherubino[3]	2,117,209	n.a.	n.a.	n.a.	n.a.
Other Senior Executives					
Ashley Gardner	592,300	–	268,504	(268,504)	592,300

1. For Trent Peterson, Mark Ronan and Ashley Gardner, "Other net change" reflects net on-market ordinary share trades made over the course of FY24. For David MacLean, it reflects a new "relevant interest" under section 608 of the Corporation Act for shares held by entities associated with his parents, for whom he now holds a Power of Attorney. Refer to the notice lodged with ASX on 26 July 2023.
2. Brett Chenoweth resigned as a Director of Adairs Limited on 22 March 2024. There were no changes to his shareholdings between 25 June 2023 and ceasing to be a Director on 22 March 2024.
3. Michael Cherubino resigned as a Director of Adairs Limited on 18 August 2023. He remains an executive of the Group with responsibility for Group Property, however the Board has determined that he should not be classified as a KMP from 18 August 2023. There were no changes to his shareholdings between 25 June 2023 and ceasing to be a KMP on 18 August 2023.

Share Options and Performance Rights issued to Key Management Personnel

The following table discloses the details of unexpired share options and performance rights awarded to KMP in FY24 and prior reporting periods.

No. of Share Options / Performance Rights	Type	Grant date	Quantity Granted	Average fair value per option or rights at Grant Date
Non-executive Directors				
Brett Chenoweth	–	–	–	–
Trent Peterson	–	–	–	–
Kate Spargo	–	–	–	–
David MacLean	–	–	–	–
Kiera Grant	–	–	–	–
Executive Directors				
Mark Ronan	Options	2 Nov 17	900,000	$0.39
	Options	26 Oct 18	540,000	$0.43
	Options	25 Oct 19	900,000	$0.38
	Options	26 Oct 20	675,000	$0.90
	Options	20 Oct 21	800,000	$0.88
	Performance Rights	21 Oct 22	289,427	$1.52
	Performance Rights	24 Nov 23	456,250	$1.18
Michael Cherubino[1]	Options	2 Nov 17	510,000	$0.39
	Options	26 Oct 18	315,000	$0.43
	Options	25 Oct 19	400,000	$0.38
	Options	26 Oct 20	300,000	$0.90
	Options	20 Oct 21	350,000	$0.88
	Performance Rights	21 Oct 22	107,930	$1.52
	Performance Rights	24 Nov 23	204,167	$1.18
Other Senior Executives				
Ashley Gardner	Options	25 Oct 19	700,000	$0.38
	Options	26 Oct 20	525,000	$0.90
	Options	20 Oct 21	600,000	$0.88
	Performance Rights	21 Oct 22	202,599	$1.52
	Performance Rights	24 Nov 23	343,750	$1.18

1. Michael Cherubino resigned as a Director of Adairs Limited on 18 August 2023. He remains an executive of the Group with responsibility for Group Property, however the Board has determined that he should not be classified as a KMP from 18 August 2023. The above table contains all details of share options and performance rights including the period to 30 June 2024 subsequent to him ceasing as a KMP.

Number vested during the year	Vested in the year %	Number lapsed, forfeited or expired during the year	No of options or rights exercised during the year	Outstanding as at 30 June 2024	Exercise price ($)	Vesting date	Expiry date
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	(900,000)	–	–	$1.75	30 Jun 21	2 Nov 23
–	–	–	–	540,000	$2.40	3 Jul 22	26 Oct 24
900,000	100%	–	(900,000)	–	$1.86	2 Jul 23	25 Oct 25
–	–	–	–	–	$4.04	30 Jun 24	26 Oct 26
–	–	(800,000)	–	–	$3.95	29 Jun 25	20 Oct 27
–	–	–	–	289,427	–	29 Jun 25	29 Jun 25
–	–	–	–	456,250	–	28 Jun 26	28 Jun 26
–	–	(510,000)	–	–	$1.75	30 Jun 21	2 Nov 23
–	–	–	(315,000)	–	$2.40	3 Jul 22	26 Oct 24
400,000	100%	–	(400,000)	–	$1.86	2 Jul 23	25 Oct 25
–	–	–	–	–	$4.04	30 Jun 24	26 Oct 26
–	–	(350,000)	–	–	$3.95	29 Jun 25	20 Oct 27
–	–	–	–	107,930	–	29 Jun 25	29 Jun 25
–	–	–	–	204,167	–	28 Jun 26	28 Jun 26
700,000	100%	–	(700,000)	–	$1.86	2 Jul 23	25 Oct 25
–	–	–	–	–	$4.04	30 Jun 24	26 Oct 26
–	–	(600,000)	–	–	$3.95	29 Jun 25	20 Oct 27
–	–	–	–	202,599	–	29 Jun 25	29 Jun 25
–	–	–	–	343,750	–	28 Jun 26	28 Jun 26

Share Options and Performance Rights holdings of Key Management Personnel

The following table details the share option and performance rights holdings and movements for KMP (including their personally related entities) for FY24.

No. of Share Options / Performance Rights	Type	Held at 25 June 2023	Quantity Granted	Exercised	Forfeited	Lapsed / Expired	Held at 30 June 2024	Vested %	Vested and exercisable as at 30 June 2024
Non-executive Directors									
Brett Chenoweth[1]		–	–	–	–	–	–	–	–
Trent Peterson		–	–	–	–	–	–	–	–
Kate Spargo		–	–	–	–	–	–	–	–
David MacLean		–	–	–	–	–	–	–	–
Keira Grant		–	–	–	–	–	–	–	–
Executive Directors									
Mark Ronan	Options	3,140,000	–	(900,000)	–	(1,700,000)	540,000	100%	540,000
	Performance Rights	289,427	456,250	–	–	–	745,677	–	–
Michael Cherubino[2]	Options	1,575,000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Performance Rights	107,930	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Senior Executives									
Ashley Gardner	Options	1,300,000	–	(700,000)	–	(600,000)	–	0%	–
	Performance Rights	202,599	343,750	–	–	–	546,349	–	546,349

1. Brett Chenoweth resigned as a Director of Adairs Limited on 22 March 2024.
2. Michael Cherubino resigned as a Director of Adairs Limited on 18 August 2023. He remains an executive of the Group with responsibility for Group Property, however the Board has determined that he should not be classified as a KMP from 18 August 2023. Prior to Mr Cherubino ceasing as a KMP, 400,000 share options vested (but were not exercised). There were no other changes to his share options and performance rights holdings between 25 June 2023 and ceasing to be a KMP on 18 August 2023.

For details on the valuation of the share options and performance rights, including models and assumptions used, please refer to Note 25.

Signed in accordance with a resolution of the directors.

On behalf of the Board

Kate Spargo
Interim Independent Chair
Non-Executive Director

Mark Ronan
Managing Director and Chief Executive Officer

Melbourne
28 August 2024

adairs

ANNUAL FINANCIAL REPORT

for the 53 weeks ended 30 June 2024

ADAIRS LIMITED

ABN 50 147 375 451

CONTENTS

AUDITOR'S INDEPENDENCE DECLARATION

Ernst & Young
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Auditor's Independence Declaration to the Directors of Adairs Limited

As lead auditor for the audit of the financial report of Adairs Limited for the 53 weeks ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Adairs Limited and the entities it controlled during the financial period.

Ernst & Young

Tony Morse
Partner
28 August 2024

INDEPENDENT AUDITOR´S REPORT

Ernst & Young
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Independent auditor’s report to the members of Adairs Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Adairs Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 53 weeks then ended, notes to the financial statements, including a summary of material accounting policy information, the consolidated entity disclosure statement and the directors’ declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the 53 weeks ended on that date; and

b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Building a better working world

Carrying value and existence of inventories

Why significant	How our audit addressed the key audit matter
As at 30 June 2024, the Group held $83.7m in inventories representing 14% of total assets. The Group's Inventories are held at a number of warehouses and through a widely dispersed store network. Some of the Group's inventories are held at third party managed warehouse facilities. As detailed in Note 2.4(i) and Note 8 of the financial report, inventories are valued at the lower of cost and net realisable value. There is judgement involved in determining the cost of inventories and in assessing net realisable value. In determining the cost of inventories, the Group considers elements relating to handling and packaging costs, as well as freight, duty and exchange rates. Judgements were involved in the process of allocating these costs to inventories. In determining the net realisable value consideration is given to recent sales and the expectations for future sales. Given the significance of the inventory balance and judgement involved in determining the carrying value of inventories, this was considered a key audit matter.	Our audit procedures included the following: ► Assessed the application of inventory costing methodologies, and whether they were consistent with Australian Accounting Standards. ► Tested the effectiveness of relevant controls in relation to the stores inventory count process and the Group's inventory costing process. ► Assessed the accuracy of the Group's inventory costing model on a sample basis. ► Attended stocktakes at a sample of stores and warehouses, at or near 30 June 2024 and performed roll back or roll forward procedures to balance date. ► Assessed the basis for inventory provisions recorded by the Group to determine whether inventory was recorded at the lower of cost and net realisable value. ► Considered the impact on inventory provisions of retail sales at or subsequent to 30 June 2024 and compared the selling prices with the carrying value of inventories inclusive of costs necessary to complete the sale.

Carrying value of indefinite life intangible assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2024, 45% of the Group's total assets was represented by goodwill and indefinite life brand names recognised from business combinations. As detailed in Note 2.4(m) and Note 10 of the financial report, the goodwill and brand names are tested by the Group for impairment at least annually. These assets are allocated to and tested at the Adairs, Mocka and Focus operating segment level. The recoverable amounts have been determined based on a value-in-use model referencing discounted cash flow forecasts. This model contains estimates, assumptions and significant judgements regarding future projections and the achievement of those forecasts which are critical to the assessment of impairment, particularly planned growth rates and discount rates. These estimates, assumptions and judgements are based on conditions existing and emerging as at 30 June 2024. Note 10 of the financial report details the assessment method, including the key underlying estimates. The carrying value of intangible assets was considered a key audit matter due to the significance of this balance and the judgements involved in the impairment assessment.	Our audit procedures, involving our valuation specialists where necessary, included the following; ► Evaluated whether the Group's determination of its CGUs is in accordance with Australian Accounting Standards, including the consideration of the level at which goodwill is allocated and monitored. ► Assessed the Group's methodology for determining recoverable amount. ► Assessed the key inputs and assumptions, including cashflows, discount rates, revenue growth rates and terminal growth rates adopted in the recoverable amount models. We agreed the forecast cashflows to the Board approved 2025 budget. ► Performed sensitivity analysis on key inputs, assumptions and forecast financial performance to determine whether any reasonably possible change could result in impairment. ► Compared earnings multiples derived from the Group's value in use model to those observable from external market data of comparable listed entities, where available. ► Assessed the adequacy of the related disclosures made in the financial report.

Building a better working world

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the directors for the financial report

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

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

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

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 48 to 66 of the directors' report for the 53 weeks ended 30 June 2024.

In our opinion, the Remuneration Report of Adairs Limited for the 53 weeks ended 30 June 2024, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Ernst & Young

Ernst & Young

Tony Morse

Tony Morse
Partner

Melbourne
28 August 2024

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Adairs Limited, we state that:

1. In the opinion of the Directors:
   a) the financial statements and notes of Adairs Limited for the 53 weeks ended 30 June 2024 are in accordance with the *Corporations Act 2001*, including:
      i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the 53 weeks ended on that date; and
      ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   d) the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act 2001 is true and correct.
2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the 53 weeks ended 30 June 2024.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 23 of the financial statements will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Kate Spargo
Interim Independent Chairman
Non-Executive Director

Mark Ronan
Managing Director and Chief Executive Officer

Melbourne
28 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the 53 weeks ended 30 June 2024

	Note	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Revenue from contracts with customers	4(a)	594,356	621,335
Cost of sales		(312,152)	(335,843)
Gross profit		**282,204**	**285,492**
Other income		288	1,023
Depreciation and amortisation expenses	4(b)	(55,719)	(53,683)
Salaries and employee benefits expenses	4(d)	(112,714)	(111,693)
Occupancy expenses	16	(13,082)	(12,128)
Advertising expenses		(16,114)	(18,516)
Other expenses	4(e)	(24,668)	(23,020)
Earnings before interest and tax		**60,195**	**67,475**
Finance expenses	4(c)	(16,237)	(13,677)
Finance income		444	405
Profit before income tax		**44,402**	**54,203**
Income tax expenses	5	(13,312)	(16,360)
Profit after income tax		**31,090**	**37,843**
Earnings per share attributable to ordinary equity holders of the Parent			
Basic earnings per share	22	17.9 cents	22.0 cents
Diluted earnings per share	22	17.7 cents	21.9 cents

This Consolidated Statement of Profit or Loss should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the 53 weeks ended 30 June 2024

	Note	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Profit after tax		**31,090**	**37,843**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss (net of tax):			
Net movement of cash flow hedges		(3,542)	(8,427)
Income tax relating to the components of other comprehensive income	5	1,066	2,531
Exchange differences on translation of foreign operations		(131)	227
Other comprehensive loss for the period, net of tax		**(2,607)**	**(5,669)**
Total comprehensive income for the period		**28,483**	**32,174**

This Consolidated Statement of Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Note	As at 30 June 2024 $'000	As at 25 June 2023 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	12,872	25,898
Trade and other receivables	7	3,591	4,176
Inventories	8	83,745	87,774
Current tax receivables		–	2,484
Derivative financial instruments	17	1,863	5,326
Other assets	7	10,176	8,314
TOTAL CURRENT ASSETS		**112,247**	**133,972**
NON-CURRENT ASSETS			
Property, plant and equipment	9	37,021	22,950
Intangibles	10	283,836	282,269
Right-of-use assets	16	175,477	157,214
Derivative financial instruments	17	–	72
Other assets	7	1,915	–
TOTAL NON-CURRENT ASSETS		**498,249**	**462,505**
TOTAL ASSETS		**610,496**	**596,477**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	52,427	54,944
Other liabilities	12	20,231	18,819
Earn-out liabilities		261	200
Lease liabilities	16	52,523	48,677
Current tax payables		2,252	–
Provisions	14	10,817	11,572
TOTAL CURRENT LIABILITIES		**138,511**	**134,212**
NON-CURRENT LIABILITIES			
Other liabilities	12	1,263	1,275
Earn-out liabilities		–	261
Deferred tax liabilities	5	17,745	20,770
Borrowings	13	77,000	100,000
Lease liabilities	16	146,374	131,718
Provisions	14	6,439	6,020
TOTAL NON-CURRENT LIABILITIES		**248,821**	**260,044**
TOTAL LIABILITIES		**387,332**	**394,256**
NET ASSETS		**223,164**	**202,221**
EQUITY			
Contributed equity	15(a)	87,351	84,737
Share-based payment reserve	15(b)	2,211	3,712
Cash flow hedge reserve	15(d)	1,306	3,782
Foreign currency translation reserve	15(c)	(407)	(276)
Retained earnings	15(e)	132,703	110,266
TOTAL EQUITY		**223,164**	**202,221**

This Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 53 weeks ended 30 June 2024

	Note	Ordinary shares $'000	Share -based payment reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
As at 25 June 2023		84,737	3,712	3,782	(276)	110,266	202,221
Profit after tax for the period		–	–	–	–	31,090	31,090
Other comprehensive income /(loss) for the period		–	–	(2,476)	(131)	–	(2,607)
Total comprehensive income /(loss) for the period		**–**	**–**	**(2,476)**	**(131)**	**31,090**	**28,483**
Transactions with owners in their capacity as owners:							
Dividends paid	24	–	–	–	–	(8,653)	(8,653)
Dividend reinvestment plan	15(a)	1,051	–	–	–	–	1,051
Exercise of share options	15(a)	1,563	(1,563)	–	–	–	–
Share-based payments	15(b)	–	15	–	–	–	15
Tax effect of share-based payments		–	47	–	–	–	47
As at 30 June 2024		**87,351**	**2,211**	**1,306**	**(407)**	**132,703**	**223,164**

	Note	Ordinary shares $'000	Share -based payment reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
As at 26 June 2022		81,235	4,147	9,678	(503)	103,326	197,883
Profit after tax for the period		–	–	–	–	37,843	37,843
Other comprehensive income /(loss) for the period		–	–	(5,896)	227	–	(5,669)
Total comprehensive income /(loss) for the period		**–**	**–**	**(5,896)**	**227**	**37,843**	**32,174**
Transactions with owners in their capacity as owners:							
Dividends paid	24	–	–	–	–	(30,903)	(30,903)
Dividend reinvestment plan	15(a)	3,502	–	–	–	–	3,502
Exercise of share options	15(a)	–	–	–	–	–	–
Share-based payments	15(b)	–	(435)	–	–	–	(435)
As at 25 June 2023		**84,737**	**3,712**	**3,782**	**(276)**	**110,266**	**202,221**

This Consolidated Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 53 weeks ended 30 June 2024

	Note	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		655,192	675,580
Payments to suppliers and employees (inclusive of GST)		(534,706)	(537,149)
Interest received		444	405
Income tax paid		(10,516)	(16,644)
Interest paid		(16,737)	(13,794)
Net cash flows from operating activities	6	93,677	108,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangibles		(27,409)	(12,324)
Net cash flows used in investing activities		(27,409)	(12,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawings of borrowings		56,000	27,000
Repayment of borrowings		(79,000)	(47,000)
Payment of borrowing costs		(214)	(388)
Dividends paid		(7,602)	(27,401)
Payment of principal portion of lease liabilities		(48,422)	(48,689)
Net cash flows used in financing activities		(79,238)	(96,478)
Net decrease in cash and cash equivalents		(12,970)	(404)
Net foreign exchange differences		(56)	227
Cash and cash equivalents at beginning of the period		25,898	26,075
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	**12,872**	**25,898**

This Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 June 2024

NOTE 1. CORPORATE INFORMATION

The consolidated financial statements of Adairs Limited (the "Company" or "Parent") and its subsidiaries (collectively, the "Group") for the 53 weeks ended 30 June 2024 were authorised for issue in accordance with a resolution of the directors on 28 August 2024.

The Group operates on a retail accounting calendar which monitors performance on a weekly basis. The current reporting period adopted is a 53 week reporting period which ended 30 June 2024. The prior corresponding reporting period was 52 weeks ended 25 June 2023.

The Company is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group is an omni-channel specialty retailer of home furnishings, home furniture and home decoration products within Australia and New Zealand. The Group's principal place of business is 2 International Court, Scoresby, Victoria, Australia.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and contingent consideration which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Certain re-classifications have been made in the consolidated financial statements to ensure prior year comparative information is consistent with the current year presentations.

The consolidated financial statements provide comparative information in respect of the previous period where there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

The financial report has been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the ordinary course of business. As at 30 June 2024, the Group has a net current asset deficiency of $26,264,000, after the recognition of $52,523,300 in current lease liabilities (25 June 2023: net current asset deficiency of $240,000, after the recognition of $48,677,000 in current lease liabilities). The Group expects to be able to meet its obligations as when they fall due over the next 12 months and beyond through the generation of operating cash flows and available finance facilities. Unused revolving loan facilities as at 30 June 2024 were $58,000,000 (25 June 2023: $35,000,000).

2.2. Compliance with International Financial Reporting Standards ("IFRS")

The financial report also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

2.3. Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the 52 weeks ended 25 June 2023, except as follows:

i) New and amended standards and interpretations

The Group has applied all relevant new standards and amendments, which are effective for annual periods beginning on or after 26 June 2023. None of these new standards or amendments have a material impact on the consolidated financial statements of the Group.

ii) Accounting standards and interpretations issued but not yet effective

AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments

Effective for annual reporting periods beginning on or after 1 January 2026, this amendment requires entities to assess contractual cash flow characteristics of financial assets with environmental, social and corporate governance (ESG) and similar features. This Standard also amends disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

AASB 18 Presentation and Disclosure in Financial Statements

Effective for annual reporting periods beginning on or after 1 January 2027, AASB 18 has been issued to improve how entities communicate in their financial statements, with a particular focus on information about financial performance in the statement of profit or loss. The key presentation and disclosure requirements established by AASB 18 are:

- The presentation of newly defined subtotals in the statement of profit or loss
- The disclosure of management-defined performance measures (MPM)
- Enhanced requirements for grouping information (i.e. aggregation and disaggregation)

AASB 18 is accompanied with limited consequential amendments to the requirements in other accounting standards, including AASB 107 *Statement of Cash Flows*. AASB 18 introduces three new categories for classification of all income and expenses in the statement of profit or loss: operating, investing and financing. Additionally, entities will be required to present subtotals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. For the purposes of classifying income and expenses into one of the three new categories, entities will need to assess their main business activity, which will require judgement. There may be more than one main business activity. AASB 18 also requires several disclosures in relation to MPMs, such as how the measure is calculated, how it provides useful information and a reconciliation to the most comparable subtotal specified by AASB 18 or another standard. AASB 18 will replace AASB 101 *Presentation of Financial Statements*.

The impact of the standard on the Group is still being assessed.

AASB 2020-1 Amendments to Australian Accounting Standards — Classification of Liabilities as Current or Non-current, and 2022-6 Amendments to Australian Accounting Standards — Non-current Liabilities with Covenants.

Effective for annual reporting periods beginning on or after 1 January 2024, the amendments to AASB 101 Presentation of Financial Statements affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed.

The impact of the amendment on the Group is still being assessed.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

2.4. Summary of material accounting policy information

a) Current versus non-current classification

The Group presents assets and liabilities in the Consolidated Statement of Financial Position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the Group's normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the Group's normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

b) Trade and other receivables

Other receivables include from lessors and suppliers, as well as merchant receivables. Trade and other receivables are initially recognised at the transaction price and fair value, and subsequently measured at amortised cost less an allowance for any expected credit losses. A provision for expected credit loss is determined based on historic credit loss rates and adjusted for forward looking factors specific to the debtor and the economic environment.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2024. The Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

d) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the consideration for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances dictate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management
- is not larger than a segment based on the Group's primary reporting format determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash generating units to which the goodwill relates.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

When goodwill forms part of a cash-generating unit or group of cash generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

e) Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference associated with investments in subsidiaries, associates and interests in joint ventures, in which case deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income ("OCI") or directly in equity.

Tax consolidation legislation

Adairs Limited and its wholly-owned Australian controlled entities, excluding Mocka Products Pty Ltd, implemented the tax consolidation legislation as of 1 November 2010.

The head entity, Adairs Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated group are recognised as amounts receivable from or payable to other entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

f) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item
- receivables and payables, which are stated with the amount of GST included.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

g) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

h) Revenue from contracts with customers

Revenue from retail sales is recognised when the performance obligation is satisfied which is generally when the customer obtains control of the goods at the point of sale or upon delivery to the customer.

> ***Linen Lover membership program revenue***

The Adairs segment operates a membership program, Linen Lover, from which a membership fee is received from the customer upon joining. Membership allows customers to benefit from additional discounts, extended returns periods, VIP shopping events and free shipping when they purchase products from the Group's retail and e-commerce stores. On purchase of a membership, customers are granted a Welcome Voucher that can be used within 30 days.

The Group has identified the following performance obligations with respect to the Linen Lovers membership program, that include:

1. Welcome Voucher – satisfied at a point in time upon purchase of membership; and
2. Ongoing membership benefits – satisfied over time on a straight-line basis across the two-year membership period as the customer has the right to utilise the benefits of membership.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

The Group has estimated the standalone selling price for each performance obligation based on the estimated value attributed to each performance obligation. Revenue is recognised as each performance obligation is satisfied.

› ***Lay-by sales***

The Adairs segment offers a lay-by service to customers, where control of the goods under the lay-by arrangement passes to the customer when the goods have been paid for in full and collected by the customer. It is at this point that revenue is recognised.

› ***Rights of return***

When a contract provides a customer with a right to return the goods within a specified period (typically 30-60 days, with extended terms of 60-90 days for Linen Lover members), the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group has deferred revenue for the likelihood of sales to be returned and presents a refund liability and an asset to recover the products from a customer separately in the Consolidated Statement of Financial Position.

› ***Gift card breakage revenue***

Gift card breakage revenue is recognised in proportion to the pattern of rights exercised by the customer and represents a form of variable consideration. In recognising breakage revenue, the Group takes into consideration the estimated breakage, estimated redemption of gift cards, and the breakage to be recognised at the time of redemption.

› ***Online sales***

Online sales are recognised upon the satisfaction of the Group's performance obligation which is deemed to occur upon delivery of the customer's order.

Furthermore, postage costs incurred to deliver online sales to the customer are classified as a *Cost of sales* in the Consolidated Statement of Profit or Loss, being a cost incurred to fulfil the Group's performance obligation.

i) Inventories

Inventories held by the Group are finished goods and are valued at the lower of cost and net realisable value.

The value of finished goods includes the purchase cost plus a proportion of the freight, handling and warehouse costs incurred to deliver the goods to the point of sale.

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

j) Cash dividend and non-cash distribution to equity holders of the Parent

The Parent recognises a liability to pay cash or make non-cash distributions to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Parent. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the Consolidated Statement of Profit or Loss.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

k) Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the asset as follows:

Class	Period
Computer hardware	2 – 3 years
Plant and other equipment	5 years
Leasehold improvements	Over lease term
Shop fixtures and fittings	Over lease term

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

i) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statement of Profit or Loss in the year the asset is derecognised.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Consolidated Statement of Profit or Loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit or Loss when the asset is derecognised.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

i) Computer software and Software-as-a-Service (SaaS) arrangements

Computer software has been determined to have a finite life and is amortised on a straight-line basis over its useful life.

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are recognised as expenses when the supplier provides the services over the contract term. When such costs incurred do not provide a distinct service, the costs are recognised as expenses over the duration of the SaaS contract.

ii) Brand names

Brand names have been determined to have an indefinite life, are not amortised, are acquired and are subject to impairment testing annually or more frequently where an indicator of impairment exists. The indefinite-useful life reflects management's intention to continue to operate these brands to generate net cash inflows into the foreseeable future.

m) Impairment

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the Consolidated Statement of Profit or Loss in expense categories consistent with the nature of the impaired asset.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Profit or Loss.

Goodwill is tested for impairment annually at reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the Consolidated Statement of Profit or Loss. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

n) Transaction costs

Transaction costs related to borrowings are recognised as expenses using the effective interest method as described in Note 2.4(r).

o) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

› ***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

› *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

› *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of retail stores, warehouses and head office (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

p) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and in transit, at bank and on deposit, net of outstanding bank overdrafts. When drawn, bank overdrafts are included within borrowings in current liabilities on the Consolidated Statement of Financial Position.

q) Employee benefits

i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long service leave

The liability for long service leave is recognised and measured in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds (Australian employees) and government bond rate (New Zealand employees) with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

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 date.

s) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-90 days of recognition.

t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Profit or Loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

u) Contributed equity

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

v) Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gain or losses arising from the changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year as defined by AASB 9. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction; or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment or highly probable forecast transaction is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

i) Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the Consolidated Statement of Profit or Loss when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the Consolidated Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the Consolidated Statement of Profit or Loss.

w) Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised below:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

x) Share-based payments

Employees (including Senior 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).

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, further details of which are given in Note 25.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (share-based payment reserve), 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 Consolidated 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 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 Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.5. Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements:

a) Significant accounting judgements

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular assets that may lead to impairment. These include product, manufacturing and retail performance, technology and economic environments and future product expectations. If an impairment trigger exists, the recoverable amount of the assets is determined. This involves value in use or fair value less costs of disposal calculations, which incorporate a number of key estimates and assumptions.

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of six months to eight years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e., a change in business strategy).

The Group has included the renewal period as part of the lease term for some of its leases of retail stores, warehouses and office space due to the significance of these assets to its operations.

Extension options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The present value of lease payments to be made under these options considered reasonably certain to be exercised at commencement date have been included in the lease liability balance at 30 June 2024. The undiscounted potential future payments at current rental rates under options that are not considered reasonably certain to be exercised at 30 June 2024 is $40,819,000 (2023: $33,853,000), which includes potential lease payments within the next five years of $22,485,000 (2023: $13,629,000) should those options be exercised.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

The Group also has a number of leases in holdover that are cancellable by the Group or the lessor with a short-term notice period. The lease term for cancellable leases has been determined by assessing whether termination options are reasonably certain to be exercised by Adairs. The Group's exposure to future lease payments is not included in the measurement of lease liabilities given cancellable leases depend on whether the Group agrees to renew the lease under revised terms or exit the lease.

Determining the leased asset

A leased asset exists when an entity receives 'substantially all' the economic benefits and controls the asset. The accounting standards do not define a threshold for 'substantially all' (although it is generally accepted in practice to be a very high threshold) and therefore management is required to exercise judgement.

b) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units or group of cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. These estimates are based on conditions existing and emerging as at 30 June 2024, including management's assessment of the future cashflows. The assumptions used in this estimation of the recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 10.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 25.

Long service leave provision

As outlined in Note 2.4(q), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Make good provisions

Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling and removal of shop fittings and cleaning. These future cost estimates are discounted to their present value. The calculation of this provision requires assumptions such as store closure dates and removal cost estimates.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for shop fittings). In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 9.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

Net realisable value of inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business. Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of various items of inventory, and recorded a provision for this amount.

Revenue from contracts with customers

The recognition of revenue from contract with customers is subject to significant estimates in the following areas:

- Linen Lover membership program – identification of two performance obligations (Welcome Voucher and other ongoing membership benefits) and estimation of the standalone selling price for each performance obligation based on the estimated value attributed to each performance obligation.
- Right of returns provision – estimate of the quantity and value of goods that will be returned based on the expected value method, being the best method to predict the amount of variable consideration entitled to by the Group.

Refer to Note 2.4(h) for further details in relation to the accounting policy for revenue from contracts with customers.

Lease related estimates – Estimating the incremental borrowing rate

If the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment. The IBR therefore reflects what the Group would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

NOTE 3. SEGMENT REPORTING

For management purposes, the Group is organised into business units which form three reportable segments, being Adairs, Mocka and Focus.

Operating segments are identified on the basis of internal reports to senior management about components of the Group that are regularly reviewed by senior management who have been identified as the chief operating decision maker, in order to allocate resources to the segment and to assess its performance and for which discrete financial information is available.

Information reported to senior management for the purposes of resource allocation and assessment of performance is specifically focused on core products and services, which when aggregated, forms three reportable operating segments.

Underlying earnings before interest tax and depreciation (EBIT) is the key measure by which the performance of the segments is monitored. Underlying EBIT excludes the impact of significant items deemed by management and the Board to be items not reflective of normal operating activities.

	Adairs $'000	Mocka $'000	Focus $'000	Consolidated $'000
53 weeks ended 30 June 2024				
Revenue from contracts with external customers	413,358	51,420	129,578	594,356
Underlying EBIT	31,660	6,458	19,510	57,628
Items not included in the segment result:				
Non-underlying items[1]				2,567
Finance expenses				(16,237)
Interest income				444
Profit before income tax				**44,402**
Income tax expense				(13,312)
Profit after income tax				**31,090**
As at 30 June 2024				
Total assets	343,033	104,536	162,927	610,496
Total liabilities	295,355	15,010	76,967	387,332

1. Non-underlying items comprise of (i) impact of AASB 16 *Leases*; (ii) National Distribution Centre (NDC) transition costs; and (iii) SaaS cloud computing project costs.

NOTE 3. SEGMENT REPORTING *continued*

	Adairs $'000	Mocka $'000	Focus $'000	Consolidated $'000
52 weeks ended 25 June 2023				
Revenue from contracts with external customers	430,823	48,642	141,870	621,335
Underlying EBIT	34,951	1,531	27,410	63,892
Items not included in the segment result:				
Non-underlying items[1]				3,583
Finance expenses				(13,677)
Interest income				405
Profit before income tax				**54,203**
Income tax expense				(16,360)
Profit after income tax				**37,843**
As at 25 June 2023				
Total assets	345,053	105,866	145,558	596,477
Total liabilities	306,909	17,394	69,953	394,256

1. Non-underlying items comprise of (i) impact of AASB 16 *Leases*; and (ii) NDC transition costs.

NOTE 4. REVENUES AND EXPENSES

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
(a) Revenue from contracts with customers		
Set out below is the disaggregation of the Group's revenue from contracts with customers:		
Types of goods and services		
Sale of goods and services – stores	419,371	446,346
Sale of goods and services – online	174,985	174,989
Total revenue from contracts with customers	**594,356**	**621,335**
(b) Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	10,221	7,543
Depreciation of right-of-use assets	48,555	49,049
Amortisation of software	1,541	1,888
Total depreciation and amortisation expenses	**60,317**	**58,480**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	4,598	4,797
Depreciation and amortisation expenses	55,719	53,683

NOTE 4. REVENUES AND EXPENSES *continued*

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
(c) Finance expenses		
Interest on borrowings and other finance costs	7,083	6,234
Interest on lease liabilities	9,654	7,560
Amortisation of borrowing costs	352	623
Total finance expenses	**17,089**	**14,417**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	852	740
Finance expenses	16,237	13,677
(d) Salaries and employee benefits expenses		
Wages and salaries	123,625	110,832
Defined contribution superannuation expense	10,391	9,551
Share-based payment expense/(reversal)	15	(435)
Total salaries and employee benefits expense	**134,031**	**119,948**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	21,317	8,255
Salaries and employee benefits expenses	112,714	111,693
(e) Other expenses from ordinary activities		
Credit card and merchant fees	5,604	5,694
Professional fees	2,547	2,003
Third party warehousing related charges	8,595	30,478
Packaging and consumables	1,272	697
IT services	3,681	4,122
Asset, property and maintenance expenses	3,003	2,699
SaaS cloud computing project costs[1]	3,061	–
National Distribution Centre transition costs[2]	1,871	389
Other	6,842	8,127
Total other expenses	**36,476**	**54,209**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	11,808	31,189
Other expenses	24,668	23,020

1. SaaS cloud computing project costs: costs associated with project management, training and testing of software-as-a-service (SAAS) cloud based computing projects.
2. NDC transition costs: costs associated with the operational takeover of the Adairs National Distribution Centre (NDC) from DHL, including change management, recruitment and training of personnel.

NOTE 5. INCOME TAX

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
The major components of income tax expense are:		
Consolidated Statement of Profit or Loss		
Current income tax		
Current income tax charge	15,233	17,756
Adjustments in respect of current income tax of previous years	(9)	(22)
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,912)	(1,374)
Income tax expense reported in the Consolidated Statement of Profit or Loss	**13,312**	**16,360**
Consolidated Statement of Other Comprehensive Income		
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,066)	(2,531)
Income tax (benefit) reported in the Consolidated Statement of Other Comprehensive Income	**(1,066)**	**(2,531)**
A reconciliation of income tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Total accounting profit before income tax	44,402	54,203
At the statutory income tax rate of 30% (2023: 30%)	13,321	16,261
Adjustments in respect of current income tax of previous years	(9)	(22)
Net non-assessable income)/non-deductible expenses	(5)	(86)
Effect of foreign tax rates	(32)	(9)
Other	37	216
Income tax expense reported in the Consolidated Statement of Profit or Loss	**13,312**	**16,360**

NOTE 5. INCOME TAX *continued*

	Consolidated Statement of Financial Position		Consolidated Statement of Profit or Loss and Other Comprehensive Income	
	As at 30 June 2024 $'000	**As at 25 June 2023 $'000**	**53 weeks ended 30 June 2024 $'000**	**52 weeks ended 25 June 2023 $'000**
Deferred income tax				
Deferred income tax relates to the following:				
Deferred tax assets				
Inventories	697	706		
Lease liabilities	59,458	53,437		
Other liabilities	3,615	3,477		
Provisions	6,149	6,000		
Equity instruments	128	75		
Carry forward tax losses	852	374		
Other	82	243		
Total deferred tax assets	**70,981**	**64,312**		
Deferred tax liabilities				
Other assets	(118)	(117)		
Property, plant and equipment	(1,962)	(2,827)		
Right-of-use assets	(52,603)	(47,088)		
Brand names	(33,425)	(33,425)		
Financial instruments	(550)	(1,616)		
Other	(68)	(9)		
Total deferred tax liabilities	**(88,726)**	**(85,082)**		
Net deferred tax liabilities	**(17,745)**	**(20,770)**		
Amounts credited directly to profit and loss			1,912	1,374
Amounts credited directly to other comprehensive income			1,066	2,531
Amounts credited directly to equity			47	–
Movement in net deferred tax liabilities			**3,025**	**3,905**

NOTE 6. CASH AND CASH EQUIVALENTS

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Cash at bank	12,766	25,799
Cash on hand	106	99
Total cash and cash equivalents	**12,872**	**25,898**

Consolidated Statement of Cash Flows Reconciliation

a) Reconciliation of net profit after tax to net cash flows from operating activities

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Net profit after tax	31,090	37,843
Adjustments and non-cash items		
Depreciation and amortisation expenses	60,317	58,480
Share-based payments expense/(reversal)	15	(435)
Amortisation of borrowing costs	352	623
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	585	1,572
(Increase)/Decrease in other assets	(3,914)	3,027
(Increase)/Decrease in inventories	4,029	11,290
(Increase)/Decrease in current tax receivables/payables	4,736	1,092
Increase/(Decrease) in trade and other payables	(2,485)	4,204
Increase/(Decrease) in other liabilities	1,400	(7,888)
Increase/(Decrease) in deferred tax liabilities	(1,912)	(1,374)
Increase/(Decrease) in provisions	(336)	164
Increase/(Decrease) in earn-out liabilities	(200)	(200)
Net cash flow from operating activities	**93,677**	**108,398**

NOTE 6. CASH AND CASH EQUIVALENTS *continued*

b) Reconciliation of liabilities arising from financing activities

53 weeks ended 30 June 2024	As at 25 June 2023 $'000	Net cash flows $'000	As at 30 June 2024 $'000
Interest-bearing liabilities (Note 13)	100,000	(23,000)	77,000
Total liabilities from financing activities	**100,000**	**(23,000)**	**77,000**

52 weeks ended 25 June 2023	As at 26 June 2022 $'000	Net cash flows $'000	As at 25 June 2023 $'000
Interest-bearing liabilities (Note 13)	120,000	(20,000)	100,000
Total liabilities from financing activities	**120,000**	**(20,000)**	**100,000**

The reconciliation of lease liabilities is detailed within Note 16.

NOTE 7. TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Trade and other receivables		
Other receivables	3,591	4,176
Trade and other receivables	**3,591**	**4,176**
Other assets		
Prepaid expenses	8,551	7,272
Deposits	1,092	407
Contract assets	98	103
Other assets	435	532
Total current other assets	**10,176**	**8,314**
Prepaid expenses	1,915	–
Total non-current other assets	**1,915**	**–**

Trade and other receivables are non-interest bearing and no material provision for impairment (based on expected credit losses) has been recorded as at 30 June 2024 (2023: nil) as the amount is considered to be not material.

NOTE 8. INVENTORIES

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Stock on hand	73,088	74,686
Stock in transit	10,657	13,088
Total inventories, at lower of cost and net realisable value	**83,745**	**87,774**

During the 53 weeks ended 30 June 2024, $25,000 was recognised as a provision reversal for inventories carried at net realisable value (2023: $30,000 reversal). This is recognised in cost of sales.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures & Fittings $'000	Leasehold Improvements $'000	Computer Hardware $'000	Plant & Other Equipment $'000	Total $'000
Cost					
As at 26 June 2022	**59,685**	**1,196**	**6,348**	**13,696**	**80,925**
Additions	2,974	–	771	1,852	5,597
Additions – work in progress	1,360	–	–	–	1,360
Disposals	(1,678)	–	(455)	(80)	(2,213)
Exchange differences	19	–	–	2	21
As at 25 June 2023	**62,360**	**1,196**	**6,664**	**15,470**	**85,690**
Additions	18,296	–	961	3,329	22,586
Additions – work in progress	1,715	–	–	–	1,715
Disposals	(190)	–	(6)	(368)	(564)
Exchange differences	(6)	–	–	(1)	(7)
As at 30 June 2024	**82,175**	**1,196**	**7,619**	**18,430**	**109,420**
Depreciation and impairment					
As at 26 June 2022	**44,203**	**632**	**4,834**	**7,702**	**57,371**
Depreciation	4,837	59	474	2,173	7,543
Disposals	(1,678)	–	(449)	(54)	(2,181)
Exchange differences	6	–	–	1	7
As at 25 June 2023	**47,368**	**691**	**4,859**	**9,822**	**62,740**
Depreciation	6,023	16	1,974	2,208	10,221
Disposals	(190)	–	(4)	(360)	(554)
Exchange differences	(8)	–	–	–	(8)
As at 30 June 2024	**53,193**	**707**	**6,829**	**11,670**	**72,399**
Net book value					
As at 25 June 2023	**14,992**	**505**	**1,805**	**5,648**	**22,950**
As at 30 June 2024	**28,982**	**489**	**790**	**6,760**	**37,021**

NOTE 9. PROPERTY, PLANT AND EQUIPMENT *continued*

Impairment testing of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment annually. If an indication of impairment exists and where the carrying value of the asset exceeds the estimated recoverable amount, the assets or cash generating units (CGU) are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value-in-use. Value-in-use refers to an asset's value based on the expected future cash flows arising from its continued use discounted to present value using a pre-tax discount rate that reflect current market assessments of the risks specific to the asset.

Nil impairment loss was recognised during the 53 weeks ended 30 June 2024 (2023: nil).

NOTE 10. INTANGIBLES

	Software $'000	Brand Names and Trademarks $'000	Goodwill $'000	Total $'000
Cost or fair value				
As at 26 June 2022	**14,378**	**112,810**	**179,205**	**306,393**
Additions	2,081	–	–	2,081
Work in progress	3,286	–	–	3,286
Disposals	(2,097)	–	–	(2,097)
Exchange differences	(1)	–	–	(1)
As at 25 June 2023	**17,647**	**112,810**	**179,205**	**309,662**
Additions	3,108	–	–	3,108
Disposals	–	–	–	–
Exchange differences	–	–	–	–
As at 30 June 2024	**20,755**	**112,810**	**179,205**	**312,770**
Amortisation and impairment				
As at 26 June 2022	**7,698**	**–**	**19,910**	**27,608**
Amortisation	1,888	–	–	1,888
Disposals	(2,103)	–	–	(2,103)
Exchange differences	–	–	–	–
As at 25 June 2023	**7,483**	**–**	**19,910**	**27,393**
Amortisation	1,541	–	–	1,541
Disposals	–	–	–	–
Exchange differences	–	–	–	–
As at 30 June 2024	**9,024**	**–**	**19,910**	**28,934**
Net book value				
As at 25 June 2023	**10,164**	**112,810**	**159,295**	**282,269**
As at 30 June 2024	**11,731**	**112,810**	**159,295**	**283,836**

NOTE 10. INTANGIBLES *continued*

Impairment assessment of goodwill and brand names

Goodwill acquired through business combinations and brand names with indefinite lives have been allocated to the cash generating units (CGUs) or group of CGUs for the purpose of impairment testing.

Carrying amounts of goodwill and brand names allocated to the CGUs are as follows:

	Adairs $'000	Mocka $'000	Focus $'000
Goodwill	69,927	48,409	40,959
Brand	42,711	33,115	36,984

The Group performed its annual impairment tests for the Adairs, Mocka and Focus CGUs as at 30 June 2024. The recoverable amount of each CGU has been determined based on a value-in-use calculation using discounted cash flow projections from financial budgets approved by senior management and endorsed by the Board covering a five-year period.

The estimate of the recoverable amount of each CGU is based on conditions existing and emerging as at 30 June 2024. The calculation of the value-in-use for all CGUs is comprised of assumptions for revenue and EBITDA growth rates. The key estimates applied to determine the recoverable amount of each CGU are as follows:

	As at 30 June 2024			As at 25 June 2023		
	Adairs %	Mocka %	Focus %	Adairs %	Mocka %	Focus %
Discount rate (pre-tax)	13.4%	15.6%	14.9%	14.4%	16.0%	15.8%
Terminal value (long-term) growth rate	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

Key assumptions used in value in use calculations

Significant judgement and assumptions are required in making estimates of the recoverable amount for each CGU. The cash flow forecasts used in estimating the value-in-use for all CGUs are most sensitive to the following assumptions:

Revenue growth rates	Rates are based on management's best estimate of anticipated growth in revenue, considering historical performance and expected future growth in key performance indicators.
EBITDA growth rates	Earnings before interest, tax and depreciation and amortisation ("EBITDA") is a function of gross margin and both variable operating costs and fixed overhead costs. Gross margin rates have been applied to revenue based on average values achieved in the past and adjusted for future expectations. Variable operating costs have been allocated to sales volumes derived from anticipated revenues. Fixed overhead costs have been assumed based on expectations of necessary overheads to operate the business. Cost growth assumptions have been factored considering both inflationary and business growth.

NOTE 10. INTANGIBLES *continued*

Discount rate	Discount rate calculation is based on the specific circumstances of the Group and the industry in which the CGU operates and is derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. A specific risk factor is incorporated into the individual WACC of each CGU by applying unique risk factors.
Terminal value (long-term) growth rates	Long-term growth rate used to extrapolate cash flows in the terminal value beyond the five-year forecast period. The assumption is made based on industry related expectations for long-term growth.

Due to the above factors, actual cash flows and values could vary significantly from forecasted future cash flows and related values derived from discounting techniques.

The Group's experience in recent periods evidences its ability to respond to evolving consumer trends and adapt within the overall operating environment, as reflected in the Group's profitable trading performance across all three segments during the 53 weeks ended 30 June 2024. In particular, the performance of the Mocka CGU has improved significantly during the current period. The Group believes that the assumptions adopted in the value-in-use estimates reflect an appropriate balance between its experience to date and the uncertainty associated with the current and expected future economic environment.

Accordingly, no impairment was recorded for the 53 weeks ended 30 June 2024 (2023: nil impairment).

There are no reasonable possible changes in key assumptions that could cause the carrying value of the CGUs to exceed its recoverable amount.

NOTE 11. TRADE AND OTHER PAYABLES

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Trade creditors	30,553	34,450
Accrued expenses	18,299	17,917
Other payables	3,575	2,577
Total current trade and other payables	**52,427**	**54,944**
Current	52,427	54,944
Non-current	–	–
Total trade and other payables	**52,427**	**54,944**

Terms and conditions of the above trade and other liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 to 90 day terms.
- Other payables are non-interest bearing and do not have settlement terms.

NOTE 12. OTHER LIABILITIES

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Current other liabilities		
Undelivered customer orders and deposits	11,686	9,482
Other liabilities	8,545	9,337
Total current other liabilities	**20,231**	**18,819**
Non-current other liabilities		
Other liabilities	1,263	1,275
Total non-current other liabilities	**1,263**	**1,275**
Current	20,231	18,819
Non-current	1,263	1,275
Total other liabilities	**21,494**	**20,094**

Undelivered customer orders and deposits represent amounts received from customers for orders not yet completed. Deposits received from customers are recognised as revenue at the point of delivery of the goods to the customer.

Other liabilities include deferred revenue with respect to the Linen Lover membership program, unredeemed gift cards, as well as other revenue from contracts with customers received in advance of recognition.

The remaining performance obligations expected to be recognised in more than one year (non-current other liabilities) relate primarily to the Linen Lover membership program which will be satisfied over a two-year membership period from joining date. Refer to Note 2.4(h) for revenue recognition policy.

NOTE 13. BORROWINGS

	Interest rate %	Maturity	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Non-current				
Revolving loan – Facility A	BBSW + 2.15	2 Jan 2026	77,000	55,000
Revolving loan – Facility D	BBSW + 2.30	3 Jan 2027	–	45,000
Principal outstanding borrowings			77,000	100,000
Total non-current			**77,000**	**100,000**
Current			–	–
Non-current			77,000	100,000
Total interest-bearing loans and borrowings			**77,000**	**100,000**
(a) Financing facilities available				
At reporting date, the following non-shareholder financing facilities had been in place with the bank and were available:				
Revolving loan facilities available at the reporting date:			135,000	135,000
Revolving loan facilities used at the reporting date:			(77,000)	(100,000)
Other multi option facilities available at the reporting date:			9,500	6,500
Other multi option facilities used at the reporting date[1]:			(5,603)	(3,576)
Facilities unused at the reporting date:			**61,897**	**37,924**

1. The amount of used multi option facilities of $5,603,000 (25 June 2023: $3,576,000) represents bank guarantees, letters of credit and corporate card facilities.

In October 2023, the Group renegotiated the maturity date of Facility D by two years which is now due to expire on 3 January 2027. The multi option facilities were increased from $6,500,000 to $9,500,000 and the maturity date was extended by one year to 13 December 2024. Financial covenant measures were also amended. There were no further material changes to the finance facilities.

The amount of borrowing costs capitalised as at 30 June 2024 was $436,000 (25 June 2023: $532,000) and is included within other assets. The interest rate applicable to the debt facilities is variable and the Group does not hedge the interest rate. The costs associated with the debt facilities are recorded in "Finance expenses" in the Consolidated Statement of Profit or Loss.

NOTE 14. PROVISIONS

a) Make Good

	Make good $'000	Total $'000
As at 26 June 2022	**4,802**	**4,802**
Arising during the year	27	27
Utilised	(51)	(51)
Unwinding of discount rate and changes in the discount rate	102	102
As at 25 June 2023	**4,880**	**4,880**
Arising during the year	71	71
Utilised	(87)	(87)
Unwinding of discount rate and changes in the discount rate	315	315
As at 30 June 2024	**5,179**	**5,179**

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Current	–	–
Non-current	5,179	4,880
Total make good	**5,179**	**4,880**

b) Employee entitlements

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Current		
Annual leave	6,283	7,201
Long service leave	4,534	4,371
Total current	**10,817**	**11,572**
Non-current		
Long service leave	1,260	1,140
Total non-current	**1,260**	**1,140**
Total employee entitlements	**12,077**	**12,712**
Total current	10,817	11,572
Total non-current	6,439	6,020
Total provisions	**17,256**	**17,592**

Nature and timing of provisions

Refer to Note 2.4(t) and 2.5(b) for the relevant accounting policy and details of significant estimations and assumptions applied in the measurement of these provisions.

NOTE 15. ISSUED CAPITAL AND RESERVES

a) Authorised Shares

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Ordinary Shares	174,683	173,051

Ordinary shares are fully-paid and have no par value. They carry one vote per share and the right to dividends. They bear no special terms or conditions affecting income or capital entitlements of the shareholders and are classified as equity.

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Balance at the beginning of the period	84,737	81,235
Exercise of share options[i]	1,563	–
Dividend reinvestment plan[ii]	1,051	3,502
Balance at the end of the period	**87,351**	**84,737**

i New ordinary shares in the Company of 1,190,429 were issued upon exercise of share options. The Company received $nil from the holders of the share options. Refer to Note 25.

ii New ordinary shares in the Company were issued via the dividend reinvestment plan. This included allotments during the 53 weeks ended 30 June 2024 of 441,345 ordinary shares at $2.38 per share in April 2024.

b) Share-based payment reserve

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Balance at the beginning of the period	3,712	4,147
Exercise of share options	(1,563)	–
Share-based payment expense/(reversal)	15	(435)
Tax effect of share-based payments	47	–
Balance at the end of the period	**2,211**	**3,712**

c) Foreign currency translation reserve

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Balance at the beginning of the period	(276)	(503)
Foreign currency translation of foreign subsidiaries	(131)	227
Balance at the end of the period	**(407)**	**(276)**

NOTE 15. ISSUED CAPITAL AND RESERVES *continued*

d) Cash flow hedge reserve

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Balance at the beginning of the period	3,782	9,678
Recognised in Consolidated Statement of Other Comprehensive Income		
Net (loss) on cash flow hedges	(3,542)	(8,427)
Income tax related to the net loss on cash flow hedges	1,066	2,531
Balance at the end of the period	**1,306**	**3,782**

e) Retained earnings

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Balance at the beginning of the period	110,266	103,326
Recognised in Consolidated Statement of Other Comprehensive Income		
Net profit for the period	31,090	37,843
Dividends paid during the period	(8,653)	(30,903)
Balance at the end of the period	**132,703**	**110,266**

NOTE 16. LEASE ARRANGEMENTS AND OTHER COMMITMENTS

Set out below are the carrying amounts of the Groups' right-of-use assets and lease liabilities and the movement during the 53 weeks ended 30 June 2024:

	Right-of-use assets $'000	Lease liabilities $'000
As at 25 June 2022	**166,019**	**187,952**
Additions	40,223	41,107
Depreciation expense	(49,049)	–
Interest expense	–	7,560
Payments	–	(56,249)
Foreign currency difference	21	25
As at 25 June 2023	**157,214**	**180,395**
Additions	66,805	66,912
Depreciation expense	(48,555)	–
Interest expense	–	9,654
Payments	–	(58,076)
Foreign currency difference	13	12
As at 30 June 2024	**175,477**	**198,897**

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Current lease liabilities	52,523	48,677
Non-current lease liabilities	146,374	131,718
	198,897	**180,395**

The following are the amounts recognised in profit and loss:

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Depreciation expense of right-of-use assets	48,555	49,049
Interest expense on lease liabilities	9,654	7,560
Expense relating to short-term leases[1]	949	967
Variable lease payments and outgoings[1]	12,133	11,909
COVID-19 rent concessions[1]	–	(748)
Total amount recognised in profit or loss	**71,291**	**68,737**

1. Items included within Occupancy expenses are primarily variable lease payments and outgoings in the amount of $13,082,000 during the 53 weeks ended 30 June 2024 (52 weeks ended 25 June 2023: $12,128,000).

The Group had total cash outflows for leases of $73,345,000 during the 53 weeks ended 30 June 2024 (52 weeks ended 25 June 2023: $69,090,000).

The maturity analysis of lease liabilities is disclosed in Note 18(iii).

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Current assets		
Forward currency contracts – cash flow hedges	1,863	5,326
	1,863	**5,326**
Non-current assets		
Forward currency contracts – cash flow hedges	–	72
	–	**72**

Forward currency contracts – cash flow hedges

The Group buys inventories that are purchased in US Dollars (USD). In order to protect against exchange rate movements and to manage the inventory purchases process, the Group has entered into forward exchange contracts to purchase USD. Outstanding contracts are hedging highly probable forecasted inventory purchases and the contract notional value is forecast to total less than the expected level of total purchases of inventory in USD within 18 months.

Forward currency contracts are timed to mature when payments are scheduled to be made. These derivatives have met the requirements to qualify for hedge accounting with movements recorded in other comprehensive income accordingly.

The Group is holding the following foreign currency contracts:

	Maturity						
	< 1 month	1-3 months	3-6 months	6-9 months	9-12 months	>12 months	Total
As at 30 June 2024							
Forward currency contracts (highly probable forecast inventory purchases)							
– AUD Notional amount ($'000)	5,176	35,527	43,531	28,761	17,876	–	**130,871**
– Average forward rate (USD/AUD)	0.6771	0.6909	0.6744	0.6693	0.6702	–	–
– Average forward rate (USD/NZD)	–	0.6301	0.6087	0.6107	–	–	–
As at 25 June 2023							
Forward currency contracts (highly probable forecast inventory purchases)							
– AUD Notional amount ($'000)	1,486	28,977	60,090	27,263	20,617	2,895	**141,328**
– Average forward rate (USD/AUD)	0.7535	0.7130	0.7134	0.6935	0.6817	0.6908	–
– Average forward rate (USD/NZD)	0.6220	0.6343	0.6379	–	–	–	–

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS *continued*

	Notional amount $'000	Carrying amount $'000	Line item in the Consolidated Statement of Financial Position
As at 30 June 2024			
Forward currency contracts	130,871	1,863	Derivative financial instruments – assets
As at 25 June 2023			
Forward currency contracts	141,328	5,398	Derivative financial instruments – assets

There was no material hedge ineffectiveness arising from the Group's forward currency contract hedging strategy during the 53 weeks ended 30 June 2024 (2023: nil). This is due to inventory purchases in USD exceeding the notional amount of forward currency contracts taken out and maturing when payments are scheduled.

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash and short-term deposits, derivatives and lease liabilities.

Risk exposures and responses

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

With respect to credit risk, the overwhelming majority of the Group's sales are on cash or cash equivalent terms with settlement within 24 business hours. As such, the Group's exposure to credit risk is minimal. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and liquidity risk.

i) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term unhedged debt obligations.

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Financial instruments		
Cash and cash equivalents	12,872	25,898
Borrowings	(77,000)	(100,000)
Net exposure	**(64,128)**	**(74,102)**

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

As at 30 June 2024, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit after tax would have been affected as follows due to the higher/lower interest rate costs from variable debt and cash balances:

Judgements of reasonably possible movements:

	53 weeks ended 30 June 2024 $'000
Profit after tax higher/(lower)	
+1.5% (+150 basis points)	(673)
+1.0% (+100 basis points)	(449)
+0.5% (+50 basis points)	(224)
-0.5% (-50 basis points)	224
-1.0% (-100 basis points)	449
-1.5% (-150 basis points)	673

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating, relationships with finance institutions, the level of debt that is expected to be renewed as well as a review of the last two years' historical movements and economic forecaster's expectations.
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months from the reporting date.

ii) Foreign currency risk

As a result of large purchases of inventory denominated in USD, the Group's Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss can be affected significantly by movements in the USD/AUD exchange rates and USD/NZD exchange rates. The Group attempts to mitigate this risk by entering into forward foreign exchange contracts, as detailed below.

At reporting date, the Group had the following exposure to USD foreign currency that is not covered by a designated cash flow hedge (denominated in AUD).

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Financial liabilities		
Payables	12,122	4,992

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

As at 30 June 2024, had the AUD moved, as illustrated in the table below, with all other variables held constant, and without consideration of the Group's available forward currency contracts, profit after tax would have been affected as follows:

Judgements of reasonably possible movements:

	53 weeks ended 30 June 2024 $'000
Profit after tax higher/(lower)	
AUD to USD +10%	771
AUD to USD +5%	404
AUD to USD -5%	(447)
AUD to USD -10%	(943)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years' historical movements and economic forecaster's expectations.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from reporting date.

iii) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

A. Non-derivative financial assets and liabilities

The following liquidity risk disclosures reflect all contractually fixed payables, repayments and interest resulting from recognised financial liabilities as well as liquid financial assets as of 30 June 2024. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for assets/liabilities is based on the contractual terms of the underlying contract.

	< 6 months $'000	**6 – 12 months $'000**	**1 – 5 years $'000**	**> 5 years $'000**	**Total $'000**
As at 30 June 2024					
Liquid financial assets					
Cash and cash equivalents	12,872	–	–	–	12,872
Trade and other receivables	3,591	–	–	–	3,591
Financial Liabilities					
Trade and other payables	(52,427)	–	–	–	(52,427)
Lease liabilities	(30,660)	(30,691)	(144,279)	(23,632)	(229,262)
Earn-out liabilities	(261)	–	–		(261)
Borrowings	–	–	(77,000)	–	(77,000)
Net outflow	**(66,885)**	**(30,691)**	**(221,279)**	**(23,632)**	**(342,487)**

	< 6 months $'000	**6 – 12 months $'000**	**1 – 5 years $'000**	**> 5 years $'000**	**Total $'000**
As at 25 June 2023					
Liquid financial assets					
Cash and cash equivalents	25,898	–	–	–	25,898
Trade and other receivables	4,176	–	–	–	4,176
Financial Liabilities		–			
Trade and other payables	(54,944)	–	–	–	(54,944)
Lease liabilities	(28,560)	(29,041)	(110,039)	(23,023)	(190,663)
Earn-out liabilities	(200)	–	(261)		(461)
Borrowings	–	–	(100,000)	–	(100,000)
Net outflow	**(53,630)**	**(29,041)**	**(210,300)**	**(23,023)**	**(315,994)**

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

B. Derivative financial liabilities

Due to the unique characteristics and risks inherent to derivative instruments the Group separately monitors the liquidity risk arising from transacting in derivative instruments.

The table below details the liquidity risk arising from the derivative assets held by the Group at the reporting date:

	< 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000	Total $'000
As at 30 June 2024					
Derivatives – forward currency contracts	1,584	279	–	–	1,863
Net inflow	**1,584**	**279**	**–**	**–**	**1,863**

	< 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000	Total $'000
As at 25 June 2023					
Derivatives – forward currency contracts	4,316	1,010	72	–	5,398
Net inflow	**4,316**	**1,010**	**72**	**–**	**5,398**

iv) Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

	As at 30 June 2024			As at 25 June 2023		
	Valuation Level 2 $'000	**Valuation Level 3 $'000**	**Total $'000**	**Valuation Level 2 $'000**	**Valuation Level 3 $'000**	**Total $'000**
Financial assets						
Forward exchange contracts	1,863	–	1,863	5,398	–	5,398
Financial liabilities						
Earn-out liabilities	–	(261)	(261)	–	(461)	(461)
	1,863	**(261)**	**1,602**	**5,398**	**(461)**	**4,937**

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	As at 30 June 2024		As at 25 June 2023	
	Carrying Amount $'000	**Fair Value $'000**	**Carrying Amount $'000**	**Fair Value $'000**
Financial assets				
Forward exchange contracts	1,863	1,863	5,398	5,398
Financial liabilities				
Earn-out liabilities	(261)	(261)	(461)	(461)
Borrowings	(77,000)	(77,000)	(100,000)	(100,000)
	(75,398)	**(75,398)**	**(95,063)**	**(95,063)**

NOTE 19. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and adjusts in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by the sum of total capital and net debt. The Group's objective is to ensure the gearing ratio remains below 50%. Included within the Group's calculation of net debt is borrowings less cash and cash equivalents.

	As at 30 June 2024 $'000	**As at 25 June 2023 $'000**
Borrowings	77,000	100,000
Less: cash and cash equivalents	(12,872)	(25,898)
Net debt	**64,128**	**74,102**
Equity	223,164	202,221
Capital and net debt	**287,292**	**276,323**
Gearing ratio	22%	27%

In August 2023, the Directors of the Company elected not to declare a final dividend for FY23 due to the decision to assume operational control of the Adairs' National Distribution Centre, requiring a payment to acquire the related assets at the facility from its previous operator at a cost of $12.5 million. Further funds were also required to complete the operational takeover of the facility throughout FY24. This was a temporary change to the Company's dividend policy, and dividends resumed in FY24 with the payment of the interim dividend, in line with the Company's dividend policy.

No changes were made in the objectives, policies or processes for managing capital during the 53 weeks ended 30 June 2024.

NOTE 20. INFORMATION RELATING TO ADAIRS LIMITED ('THE PARENT ENTITY')

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Current assets	44	27
Total assets	113,840	109,050
Current liabilities	(123)	(164)
Total liabilities	(474)	(528)
Net assets	**113,366**	**108,522**
Issued capital	87,351	84,737
Retained earnings	23,055	19,325
Share-based payment reserve	2,960	4,460
Equity	**113,366**	**108,522**
Profit/(Loss) of the Parent entity	12,383	(1,115)
Total comprehensive profit/(loss) of the Parent entity	**12,383**	**(1,115)**

NOTE 21. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties other than KMP

There are no transactions with related parties other than KMP (2023: nil).

Compensation of key management personnel of the Group:

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Short-term employee benefits	1,861	2,264
Short-term incentives	322	–
Post-employment benefits	78	93
Termination benefits	–	–
Share-based payments expense/(reversal)	106	(1)
Total compensation to key management personnel	**2,367**	**2,356**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

NOTE 22. EARNINGS PER SHARE

Basic earnings per share (EPS) amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted EPS computations:

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Profit for the year attributable to ordinary equity holders of the Parent	31,090	37,843
Profit attributable to ordinary equity holders of the Parent for basic earnings	**31,090**	**37,843**
Profit attributable to ordinary equity holders of the Parent adjusted for the effect of dilution	**31,090**	**37,843**

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
Weighted average number of ordinary shares for basic EPS	173,437	172,147
Performance rights	2,027	864
Weighted average number of ordinary shares for the effect of dilution	**175,464**	**173,011**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTE 23. INFORMATION RELATING TO SUBSIDIARIES

The consolidated financial statements of the Group include:

		Equity Holding	
Name of Entity	**Country of incorporation**	**As at 30 June 2024 %**	**As at 25 June 2023 %**
Home & Décor Pty Limited[1]	Australia	100	100
Adairs Holdings Australia Pty Limited[1]	Australia	100	100
Adairs Retail Group Pty Limited[1]	Australia	100	100
Wilder Days Pty Limited[1]	Australia	100	100
Adairs New Zealand Limited	New Zealand	100	100
Mocka Holdings Pty Ltd[1]	Australia	100	100
Mocka Limited	New Zealand	100	100
Mocka Products Pty Ltd	Australia	100	100
Refocus Furniture Pty Ltd[1]	Australia	100	100
D. Gallery Pty Limited[1]	Australia	100	100
Focus On Furniture Pty Ltd[1]	Australia	100	100
Furniture Online Australia Pty Ltd[1]	Australia	100	100
Beds Online Australia Pty Limited[1]	Australia	100	100

1. Entity is party to a Deed of Cross Guarantee.

NOTE 23. INFORMATION RELATING TO SUBSIDIARIES *continued*

Deed of Cross Guarantee

The subsidiaries identified above are parties to a Deed of Cross Guarantee under which each party has guaranteed to pay any deficiency in the event of the winding up of any of the members in the Closed Group. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly-owned companies) Instrument 2016/785*.

These subsidiaries and Adairs Limited (together referred to as the 'Closed Group'), either originally entered into the Deed on 29 June 2011, or have subsequently joined the Deed of Cross Guarantee by way of an Assumption Deed.

The Consolidated Statement of Profit or Loss and Comprehensive Income and retained earnings of the Closed Group is as follows:

	53 weeks ended 30 June 2024 $'000	**52 weeks ended 25 June 2023 $'000**
Revenue from contracts with customers	536,043	564,744
Cost of sales	(284,376)	(297,135)
Gross profit	**251,667**	**267,609**
Other income	288	1,210
Depreciation and amortisation expenses	(53,183)	(51,323)
Salaries and employee benefits expenses	(106,237)	(105,691)
Occupancy expenses	(13,082)	(11,579)
Advertising expenses	(11,638)	(14,128)
Other expenses	(13,868)	(18,315)
Earnings before interest and tax	**53,947**	**67,783**
Finance expenses	(16,002)	(13,929)
Finance income	378	364
Profit before income tax	**38,323**	**54,218**
Income tax expense	(11,998)	(16,247)
Profit after tax	**26,325**	**37,971**
Items that may be reclassified subsequently to profit and loss (net of tax):		
Net movement of cash flow hedges	(2,049)	(8,234)
Income tax relating to the components of other comprehensive income	615	2,470
Other comprehensive loss	**(1,434)**	**(5,764)**
Total comprehensive income	**24,891**	**32,207**
Retained earnings		
Retained earnings at beginning of period	95,389	88,321
Profit after tax for the period	26,325	37,971
Dividends paid	(8,653)	(30,903)
Retained earnings at end of period	**113,061**	**95,389**

NOTE 23. INFORMATION RELATING TO SUBSIDIARIES *continued*

The Consolidated Statement of Financial Position of the Closed Group is as follows:

	As at 30 June 2024 $'000	As at 25 June 2023 $'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	11,317	18,096
Trade and other receivables	1,874	6,249
Inventories	72,078	73,364
Current tax receivables	–	1,945
Other assets	7,951	7,439
Derivative financial instruments	1,589	3,568
TOTAL CURRENT ASSETS	**94,809**	**110,661**
NON-CURRENT ASSETS		
Property, plant and equipment	34,807	21,025
Intangibles	203,050	200,594
Right-of-use assets	165,100	152,186
Derivative financial instruments	–	72
Investment in subsidiaries	84,494	84,494
Other assets	1,529	–
TOTAL NON-CURRENT ASSETS	**488,980**	**458,371**
TOTAL ASSETS	**583,789**	**569,032**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	47,847	51,819
Other liabilities	17,704	17,359
Earn-out liabilities	261	200
Lease liabilities	48,762	45,861
Current tax payables	1,154	–
Provisions	10,557	11,311
Related party payables	20,053	8,252
TOTAL CURRENT LIABILITIES	**146,338**	**134,802**
NON-CURRENT LIABILITIES		
Other liabilities	1,172	1,275
Earn-out liabilities	–	261
Deferred tax liabilities	10,238	12,028
Borrowings	77,000	100,000
Lease liabilities	139,003	128,366
Provisions	6,303	5,915
TOTAL NON-CURRENT LIABILITIES	**233,716**	**247,845**
TOTAL LIABILITIES	**380,054**	**382,647**
NET ASSETS	**203,735**	**186,385**
EQUITY		
Contributed equity	87,351	84,737
Share-based payment reserve	2,211	3,712
Cash flow hedge reserve	1,112	2,547
Retained earnings	113,061	95,389
TOTAL EQUITY	**203,735**	**186,385**

NOTE 24. DIVIDENDS

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Dividends on ordinary shares declared:		
Interim dividend for 2024: 5.0 cents per share (2023: 8.0 cents per share)	8,653	13,771
Proposed dividends on ordinary shares:		
Final cash dividend for 2024: 7.0 cents per share (2023: nil cents per share)	12,228	–

Proposed dividends are not recognised as a liability as at 30 June 2024.

Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Franking account balance as at the end of the period at 30%	66,699	60,294
Franking credits that will arise from the payment of income tax payable as at the end of the period	1,351	2,011
Franking debits that will arise from the payment of dividends as at the end of the period	(5,240)	–
	62,810	**62,305**

NOTE 25. SHARE-BASED PAYMENTS

Employees of the Group (the "participants") are granted equity instruments in the Company under the Equity Incentive Plan ("EIP"). The grants of equity instruments occur in tranches at different time periods.

2024 Tranche

In October 2023, 1,975,069 performance rights were granted to participants under the EIP for nil consideration. The performance rights vest if the service and performance conditions are met. The service condition requires the participants to be employed on a full-time basis by an entity of the Group from the grant date to 28 June 2026. The performance rights are subject to an earnings per share ("EPS") and earnings before interest and income tax ("EBIT") performance conditions. The EPS performance hurdle is expressed as the absolute EPS for the financial year 2026. The proportion of performance rights that vest will be pro-rated from 0-100% based on achievement with a range for each performance condition.

If these respective conditions are not met, the performance rights will not vest. The effective life of each performance right granted is 2.6 years which reflects the performance period. No dividends or voting rights are attached to performance rights prior to vesting, however shares allocated following the vesting of performance rights will rank equal in all respect with other ordinary shares.

NOTE 25. SHARE-BASED PAYMENTS *continued*

The assumptions underlying the fair value measurement of the equity instruments are:

Tranche	Grant date	Instrument	Pricing model	Exercise price	Expected volatility	Expected dividend yield	Risk-free interest rate	Expected life (years)	Grant date fair value
2019	Oct 2018	Share options	Black-Scholes	$2.40	45.0%	5.0%	2.23%	4.8	$0.43
2020	Dec 2019	Share options	Black-Scholes	$1.86	50.0%	8.0%	0.82%	4.8	$0.38
2021	Nov 2020	Share options	Black-Scholes	$4.04	60.0%	6.0%	0.31%	4.8	$0.90
2022 (EPS)	Oct 2021	Share options	Black-Scholes	$3.95	50.0%	6.0%	1.35%	4.8	$0.96
2022 (TSR)	Oct 2021	Share options	Monte Carlo	$3.95	50.0%	6.0%	1.35%	4.8	$0.80
2022 (Other)	Dec 2021	Share options	Black-Scholes	$3.16	50.0%	6.0%	1.35%	1.8	$0.90
2023	Oct 2022	Performance rights	Black-Scholes	nil	–	9.0%	3.75%	2.7	$1.52
2024	Oct 2023	Performance rights	Black-Scholes	nil	–	9.0%	4.19%	2.6	$1.18

For the 53 weeks ended 30 June 2024, the Group recognised $15,000 net expense in the Consolidated Statement of Profit or Loss (2023: $435,000 benefit).

Share options:

The following reconciles the movement in share options during the period:

Tranche	Expiry date	Balance as at 25 June 2023	Granted	Forfeited	Exercised	Lapsed / Expired	Balance as at 30 June 2024	Exercisable as at 30 June 2024
2018	Nov 2023	2,280,000	–	–	–	(2,280,000)	–	–
2019	Oct 2024	1,620,000	–	–	(1,080,000)[1]	–	540,000	540,000
2020	Oct 2025	2,900,000	–	–	(2,900,000)[1]	–	–	–
2021	Nov 2026	–	–	–	–	–	–	–
2022 (EPS)	Oct 2027	1,437,500	–	(333,333)	–	(1,104,167)	–	–
2022 (TSR)	Oct 2027	1,437,500	–	(333,334)	–	(1,104,166)	–	–
2022 (Other)	Sep 2024	785,000	–	–	–	–	785,000	785,000
Total		**10,460,000**	**–**	**(666,667)**	**(3,980,000)**	**(4,488,333)**	**1,325,000**	**1,325,000**

1. In March 2024, the Company offered holders of 2019 and 2020 share option tranches the opportunity to exercise their options without payment but resulting in the receipt of fewer shares than the number of options exercised. 1,080,000 of the 2019 tranche options were exercised resulting in 78,054 shares. 2,900,000 of the 2020 tranche options were exercised resulting in 1,112,375 shares.
   The carrying value of the options recorded in the share based payment reserve was transferred to share capital from the share-based payment reserve.

NOTE 25. SHARE-BASED PAYMENTS *continued*

Tranche	Expiry date	Balance as at 26 June 2022	Granted	Forfeited	Exercised	Lapsed	Balance as at 25 June 2023	Exercisable as at 25 June 2023
2018	Nov 2023	2,280,000	–	–	–	–	2,280,000	2,280,000
2019	Oct 2024	1,935,000	–	(315,000)	–	–	1,620,000	1,620,000
2020	Oct 2025	3,300,000	–	(400,000)	–	–	2,900,000	–
2021	Nov 2026	2,700,000	–	(525,000)	–	(2,175,000)	–	–
2022 (EPS)	Oct 2027	1,800,000	–	(362,500)	–	–	1,437,500	–
2022 (TSR)	Oct 2027	1,800,000	–	(362,500)	–	–	1,437,500	–
2022 (Other)	Sep 2024	785,000	–	–	–	–	785,000	–
Total		**14,600,000**	**–**	**(1,965,000)**	**–**	**(2,175,000)**	**10,460,000**	**3,900,000**

The weighted average fair value of the share options granted during the 53 weeks ended 30 June 2024 was nil (2023: nil).

The weighted average remaining contractual life of share options outstanding as at 30 June 2024 was 0.3 years (2023: 3.6 years).

Performance rights:

The following reconciles the movement in performance rights during the period:

Tranche	Expiry date	Balance as at 25 June 2023	Granted	Forfeited	Exercised	Lapsed	Balance as at 30 June 2024	Exercisable as at 30 June 2024
2023	Jun 2025	1,273,526	–	(290,676)	–	–	982,850	–
2024	Jun 2026	–	1,975,069	(239,583)	–	–	1,735,486	
Total		**1,273,526**	**1,975,069**	**(530,259)**	**–**	**–**	**2,718,336**	**–**

Tranche	Expiry date	Balance as at 26 June 2022	Granted	Forfeited	Exercised	Lapsed	Balance as at 25 June 2023	Exercisable as at 25 June 2023
2023	Jun 2025	–	1,519,671	(246,145)	–	–	1,273,526	–
Total		**–**	**1,519,671**	**(246,145)**	**–**	**–**	**1,273,526**	**–**

The weighted average fair value of the performance rights granted during the 53 weeks ended 30 June 2024 was $1.18 (2023: $1.52).

The weighted average remaining contractual life of performance rights outstanding as at 30 June 2024 was 1.6 years (2023: 2.0 years).

NOTE 26. EVENTS AFTER THE BALANCE SHEET DATE

On 28 August 2024, the directors of Adairs Limited declared a dividend on ordinary shares in respect of the 2024 financial year. The total amount of the dividend is $12.2 million which represents a franked dividend of 7.0 cents per share. The dividend has not been provided for in the 30 June 2024 financial report.

No matters or circumstances have arisen since reporting date which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the Company.

NOTE 27. AUDITORS' REMUNERATION

The auditor of Adairs Limited is Ernst & Young Australia.

	53 weeks ended 30 June 2024 $'000	52 weeks ended 25 June 2023 $'000
Amounts received or due and receivable by Ernst & Young Australia for:		
› Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	563,000	540,000
› Fees for other services:		
– Taxation services	79,000	98,000
– Advisory services	–	–
– Other	–	–
Total fees to Ernst & Young Australia	**642,000**	**638,000**

Auditors' remuneration disclosed above relate to the audit of the statutory financial report of the Company and any other entities in the consolidated group, fees for tax compliance, due diligence and other services.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

as at 30 June 2024

			Equity Holding	
Name of Entity	Entity type	Body corporate country of incorporation	Body corporate % of share capital held	Country of tax residence
Home & Décor Pty Limited	Body corporate	Australia	100%	Australia
Adairs Holdings Australia Pty Limited	Body corporate	Australia	100%	Australia
Adairs Retail Group Pty Limited	Body corporate	Australia	100%	Australia
Wilder Days Pty Limited	Body corporate	Australia	100%	Australia
Adairs New Zealand Limited	Body corporate	New Zealand	100%	New Zealand
Mocka Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Mocka Limited	Body corporate	New Zealand	100%	New Zealand
Mocka Products Pty Ltd	Body corporate	Australia	100%	Australia
Refocus Furniture Pty Ltd	Body corporate	Australia	100%	Australia
D. Gallery Pty Limited	Body corporate	Australia	100%	Australia
Focus On Furniture Pty Ltd	Body corporate	Australia	100%	Australia
Furniture Online Australia Pty Ltd	Body corporate	Australia	100%	Australia
Beds Online Australia Pty Limited	Body corporate	Australia	100%	Australia

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 15 August 2024.

Number of shareholders

There were 16,154 shareholders, holding 174,682,776 fully paid ordinary shares.

Distribution of equity securities

Analysis of numbers of equity holders by size of holding:

Range	Ordinary Securities	No. of Security holders
1 – 1,000	3,003,976	6,446
1,001 – 5,000	15,598,419	5,986
5,001 – 10,000	14,194,495	1,877
10,001 – 100,000	42,537,954	1,761
100,001 and over	99,347,932	84
Total	**174,682,776**	**16,154**

There were 1,466 shareholders (representing 204,356 ordinary shares) holding less than a marketable parcel.

Equity security holders

The names of the twenty largest holders of quoted equity securities in the Company are as follows:

		Ordinary Shares	
	Name	**Number held**	**Percentage of issued shares**
1	HSBC Custody Nominees (Australia) Limited	21,461,914	12.29
2	J P Morgan Nominees Australia Pty Limited	16,030,635	9.18
3	Citicorp Nominees Pty Limited	15,093,495	8.64
4	BNP Paribas Nominees Pty Ltd	14,153,142	8.10
5	National Nominees Limited	3,341,364	1.91
6	BNP Paribas Nominees Pty Ltd	2,000,640	1.15
7	Michael Cherubino Investments Pty Ltd	1,796,135	1.03
8	Bond Street Custodians Limited	1,586,500	0.91
9	Refocus Furniture Nominees Pty Ltd	1,424,502	0.82
10	Bond Street Custodians Limited	1,406,986	0.81
11	BNP Paribas Nominees Pty Ltd	1,183,374	0.68
12	BNP Paribas Nominees Pty Ltd	1,161,266	0.66
13	NCH Pty Ltd	1,009,674	0.58
14	Mr Trent Peterson	995,000	0.57
15	Warbont Nominees Pty Ltd	839,866	0.48
16	Candad Pty Ltd	720,000	0.41
17	BNP Paribas Noms Pty Ltd	715,888	0.41
18	JACM Gardner Investments Pty Ltd	572,300	0.33
19	Mark Ronan & Emily Black	557,067	0.32
20	Mr Robert Zmeskal	500,000	0.29
	Total – Top 20 shareholders	**86,549,748**	**49.57**
	TOTAL	**174,682,776**	**100.00**

Substantial Shareholdings

As at 15 August 2024, there are no substantial shareholders that the Company is aware of.

Voting Rights

The Company's Constitution sets out the voting rights attached to ordinary shares which are as follows:

- On a show of hands at a General Meeting of the Company, every member present in person or by proxy shall have one vote.
- On a poll, each person present in person or by proxy shall have one vote for each ordinary share held.

On market share acquisition

There is no current on market buy-back of the Company's shares.

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CORPORATE INFORMATION

ABN 50 147 375 451

Directors

Kate Spargo
Trent Peterson
Kiera Grant
David MacLean
Mark Ronan
Brett Chenoweth (resigned 22 March 2024)
Michael Cherubino (resigned 18 August 2023)

Company Secretary

Jamie Adamson (appointed 25 October 2023)
Ashley Gardner (appointed 25 October 2023)
Fay Hatzis (resigned 27 October 2023)

Registered office

2 International Court
Scoresby
Victoria 3179
Australia

Principal place of business

2 International Court
Scoresby
Victoria 3179
Australia

Phone: 1800 990 475

Investor Relations website

investors.adairs.com.au

Share register

MUFG Pension & Market Services
(formerly known as Link Market Services)
Locked Bag A14
Sydney South NSW 1235
Phone: 1300 554 474

Auditors

Ernst & Young

Solicitors

Herbert Smith Freehills

adairs