ADOREBEAUTY
GROUP

Adore Beauty Group Limited
ABN 78 636 138 988

ASX ANNOUNCEMENT

27 September 2024

2024 Annual Report

Adore Beauty Group Limited (ASX:ABY) (**Adore Beauty**) attaches its 2024 Annual Report.

This announcement was authorised for release to the ASX by the Board of Directors.

For more information, please contact:

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ANNUAL REPORT 2024

ADOREBEAUTY GROUP

BEAUTY DONE BETTER

ADOREBEAUTY
GROUP

Adore Beauty maintains its growth trajectory – delivering record customer metrics, sales growth and improved profitability in FY24

CONTENTS

FY24 FINANCIAL HIGHLIGHTS

$195.7M

Revenue[1]

+7.4% on prior corresponding period (PCP)

33.4%

Gross profit margin

+0.8 ppts on PCP

$4.8M

Reported EBITDA[2]

+661% on PCP
EBITDA margin 2.5%

519K

Returning customers[3]

+5.8% on PCP

Record returning customer base contributed almost 80% of all product sales in FY24

1. Marketing revenue and its associated costs were not reflected as revenue and cost of sales in comparative financial statements, but rather as an offset to advertising and marketing expenses. The impact is not material from a financial report perspective, but comparative financial information presented has been amended for comparability and to align with the revenue recognition policy for marketing revenue. This reclassification has no impact to net profit.
2. Reported EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation.
3. Returning customers are customers who have placed an order in any period prior to FY24 and re-purchased in the period.

814K

Active customers[4]

+1.6% on PCP

$32.9M

Cash[5]

+18.3% on PCP

Launched in 2000 as Australia's first beauty focused e-commerce website, Adore Beauty's vision is to help customers feel more confident every day, by delivering an empowering and engaging beauty shopping experience personalised to their needs.

Adore Beauty has evolved from an e-commerce retailer into a leading beauty authority as a multi-channel growth platform, powered by technology and data. Our aim is to be known as a trusted, authentic and credible voice in beauty and personal care and to deliver 'Beauty Done Better' for our customers.

4. Active customers refer to customers who have ordered in the last 12 months; PCP is the 12-month period to 30 Jun 2023.
5. Balance as 30 Jun 2024 compared to 30 Jun 2023.

CHAIR'S LETTER

Dear Shareholders,

On behalf of the Board of Adore Beauty Limited, it is a pleasure to present the Company's Annual Report for the year ending 30 June 2024 (FY24).

In FY24, Adore Beauty maintained its growth trajectory, delivering higher sales and improved profitability, while also positioning the business for future growth.

FY24 revenue increased 7.4% over the prior year to $195.7 million, supported by a record 519,000 returning customers, who contributed 79% of all product sales. More broadly, active customers increased to 814,000.

Progress in the delivery of Adore's 'Beauty Done Better' strategy yielded positive results in the year. Customer centric initiatives included enhancements to the 'Adore Society' loyalty program, which achieved 8.6% growth in loyalty members, the launch of a new subscription service, and activity to continue to promote mobile app adoption.

We saw brand awareness increase significantly in FY24 in our target audience, up to a record 71%. To further build on this and bring the Adore Beauty brand to life, we signed leases for two new concept stores (due to open in the second half of FY25). We also continued to expand our product offering and private label brands. As part of the focus on growing our owned brands and expanding margin, in FY24 we explored mergers and acquisitions opportunities, culminating in the acquisition of iKOU, a premium Australian beauty and wellness brand, in July 2024.

Operational optimisation saw improvements through increased marketing efficiency, use of artificial intelligence and continued cost focus – all driving improvements to profitability.

Pleasingly, the combination of these initiatives drove operating EBITDA to be up more than 5,900% and reported EBITDA up 661% on the prior year, respectively.

The company is debt free and generating positive cash, with a balance of $32.9 million at the end of the financial year, up 18.3% on the prior corresponding period.

With its compelling customer offering, Adore Beauty is well positioned to keep growing its sales within Australia's $13.9 billion beauty and personal care category.

On behalf of the Board, I would like to thank CEO Tamalin Morton for her outstanding leadership and contribution to Adore Beauty. As CEO, Tamalin has done an excellent job delivering Adore Beauty's financial and operational success and developing the strategic plan. Tamalin steps down as CEO with the business in a strong position.

We are pleased to have appointed experienced omnichannel retail executive Sacha Laing to lead the business as CEO from 24 September 2024. Sacha has more than 25 years retail experience across physical, retail and wholesale, with previous leadership roles including Group CEO and Director of Alquemie Group, CEO of General Pants Co, and CEO of Colette by Colette Hayman. His deep experience will be of great value as we open our first Adore Beauty retail concept stores and optimise our iKOU store footprint.

Adore Beauty's significant operational and financial achievements in FY24 would not have been possible without the hard work and dedication of the entire Adore Beauty team. The quality of our people remains a competitive advantage, and we will benefit from the combined skills of the Adore Beauty and iKOU teams over the year ahead. I'd also like to extend my gratitude to my fellow Directors for their valued input and guidance during the year.

Lastly, I would like to thank our shareholders for your ongoing support. We remain confident in the long-term potential of this business, and look forward to creating value for our customers, brand partners and shareholders in FY25 and beyond.

Marina Go AM
Chair

Adore Beauty has evolved from an e-commerce retailer into a leading beauty authority as a multi-channel growth platform, powered by technology and data

CEO'S LETTER

Dear Shareholders,

It is a privilege to update you on Adore Beauty's progress over FY24.

In the FY23 Annual Report, I wrote about our focus on returning the business to growth and improving profitability through our refined 'Beauty Done Better' strategy, which centres on improving brand awareness, customer retention and operational optimisation. I am pleased to report that Adore Beauty delivered on this strategy in FY24, which drove continued sales growth and a significantly improved profit. We also made progress in advancing our longer-term strategic initiatives to help scale our business into the future.

FY24 Results summary

Revenue increased 7.4% on prior year to $195.7 million, underpinned by our loyal returning customer base, who contributed a record $151 million in revenue. This is especially pleasing, as we continue to focus on customer centricity – delighting our customers through our offer and service. These returning customers comprised more than 60% of our 814,000 active customers, and produced record average order values and annual spend per active customer in FY24. Importantly, we continued to retain more of these customers, with our retention rate for FY24 also at a record high.

Gross profit margin of 33.4% was up 0.8 percentage points on the prior year, as we benefitted from the execution of margin accretive strategic initiatives and disciplined cost management. Adore Beauty's marketing expenditure also became more efficient, as we increasingly leveraged our owned marketing channels, enhanced channel analysis and increased app adoption.

As a result of this, reported EBITDA was up 661% on last year, with an EBITDA margin of 2.5%. Whilst this is a significant improvement on last year, we also see potential to further expand margins into the future by delivering on our strategy.

Strategy driving results in FY24 and beyond

We made progress in our mission to deliver 'Beauty Done Better' for our customers in FY24, against each of the three pillars to achieve some record metrics.

Customer Centricity

In addition to record retention, we also saw growth in the number of loyalty members (up 8.6% on last year), mobile app adoption increased to represent over 28% of sales, and we were pleased to launch a new subscription service, 'Subscribe and Save', which has been well received by our customers. Since its soft launch in late October 2023, 'Subscribe and Save' has already contributed more than $1 million in revenue, and we expect this service to continue to grow materially in FY25 and beyond as we add more brands and improve its functionality. The ability to individualise customer experience is an example of how we are increasingly leveraging the use of AI in our customer approach.

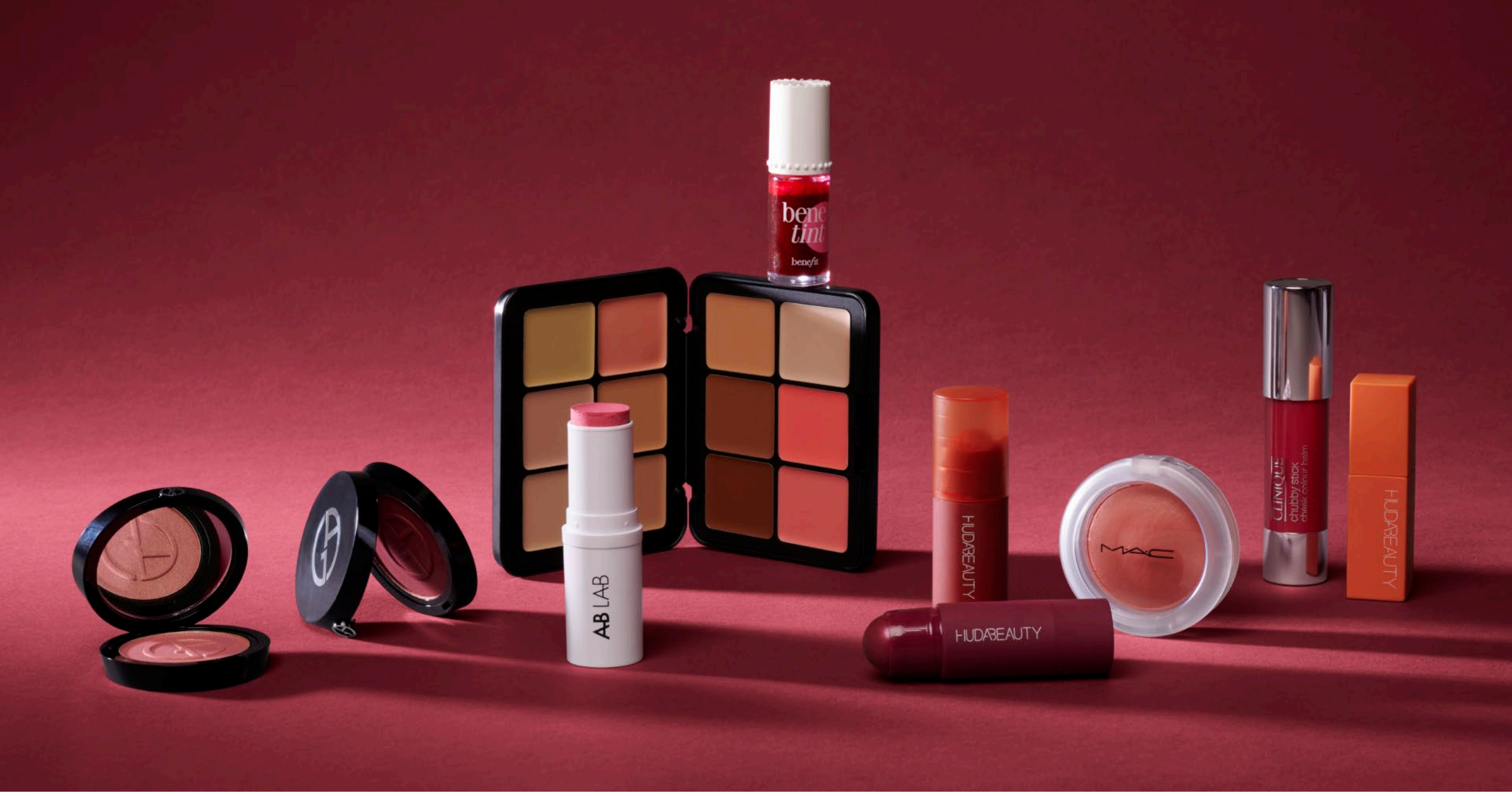
Brand awareness

Brand awareness saw a step change in FY24, with awareness in our core demographic up to 71% , up from 62% last year, following investment in our brand. Growing brand awareness is a key goal for Adore Beauty, and along with delighting our customers, plays a pivotal role in continuing to drive the growth of the company.

To further enhance our brand and bring it to life in a physical format, we worked on a concept to launch Adore Beauty stores. In FY24 we signed two leases for stores in Southland and Watergardens shopping centres in Victoria. We look forward to the increased awareness that these stores should generate, which we expect to help accelerate sales. The stores are anticipated to launch in the second half of FY25.

Importantly, the store environment offers the opportunity to profile our compelling range. This year we increased the number of brands we stock to over 300 brands and 13,000 products, spanning beauty and wellness, and from everyday to luxury, to encompass a wide range of customer needs.

The concept stores will also provide the opportunity for our customers to sample Adore's owned brands. Owned brands will play a significant role in expanding margins and transforming our business model. We now have AB LAB, Adore Beauty and Viviology brand offerings. We grew the range by 23 products in FY24, launched a colour cosmetics range in AB LAB, and entered into a new distribution agreement with Advanced



Cosmeceuticals to trial the Viviology brand in selected clinics in New South Wales. Expanding our private label offering is a key focus as it differentiates Adore Beauty from peers, increases traffic, and drives improved profitability.

With the intent of further growing our owned brands, we embarked on mergers and acquisitions work in FY24 and identified an opportunity to acquire a premium beauty and wellness brand – iKOU. iKOU operates across retail, wholesale and online currently and includes over 300 products, encompassing skincare, bodycare, fragrance, gifting and more. In FY25, the brand launched on the Adore Beauty website, and we look forward to growing awareness of the iKOU brand more expansively, with a target to double sales of the brand by FY27.

Operational optimisation

Our operational optimisation program continued its momentum in FY24. There was a significant emphasis on the efficiency and effectiveness of our expenditure, particularly our marketing expense, which was down on last year whilst simultaneously growing sales and brand awareness. We also made great progress with commercialising our marketing assets, including our award-winning podcasts, as well as blogs and social media platforms. Overall, retail media contributed $4 million in revenue for the year, more than doubling from FY23. We believe this represents a substantial opportunity for the business going forward.

Beyond the growth in scaling our owned channels, we continued to optimise our operations, progressing cost optimisation actions across the business, and further leveraging AI opportunities. These changes, in conjunction with our focus on the customer and building our brand, have assisted in ensuring that as our business scales, it does so profitably.

Looking ahead

I am very pleased with the progress we have made over the past year. As I step down from my role in September for personal reasons and hand over the CEO role to Sacha Laing, I remain confident that Adore Beauty has the right foundations and strategy in place to deliver continued growth. Adore Beauty has a unique offering in the Australian beauty market, with more than 300 brands and 13,000 products in its range, strong content and engagement with our customers, and a focus on service – providing a truly compelling value proposition from everyday personal care to luxury beauty brands.

I want to acknowledge our shareholders and the Board for their ongoing support, which I have very much appreciated.

Finally, I would like to thank the entire Adore Beauty team, as well as our partners, for their hard work and dedication over the year. I have really enjoyed working with such a talented group of people.

I look forward to seeing further growth and the progression of our strategy in FY25, to continue to deliver 'Beauty Done Better' for our customers today, and for the years to come.

Tamalin Morton
CEO

FY24 OPERATIONAL HIGHLIGHTS

Customer centricity

64.7%

Record customer retention[1]
+8.5 ppts on PCP

28.4%

App revenue contribution[2]
+4.6 ppts on PCP

Further building the brand

71%

Record brand awareness[3]
+9 ppts on PCP

300+

Brand portfolio today
38 new brands in FY24

Operational optimisation

13.3%

Marketing as a percentage of sales
–1.4 ppts on PCP

$4M

Retail media revenue
+112% on PCP

1. Aggregate active customer retention rate = (Active customers as at the end of the relevant year – Active Customers acquired during the relevant year) divided by Active Customers as at the commencement of the relevant year.
2. Mobile app represented 28.4% of all product sales in H2 FY24. Product sales revenue excludes 'Other Revenue'.
3. Pureprofile results August 2024, Prompted Awareness AU female 25-45, Adore Beauty 71%. Sample taken by third-party brand tracker. Pureprofile, a randomised consumer research panel made up of minimum 2500 Australian females aged 18-65, providing representation of the Australian public.

$235

Record annual revenue per active customer

+4.4% on PCP

61

Private label products

23 new products in FY24

620M

Content driven impressions[4]

+46% on PCP

Customer metrics reflect progress in Adore Beauty's mission to deliver 'Beauty Done Better' for its customers

4. Content-driven impressions measures total consumption of podcast episodes, social content views (Instagram, Facebook, YouTube and TikTok) including videos, posts, articles, tutorials and educational longer form videos.

REVIEW OF OPERATIONS

Financial performance

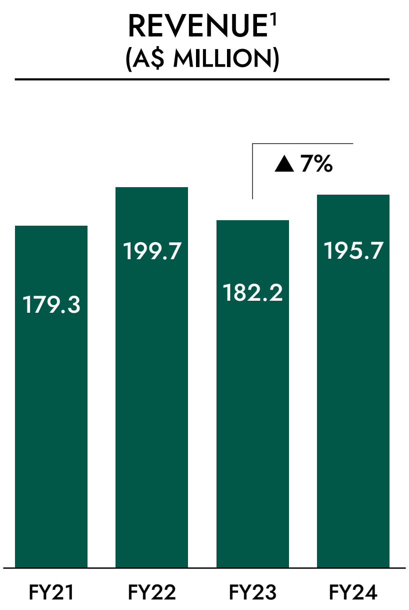
Adore Beauty's annual revenue[1] of $195.7 million increased 7.4% on the prior corresponding period, supported by a record 519,000 returning customers[2] who spent more on the platform and shopped more frequently, and highly successful promotional events, including Cyber, Click Frenzy and Afterpay.

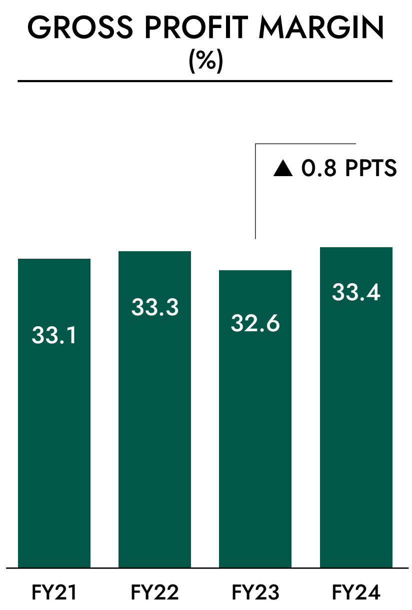
Revenue in FY24 was underpinned by loyal returning customers who represented 79% of all product sales[3], contributing a record $151 million in revenue, up 9% on the prior period. Revenue contribution from returning customers has grown from 62% in FY21.

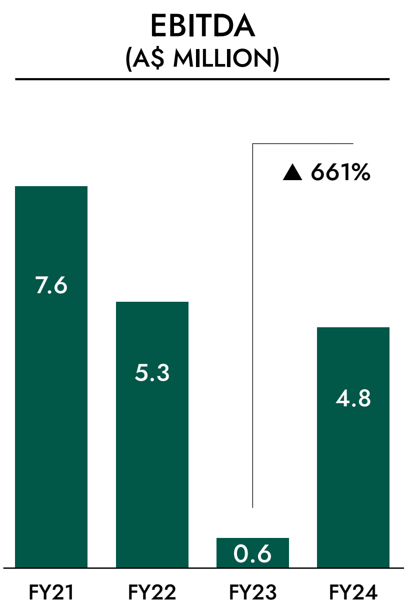
The returning customer base has grown 44% over the past three years, to now account for 64% of all active customers. This higher proportion of returning customers drove improvements in key metrics, including record average order value of $114[4] and record annual revenue per customer of $235.

Gross profit margin of 33.4% was up 0.8 percentage points on the prior year, supported by freight improvements and high-margin retail media. Reported EBITDA increased 661% on the prior year to $4.8 million, with an EBITDA margin of 2.5%. This reflects revenue growth, strategic initiatives that support margin expansion and enhanced operational efficiency.

Adore Beauty is debt-free and generating positive cash. The Company's cash balance at the end of the financial year was $32.9 million, up 18.3% on the prior corresponding period.







1. Marketing revenue and its associated costs were not reflected as revenue and cost of sales in comparative financial statements, but rather as an offset to advertising and marketing expenses. The impact is not material from a financial reporting perspective, but financial information presented has been amended for comparability and to align with the revenue recognition policy for marketing revenue. This reclassification has no impact to net profit.
2. Returning customers are customers who have placed an order in any period prior to FY24 and re-purchased in the period; comparison of FY24 to FY23.
3. Returning customers % share of revenue is calculated using product sales revenue (excludes 'Other Revenue'). 'Other Revenue' represents marketing revenue comprised of retail media and advertising revenue contribution.
4. AOV is calculated using product sales revenue (excludes 'Other Revenue').

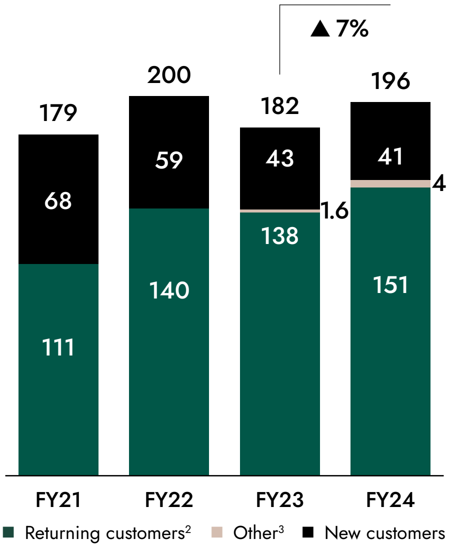
Delivering significant progress with our three-pillar growth strategy

Strategic initiatives

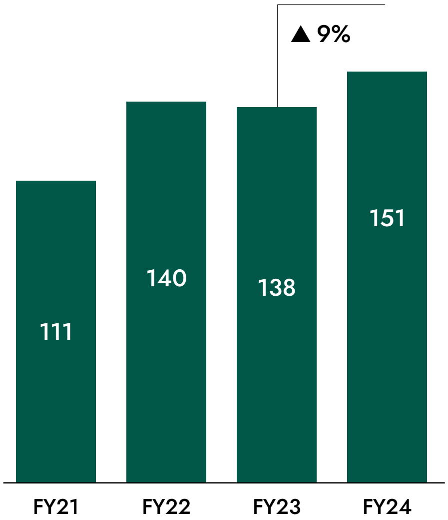
Adore Beauty has a three-pillar 'Beauty Done Better' strategy, that is founded on customer centricity, brand awareness and operational optimisation, which provide the platform for the Company's ongoing growth within Australia's large and growing beauty and personal care category.

Over the year, Adore Beauty made significant in-roads on its three-pillar growth strategy, achieving record metrics against key areas of focus in FY24. These included record customer retention[5], up 8.5 percentage points to 64.7%, and record brand awareness, which was up 9 percentage points to 71%.

REVENUE[1]
(A$ MILLION)



RETURNING CUSTOMER REVENUE
(A$ MILLION)



5. Aggregate active customer retention rate = (Active customers as at the end of the relevant financial year – Active Customers acquired during the relevant financial year), divided by Active Customers as at the commencement of the relevant financial year.

Customer centricity

Delivering a compelling customer proposition remains a key focus for Adore Beauty. Customer-centricity and delivering a compelling customer proposition remain a key focus for Adore Beauty. During the year, the Company was pleased to be awarded Most Loved Retailer Ages 34+ by industry publication Power Retail.

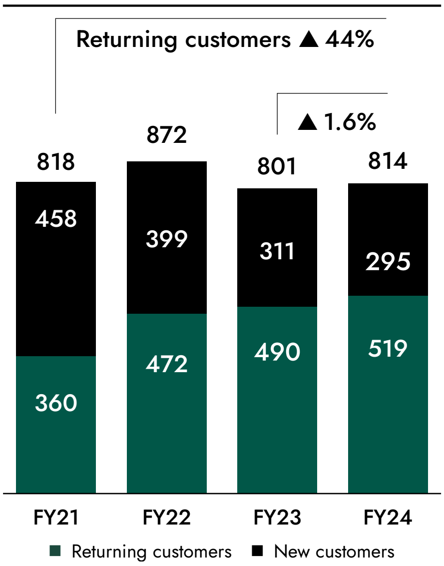
An important component of the value proposition is the Adore Society loyalty program. In FY24, the Company further developed the program with more rewards and benefits, and the loyalty member base grew by 8.6% on last year.

Adore Beauty launched a new subscription service which is now available across 42 brands. 'Subscribe and Save' has contributed more than $1 million in revenue since its soft launch in late October 2023 and has been well received by customers. New brands and additional functionality are being introduced, and the use of this service is expected to grow.

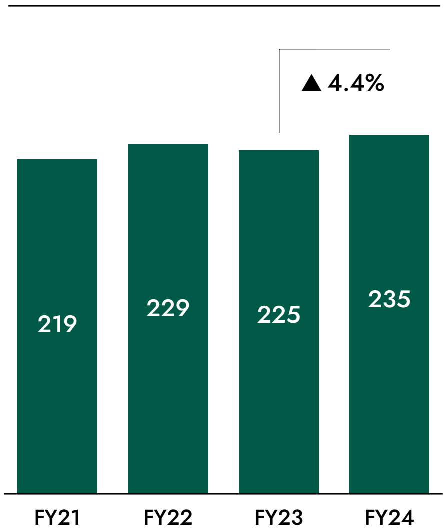
The Adore Beauty mobile app was created to optimise customer experience and drive improved marketing efficiency. In the second half of FY24 it contributed more than 28% of all product sales, up 4.6 percentage points on last year.

The Company continues to encourage app adoption, with downloads increasing almost 50% over the year, supported by initiatives such as app-only promotions, gift with purchase and content integration. In addition to increasing the proportion of direct traffic, customers who shop through the app have significantly higher average order values and frequency, compared to the website.

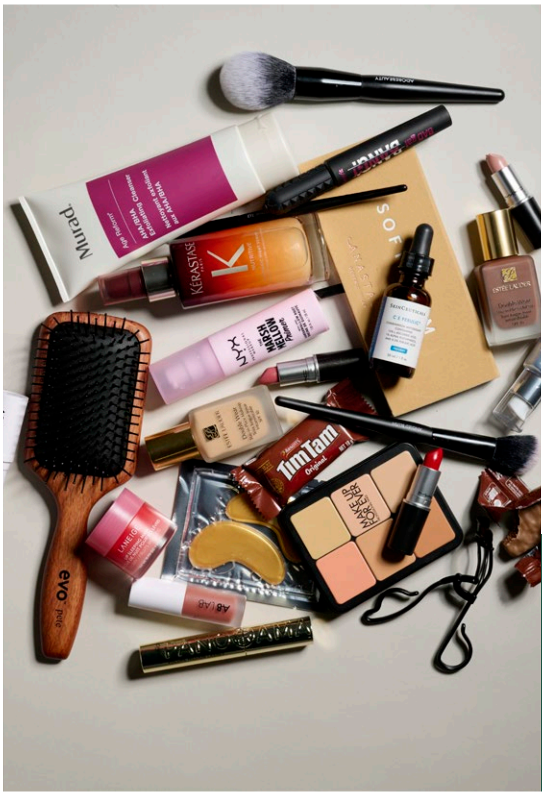
ACTIVE CUSTOMERS[1]
('000)



ANNUAL REVENUE PER ACTIVE CUSTOMER
(A$)



1. Active customers refer to customers who have ordered in the last 12 months. New customers refer to customers who have ordered for the first time in FY24.



Brand awareness

Brand awareness in Adore Beauty's core demographic, 25-45 female, increased significantly during the year and reached a record 71%, up from 62% for the same period last year. The Company expects to consolidate awareness in this core demographic, as well as other demographics over FY25, with a new brand campaign and the opening of two Adore Beauty retail concept stores in major shopping centres in Melbourne, Victoria. These stores, which are expected to open in the second half of FY25, will deliver clear brand awareness benefits.

Private label growth

Private label, or owned brands, diversify Adore Beauty's margin profile and are pivotal to improving long-term profitability.

Over the past year, the owned brand portfolio continued to expand with 23 new products, including Adore Beauty's first cosmetics range under AB LAB. The Company's private label portfolio now spans 61 products across the Viviology, AB LAB and Adore Beauty brands. In line with its strategy, range expansion will continue in FY25.

Adore Beauty also signed a trial distribution agreement with Advanced Cosmeceuticals, which will have the Viviology range stocked in selected skin clinics across New South Wales. This will further increase Viviology's brand awareness, engagement and trial. Furthermore, through FY24 Adore Beauty reviewed mergers and acquisitions opportunities and at the beginning of FY25 acquired premium beauty and wellness brand, iKOU. iKOU is a strong strategic fit for the Company, with plans in place to significantly increase awareness and trial of the brand to double its sales by FY27. iKOU will assist in further developing Adore Beauty's owned brand portfolio and expanding margin.

Product range and adjacencies

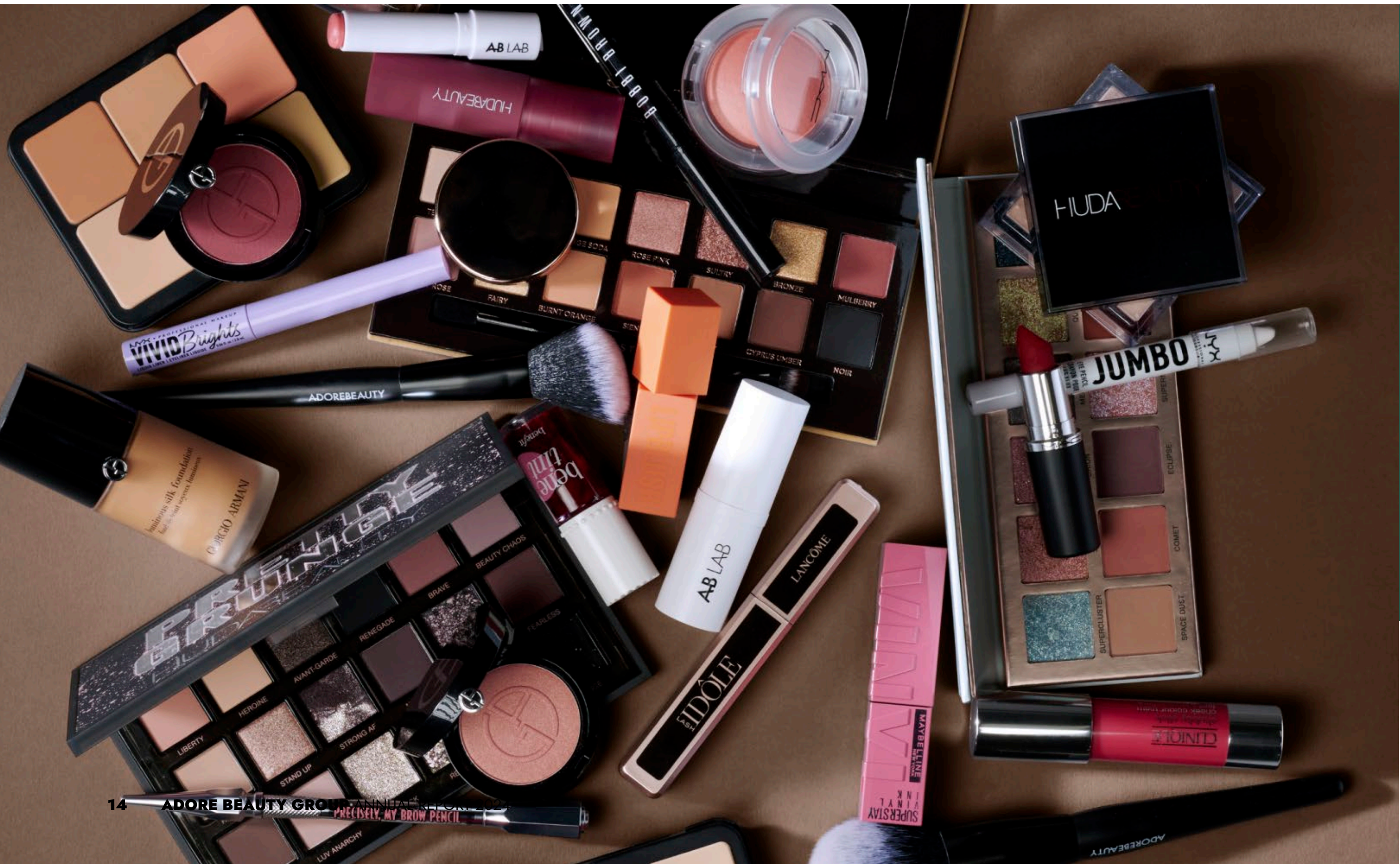
New brands and products are a key driver of customer satisfaction, new customer acquisition, and ultimately, revenue growth. The Company further strengthened the breadth of its offering, onboarding 38 new brands in FY24. Adore Beauty now offers more than 300 brands and 13,000 products. New additions include a wide range of brands, such as Burberry, Shark, TheraBody and allkinds.

Operational optimisation

Adore Beauty is leveraging its existing marketing assets to provide new revenue streams for the business and support its EBITDA margin expansion targets.

Continued growth in content-driven impressions[6] is supporting the commercialisation of Adore Beauty's marketing assets. Engagement with Adore Beauty's authentic content continues to build, with content-driven impressions increasing 46% over the prior period, supporting traffic to the Company's owned marketing channels. These channels include Adore Beauty's award-winning podcasts, downloaded 7 million times, as well as blogs and follower communities across Instagram, YouTube, TikTok and Facebook.

6. Content-driven impressions measures total consumption of podcast episodes, social content views (Instagram, Facebook, YouTube and Tiktok) including videos, posts, articles, tutorials and educational longer form videos.



A business priority for Adore Beauty over the past year has been other operational improvements and enhancing the efficiency and effectiveness of the Company's marketing. This has included a greater focus on re-targeting existing customers, growing Adore Beauty's owned channels, and enhanced channel analysis.

Other operational improvements have included changes at the Company's Customer Fulfilment Centre, for instance to shift structures, as well as re-negotiated terms, and the use of AI.

Outlook

Whilst trading has been resilient, Adore Beauty expects challenging conditions to remain for much of the year ahead, given ongoing cost-of-living pressures and softer consumer sentiment. Despite this, the Company is confident it can increase revenue and profitability in FY25, underpinned by its clear growth strategy.

The integration of iKOU and the opening of stores will further support sales growth and margin expansion. Given this, Adore Beauty is targeting an EBITDA margin of 4-5% in FY25.

Adore Beauty will build on these strengthened foundations over the coming year, progressing strategic initiatives that drive topline revenue growth and improve profitability.

Clear growth strategy to deliver further growth and improved profitability in FY25 and beyond

ESG REPORT

Adore Beauty continues to embrace its 'Beauty Done Better' ethos, with a commitment to innovation. The Company endeavours to shape new beauty narratives and champions diversity and inclusion.

Sustainability

Adore Beauty is dedicated to further reducing its environmental footprint, and is actively advancing new environmental, social, and governance (ESG) initiatives. The Company remains focused on continually improving and evolving its practices to make a positive impact.

Packaging & Recycling

As an e-commerce retailer, packaging remains an area of focus for Adore Beauty's environmental efforts. The Company has continued to make progress in reducing packaging waste by prioritising recycled and recyclable materials. Adore Beauty ensures that all packaging and void fill are sourced from Australian suppliers. By continuing to utilise volumetric technology, the Company minimises waste by selecting the smallest possible box to send each order.

The majority of the boxes used for customer orders are made from recycled matter. In addition, all outer boxes are recyclable, and package void fill is recycled and recyclable.

The Company's onsite recycling compactor recycled almost 80 tonnes of cardboard and over 3 tonnes of plastic from suppliers in FY24.

Energy

Adore Beauty has purchased renewable electricity and maintained GreenPower accreditation since 2019. As a result, Adore Beauty Pty Ltd is proudly listed in the GreenPower Business Directory. Additionally, the Customer Fulfilment Centre features several energy-saving measures, including a reflective roof, that reduces internal temperatures by up to six degrees in the summer and large ceiling fans that enhance airflow.

Modern Slavery

In keeping with our commitment to ethical practices, Adore Beauty continues to improve its ethical sourcing strategy, to further minimise modern slavery risks. The Adore Beauty Modern Slavery Compliance program is actively being implemented and encompasses training, policy development, supplier assessment, and mandatory reporting. Initiatives launched include internal Modern Slavery Training, with a refreshed video-based course scheduled for release in FY25 to ensure all team members remain informed and engaged. Furthermore, Adore Beauty has established internal policies, which include a Modern Slavery Code of Conduct, Ethical Sourcing Principles, and Supplier Remediation Guidelines.

The business is continuing its supplier review, using an electronic 'Adore Trade Partner Review' form. This process will assist in prioritising future compliance efforts and to fulfil Adore's annual modern slavery reporting obligations.

Adore Beauty remains committed to fostering a responsible cosmetics and personal care industry, and doing what we can to eradicate modern slavery from its supply chains and operations.

Community, Diversity and Equal Opportunity

Adore Beauty is dedicated to advancing diversity, equity and inclusion, recognising that these principles are crucial – not only for its team but also for its customers and the broader community. Adore Beauty believes that a diverse workforce brings a wealth of perspectives and ideas, enhancing its ability to innovate and connect with its audience. The Company's core values – growing, working for each other, having a positive approach and doing the right thing – are deeply embedded in its culture and drive the business. These values guide Adore Beauty as it strives to build a more inclusive community, where diversity is celebrated, and opportunities are accessible to all.

In FY24, Adore Beauty took a significant step forward in its commitment to diversity and inclusion by developing its first Reconciliation Action Plan (RAP), which was proudly endorsed by Reconciliation Australia. This RAP marks an important milestone for Adore Beauty, providing a structured framework to reflect on its impact and to identify meaningful ways to contribute to reconciliation. It represents Adore Beauty's pledge to deepen its understanding of the unique role it can play in fostering progress.

As Adore Beauty embarks on this journey, it is focused on getting the foundational steps right. The RAP outlines specific actions that Adore Beauty is committed to undertaking, which will lay the groundwork for sustainable future RAPs and reconciliation initiatives. The Company believes that by approaching these first steps with diligence and sincerity, it can create a positive impact on Australia's reconciliation journey.

Adore Beauty is also focused on supporting its team and providing them with flexibility. A compressed work week allows employees to work a nine-day fortnight with every second Friday off. This initiative has met with overwhelmingly positive feedback, boosting employee satisfaction and wellbeing. The added flexibility has supported work-life balance and strengthened the Company's commitment to diversity and inclusion by accommodating different needs and schedules. Seeing its positive impact, Adore Beauty made the compressed work week a permanent feature in FY24, reflecting its dedication to a supportive and inclusive environment where every team member feels valued and empowered.

Through its policies and practices, the Company supports caregivers by offering paid parental leave for both parents and flexible work arrangements. These options were actively utilised by the team to support their needs in FY24.

Adore Beauty is committed to fostering growth and leadership within its team. This year, the Company continued its 'Adore Beauty University', an internal leadership development and coaching program designed for aspiring leaders across the Company. A new initiative to support a cohort of developing leaders was also launched, providing them with the tools and guidance to elevate their leadership skills. Adore Beauty proudly promoted 17 employees internally during FY24. This reflects the ongoing commitment to empowering all team members to reach their full potential.

Adore Beauty prioritises building strong community connections. The Company has continued to actively choose to highlight more individuals from its Adore Beauty community in its campaigns and content. By doing this, the Company aims to ensure that its marketing reflects the diverse and inclusive nature of the community, bringing true representation to its brand.

Adore Beauty understands that fostering a culture of diversity, equity and inclusion goes beyond policies and initiatives—it's about creating an environment where everyone feels seen, heard and valued. Adore Beauty remains deeply committed to these principles, knowing that its greatest strength comes from its differences. By embracing diversity, the Company aims to build a community that reflects the world that we live in and inspires positive change within it.

Adore Beauty believes that a truly inclusive workplace is one where every individual feels empowered to bring their whole selves to work and where respect, connection, contribution and everyone progressing are the foundation of our shared success. As we move forward, Adore Beauty is committed to make a meaningful impact on our team, our customers, and the broader community – creating a lasting legacy of inclusivity, empowerment, and opportunity for all.

BOARD OF DIRECTORS

Marina Go AM

Non-Executive Chair

Marina is an experienced independent non-executive director. She serves on the boards of a diverse range of listed and private entities across retail, convenience, energy and infrastructure. Marina has more than 25 years of leadership experience in the media industry, including CEO, GM and Publishing Director roles. She is a member of O'Connell Street Associates, the Australian Institute of Company Directors and Chief Executive Women.

Kate Morris

Non-Executive Director

Kate Morris is a co-founder of Adore Beauty and was Director and joint CEO with James Height from the Company's inception in 2000, until 2018 when she became an Executive Director. Kate is also a co-founder of successful SaaS startup Findation, and growth equity firm Glow Capital Partners, as well as an angel investor and mentor at Startmate. Kate is a two-time winner at the Telstra Business Women's Awards, and in 2021 was awarded the Alumni Excellence Award as well as a Fellowship at Monash University. She stepped down from her role as the Company's Chief Innovation Officer at 30 June 2023, when she became a Non-Executive Director.

James Height

Non-Executive Director

James is a co-founder of Adore Beauty, and was Director and joint CEO since the Company's formation in 2000 until 2018 and then sole CEO between 2018 and August 2020. James was most recently the Chief Data Officer at Adore Beauty before resigning on 30 June 2023.

Sandra Birkensleigh

Non-Executive Director

Sandra is an experienced independent non-executive director. She serves on the boards of a diverse range of entities across financial services, convenience, retail and resource companies. Sandra was formerly a partner of PwC for 16 years. Sandra is a member of the Institute of Chartered Accountants in Australia and New Zealand, a member of the Australia Institute of Company Directors and a life member of the Governance, Risk and Compliance Institute of Australia and a Certified Compliance Professional (Fellow).

Lisa Hennessy

Non-Executive Director

Lisa has extensive non-executive director experience across listed, private and not-for-profit organisations. Lisa is currently a Non-Executive Director of ASX listed Cleanspace Holdings Limited and served as Lead Independent and Non-Executive Director of Nitro Software Limited. Previously, Ms Hennessy has held executive roles within global organisations and enterprise software businesses, including Bain, General Electric and Del Monte Foods working across the USA, Australia and EMEA. Lisa is a graduate of Australian Institute of Company Directors.

ANNUAL FINANCIAL REPORT
30 JUNE 2024

CONTENTS

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'Adore Beauty') consisting of Adore Beauty Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2024.

Directors

The following persons were Directors of Adore Beauty Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Marina Go AM
- Kate Morris
- James Height
- Sandra Birkensleigh
- Lisa Hennessy

Principal activities

Adore Beauty generates its revenue through online sales of beauty and personal care products to Australian and New Zealand consumers. Adore Beauty has a compelling range with over 13,000 products and more than 300 brands on offer. Adore Beauty fulfils orders from its customer fulfilment centre in Victoria.

There have been no changes in Adore Beauty's principal activities during the financial year.

Adore Beauty's registered office is Level 1, 421 High Street, Northcote, Victoria, Australia and it is listed on the Australian Securities Exchange under the code ABY.

Dividends

No dividends have been paid during the financial year or since the end of the financial year. No dividends were paid in the previous financial year.

Review of operations and financial performance

Revenue for the year was $195.7 million, which was an increase of 7.4% on the PCP.

Revenue growth was driven by record returning customers[1] which increased 5.8% on the PCP to a high of 519k and contributing 79% of all revenues. Active customers were 814k, which was an increase of 1.6% on the PCP.

Gross profit margin of 33.5% was up 0.8 percentage points on the PCP resulting from the benefits of margin and cost optimisation programs.

Adore Beauty's net profit after tax of $2,175,000, compared to a net loss of ($559,000) in FY23.

Adore Beauty's ending cash balance was $32.9 million as at 30 June 2024 with positive operating cash flows of $8.3 million and net cash flows of $5.1 million. The Company remains debt free.

1. Returning customers are customers who have placed an order in any period prior to FY24 and re-purchased in the period; comparison of FY24 to FY23.

Business strategies into the future

In August 2023, ABY outlined a refined growth strategy – with focus on three key strategic priorities, being:

- **Customer centricity**
- **Growing brand awareness**
- **Delivering operational optimisation**

In FY24 Adore Beauty made solid progress on its three-pillar growth. The initiatives supporting this strategy assist in diversifying the business model and supporting long-term revenue, customer growth and improved profitability.

Some of the initiative highlights across the year included:

- Launched subscriptions, enhancing re-ordering ease for our customers
- Grew the mobile app – now represents 28.4% of all FY24 product sales, delivering larger basket sizes and higher order frequency
- Delivered growth of 112% in retail media marketing revenue on prior year
- Made improvements in marketing efficiency and effectiveness to improve operational efficiency
- Broad cost focus delivering growth in profitability
- Progressed longer-term initiatives – designing new retail concept stores (expected to launch in FY25) and a focus on merger and acquisition opportunities (with the acquisition of iKOU on 31 July 2024). These provide further growth and margin expansion opportunities for Adore Beauty.

Please refer to the operational review section and the Company's FY24 results presentation for further commentary on the consolidated entity's financial and operational results.

Material business risks

There are a number of market, financial and operational risks, both specific to Adore Beauty and externally that could have an adverse effect on the Company's future performance. Adore Beauty has a risk management framework in place with internal control systems to identify key business risks and mitigate them to an acceptable level. The material business risks are summarised below:

Risk	Description
External economic factors affecting continued growth	While the retail e-commerce market and the beauty and personal care market have been growing, there is no guarantee this will continue into the future. Adore Beauty is subject to factors outside its control including Australia's economic outlook, movements in the cash rate and unemployment rate, levels of building activity, instability in real estate and housing markets, consumer sentiment, global economic outlook, foreign economic shocks and adverse exchange rate instability. One or more of these factors could cause a contraction in the forecasted growth of retail e-commerce or the demand for beauty and personal care products.
Supply chain disruption	The Company's supply chain is important in ensuring that products are available for our customers. The key risks in Adore Beauty's supply chain include events of global significance that disrupt global supply chains and domestic disruption due to natural disasters, such as bush fires and floods. If Adore Beauty's supply chain is significantly disrupted, this may have a material adverse effect on the Company's financial and/or operating performance.

Risk	Description
New and existing competitors could adversely affect prices and demand for beauty and personal care products and decrease our market share	The beauty and personal care market is highly fragmented. Competition can arise from several sources including traditional physical retailers, omni-channel, mono-channel, multi-branded retailers, and online-only e-commerce competitors. Existing online competitors may strengthen their market share through increased funding or industry consolidation, an increase in brand awareness or attractiveness to customers, or through financial or operational advantages which allow them to compete aggressively on pricing. Competition may also come from third-party suppliers establishing their own online presence – as opposed to utilising Adore Beauty's network. This may increase the cost of customer acquisition and lower margins due to pricing pressure. The Company's market share in the beauty and personal care segment may decline if competitors increase their focus on growing online sales through investment in the retail e-commerce market.
Supplier relationships	The success of Adore Beauty's business and its ability to grow relies on retaining its existing key supplier relationships and continuing to attract suppliers on acceptable terms. Adore Beauty's supply agreements are negotiated on a case-by-case basis and there is no guarantee that these arrangements will be renewed on like terms. The deterioration of the Company's relationships with these suppliers or inability of these suppliers to renew contractual agreements on terms acceptable to Adore Beauty, or at all, may have a material adverse effect on the financial and/or operational performance in the future.
Health, safety and wellbeing risks	The health, safety and wellbeing of the Adore Beauty team and everyone who could be impacted by our business, including customers and suppliers, is our highest priority. A major health, safety or wellbeing incident could have adverse impacts on an employee, supplier or customer of Adore Beauty.
Employee recruitment and retention	The future success of Adore Beauty is dependent on its key personnel and its ability to attract and retain individuals that will complement our culture and retain an experienced and high performing team. Competition for key personnel within the retail e-commerce market could increase the demand and cost for quality employees. The Company's ability to meet its labour needs while controlling costs associated with hiring and training employees is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics. This may impact the Company's ability to achieve its financial and/or operational performance goals.
Performance and reliability of Adore Beauty's website, databases, its operating systems and internet	Adore Beauty's website, databases, IT, warehouse systems and management systems are critically important to our success in attracting and retaining customers and maximising sales conversion from those customers. Adore Beauty also relies on services provided by third party providers. The Company's financial and operational performance could be adversely impacted by a system failure within its own systems, or to third-party suppliers of its systems and products. This may adversely affect the customer experience and reduce the attractiveness of its website to customers, limiting future sales.
Cyber and security risks	Adore Beauty could be subject to a range of cyber risks which could result in unauthorised access or disclosure of information held by the Company. A cybersecurity incident could adversely impact Adore Beauty's ability to operate and to meet the needs of its customers. Unauthorised disclosure of, or unauthorised access to, personal information under the control of Adore Beauty could have an adverse impact on the Company's reputation, market position, financial performance and could result in regulatory action.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 29 July 2024, a new CEO was appointed for the consolidated entity. Sacha Laing will join the business on 1 October 2024, following the departure of current CEO Tamalin Morton.

On 31 July 2024, the Company acquired 100% of Australian beauty and wellness brand iKOU Holdings Pty Ltd (iKOU) for $25 million ($20 million on completion and $5 million 18 months post completion) in an all-cash deal funded from Adore Beauty's balance sheet. iKOU is a strong strategic fit for Adore Beauty and addresses the Company's key acquisition criteria, including accelerating private label and revenue growth. The acquisition accounting for the business combination has not yet been finalised as at 26 August 2024.

Leases were also secured for two Adore Beauty retail concept stores to drive brand awareness, opening in H2 FY25.

No other matters or circumstances have arisen since 30 June 2024 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Environmental regulation

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

Information on Directors

Name:	**Marina Go AM**
Title:	Non-Executive Chair
Qualifications:	B.Arts, MBA
Experience and expertise:	Marina is an experienced independent non-executive director. She serves on the boards of a diverse range of listed and private entities across retail, convenience, energy and infrastructure. Marina has more than 25 years of leadership experience in the media industry, including CEO, GM and Publishing Director roles. She is a member of O'Connell Street Associates, the Australian Institute of Company Directors and Chief Executive Women.
Other current directorships[1]:	Non-executive director of Autosports Group Ltd (appointed October 2016), Non-executive director of Transurban Group (appointed 1 December 2021).
Former directorships (last 3 years)[2]:	Non-executive director of Pro-Pac Packaging Ltd (appointed 2018, resigned 23 November 2021), Non-executive director of Booktopia Group Ltd (appointed November 2020, resigned 31 March 2022)
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	27,407 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	**Kate Morris**
Title:	Non-Executive Director
Qualifications:	B.Bus. (Management)
Experience and expertise:	Kate is a co-founder of Adore Beauty, and was Director and joint CEO with James Height since the Company's formation in 2000 until 2018 when she became an Executive Director. She transitioned to Non-Executive Director from 1 July 2023. Kate is a two-time winner of the Telstra Business Women's Awards (2010 and 2014), and the first woman to be awarded the Industry Recognition Award for e-commerce at the StarTrack ORIAs in 2017.
Other current directorships[1]:	Nil
Former directorships (last 3 years)[2]:	Nil
Special responsibilities:	Member of the People and Remuneration Committee
Interests in shares:	10,400,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	**James Height**
Title:	Non-Executive Director
Qualifications:	B.Arts, B.Law, MBusMgt
Experience and expertise:	James is a co-founder of Adore Beauty, and was Director and joint CEO since the Company's formation in 2000 until 2018 and then sole CEO between 2018 and August 2020. James was most recently the Chief Data Officer at Adore Beauty before resigning on 30 June 2023. He transitioned to Non-Executive Director from 1 July 2023.
Other current directorships[1]:	Nil
Former directorships (last 3 years)[2]:	Nil
Interests in shares:	10,400,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

DIRECTORS' REPORT CONT.

Name:	**Sandra Birkensleigh**
Title:	Non-Executive Director
Qualifications:	B.Com
Experience and expertise:	Sandra is an experienced independent non-executive director. She serves on the boards of a diverse range of entities across financial services, convenience, retail and resource companies. Sandra was formerly a partner of PwC for 16 years. Sandra is a member of the Institute of Chartered Accountants in Australia and New Zealand, a member of the Australia Institute of Company Directors and a life member of the Governance, Risk and Compliance Institute of Australia and a Certified Compliance Professional (Fellow).
Other current directorships[1]:	Non-executive director of Horizon Oil Ltd (appointed February 2016) Non-executive director and Chair of Auswide Bank Ltd (appointed January 2015)
Former directorships (last 3 years)[2]:	Nil
Special responsibilities:	Chair of the Audit and Risk Management Committee Member of the People and Remuneration Committee
Interests in shares:	7,407 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	**Lisa Hennessy**
Title:	Non-Executive Director
Qualifications:	B.Sci (Electrical Engineering), MBA, GAICD
Experience and expertise:	Lisa has extensive non-executive director experience across listed, private and not-for-profit organisations. Lisa is currently a Non-Executive Director of ASX listed Cleanspace Holdings Limited and served as Lead Independent and Non- Executive Director of Nitro Software Limited. Previously, Ms Hennessy has held executive roles within global organisations and enterprise software businesses, including Bain, General Electric and Del Monte Foods working across the USA, Australia and EMEA. Lisa is a graduate of Australian Institute of Company Directors.
Other current directorships[1]:	Non-executive director of Cleanspace Holdings Ltd (appointed December 2021)
Former directorships (last 3 years)[2]:	Non-executive director of Nitro Software Ltd (Resigned March 2023)
Special responsibilities:	Chair of the People and Remuneration Committee Member of the Audit and Risk Management Committee
Interests in shares:	50,000 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

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

Joint Company Secretaries

Stephanie Carroll (BEc.) has held the role of Company Secretary since October 2020. Stephanie is Chief Financial Officer (CFO) of the Company. Stephanie is a Certified Practicing Accountant and holds a Bachelor of Economics (Honours) from the University of Sydney.

Melissa Jones has held the role of Company Secretary since October 2020. Melissa is the General Manager of Company Matters, a part of MUFG Corporate Markets, a division of MUFG Pension & Market Services. Melissa has over 20 years' experience as a lawyer, Company secretary and governance professional. Melissa is admitted as a Solicitor of the Supreme Court of New South Wales, holds a Bachelor of Laws (Honours) and is a Fellow of the Governance Institute of Australia.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each Director were:

	Full board		People and Remuneration Committee		Audit and Risk Management Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Marina Go AM	19	19	–	–	4	4
Kate Morris	19	19	4	4	–	–
James Height	18	19	–	–	–	–
Sandra Birkensleigh	18	19	4	4	4	4
Lisa Hennessy	19	19	4	4	4	4

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

The Board also convenes special committee meetings from time to time as may be required. There were two special purpose Board committee meetings held during the year.

REMUNERATION REPORT

Dear Shareholder,

On behalf of the Board, we are pleased to present Adore Beauty's remuneration report for the financial year ended 30 June 2024.

The 2024 financial year saw the delivery of $195.7 million in revenue, which was an increase of 7.4% on the previous year. Customer loyalty proved resilient through FY24, with returning customers +5.8% on the prior corresponding period to a record high of 519k. The company delivered EBITDA[1] of 2.5% which was within guidance and positive net cashflows of $5.1 million.

Adore Beauty also made positive progress on its three-pillar growth strategy – customer centricity, further building brand awareness and operational optimisation. The initiatives supporting this strategy assist in diversifying the business model, growing our long-term revenue, customer base and profitability.

The Company's results and strong financial position mean it is fully funded to execute on its strategic plans. The Board has established a remuneration framework that aligns the Company's performance with remuneration outcomes and delivers shareholder value.

Key Management Personnel (KMP) Changes

Tamalin Morton will step down from her role as Chief Executive Officer on 27th September 2024. Tamalin will take up a consulting role from October 2024, providing strategic advice to the Company.

Sacha Laing joins the business on 1 October 2024 as Chief Executive Officer. Sacha has extensive retail experience and has held roles as CEO and Director of Alquemie Group, CEO of General Pants and executive leadership positions with brands such as Country Road and David Jones.

FY24 Remuneration outcomes

The remuneration outcomes described below deliver the balance between rewarding and motivating our key executives whilst meeting the expectations of our shareholders.

Fixed Remuneration

Adjustments to Fixed Remuneration for KMP during FY24 were limited to recognising remuneration movement in the market (refer section 2a).

STI

Performance targets are linked directly to company financial results and individual strategic priorities for FY24. This plan was introduced in FY22 to retain and provide an incentive to KMP, offering them an 'at risk' incentive to remain clearly focused on the elements of the strategic plan that most impact profitable growth.

FY24 outcomes for KMP were based on the company full year results and the delivery of strategic priorities. The CEO and CFO will receive a payment of 92% of target, and 79% of the maximum opportunity under the STI plan.

LTI

In FY24, a second rights award was made to KMP under the LTIP. These awards will vest at the end of FY26, subject to achievement of relative Total Shareholder Returns (rTSR) and revenue growth targets (refer section 2c).

1. EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation.

Looking ahead to FY25

To focus on performance and retention, the Board will place a greater proportion of remuneration ‘at risk’ for KMP and senior executives. This includes increasing ‘at risk’ components and ensuring remuneration is competitive with peer companies.

Goals will remain focused on profitable revenue growth and execution of strategic initiatives that drive long-term shareholder value.

Conclusion

FY24 has been a transformative year for Adore Beauty, with strong sales growth and significant EBITDA improvement.

Into FY25, the business is well positioned to build on its three-pillar strategy – focused on customer centricity, brand awareness and operational optimisation. We see growth opportunities for the increasingly diversified Adore Beauty business, as we grow our core business, open stores and welcome the iKOU business and team to our Group. With this in mind, we remain focused on ensuring our remuneration framework supports and incentivises our business growth goals, whilst also reinforcing our strong company values and being aligned to the expectations of our shareholders.

Sincerely,

Lisa Hennessy

People and Remuneration Committee

REMUNERATION REPORT CONT.

THE CONTENTS

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

1. Reward Overview

a. What does this report cover?

The remuneration report provides a summary of remuneration arrangements for the consolidated entity's Key Management Personnel (KMP) for the financial year ended 30 June 2024. This report has been prepared in accordance with the requirements of the Corporations Act 2001 and its Regulations and subsequently audited by Adore Beauty's External Auditor.

b. Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors. In this Report this includes Directors, the CEO and CFO.

The KMP of the consolidated entity are outlined in the following table:

Name	Title	Independent	Term
Non-Executive Directors			
Marina Go AM	Non-Executive Chair	Yes	Full financial year
Sandra Birkensleigh	Non-Executive Director	Yes	Full financial year
Lisa Hennessy	Non-Executive Director	Yes	Full financial year
James Height	Non-Executive Director	No	Full financial year
Kate Morris	Non-Executive Director	No	Full financial year
Executive Management			
Tamalin Morton	Chief Executive Officer		Full financial year
Stephanie Carroll	Chief Financial Officer		Full financial year

c. Role of the People and Remuneration Committee

The People and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The remuneration philosophy is to attract, motivate and retain experienced and high performing people.

d. Governance framework

The reward framework is designed to align executive reward to shareholders' interests. The Board maintains accountability for the oversight of the remuneration approach for all Adore Beauty Executives and Non-Executive Directors (NED), having regard to the recommendations made by the People and Remuneration Committee. More information on the Board's role and Adore Beauty corporate governance policies for KMP can be found on Adore Beauty's website at: www.adorebeautygroup.com.au/investor-centre/

In accordance with best practice corporate governance, the structure of Non-Executive Director, Executive Director, and Executive KMP remuneration is separate.

CONSULTATION WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

THE ADORE BEAUTY BOARD

Maintains overall accountability for oversight of remuneration approach for all executives, having regard to recommendations made by People & Remuneration Committee

PEOPLE AND REMUNERATION COMMITTEE

Responsible for reviewing and making recommendations to the Board on matters including (but not limited to):

- Remuneration of KMP
- At risk remuneration policies and participation for Executive KMP
- Talent management, health and safety, diversity and code of conduct policies

ADVISORS

The People and Remuneration Committee may seek advice from independent remuneration consultants in determining appropriate senior executive remuneration.

During the financial year ended 30 June 2024, the People and Remuneration Committee did not receive formal advice from external consultants.

MANAGEMENT

Responsible for making recommendations to the People and Remuneration Committee on matters including (but not limited to):

- Remuneration of other executives and senior managers
- At risk remuneration policies for other employees
- Implementing company policies on people and culture initiatives

During the financial year ended 30 June 2024, the People and Remuneration Committee sought advice from remuneration consultants, PayIQ Executive Pay. This advice will inform FY25 remuneration decisions.

e. Remuneration framework

The executive reward framework consists of the following components:

- fixed remuneration, comprising base salary and Company contributions to superannuation;
- short-term performance incentive;
- long-term performance incentive;
- sign-on equity where appropriate; and
- non-monetary benefits

In combination, these components comprise the executive's total reward as outlined in the table below. As part of their development, the KMP remuneration at Adore Beauty has been evolving so that for FY24, the table below reflects our remuneration framework.

Remuneration Component		Payment Vehicle	Benchmark	Performance Measures	Link to Strategy
Fixed Remuneration		Cash Salary and Retirement Benefits[i]	Reference to the market median remuneration for similar roles in ASX listed companies of similar size to Adore Beauty.	Scope and responsibilities of role; together with skills, experience, and performance of individual.	Market competitive fixed remuneration is paid to attract, motivate, and retain Executive KMP with the appropriate experience and talent to drive Adore Beauty's strategy.
			+		
Variable Remuneration	**Short-term Incentive (STI)**	Any award achieved will be delivered, following the release of end of year results as a cash payment.	Target opportunity based on a % of base salary (varies by role). Maximum opportunity of 116% of target.	Key Adore Beauty financial measures are used to determine any STI award payable. These measures represent the key priority areas for the current year. The measures relate to profit, revenue, growth, and strategic priorities.	Provides a reward linked to the delivery of short-term (1 year) objectives.
			+		
Variable Remuneration	**Long-Term Incentive (LTI)**	Performance Rights with vesting based on the delivery of set performance measures over a 3-year performance period. Grants are made using market value.	Grant based on a % of base salary.	External Measure: Relative Total Shareholder Return (50%) + Internal Measure: Revenue Growth (with EBITDA margin underpin) 50%	The LTI builds Executive KMP equity ownership. It aligns the interests of KMP with shareholders.
			=		
Total Remuneration			On-target level based on market median for companies of similar size to Adore Beauty.		

(i) Retirement Benefits are delivered under defined contribution superannuation funds for all KMP. Retirement benefits are set by reference to relevant legislation.

f. Reward Principles

The structure of Adore Beauty remuneration is aligned to business outcomes that deliver value to shareholders. Systems of evaluation for performance of senior executives are based on predetermined KPIs, including alignment with our values.

The Board retains discretion on variable remuneration to mitigate the risk of unintended consequences and to alter outcomes in certain circumstances.

ADORE BEAUTY VALUES

WORKING FOR EACH OTHER

All executives work together towards sharing in the success of consolidated corporate goals

DOING THE RIGHT THING

Being cognisant of market expectations of environment, social and governance issues and acting within ASX and corporate guidelines

ALWAYS GROWING

Incentives linked with creation of sustainable shareholder returns

A POSITIVE APPROACH

Setting challenging goals within performance structure, and working towards them with energy

REWARD PRINCIPLES

- Equitable, motivating and attractive to skilled executives
- Aligned with long-term interest of shareholders
- Incentives that are challenging and linked with sustainable returns

2. Executive Remuneration

a. Fixed remuneration

In line with the move to a greater proportion of remuneration 'at risk' via incentive plans, fixed remuneration increases for KMP in FY24 were modest and generally in line with or less than market movement.

Remuneration benchmarking against peer companies will be undertaken each alternate year, with updated market remuneration data having been sought for the FY25 review.

b. Short term remuneration

The maximum incentive for the Key Management Personnel was limited to 116% of the target amount for FY24.

While EBITDA and Revenue remained the key financial performance metrics for FY24 STI, the Board provided an equal weighting to EBITDA and Revenue. EBITDA remains the incentive gateway to amplify the focus on profitable growth in FY24. For FY24 the Board included an additional performance measure for KMP, an individual Strategic Priority.

Who was invited to participate?	The CEO and CFO were invited to participate in FY24. Other members of senior management are also eligible to participate, provided they were employed on 1 April 2024 (minimum of 3 months service).
What is the performance period?	1 July 2023 – 30 June 2024.
What are potential earnings?	The CEO has a target opportunity based on a percentage of base salary as follows: • 40% of base salary at target (46% at maximum, ie $244,899 at maximum) • For FY24 the maximum STI opportunity was 116% of the target opportunity. The CFO has a target opportunity based on a percentage of base salary as follows: • 20% of base salary at target (23% at maximum, ie $78,880 at maximum) • For FY24 the maximum STI opportunity was 116% of the target opportunity.
How is it paid?	The Key Management Personnel receive their reward in cash. Superannuation may be payable, subject to the Superannuation Guarantee and Maximum Contribution Base.
Is there a gateway?	Yes, there is a minimum level of financial performance that must be reached to ensure alignment with shareholder interests.
How is performance measured?	The STI is based on two weighted financial components: Revenue and underlying EBITDA; and Strategic Initiative. • EBITDA margin: three levels of performance (threshold, target and stretch) are based on Company budget. (40% weighting) – For FY24 EBITDA margin at threshold level must be achieved for any payment to be made. • Revenue: three levels of performance (threshold, target and stretch) are based on Company budget. (40% weighting) • Strategic Initiative: A key business strategic priority, determined by the Board was assigned to each KMP as part of their STI. There is no stretch award for the Strategic Initiative. (20% weighting) For EBITDA margin and Revenue, performance between threshold and target, and between target and stretch, the payment is based on straight line interpolation. The Board reserves the right to exercise discretion.
When is it paid?	The STI award is determined after the end of the financial year following a review of performance against measures. Payments are made in September, following the release of statutory audited results.
What happens if a participant leaves?	If a participant resigns or is terminated prior to payment, no STI is awarded. The Board reserves the right to apply discretion in the case of a participant leaving due to ill health, death, redundancy or other circumstances.

REMUNERATION REPORT CONT.

At the end of the 2024 financial year, the Board met to review performance against the established STI targets and consequent payments.

The EBITDA margin result was between threshold and target and the Revenue result was just below target, resulting in part payment. The Board assessed successful delivery of the Strategic Initiative for each KMP.

		Actual Outcome		
Name	**STI maximum % of base salary**	**STI earned as % of base salary**	**Total STI earned $**	**Actual Earned as % of Maximum Opportunity**
Tamalin Morton	46.4%	36.9%	$194,484	79.4%
Stephanie Carroll	23.2%	18.4%	$62,642	79.4%

c. Long term Remuneration

Equity awards were made to Executive Management KMP and selected senior employees under the Long Term Incentive Plan.

Who was invited to participate?	The CEO and CFO were invited to participate in FY24. Other members of senior management were also invited to participate. (refer section 6)
How is it paid?	Awards are in the form of performance rights. Each performance right is a right to acquire one ordinary share at no cost to the participant, subject to meeting vesting conditions over the performance period.
What is the performance period?	3 years: 1 July 2023 – 30 June 2026
What are potential earnings?	The CEO has the opportunity of up to 50% of base salary The CFO has the opportunity of up to 30% of base salary.
How is performance measured?	Awards are determined by performance against two equally weighted measures: • Relative Total Shareholder Return (rTSR) against a peer group determined by the Board prior to the offer. • Revenue Growth, subject to an EBITDA margin hurdle. Performance is measured for each of the above measurements at the end of the three-year performance period.
How are payouts determined?	Awards are subject to two equally weighted measures: a market measure – Relative TSR; and a non-market measure – Compound Annual Growth Rate, with an EBITDA margin hurdle. Relative TSR (50% weighting) The Company's TSR over the performance period will be assessed against selected companies in retail and ecommerce (TSR Peer Group) at 30 June 2025 to assess performance.

How are payouts determined? *continued*	The proportion of performance shares that will vest will be determined by calculating the percentile ranking of the Company's TSR performance relative to the TSR performance of the TSR Peer Group in line with the following vesting schedule: • Below 50th %le – no vesting • At 50th %le – 50% vesting • 75th %le or above – full (100%) vesting • If the RTSR ranking is between 50th and 75th %le, pro-rata straight line vesting will occur between 50% and 100% Revenue growth (50% weighting) with minimum EBITDA margin gateway If the EBITDA margin hurdle has been achieved at the end of the performance period (as defined in the Company's long term plan), revenue growth targets will be tested. The proportion of performance shares that will vest will be determined by the revenue CAGR targets in line with the following vesting schedule: • Less than target revenue CAGR – nil vesting • At target revenue CAGR – 50% vesting • At or above stretch revenue CAGR – full (100%) vesting • If the CAGR% is between target and stretch, pro-rata straight line vesting will occur between 50% and 100%
Are there any malus or clawback provisions?	Malus and clawback apply to any awards made under this plan
What happens if a participant leaves?	If a participant is classified as a 'bad leaver' (resigns or is terminated with cause or due to poor performance), all unvested awards will be forfeited or lapse. The Board reserves the right to apply discretion in the case of a 'good leaver' (leaving due to ill health, death, redundancy or other circumstances). In this case, a pro-rated portion of unvested awards may remain 'on foot' and be subject to applicable vesting provisions.

REMUNERATION REPORT CONT.

d. Service agreements

Remuneration and other terms of employment for Executive KMP are formalised in service agreements. Details of these agreements are as follows:

Name:	**Tamalin Morton**
Title:	Chief Executive Officer
Agreement commenced:	9 January 2023
Term of agreement:	Ongoing employment
Details:	Base salary for the year ending 30 June 2024 of $527,800 plus superannuation capped at the maximum contribution base as referred to in the *Superannuation Guarantee Administration Act 1992* (Cth). Base salary is reviewed annually by the People and Remuneration Committee. Eligible to participate in short-term and long-term incentive programs. 6-month termination notice by either party, non-solicitation and non-compete clauses.
Name:	**Stephanie Carroll**
Title:	Chief Financial Officer
Agreement commenced:	20 April 2020
Term of agreement:	Ongoing employment
Details:	Base salary for the year ending 30 June 2024 of $340,000 plus superannuation capped at the maximum contribution base as referred to in the *Superannuation Guarantee Administration Act 1992* (Cth). Base salary is reviewed annually by the People and Remuneration Committee. Eligible to participate in short-term and long-term incentive programs. 6-month termination notice by either party, non-solicitation and non-compete clauses.

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

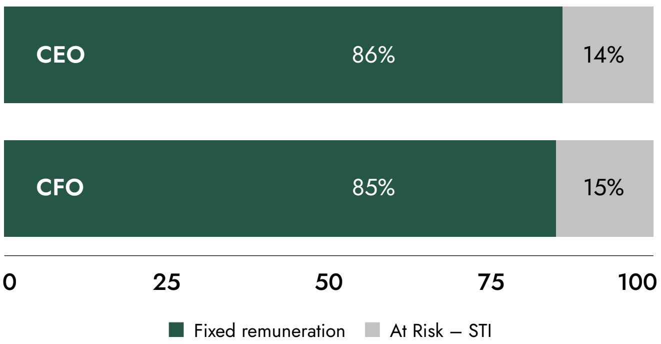
e. Looking ahead to FY25

In compliance with the increase in the Superannuation Guarantee rate, an adjustment was made for KMP that was effective from 1 July 2024. For clarification, all contributions to superannuation for KMP are made in line with the Superannuation Guarantee rate, limited by the Maximum Contribution Base.

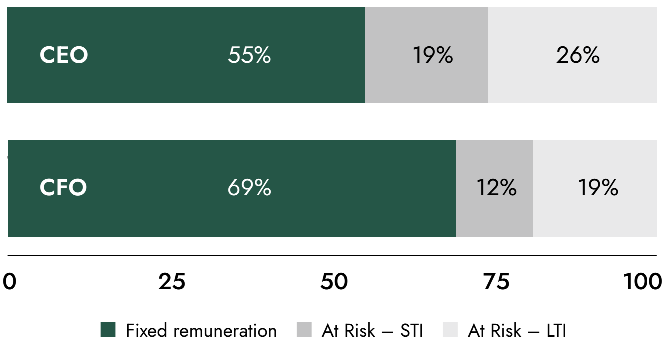
As advised in last year's report, the Board did not make significant changes to KMP remuneration but consolidated the existing structure. This approach has established challenging financial targets for KMP to deliver in a complex economic environment. When the company does well, they share in the rewards, indicating the growing maturity in the approach to remuneration.

To that end, the Remuneration Committee has resolved to increase the proportion of executive remuneration at risk, thereby reducing the proportion of fixed remuneration. These charts illustrate how the proportion of remuneration has changed for KMP over previous years, and the target and maximum remuneration mix for FY25.

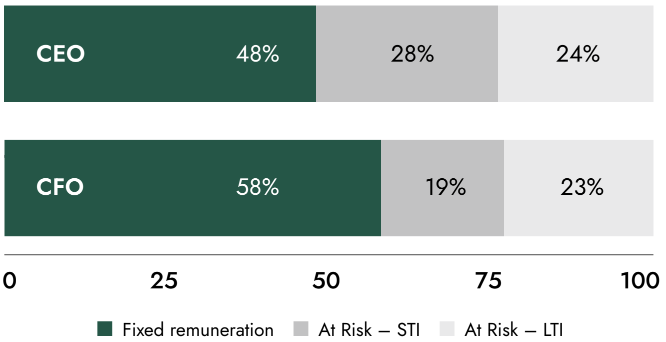
Actual Remuneration Mix – FY22



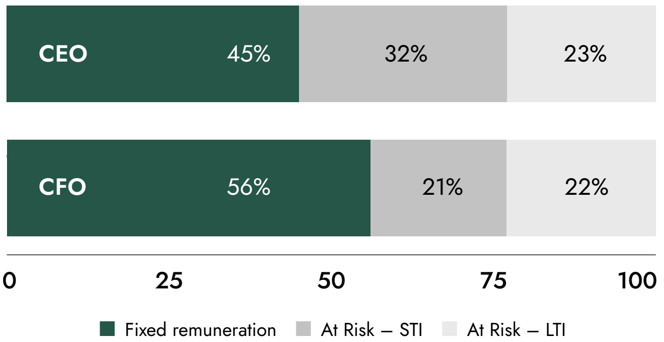
Actual Remuneration Mix – FY24



Target Remuneration Mix – FY25



Maximum Remuneration Mix – FY25



3. Non-Executive Directors' remuneration

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

The maximum aggregate Directors' remuneration for the purposes of the ASX Listing Rules and the Constitution is $800,000 per annum of which $640,000 is currently used.

The following annual fees are payable to Non-Executive Directors:

- Chair – Marina Go AM $200,000
- Non-Executive Director – Sandra Birkensleigh $100,000
- Non-Executive Director – James Height $100,000
- Non-Executive Director – Lisa Hennessy $100,000
- Non-Executive Director – Kate Morris $100,000

The following annual committee fees are payable to the Chair of the Audit and Risk Management Committee and the People and Remuneration Committee:

- Audit and Risk Management Committee – Sandra Birkensleigh $20,000
- People and Remuneration Committee – Lisa Hennessy $20,000

Directors do not receive any additional fees for being a member of a Board committee. All Directors' fees include superannuation payments required by law.

Details of the Non-Executive Directors' remuneration during the reporting period are given in the table below:

	Year	Cash salary and fees	Superannuation	Equity settled shares	Total
Non-Executive Directors:					
Marina Go AM	2024	$180,180	$19,820	–	$200,000
	2023	$180,996	$19,004	–	$200,000
Sandra Birkensleigh	2024	$108,108	$11,892	–	$120,000
	2023	$108,597	$11,403	–	$120,000
Lisa Hennessy	2024	$108,108	$11,892	–	$120,000
	2023	$108,597	$11,403	–	$120,000
Kate Morris(i)	2024	$90,090	$9,910	–	$100,000
	2023	–	–	–	$0
James Height(i)	2024	$90,090	$9,910	–	$100,000
	2023	–	–	–	$0
Total of Non-Executive Directors	2024	$576,576	$63,424	–	$640,000
	2023	$398,190	$41,810	–	$440,000

(i) During FY23 Kate Morris and James Height were Executive Directors.

4. Share-based compensation

Issue of performance rights

The CEO was awarded 266,808 Performance Rights during FY24 that will vest at the end of FY26, subject to achievement of rTSR and revenue growth targets (refer section 2c).

The CFO was awarded 103,124 Performance Rights during FY24 that will vest at the end of FY26, subject to achievement of rTSR and revenue growth targets (refer section 2c).

Issue of options

There were no options issued during FY24.

5. Company performance and remuneration outcomes

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. Incentive Payments are at the discretion of the People and Remuneration Committee. Refer to the tables below for details of the earnings and total shareholders return for the last four years.

The key financial metrics of the consolidated entity for the four years to 30 June 2024 are summarised below:

	2024 $'000	**2023 $'000**	**2022 $'000**	**2021 $'000**
Sales revenue	195,719	180,588	199,660	179,277
EBITDA(i)	4,808	625	5,337	1,651
Profit/(loss) before income tax	2,825	(1,451)	3,307	46

(i) EBITDA represents Earnings Before, Interest, Tax, Depreciation and Amortization.

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

	2024	**2023**	**2022**	**2021**
Share price at financial year end ($)	$0.89	$0.80	$1.05	$4.28
Total dividends declared (cents per share)	Nil	Nil	Nil	Nil
Basic earnings per share (cents per share)	0.02c	(0.59c)	2.53c	0.92c

REMUNERATION REPORT CONT.

Details of the Executive Directors' remuneration during the reporting period are given in the table below:

		Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments(iv)		
	Year	Cash salary and fees $	Cash Bonus $	Annual Leave $(v)	Super-annuation $	Long service leave $	Equity settled shares $	Equity settled options and rights $	Total $
Executive Directors:									
Kate Morris(vi)	**2024**	–	–	–	–	–	–	–	–
	2023	189,989	–	(3,617)	19,509	(4,020)	–	–	201,861
James Height(vi)	**2024**	–	–	–	–	–	–	–	–
	2023	241,054	–	(12,751)	19,509	(4,865)	–	–	242,947
Other Key Management Personnel:									
Tamalin Morton(i),(iii)	**2024**	**523,100**	**194,484**	**16,203**	**27,399**	**879**	**–**	**372,131**	**1,134,196**
	2023	246,607	50,000	18,775	12,646	253	50,000	236,275	614,556
Tennealle O'Shannessy (ii),(vi),(vii)	**2024**	–	–	–	–	–	–	–	–
	2023	324,740	–	(27,664)	12,646	–	–	(934,400)	(624,678)
Stephanie Carroll(viii)	**2024**	**337,500**	**62,642**	**9,785**	**27,399**	**9,396**	**–**	**94,361**	**541,083**
	2023	330,520	45,900	40,241	25,292	4,451	4,238	62,893	513,535
Total of Executive Personnel	**2024**	**860,600**	**257,126**	**25,988**	**54,798**	**10,275**	**–**	**466,492**	**1,675,279**
	2023	1,332,909	95,900	14,984	89,604	(4,181)	54,238	(635,232)	948,221

(i) FY23 remuneration represents remuneration from 9 January to 30 June 2023.
(ii) Represents remuneration from 1 July to 30 December 2022.
(iii) Cash bonus includes STI payment for FY24.
(iv) Share based payments for 2024 reflect: a) statutory accruals in relation to options granted to CFO on 6 October 2020, b) rights awarded to CFO as part of LTIP on 15 November 2022 that are due to vest on 30 June 2025, c) rights and options awarded to CEO on 7 January 2023 as part of employment, subject to performance vesting conditions outlined in section 6, and d) rights awarded to CEO and CFO as part of LTIP on 17 January 2024 that are due to vest on 30 June 2026 d)the negative remuneration for Tennealle O'Shannessy is due to the forfeiture of loan shares and LTI options as a result of her resignation.
(v) Non-monetary benefits reflect change in annual leave accrual between 30 June 2023 and 30 June 2024.
(vi) Includes payment of accrued and unused annual and long service leave upon end of executive employment.
(vii) Includes payment in lieu of notice.
(viii) Cash bonus for 2023 includes retention incentive paid in FY23, plus accounting accrual for retention incentive payable in FY24.

6. Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/Other	Balance at the end of the year
Kate Morris	10,400,000	–	–	–	10,400,000
James Height	10,400,000	–	–	–	10,400,000
Marina Go AM	27,407	–	–	–	27,407
Sandra Birkensleigh	7,407	–	–	–	7,407
Lisa Hennessy	50,000	–	–	–	50,000
Tamalin Morton	–	50,556	–	–	50,556
Stephanie Carroll[(i)]	86,850	–	–	–	86,850
	20,971,664	**50,556**	**–**	**–**	**21,022,220**

(i) The shareholding relates to the loan backed shares under the Management Equity Plan pursuant to which the Company has loaned participant monies to fund part or all of the purchase of management shares. The loan attaching to the shares is limited recourse and must be repaid out of any proceeds from the sale of the loan shares. These shares vested at 30 June 2023 and the loan remains unpaid as at 30 June 2024.

REMUNERATION REPORT CONT.

Reconciliation of options movement (detailing awards, vested outcome, and expiry during the year)

Executive	Plan	Year	Grant Date	Fair Value at Grant	Exercise Price	Expiry Date
CEO Options						
Tamalin Morton	Tranche 1	2023	27 Jan 23	$0.49	$1.53	27 Jan 33
Tamalin Morton	Tranche 2	2023	27 Jan 23	$0.50	$1.53	27 Jan 33
Tamalin Morton	Tranche 3	2023	27 Jan 23	$0.50	$1.53	27 Jan 33
Tamalin Morton	Tranche 4	2023	27 Jan 23	$0.51	$1.53	27 Jan 33
Tamalin Morton	Tranche 5	2023	27 Jan 23	$0.52	$1.53	27 Jan 33
Tamalin Morton	Tranche 6	2023	27 Jan 23	$0.52	$1.53	27 Jan 33
Tamalin Morton	Tranche 7	2023	27 Jan 23	$0.53	$1.53	27 Jan 33
Tamalin Morton	Tranche 8	2023	27 Jan 23	$0.54	$1.53	27 Jan 33
Tamalin Morton	Tranche 9	2023	27 Jan 23	$0.54	$1.53	27 Jan 33
Tamalin Morton	Tranche 10	2023	27 Jan 23	$0.55	$1.53	27 Jan 33
Tamalin Morton	Tranche 11	2023	27 Jan 23	$0.56	$1.53	27 Jan 33
CEO Performance Rights						
Tamalin Morton	Tranche 1	2023	27 Jan 23	$0.58	Nil	27 Nov 26
Tamalin Morton	Tranche 2	2023	27 Jan 23	$0.29	Nil	27 Nov 26
Tamalin Morton	Tranche 3	2023	27 Jan 23	$0.17	Nil	27 Nov 26
Tamalin Morton	Performance Rights – TSR	2024	17 Jan 24	$0.89	Nil	30 Sep 28
Tamalin Morton	Performance Rights – Revenue Growth	2024	17 Jan 24	$1.13	Nil	30 Sep 28
CFO Options						
Stephanie Carroll	Options	2021	6-Oct-20	$3.52	$6.75	30 Jun 26
CFO Performance Rights						
Stephanie Carroll	Performance Rights – TSR	2023	15 Nov 22	$1.53	Nil	30 Sep 27
Stephanie Carroll	Performance Rights – Revenue Growth	2023	15 Nov 22	$1.75	Nil	30 Sep 27
Stephanie Carroll	Performance Rights – TSR	2024	17 Jan 24	$0.89	Nil	30 Sep 28
Stephanie Carroll	Performance Rights – Revenue Growth	2024	17 Jan 24	$1.13	Nil	30 Sep 28

		Movement				At year end	
1 Jul 23	Granted (awards)	Exercised	Other changes	30 Jun 24	Vested	Unvested	Exercisable
100,000	–	–	–	100,000	100,000	–	100,000
40,000	–	–	–	40,000	40,000	–	40,000
40,000	–	–	–	40,000	40,000	–	40,000
40,000	–	–	–	40,000	40,000	–	40,000
40,000	–	–	–	40,000	–	40,000	–
40,000	–	–	–	40,000	–	40,000	–
40,000	–	–	–	40,000	–	40,000	–
40,000	–	–	–	40,000	–	40,000	–
40,000	–	–	–	40,000	–	40,000	–
40,000	–	–	–	40,000	–	40,000	–
40,000	–	–	–	40,000	–	40,000	–
350,000	–	–	–	350,000	–	350,000	–
500,000	–	–	–	500,000	–	500,000	–
650,000	–	–	–	650,000	–	650,000	–
–	133,404	–	–	133,404	–	133,404	–
–	133,404	–	–	133,404	–	133,404	–
50,000	–	–	–	50,000	–	50,000	–
20,756	–	–	–	20,756	–	20,756	–
20,756	–	–	–	20,756	–	20,756	–
–	51,562	–	–	51,562	–	51,562	–
–	51,562	–	–	51,562	–	51,562	–

The vesting conditions for the awards are detailed below.

2021 Options

Options will vest based on performance of the Company measured at the end of the performance period at 30 June 2024, subject to participant's continued employment. Of the total number of options granted:

- 50% are subject to the satisfaction of a vesting condition relating to the Company's revenue at the end of the performance period (Revenue component); and
- 50% are subject to the satisfaction of a vesting condition relating to the Company's EBITDA growth during the performance period (EBITDA component).

Revenue component

In order for any options in the Revenue component to vest, a threshold level of performance must be achieved. The percentage of options comprising the Revenue component that vest, if any, will be determined over the performance period by reference to the below vesting schedule.

Company's revenue at the end of the performance period and % of options that vest:

- Less than threshold revenue – Nil
- Equal to threshold revenue – 50%
- Between threshold and maximum revenue – Straight line pro-rata vesting between 50% and 100%
- At or above maximum revenue – 100%

Threshold and maximum level of performance set by the Board.

EBITDA component

In order for any options in the EBITDA component to vest, a threshold level of performance must be achieved. The percentage of options comprising the EBITDA component that vest, if any, will be determined over the performance period by reference to the below vesting schedule.

Company's EBITDA at the end of the performance period and % of options that vest.

- Less than threshold EBITDA – Nil
- Equal to threshold EBITDA – 50%
- Between threshold and maximum EBITDA – Straight line pro-rata vesting between 50% and 100%

2023 Performance Rights (S Carroll)

Performance Rights will vest based on performance of the Company measured at the end of the performance period at 30 June 2025, subject to participant's continued employment. Of the total number of performance rights granted:

- 50% are subject to the satisfaction of a vesting condition relating to the Company's relative Total Shareholder Return (rTSR) at the end of the performance period (TSR component); and
- 50% are subject to the satisfaction of a vesting condition relating to the Company's revenue growth at the end of the performance period (Revenue component).

TSR component

In order for any performance rights in the TSR component to vest, a threshold level of performance must be achieved. The percentage of performance rights comprising the TSR component that vest, if any, will be determined over the performance period by reference to the below vesting schedule.

Company's rTSR against comparator group at the end of the performance period and % of performance rights that vest:

- Below 50th percentile – Nil
- Equal to 50th percentile – 50%
- Between 50th and 75th percentile – Straight line pro-rata vesting between 50% and 100%
- At or above 75th percentile – 100%

Threshold and maximum level of performance set by the Board.

Revenue component

In order for any performance rights in the revenue component to vest, an EBITDA margin gateway must be achieved. The percentage of performance rights comprising the revenue component that vest, if any, will be determined over the performance period by reference to the below vesting schedule.

Company's revenue at the end of the performance period and % of options that vest.

- Less than target revenue growth – Nil
- Equal to target revenue growth provided EBITDA margin gateway in respect to FY25 is met – 50%
- Between target and stretch growth provided the EBITDA margin gateway in respect to FY25 is met – pro-rata straight line vesting between 50% and 100%
- At or above stretch revenue growth provided the EBITDA margin gateway in respect to FY25 is met – 100%

Threshold and maximum level of performance set by the Board.

Performance will not be retested if any of the Vesting Conditions are not satisfied at the end of the performance period. Any performance rights that remain unvested at the end of the performance period will lapse immediately.

2023 Performance Rights (T Morton)

Performance Rights awarded to the CEO upon commencement will vest, subject to participant's continued employment and to the Company's share price over a three-year period from the commencement date (9 January 2023):

- Tranche 1 – 350,000 Performance Rights that vest if the VWAP of Adore Beauty shares for any consecutive 60 day period following the Grant Date reaches $2.50 or higher.
- Tranche 2 – 500,000 Performance Rights that vest if the VWAP of Adore Beauty shares for any consecutive 60 day period following the Grant Date reaches $4.75 or higher.
- Tranche 3 – 650,000 Performance Rights that vest if the VWAP of Adore Beauty shares for any consecutive 60 day period following the Grant Date reaches $6.75 or higher.

If not vested prior, these performance rights lapse 27 November 2026.

2023 Options (T Morton)

Options awarded to the CEO upon commencement will vest, subject to continued employment over a three-year period from the commencement date (9 January 2023):

- 100,000 Options vested on the six-month anniversary of the Commencement Date (9 July 2023); and
- A further 120,000 Options vested during FY24 and have not been exercised; and
- The remaining 280,000 Options to vest on a quarterly basis ending on the three-year anniversary of the Commencement Date in equal tranches.

2024 Performance Rights (T Morton & S Carroll)

Performance Rights will vest based on performance of the Company measured at the end of the performance period at 30 June 2026, subject to participant's continued employment. Of the total number of performance rights granted:

- 50% are subject to the satisfaction of a vesting condition relating to the Company's relative Total Shareholder Return (rTSR) at the end of the performance period (TSR component); and
- 50% are subject to the satisfaction of a vesting condition relating to the Company's revenue growth at the end of the performance period (revenue component).

TSR component

In order for any performance rights in the TSR component to vest, a threshold level of performance must be achieved. The percentage of performance rights comprising the TSR component that vest, if any, will be determined over the performance period by reference to the below vesting schedule.

Company's rTSR against comparator group at the end of the performance period and % of performance rights that vest:

- Below 50th percentile – Nil
- Equal to 50th percentile – 50%
- Between 50th and 75th percentile – Straight line pro-rata vesting between 50% and 100%
- At or above 75th percentile – 100%

Threshold and maximum level of performance set by the Board.

Revenue component

In order for any performance rights in the revenue component to vest, an EBITDA margin gateway must be achieved. The percentage of performance rights comprising the revenue component that vest, if any, will be determined over the performance period by reference to the below vesting schedule.

Company's revenue at the end of the performance period and % of performance rights that vest.

- Less than target revenue growth – Nil
- Equal to target revenue growth provided EBITDA margin gateway in respect to FY26 is met – 50%
- Between target and stretch growth provided the EBITDA margin gateway in respect to FY26 is met – pro-rata straight line vesting between 50% and 100%
- At or above stretch revenue growth provided the EBITDA margin gateway in respect to FY26 is met – 100%

Threshold and maximum level of performance set by the Board.

Performance will not be retested if any of the Vesting Conditions are not satisfied at the end of the performance period. Any performance rights that remain unvested at the end of the performance period will lapse immediately.

Management Equity – Future Vesting Profile

Executive	Plan	Grant Year	Grant Amount	% Vesting previous periods	Vesting in FY24	% incentive at risk	Movement vesting % FY25	vesting % FY26	vesting % FY27	vesting % FY28
Tamalin Morton	Options	2023	500,000	–	44%	56%	32%	24%	–	–
	Performance Rights	2023	1,500,000	–	23%	100%	33%	29%	15%	–
	Performance Rights	2024	266,808	–	–	100%	–	100%	–	–
Stephanie Carroll	Options	2021	50,000	–	–	100%	100%	–	–	–
	Performance Rights	2023	41,512	–	–	100%	100%	–	–	–
	Performance Rights	2024	103,124	–	–	100%	–	100%	–	–

Other transactions with key management personnel and their related parties

During the financial year, payments for the use of platform services from Director-related entities of Kate Morris and James Height of $34,680 (2023: $32,196) were made. The current trade payable balance as at 30 June 2024 was $5,209 (2023: $5,395). All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

Shares under option and rights

Unissued ordinary shares of Adore Beauty Group Limited under option and performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option or performance rights
06/10/2020	30/06/2026	$6.75	50,000
27/01/2023	27/01/2033	$1.53	500,000
27/01/2023	27/01/2033	Nil	1,500,000
15/11/2022	30/09/2027	Nil	140,757
17/01/2024	30/09/2028	Nil	714,900

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

Shares issued on the exercise of options and rights

No ordinary shares of Adore Beauty Group Limited were issued during the year ended 30 June 2024 and up to the date of this report on the exercise of options and rights granted.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the Company who are former partners of Grant Thornton Audit Pty Ltd.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

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

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the Directors

Marina Go AM
Chair

26 August 2024
Melbourne

AUDITOR'S INDEPENDENCE DECLARATION

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

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Adore Beauty Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Adore Beauty Group Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 26 August 2024

FINANCIAL STATEMENTS
30 JUNE 2024

CONTENTS

General information

The financial statements cover Adore Beauty Group Limited as a consolidated entity consisting of Adore Beauty Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Adore Beauty Group Limited's functional and presentation currency.

Adore Beauty Group Limited is a listed public Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office and principal place of business

Level 1
421 High Street
Northcote VIC 3070

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26th August 2024. The Directors have the power to amend and reissue the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2024

	Note	Consolidated 2024 $'000	2023 $'000
Revenues	4	195,719	182,184
Cost of sales		(130,250)	(122,754)
Gross profit		65,469	59,430
Other income		638	251
Expenses:			
Advertising and marketing expense		(26,049)	(26,855)
Employee benefits expense	5	(21,197)	(18,604)
Depreciation and amortisation expense	5	(2,519)	(2,148)
Finance costs	5	(103)	(186)
Other operating expenses	5	(13,414))	(13,339)
Profit/(loss) before income tax expense		2,825	(1,451)
Income tax expense/(benefit)	6	(650)	892
Profit/(loss) after income tax expense for the year		**2,175**	**(559)**
Other comprehensive income			
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income/(loss) for the year		**2,175**	**(559)**
		Cents	**Cents**
Earnings/(loss) per share			
Basic earnings/(loss) per share	30	0.02 cents	(0.59) cents
Diluted earnings/(loss) per share	30	0.02 cents	(0.59) cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

		Consolidated	
	Note	2024 $'000	2023 $'000
Assets			
Current assets			
Cash and cash equivalents		32,852	27,761
Trade and other receivables		2,133	2,512
Current tax receivable		–	1,795
Inventories	7	21,618	21,079
Other current assets		1,850	2,201
Total current assets		58,453	55,348
Non-current assets			
Property, plant and equipment	8	669	726
Right-of-use assets	9	1,561	502
Intangibles	10	5,395	3,852
Deferred tax asset		1,588	1,983
Total non-current assets		9,213	7,063
Total assets		67,666	62,411
Liabilities			
Current liabilities			
Trade and other payables	11	20,810	20,657
Current tax payable		256	–
Contract liabilities	12	3,790	3,777
Lease liabilities		426	482
Employee benefits	14	1,244	911
Total current liabilities		26,526	25,827
Non-current liabilities			
Lease liabilities		1,297	142
Employee benefits		197	225
Total non-current liabilities		1,494	367
Total liabilities		28,020	26,194
Net assets		**39,646**	**36,217**
Equity			
Issued capital	15	102,777	102,076
Reserves	16	(66,692)	(66,991)
Retained earnings	17	3,561	1,132
Total equity		**39,646**	**36,217**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

	Note	Issued capital $'000	Foreign currency translation reserve $'000	Corporate re-organisation reserve $'000	Share based payments reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2022		**102,076**	**(5)**	**(68,104)**	**1,660**	**1,691**	**37,318**
Transactions with owners							
Share-based payments		–	–	–	(542)	–	(542)
Total transactions with owners	**16**	**–**	**–**	**–**	**(542)**	**–**	**(542)**
Comprehensive income							
Profit/(loss) for the year		–	–	–	–	(559)	(559)
Total comprehensive income		**–**	**–**	**–**	**–**	**(559)**	**(559)**
Balance at 30 June 2023		**102,076**	**(5)**	**(68,104)**	**1,118**	**1,132**	**36,217**
Balance at 1 July 2023		102,076	(5)	(68,104)	1,118	1,132	36,217
Transactions with owners							
Share-based payments		–	–	–	604	–	604
Transfer from reserve		50	–	–	(304)	254	–
Contributions of equity, net of transaction costs		651	–	–	–	–	651
Total transactions with owners	16	**701**	**–**	**–**	**300**	**254**	**1,255**
Comprehensive income							
Profit for the year		–	–	–	–	2,175	2,175
Total comprehensive loss		**–**	**–**	**–**	**–**	**2,175**	**2,175**
Balance at 30 June 2024		**102,777**	**(5)**	**(68,104)**	**1,418**	**3,561**	**39,646**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

	Note	Consolidated 2024 $'000	Consolidated 2023 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		210,120	194,693
Receipts from fees and commissions (inclusive of GST)		5,562	2,491
Payments to suppliers and employees (inclusive of GST)		(209,701)	(198,472)
		5,981	(1,288)
Interest received		638	251
Interest and other costs of finance		(95)	(140)
Income taxes received		1,796	1,997
Net cash from operating activities	28	8,320	820
Cash flows from investing activities			
Payments for intangible assets	10	(3,308)	(2,067)
Payments for property, plant and equipment	8	(116)	(171)
Net cash used in investing activities		(3,424)	(2,238)
Cash flows from financing activities			
Repayment of lease liabilities		(448)	(541)
Payments of finance charges on lease liabilities		(8)	(46)
Repayment of loan-backed shares		651	–
Net cash from used in financing activities		195	(587)
Net increase/(decrease) in cash and cash equivalents		5,091	(2,005)
Cash and cash equivalents at the beginning of the financial year		27,761	29,766
Cash and cash equivalents at the end of the financial year		**32,852**	**27,761**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Material accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has not had a material effect on the consolidated entity.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New or amended Accounting Standards which have been issued not yet effective

The consolidated entity has considered Accounting Standards and Interpretations which have been issued but are not yet effective, identifying the following which are relevant to the consolidated entity:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as current or non-current
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants

When these amendments are first adopted for the year ending 30 June 2024, there will be no material impact on the financial statements.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adore Beauty Group Limited ('Company' or 'parent entity') as at 30 June 2024 and the results of all subsidiaries for the year then ended. Adore Beauty Group Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

Operating segments

The consolidated entity operates in one segment being the sale of beauty and personal care products through its online platform. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Adore Beauty Group Limited's functional and presentation currency.

Foreign currency transactions

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

Revenue recognition

Sale of goods

The consolidated entity's contracts with customers generally include one performance obligation being the sale of goods. Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Cash payment is generally received at the point of sale.

A right of return is held by customers. Adore Beauty has measured the value of this right of return, presented within other assets, and corresponding refund liability, presented within other payables, at the end of the reporting period based on the amount of consideration received from customers for which the consolidated entity does not expect to be entitled based on its refund policy and historical refund rates.

Commission revenue

Adore Beauty has agreements with select brands, whereby its performance obligation is to facilitate the sale of the Brands' products through Adore Beauty's website. Adore Beauty is the agent in such transactions as it does not control the specified goods before they are transferred to the retail customer. Control of products under such arrangements are retained by the Brand until the products are sold to the retail customer, and does not at any point, transfer to Adore Beauty. Therefore, whilst gross proceeds are received, Adore Beauty recognises revenue on a net basis, being the commissions received on eligible sales, at the point in time when Adore Beauty has satisfied its performance obligation.

Marketing revenue

Marketing revenue is recognised over time as the services are rendered based on a fixed price. Marketing revenue is generated through short-term contracts with Brands to provide individualised marketing campaigns or advertising space on Adore Beauty's website for an agreed period of time. Where consideration for such campaigns is received at inception of the contract, it is initially recognised as a contract liability and recognised as revenue over the period the services are rendered.

Interest income

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

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Gift voucher liability

Gift vouchers are considered a prepayment by a customer for goods to be delivered in the future. The consolidated entity has an obligation to transfer the goods in the future – creating a performance obligation. The consolidated entity recognises a current gift voucher liability as a contract liability for the amount of the prepayment and recognises revenue when the customer redeems the gift voucher and the entity fulfils the performance obligation related to the transaction, or where breakage is applied. Breakage, being the customer's unexercised right, is estimated and recognised as revenue in proportion to the pattern of rights exercised by the customer and the likelihood of the gift voucher being redeemed by the customer is remote.

Deferred revenue

Deferred revenue refers to payments received from customers in advance for goods that are yet to be delivered. The consolidated entity has an obligation to transfer the promised goods to the customer. The consolidated entity recognises revenue once the promised goods have been delivered to the customer.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

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

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

Current and non-current classification

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

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

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables include amounts due from suppliers for rebates earned in the ordinary course of the business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. Trade and other receivables are initially recognised at fair value and subsequently at fair value less any provision for impairment.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure expected credit losses, trade receivables have been grouped based on days overdue.

NOTES TO THE FINANCIAL STATEMENTS CONT.

Inventories

The first in, first out (FIFO)method of inventory valuation is used. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

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

Property, plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Computer equipment	50%
Plant and equipment	2.5% – 20%

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Product development

Product development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of up to 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Website and mobile app

Website and mobile app costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Work in progress – website and mobile app

Work in progress costs refer to costs incurred on projects that are not yet completed as of the reporting date. The consolidated entity capitalises these costs as an asset when it is probable that future economic benefits associated with the project will flow to the entity, and its costs can be reliably measured.

Impairment of non-financial assets

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

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments as a result of a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTES TO THE FINANCIAL STATEMENTS CONT.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at 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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Reserves

Corporate re-organisation reserve

The reserve represents the difference between the fair value of the consideration paid and the book value of assets and liabilities acquired in a business combination.

Share based payments reserve

The reserve is used to recognise share-based payments accrued as part of employee remuneration, including management equity plan shares that have vested but not yet exercised.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of intangible assets

The consolidated entity determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The consolidated entity has reviewed the useful lives of intangible assets in the year, and concluded that the useful lives adopted remains appropriate. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (cash generating unit).

The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current marketing assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in the Profit or Loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro-rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

There was no impairment of assets in the financial year.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity operates in one segment being the sale of beauty and personal care products through its online platform. Sales are predominantly through the Australian geographical region, with New Zealand sales being immaterial. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated. The information reported to the CODM is on at least a monthly basis.

Major customers

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

Note 4. Revenue

	Consolidated	
	2024 $'000	**2023 $'000**
Revenues from contracts with customers and suppliers		
Sale of goods – point in time	190,663	179,697
Commission revenue – point in time	927	594
Marketing revenue – over time	4,129	1,892
Total revenues	**195,719**	**182,184**

Note 5. Expenses

	Consolidated	
	2024 $'000	2023 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	173	208
Buildings right-of-use assets	580	483
Total depreciation	753	691
Amortisation		
Website	1,753	1,443
Patents and trademarks	11	12
Product development	2	2
Total amortisation	1,766	1,457
Total depreciation and amortisation	2,519	2,148
Finance costs		
Interest and finance charges paid/payable on borrowings	95	140
Interest and finance charges paid/payable on lease liabilities	8	46
Finance costs expensed	103	186
Other operating expenses		
Bank and merchant fees	4,249	4,477
Website, software, other IT costs	4,718	4,456
Net foreign exchange loss	5	30
Other	4,442	4,376
Total other operating expenses	13,414	13,339
Employee benefits expense		
Salaries, wages and contractor payments	17,841	17,160
Share-based payments expense/(reversal)	604	(542)
Defined contribution superannuation expense	1,482	1,315
Annual and long service leave	284	(86)
Other employee benefits expenses	986	757
	21,197	18,604

Note 6. Income tax expense

	Consolidated	
	2024 $'000	2023 $'000
Income tax expense		
Current tax expense/(benefit)	(255)	1,539
Deferred tax expense – origination and reversal of temporary differences	(395)	(647)
Aggregate income tax expense/(benefit)	**(650)**	**892**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	2,825	(1,451)
Tax at the statutory tax rate of 30% (2023: 30%)	(848)	435
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenditure	(57)	(49)
Impact of ACA step downs	286	286
Share based payments	(181)	163
Sundry items	150	57
Income tax expense/(benefit)	(650)	892
Deferred tax assets/(liabilities) comprises tax losses and temporary differences attributable to:		
Employee benefits	433	341
Plant and equipment	(655)	(1,081)
Right-of-use asset	(468)	(37)
Right of return asset	(110)	(110)
Refund liability	174	174
Gift voucher liability	207	274
Capitalised fees	32	160
Accrued expenses	526	181
IPO Costs – blackhole expenditure[(a)]	895	1,790
Other items	554	27
Tax losses carried forward	–	264
Deferred tax asset	**1,588**	**1,983**
Movements:		
Opening balance	1,983	2,630
Credited to profit or loss	(395)	(647)
Closing balance	**1,588**	**1,983**

(a) Blackhole expenditure is capital expenditure that is not otherwise deductible and that relates to a business carried on for a taxable purpose. It is deductible under ITAA 1997 s40-880 over 5 years at the rate of 20%, provided the deduction is not denied by some other provision.

Note 7. Current assets — inventories

	Consolidated	
	2024 $'000	2023 $'000
Finished goods	20,628	20,466
Less provision for stock obsolescence	(100)	(100)
Stock in transit	1,090	713
	21,618	**21,079**

Note 8. Non-current assets — property, plant and equipment

	Consolidated	
	2024 $'000	2023 $'000
Plant and equipment — at cost	1,449	1,757
Less: accumulated depreciation	(780)	(1,031)
	669	**726**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	**$'000**
Balance at 1 July 2022	763
Additions	171
Disposals	–
Depreciation expense	(208)
Balance at 30 June 2023	726
Additions	116
Disposals	–
Depreciation expense	(173)
Balance at 30 June 2024	**669**

Note 9. Non-current assets – right-of-use assets

	Consolidated	
	2024 $'000	**2023 $'000**
Land and buildings – right-of-use	3,910	2,324
Less: accumulated depreciation	(2,349)	(1,822)
	1,561	**502**

Lease remeasurements to right-of-use assets during the year were a profit of $1,639,000 (2023: $7,000 loss).

The consolidated entity leases land and buildings for its offices and warehouse under agreements of between one to three years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The consolidated entity leases office equipment under agreements of less than two years. These leases are of low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	**$'000**
Balance at 1 July 2022	992
Lease remeasurements	(7)
Depreciation expense	(483)
Balance at 30 June 2023	502
Lease remeasurements	1,639
Depreciation expense	(580)
Balance at 30 June 2024	**1,561**

Note 10. Non-current assets – intangibles

	Consolidated 2024 $'000	Consolidated 2023 $'000
Website and mobile app – at cost	8,257	8,390
Less: accumulated amortisation	(4,450)	(4,640)
	3,807	3,750
Patents and trademarks – at cost	123	115
Less: accumulated amortisation	(41)	(28)
	82	87
Product development – at cost	21	21
Less: accumulated amortisation	(8)	(6)
	13	15
Work in progress	1,493	–
	5,395	**3,852**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Website and mobile app $'000	Patents and trademarks $'000	Product development $'000	Work in Progress $'000	Total $'000
Balance at 1 July 2022	3,133	95	14	–	3,242
Additions	2,060	4	3	–	2,067
Amortisation expense	(1,443)	(12)	(2)	–	(1,457)
Balance at 30 June 2023	3,750	87	15	–	3,852
Additions	1,808	8	–	1,493	3,308
Amortisation expense	(1,751)	(13)	(2)	–	(1,766)
Balance at 30 June 2024	**3,807**	**82**	**13**	**1,493**	**5,395**

Note 11. Current liabilities – trade and other payables

	Consolidated	
	2024 $'000	2023 $'000
Trade payables	15,255	17,543
Accrued expenses	4,040	1,450
Refund liability	581	581
Other payables	934	1,083
	20,810	**20,657**

Refer to note 19 for further information on financial instruments.

Note 12. Current liabilities – contract liability

	Consolidated	
	2024 $'000	2023 $'000
Gift voucher liability	2,196	2,665
Deferred revenue	1,594	1,112
	3,790	3,777

Note 13. Non-current liabilities – borrowings

Assets pledged as security

Financial facilities are secured by a guarantee by the Company and each of its wholly owned subsidiaries. The lender has general security over all of the assets of the Group Companies that are guarantors.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2024 $'000	2023 $'000
Total facilities		
Multi-option revolving credit facility	–	10,000
	–	10,000
Used at the reporting date		
Multi-option revolving credit facility	–	–
	–	–
Unused at the reporting date		
Multi-option revolving credit facility	–	10,000
	–	10,000

Refer to note 19 for further information on financial instruments.

Note 14. Current liabilities – employee benefits

	Consolidated	
	2024 $'000	2023 $'000
Employee benefits	1,244	911

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement.

Note 15. Equity – issued capital

	Consolidated			
	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Ordinary shares – fully paid	93,957,928	93,907,372	102,777	102,076

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

Capital and going concern risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or Company was seen as value adding relative to the current Company's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2023 Annual Report.

Note 16. Equity – reserves

	Consolidated	
	2024 $'000	2023 $'000
Corporate re-organisation reserve	(68,104)	(68,104)
Share based payments reserve	1,418	1,118
Foreign currency reserve	(6)	(5)
	(66,692)	**(66,991)**

Movements in reserves

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

Consolidated	Share based payments $'000	Foreign currency $'000	Corporate re-organisation $'000	Total $'000
Balance at 1 July 2022	1,660	(6)	(68,104)	(66,449)
Share-based payment transactions	(542)	–	–	(542)
Balance at 30 June 2023	1,118	(6)	(68,104)	(66,991)
Share-based payment transactions	604	–	–	604
Share buy back	(254)	–	–	(254)
Transfer from reserve	(50)	–	–	(50)
Balance at 30 June 2024	**1,418**	**(6)**	**(68,104)**	**(66,692)**

Note 17. Equity – retained earnings

	Consolidated	
	2024 $'000	2023 $'000
Retained earnings at the beginning of the financial year	1,132	1,691
Transfer from reserve	254	–
Profit/(Loss)after income tax expense for the year	2,175	(559)
Retained earnings at the end of the financial year	**3,561**	**1,132**

Note 18. Equity – dividends

No dividend has been declared during or since the end of the financial year.

Franking credits

	Consolidated	
	2024 $'000	2023 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	952	2,747

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 19. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity is not exposed to any significant foreign currency risk.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity is not exposed to any significant interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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

Liquidity risk

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

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

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2024 $'000	**2023 $'000**
Multi-option revolving credit facility	–	10,000

The multi-option revolving credit facility was not renewed in FY24.

Remaining contractual maturities

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

Consolidated – 2024	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 & 2 years $'000**	**Between 2 & 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Trade and other payables	–	20,227	–	–	–	20,227
Refund liability		581	–	–	–	581
Lease liabilities	5%	426	1,297	–	–	1,723
Total		**21,235**	**1,297**	**–**	**–**	**22,531**

Consolidated – 2023	Weighted average interest rate %	1 year or less $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Trade and other payables	–	20,076	–	–	–	20,076
Refund liability		581	–	–	–	581
Lease liabilities	5%	482	142	–	–	624
Total		**21,139**	**142**	**–**	**–**	**21,281**

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Key management personnel disclosures

Compensation

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

	Consolidated	
	2024 $'000	**2023 $'000**
Short-term employee benefits	1,720,290	1,841,984
Post-employment benefits	118,222	131,414
Long-term benefits	10,275	(4,181)
Share-based expense/(reversal)	466,492	(580,994)
	2,315,279	**1,388,223**

Note 21. Remuneration of auditors

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

	Consolidated	
	2024 $	**2023 $**
Audit services – Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	153,510	155,000
Other services – Grant Thornton Australia Limited		
Tax advisory services	33,270	53,000
Other advisory services	–	24,000
	186,780	**232,000**

Note 22. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2024 (2023: $nil).

Note 23. Commitments

There were no material capital commitments at reporting date that were not recognised as liabilities.

Note 24. Related party transactions

Parent entity

Adore Beauty Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2024 $	**2023 $**
Payment for goods and services:		
Purchase of goods from Director related entities	34,680	32,196

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2024 $	**2023 $**
Current payables:		
Trade payables to Director related entities	**8,605**	**5,395**

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024 $'000	**2023 $'000**
Loss after income tax	(2,911)	(1,097)
Total comprehensive loss	(2,911)	(1,097)

Statement of financial position

	Parent	
	2024 $'000	**2023 $'000**
Total current assets	234	2,076
Total assets	92,850	95,080
Total current liabilities	72	28
Total liabilities	1,981	1,684
Equity		
Issued capital	102,126	102,076
Reserves	1,198	1,118
Accumulated losses	(12,455)	(9,798)
Total equity	**90,869**	**93,396**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

(i) The parent entity has entered into a cross deed of guarantee with the subsidiaries listed in note 26.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

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

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	**Principal place of business/ Country of incorporation**	**2024 %**	**2023 %**
Tate Midco Pty Ltd	Australia	100.00%	100.00%
Tate Bidco Pty Ltd	Australia	100.00%	100.00%
Adore Beauty Pty Ltd	Australia	100.00%	100.00%
Northside Brands Pty Ltd	Australia	100.00%	100.00%
Jakat Pte Ltd	Singapore	100.00%	100.00%

Note 27. Events after the reporting period

On 29 July 2024, a new CEO was appointed for the consolidated entity. Sasha Laing will join the business on 1 October 2024, following the departure of current CEO Tamalin Morton.

On 31 July 2024, the Company acquired 100% of Australian beauty and wellness brand iKOU Holdings Pty Ltd (iKOU) for $25 million ($20 million on completion and $5 million 18 months post completion) in an all-cash deal funded from Adore Beauty's balance sheet. iKOU is a strong strategic fit for Adore Beauty and addresses the Company's key acquisition criteria, including accelerating private label and revenue growth. The acquisition accounting for the business combination has not yet been finalised as at 26 August 2024.

Leases were also secured for two Adore Beauty retail concept stores to drive brand awareness, expected to open in H2 FY25.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2024 $'000	2023 $'000
Profit/(loss) after income tax expense for the year	2,175	(559)
Adjustments for:		
Depreciation and amortisation	2,519	2,148
Share-based payments	604	(542)
Other	(25)	–
Interest expense reclassified to financing activities	8	46
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	379	(1,463)
(Increase)/decrease in contract liabilities	12	–
(Increase)/decrease in inventories	(539)	(3,588)
(Increase)/decrease in current tax receivable	2,051	458
Decrease/(increase) in deferred tax assets	395	647
Decrease/(increase) in other current assets	375	(1,159)
Increase/(decrease) in trade and other payables	54	4,918
(Decrease)/increase in employee benefits	306	(86)
Net cash from operating activities	**8,314**	**820**

Note 29. Changes in liabilities arising from financing activities

Consolidated	**Lease Liability $'000**	**Total $'000**
Balance at 1 July 2022	1,172	1,172
Net cash used in financing activities	(541)	(541)
Lease remeasurements	(7)	(7)
Balance at 30 June 2023	624	624
Net cash used in financing activities	(448)	(448)
Lease remeasurements	1,547	1,547
Balance at 30 June 2024	**1,723**	**1,723**

Note 30. Earnings per share

	Consolidated	
	2024 $	2023 $
Profit/(loss) after income tax attributable to the owners of Adore Beauty Group Limited	**2,175,000**	**(559,000)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	93,929,538	93,907,372
Adjustments for calculation of diluted earnings per share:		
Options and rights over ordinary shares	2,563,931	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**96,493,469**	**93,907,372**

Note 31. Share-based payments

(a) Management Equity Plan

(i) Details of the Management Equity Plan of the Company

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

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

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

(ii) Management Equity Plan shares issued during the period

During the period, the Company granted nil Loan Shares to eligible personnel.

(iii) Movements in Management Equity Plan Shares during the period

The following reconciles the management equity plan shares outstanding at the beginning and end of the period.

	Year ended 30/6/24 No.	Year ended 30/6/23 No.
Balance at the beginning of the period	–	2,643,820
Granted during the year	–	–
Cancellation of forfeited shares during the year	–	(217,125)
Expired during the year	–	(2,426,695)
Balance at the end of the period	**–**	**–**

(b) Long-term Incentive Plan

(i) Details of the Long-Term Incentive Plans of the Company

The Company has established a long-term incentive plan (LTIP) to assist in the motivation, retention and reward of eligible employees. The LTIP is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company. The LTIP provides flexibility for the Company to grant performance rights to acquire shares, subject to the terms of individual offers.

Plan	Granted (Awards)	Grant Date	Fair Value at Grant	Vesting Date	Expiry Date	Exercise Price
CEO Options[i]						
Tranche 1	100,000	27/01/2023	$0.49	10/07/2023	27/01/2033	$1.53
Tranche 2	40,000	27/01/2023	$0.50	9/10/2023	27/01/2033	$1.53
Tranche 3	40,000	27/01/2023	$0.50	9/01/2024	27/01/2033	$1.53
Tranche 4	40,000	27/01/2023	$0.51	9/04/2024	27/01/2033	$1.53
Tranche 5	40,000	27/01/2023	$0.52	9/07/2024	27/01/2033	$1.53
Tranche 6	40,000	27/01/2023	$0.52	9/10/2024	27/01/2033	$1.53
Tranche 7	40,000	27/01/2023	$0.53	9/01/2025	27/01/2033	$1.53
Tranche 8	40,000	27/01/2023	$0.54	9/04/2025	27/01/2033	$1.53
Tranche 9	40,000	27/01/2023	$0.54	9/07/2025	27/01/2033	$1.53
Tranche 10	40,000	27/01/2023	$0.55	9/10/2025	27/01/2033	$1.53
Tranche 11	40,000	27/01/2023	$0.56	9/04/2026	27/01/2033	$1.53

Plan	Granted (Awards)	Grant Date	Fair Value at Grant	Vesting Date	Expiry Date	Exercise Price
CEO Performance Rights						
Tranche 1(ii)	350,000	27/01/2023	$0.58	30/06/2024	27/11/2026	Nil
Tranche 2(ii)	500,000	27/01/2023	$0.29	30/06/2025	27/11/2026	Nil
Tranche 3(ii)	650,000	27/01/2023	$0.17	27/11/2026	27/11/2026	Nil
Performance rights — Relative TSR Hurdle(iii)	133,404	17/01/2024	$0.89	31/08/2026	30/09/2028	Nil
Performance rights — Revenue growth(iii)	133,404	17/01/2024	$1.13	31/08/2026	30/09/2028	Nil
CFO Options						
Options	50,000	06/10/2020	$3.52	30/06/2024	30/06/2026	$6.75
CFO Performance Rights						
Performance Rights — Relative TSR Hurdle(iv)	20,756	15/11/2022	$1.53	31/08/2025	30/09/2027	Nil
Performance Rights — CAGR of EBITDA Hurdle(iv)	20,756	15/11/2022	$1.75	31/08/2025	30/09/2027	Nil
Performance rights — Relative TSR Hurdle(iii)	51,562	17/01/2024	$0.89	31/08/2026	30/09/2028	Nil
Performance rights — Revenue growth(iii)	51,562	17/01/2024	$1.13	31/08/2026	30/09/2028	Nil
2023 Other Performance Rights						
Performance Rights — Relative TSR Hurdle(iv)	49,623	15/11/2022	$1.53	31/08/2025	30/09/2027	Nil
Performance Rights — CAGR of EBITDA Hurdle(vi)	49,622	15/11/2022	$1.75	31/08/2025	30/09/2027	Nil
2024 Other Performance Rights						
Performance rights — Relative TSR Hurdle(iii)	172,484	17/01/2024	$0.89	31/08/2026	30/09/2028	Nil
Performance rights — Revenue growth(iii)	172,484	17/01/2024	$1.13	31/08/2026	30/09/2028	Nil

(i) Fair value of options based on Black-Scholes pricing model. Options vest in tranches subject to the participant's continued employment.

(ii) Performance Rights awarded to the CEO upon commencement have been valued using the Monte Carlo simulation approach. These performance rights will vest if the following targets are met at any point in time during the period from 27 January 2023 to 27 November 2026, subject to continuous employment up until the date those targets have been met:

- Tranche 1 — 350,000 Performance Rights that vest if the VWAP of Adore Beauty shares for any consecutive 60 day period following the Grant Date reaches $2.50 or higher. Fair value at grant date of $0.58.
- Tranche 2 — 500,000 Performance Rights that vest if the VWAP of Adore Beauty shares for any consecutive 60 day period following the Grant Date reaches $4.75 or higher. Fair value at grant date of $0.29.
- Tranche 3 — 650,000 Performance Rights that vest if the VWAP of Adore Beauty shares for any consecutive 60 day period following the Grant Date reaches $6.75 or higher. Fair value at grant date of $0.17.
- If not vested prior, these performance rights lapse 27 November 2026.

(iii) Performance rights vest on 31 August 2026 subject to the participant's continued employment and the achievement of below equally weighted measures over the performance period (1 July 2023 to 30 June 2026):

- Market measure — relative TSR (50% weighting):

  The Company's TSR over the performance period will be assessed against selected companies in retail and ecommerce (TSR Peer Group) at 30 June 2026 to assess performance.

  The proportion of performance shares that will vest will be determined by calculating the percentile ranking of the Company's TSR performance relative to the TSR performance of the TSR Peer Group in line with the following vesting schedule:

  - Below 50th %le — nil vesting
  - At 50th %le — 50% vesting
  - between 50th and 75th %le, pro-rata straight line vesting will occur
  - 75th %le or above — full (100%) vesting

- Non-market measure – Revenue growth (50% weighting):
  If the Revenue growth hurdle (as defined in the Company's long term plan) has been achieved at the end of the performance period, revenue growth targets will be tested.
  The proportion of performance shares that will vest will be determined by the revenue growth targets in line with the following vesting schedule:
  – Less than target revenue growth – nil vesting
  – At target revenue growth provided the EBITDA margin gateway in respect to FY26 is met – 50% vesting
  – Between target and stretch provided the EBITDA margin gateway in respect to FY26 is met, pro-rata straight line vesting will occur
  – At or above stretch revenue growth provided the EBITDA margin gateway in respect to FY26 is met – full (100%) vesting

(iv) Performance rights vest on 31 August 2025 subject to the participant's continued employment and the achievement of below equally weighted measures over the performance period (1 July 2022 to 30 June 2025):

- Market measure – relative TSR (50% weighting):
  The Company's TSR over the performance period will be assessed against selected companies in retail and ecommerce (TSR Peer Group) at 30 June 2025 to assess performance.
  The proportion of performance shares that will vest will be determined by calculating the percentile ranking of the Company's TSR performance relative to the TSR performance of the TSR Peer Group in line with the following vesting schedule:
  – Below 50th %le – nil vesting
  – At 50th %le – 50% vesting
  – between 50th and 75th %le, pro-rata straight line vesting will occur
  – 75th %le or above – full (100%) vesting
- Non-market measure – CAGR of EBITDA (50% weighting):
  If the EBITDA margin hurdle (as defined in the Company's long term plan) has been achieved at the end of the performance period, revenue growth targets will be tested.
  The proportion of performance shares that will vest will be determined by the revenue CAGR targets in line with the following vesting schedule:
  – Less than target revenue CAGR – nil vesting
  – At target revenue CAGR – 50% vesting
  – Between target and stretch, pro-rata straight line vesting will occur
  – At or above stretch revenue CAGR – full (100%) vesting

(ii) Long-Term Incentive Plan options or performance rights issued during the period:

There were 714,900 performance rights issued during the period.

(iii) Share options exercised during the year

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

(iv) Movements in share options and performance rights during the period

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

	Year ended 30/06/24	Year ended 30/06/24	Year ended 30/06/23	Year ended 30/06/23
	Number of Options/Rights	Weighted average exercise price	Number of Options/rights	Weighted Average Exercise Price
Balance at the beginning of the year	2,196,103	$0.49	605,000	$6.75
Options granted during the year	–	Nil	500,000	$1.53
Performance rights granted during the year	714,900	Nil	1,650,914	Nil
Forfeited during the year	(5,346)	–	(559,811)	$6.75
Balance at the end of the year	**2,905,657**	**$0.37**	**2,196,103**	**$0.49**

Note 32. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each Company guarantees the debts of the others:

Adore Beauty Group Ltd

Adore Beauty Pty Ltd

Tate Midco Pty Ltd

Tate Bidco Pty Ltd

Northside Brands Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument.

As at 30 June 2024, the results of the 'Closed Group' are as follows:

Statement of profit or loss and other comprehensive income	2024 $'000
Revenue	195,718
Cost of sales	(130,250)
Other income	638
Advertising and marketing expense	(26,049)
Employee benefits expense	(21,237)
Depreciation and amortisation expense	(2,519)
Finance costs	(103)
Other operating expenses	(13,385)
Profit before income tax expense	2,813
Income tax benefit	(648)
Profit after income tax expense	2,165
Other comprehensive income	
Other comprehensive income for the year, net of tax	–
Total comprehensive income for the year	**2,165**
Equity – retained profits	
Retained profits at the beginning of the financial year	1,119
Transfer from reserve	254
Profit after income tax expense	2,165
Retained profits at the end of the financial year	**3,538**

NOTES TO THE FINANCIAL STATEMENTS CONT.

Statement of financial position	**2024 $'000**
Current assets	
Cash and cash equivalents	32,735
Trade and other receivables	2,133
Current tax receivable	–
Inventories	21,618
Other current assets	1,849
	58,335
Non-current assets	
Property, plant and equipment	670
Right-of-use assets	1,561
Intangibles	5,395
Deferred tax	1,588
Intercompany receivables	36
Investment in subsidiaries	58
	9,308
Total assets	67,644
Current liabilities	
Trade and other payables	20,804
Current tax payable	256
Contract liabilities	3,790
Lease liabilities	426
Employee benefits	1,244
	26,520
Non-current liabilities	
Lease liabilities	1,297
Employee benefits	198
	1,495
Total liabilities	28,015
Net assets	**39,628**
Equity	
Issued capital	102,777
Reserves	(66,686)
Retained profits	3,538
Total equity	**39,628**

Note 33. Consolidated entity disclosure statement

Name of entity	Type of entity	Trustee, partner, or participant in joint venture	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purpose)	Foreign tax jurisdiction(s) of foreign residents
Adore Beauty Group Limited	Body Corporate	n/a	100	Australia	Australian	n/a
Tate Midco Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Tate Bidco Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Adore Beauty Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Northside Brands Pty Ltd	Body Corporate	n/a	100	Australia	Australian	n/a
Jakat Pte Ltd	Body Corporate	n/a	100	Singapore	Foreign	Singapore

Basis of preparation

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the Information disclosed in note 33, consolidated entity disclosure statement, is true and correct as at 30 June 2024.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 for the year ended 30 June 2024.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Marina Go AM
Chair

26 August 2024

INDEPENDENT AUDITOR'S REPORT

GrantThornton

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

T +61 3 8320 2222

Independent Auditor's Report

To the Members of Adore Beauty Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Adore Beauty Group Limited (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

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

a giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2024 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenues (sale of goods) – Note 1 and Note 4	
For the year ended 30 June 2024, the Consolidated Entity recognised revenue of $190.7m from sale of goods. Revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* (AASB 15). The Consolidated Entity recognises revenue at an amount that reflects the consideration to which they expect to be entitled in exchange for transferring goods to a customer. Revenue from the sale of goods is recognised at a point in time when the customer obtains control of the goods, which is generally at the time of delivery and the performance obligation is satisfied in accordance with AASB 15. Given that the Consolidated Entity recognises revenue when they make a delivery to customers, to ensure revenue is recognised appropriately, an assessment is required at the end of the reporting period for all orders shipped but not yet delivered. This area is a key audit matter due to the judgement involved in this assessment, and the daily volume of transactions.	Our procedures included, amongst others: • Obtaining a detailed understanding of the underlying processes for revenue recognition, through discussion with individuals across the organisation and review of relevant documentation; • Assessing the design and implementation of relevant control(s) in relation to accounting for revenue; • Using data analytics to risk-profile revenue transactions throughout the year, identifying and testing transactions which are higher risk; • Vouching a sample of revenue transactions throughout the period to source document that verifies the occurrence of revenue in line with AASB 15 and the accuracy of the amounts recorded during the year; • Validating management's assessment of contract liabilities at year-end; • Reviewing management's assessment of the refund liability and right-of-return asset based on customer terms and percentage of actual returns during the year; and • Assessing whether the disclosures in the financial statements, including critical judgements and estimates, are appropriate in accordance with Australian Accounting Standards.

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

The Directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

b the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and for such internal control as the Directors determine is necessary to enable the preparation of:

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

ii the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report in the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Adore Beauty Group Limited, for the year 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 26 August 2024

SHAREHOLDER INFORMATION

Voting rights

Ordinary shares: On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote for each fully paid share held by the member.

There are currently 93,957,928 Ordinary Fully Paid Shares on issue.

Holders of performance rights and options have no voting rights.

The below information is current as at 29 August 2024.

Distribution of equity securities

Analysis of number of equity security holders (fully paid ordinary shares) by size of holding:

Range	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000	4,959	71.01	1,763,603	1.88
1,001 to 5,000	1,518	21.74	3,504,212	3.73
5,001 to 10,000	284	4.07	2,149,119	2.29
10,001 to 100,000	196	2.81	4,850,195	5.16
100,001 and over	27	0.39	81,690,799	86.94
Total number of security holders	**6,984**	**100.00**	**93,957,928**	**100.00**
Holders holding less than a marketable parcel of shares*	**3,394**	**48.60**	**648,984**	**0.69**

* marketable parcel of shares calculated based on closing market price on 29 August 2024 of $1.135.

Restricted securities and voluntary escrow

There are no restricted securities (as defined by the ASX Listing Rules) on issue and no securities are currently subject to voluntary escrow arrangements.

On-market buy back

There is no current on-market buy back.

Total of quoted and restricted securities

Fully paid ordinary shares (quoted securities)	**93,957,928**
Total number of shares	**93,957,928**

Unquoted securities

Type of security	Number of holders	Number of securities
Performance Rights	16	2,355,657
Options	1	500,000

Performance Rights

Range	Number of holders	% of holders	Number of securities	% of securities
1,001 to 5,000	0	0	0	0
5,001 to 10,000	4	25.00	35,636	1.52
10,001 to 100,000	10	62.50	408,577	17.35
100,001 and over	2	12.50	1,911,444	81.13
Total number of security holders	**16**	**100**	**2,355,657**	**100.00**

Options

Range	Number of holders	% of holders	Number of securities	% of securities
100,001 and over	1	100	500,000	100
Total number of security holders	**1**	**100**	**500,000**	**100.00**

SHAREHOLDER INFORMATION CONT.

Twenty largest quoted equity security holders

Rank	Name	29 Aug 2024	% of Issued Capital
1	QPE GROWTH, LP	30,600,001	32.57
2	CITICORP NOMINEES PTY LIMITED	10,984,076	11.69
3	KATY ANN MORRIS	10,200,000	10.86
3	JAMES ALEXANDER HEIGHT	10,200,000	10.86
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,252,125	4.53
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,776,715	4.02
6	BNP PARIBAS NOMINEES PTY LTD	2,180,311	2.32
7	RYANBRIDGE PTY LTD	1,411,213	1.50
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,340,897	1.43
9	BNP PARIBAS NOMINEES PTY LTD	1,276,261	1.36
10	MRS SARAH MARY MENZIES MULLEN	823,192	0.88
11	DANIEL ANDREW FERGUSON	619,452	0.66
12	NETWEALTH INVESTMENTS LIMITED	616,282	0.66
13	GARETH WILLIAMS	597,427	0.64
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	414,300	0.44
15	SARWELL PTY LTD	315,000	0.34
16	WARBONT NOMINEES PTY LTD	301,459	0.32
17	BILGOLA NOMINEES PTY LIMITED	239,804	0.26
18	MAST FINANCIAL PTY LTD	225,000	0.24
19	FINCLEAR SERVICES PTY LTD	204,779	0.22
20	HAJA HOLDINGS PTY LTD ACN 642 738 172	203,740	0.22
	Total	80,782,034	85.98
	Balance of register	13,175,894	14.02
	Grand total	93,957,928	100.00

Substantial holders

Shareholder	Date of notice	Number of shares	% of issued equity[1]
QPE Growth, LP	27/10/2020	30,600,001	32.51
Kate Morris	27/10/2020	20,400,000	21.67
James Height	27/10/2020	20,400,000	21.67
Spheria Asset Management Pty Ltd	19/07/2024	12,652,496	13.47
Pinnacle Investment Management Group	23/07/2024	9,697,100	10.32

1. Percentage of issued equity held as disclosed in the substantial holding notices provided to the Company.

Corporate governance statement

Adore Beauty is committed to achieving and demonstrating the highest standards of corporate governance to protect and enhance stakeholder interests.

Adore Beauty has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

Adore Beauty's Corporate Governance Statement, which sets out further details of the corporate governance practices and identifies and explains any Recommendations that have not been followed can be found at the Adore Beauty website (https://www.adorebeautygroup.com.au).

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CORPORATE DIRECTORY

Directors	Marina Go AM – Non-Executive Chair Kate Morris – Non-Executive Director James Height – Non-Executive Director Sandra Birkensleigh – Non-Executive Director Lisa Hennessy – Non-Executive Director
Company secretaries	Stephanie Carroll Melissa Jones
Registered office	Level 1 421 High Street Northcote VIC 3070
Principal place of business	Level 1 421 High Street Northcote VIC 3070
Share register	Link Market Services Level 12 680 George Street Sydney NSW 2000 Phone: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
Solicitors	Gilbert + Tobin Level 35 International Towers Sydney 200 Barangaroo Avenue Sydney NSW 2000
Stock exchange listing	Adore Beauty Group Limited shares are listed on the Australian Securities Exchange (ASX code: ABY)
Website	www.adorebeauty.com.au

ADOREBEAUTY
GROUP