



Adairs Limited

Appendix 4D

Half Year Report

For the 26 week period ended 29 December 2024

This information should be read in conjunction with the interim condensed financial report for the 26 weeks ended 29 December 2024 of Adairs Limited (the "Company") and its subsidiaries (the "Group").

1. Details of the reporting period and the prior corresponding period

Current period: 1 July 2024 to 29 December 2024 (26 weeks) ("HY25")

Prior corresponding period: 26 June 2023 to 31 December 2023 (27 weeks) ("HY24")

2. Results for announcement to the market

Statutory results

	26 weeks ended 29 Dec 2024	27 weeks ended 31 Dec 2023	Change %
Revenue from ordinary activities	310,514	302,410	+2.7%
Profit from ordinary activities after tax attributable to members	19,384	17,674	+9.7%
Net profit for the period attributable to members	19,384	17,674	+9.7%

Underlying results

	26 weeks ended 29 Dec 2024	27 weeks ended 31 Dec 2023	Change %	Adjusted change ⁽¹⁾ %
Sales	310,514	302,410	+2.7%	+6.6%
Underlying EBIT	32,976	30,919	+6.7%	+10.0%

(1) Refers to the change for a comparable adjusted 26-week period in HY24.

- HY25 underlying results: excludes the impact of (i) AASB 16 Leases; and (ii) Warehouse management system implementation and transition costs (including SaaS project costs).
- HY24 underlying results: excludes the impact of (i) AASB 16 Leases; and (ii) National Distribution Centre transition costs.

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



Dividends

Dividends/distributions	Amount per ordinary share	Franked Amount per ordinary share
2025 Interim dividend (resolved, not yet provided for at 29 December 2024)	6.5 cents	6.5 cents

Record date for determining entitlements to the 2025 interim dividend	11 March 2025
Payment date of 2025 interim dividend	3 April 2025

Commentary of results and operations

Refer to the accompanying interim condensed financial report and Investor Presentation released to the ASX.

3. Net tangible assets backing per ordinary security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(\$0.17)	(\$0.30)

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

4. Entities over which control has been gained or lost during the period

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

5. Dividend details

Refer to Note 6 of the attached interim condensed financial report for details of dividends paid in current period.

6. Dividend reinvestment plan

The Company's dividend reinvestment plan ("DRP") continues to be available to eligible shareholders. The last date for receipt of election notices for participation in the final dividend under the DRP is 12 March 2025. The Company intends to issue new shares to satisfy its obligations under the DRP.

There directors have determined to apply a 1.5% DRP discount to the dividend and no limit on the number of shares that can participate in the DRP. Shares will be allocated based on the average of the daily volume weighted average market price of ordinary shares of Adairs Limited traded over the period of 5 trading days commencing on 13 March 2025, less the 1.5% discount.

7. Details of associate and joint ventures

Not applicable.

8. Foreign entities

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

8. Independent review by auditor

This report is based on an interim condensed financial report that has been subject to auditor review. The review opinion is unqualified.

adairs

ABN 50 147 375 451

INTERIM CONDENSED
FINANCIAL REPORT
FOR THE 26 WEEKS ENDED
29 DECEMBER 2024

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DIRECTORS' REPORT

Your directors submit their report on the consolidated entity, being Adairs Limited (the "Company") and its subsidiaries (the "Group"), for the 26 weeks ended 29 December 2024.

DIRECTORS

The names of the Company's directors in office during the 26 weeks ended 29 December 2024 and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Trent Peterson
- David MacLean
- Kiera Grant
- Kate Spargo (resigned 11 September 2024)
- Mark Ronan (resigned 20 February 2025)
- Elle Roseby (appointed 22 January 2025)

PRINCIPAL ACTIVITIES

For the 26 weeks ended 29 December 2024, and in all referenced corresponding periods, the principal activities of the Group consisted of the retailing of homewares, furniture and home furnishings in Australia and New Zealand, through both retail stores and online channels.

DIVIDENDS

On 24 February 2025, the directors of Adairs Limited declared an interim dividend on ordinary shares in respect of the 26 weeks ended 29 December 2024. The total amount of the dividend is \$11.4 million which represents an interim fully franked dividend of 6.5 cents per share. The dividend has not been provided for in the 29 December 2024 interim condensed financial report.

OPERATING AND FINANCIAL REVIEW

The current reporting period is a 26 week period ended 29 December 2024. The prior corresponding period was a 27 week period ended 31 December 2023.

Group results and commentary

The Group results for the 26 week period ended 29 December 2024 are summarised below:

- Total sales of \$310.5 million, representing an increase of +2.7%⁽¹⁾ (adjusted change⁽²⁾: +6.6%). Improvement in sales across the Adairs and Mocka brands driven by successful promotion execution, supported by better product ranges and stock availability. Sales for Focus on Furniture were down on the prior period as the weaker trading environment impacted demand for larger value furniture items.
- Gross profit of \$148.7 million increased by +3.5%⁽¹⁾ (adjusted change⁽²⁾: +7.1%), including improved gross profit margin % of +40bps. This margin improvement at Adairs and Mocka was supported by the success of new ranges and ongoing product improvement, despite significant unfavourable fluctuations in foreign currency.
- Costs of doing business ("CODB") were managed well against inflationary pressures and reduced as a % of sales.
- Underlying EBIT of \$33.0 million was up +6.7%⁽¹⁾ (adjusted change⁽²⁾: +10.0%). The Underlying EBIT impact of the additional week in HY24 (week 1 of FY24) was \$0.9 million.
- Statutory basic earnings per share ("EPS") of 11.1 cents was an increase of +8.5%⁽¹⁾.
- Net debt⁽³⁾ of \$57.8 million, a reduction of -\$6.3 million since 30 June 2024.

(1) Reported change refers to the change between the reported periods.

(2) Adjusted change refers to the change for comparable adjusted 26 week periods.

(3) Net debt is Borrowings less Cash and cash equivalents.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

Brand results and commentary

Adairs

Total sales of \$220.5 million, up +9.3%⁽²⁾ driven by successful sales events and better stock availability in stores. Gross margin was maintained despite foreign currency pressure through managed promotional activity and an improved product offering. CODB was well managed despite underlying inflation in wages and rent, and warehousing costs were reduced through ongoing continuous improvement. Underlying EBIT of \$20.6 million was up +32.5%⁽²⁾.

Focus on Furniture

Total sales of \$61.9 million, down -4.1%⁽²⁾ due to the disproportional impact of a current store portfolio concentrated on Victoria which is experiencing more difficult economic conditions. Cost-of-living pressures facing households has required more promotional activity to drive sales conversion which adversely impacted gross margins. Underlying EBIT of \$8.5 million was down -22.5%⁽²⁾.

Mocka

Total sales of \$28.1 million, up +12.4%⁽²⁾ with strong growth in Australia partially offset by a tougher economic environment in New Zealand. Gross margins continued to improve through increased stock turns, promotional discipline and ongoing product improvement. The cost base of the business has been well managed with investment to support future growth through brand awareness and team capability. Underlying EBIT of \$3.8 million was up +12.3%⁽²⁾.

Statutory to underlying results reconciliation

Below is a reconciliation of statutory profit after tax to underlying earnings before interest and tax ("EBIT"), as well as a comparison of both reporting periods on a 26 week basis.

Unreviewed	Reported		Change	
	26 weeks ended 29 December 2024	27 weeks ended 31 December 2023	Reported change ⁽¹⁾	Adjusted change ⁽²⁾
Group	\$'000	\$'000		
Sales	310,514	302,410	+2.7%	+6.6%
Gross profit	148,651	143,557	+3.5%	+7.1%
Gross profit margin %	47.9%	47.5%	+40bps	+20bps
Underlying EBIT (non-IFRS)	32,976	30,919	+6.7%	+10.0%
<i>Significant items:</i>				
Impact of AASB 16 Leases	4,136	2,923		
Warehouse management system implementation and SaaS project costs	(597)	-		
National Distribution Centre transition costs	-	(1,607)		
Statutory EBIT (IFRS)	36,515	32,235	+13.3%	
Finance expenses	(9,053)	(7,567)		
Finance income	159	279		
Profit before income tax	27,621	24,947	+10.7%	
Income tax expenses	(8,237)	(7,273)		
Profit after income tax	19,384	17,674	+9.7%	

(1) Reported change refers to the change between the reported periods.

(2) Adjusted change refers to the change for comparable adjusted 26 week periods.

DIRECTORS' REPORT (continued)

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 370C of the Corporations Act 2001 is set out on page 4.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no material changes in the state of affairs of the Group during the 26 weeks ended 29 December 2024.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 24 February 2025, the directors of Adairs Limited declared an interim dividend on ordinary shares in respect of the 2025 financial year. The total amount of the dividend is \$11.4 million which represents an interim fully franked dividend of 6.5 cents per share. The dividend has not been provided for in the 29 December 2024 interim condensed financial report.

Other than the above, no matters or circumstances have arisen since reporting date which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Group.

INDEMNIFICATION OF AUDITORS

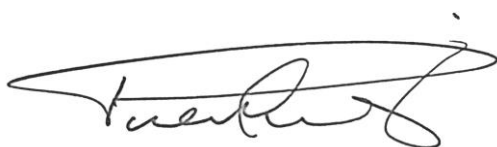
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during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

ROUNDING

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

Signed in accordance with a resolution of the directors.

On behalf of the Board



Trent Peterson

Interim Chairman
Non-Executive Director

Melbourne
24 February 2025



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Auditor's independence declaration to the directors of Adairs Limited

As lead auditor for the review of the interim condensed financial report of Adairs Limited for the 26 weeks ended 29 December 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Tony Morse
Partner
24 February 2025



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Independent auditor's review report to the members of Adairs Limited

Conclusion

We have reviewed the accompanying interim condensed financial report of Adairs Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 29 December 2024, the condensed statement of profit or loss, condensed statement of other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the 26 weeks ended on that date, notes comprising material accounting policy information and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim condensed financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 29 December 2024 and of its consolidated financial performance for the 26 weeks ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the interim condensed financial report

The directors of the Company are responsible for the preparation of the interim condensed financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim condensed financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim condensed financial report

Our responsibility is to express a conclusion on the interim condensed financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 29 December 2024 and its performance for the 26 weeks ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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A review of an interim condensed financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'Tony Morse' in black ink.

Tony Morse
Partner

Melbourne
24 February 2025

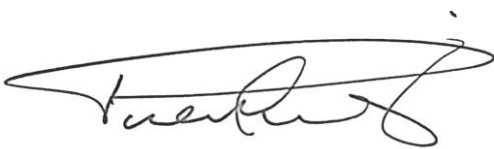
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of Adairs Limited for the 26 weeks ended 29 December 2024 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 29 December 2024 and of its performance for the 26 weeks ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Trent Peterson
Interim Chairman
Non-Executive Director

Melbourne
24 February 2025

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INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

		26 weeks ended 29 December 2024	27 weeks ended 31 December 2023
	Note	\$'000	\$'000
Revenue from contracts with customers	4	310,514	302,410
Cost of sales		(161,863)	(158,853)
Gross profit		148,651	143,557
Other income		61	175
Depreciation and amortisation expenses	5(b)	(29,751)	(27,385)
Salaries and employee benefits expenses	5(c)	(56,915)	(57,003)
Occupancy expenses		(5,613)	(7,385)
Advertising expenses		(9,125)	(7,872)
Other expenses	5(d)	(10,793)	(11,852)
Earnings before interest and tax		36,515	32,235
Finance expenses	5(a)	(9,053)	(7,567)
Finance income		159	279
Profit before income tax		27,621	24,947
Income tax expenses		(8,237)	(7,273)
Profit after income tax		19,384	17,674
Earnings per share attributable to ordinary equity holders of the Parent			
Basic earnings per share	14	11.1 cents	10.2 cents
Diluted earnings per share	14	11.1 cents	10.1 cents

This interim consolidated statement of profit or loss should be read in conjunction with the notes to the financial statements.

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

	Note	26 weeks ended 29 December 2024 \$'000	27 weeks ended 31 December 2023 \$'000
Profit after income tax		19,384	17,674
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss (net of tax):</i>			
Net movement on cash flow hedges		6,417	(5,591)
Income tax relating to components of other comprehensive income		(1,925)	1,676
Exchange differences on translation of foreign operations		(198)	(11)
Other comprehensive income / (loss) for the period, net of tax		4,294	(3,926)
Total comprehensive income for the period		23,678	13,748

This interim consolidated statement of other comprehensive income should be read in conjunction with the notes to the financial statements.

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29 DECEMBER 2024

	Note	As at 29 December 2024 \$'000	As at 30 June 2024 \$'000
ASSETS			
<i>CURRENT ASSETS</i>			
Cash and cash equivalents	8	12,174	12,872
Trade and other receivables		6,555	3,591
Inventories	9	97,622	83,745
Derivative financial instruments		8,270	1,863
Other assets		10,071	10,176
TOTAL CURRENT ASSETS		134,692	112,247
<i>NON-CURRENT ASSETS</i>			
Property, plant and equipment		38,717	38,300
Intangibles		284,259	282,557
Right-of-use assets		171,914	175,477
Deferred tax assets		1,122	2,428
Other assets		2,005	1,915
TOTAL NON-CURRENT ASSETS		498,017	500,677
TOTAL ASSETS		632,709	612,924
LIABILITIES			
<i>CURRENT LIABILITIES</i>			
Trade and other payables		63,416	52,427
Deferred revenue	10	22,780	20,231
Current tax liabilities		4,028	2,252
Provisions		11,301	10,817
Lease liabilities		51,976	52,523
Earn-out liabilities		-	261
TOTAL CURRENT LIABILITIES		153,501	138,511
<i>NON-CURRENT LIABILITIES</i>			
Deferred revenue	10	1,273	1,263
Provisions		6,433	6,439
Deferred tax liabilities		19,926	20,173
Borrowings	11	70,000	77,000
Lease liabilities		145,083	146,374
TOTAL NON-CURRENT LIABILITIES		242,715	251,249
TOTAL LIABILITIES		396,216	389,760
NET ASSETS		236,493	223,164
EQUITY			
Contributed equity		89,653	87,351
Share-based payment reserve		1,788	2,211
Cash flow hedge reserve		5,798	1,306
Foreign currency translation reserve		(605)	(407)
Retained earnings		139,859	132,703
TOTAL EQUITY		236,493	223,164

This interim consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

	Note	Ordinary shares \$'000	Share- based payment reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
At 30 June 2024		87,351	2,211	1,306	(407)	132,703	223,164
Profit for the period		-	-	-	-	19,384	19,384
Other comprehensive income / (loss)		-	-	4,492	(198)	-	4,294
Total comprehensive income / (loss) for the period		-	-	4,492	(198)	19,384	23,678
Transactions with owners in their capacity as owners:							
Dividends paid	6	-	-	-	-	(12,228)	(12,228)
Dividend reinvestment plan		2,070	-	-	-	-	2,070
Share-based payments	13	232	(384)	-	-	-	(152)
Tax effect of share-based payments		-	(39)	-	-	-	(39)
At 29 December 2024		89,653	1,788	5,798	(605)	139,859	236,493

	Note	Ordinary shares \$'000	Share- based payment reserve \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total \$'000
At 25 June 2023		84,737	3,712	3,782	(276)	110,266	202,221
Profit for the period		-	-	-	-	17,674	17,674
Other comprehensive loss		-	-	(3,915)	(11)	-	(3,926)
Total comprehensive income / (loss) for the period		-	-	(3,915)	(11)	17,674	13,748
Transactions with owners in their capacity as owners:							
Share-based payments	13	-	(185)	-	-	-	(185)
At 31 December 2023		84,737	3,527	(133)	(287)	127,940	215,784

This interim consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

	Note	26 weeks ended 29 December 2024 \$'000	27 weeks ended 31 December 2023 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		344,124	339,343
Payments to suppliers and employees (inclusive of GST)		(278,541)	(265,623)
Interest received		159	279
Income tax paid		(7,363)	(3,473)
Interest paid		(9,352)	(7,809)
Net cash flows from operating activities		49,027	62,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangibles		(8,185)	(22,196)
Net cash flows used in investing activities		(8,185)	(22,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawings from borrowings		28,000	35,000
Repayment of borrowings		(35,000)	(55,000)
Payment of borrowing costs		-	(256)
Dividends paid		(10,158)	-
Payment of principal portion of lease liabilities		(24,369)	(24,776)
Net cash flows used in financing activities		(41,527)	(45,032)
Net decrease in cash and cash equivalents		(685)	(4,511)
Net foreign exchange difference		(13)	(11)
Cash and cash equivalents at beginning of the period		12,872	25,898
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	12,174	21,376

This interim consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 1. CORPORATE INFORMATION

The interim condensed financial report of Adairs Limited (the "Company" or "Parent") and its subsidiaries (the "Group") for the 26 weeks ended 29 December 2024 was authorised for issue in accordance with a resolution of the directors on 24 February 2025.

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

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

The Group operates on a retail accounting calendar which monitors performance on a weekly basis. The current interim reporting period adopted is a 26 week reporting period which ended 29 December 2024. The prior corresponding interim reporting period was 27 weeks ended 31 December 2023.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

(a) Basis of Preparation

The interim condensed financial report for the 26 weeks ended 29 December 2024 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim condensed financial report does not include all notes typically included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the interim condensed financial report be read in conjunction with the annual financial report for the 53 weeks ended 30 June 2024.

The interim condensed financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

Certain classifications have been made in the interim condensed financial report to ensure that prior year comparative information conforms to the current year presentations.

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

The interim condensed financial report has been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the ordinary course of business. As at 29 December 2024, the Group has a net current asset deficiency of \$18,809,000, after the recognition of \$51,976,000 in current lease liabilities (30 June 2024: net current asset deficiency of \$26,264,000 after the recognition of \$52,523,000 in current lease liabilities). The Group expects to be able to meet its obligations as and when they fall due over the next 12 months and beyond through the generation of operating cash flows and available finance facilities. Unused revolving loan facilities as at 29 December 2024 was \$65,000,000 (30 June 2024: \$58,000,000).

(b) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed financial report are consistent with those followed in the preparation of the Group's annual consolidated financial report for the 53 weeks ended 30 June 2024. The Group adopted all relevant new and amended accounting standards and interpretations issued by the Australian Accounting Standards Board that are effective for the annual reporting periods beginning on or after 30 June 2024. None of these new standards or amendments have a material impact on the interim condensed financial report of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 3. SEGMENT REPORTING

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

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

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

The following tables present revenue and profit before income tax information for the Group's operating segments for the 26 weeks ended 29 December 2024:

	Adairs \$'000	Focus \$'000	Mocka \$'000	Consolidated \$'000
26 weeks ended 29 December 2024				
Revenue from contracts with external customers	220,464	61,946	28,104	310,514
Underlying EBIT	20,641	8,508	3,827	32,976
<i>Items not included in the segment result:</i>				
Non-underlying items ⁽¹⁾				3,539
Finance expenses				(9,053)
Finance income				159
Profit before income tax				27,621
Income tax expense				(8,237)
Profit after income tax				19,384
As at 29 December 2024				
Total assets	356,454	168,206	108,049	632,709
Total liabilities	302,015	78,997	15,204	396,216

(1) Non-underlying items comprise of (i) management's assessment of the EBIT impact of AASB16 Leases; and (ii) Warehouse management system ("WMS") implementation and SaaS project costs.

	Adairs \$'000	Focus \$'000	Mocka \$'000	Consolidated \$'000
27 weeks ended 31 December 2023				
Revenue from contracts with external customers	210,267	66,186	25,957	302,410
Underlying EBIT	16,341	11,014	3,564	30,919
<i>Items not included in the segment result:</i>				
Non-underlying items ⁽²⁾				1,316
Finance expenses				(7,567)
Finance income				279
Profit before income tax				24,947
Income tax expense				(7,273)
Profit after income tax				17,674
As at 31 December 2023				
Total assets	349,200	161,247	100,010	610,457
Total liabilities	308,343	77,970	8,360	394,673

(2) Non-underlying items comprise of (i) management's assessment of the EBIT impact of AASB16 Leases; and (ii) National Distribution Centre ("NDC") transition costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 4. REVENUE

	26 weeks ended 29 December 2024 \$'000	27 weeks ended 31 December 2023 \$'000
Set out below is the disaggregation of the Group's revenue from contracts with customers:		
<i>Types of goods and services</i>		
Sale of goods and services – stores	219,915	217,574
Sale of goods and services – online	90,599	84,836
Total revenue from contracts with customers	310,514	302,410

NOTE 5. EXPENSES

	26 weeks ended 29 December 2024 \$'000	27 weeks ended 31 December 2023 \$'000
(a) Finance expenses		
Interest on borrowings and other finance costs	3,627	3,788
Interest on lease liabilities	5,725	4,021
Amortisation of borrowing costs	194	180
Total finance expenses	9,546	7,989
<i>Included on the consolidated statement of profit or loss within:</i>		
Cost of sales	493	422
Finance expenses	9,053	7,567
(b) Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	4,553	3,965
Depreciation of right-of-use assets	25,716	24,964
Amortisation of computer software	1,521	1,338
Total depreciation and amortisation expenses	31,790	30,267
<i>Included on the consolidated statement of profit or loss within:</i>		
Cost of sales	2,039	2,882
Depreciation and amortisation expenses	29,751	27,385
(c) Salaries and employee benefits expenses		
Wages and salaries	63,333	61,720
Defined contribution superannuation expense	5,568	5,257
Share-based payment expense	(152)	(185)
Total salaries and employee benefits expenses	68,749	66,792
<i>Included on the consolidated statement of profit or loss within:</i>		
Cost of sales	11,834	9,789
Salaries and employee benefits expenses	56,915	57,003
(d) Other expenses		
Merchant fees	2,961	2,921
Professional fees	804	1,503
Third party warehousing related charges	2,225	5,784
Packaging and consumables	876	706
IT related costs	2,693	2,121
Asset and maintenance expenses	1,436	1,355
Other	3,711	5,215
Total other expenses	14,706	19,605
<i>Included on the consolidated statement of profit or loss within:</i>		
Cost of sales	3,913	7,753
Other expenses	10,793	11,852

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 6. DIVIDENDS

	26 weeks ended 29 December 2024	27 weeks ended 31 December 2023
Dividends on ordinary shares declared and paid:		
Final dividend for FY2024: 7.0 cents per share (FY2023: nil cents per share)	12,228	-
Proposed dividends on ordinary shares:		
Interim dividend for FY2025 ⁽¹⁾ : 6.5 cents per share (FY2024: 5.0 cents per share)	11,432	8,653

(1) Interim dividend is resolved, but not yet provided for as at 29 December 2024.

NOTE 7. IMPAIRMENT ASSESSMENT

Intangible assets – goodwill and brand names

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

Carrying amounts of goodwill and brand names allocated to the CGUs as at 29 December 2024 and 30 June 2024 are as follows:

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

Goodwill and brand names are not amortised but are subject to impairment testing on an annual basis or whenever there is an indication of impairment. Goodwill and brand names were previously subject to a full annual impairment test as at 30 June 2024.

A review of indicators of impairment relating to all CGUs to which goodwill and brand names are allocated was performed at 29 December 2024. As a result of this review, no indicators of impairment were identified that would require a full impairment test to be performed as at 29 December 2024.

The annual financial report for the 53 weeks ended 30 June 2024 details the most recent annual impairment tests undertaken for the brand names and goodwill.

Property, plant and equipment

A review of indicators of impairment relating to property, plant and equipment was performed as at 29 December 2024. As a result of this review, no indicators of impairment were identified that would require a full impairment test to be performed as at 29 December 2024.

NOTE 8. CASH AND CASH EQUIVALENTS

	As at 29 December 2024 \$'000	As at 30 June 2024 \$'000
Cash at bank	12,067	12,766
Cash on hand	107	106
Total cash and cash equivalents	12,174	12,872

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 9. INVENTORIES

	As at 29 December 2024	As at 30 June 2024
	\$'000	\$'000
Stock on hand	81,507	73,088
Stock in transit	16,115	10,657
Total inventories (at lower of cost and net realisable value)	97,622	83,745

NOTE 10. DEFERRED REVENUE

	As at 29 December 2024	As at 30 June 2024
	\$'000	\$'000
<i>Current other liabilities</i>		
Undelivered customer orders and deposits	14,199	11,586
Other deferred revenue	8,581	8,545
Total current deferred revenue	22,780	20,231
<i>Non-current other liabilities</i>		
Other deferred revenue	1,273	1,263
Total non-current deferred revenue	1,273	1,263
Current	22,780	20,231
Non-current	1,273	1,263
Total deferred revenue	24,053	21,494

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

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

The remaining performance obligations expected to be recognised in more than one year (non-current deferred revenue) relate primarily to the Linen Lover membership program which will be satisfied over a two-year membership period from joining date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 11. BORROWINGS

	Interest rate %	Maturity	As at 29 December 2024 \$'000	As at 30 June 2024 \$'000
<i>Non-current</i>				
Revolving loan – Facility A	BBSW + 2.15	2 Jan 2026	70,000	77,000
Revolving loan – Facility D	BBSW + 2.30	3 Jan 2027	-	-
Principal outstanding borrowings			70,000	77,000
<i>Current</i>				
Current			-	-
Non-current			70,000	77,000
Total borrowings			70,000	77,000

(a) Financing facilities available

At reporting date, the following financing facilities with external financial institutions were available:

Revolving loan facilities available at the reporting date:	135,000	135,000
Revolving loan facilities used at the reporting date:	(70,000)	(77,000)
Other multi option facilities available at the reporting date:	9,500	9,500
Other multi option facilities used at the reporting date ⁽¹⁾ :	(6,174)	(5,603)
Facilities unused at the reporting date:	68,326	61,897

(1) The amount of used multi option facilities of \$6,174,000 (30 June 2024: \$5,603,000) represents bank guarantees, letters of credit and corporate card facilities.

The amount of borrowing costs capitalised as at 29 December 2024 was \$263,000 (30 June 2024: \$436,000) and is included within Other assets. The interest rate applicable to the debt facilities is variable and the Group does not hedge the interest rate. The costs associated with the debt facilities are recorded in Finance expenses in the interim consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Forward exchange contracts – cash flow hedges

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

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

Fair value of financial assets and liabilities

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

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The fair value of forward exchange contracts is measured at fair value using the Level 2 method. Forward exchange contracts are measured based on observable spot exchange rates, the yield curves of the USD as well as the currency basis spread between the currencies.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments:

	As at 29 December 2024		As at 30 June 2024	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<i>Financial assets</i>				
Forward exchange contracts	8,270	8,270	1,863	1,863
<i>Financial liabilities</i>				
Earn-out liabilities	-	-	(261)	(261)
Borrowings	(70,000)	(70,000)	(77,000)	(77,000)
	(61,730)	(61,730)	(75,398)	(75,398)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 13. SHARE-BASED PAYMENTS

In addition to those disclosed in the annual financial report for the 53 weeks ended 30 June 2024, the following performance rights were granted to senior executives ("the participants") under the Equity Incentive Plan ("EIP") during the 26 weeks ended 29 December 2024.

2025 Tranche

In November 2024, 1,197,382 performance rights were granted to participants under the EIP for nil consideration. The performance rights vest if the service and performance conditions are met. The service condition requires the participants to be employed on a full-time basis by an entity of the Group from the grant date to 27 June 2027. The performance rights are subject to an earnings per share ("EPS") and earnings before interest and income tax ("EBIT") performance conditions. The EPS performance hurdle is expressed as the absolute EPS for the financial year 2027. The proportion of performance rights that vest will be pro-rated from 0-100% based on achievement within a range for each performance condition.

The expected life of each performance right granted is 2.7 years which reflects the performance period. No dividends or voting rights are attached to performance rights prior to vesting, however shares allocated following the vesting of performance rights will rank equal in all respect with other ordinary shares.

The fair value per performance right granted was estimated at the grant date by considering the terms and conditions upon which the performance rights were granted and applying the following assumptions:

	2025 Tranche Performance rights
Pricing model	Black-Scholes Model
Dividend yield	7.00%
Risk-free interest rate	4.05%
Expected life	2.7 years
Exercise share price	nil
Fair value of performance rights at grant date (per performance right)	\$2.14

For the 26 weeks ended 29 December 2024, the Group has recognised a credit of \$152,000 of share-based payment expense in the interim consolidated statement of profit or loss due to certain service and performance conditions not being met in relation to previously issued tranches of equity instruments (27 weeks ended 31 December 2023: \$185,000 credit).

During the 26 weeks ended 29 December 2024, the Company offered holders of certain vested share options the opportunity to exercise their share options without payment, however resulting in the receipt of fewer shares than the number of options exercised. 540,000 share options from the 2019 tranche were exercised for the issuance of 45,000 ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE 26 WEEKS ENDED 29 DECEMBER 2024

NOTE 14. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Parent by weighted average number of ordinary shares outstanding during the period, adjusted for dilutive potential ordinary shares.

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

	26 weeks ended 29 December 2024 \$'000	27 weeks ended 31 December 2023 \$'000
Profit for the year attributable to ordinary equity holders of the Parent	19,384	17,674
Profit attributable to ordinary equity holders of the Parent for basic earnings	19,384	17,674
Profit attributable to ordinary equity holders of the Parent adjusted for the effect of dilution	19,384	17,674

	As at 29 December 2024 '000	As at 31 December 2023 '000
Weighted average number of ordinary shares for basic EPS	174,960	173,051
Weighted average number of performance rights / share options	191	1,480
Weighted average number of ordinary shares adjusted for the effect of dilution	175,151	174,531

NOTE 15. EVENTS AFTER THE BALANCE SHEET DATE

On 24 February 2025, the directors of Adairs Limited declared an interim dividend on ordinary shares in respect of the 2025 financial year. The total amount of the dividend is \$11.4 million which represents an interim fully franked dividend of 6.5 cents per share. The dividend has not been provided for in the 29 December 2024 interim condensed financial report.

Other than the above, no matters or circumstances have arisen since reporting date which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the Company.

CORPORATE INFORMATION

ABN: 50 147 375 451

Directors

Kiera Grant
David MacLean
Trent Peterson
Kate Spargo (resigned 11 September 2024)
Mark Ronan (resigned 20 February 2025)
Elle Roseby (appointed 22 January 2025)

Company secretary

Ashley Gardner
Jamie Adamson

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Ernst & Young

Solicitors

Herbert Smith Freehills

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