**Adore Beauty Group Limited**
**Appendix 4D**
**Half-year report**

## 1. Company details

| | |
|---|---|
| Name of entity: | Adore Beauty Group Limited |
| ABN: | 78 636 138 988 |
| Reporting period: | For the period ended 31 December 2024 |
| Previous period: | For the period ended 31 December 2023 |

## 2. Results for announcement to the market

| | | | | $'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | up | 2.3% | to | 102,981 |
| Profit from ordinary activities after tax attributable to the owners of Adore Beauty Group Limited | down | 36.6% | to | 628 |
| Profit for the period attributable to the owners of Adore Beauty Group Limited | down | 36.6% | to | 628 |

*Comments*
Revenue of $103 million was up 2.3% on the prior corresponding period ('pcp'). During the current period, profit before tax of $532,000 decreased by 64.6% and this included $2,240,000 in one-off costs relating to acquisition-related costs and restructure costs.

Earnings before interest, tax and other one-off costs (‘Normalised EBIT’) for H1 FY25 was $2,791,000 and the Normalised EBIT margin was 2.7%.

Earnings before interest, tax and other one-off costs (‘Normalised EBIT’) is a non-IFRS measure and is the primary reporting measure used by the Key Management Personnel (KMP), being the Chief Executive Officer, Management and the Board of Directors, for the purpose of assessing the performance of the Group. The below table includes the reconciliation of the statutory profit before tax to the underlying Normalised EBIT:

| | H1 FY25 $'000 | H1 FY24 $'000 |
|---|---|---|
| Statutory profit before tax | 532 | 1,502 |
| Adjustments | | |
| Add: Finance costs | 118 | 56 |
| Deduct: Interest income | (99) | (325) |
| Normalisations | | |
| Add: Acquisition related costs | 1,817 | - |
| Add: Restructure costs | 423 | - |
| Normalised EBIT | 2,791 | 1,233 |

Normalisation adjustments relates to one-off costs impacting the period relating to restructure costs and acquisition-related costs.

An overview of the operating results can be found in the ‘Review of Operations’ section within the Directors’ Report of the attached Interim Financial Report. Further commentary on operations and financial results can be found in the Group's half-year results presentation lodged with the ASX on 17th February 2025.

*Dividends*
There were no dividends paid, recommended or declared during the current financial period.

### 3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---|---|
| Net tangible assets per ordinary security | 5 | 34 |

### 4. Control gained over entities

| | |
|---|---|
| Name of entities (or group of entities) | iKOU Holdings Pty Ltd<br>iKOU Australia Pty Ltd<br>iKOU Retail Pty Ltd |
| Date control gained | 31 July 2024 |

### 5. Loss of control over entities

Not applicable.

### 6. Details of associates and joint venture entities

Not applicable.

### 7. Dividend reinvestment plan

The consolidated entity currently does not have a dividend reinvestment plan.

### 8. Signed

Signed ______________________________ Date: 17 February 2025

Marina Go
Chair

# Adore Beauty Group Limited

**ABN 78 636 138 988**

## Interim Financial Report - 31 December 2024

**Adore Beauty Group Limited**
**Corporate directory**
**31 December 2024**

| | |
|---|---|
| Directors | Marina Go AM – Non-Executive Chair<br>Kate Morris – Non-Executive Director<br>Sandra Birkensleigh – Non-Executive Director<br>Lisa Hennessy – Non-Executive Director<br>James Height – Non-Executive Director (resigned 22 November 2024) |
| Company secretaries | Stephanie Carroll<br>Melissa Jones |
| Registered office | Level 1<br>421 High Street<br>Northcote VIC 3070 |
| Principal place of business | Level 1<br>421 High Street<br>Northcote VIC 3070 |
| Share register | Link Market Services<br>Level 12<br>680 George Street<br>Sydney NSW 2000<br>Phone: 1300 554 474 |
| Auditor | Grant Thornton Audit Pty Ltd<br>Collins Square, Tower 5<br>727 Collins Street<br>Melbourne VIC 3008 |
| Solicitors | Gilbert + Tobin<br>Level 35<br>International Towers Sydney<br>200 Barangaroo Avenue<br>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 |

**Adore Beauty Group Limited**
**Directors' report**
**31 December 2024**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') 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 period ended 31 December 2024.

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

Marina Go AM – Non-Executive Chair
Kate Morris – Non-Executive Director
Sandra Birkensleigh – Non-Executive Director
Lisa Hennessy – Non-Executive Director
James Height – Non-Executive Director (resigned 22 November 2024)

## Principal activities
Adore Beauty Group generates its revenue as a major retailer in the beauty and personal care industry, offering a wide selection of products both in-store and online, as well as through wholesale channels. With over 14,000 products and 300 brands, Adore Beauty has a compelling range to offer its customer base in Australia and New Zealand. The Group has fulfillment centers in Victoria and New South Wales (NSW).

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

## Dividends
There were no dividends paid, recommended or declared during the current or previous financial period.

## Review of operations
H1 FY25 was a period that demonstrated strong early momentum of Adore Beauty's strategy refresh and focus on profitable growth. The consolidated entity delivered margin expansion as it progresses it's near-term objectives of improving quality of revenue and underlying profitability. Adore Beauty also completed its acquisition of iKOU Holding Pty Ltd (Group) on 31 July 2024.

Revenue for the half-year was $103 million which was an increase of 2.3% over the prior comparative period.

Profit before tax was $532,000 (H1 FY24: ($1,502,000) down 64.6% on the previous corresponding period. This includes one-off acquisition-related costs and restructuring costs of $2.2 million.

Earnings before interest, tax and other one-off costs ('Normalised EBIT') for H1 FY25 was $2,791,000 and the Normalised EBIT margin was 2.7%.

Earnings before interest, tax and other one-off costs ('Normalised EBIT') is a non-IFRS measure and is the primary reporting measure used by the Key Management Personnel (KMP), being the Chief Executive Officer, Management and the Board of Directors, for the purpose of assessing the performance of the Group. The below table includes the reconciliation of the statutory profit before tax to the underlying Normalised EBIT:

| | H1 FY25 $'000 | H1 FY24 $'000 |
|---|---|---|
| Statutory profit before tax | 532 | 1,502 |
| Adjustments | | |
| Add: Finance costs | 118 | 56 |
| Deduct: Interest income | (99) | (325) |
| Normalisations | | |
| Add: Acquisition-related costs | 1,817 | - |
| Add: Restructure costs | 423 | - |
| Normalised EBIT | 2,791 | 1,233 |

Normalisation adjustments relates to one-off costs impacting the period relating to restructure costs and acquisition-related costs.

Operating cash flow was positive, with an ending cash balance of $11.6 million as at 31 December 2024, down $21.2 million on prior period, largely as a result of the investment in iKOU.

Please refer to the Group's H1FY25 results presentation for further commentary on the Group's financial and operational results.

**Significant changes in the state of affairs**
There were no significant changes in the state of affairs of the consolidated entity during the financial period.

**Matters subsequent to the end of the financial period**
Adore Beauty opened its first physical retail store on 1 February 2025, at Westfield Southland (VIC), with its second store opening at Watergardens (VIC) in early March. In line with its strategy of growing owned brands through the retail channel in new geographic regions, the company is in the process of opening new iKOU branded stores in Berry (NSW) and Melbourne CBD (VIC) in March 2025.

No other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

___________________________
Marina Go
Chair

17 February 2025

Grant Thornton

**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 review of Adore Beauty Group Limited for the half-year ended 31 December 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 review; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 17 February 2025

## 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 period. 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 is:

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 17 February 2025.

**Adore Beauty Group Limited**
**Consolidated statement of profit or loss and other comprehensive income**
**For the period ended 31 December 2024**

| | Note | Consolidated H1 FY25 $'000 | Consolidated H1 FY24 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue | 4 | 102,981 | 100,671 |
| Cost of sales | | (65,679) | (66,922) |
| Gross profit | | 37,302 | 33,749 |
| Other income | | 99 | 325 |
| **Expenses** | | | |
| Employee benefits expense | 5 | (11,218) | (10,645) |
| Advertising and marketing expense | | (13,673) | (13,934) |
| Depreciation and amortisation expense | | (1,877) | (1,121) |
| Finance costs | | (118) | (56) |
| Acquisition-related costs | 14 | (1,817) | - |
| Other operating expenses | | (7,743) | (6,817) |
| Restructure costs | | (423) | - |
| **Profit before income tax benefit/(expense)** | | 532 | 1,501 |
| Income tax benefit/(expense) | 6 | 96 | (510) |
| **Profit after income tax benefit/(expense) for the period attributable to the owners of Adore Beauty Group Limited** | | 628 | 991 |
| Other comprehensive income for the period, net of tax | | - | - |
| **Total comprehensive income for the period attributable to the owners of Adore Beauty Group Limited** | | 628 | 991 |
| | | **Cents** | **Cents** |
| Basic earnings per share | 17 | 0.67 | 1.06 |
| Diluted earnings per share | 17 | 0.65 | 1.03 |

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

**Adore Beauty Group Limited**
**Consolidated statement of financial position**
**As at 31 December 2024**

| | Note | Consolidated 31/12/2024 $'000 | 30/06/2024 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 11,650 | 32,852 |
| Trade and other receivables | | 3,615 | 2,133 |
| Inventories | | 22,727 | 21,617 |
| Other current assets | | 3,550 | 1,850 |
| Total current assets | | 41,542 | 58,452 |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 2,414 | 928 |
| Right-of-use assets | 7 | 5,549 | 1,561 |
| Intangibles | 9 | 29,761 | 5,136 |
| Deferred tax asset | 6 | 15 | 1,588 |
| Total non-current assets | | 37,739 | 9,213 |
| **Total assets** | | 79,281 | 67,665 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 22,331 | 20,808 |
| Current tax payable | | 496 | 256 |
| Contract liabilities | | 3,978 | 3,790 |
| Lease liabilities | 10 | 1,218 | 426 |
| Employee benefits | | 1,589 | 1,244 |
| Total current liabilities | | 29,612 | 26,524 |
| **Non-current liabilities** | | | |
| Lease liabilities | 10 | 4,718 | 1,297 |
| Employee benefits | | 266 | 198 |
| Deferred consideration payable | 11 | 4,798 | - |
| Total non-current liabilities | | 9,782 | 1,495 |
| **Total liabilities** | | 39,394 | 28,019 |
| **Net assets** | | 39,887 | 39,646 |
| **Equity** | | | |
| Issued capital | | 102,776 | 102,776 |
| Reserves | | (67,078) | (66,691) |
| Retained profits | | 4,189 | 3,561 |
| **Total equity** | | 39,887 | 39,646 |

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

**Adore Beauty Group Limited**
**Consolidated statement of changes in equity**
**For the period ended 31 December 2024**

| | Issued capital $'000 | Foreign currency translation reserve $'000 | Corporate re-organisation reserve $'000 | Share based payments reserve $'000 | Retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2023 | 102,076 | (5) | (68,104) | 1,118 | 1,106 | 36,191 |
| Profit after income tax expense for the period | - | - | - | - | 991 | 991 |
| Other comprehensive income for the period, net of tax | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 991 | 991 |
| *Transactions with owners:* | | | | | | |
| Contributions of equity, net of transaction costs | 651 | - | - | - | - | 651 |
| Share-based payments | - | - | - | 244 | - | 244 |
| Transfer from reserves | - | - | - | (254) | 254 | - |
| Balance at 31 December 2023 | 102,727 | (5) | (68,104) | 1,108 | 2,351 | 38,077 |

| | Issued capital $'000 | Foreign currency translation reserve $'000 | Corporate re-organisation reserve $'000 | Share based payments reserve $'000 | Retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2024 | 102,776 | (5) | (68,104) | 1,418 | 3,561 | 39,646 |
| Profit after income tax benefit for the period | - | - | - | - | 628 | 628 |
| Other comprehensive income for the period, net of tax | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 628 | 628 |
| *Transactions with owners:* | | | | | | |
| Share-based payments | - | - | - | (387) | - | (387) |
| Balance at 31 December 2024 | 102,776 | (5) | (68,104) | 1,031 | 4,189 | 39,887 |

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

**Adore Beauty Group Limited**
**Consolidated statement of cash flows**
**For the period ended 31 December 2024**

| | Note | Consolidated H1 FY25 $'000 | H1 FY24 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 108,837 | 108,640 |
| Receipts from fees and commissions (inclusive of GST) | | 3,457 | 1,544 |
| Payments to suppliers and employees (inclusive of GST) | | (109,365) | (104,448) |
| | | 2,929 | 5,736 |
| Interest received | | 99 | 325 |
| Interest and other finance costs paid | | - | (43) |
| Income taxes (paid)/refunded | | (162) | 2 |
| Transaction costs relating to acquisition of subsidiary | 14 | (1,817) | - |
| Net cash from operating activities | | 1,049 | 6,020 |
| **Cash flows from investing activities** | | | |
| Payment for acquisition of subsidiary, net of cash acquired | 14 | (19,198) | - |
| Payments for property, plant and equipment | 8 | (1,400) | (51) |
| Payments for intangible assets | 9 | (1,079) | (1,273) |
| Net cash used in investing activities | | (21,677) | (1,324) |
| **Cash flows from financing activities** | | | |
| Repayment of lease liabilities | | (118) | (190) |
| Payments of finance charges on lease liabilities | | (456) | (13) |
| Net cash used in financing activities | | (574) | (203) |
| Net increase/(decrease) in cash and cash equivalents | | (21,202) | 4,493 |
| Cash and cash equivalents at the beginning of the period | | 32,852 | 27,761 |
| Cash and cash equivalents at the end of the period | | 11,650 | 32,254 |

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

## Note 1. Material accounting policy information

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### Basis of preparation
These general purpose financial statements for the half-year reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

### New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

## 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.

## Note 3. Operating segments

*Identification of reportable operating segments*
The consolidated entity operates as a major retailer in the beauty and personal care industry, offering a wide selection of products both in-store and online, as well as through wholesale channels. Sales are predominantly through the Australian geographical region, with international 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 H1 FY25 $'000 | Consolidated H1 FY24 $'000 |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Sale of goods – point in time | 99,838 | 98,234 |
| Commission revenue – point in time | 538 | 540 |
| Marketing revenue – over time | 2,605 | 1,897 |
| Total revenue | 102,981 | 100,671 |

## Note 5. Employee benefits expense

| | Consolidated H1 FY25 $'000 | Consolidated H1 FY24 $'000 |
|---|---|---|
| Salaries, wages and contractor payments | 9,978 | 9,030 |
| Share-based payments (reversal)/expense | (387) | 244 |
| Defined contribution superannuation expense | 844 | 739 |
| Other employee benefits expenses | 783 | 632 |
| Total employee benefits expenses | 11,218 | 10,645 |

## Note 6. Income tax expense

| | Consolidated H1 FY25 $'000 | Consolidated H1 FY24 $'000 |
|---|---|---|
| *Income tax (benefit)/expense* | | |
| Current tax expense | 231 | 182 |
| Deferred tax - origination and reversal of temporary differences | (327) | 328 |
| Aggregate income tax (benefit)/expense | (96) | 510 |
| Deferred tax included in income tax (benefit)/expense comprises: | | |
| Decrease/(increase) in deferred tax assets | (327) | 328 |
| *Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate* | | |
| Profit before income tax benefit/(expense) | 532 | 1,501 |
| Tax at the statutory tax rate of 30% | 160 | 450 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible expenditure | 25 | 130 |
| Impact of ACA step downs | (39) | (143) |
| Share-based payments (reversal)/expense | (116) | 73 |
| Sundry items | (126) | - |
| Income tax (benefit)/expense | (96) | 510 |

**Note 6. Income tax expense (continued)**

| | Consolidated | |
|---|---|---|
| | 31/12/2024 | 30/06/2024 |
| | $'000 | $'000 |
| *Deferred tax assets* | | |
| Deferred tax assets comprises temporary differences attributable to: | | |
| Employee benefits | 576 | 373 |
| Plant and equipment | (500) | (1,020) |
| Leases | 121 | (33) |
| Right of return asset | (110) | (110) |
| Refund liabilities | 174 | 174 |
| Gift voucher liabilities | 246 | 392 |
| Capitalised fees and acquisition-related costs | 598 | 93 |
| Accrued expenses | 217 | 409 |
| IPO Costs – blackhole expenditure | 447 | 1,342 |
| Other items | 148 | 36 |
| Intangible assets other than goodwill | (1,902) | - |
| Total deferred tax assets | 15 | 1,656 |

| | Consolidated | |
|---|---|---|
| | 31/12/2024 | 30/06/2024 |
| | $'000 | $'000 |
| *Deferred tax assets* | | |
| Movements: | | |
| Opening balance | 1,656 | 1,984 |
| Credited/(charged) to profit or loss | 327 | (328) |
| Additions through business combination (note 14) | (1,968) | - |
| Closing balance | 15 | 1,656 |

**Note 7. Right-of-use assets**

| | Consolidated | |
|---|---|---|
| | 31/12/2024 | 30/06/2024 |
| | $'000 | $'000 |
| *Non-current assets* | | |
| Land and buildings - right-of-use | 8,579 | 3,910 |
| Less: Accumulated depreciation | (3,030) | (2,349) |
| | 5,549 | 1,561 |

Lease remeasurements to right-of-use assets during the period were a profit of $59,000.

The consolidated entity leases land and buildings for its offices, warehouse and retail stores under agreements of between one to five 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.

## Note 7. Right-of-use assets (continued)

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

| **Consolidated** | **$'000** |
|---|---|
| Balance at 1 July 2024 | 1,561 |
| Additions | 2,241 |
| Additions through business combination (note 14) | 2,369 |
| Lease remeasurements | 59 |
| Depreciation expense | (681) |
| **Balance at 31 December 2024** | **5,549** |

## Note 8. Property, plant and equipment

| | **Consolidated** | |
|---|---|---|
| | **31/12/2024 $'000** | **30/06/2024 $'000** |
| *Non-current assets* | | |
| Plant and equipment - at cost | 2,121 | 1,449 |
| Less: Accumulated depreciation | (1,156) | (780) |
| | 965 | 669 |
| Work in progress | 1,449 | 259 |
| | 2,414 | 928 |

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

| **Consolidated** | **Plant and equipment $'000** | **Work in progress $'000** | **Total $'000** |
|---|---|---|---|
| Balance at 1 July 2024 | 669 | 259 | 928 |
| Additions | 210 | 1,190 | 1,400 |
| Additions through business combination (note 14) | 160 | - | 160 |
| Depreciation expense | (74) | - | (74) |
| **Balance at 31 December 2024** | **965** | **1,449** | **2,414** |

## Note 9. Intangibles

| | Consolidated 31/12/2024 $'000 | Consolidated 30/06/2024 $'000 |
|---|---|---|
| *Non-current assets* | | |
| Goodwill - at cost | 18,056 | - |
| | | |
| Brand name - at cost | 1,503 | - |
| Less: Accumulated amortisation | (31) | - |
| | 1,472 | - |
| | | |
| Recipes - at cost | 1,940 | - |
| Less: Accumulated amortisation | (40) | - |
| | 1,900 | - |
| | | |
| Customer relationships - at cost | 3,117 | - |
| Less: Accumulated amortisation | (147) | - |
| | 2,970 | - |
| | | |
| Website and mobile app - at cost | 9,029 | 8,257 |
| Less: Accumulated amortisation | (5,350) | (4,450) |
| | 3,679 | 3,807 |
| | | |
| Patents and trademarks - at cost | 177 | 123 |
| Less: Accumulated amortisation | (41) | (41) |
| | 136 | 82 |
| | | |
| Product development - at cost | 83 | 21 |
| Less: Accumulated amortisation | (12) | (8) |
| | 71 | 13 |
| | | |
| Work in progress | 1,477 | 1,234 |
| | | |
| | 29,761 | 5,136 |

*Reconciliations*
Reconciliations of the written down values at the beginning and end of the half year are set out below:

| **Consolidated** | **Goodwill $'000** | **Brand name $'000** | **Recipes $'000** | **Customer relationships $'000** | **Website and mobile app $'000** | **Patents and trademarks $'000** | **Product development $'000** | **Work in progress $'000** | **Total $'000** |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2024 | - | - | - | - | 3,807 | 82 | 13 | 1,234 | 5,136 |
| Additions | - | - | - | - | - | 2 | 62 | 1,015 | 1,079 |
| Additions through business combination (note 14) | 18,056 | 1,503 | 1,940 | 3,117 | - | 52 | - | - | 24,668 |
| Transfers in/(out) | - | - | - | - | 772 | - | - | (772) | - |
| Amortisation expense | - | (31) | (40) | (147) | (900) | - | (4) | - | (1,122) |
| | | | | | | | | | |
| **Balance at 31 December 2024** | **18,056** | **1,472** | **1,900** | **2,970** | **3,679** | **136** | **71** | **1,477** | **29,761** |

## Note 9. Intangibles (continued)

### Accounting policy - intangibles
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.

*Goodwill*
Goodwill arising on the acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, goodwill is allocated to each of the consolidated entity's cash generating units (CGUs) (or group of CGUs) that is expected to benefit from the synergies of the combination. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Brand name*
Brand name acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

*Recipes*
Recipes acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

*Customer relationships*
Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 6 to 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.

*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.

*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.

*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 and therefore is not yet amortised. 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. Work in progress is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on work in progress are taken to profit or loss.

### Critical accounting judgements, estimates and assumptions – intangibles

*Impairment of intangible assets*
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and work in progress have suffered any impairment, in accordance with the accounting policy.

## Note 9. Intangibles (continued)

Further, the consolidated entity assesses impairment of non-financial assets other than goodwill and work in progress 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.

The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

There was no impairment of assets in the current reporting period.

*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 period, 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.

## Note 10. Lease liabilities

| | Consolidated | |
|---|---|---|
| | 31/12/2024 $'000 | 30/06/2024 $'000 |
| *Current liabilities* | | |
| Lease liability | 1,218 | 426 |
| *Non-current liabilities* | | |
| Lease liability | 4,718 | 1,297 |
| | 5,936 | 1,723 |

| Consolidated - 31 December 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 |
|---|---|---|---|---|---|---|
| Lease liabilities | 5.00% | 1,218 | 1,658 | 3,060 | - | 5,936 |

## Note 11. Deferred consideration payable

| | Consolidated | |
|---|---|---|
| | 31/12/2024 $'000 | 30/06/2024 $'000 |
| *Non-current liabilities* | | |
| Deferred consideration payable | 4,798 | - |

Refer to note 14 for accounting policy on deferred consideration payable.

## Note 12. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period or since the end of the period.

## Note 13. Contingent liabilities

The consolidated entity has no contingent liabilities as at 31 December 2024 (30 June 2024: $nil).

## Note 14. Business combinations

On 31 July 2024, Adore Beauty Group Limited acquired 100% of the ordinary shares of iKOU Holdings Pty Ltd. This is a retail and wholesale skincare and spa business that operates in Australia. It was acquired to strengthen Adore Beauty's existing business, deliver revenue growth and margin expansion, and support private label and physical store initiatives.

The business combination has initially been accounted for on a provisional basis as at 31 December 2024. The measurement period for provision accounting ends on either the earlier of 12 months from the date of acquisition or when the acquirer receives all the information possible to determine the fair value.

The assets and liabilities recognised as a result of the acquisition are as follows:

| | Provisional fair value recognised on acquisition $000 |
|---|---|
| Cash and cash equivalents | 1,649 |
| Trade and other receivables | 331 |
| Inventories | 1,570 |
| Other current assets | 122 |
| Plant and equipment | 160 |
| Intangible assets - goodwill (a) | 18,056 |
| Intangible assets - brand name (a) | 1,503 |
| Intangible assets - recipes (a) | 1,940 |
| Intangible assets - customer relationships (a) | 3,117 |
| Intangible assets - other | 52 |
| Right-of-use assets | 2,369 |
| Trade and other payables | (648) |
| Contract liabilities | (21) |
| Provision for income tax | (104) |
| Deferred tax liability | (1,968) |
| Lease liabilities | (2,369) |
| Employee benefits | (190) |
| Net assets acquired | 25,569 |
| Acquisition-date fair value of the total consideration transferred, representing: | |
| Cash paid to vendor | 20,847 |
| Deferred consideration payable (c) | 4,722 |
| | 25,569 |
| Cash used to acquire the subsidiary, net of cash acquired: | |
| Acquisition-date fair value of the total consideration transferred | 25,569 |
| Less: cash and cash equivalents | (1,649) |
| Less: deferred consideration payable (c) | (4,722) |
| Net cash used to acquire the subsidiary | 19,198 |

**Note 14. Business combinations (continued)**

*(a) Goodwill and identifiable net assets*
Goodwill is attributable to iKOU Holdings Pty Ltd's strong position and profitability in trading in the beauty and wellness market and synergies expected to arise as a result of the acquisition.

The fair value of the acquired brand name, recipes and customer relationships of $6,561,000 is accounted for on a provisional basis as at 31 December 2024 since the independent valuations have not been finalised.

*b) Acquisition-related costs*
Transaction costs of $1,817,000 are included in the statement of profit or loss and other comprehensive income.

*c) Deferred consideration payable*
The deferred consideration payable requires the consolidated entity to pay the former owners of iKOU Holdings Pty Ltd $5,000,000, due 31 January 2026. The fair value of the deferred consideration payable on acquisition date was $4,722,000. A fair value loss of $76,000 was recognised in statement of profit or loss and other comprehensive income during the current period resulting in a deferred consideration payable of $4,798,000 at 31 December 2024.

*d) Tax consolidation*
The acquired business is in the process of joining the income tax consolidated group of Adore Beauty Group Limited as at acquisition date and the effect of any tax outcomes have been accounted for on a provisional basis as at 31 December 2024.

**Accounting policy - business combinations**
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Deferred consideration payable is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the deferred consideration payable classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**Critical accounting judgements, estimates and assumptions – business combination**

*Acquisition of subsidiaries*
Accounting for acquisitions is inherently complex, requiring a number of judgements and estimates to be made. Management judgement, estimates and assumptions are required to determine the fair value of identifiable assets and liabilities acquired in a business combination. A number of judgements have been made in relation to the identification of fair values attributable to separately identifiable assets and liabilities acquired, including brand name, recipes and customer relationships.

The fair value of the acquired brand name, recipes and customer relationships are accounted for on a provisional basis at 31 December 2024.The determination of fair values require the use of valuation techniques based on assumptions including future cash flows, royalty rates, revenue growth, terminal growth, margins, customer attrition rates and weighted average cost of capital.

## Note 15. Interests in subsidiaries

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

| Name | Principal place of business / Country of incorporation | Ownership interest H1 FY25 % | H1 FY24 % |
|---|---|---|---|
| Adore Beauty Group Limited | Australia | 100.00% | 100.00% |
| 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% |
| iKOU Holdings Pty Ltd | Australia | 100.00% | - |
| iKOU Australia Pty Ltd | Australia | 100.00% | - |
| iKOU Retail Pty Ltd | Australia | 100.00% | - |

## Note 16. Events after the reporting period

Adore Beauty opened its first physical retail store on 1 February 2025, at Westfield Southland (VIC), with its second store opening at Watergardens (VIC) in early March. In line with its strategy of growing owned brands through the retail channel in new geographic regions, the company is in the process of opening new iKOU branded stores in Berry (NSW) and Melbourne CBD (VIC) in March 2025.

No other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Note 17. Earnings per share

| | Consolidated H1 FY25 $'000 | H1 FY24 $'000 |
|---|---|---|
| Profit after income tax attributable to the owners of Adore Beauty Group Limited | 628 | 991 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 93,957,928 | 93,907,372 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options and rights over ordinary shares | 2,686,822 | 2,190,757 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 96,644,750 | 96,098,129 |
| | **Cents** | **Cents** |
| Basic earnings per share | 0.67 | 1.06 |
| Diluted earnings per share | 0.65 | 1.03 |

**Adore Beauty Group Limited**
**Directors' declaration**
**31 December 2024**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

___________________________
Marina Go
Chair

17 February 2025

Grant Thornton

**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 Review Report

## To the Members of Adore Beauty Group Limited

### Report on the half year financial report

#### Conclusion

We have reviewed the accompanying half year 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 31 December 2024, and 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 half year ended on that date, including material accounting policy information, other selected explanatory notes, 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 accompanying half-year financial report of Adore Beauty Group Limited does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and of its performance for the half year 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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A C Pitts
Partner – Audit & Assurance

Melbourne, 17 February 2025