adairs

APPENDIX 4E

PRELIMINARY FINAL REPORT

52 weeks ended 29 June 2025

This information should be read in conjunction with the Financial Report for the 52 weeks ended 29 June 2025 of Adairs Limited (the "Company") and its subsidiaries (the "Group").

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

Current period: 1 July 2024 to 29 June 2025 (52 weeks) ("FY25")

Prior corresponding period: 26 June 2023 to 30 June 2024 (53 weeks) ("FY24")

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Statutory results

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000	Change %
Revenue from continuing operations	618,092	594,356	+4.0
Profit after tax from continuing operations attributable to members	25,682	31,090	-(17.4)
Net profit attributable to members	25,682	31,090	-(17.4)

Underlying results

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000	Change %	Adjusted change[1] %
Sales	618,092	594,356	+4.0	+6.5
Underlying EBIT	55,207	57,628	-(4.2)	+1.4

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

- FY25 underlying results: excludes the impact of (i) AASB 16 *Leases*; (ii) warehouse management system transition costs; (iii) SaaS cloud computing project costs; (iv) leadership transition costs; and (v) office and distribution centre relocation costs.
- FY24 underlying results: excludes the impact of (i) AASB 16 *Leases*; (ii) National Distribution Centre transition costs; and (iii) SaaS cloud computing project costs.

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

Dividends

Dividends (ordinary shares)	Amount per security	Franked amount per security
2025 interim dividend	6.5 cents	6.5 cents
2025 final dividend (resolved, not yet provided for at 29 June 2025)	4.0 cents	4.0 cents

Record date for determining entitlements to the 2025 final dividend	11 September 2025
Payment date of the 2025 final dividend	7 October 2025

Commentary of results and operations

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

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

6. CONSOLIDATED STATEMENT OF CASH FLOWS

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

7. DIVIDEND DETAILS

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

8. DIVIDEND OR DISTRIBUTION REINVESTMENT PLAN DETAILS

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

There is currently a 1.5% DRP discount applied to the dividend and no limit on the number of shares that can participate in the DRP. Shares will be allocated based on the average of the daily volume weighted average market price of ordinary shares of Adairs Limited traded over the period of 5 trading days commencing on 15 September 2025, less the 1.5% discount.

9. NET TANGIBLE ASSET BACKING PER ORDINARY SECURITY

	As at 29 June 2025	As at 30 June 2024
Net tangible asset/(liability) backing per ordinary security[1]	-(24.0) cents	-(23.8) cents

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

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

Home and Décor New Zealand Limited was incorporated as a new wholly-owned entity during the 52 weeks ended 29 June 2025.

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

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

There were no associates or joint ventures during the 52 weeks ended 29 June 2025, or during the prior corresponding period.

12. FOREIGN ENTITIES

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

13. COMMENTARY

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

14. AUDIT AND AUDITOR'S REPORT

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

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adairs

ANNUAL REPORT 2025

IMPORTANT INFORMATION

FY24 was a 53-week period for statutory purposes, compared to a 52-week period in FY25. Unless otherwise stated, all references compare the 52-week period in FY25 to the corresponding 52-week period in FY24.

2025 ANNUAL GENERAL MEETING

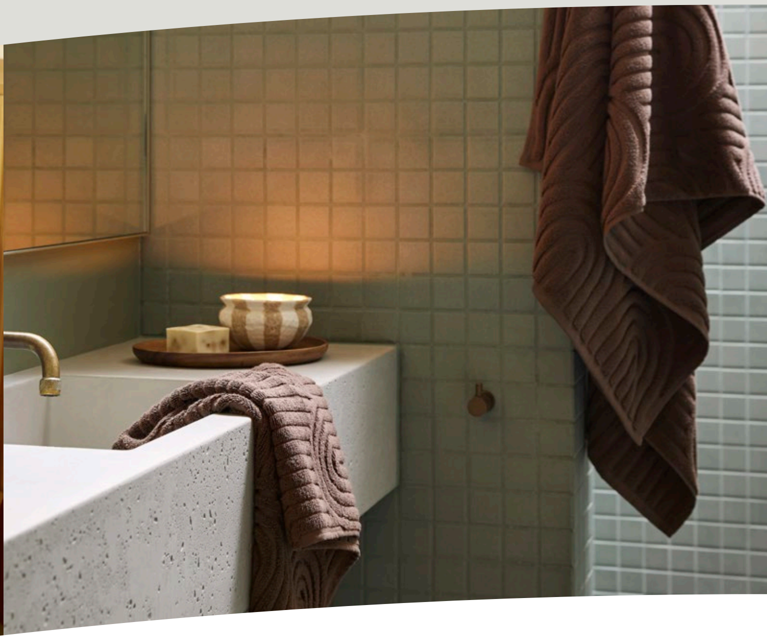
The 2025 Annual General Meeting of members of Adairs Limited will be held at the Hyatt Centric Melbourne, 25 Downie Street, Melbourne on Wednesday, 22 October 2025 at 11.00 AM (Melbourne time). Full details will be provided to all shareholders in the Notice of Meeting.

ENTITY TERMINOLOGY

In this report, references to "Company", "Group" or "Adairs Limited" refer to the Company (Adairs Limited) as a whole. References to "Adairs", "Focus on Furniture / Focus" or "Mocka" are references to the relevant business unit.

ABOUT ADAIRS LIMITED

Adairs Limited (ASX: ADH) is a leading omni-channel specialty retailer operating across Australia and New Zealand. The Group offers a diverse range of home furnishings, furniture, and home décor through three distinct brands: Adairs, Focus on Furniture and Mocka. Each brand is design-led, sources and procures its own products, and retails through owned or controlled channels. All businesses are customer-focused and service-oriented, operating as wholly owned subsidiaries of the Company and functioning independently in all material respects.



About Adairs

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

adairs.com.au

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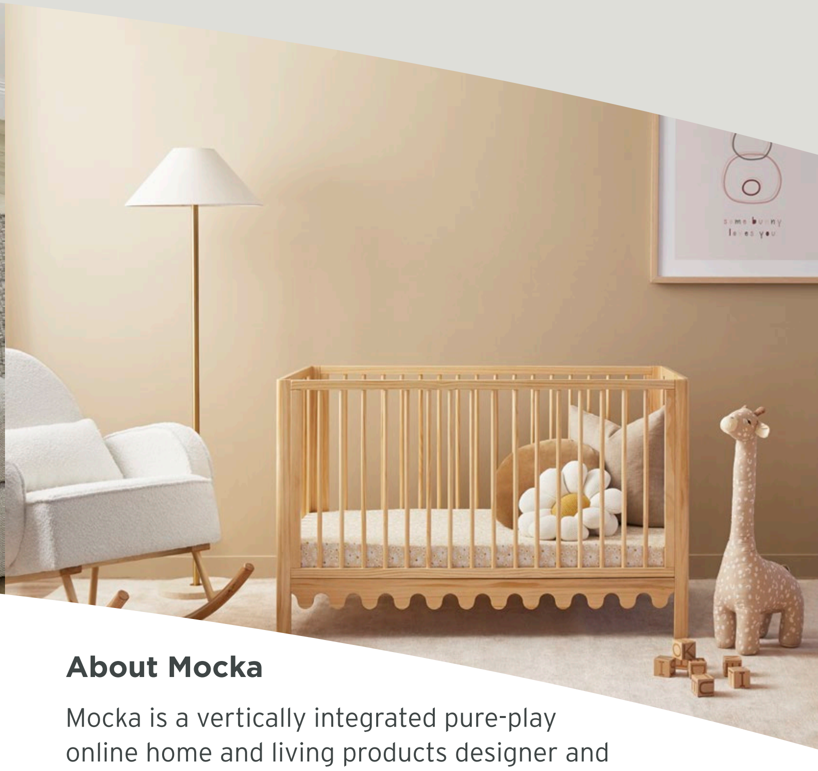


About Focus on Furniture

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

focusonfurniture.com.au

About Mocka

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

mocka.com.au

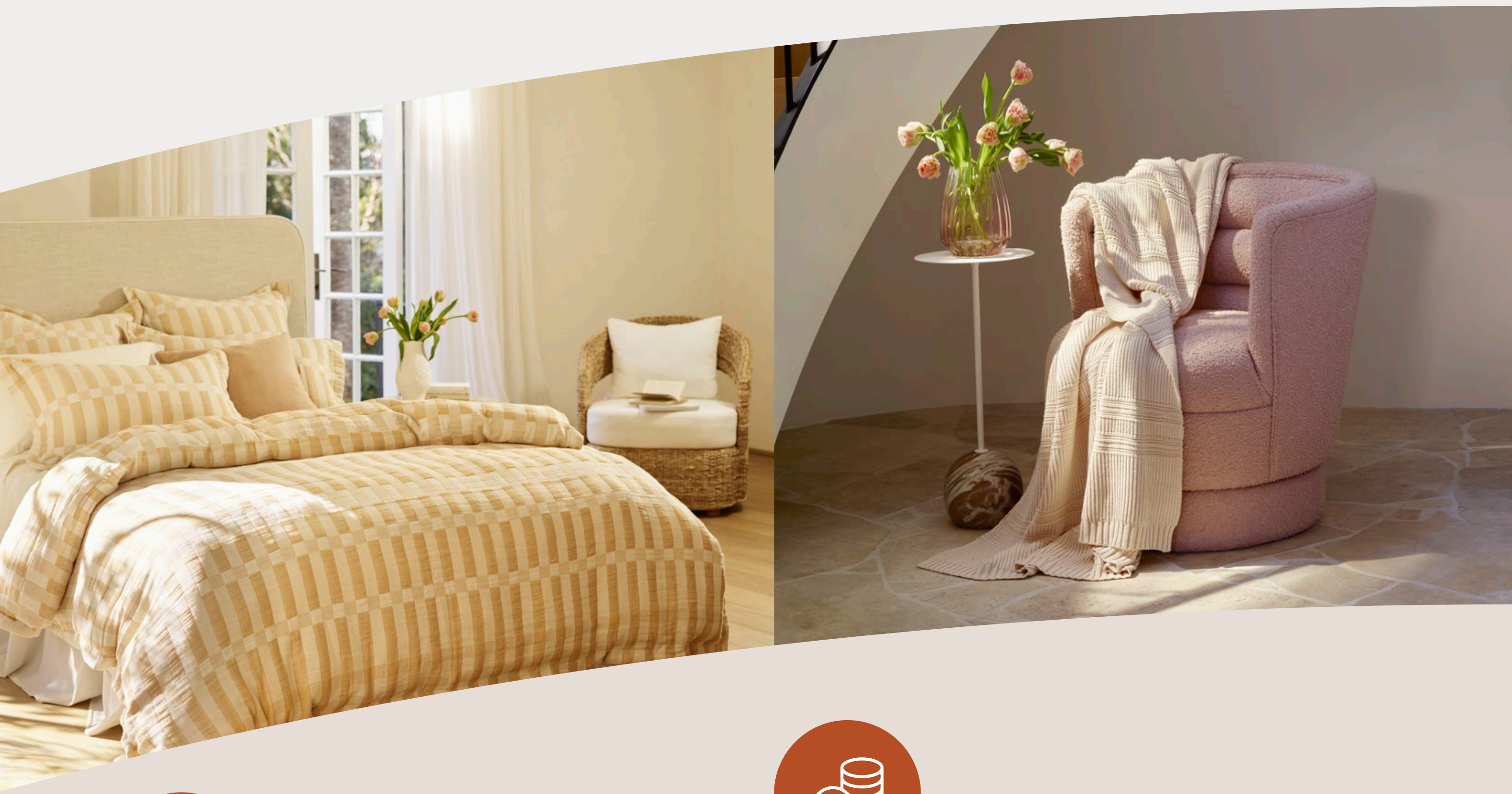
KEY FY25 HIGHLIGHTS

LEADERSHIP RENEWAL AND STRATEGIC RESET

Appointment of experienced new Group CEO, Elle Roseby, in January 2025 has seen the beginning of a strategic reset and development of refined visions for each business ("Vision 2030").

COSTS WELL CONTROLLED

CODB as a percentage of sales declined by -30 bps, driven by improved efficiency and service from the Adairs NDC and disciplined cost management across the group.



SUSTAINABILITY

Commencement of store solar installations to reduce Scope 2 emissions, and good progress on sustainable packaging initiatives.

$55.2M

GROUP UNDERLYING EBIT, UP +1.4%

Strong EBIT growth at both Adairs and Mocka, offset by a decline in EBIT at Focus on Furniture.

+6.5%

GROUP SALES UP

Strong sales performance across the Adairs and Mocka business units, partially offset by a sales decline at Focus on Furniture.

58.9%

GROUP UNDERLYING GROSS MARGIN (-140bps)

Gross margin impacted by elevated promotional activity, higher COGS, and a weaker AUD/USD.

BUSINESS UNIT PERFORMANCE SUMMARY:

+9.5%

ADAIRS: record sales achieved. Sales up +9.5% on the previous year with LFL sales growth of +7.8%. Underlying EBIT growth of +$6.3m, supported by sales growth and CODB control, partially offset by lower gross margin.

+14.7%

MOCKA: second consecutive year of strong sales and earnings growth. Total sales up +14.7%, with +31.0% sales growth in Australia. Mocka New Zealand performance progressively improved throughout the year and returned to growth in Q4.

-6.5%

FOCUS ON FURNITURE: challenging sales (down -6.5%), gross margin and EBIT results. Store roll-out pipeline for FY26 and FY27 building momentum. Store refurbishment program delivering positive impact.

CHAIR'S REPORT

Dear Shareholders,

I am pleased to present the 2025 Annual Report of Adairs Limited (the "Company") and its subsidiaries (the "Group").

Leadership Renewal

Effective management is critical in specialty retailing, and the Board has remained focused on attracting and retaining high-calibre leadership while fostering a customer and performance-driven culture. This has been a key priority throughout the year, with the expectation that these efforts will support stronger future outcomes for the Group.

A major milestone in this renewal was the appointment of Elle Roseby as Managing Director and Group CEO in January 2025. Elle brings deep experience in fashion apparel and home textiles, with a proven track record of building customer-centric, product-led Australian retail businesses. Her values-driven leadership style has already made a meaningful impact, elevating customer focus and accelerating the pace of change across the Group.

Since her commencement, Elle has started a strategic reset – Vision 2030 – focused on positioning the Group for long-term success. Her initial efforts have concentrated on Adairs, our largest and most established business unit, where significant but well-balanced transformation is underway. These changes are being carefully managed to maintain sales momentum while better meeting customer needs. Further details on Vision 2030 and its expected benefits are outlined throughout this Annual Report.

The senior management team at Adairs has been substantially refreshed, bringing in new talent alongside experienced leaders. This renewed leadership mix is strengthening the organisation's capability to execute Vision 2030. The Board has actively supported Elle through her induction and the early phase of strategic realignment, and we are pleased with the thoughtful listening and considered change she has led in her first six months.

The organisation is responding positively to the change agenda, and the Board is optimistic about the Group's future under Elle's leadership.

FY25 Financial Performance

The Group delivered solid top-line growth in FY25, with total sales up +6.5% on the prior year. This was driven by strong performances from Adairs (+9.5%) and Mocka (+14.7%), both of which benefited from better product direction, curation, ranging and inventory availability. The performance improvements at both these business units are the outcomes of the significant work of their respective teams across a range of initiatives.

Adairs and Mocka delivered strong year-on-year growth in Underlying EBIT, increasing by +$6.3 million (+21.2%) and +$1.3 million (+21.1%) respectively. However, this was offset by a -$6.8 million (-36.6%) decline from Focus on Furniture, resulting in Group Underlying EBIT of $55.2 million – broadly in line with the prior year.

The Group recorded a NPAT of $25.7 million (-17.4%) equating to statutory basic earnings per share ("EPS") of 14.6 cents. The Board has declared a final fully

Group Sales	Group Underlying EBIT	Earnings per Share	Dividends per Share
$618.1M	$55.2M	14.6 cents	10.5 cents

franked dividend of 4.0 cents per share, taking the total dividend payout for FY25 to 10.5 cents per share. The total dividend amount represents c.72% of the reported NPAT, within the Company's dividend payout policy (65-80% of NPAT).

The Board is encouraged by the improved financial performance of Adairs and Mocka in FY25, alongside the growing clarity of the reset and growth plan emerging at Focus on Furniture. However, we recognise that none of our business units are yet operating at their full potential. Elevating each business unit from 'good to great' – a mantra Elle has brought to the Group – is central to our mission.

We remain confident in the quality and long-term prospects of our portfolio, and importantly, in the Group's strengthened capability to drive sustained growth and improved financial performance. With renewed leadership, a clear strategic direction, and a focus on execution, each of our businesses is well-positioned for an exciting future.

Business Unit Performance

Adairs delivered strong performance improvements in FY25, with further gains expected in FY26 as a new business strategy is progressively rolled out. Following sustained operational challenges at the National Distribution Centre (NDC) across FY22–FY23, decisive action to assume direct control of operations has led to meaningful improvements in sales, service and cost efficiency. The decision to 'step-in' and implement a new warehouse management system configured to serve the Adairs business has proven justified to date.

Store upsizing and upgrades, enhanced visual merchandising, data-driven assortment planning, and strategic product initiatives are expected to drive greater sales productivity and maximise returns on our investments in inventory and retail space.

The Linen Lover loyalty program remains central to customer engagement, accounting for over 80% of brand sales. Membership acquisition and renewal remain strong, supported by expanded benefits – including the recently launched partnership with Qantas Frequent Flyer in July 2025 – which continue to deepen customer connection and drive value.

Mocka has undergone considerable organisational changes over the past 24 months. A new CEO was appointed in FY24, followed by a refresh of the leadership team. With the new management team in place, Mocka invested in its systems and successfully re-platformed websites and back-end systems in both Australia and New Zealand. These changes, alongside a revised strategy focused on better understanding core customer needs and identifying areas for sustainable growth, combined with disciplined inventory management, have contributed to improved sales, gross margins and earnings.

Mocka's FY25 results – and early FY26 sales performance – reflect continued progress in building brand awareness, particularly in the Australian market, which presents the greatest opportunity for expansion. In New Zealand, sales growth remained challenging in the first half of FY25 but improved in the second half, with growth returning in Q4.

We are encouraged by the renewed sales momentum, which reinforces confidence in our strategy and execution. Building on learnings from FY25 trials, Mocka is actively exploring opportunities to scale its presence in both Australia and New Zealand, including the initial stages of launching standalone physical retail stores in FY26.

Focus on Furniture's FY25 results did not meet our expectations. This highlights the need to refine execution and re-energise sales and earnings growth. Recently completed customer research has provided valuable insights into areas for improvement, and the next phase will focus on translating these findings into clear strategic actions and timelines.

Encouraging results from new and refurbished stores continue to support our national growth strategy. The recent relocation of the head office and distribution centre has delivered a modern facility from which the business can operate more efficiently, positioning Focus on Furniture for future expansion.

The leadership team has managed costs effectively and implemented initiatives to support performance in FY25. We remain optimistic that ongoing efforts — combined with a sharpened customer-centric strategy — will deliver improved outcomes in the year ahead.

Investing in Technology to Support Efficient and Sustainable Growth

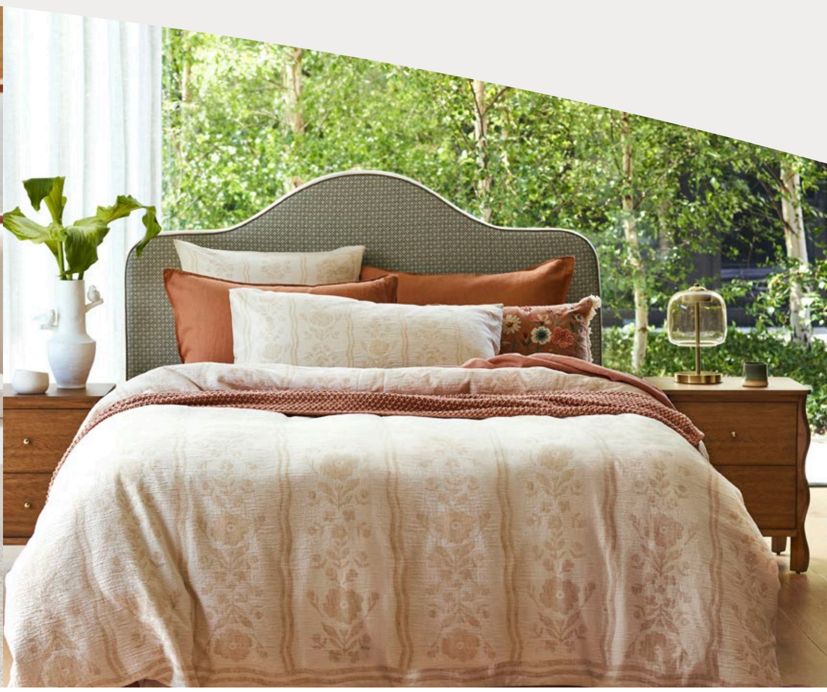
FY25 saw continued investment in the Group's infrastructure and capabilities, laying the groundwork for long-term operational excellence and customer-centric innovation.

A key initiative in late FY25 was the launch of a multi-year investment program to replace the core technology systems used at Adairs. This transformation will assist in streamlining core business functions, enhancing efficiency, scalability, and productivity. The new systems will also enable more agile and data-informed decision-making. We expect the first stage of this project to be completed in Q1 FY27.

Board and Governance

Board renewal was a feature of FY25. In addition to welcoming Elle, we were pleased to appoint Rachel Kelly as a Non-Executive Director. Rachel is a highly experienced executive with a distinguished career in retail and financial technology. Elle and Rachel's appointments follow the departure of Mark Ronan and Kate Spargo, both of whom made significant contributions to the Group over many years.

We continue to assess Board composition and see scope for the appointment of an additional Non-



Executive Director, should the right candidate emerge. Following my transition to Board Chair, it is intended for Rachel to assume the role of Chair of the People & Remuneration Committee in early FY26.

Also since the start of FY26, a Non-Executive Director has joined the Advisory Committees of both Focus on Furniture and Mocka to assist the Group Executives in overseeing these business units. These changes are intended to increase expertise and independent governance within these forums and enhance the connection and level of involvement between the Group Board and these business units. The change is also designed to recognise the stage of development of these businesses, empower faster decision making, and support the agility of these business units, which is required to foster their accelerated growth.

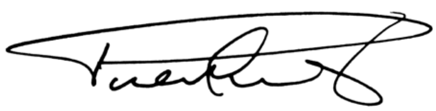
Outlook

FY26 represents a pivotal transition year under refreshed leadership and the Vision 2030 strategy. We are optimistic about the progress being made across key strategic initiatives within the Group. Our consistent, Group-wide focus on improving productivity is positioning each business unit to convert future sales growth into stronger earnings, supporting long-term value creation for our shareholders.

Our businesses are well placed to meet evolving customer needs, supported by a talented and committed team dedicated to delivering exceptional customer experiences across our portfolio of businesses.

Thank You

On behalf of the Board, I thank our shareholders for your continued support. We remain confident in the Group's ability to deliver sustainable, profitable growth and create long-term value for shareholders.



TRENT PETERSON
Independent Non-Executive Chair

MANAGING DIRECTOR'S REPORT

Dear Shareholders,

I'm pleased to present my first Managing Director's report for Adairs Limited.

Since joining in January 2025, I've focused on listening, learning, and immersing myself in our stores and operations to deepen my understanding of each business unit. My appreciation for our brands, operations, and – most importantly – our people, both customers and team members, continues to grow rapidly. I'm grateful for the warm welcome and the many insights shared with me from customers and team alike.

This has been a period of discovery and thoughtful reflection, revealing the core strengths that underpin our business, as well as the opportunities where we can evolve and grow. Together, we've begun shaping a clear strategic vision – Vision 2030 – for each business unit, mapped across short, medium, and long-term horizons, with a clear focus on customer-led growth and operational excellence. The revised strategic and operational plans at Adairs are progressing, and Focus on Furniture and Mocka will follow – supported by a foundation of deep customer research and customer understanding in each business unit.

The Group's portfolio of business units have some common and important foundations – vertical retail business models, differentiated design-led products, trusted and well-defined brands, and passionate people serving our customers. These foundations are both well established and critical; however, to fully realise our vision and deliver the growth shareholders rightly expect, targeted resets will be required across parts of each business unit over the next 1–2 years. This process has commenced.

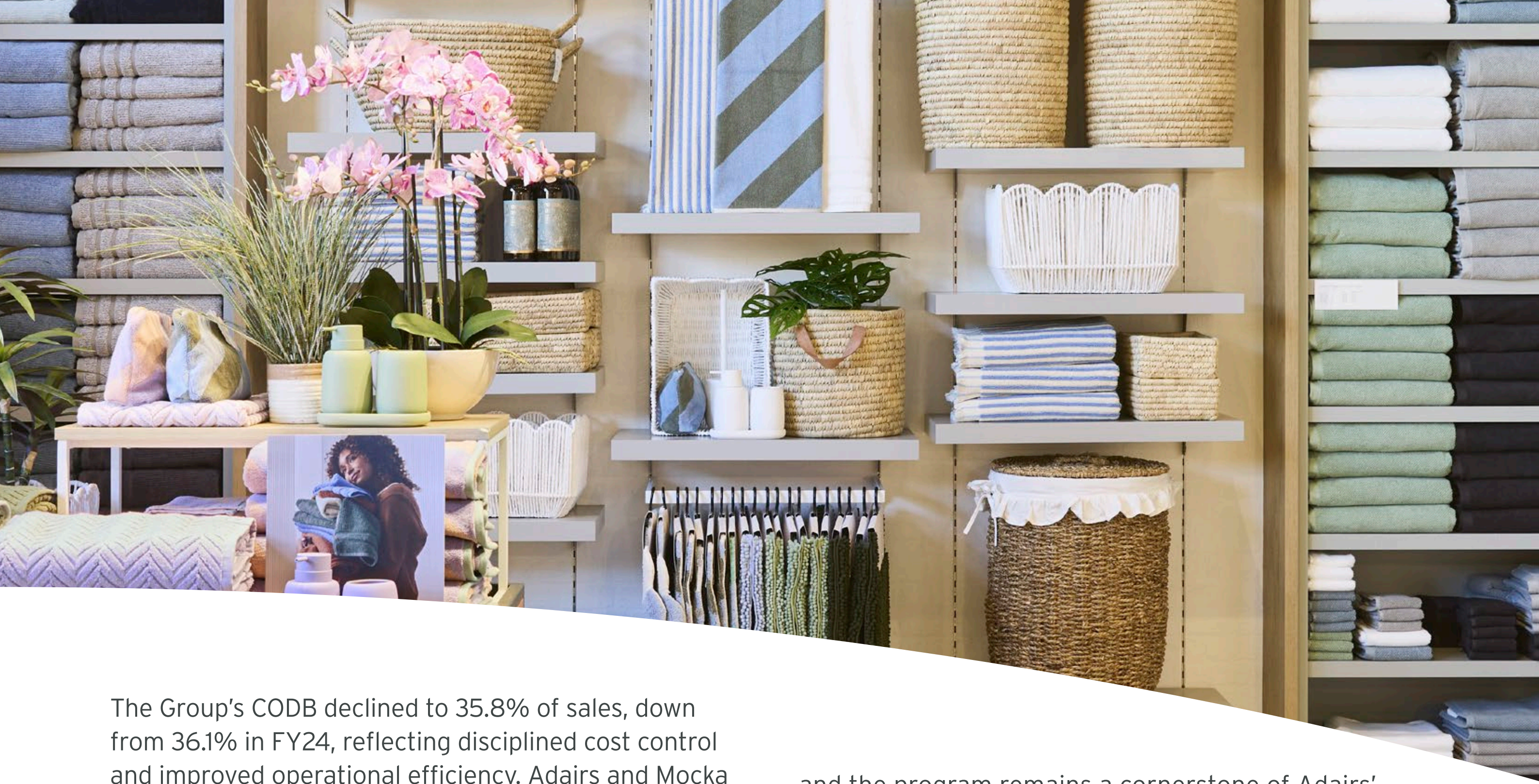
At its heart, great retail is about understanding customers deeply – knowing their needs, preferences, and aspirations – and using that insight to deliver tailored experiences, curated product offerings, and seamless operations that foster loyalty and drive growth. These principles have guided my early focus. Each of our business units has undertaken detailed customer and market research to better understand their diverse customer segments. We are refining our product ranges to align with clearly defined style profiles, supported by proprietary customer data and research insights that inform both product development and marketing strategies.

We have initiated low-risk 'test-and-learn' trials in key operational areas. In visual merchandising, we are exploring new approaches to elevate the in-store experience and better reflect the distinct identity of each brand. In pricing, we are rethinking our architecture to improve margins while continuing to deliver compelling value to our customers. These initiatives are just examples that are part of the early stages of a broader transformation. I've been excited by the creativity, agility, and commitment of our teams as we shape the future of each of our brands together.

While this report provides an overview of our FY25 performance and priorities, I encourage you to refer to the Directors' Report for an overview of our Vision 2030 strategic roadmap.

Group Performance

The Group delivered solid top-line growth in FY25, with total sales reaching $618.1 million, up +6.5% on the prior year. This was driven by strong performances from Adairs and Mocka, both of which benefited from better product direction, curation, ranging and inventory availability. The sales and earnings improvements at both these businesses are the outcomes of the significant work of their respective teams across a range of initiatives.



The Group's CODB declined to 35.8% of sales, down from 36.1% in FY24, reflecting disciplined cost control and improved operational efficiency. Adairs and Mocka delivered strong year-on-year growth in Underlying EBIT, increasing by +$6.3 million (+21.2%) and +$1.3 million (+21.1%) respectively. However, this was offset by a -$6.8 million (-36.6%) decline from Focus on Furniture, resulting in Group Underlying EBIT of $55.2 million – broadly in line with the prior year.

The impact of non-recurring items resulted in statutory NPAT of $25.7 million.

Divisional Overview

Adairs

Adairs had a strong year, with record sales of $442.2 million, up +9.5% on the prior year (+7.8% on a like-for-like basis). This performance was supported by elevated promotional activity aimed at driving sales and managing inventory, particularly in the second half. Together with a weaker effective AUD (net of hedging) compared to the prior year, this adversely impacted gross margins which contracted -170bps to 61.0%.

Despite cost escalations in store wage rates and on-costs, rents, utilities and domestic freight, total CODB as a percentage of sales declined -130bps to 39.4% of sales as a result of stronger sales and disciplined cost management. Underlying EBIT finished at $35.8 million, up +$6.3 million (+21.2%) on the prior year.

Customer engagement remained strong throughout FY25, supported by targeted campaigns and an ongoing focus on loyalty. Our paid-for Linen Lover membership program continues to be critical to ongoing customer engagement. The membership program recorded a 10% increase in renewals and 5% increase in new sign-ups over FY24. Linen Lover members accounted for over 80% of total sales, and the program remains a cornerstone of Adairs' customer strategy, driving repeat purchases and a deeper brand connection. Work is underway to expand the program to deepen customer relationships and drive engagement through new benefits, such as the recently announced Qantas Frequent Flyer partnership that commenced in July 2025.

The National Distribution Centre ("NDC") continued to improve efficiency, service levels, and cost outcomes. Since taking operational control of the NDC in August 2023 we have removed more than $6.0 million of costs from the annualised cost base of the facility. With a new warehouse management system implemented in July 2024, the productivity gains achieved as the year progressed was a highlight for FY25, with almost 20% more volume processed per hour. These efficiencies were driven by enhanced labour productivity and strong cross-functional collaboration through our 'One Team' approach. We expect these gains to be sustained and expanded into FY26.

Adairs opened four new stores – including Macgregor and Carindale in Queensland, Ballina in New South Wales, and Tower Junction in New Zealand – with a focus on larger, homemaker locations. Several key relocations and upsizes were completed in high-performing trade areas such as Castletown Townsville, Noosa, Gold Coast, and Geelong. A disciplined portfolio review led to the closure of seven underperforming smaller stores, resulting in a net reduction in store count from 171 to 168. Despite fewer locations, total gross lettable area ("GLA") increased by +2.7%, in-line with the strategic focus on larger, more spacious and experience-driven retail environments. We anticipate 4-6 new stores opening in FY26 and 3-4 store upsizes to deliver c.5% GLA growth for the business unit.

In June 2025, Adairs relocated its customer support operations to a newly built, purpose-designed office at Chadstone, strategically placing the business at the heart of the nation's retail landscape. This move is already delivering benefits through improved team collaboration and a stronger alignment with our brand and retail footprint.

Mocka

Mocka delivered its strongest result since the FY21–22 COVID peak, achieving sales of $57.9 million, up +14.7% year-on-year. This growth was driven by an excellent performance in Australia, where sales increased by +31.0%. Trading conditions in New Zealand remained challenging, with sales down -3.0% for the year; however, gradual improvements from the re-platformed website and a renewed focus on enhancing the New Zealand product range contributed to a return to positive sales growth in the last quarter of the year.

Gross margins increased by +100bps to 59.4%, driven by ongoing product newness, increased average order values, and lower promotional activity in Australia. This improvement was achieved despite headwinds from elevated container rates and a weaker currency.

Mocka maintained strong cost discipline throughout the year, while also making targeted investments to support future growth. These investments focused on increasing brand awareness, helping to expand audience reach and drive sales growth in the Australian market. As a result, Underlying EBIT increased by +21.1% to $7.6 million, with the Underlying EBIT margin improving to 13.1%, up from 12.5% in the prior year.

Operationally, Mocka trialed a range of physical retail formats including wholesale through a large big-box retailer across Australia and New Zealand, and shop-in-shop concepts in New Zealand. These were to increase brand visibility, particularly in Australia, where customer engagement is strong but brand awareness among targeted consumer segments remains relatively low. These successful trials have laid the foundation for the launch of Mocka's first standalone store in FY26.

Focus on Furniture

Focus on Furniture had a challenging year, with total delivered sales of $117.9 million, down –6.5%. Whilst we believe the Focus on Furniture value proposition remains strong, offering quality furniture at great prices, it is clear that a combination of challenging macroeconomic conditions and certain aspects of our execution and offering have not met the changing needs of our customers. In response, management have implemented more promotional activity to drive sales conversion.

The store portfolio at Focus on Furniture is also skewed to Victoria (14 of 26 stores), which is experiencing more difficult economic conditions. In expanding the business nationally, Focus on Furniture expects to have a more geographically diversified business in the medium term.

The impact of a weaker AUD, higher freight costs from suppliers, and increased promotional activity weighed on the gross margin rate, which fell by –240bps to 50.8%. While costs were actively managed, the weaker sales outcome led to a –36.6% decline in Underlying EBIT to $11.8 million.

The three newly opened stores in the last 18 months (Helensvale and Robina in Queensland, and Prospect in NSW) have expanded the national store footprint and are contributing positively to earnings, in-line with expectations. New store openings remain a priority with 3-5 new stores expected to open over the next 18 months, targeting New South Wales and Queensland and a planned entry into Western Australia in 2026/2027.

The program of refreshing existing stores delivers an enhanced customer experience, with those stores refreshed to date delivering improved trading relative to other stores. Focus on Furniture expects to refurbish 3-5 more stores over the next 12 months. Whilst these store refurbishments require the stores to be closed for 6-8 weeks, the improved sales following the refurbishment will deliver strong medium and long-term returns on the investment.

Focus on Furniture relocated its customer support office and national distribution centre operations to new, purpose-built facilities in southeast Melbourne in Q4 FY25.

Financial Health

The Group's financial position remains robust. Net debt increased by +$3.4 million over the year to $67.6 million as at June 2025, primarily driven by elevated inventory levels and increased capital expenditure. Additionally, the Group distributed $19.7 million in dividends during the year. This represents approximately 1.0x LTM Underlying EBITDA and covenant headroom remains significant. The Group completed the refinancing of its debt facilities during the year, and holds total finance facilities of $135 million, secured until July 2028 ($90 million) and July 2029 ($45 million).

Inventories across the Group have been elevated throughout the year which was driven by a strategic decision to invest in core product ranges and improve stock availability in stores and online that has delivered the increased sales result – particularly at Adairs and Mocka. The cost of inventories has also been impacted by unfavourable currency movements. Management is focused on delivering improved stock-turns in the near term, whilst balancing range expansion and continued better availability of core stock for customers.

Group capital expenditure of $13.5 million in FY25 included store development costs, head office relocations for Adairs and Focus on Furniture, and continued investment in IT and digital initiatives. A further $4.4 million was invested in technology programs, including the implementation of a new marketing platform at Adairs and the commencement of the Adairs systems replacement project which were expensed in-line with the accounting requirements for cloud based technology expenditure.

Sustainability

In FY25, the Group made meaningful progress across its sustainability agenda, the details of which are contained in our Sustainability Report which forms part of this Annual Report.

Our carbon footprint increased by 1.8% over the year driven by a larger store footprint (+3.4%) and notably warmer weather. Operationally, work is underway to reduce our Scope 2 emissions through the phased installation of solar panels (subject to landlord agreement) with two Adairs homemaker stores in Frankston and Waurn Ponds completed in FY25, with further sites identified for FY26. We also advanced our packaging sustainability, replacing problematic materials with recyclable or reusable alternatives across all product categories, and began reporting packaging data by weight and SKU to support APCO compliance.

Social responsibility remained a core focus, with over $135,000 contributed to Orange Sky through product sales and fundraising initiatives, bringing our total support since 2019 to more than $1.1 million. We also partnered with Red Cross Australia to donate over 5,500 kilograms of product, supporting both humanitarian efforts and landfill diversion. Internally, we strengthened our ethical sourcing and modern slavery oversight, improved safety reporting across all brands, and achieved our gender diversity targets at both Board and executive levels.

Outlook

The outlook for discretionary retail in Australia is improving, supported by stabilising macroeconomic conditions and improving consumer sentiment. While households remain cautious, rising disposable incomes, falling interest rates, and targeted cost-of-living relief are expected to lift consumer confidence and spending.

My focus as Group CEO is on the matters we can control and influence. In the current economic environment, we believe consistent and diligent focus on 'the controllables' will be the most significant determinant of our results. With an ongoing focus on productivity and disciplined financial management, our Group is well positioned to convert future sales growth into stronger earnings growth.

Internally, I've introduced the mantra of moving from "Good to Great", inspired by Jim Collins' book. Our business units are already good, but I firmly believe in their potential to be great. I'm grateful for the opportunity our leadership team has to lead this journey and deeply respect the responsibility we have to listen to our customers and teams as we unlock the full potential of the Group.

Thank You

As we close out FY25, I want to express my sincere thanks to everyone who contributed to our performance and is embracing, challenging and driving our change program. To our team members, whose passion, resilience, and commitment have contributed significantly to our results. I'm proud to lead such a talented and engaged group.

I would like to extend my sincere thanks to our Board for their guidance and support; and acknowledge Mark Ronan for the considered and thorough handover he provided me in my transition.

To our suppliers, whose partnership and collaboration enable us to bring our products and ideas to life, and we deeply value the relationships we've built together.

And finally, to our customers, whose continued loyalty and trust inspires us to keep improving, innovating, and delivering exceptional experiences every day. Our role is to help you make your home a place you love, and this role is a privilege and something we love too.

ELLE ROSEBY
Managing Director and Group CEO

2025 SUSTAINABILITY REPORT

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

Welcome to the 2025 Sustainability Report.

It is with both passion and purpose that I introduce this year's report – my first as Group CEO. Throughout my career in retail, I've championed sustainability as a core business imperative. To be sustainable is to operate in a way that is environmentally, socially, and economically responsible – ensuring today's decisions support long-term growth without compromising the wellbeing of future generations. At Adairs, I see a company with the heart, ambition, and capability to be a responsible corporate citizen – one that aligns purpose with performance to create lasting value.

Our sustainability efforts are guided by our People, Product, and Planet ("PPP") Committee, a cross-functional team representing all key areas of the business. Their mission is to embed sustainable practices across our operations over time.

In absolute terms, the Group's Scope 1 and 2 greenhouse gas emissions in 2024 were 1.8% higher than in 2023. This increase was primarily driven by the expansion of store floor space through new and upsized locations, as well as greater reliance on air conditioning due to notably warmer weather conditions across all states and territories in 2024. We continue to make progress toward our 2030 net-zero target for Scope 1 and 2 emissions with the commencement of a program to install solar on select properties with Frankston and Waurn Ponds in Victoria being completed during FY25, and further properties to be added in the coming year, subject to landlord approval.

Over the next year we will begin the significant work required to measure our Scope 3 emissions which will be reported upon from FY27 – these are the indirect emissions generated across our value chain. While we don't directly control them, we must take into account their impact. These include emissions in areas such as our product manufacturing, transportation and distribution, team commuting, business travel, and the end-of-life disposal of our products. As with most retailers, the majority of our emissions sit within Scope 3, making it a critical area of focus in our journey toward meaningful climate action.

Adairs is also advancing toward the APCO 2025 National Packaging Targets through meaningful packaging improvements. We've replaced problematic materials with recyclable or reusable alternatives across all product categories, including paper-based protective materials and reusable fabric bags. By transitioning to more sustainable packaging, we're reducing the volume of waste sent to landfill and supporting a more circular economy.

Beyond our environmental impact, we remain deeply committed to social responsibility. Our partnership with Orange Sky continues to grow, and in 2025 we proudly launched a new range of Orange Sky Aroma Wash products. For every one of these products sold, $5 is donated to support Orange Sky's vital work providing free laundry and shower services to people experiencing homelessness across Australia and New Zealand.

To our customers, team members, shareholders, suppliers and other business partners—thank you. Your support drives our commitment and keeps us accountable. Sustainability is not a destination — it's a journey of continuous improvement, innovation, and stewardship. I'm excited to lead Adairs into this next chapter and look forward to sharing our progress with you.

ELLE ROSEBY
Managing Director and Group CEO

1. Sustainability Goals

Businesses around the world have a vital role to play in advancing sustainability. While the scale and nature of their impact may vary depending on industry, geography, and size, all organisations share a responsibility to contribute to a common set of global goals. The United Nations Sustainable Development Goals (SDGs), established in 2015, provide a universal framework aimed at improving health and education, reducing inequality, fostering economic growth, and addressing climate change while protecting the planet's natural resources.

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

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

2. Sustainability Governance

The Board oversees sustainability (including climate) related risks and opportunities through the Group's formal risk management framework, as described in section 9 of the Company's FY25 Corporate Governance Statement.

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

Ideas and suggestions for improving our sustainability practices are invited from all team members via the company's intranet, and communicated via internal communication channels, including regular town hall meetings and our annual retail roadshow—a face-to-face event attended by store managers, area managers, and State managers.

3. Reporting boundary and scope

This Sustainability Report provides an overview of Adairs' sustainability framework, goals and FY25 achievements. It relates to Adairs' wholly owned and operated assets, and the operational aspects of non-Adairs assets such as stores, warehouse facilities and distribution centres where Adairs maintained operational control during the reporting period.

4. People

4.1. Ethical sourcing

Adairs is committed to ethical sourcing and seeks to partner with suppliers who operate in accordance with international laws, regulations, and ethical standards. The Group's Ethical Sourcing Policy and latest Modern Slavery Statement can be viewed on the Corporate Governance page of its investor relations website.

The group's supply chain is global and inherently complex, spanning multiple countries and involving various tiers of suppliers and subcontractors throughout the production process. These factors can raise the risk of unethical practices so require rigorous oversight, robust governance frameworks, and continuous monitoring to ensure ethical and responsible sourcing.

Over the past year, the Group has focused on streamlining its supplier base, with the goal of reducing the total number of engaged suppliers. In parallel, steps are being taken to diversify our geographic sourcing footprint to mitigate concentration risk. While China (excluding Hong Kong) remains our largest country of origin, the Group continues to look for opportunities to increase the overall percentage of production in other markets.

Country of origin[1]	Adairs	Focus	Mocka	Group
China (ex HK)	65%	90%	97%	75%
India	9%			5%
Bangladesh	5%			3%
Australia	9%			6%
Vietnam	4%			2%
Malaysia		10%		3%
Turkey	2%			1%
Hong Kong	5%		3%	4%
Other various	1%			1%
Total	**100%**	**100%**	**100%**	**100%**
Suppliers[2]				
Number of suppliers	277	26	27	330
Concentration[1]				
Largest supplier	17%	23%	29%	–
Top 10	53%	91%	85%	–
Top 20	74%	99%	97%	–

c.94% of Adairs' products are sourced outside of Australia

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

Note 2: Suppliers across all tiers as at June 2025. One supplier may have more than one factory across different tiers. Total factory numbers across all tiers is approximately 500.

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

4.1.1. Supplier Code of Conduct

Adairs has a Supplier Code of Conduct, which outlines its strong governance requirements, and which all suppliers (and any subcontractors) are required to sign up to before commencing any work. Following a recent periodic review of the Code of Conduct, Adairs strengthened obligations across a number of areas, including restrictions on raw materials, anti-bribery and corruption and whistleblower mechanisms.

The Supplier Code of Conduct covers:

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

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

4.1.2. Subcontractors

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

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

In FY25, the Adairs ethical sourcing team, working with a third-party inspection provider, identified a small number of instances of suppliers utilising unapproved subcontractors. While this constituted a breach of the code, the team took a collaborative approach with the suppliers to re-educate them on expectations and onboard the previously unapproved factories following a thorough due diligence process. This is aligned with our principle of remediation, where possible, before taking stronger measures where necessary.

4.1.3. Onboarding

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

- **Third-party audits:** Social compliance audits conducted by pre-approved, independent auditors are undertaken and reviewed.
- **Detailed self-assessments:** Suppliers must complete comprehensive factory self-assessments, including verifiable evidence and photographs to support their claims.
- **On-site visits:** A risk-based approach is taken to prioritising factory visits by the ethical sourcing and product teams each year. New factories are prioritised as part of this process to ensure alignment with the Code of Conduct.
- **Subcontractor transparency:** Suppliers are required to disclose all subcontractors involved in production for review and approval by Adairs.

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

4.1.4. Traceability

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

Adairs' traceability program seeks to have transparency of all factories, facilities and inputs used in its supply chain. Currently, this is the case for all Tier 1 (c.259) suppliers across the Group, being those suppliers it directly deals with. The Group continues its work to gain visibility of subcontractors and Tier 2-4 suppliers, and it is expected that full traceability will be achieved by the end of FY26. To support this, Adairs has an Ethical Sourcing Manager within its Risk & Compliance team, whose role is to manage traceability as part of the greater social compliance program. Adairs is committed to tracing all stages of production across its supply chain and has built into its supplier contracts the requirement that all suppliers disclose this information to it in a comprehensive and timely manner.

4.1.5. Modern Slavery

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

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

Tool	Explanation
Dedicated internal resources and the use of industry-leading external specialists	Adairs has a dedicated internal Ethical Sourcing team that collaborates closely with leading ethical sourcing expert organisations to provide Modern Slavery expertise and support throughout its entire business, including sourcing markets and supply chains.
Independent audits	Adairs requires all its Tier 1 factories to provide a current Social Compliance Audit, carried out by an independent and suitably qualified party. These audits include worker interviews in both group and individual settings by experienced specialists who have the knowledge and skills to identify any weaknesses or issues.
Factory visits	Adairs has a program of in-person factory visits across the supply chain. These are conducted by members of the Product, Management, and Risk and Compliance teams.
Industry collaboration	Adairs regularly collaborates with other retailers and industry bodies, such as the Australian Retailers Association, to stay informed about modern slavery developments, legislation, and the experiences of others.
Confidential reporting	Adairs offers confidential hotlines and reporting systems, allowing workers to raise concerns anonymously.

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

4.2. Corporate Social Responsibility

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

4.2.1. Supporting those experiencing homelessness

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

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

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

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

- $5 from the sale of each Orange Sky Aroma Wash product (laundry detergent, linen spray, hand & body wash) is donated to Orange Sky.
- All profits from the sale of Adairs in-house designed reusable totes (introduced to replace in-store plastic carry bags) go to Orange Sky.
- Team participants in the annual Orange Sky Sudsy Challenge fundraising event, where participants are sponsored to keep the same clothes on for three days to raise awareness and funds for people experiencing homelessness or hardship.
- Adairs collects donations made via in-store donation boxes.

In FY25, Adairs, together with its customers and team, contributed over $135,000 to Orange Sky which, when added to prior year contributions, takes Adairs' total contribution to Orange Sky since 2019 to over $1.1 million. For context, this represents a social impact equivalent to:

40,236

LOADS
of laundry for friends experiencing homelessness and hardship

32,382

HOURS
of non-judgemental conversation between friends and volunteers

16,860

WARM SHOWERS
in communities across Australia and Aotearoa

4.2.2. Supporting others in need

Adairs has proudly partnered with Red Cross Australia since 2023 to support both humanitarian efforts and environmental sustainability. Select products – including slightly damaged items, discontinued lines, and samples–are collected from our Adairs stores and distribution centres and donated to Red Cross for resale through their network of over 160 Red Cross Shops nationwide.

Proceeds from these sales help fund Red Cross programs that assist individuals facing hardship, crisis, and disaster. In FY25, Adairs donated 5,563 kilograms of product through this partnership, contributing not only to meaningful social impact but also to environmental benefits by diverting waste from landfill and reducing CO_2 emissions.

4.3. Supporting our Team

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

4.3.1. Team health and safety

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

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

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

Over the past year, our reporting methodologies have been fully aligned and strengthened across all three brands, providing greater consistency, transparency, and improved visibility of our safety performance. As a result, both LTIFR and TRIFR have increased for the Group overall, largely reflecting this more comprehensive approach to incident reporting. Importantly, the Adairs brand – as the largest in the Group – still achieved a modest decrease in LTIFR for the year (from 15.8 to 15.7), demonstrating the positive impact of focused site-level safety initiatives. Consistent reporting definitions and approaches continue to be applied to ensure reliable year-on-year comparability as we work to strengthen our safety culture and performance across the Group.

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

4.3.2. Team engagement and development

Adairs is committed to fostering a highly engaged and high-performing workforce where every team member feels connected to our purpose and values. As part of this commitment, we conduct an annual engagement survey, complemented by smaller, periodic pulse surveys throughout the year.

In FY25, 80% of our workforce participated in the engagement survey—our highest participation rate to date. While overall engagement levels remained consistent with FY24, the survey generated over 7,700 individual comments, all of which were carefully reviewed. These surveys provide a valuable opportunity for team members to share confidential feedback on our purpose, behaviours, values, culture, and their day-to-day experience at Adairs.

The insights gathered are shared with teams both collectively and in smaller group settings, enabling the company to identify and implement targeted initiatives aimed at enhancing engagement across the business.

In response to feedback from the FY24 survey, FY25 focus areas included supporting career development opportunities, recognising and rewarding outstanding contributions and fostering a more inclusive and connected workplace.

To support these priorities, all team members are encouraged to participate in a wide range of learning and development programs designed to build on their existing skills and experiences. Partnering with leading external learning providers, Adairs delivered thousands of hours of on-the-job training through both face-to-face and online formats. These programs covered a broad spectrum of topics, including leadership and management training, self-awareness, communication and presentation skills, coaching and how to provide effective feedback to others.

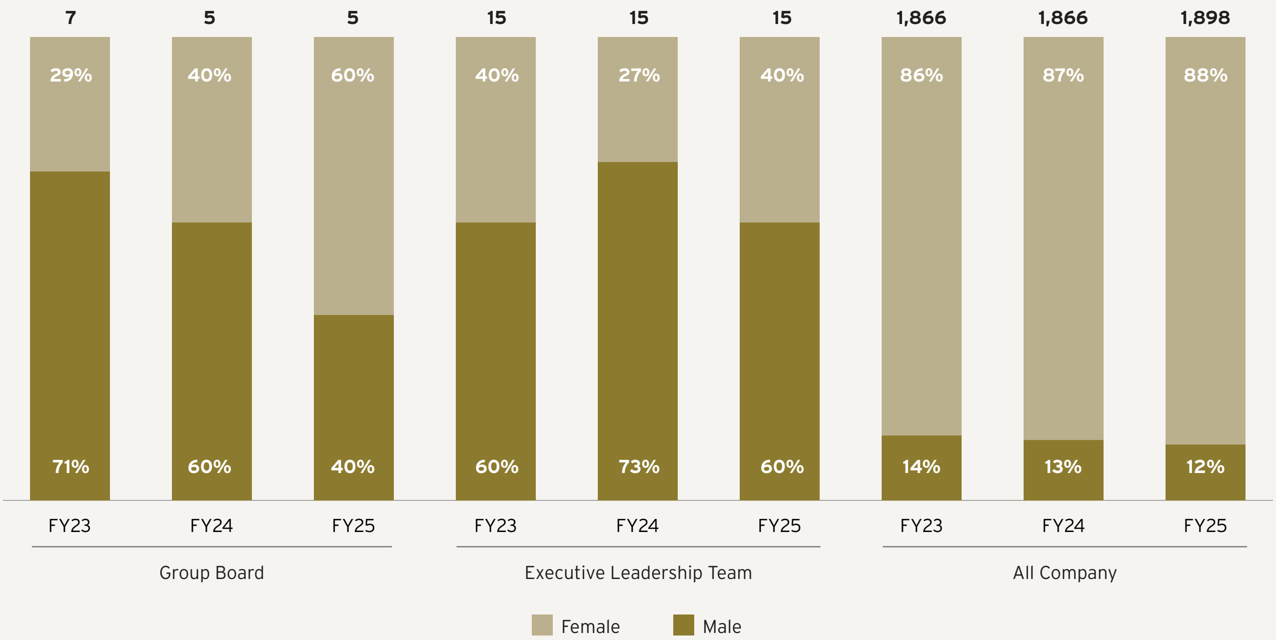
Diversity

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

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

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

As at 31 March 2025, the gender diversity of team members across the group workforce was as follows:



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

The Company increased its proportional representation of women on the Board of Directors to 60% following the resignation of two male directors and the appointment of two female directors, including its new Group CEO. The proportion of women in the group's Executive Leadership team rose from 27% to 40%.

The Board has set the following gender diversity targets:

Group	Gender diversity target	FY25 outcome
Board of directors	Not less than 40% of each gender	› Target met (60% women, 40% men)
Executive Leadership Team[1]	Not less than 40% of each gender by 2030 with an interim target of 36% by 2027	› Target met (40% women, 60% men)
Entire workforce	A majority of women across the Group workforce, reflective of its customer profile	› Target met (88% women, 12% men)

4.4. Strategic commitments (People)

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

Initiative	Our commitment	Where we are today/FY25 outcome
Ethical Sourcing (refer 4.1)	Adairs is committed to undertaking ethical audits and Code of Conduct assessments of › all direct suppliers (Tier 1 factories); and › downstream sub-contractors (Tier 2-4 factories) who do not face the Group directly however are part of its supply chain as they provide components, parts or raw materials to our direct suppliers, across each of Adairs, Mocka and Focus on Furniture	Tier 1 factories are fully traced for Adairs, Mocka and Focus on Furniture. In FY25 Tier 2-4 sub-contractor factory tracing continued and is expected to be completed in FY26.
Modern Slavery (refer 4.1.5)	The Group is committed to ensuring no modern slavery exists within its supply chain and meeting all obligations under the Modern Slaver Act	The Group's Modern Slavery Statement has been published annually since FY20 and can be viewed on its investor relations website. In FY25, there was no evidence of modern slavery in the Group's supply chain.
Corporate social responsibility (refer 4.2)	The Group is committed to supporting those experiencing homelessness or other forms of acute home-related emergencies from events such as natural disasters	1. Adairs is a Strategic Partner of Orange Sky with donations of $135k in FY25 and >$1.1 million since the partnership began in FY20. 2. Adairs donated 5,563kg of its products to Red Cross Shops in FY25 to help it fund its support for people overcoming hardship, crisis and disaster.
Gender diversity (refer 4.3.3)	The Group is committed to both its Board and executive leadership team having not less than 40% of each gender	Met in FY25. Women currently comprise 60% of the Group Board and 40% of its executive leadership team.
Team health and safety (refer 4.3.1)	The Group is committed to year-on-year improvement in both Lost Time Injury Frequency Rate and Total Recordable Injury Frequency Rate across the Group	Not met in FY25 due to a change in measurement methodologies, which makes a prior year comparison not meaningful. LTIFR: 24.26 in FY25 TRIFR: 47.26 in FY25

5. Planet

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

5.1. Climate change

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

5.1.1. Climate change – Governance

The Board oversees climate-related risks and opportunities through the Group's formal risk management framework, as described in section 9 of the Company's FY25 Corporate Governance Statement.

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

5.1.2. Climate change – Risks

Climate change presents identifiable risks across supply chain management, adaptation planning, and stakeholder engagement. Adairs is currently collaborating with a climate specialist to identify areas where climate-related risks and opportunities may arise and to assess their materiality to the business. This assessment is ongoing, and findings will be reported in the FY26 Annual Report.

Climate risks are generally classified into two categories:

Transition risks:	These refer to the potential financial and operational impacts that arise from the shift toward a lower-carbon economy, including changes in policy, regulation, technology, and market preferences.
Physical risks:	These refer to the potential impacts resulting from acute events (such as extreme weather) and chronic changes (like rising temperatures or sea levels) that can directly affect assets, operations, and supply chains.

Adairs has previously identified and reported on key climate-related risks. A qualitative assessment of each risk has been conducted, considering both the likelihood of occurrence and the potential financial impact in the absence of mitigation or countermeasures. This analysis also evaluates how financial impacts may evolve over time under worsening climate conditions.

These risks are currently being reviewed in the context of materiality. A summary of the updated assessment will be included in the FY26 Sustainability Report.

	Climate change risk	Timescale and financial consequence of no mitigation	
Transition risks	**Costs of Goods:** Climate-related impacts on agriculture, such as droughts or heatwaves, can lead to crop failures or reduced yields, resulting in higher prices for materials like cotton or timber used in the manufacture of many of our products.	1-5 years	Moderate
		5-10 years	High
		10+ years	High
	Energy Costs: Adairs' efforts to reduce emissions may require the purchase of more expensive 'green electricity', or carbon credits (to offset emissions) leading to higher energy bills. Rising temperatures can increase the demand for air conditioning in stores and distribution centres, and disruptions in energy supply due to extreme weather events can impact operating costs.	1-5 years	Moderate
		5-10 years	Moderate
		10+ years	Moderate
	Consumer Demand Shifts: Changing weather patterns and increased awareness of climate change can influence consumer preferences, leading to shifts in demand for certain products. Most Adairs products meet independently verified sustainable standards to help customers make informed purchase decisions.	1-5 years	Low
		5-10 years	Low
		10+ years	Low
	Regulatory Compliance: Government regulations aimed at reducing greenhouse gas emissions, improving energy efficiency, or promoting sustainable practices will require investments in compliance measures including talent, systems, and external specialists.	1-5 years	Low
		5-10 years	Moderate
		10+ years	Moderate
	Brand Reputation: Adairs may face reputational risks associated with perceived inaction or insufficient response to climate change. Consumers, investors and employees increasingly expect companies to demonstrate environmental responsibility and transparency in their operations, targets and results.	1-5 years	Moderate
		5-10 years	High
		10+ years	High
Physical risks	**Supply Chain Disruptions:** Climate-related events such as extreme weather, floods, or wildfires can disrupt the production and transportation of goods, leading to delays in receiving inventory from suppliers and/or the need to engage with alternate suppliers.	1-5 years	Moderate
		5-10 years	High
		10+ years	High
	Disruption of Seasonal Patterns: Climate variability and extreme weather events can disrupt traditional seasonal patterns, affecting sales forecasts, inventory management, and promotional strategies for seasonal products like winter bedding or outdoor furniture.	1-5 years	Moderate
		5-10 years	Moderate
		10+ years	Moderate

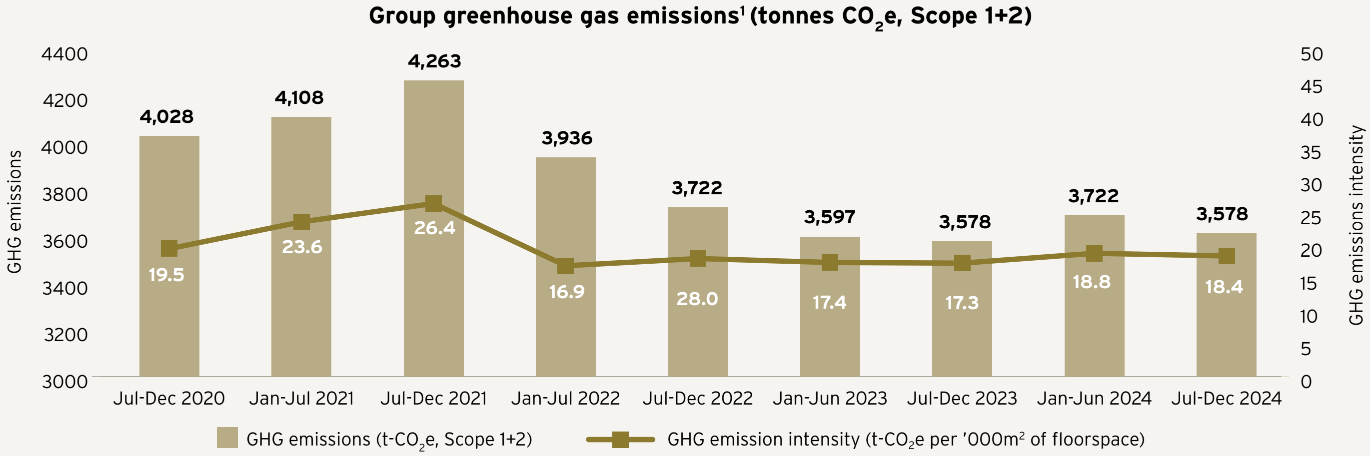
5.1.3. Climate change – Opportunities

Adairs is already well advanced in a number of areas regarding sustainable products and packaging (see sections 6.1 and 6.3), which enhances brand loyalty as customers increasingly prefer to shop with retailers that demonstrate environmental responsibility. Work is also underway to strengthen our supply chain resilience.

Opportunity	Where Adairs is today
Energy Efficiency Implementing energy-efficient practices in stores, warehouses, and distribution centres to reduce emissions and operating costs and to enhance the brand reputation as a sustainable retailer.	In FY25 Adairs began installing solar on select larger stores. The first two sites completed are in Frankston and Waurn Ponds, Victoria, with further sites targeted for FY26 (subject to landlord approval). Over 95% of stores use LED lighting. The remaining stores are being upgraded as part of planned refurbishment programs. An internal review of heating, ventilation and air conditioning (HVAC) practices has been undertaken to identify opportunities to be more efficient and reduce operating costs.
Supply Chain Reviewing the group's supply chain to incorporate more sustainable practices. This could involve selecting suppliers with strong environmental credentials, reducing packaging, and optimising transportation routes to lower carbon emissions.	Approximately 95% of group products are contract-manufactured offshore (see 4.1). The group is working hard to diversify its supplier concentration risk by country, which has significant potential benefits, including the opportunity to direct business to suppliers with stronger sustainability credentials, as well as those closer to end markets (less transport). Balanced against these are important quality and all-in cost considerations.
Marketing and education Campaigns to educate consumers and team about the sustainability of our products and the benefits of purchasing eco-friendly products can enhance brand reputation, inform consumer choices and help drive brand loyalty.	Educating stakeholders on our existing sustainability credentials is a significant opportunity for Adairs. Aside from our annual Sustainability Report, there is more to be done in communicating our sustainability values and credentials to customers and our team.
Emission Transparency Being transparent about our actual greenhouse gas emissions, having meaningful and achievable emission targets, and reporting annually against those targets make us accountable to our stakeholders. This builds credibility and stakeholder trust, which in turn helps build brand loyalty and enhances our ability to attract/retain talent.	Adairs has measured and reported its Scope 1 and 2 emissions since 2021 (its base year) and has set itself a target of being net zero on these emissions by 2030. While planning is underway to determine the categories to be reported upon in measuring our Scope 3 emissions, this is a major exercise requiring a material investment in systems and people, as well as the appropriate engagement from entities across our value chain. Many of our suppliers are in regions that are less developed in tracking their GHG emissions. It is currently expected that, in accordance with current regulatory reporting requirements, the measurement and reporting of Scope 3 emissions will occur from FY27.

5.1.4. Greenhouse gas (GHG) emissions

The below chart sets out the Group's GHG emissions (Scope 1 and 2) by half since July 2020 (when measurements began).



Notes:

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

In absolute terms, the Group's Scope 1 and 2 greenhouse gas emissions in 2024 were 1.8% higher than in 2023. This increase was primarily driven by the expansion of store floor space through new and upsized locations, as well as greater reliance on air conditioning—particularly in warehouses—due to notably warmer weather conditions across all states and territories in 2024. Despite this year-on-year rise, emissions remain 12.8% lower than the 2021 base year. This is a positive outcome considering that 2021 emissions were reduced by COVID-related store closures.

The reduction in Group emissions since 2021 reflects grid decarbonisation and individual store-based initiatives driven by increased awareness of the importance of energy conservation among store team members. As more stores transition to solar, this will also help reduce our carbon footprint.

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

5.1.5. Reduction targets

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

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

The reduction in Scope 2 emissions will come from:

- a move towards renewable energy across our business operations, including through the purchase of green electricity and the continued installation of solar generation on select sites under Power Purchase Agreements (subject to landlord agreement and business case assessment);
- a training of store and warehouse teams on HVAC best practices – leveraging work already done to understand how air-conditioning, heating, lighting and doors are used and operated within each store, warehouse and support office;
- Adairs head office relocating in June 2025 to the newly built One Middle Road, Chadstone, which targets a benchmark 5-star Green Energy rating and International Living Future Institute zero-carbon energy certification;
- the continued transition to energy-efficient appliances, particularly in the areas of lighting, heating and cooling; and
- overall decarbonisation of the power grid.

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

5.1.6. Scope 3 emissions

The Group has not yet identified and quantified its Scope 3 emissions, although preparation work has commenced for their measurement from July 2026 in line with mandatory reporting requirements required under AASB S2.

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

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

5.1.7. Methodology

Adairs' greenhouse gas accounting process has followed 'Method 1' for the combustion of liquid and gaseous fuels and 'Method A1' for scope 2 emissions within the National Greenhouse and Energy Reporting (Measurement) Determination 2008 (Compilation 18, August 2024). These methods apply the internationally recognised and approved emission factors for electricity, fuel, and gas to consumption data across all business assets.

In preparing the above calculations, it is noted that:

- Approximately 3.3% of the calculated Scope 2 emissions in 2024 are estimates for stores with data gaps. For any store having no electricity data available, the electricity consumption has been benchmarked based on stores with similar physical characteristics; and
- Given the variety of servicing arrangements at our stores and the relatively small size of the air-conditioning systems, we have not included refrigerant use in the air-conditioning systems of our stores as part of this inventory.[3]

3. National Greenhouse and Energy Reporting (2024) 'Reporting hydrofluorocarbons and sulphur hexafluoride gases guideline'.

- The GHG emissions factors used are per The Australian National Greenhouse Accounts Factors (2024).

5.2. Waste and recycling

In a typical year, the majority of Group waste is related to product packaging and, as described in Section 6.3, Adairs is committed to achieving APCO's National Packaging Targets, which include a goal of 100% of packaging being reusable or recyclable. Over time, this should result in a corresponding increase in the percentage of waste that can be recycled and a reduction in the absolute amount of waste attributable to the Group.

In FY25, the Group generated 2,152.4 tonnes of waste across its stores, distribution centres and support offices. This represents an increase of 26.8% over FY24, which reflects:

- the relocation of both the Adairs and Focus on Furniture head offices, which each required the disposal of substantial quantities of materials after 10+ years of occupancy at their prior premises. Unfortunately, most of this accumulated waste could not be recycled and as it took place from June 2025 to July 2025 there will be an impact to both the FY25 and FY26 years; and
- the inclusion of Mocka New Zealand data for the first time, which had previously been unable to be reported upon. This added 51.5 tonnes of waste, of which 7.1 tonnes were recycled.

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

	FY25	FY24	Change
Waste to landfill	1,308.4	910.1	43.8%
Recycled waste	843.9	787.2	7.2%
Total waste (in tonnes)	2,152.4	1,697.3	26.8%
Recycle %	39.2%	46.4%	-7.2%

5.3. Elimination of single-use plastic carry bags

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

Plans are underway to move to a cotton canvas re-useable bag in FY26 and to also introduce paper bags with twisted paper handles for our 'Click and Collect" customer orders.

5.4. National Distribution Centre

Most of the Adairs-brand products are processed through its dedicated National Distribution Centre which has several key environmental attributes. These include 100kW in solar panels on its roof; a system to capture rainwater for gardens and greywater use (toilets); LED and sensor-operated lighting throughout (lights will only power on for fixed periods of time based upon activity being detected); and a system to separate and compact cardboard waste from general waste.

6. Product

6.1. Product Standards

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

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

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

Adairs continues to explore the use of alternate fibres such as Recycled polyester made from post-consumer waste. Recycled polyester is widely used in Adairs wadded quilt covers and coverlets.

6.2. Product Safety

Adairs is committed to the highest standards of product safety and has robust processes in place to ensure full compliance with Australian and New Zealand consumer laws.

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

In October 2024, the Mocka brand carried out a public recall of the Octavia Coastal Cot. This action was proactively initiated by the Group Product Quality and Compliance team, who identified the issue through routine monitoring and responded quickly to manage any risk. This highlights the effectiveness of our compliance framework and the team's dedication to ongoing oversight, accountability, and consumer safety.

6.3. Sustainable packaging

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

Adairs most recent report (2024) saw APCO give the company an Overall Performance rating of 'Advanced'. A copy of the most recent annual APCO report is available on Adairs' investor relations website.

As a signatory Adairs has made significant progress to achieving the APCO 2025 National Packaging Targets:

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

Adairs has made significant strides in improving the sustainability of its packaging by transitioning from problematic materials—such as plastics and polystyrene—to paper-based alternatives that are fully recyclable. Below is a summary of key initiatives driving this transformation:

Initiative	Description
Plastic-Free Bedlinen Packaging	The majority of Adairs bedlinen now features 'plastic-free' on-shelf packaging, utilising fabric made from the same material as the enclosed product.
Eco-Friendly Protection for Fragile Items	Products previously transported in polystyrene moulds are now packaged using corrugated cardboard. These new solutions have undergone rigorous drop testing to ensure durability during transit.
Reduction in Plastic Usage	90% of plastic bags have been eliminated from Adairs products. Where plastic is still required, it is made from a minimum of 50% post-consumer recycled material.
Minimalist Packaging	The new Comfort Collection range embraces minimal packaging, using recyclable cardboard for in-store display to reduce environmental impact.
Ongoing Packaging Refresh	Adairs is actively working to update all bedlinen packaging. This includes transitioning from fabric packaging to minimalistic paper-based alternatives or redesigning fabric packaging to enhance its reusability and user-friendliness.

In addition to these initiatives, in March 2025, the Group began reporting packaging data—by weight and SKU—for every product sold across its three businesses to the Australian Packaging Covenant Organisation (APCO). This comprehensive reporting effort provides critical data to support APCO compliance and informs potential packaging tariffs beyond 2025.

CORPORATE GOVERNANCE

Other than as noted below, the Company has followed the recommendations of the ASX Corporate Governance Council's Principles and Recommendations (4th Edition) throughout the reporting period. Further details are set out in the Group's Appendix 4G and 2025 Corporate Governance Statement, authorised for issue by the Directors on 27 August 2025, which are available to be viewed on the Group's investor relations website at: www.investors.adairs.com.au

In FY25, Adairs had two temporary departures from the ASX Corporate Governance Principles (4th edition), both timing-related and resolved before year-end. There were:

ASX Corporate Governance Council's Principles and Recommendations	Explanation by the company
Board diversity: The measurable objective for achieving gender diversity in the composition of a board is to have not less than 30% of directors being from each gender.	Female representation on the Board temporarily declined from 40% to 25% following Kate Spargo's resignation in September 2024. This was restored to 40% with the appointment of Elle Roseby in January 2025, and further increased to 60% when Rachel Kelly joined in April 2025.
Chair of Audit Committee: The board of a listed entity should have an audit committee which is chaired by an independent director, who is not the chair of the board.	Following Brett Chenoweth's resignation as Board Chair in March 2024, Kate Spargo temporarily held both the Interim Board Chair and Audit & Risk Committee Chair roles while the search for a new Chair was undertaken. In September 2024, Kiera Grant was appointed as Chair of the Audit & Risk Committee, restoring separate Chair roles.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity, Adairs Limited (the "Company") and its subsidiaries (the "Group") for the 52 weeks ended 29 June 2025 ("FY25").

Directors

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

Kiera Grant

Trent Peterson

David MacLean

Elle Roseby (appointed: 22 January 2025)

Rachel Kelly (appointed: 14 April 2025)

Mark Ronan (resigned: 20 February 2025)

Kate Spargo (resigned: 11 September 2024)

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

Principal Activities

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

Dividends

In respect of FY25, an interim dividend of 6.5 cents per share was paid to the holders of fully paid ordinary shares on 3 April 2025 and directors have declared a final dividend of 4.0 cents per share, to holders of fully paid ordinary shares on 11 September 2025 (Record Date), with payment on 7 October 2025 (Payment Date). Both dividends are franked to 100% at the 30% corporate income tax rate. The total dividend for the full year of 10.5 cents per share ($18.5 million) represents a payout ratio of 72% of the reported net profit after tax ("NPAT"), in line with the Company's dividend payout policy (65–80% of NPAT).

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

Operating and Financial Review

The following provides a summary for FY25 with detailed commentary contained within the Managing Director's Report. Please note FY24 was a 53-week year for statutory purposes, however all comparisons in this report refer to the corresponding 52-weeks in FY24:

- Total Group sales were $618.1 million, representing an increase of +6.5%. At a business unit level, Adairs achieved strong sales growth across all channels, with total sales up +9.5%. Mocka delivered total sales growth of +14.7%, with varied results in its two key markets. Mocka Australia delivered a very strong year, with sales up +31.0%, whilst Mocka New Zealand saw marginal sales decline on the prior year. Focus on Furniture experienced a challenging year, with sales decreasing by -6.5% on the prior year, with increased promotional activity also necessary to support sales.
- Group gross profit of $289.3 million increased by +5.1%, albeit gross profit margin % declined by -60bps. This margin decline reflected increased promotional activity by Adairs, especially in the second half of the year, and Focus on Furniture throughout the year to stimulate sales. Margins were also impacted by the weaker AUD and higher costs of international freight.

- Cost management remained a priority across all business units in the Group. At Adairs we successfully delivered material improvements in service and cost efficiency at the National Distribution Centre. This Group wide focus helped to offset some of the significant inflationary pressures from higher wage rates and on-costs, rents, utilities, freight and other general costs of doing business. Costs reduced as a percentage of sales by -30bps to 35.8%.
- The decline in profitability of Focus on Furniture offset the gains in earnings made by Adairs and Mocka, with Underlying EBIT for the group of $55.2 million, largely flat on the prior year (52-week basis).
- Statutory basic earnings per share ("EPS") of 14.6 cents was a decrease of -18.5% on the prior year.
- Net debt[1] of $67.6 million, +$3.4 million higher than at the same time last year.

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

Unaudited	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000	Change	Adjusted change[2]
Sales	618,092	594,356	+4.0%	+6.5%
Gross profit	289,302	282,204	+2.5%	+5.1%
Gross profit margin %	46.8%	47.5%	-(70bps)	-(60bps)
Underlying EBIT (non–IFRS)	**55,207**	**57,628**	**-(4.2%)**	**+1.4%**
Significant items:				
Impact of AASB 16 Leases	8,293	7,499		
Digital (SaaS) cloud computing project costs	(4,401)	(3,061)		
Leadership transition costs	(1,639)	–		
Warehouse management system transition costs	(802)	–		
Head office and warehouse relocation costs	(2,132)	–		
National Distribution Centre transition costs	–	(1,871)		
Statutory EBIT (IFRS)	**54,526**	**60,195**	**-(9.4%)**	
Finance expenses	(18,395)	(16,237)		
Finance income	311	444		
Profit before income tax	**36,442**	**44,402**	**-(17.9%)**	
Income tax expenses	(10,760)	(13,312)		
Profit after income tax	**25,682**	**31,090**	**-(17.4%)**	

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

Strategy Update

Group Overview and Strategic Direction

The Group comprises three wholly owned and profitable business units – Adairs, Focus on Furniture and Mocka – each serving distinct customer segments within the mid-market home furnishings and furniture sector across Australia and New Zealand.

Each business unit operates a vertically integrated retail model, meaning the products sold through its stores and websites are, in all material respects, designed in-house and exclusive to each brand. This model enables end-to-end control over product development, marketing, pricing, and distribution, allowing the business to maintain brand integrity, optimise margins, and respond swiftly to market changes. Well-established loyalty and customer engagement programs further enhance our ability to attract and retain customers efficiently.

The Group remains committed to evolving its vertically integrated omni-channel retail model, which is central to its long-term growth strategy and aligned with how its customers prefer to shop.

Under the leadership of its new Group CEO, the Group is refining this model through a comprehensive five-year strategic plan for each business unit and the Group as a whole – a process internally referred to as **Vision 2030**. This initiative lays the foundation for sustained growth, improved productivity, consistent innovation, and operational excellence. Collaboration across business units is becoming increasingly embedded in our daily operations, with shared insights, learnings, and networks strengthening our collective capabilities.

At the Group level, we are implementing a more consistent approach to risk management, reporting and analysis, people development, strategic planning, and governance.

Vision 2030: Strategic Framework

Vision 2030 is being progressively applied across all businesses, with Adairs leading the way. At Adairs, the strategy reimagines the customer experience through elevated product and store design, seamless omni-channel engagement, exceptional in-store service, and a strong focus on quality, sustainability, and innovation.

In time, Directors look forward to sharing with shareholders the outcomes of Vision 2030 as it applies to each business unit.

Across the Group, each brand aims to inspire customers by curating collections tailored to clearly defined customer profiles and delivering consistently enjoyable experiences across both physical and digital platforms. While the specific strategies and implementation timelines vary across Adairs, Focus on Furniture, and Mocka, all businesses will benefit from:

- Deeper customer engagement
- A more distinctive and elevated brand presence
- A unified approach to risk and people development
- A sharpened focus on operational excellence

Adairs

As the Group's largest and most mature business unit, Adairs is focused on becoming *Australia's Ultimate Home Style Destination*. To achieve this ambition, Adairs will pursue a multi-faceted strategy centred on design, customer insight, and omni-channel excellence:

- **Deliver curated, design-led homewares** that embody quality, sustainability, and value.
- **Refine its product offering** to align with clearly defined customer style profiles, supported by:
  - Mosaic segmentation to better understand core customer groups using demographic, lifestyle, and behavioural data;
  - Internal and external data sources to refine the product assortments offered in each store to better utilise our retail space and meet the needs of customers served by each store; combined with;
  - Proprietary customer data obtained through its Linen Lover program to inform product development and marketing strategies.

- **Elevate the customer experience** by creating a seamless omni-channel journey that integrates in-store inspiration with digital convenience.
  - Key initiatives include immersive store formats, enhanced visual merchandising, and leveraging Adairs' highly regarded in-store styling and product expertise.
- **Expand the Linen Lover loyalty program** to deepen customer relationships and drive engagement through:
  - New benefits, such as the recently announced partnership with Qantas Frequent Flyer; and
  - Increased personalisation enabled by data-driven insights.

With over one million paying members, the Linen Lover program remains a cornerstone of Adairs' customer engagement strategy, accounting for more than 80% of sales.

Operationally, Adairs is accelerating its transformation through strategic investments in:

- **Technology and process innovation**, including the implementation of a new modern ERP system to streamline workflows, enhance inventory visibility, and enable more agile, data-informed decision-making.
- **Store portfolio optimisation**, with a focus on larger format stores that showcase a broader product range and deliver a higher contribution to sales. While every store is profitable, some smaller stores will either be upsized or closed where appropriate.

Focus on Furniture

Focus on Furniture provides the Group with exposure to the large and fragmented bulky furniture category, with clear growth opportunities through improving share in existing markets and a national store rollout (from 26 to 55+ stores nationally). Focus on Furniture is a robust retail business with strong systems and supply chain; however, the scope for refinement in market position and improvement in our execution is increasingly clear and necessary.

As part of our Vision 2030 journey for Focus on Furniture, we remain committed and confident in the potential for a national furniture business, and we are investing in a deeper understanding of our customers through customer research, which will inform our key priorities over the coming 12 months. We are continuing to invest in upgrades to our stores where we have seen strong sales results and positive customer feedback from the sites where we have been able to implement a refurbishment – with almost all refurbished stores now performing inside the Top 10 stores for performance for the Focus on Furniture business.

We opened one new store in FY25 and expect to open a further 3-5 stores over the next 18 months, including a market entry into Western Australia with at least 2-3 stores to open in FY27.

Mocka

Mocka's strategy is anchored in three core pillars: customer obsession, design-led product innovation, and omni-channel expansion.

Mocka is a digitally native brand that caters to young families, especially during the "Baby and Kids" life stages. It offers affordable, stylish furniture with a modern design, mostly in flat-pack or knock-down formats.

The product range is expanding into related categories, including lighting, outdoor living, and youth/teen furniture. This growth is supported by a customer lifecycle strategy aimed at keeping customers engaged through key life moments — from early parenthood to setting up their first home. Mocka's approach is guided by detailed customer research and segmentation, helping ensure its products stay relevant and appealing in both Australia and New Zealand.

In FY25, Mocka trialled several shop-in-shop concepts in New Zealand, providing valuable insights that are shaping our move into physical retail. The business sees strong potential for physical stores in areas where customer engagement is high but brand awareness remains low, particularly among young couples and families. These trials helped us refine our product offering and retail approach, laying the groundwork for Mocka's first standalone store, expected to open in FY26.

Physical retail will play a key role in increasing brand visibility, showcasing product quality and design, and enhancing the customer experience. We expect this strategy to support online growth, improve customer acquisition, and boost market share and profitability over the coming years.

Material Business Risks

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

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

Risk	Explanation	Mitigation
Major economic downturn	Macroeconomic headwinds include geopolitical unrest, inflation, high interest rates, rising unemployment, and declining consumer confidence. Group sales levels are sensitive to consumer and retail sentiment as many of its products are considered discretionary. The above macroeconomic changes continue to impact sales and profits adversely. If consumer and retail sentiment were to decline significantly from existing levels, this would likely materially reduce demand for the Group's products and adversely affect financial performance.	The Group proactively and conservatively manages its business based on its assessment of the likely future environment in which it operates. This includes planned responses to changing economic conditions, ensuring that its cost base is aligned with its expected sales levels, and retaining access to liquidity.
Group business interruption	Unforeseen disruptions, including pandemics, geopolitical tensions, cyberattacks, technology failure, distribution facility interruption and natural disasters, have the potential to significantly impact the Group. These disruptions can affect our supply chain, consumer behaviour, and day-to-day operations. Geopolitical tensions may lead to trade restrictions, rising costs, resource scarcity, and regional instability, impacting our ability to source materials and deliver products.	The Group has a dedicated Risk and Compliance team that is responsible for monitoring business continuity risk and developing continuity plans across all aspects of the Company's operations. Physical and system redundancies mitigate the duration and impact of business-impacting events. Scenario-based training on critical incidents is undertaken regularly to test the efficacy of these mitigations. Supplier concentration and third-party risks are also monitored and managed as required.
Availability of funding and liquidity	The availability of funding and management of capital and liquidity are important to funding the Group's business operations and growth objectives. Reduced access to liquidity increases the risk of insolvency in the event of a rapid and extended decline in sales.	The Group has a strong and long-standing relationship with its primary bank and broader banking syndicate. It has Group term debt facilities of $135 million available until July 2028 ($90 million) and July 2029 ($45 million). The Group undertakes detailed short and medium term cashflow forecasts, including stress testing to ensure there is sufficient headroom to accommodate unforeseen material shocks.

Risk	Explanation	Mitigation
Major projects	The Group has a number of major projects underway (including technology and distribution infrastructure related) which need to be delivered on time and within budget. Failure to manage and complete major projects could lead to material business disruption and costs.	Major projects are overseen by a steering committee to manage costs and resources appropriately. A dedicated Head of Project Delivery is responsible for working across the business to ensure regular project reviews are in place and provides regular status updates to key stakeholders. A project specific risk register is also in place to identify and mitigate risks.
Customers buying habits or seasonal trading patterns may change	The majority of the Group's products are discretionary in nature, particularly products in the Group's fashion item lines, where consumer preferences and tastes can change quickly. Consumer demand for these products is sensitive to the Group's fashion and design selections and product range. A broad–based or series of significant misjudgments in interpreting product and fashion trends and overestimation of the quantum of demand for these products could adversely affect the Group's financial performance.	The Group has a highly experienced product development team that actively monitors and forecasts fashion trends domestically and internationally. The company undertakes range review processes prior to purchase and post-season reviews to capture key learnings. Further category expansion has diversified risk across more product groups. A robust QA program is in place to support a commitment to quality and compliance to mandatory standards.
Competition may increase or change	The competitive environment in which the Group operates is relatively stable. However, there are low barriers to entry, so there is a risk that the Group may lose market share to new or existing competitors. The Group's competitive position may deteriorate because of increased competition, and customers may choose to purchase products from its competitors rather than from the Group, which could lead to downward pressure on margins and subsequently have an adverse impact on the Group's financial performance. There is also the risk that the Group does not act on opportunities to increase market share if competitors' circumstances change in the current environment.	All three businesses monitor competitor activity on an ongoing basis. The primary defences against new competition are exclusive, on–trend products, a market–leading customer service culture, and a popular and effective customer loyalty program (Linen Lover).
Cybersecurity and IT infrastructure	A considerable proportion of the Group's business is conducted online and involves collecting customer data. This includes Adairs' Linen Lover loyalty program. The protection of customer and corporate data and our digital infrastructure is critical to our operations, and a breach could have significant reputational, financial, and regulatory implications for the Group. Risks associated with Artificial Intelligence ("AI") are discussed separately below.	Protection of customer data, corporate applications and IT infrastructure is managed by a control framework and the continuing focus on system control improvements, supported by an established and embedded security strategy, which includes the real–time services of external security specialists. Periodic cybersecurity audits are undertaken across all three businesses, which include penetration testing and dark web monitoring. The Group cybersecurity framework encompasses not only traditional threats but also the evolving risks associated with Artificial Intelligence.

Risk	Explanation	Mitigation
Artificial Intelligence	Artificial Intelligence presents notable risks (and opportunities), such as job displacement, algorithmic bias, privacy concerns, changed piracy risks, and increased vulnerability to cyber threats. Its rapid adoption can outpace regulation, raising ethical issues. At the same time, AI has the power to transform industries by automating tasks, enabling new business models, and changing how companies compete and their cost bases. In extreme, how society functions could alter in a manner that is adverse to our businesses. Artificial Intelligence is emerging and evolving quickly, demanding that organizations adapt and balance progress with responsible management.	The Group is engaged in understanding the risks and opportunities presented by Artificial Intelligence. The Group has established an internal working group and is actively promoting the use of AI-powered tools and applications across the business. We have also established an internal risk framework and guidelines for the use of AI in our workflows.
Regulatory compliance	The Group is subject to applicable laws, regulations, and contractual arrangements and is exposed to adverse regulatory or legislative changes. Breaches or adverse changes could negatively impact the Group's reputation and profitability, result in the imposition of significant fines, or cause other adverse consequences.	The Group has a dedicated Head of Risk and Compliance appointed to monitor, record, and ensure compliance with all regulatory requirements. In–house compliance training and an internal audit function are supported by external legal advisors who understand the business and are readily available.
Environmental, social and governance ("ESG") responsibility	The Group's stakeholders (including customers, shareholders and team) have expectations for the Group on a range of important environmental, social and governance matters including its governance structure, the impact of its activities on climate change, the transparency and practices of its supply chain, and the sustainability of its business operations. A failure to acknowledge and adequately address these expectations could negatively impact the Group's reputation and profitability.	The Group meets regularly with internal and external shareholders to review the efficacy of the company's current initiatives, whilst assessing the business justification for any new initiatives. Sustainability and broader ESG initiatives are coordinated by an internal working group that reports to the Chief Financial Officer and is reported upon annually in the Corporate Governance Statement and Sustainability Report, which forms part of the Group's Annual Report.
Workplace health and safety	The Group recognises its moral and legal responsibilities to provide a safe and healthy work environment for its team and shopping environment for its customers. Any failure to adequately address these responsibilities could result in serious injury and/or death and negatively impact the Group's reputation and profitability including via the imposition of significant fines or other adverse consequences.	The Group has an ongoing program to embed a safety culture across the business through training and leadership. Quarterly health and safety reports are provided to the Audit & Risk Committee. The Health and Safety program is regularly audited across the business to ensure key areas of risk are adequately identified and mitigated. Regular training across all levels of the business is also in place to embed a positive safety culture. The Group also recognises the importance of integrating psychosocial risk management into the broader Health and Safety program.

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

Outlook

The trading environment for discretionary retailers in Australia is improving due to a combination of stabilising macroeconomic conditions and shifting consumer behaviour. Rising disposable incomes, falling interest rates, moderating inflation, and targeted cost-of-living relief should support household confidence and spending capacity. While consumers remain cautious following prolonged economic pressures, signs of recovery are evident.

Management remains focused on cost discipline and is actively pursuing initiatives to improve productivity across the business. Key areas include optimising workforce efficiency, store performance and inventory management. We are also exploring how artificial intelligence and other technologies can support these improvements.

Following significant cost base resets over the past two years, the Group is well positioned to convert future sales growth into stronger earnings through improved operational leverage. With new leadership in place, the Board is confident in the Group's strategy and its ability to benefit from a more favourable trading environment, supported by strong execution, a resilient omni-channel model, a loyal customer base, and a large addressable market.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 27 August 2025, the Directors of Adairs Limited declared a final dividend on ordinary shares in respect of the 2025 financial year. The total amount of the dividend is $7.1 million which represents a fully franked final dividend of 4.0 cents per share. The dividend has not been provided for in the 29 June 2025 financial report.

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

Environmental regulation

The Group's operations are not subject to any significant environmental obligations or regulations.
No environmental breaches have been notified to the Group during the 52 weeks ended 29 June 2025.

Directors and Directors' Interests

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

Trent Peterson
Independent Chair, Non–Executive Director

Trent has over 25 years of investment and private equity experience, focused primarily on businesses operating in the consumer, retail and media sectors. Trent was Managing Director of Catalyst Investment Managers and the founder and Managing Director of Catalyst Direct Capital Management. Trent was non–executive Chair of Adairs from 2010 until the IPO in 2015, being the period of Catalyst's majority ownership, and returned to this role in September 2024. Trent is also a non–executive director of a number of unlisted companies and not for profit organisations.

Special Responsibilities

Chair of the Nomination Committee

Chair of the People & Remuneration Committee

Member of the Audit & Risk Committee

Other Current Listed Directorships

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

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

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

Interest in Adairs Limited shares and options

1,400,334 ordinary shares

Former Listed Directorships in the last 3 years

None

Kiera Grant
Independent Non-Executive Director

Kiera has extensive board and senior management experience, having spent 15 years working in investment banking, primarily at UBS. Kiera has extensive financial and strategic assessment knowledge combined with mergers and acquisitions, capital market and corporate governance experience. In addition to being a Non-Executive Director of Adairs Limited, Kiera is a Non-Executive Director of Future Generation Global Investment Company Ltd, and holds a number of unlisted roles including Chair of Hill-Smith Family Estates (incorporating Yalumba Wine Co and Negociants Fine Wine Distributors) and is a non-executive director of Perennial Partners. She is also a Trustee of the Art Gallery of New South Wales Trust.

Special Responsibilities

Chair of the Audit & Risk Committee

Member of the People & Remuneration Committee

Member of the Nomination Committee

Other Current Listed Directorships

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

Interest in Adairs Limited shares and options

182,457 ordinary shares

Former Listed Directorships in the last 3 years

None

Rachel Kelly
Independent Non-Executive Director

Rachel joined the board of Adairs Limited in April 2025 and is a highly experienced executive with a distinguished career in retail and financial technology. She held senior roles at The Just Group, initially as Retail Director and then as Executive Director, before being appointed Global CEO of T2 Tea, where she oversaw the brand's international expansion and market positioning. Most recently, Rachel served as the Executive Vice President of Sales for APAC and Global In-Store at Afterpay, where she played a key role in strengthening retailer partnerships and enhancing in-store payment solutions.

Rachel has a Bachelor of Business Administration from the University of South Australia and is a Graduate of the Australian Institute of Company Directors.

Special Responsibilities

Member of the Audit & Risk Committee

Member of the People & Remuneration Committee

Member of the Nomination Committee

Member of the Advisory Committee for Mocka[3]

Other Current Listed Directorships

Nil

Interest in Adairs Limited shares and options

Nil

Former Listed Directorships in the last 3 years

Nil

3. Membership to Advisory Committee commenced from FY26.

David MacLean
Non-Executive Director

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

Special Responsibilities

Member of the Nomination Committee

Member of the People & Remuneration Committee

Member of the Advisory Committee for Focus on Furniture[4]

Other Current Listed Directorships

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

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

Interest in Adairs Limited shares and options

3,316,216 ordinary shares

Former Listed Directorships in the last 3 years

None

Elle Roseby
Managing Director and Group Chief Executive Officer

Elle joined Adairs Limited as Managing Director & Group Chief Executive Officer in January 2025 and is a highly experienced retailer, having led some of Australia's largest and most successful retailers including Country Road/Trenery (as Managing Director), Supré, part of the Cotton on Group, (as General Manager) and Sportsgirl (as CEO).

She is a passionate advocate for creativity and progress, with a reputation for developing positive and results-oriented cultures, while optimising and evolving brands for success. Elle is Chair of the RMIT School of Fashion Industry Advisory Group.

Special Responsibilities

Managing Director and Group Chief Executive Officer

Member of the Nomination Committee

Other Current Listed Directorships

None

Interest in Adairs Limited shares and options

40,322 ordinary shares

Former Listed Directorships in the last 3 years

None

Company Secretary

Jamie Adamson and Ashley Gardner are Joint Company Secretaries.

4. Membership to Advisory Committee commenced from FY26.

Meetings of Directors

The following table sets out the number of meetings of the Company's Board of Directors and each Board Committee held during the 2025 financial year and the number of meetings attended by the members of the Board or the relevant Committee.

			Meetings of Committees					
	Board		Audit & Risk		Nomination		People & Remuneration	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Trent Peterson	12	12	4	4	1	1	5	5
Kiera Grant	12	12	4	4	1	1	5	5
David MacLean	12	12	-	-	1	1	5	5
Rachel Kelly	2	2	1	1	1	1	1	1
Elle Roseby	5	5	-	-	1	1	-	-
Mark Ronan	8	8	-	-	-	-	-	-
Kate Spargo	2	2	1	1	-	-	1	1

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

Non–Audit Services

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

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

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

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

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 on page 69.

Proceedings on behalf of the Company

There are currently no proceedings on behalf of the Group.

Indemnification and insurance of officers

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

a) in bringing or prosecuting any claim, unless the claim is a claim in the nature of a cross-claim or third-party claim for contribution or indemnity in, and results directly from, any proceedings in respect of which the directors have made a claim under the indemnity;

b in connection with any proceedings between the directors and the director's appointee or any related body corporate of the appointer (within the meaning of section 50 of the *Corporations Act 2001*) or their respective insurers; or

c) to the extent that the amount of the claim under the indemnity is increased as a result of failure of the director to comply with their obligations under the indemnity agreement.

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

a) a wilful breach of duty; or

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

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

Indemnification of Auditors

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

Rounding

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

REMUNERATION REPORT (AUDITED)

The directors of Adairs Limited (the Company or Group) present the Remuneration Report for the Group for the 52-week period ended 29 June 2025 ("FY25"). This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

This Remuneration Report sets out the remuneration arrangements for the Group's key management personnel (KMP) (listed in the table below) who were KMPs during all or part of the reporting period. Throughout this Remuneration Report, the KMP are referred to as either non-executive directors or senior executives (being executive directors and other KMP). In FY25, the Board reviewed the authority and responsibilities of individual executive team members and concluded that the Group Chief Executive Officer and Managing Director and the Group Chief Financial Officer are the only executives meeting the definition of a KMP.

All non-executive directors and senior executives have held their positions for the entire duration of the reporting period unless indicated otherwise:

Name	**Position**
Non-executive Directors	
Trent Peterson	Independent, non-executive Chair
Kiera Grant	Independent, non-executive Director
David MacLean	Non-Independent, non-executive Director
Rachel Kelly	Independent, non-executive Director (appointed: 14 April 2025)
Kate Spargo	Independent, non-executive Interim Chair (resigned: 11 September 2024)
Executive Directors	
Narelle (Elle) Roseby	Group Chief Executive Officer (CEO) and Managing Director (appointed: 22 January 2025)
Mark Ronan	Group Chief Executive Officer (CEO) and Managing Director (resigned: 20 February 2025)
Other Key Management Personnel	
Ashley Gardner	Group Chief Financial Officer (CFO)

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SECTION 1: REMUNERATION OVERVIEW

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

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

In this report, Key Management Personnel (KMP) include all non-executive directors of the Board, Elle Roseby (Group Chief Executive Officer and Managing Director) and Ashley Gardner (Group Chief Financial Officer). Mark Ronan and Kate Spargo are included as KMP until their respective resignation dates.

Managing Director and Group Chief Executive Officer transition

On 5 September 2024, it was announced that Mark Ronan would resign as Group Chief Executive Officer and Managing Director with him ceasing as an executive director from 20 February 2025. He continued as an employee until 6 July 2025. As part of his transition arrangements, the Board determined to:

- STI scheme: vary the performance conditions of the FY25 STI opportunity granted to Mr Ronan. These variations are outlined in Section 5 below.
- LTI scheme: designate Mr Ronan as a 'good leaver' under the LTI plan rules which entitled him to retain a pro-rata portion of previously granted performance rights under historically issued LTI tranches.

Following a detailed search, the Board announced the appointment of Elle Roseby as Group Chief Executive Officer and Managing Director commencing on 22 January 2025. Details of the material remuneration terms of her employment contract are as follows:

Term	No fixed term. Ongoing until terminated in accordance with the employment agreement.
Fixed remuneration	$950,000 (including superannuation)
Short-term incentive (STI)	Annual maximum STI opportunity of $600,000 for FY25, pro-rated to $275,000 in FY25 to reflect part-year service.
Long-term incentive (LTI)	Eligible to participate from FY26. Expected annual LTI opportunity of up to $837,000 to be granted as performance rights.
Equity purchase	Requirement to purchase at least $75,000 worth of shares (at cost) in Adairs Limited before the first anniversary of employment.
Termination of employment	Either party may terminate the employment agreement by giving six months' notice. The Company may require Ms Roseby to remain employed during the notice period or elect to pay in lieu of notice (or a combination of both). The Company may also terminate the employment at any time without notice for serious misconduct.
Post-employment restraints	Non-compete and non-solicitation restrictions apply for up to 12 months. Confidentiality restrictions apply.

Details of remuneration outcomes for FY25 in this report reflect the period until Mark Ronan ceased to be a KMP from 20 February 2025 and Elle Roseby commenced as a KMP from 22 January 2025.

FY25 Remuneration

Remuneration packages: During FY25, the Board considered the remuneration levels for senior executives with reference to external market benchmarks and other factors, including business and individual performance. Remuneration packages included both fixed and performance-based variable components, including those aligned to both the short-term and long-term objectives of the Group.

Short-term incentives: The Group's short-term incentive (STI) plan for the senior executives rewards these individuals for financial performance of the portfolio of the Group's businesses as a whole, together with a number of individual KPI's, based on outcomes for FY25.

Long-term incentives: Long-term incentives (LTI) issued to senior executives in FY25 were in the form of performance rights. Each performance right entitles the senior executive to acquire an ordinary share in the Company for no consideration, subject to the performance rights vesting after meeting specific performance and service conditions. Details of the performance rights issued to senior executives are included in Section 8 of the Remuneration Report.

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

Fees for non-executive directors: Non-executive director fees are determined within an aggregate non-executive director fee pool limit of $800,000. The non-executive directors' fees are reviewed annually to ensure that the fees reflect market rates. During FY25, the fee structure, including chairmanship and membership to various committees of the Board, was not changed. The Board believes the current remuneration levels are fair and appropriate and reflect the alignment between shareholders' interests and the Group's remuneration policies and practices.

SECTION 2: REMUNERATION STRATEGY AND POLICY

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

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

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

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

1. **Simplicity:** Seek to ensure remuneration arrangements are simple and can be easily understood by both the KMP and other key stakeholders.
2. **Alignment:** Seek to ensure material components of the KMP's remuneration arrangements (including their shareholding as appropriate) contribute to the alignment of interests between KMPs and shareholders.
3. **Sustainability:** Seek to ensure the material aspects of a KMP's remuneration arrangements are sustainable and could withstand independent scrutiny and tests of precedent and transparency within the organisation and marketplace.

4. **Competitive:** Seek to ensure KMPs are remunerated such that (when taken as a whole, and having regard to their particular circumstances, including any risks and opportunities) their individual remuneration arrangements are competitive with relevant comparable positions.
5. **Risk aware:** In considering remuneration arrangements, the Group seeks to manage certain key risk exposures, including the risk of loss of an individual, retention of intellectual property and skills, issues associated with replacement of the individuals, risk of poaching, and the presence and quality of succession planning.
6. **Company first:** The Group develops systems, policies, processes, and team depth to manage its reliance on any given individual within its leadership team (which includes the KMP). This extends to remuneration, where it seeks to ensure the remuneration architecture and individual arrangements are orderly and considered. Finally, the Group seeks to respond to changes in an individual's circumstance or market conditions in a measured and sustainable manner.
7. **Reward for outcomes and performance:** The Group seeks to identify the outcomes that drive sustainable value creation (or value protection) and seek to reward executives who influence those outcomes most significantly and directly.

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

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

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

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

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

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

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

No remuneration consultants or external advisors provided remuneration advice or recommendations during the 52 weeks ended 29 June 2025.

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

Remuneration for senior executives is directly linked to the performance of the Group.

The FY25 short term incentive (STI) scheme for senior executives is based on achieving pre-determined performance criteria and targets. For KMP, the primary performance condition is the Underlying EBIT of the Group. For the leadership teams within each of our businesses, the primary performance condition is the Underlying EBIT of the business unit in which they principally work. The FY25 long term incentive (LTI) plan offered performance rights to senior executives which will vest subject to the satisfaction of both performance and service conditions. Key details of the LTI plan are summarised in Section 5.

The following table shows the Group's financial performance for the five years from FY21 to FY25.

Continuing Operations	FY25 Performance	FY24[3] Performance	FY23 Performance	FY22[2] Performance	FY21 Performance
Sales ('000)	$618,092	$594,356	$621,335	$564,476	$499,762
Underlying EBIT ('000)[1]	$55,207	$57,628	$63,892	$76,382	$109,067
Net profit before tax ('000)	$36,442	$44,402	$54,203	$64,609	$95,290
Net profit after tax ('000)	$25,682	$31,090	$37,843	$44,890	$63,742
Share price at end of year	$2.11	$1.84	$1.35	$1.98	$4.20
Dividends paid per share	10.5 cents	12.0 cents	8.0 cents	18.0 cents	23.0 cents
Basic earnings per share	14.6 cents	17.9 cents	22.0 cents	26.4 cents	37.7 cents

1. Underlying EBIT refers to net profit before tax, less net finance expenses and other significant items deemed by the Board (including the impact of AASB 16 *Leases*).
2. FY22 performance includes Focus on Furniture for 30 weeks. EBIT is therefore not entirely comparable to prior periods.
3. FY24 was a 53-week financial year for statutory purposes. Therefore, it is not entirely comparable to other financial years that have a 52-week financial year.

SECTION 5: SENIOR EXECUTIVE REMUNERATION STRUCTURE

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

- Fixed remuneration, comprising a base salary package and superannuation contributions;
- Short-term incentives (STI); and
- Long-term incentives (LTI).

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

The mix of fixed remuneration, STI and LTI elements as a percentage of total target remuneration for FY25 was as follows:

Figure 1:

	% of total target remuneration for FY25		
Senior Executive	Fixed remuneration	At risk remuneration STI maximum opportunity	At risk remuneration LTI – FY25 Tranche[1,2]
Elle Roseby	61%	39%	–
Ashley Gardner	37%	30%	33%
Mark Ronan	56%	44%	–

1. Performance rights vest on 27 June 2027, subject to service and performance conditions as set out on page 57.
2. Due to the timing of Mark Ronan's resignation and Elle Roseby's commencement, both individuals were not offered an LTI in FY25.

Fixed remuneration

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

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

Short-term incentives (STI)

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

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

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

Following the end of the financial year, the People & Remuneration Committee assesses performance condition achievement and determines the STI awards to be made to each senior executive (if any).

STI outcomes for FY25

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

At the beginning of FY25, the Board set a minimum FY25 Underlying EBIT benchmark of $57.0 million and a maximum FY25 Underlying EBIT benchmark of $64.5 million. In setting the benchmarks for FY25, the Board considered a range of variables and inputs. The primary input for the FY25 Underlying EBIT targets for the STI was the FY25 budget approved by the Board. As has been the case in prior years, the uncertainty in the macro-economic environment remained high and as such the Board considered a wide range of EBIT outcomes appropriate for the assessment of whether an STI would be payable.

The table below summarises the FY25 Underlying EBIT benchmark tiers and STI participation levels set by the Board:

Tier	FY25 Underlying EBIT benchmark	Implied Underlying EBIT growth on FY24[1]	Potential Incentive as a % of Maximum Potential Incentive
Bottom Tier	$57.0 million	+2.4%	20%
Mid Tier	$60.0 million	+7.8%	50%
Top Tier	over $64.5 million	≥15.9%	100%

1. Adjusted for 52-week comparable periods.

There are further tiers interposed between the Bottom, Mid and Top Tiers set out above.

Under the above tiers, if the FY25 Underlying EBIT was less than $57.0 million no incentive would be payable to any senior executive, regardless of whether they achieved their individual KPI's. If the FY25 Underlying EBIT met or exceeded the relevant Underlying EBIT benchmark level of $64.5 million, the senior executive has a notional entitlement to 100% of their maximum potential incentive.

For the purposes of determining if the Underlying EBIT benchmark had been met, the Underlying EBIT measure adjusted statutory earnings to remove any significant items deemed non-recurring or abnormal as determined by the Board.

Mark Ronan resigned as Group CEO and Managing Director effective from 20 February 2025 and was succeeded by Elle Roseby who commenced with a period of transition from 22 January 2025. Due to their tenures ceasing and commencing for part of the financial year, the Board applied discretion to adjust the typical performance conditions relevant to Mark Ronan and Elle Roseby in FY25.

- Mark Ronan: Underlying EBIT benchmark adjusted to the performance of the Group in the first half of FY25 (being the 26 weeks ended 29 December 2024). The maximum STI opportunity was also adjusted on a pro-rata basis to his term of employment in FY25.

Tier	H1 FY25 Underlying EBIT	Implied Underlying EBIT growth on FY24[1]	Potential Incentive as a % of Maximum Potential Incentive
Bottom Tier	$30.0 million	Nil	15%
Mid Tier	$33.0 million	+10.0%	60%
Top Tier	over $35.0 million	≥16.8%	100%

1. Adjusted for 26-week comparable periods.

- Elle Roseby: Underlying EBIT benchmark remained consistent with the full-year benchmarks outlined above. The maximum STI opportunity was adjusted on a pro-rata basis to her term of employment in FY25, with a guaranteed award of $137,500 (50% of the pro-rata maximum STI).

The outcome of STI arrangements in FY25 was as follows:

Figure 2: Percentage of FY25 STI paid and forfeited for senior executives

Senior Executive	Maximum STI (full-year) ($)	Maximum STI (adjusted/ pro-rata) ($)	Actual STI awarded ($)	Actual STI awarded as % of maximum STI (adjusted/ pro-rata)	% of maximum STI (adjusted/ pro-rata) award forfeited
Elle Roseby[1]	$600,000	$275,000	$137,500	50%	50%
Ashley Gardner	$440,000	$440,000	-	-	100%
Mark Ronan	$585,000	$400,000	$240,000	60%	40%

1. A guaranteed STI amount of 50% of the maximum opportunity was payable in FY25.

STI arrangements for FY26

Set out in Figure 3 (below) is the maximum STI opportunity for each senior executive in FY26.

The FY26 STI plan for KMP will be predominantly based on Underlying EBIT. Similar individual KPI measures (i.e. the metric, not the quantum) and service conditions have been set as the FY25 STI. The Underlying EBIT benchmark targets for FY26 have been set with an expectation of sales and earnings growth despite what is expected to be ongoing volatile trading conditions.

Figure 3: FY26 remuneration opportunities

Senior Executive	Fixed remuneration (for FY26)	Maximum STI opportunity for FY26	Maximum STI opportunity % of fixed remuneration
Elle Roseby	$950,000	$600,000	63%
Ashley Gardner	$560,000	$440,000	79%

Long-term incentive (LTI)

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

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

LTI vesting during FY25

The outcomes of relevant LTI tranches that vested during FY25 for KMP holders was as follows:

LTI tranche (grant year)	Performance conditions	Condition met	Proportion of target LTI (%)	% of LTI that vested
FY23	Earnings per share	No	100%	0%

LTI grants during FY25

In November 2024, Ashley Gardner was granted performance rights under the FY25 LTI tranche. Mark Ronan and Elle Roseby were not granted an LTI in FY25 due to the timing of their respective employment resignation and commencement.

Each performance right entitles the senior executive to receive an ordinary share in the Company for nil consideration subject to meeting specific performance and service conditions (as set out below). Performance rights do not carry any voting or dividend entitlements prior to exercise.

The performance period is the three financial years FY25-FY27 (being 1 July 2024 to 27 June 2027). In addition to the performance condition, there is also a service condition which must be satisfied ending on 27 June 2027 (unless determined otherwise by the Board). The performance rights will vest and be automatically exercised if the relevant performance and service conditions have been met. Subject to these conditions being met, each performance right entitles the senior executive, upon vesting, to receive, at the discretion of the Board:

- by way of issue or transfer, one fully paid ordinary share in the capital of the Company; or
- a cash payment in lieu of the issue or transfer of an ordinary share equal to the current market value of an ordinary share at the vesting date of the performance right, less any tax required to be withheld and inclusive of any statutory superannuation contributions. The current market value of an ordinary share will be determined by the Board in accordance with the LTI plan rules.

Performance conditions

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

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

The performance condition is based on diluted EPS, calculated by dividing the net profit attributable to ordinary equity holders of the Company in FY27 by the weighted average number of ordinary shares outstanding during FY27 plus the weighted average number of ordinary shares that would be issued under existing LTI plans.

The table below sets out the percentage of Performance Rights that can vest depending on the Company's FY27 diluted EPS result. The implied 3-year (FY25-FY27) diluted EPS compound annual growth rate (CAGR) is also provided for reference.

Diluted EPS in FY27	Implied 3-year CAGR (FY24 diluted EPS of $0.177)	% of Performance Rights that vest
Less than $0.29	Less than 17.9%	Nil
From $0.29 to $0.36	Between 17.9% and 26.7%	Straight line pro-rata between 30% and 100%
At or above $0.36	At or above 26.7%	100%

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

Service condition

The Performance Rights are also subject to a service condition where participants must remain employed on a full-time basis by, and must not have given notice of resignation from, the Group at the vesting date (being 27 June 2027).

Treatment on cessation of employment

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

However, pursuant to the LTI plan rules, the Board retains absolute discretion to determine to vest or lapse some or all performance rights in all circumstances.

Treatment on change of control

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

Service Agreements

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

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

The Corporations Act restricts the termination benefits that can be provided to KMP on cessation of their employment, unless shareholder approval is obtained.

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

In addition, where the senior executive has resigned from the Company, the Board may elect to extend this restraint period for a further period of up to six months by notifying the employee and paying the employee a further amount for each month (up to a maximum of six months) on a monthly basis.

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

SECTION 6: NON-EXECUTIVE DIRECTORS REMUNERATION STRUCTURE

Overview

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

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

Non-executive director fees

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

The non-executive director fees payable to each Board position are as follows:

	Chairman	Director/Member
Director of Adairs Limited (Company)	$200,000[1]	$90,000
Audit & Risk Committee	$12,000	$4,000
People & Remuneration Committee	$5,000	$2,000
Nomination Committee	–	–
Business unit advisory committees[2]	–	$30,000

1. The Chair of Adairs Limited receives no further remuneration for additional committee participation.
2. Newly created advisory committees for the management boards of the Focus on Furniture and Mocka business units (effective from FY26).

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

The non-executive directors held the following positions within the Board continuously throughout FY25 unless otherwise stated:

Name	Chair of Adairs Limited	Audit & Risk Committee	Nomination Committee	People & Remuneration Committee	Business unit advisory committees
Trent Peterson[1]	Interim Chair/Chair	Member	Chair	Chair	–
Kiera Grant[2]	–	Member/Chair	Member	Member	–
Rachel Kelly[3]	–	Member	Member	Member	Member – Mocka[5]
David MacLean	–	–	Member	Member	Member – Focus on Furniture[5]
Kate Spargo[4]	Interim Chair	Chair	Chair	Member	–

1. Appointed Interim Chair of Adairs Limited on 11 September 2024 and Chair on 14 April 2025.
2. Appointed Chair of the Audit & Risk Committee on 11 September 2024.
3. Appointed as a non-executive director on 14 April 2025.
4. Resigned as Interim Chair of Adairs Limited and as a non-executive director on 11 September 2024.
5. Newly created advisory committees for the management boards of the Focus on Furniture and Mocka business units (effective from FY26).

SECTION 7: KMP DISCLOSURES

Material Contracts with the Company

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

Loans with the Company

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

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

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

The non-recourse nature of the loan and the potential loan forgiveness give rise to benefits to Mr Gardner that are considered share-based payments. The share-based payment expense is measured at fair value at the grant date and recognised as an expense when the arrangement is considered to vest, being immediately at the grant date. The vesting date is considered to be the grant date due to the non-recourse nature of the arrangement allowing Mr Gardner to return the subject shares to the Company in order to extinguish the loan during the term to maturity. The cost of this arrangement was recognised in full as a share-based payment in FY20 and there have been no further costs recognised by the Company in FY25 (FY24: Nil).

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

SECTION 8: DETAILS OF REMUNERATION

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

52 weeks ended 29 June 2025	Short-term employee benefits			Post-employment benefits		Other long-term benefits	Termination benefits[5]	Share-based payments	
In AUD	**Cash salary and fees**	**Short Term Incentive Cash bonuses**	**Non-monetary benefits**	**Superannuation**	**Other**			**Long Term Incentive**	**Total**
Non-executive Directors									
Trent Peterson	$179,967	-	-	-	-	-	-	-	$179,967
Kiera Grant	$89,345	-	-	$10,275	-	-	-	-	$99,620
Rachel Kelly[1]	$18,026	-	-	$2,073	-	-	-	-	$20,099
David MacLean	$82,511	-	-	$9,489	-	-	-	-	$92,000
Kate Spargo[2]	$39,669	-	-	-	-	-	-	-	$39,669
Total non-executive Directors	**$409,518**	**-**	**-**	**$21,837**	**-**	**-**	**-**	**-**	**$431,355**
Executive Directors									
Elle Roseby[3]	$389,260	$137,500	$13,145	$12,664	-	-	-	-	$552,569
Mark Ronan[4]	$451,283	$240,000	-	$19,295	-	-	$271,488	($44,242)	$937,824
Other Senior Executives									
Ashley Gardner	$520,079	-	-	$29,932	-	-	-	$26,204	$576,215
Total executives	**$1,360,622**	**$377,500**	**$13,145**	**$61,891**	**-**	**-**	**$271,488**	**($18,038)**	**$2,066,608**
Total	**$1,770,140**	**$377,500**	**$13,145**	**$83,728**	**-**	**-**	**$271,488**	**($18,038)**	**$2,497,963**

1. Rachel Kelly was appointed a Non-executive Director on 14 April 2025.
2. Kate Spargo resigned as a Non-executive Director on 11 September 2024.
3. Elle Roseby was appointed as an Executive Director on 22 January 2025.
4. Mark Ronan resigned as an Executive Director and ceased to be a KMP on 20 February 2025. He remained an employee until 6 July 2025.
5. The termination benefits to Mark Ronan reflect the amounts that he received in lieu of notice for the period between 20 February 2025 and 6 July 2025 (when he ceased to be an employee).
6. Other non-monetary benefits provided to Elle Roseby relate to executive coaching.

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

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

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

Shareholdings of Key Management Personnel

The following table details the ordinary shareholdings and the movements in the shareholdings of KMP (including their related entities) for FY25.

No. of Shares	Held at 30 June 2024	Granted as Remuneration	Received on the exercise of options	Other net change[1]	Ceasing to be a KMP	Held at 29 June 2025
Non-executive Directors						
Trent Peterson	1,300,334	-	-	100,000	-	1,400,334
David MacLean	3,316,216	-	-	-	-	3,316,216
Kiera Grant	170,427	-	-	12,030	-	182,457
Rachel Kelly[2]	-	-	-	-	-	-
Kate Spargo[3]	80,000	-	-	-	(80,000)	-
Executive Directors						
Elle Roseby[4]	-	-	-	40,322	-	40,322
Mark Ronan[5]	855,267	-	45,000	(40,000)	(860,267)	-
Other Senior Executives						
Ashley Gardner	592,300	-	-	(20,000)	-	572,300

1. 'Other net change' reflects net on-market ordinary share trades and/or participation in the dividend reinvestment plan over the course of FY25.
2. Rachel Kelly was appointed a Non-executive Director on 14 April 2025.
3. Kate Spargo resigned as a Director on 11 September 2024. There were no changes to her shareholdings between 30 June 2024 and ceasing to be a Director on 11 September 2024.
4. Elle Roseby was appointed as an Executive Director on 22 January 2025.
5. Mark Ronan resigned as an Executive Director and ceased to be a KMP on 20 February 2025.

Share Options and Performance Rights issued to Key Management Personnel

The following table discloses the details of unexpired share options and performance rights awarded to KMP in FY25 and prior reporting periods.

No. of Share Options/ Performance Rights	Type	Grant date	Quantity granted at grant date	Balance as at 30 June 2024	Average fair value per option or rights at Grant Date	Number granted during the year	Number vested during the year
Non-executive Directors							
Trent Peterson	–	–	–	–	–	–	–
Kiera Grant	–	–	–	–	–	–	–
Rachel Kelly[1]	–	–	–	–	–	–	–
David MacLean	–	–	–	–	–	–	–
Kate Spargo[2]	–	–	–	–	–	–	–
Executive Directors							
Elle Roseby[3]	–	–	–		–	–	–
Mark Ronan[4]	Options	26 Oct 2018	900,000	540,000	$0.38	–	–
	Performance Rights	21 Oct 2022	289,427	289,427	$2.27	–	–
	Performance Rights	24 Nov 2023	456,250	456,250	$1.44	–	–
Other Senior Executives							
Ashley Gardner	Performance Rights	21 Oct 2022	202,599	202,599	$2.27	–	–
	Performance Rights	24 Nov 2023	343,750	343,750	$1.44	–	–
	Performance Rights	4 Nov 2024	261,905	–	$2.58	261,905	–

1. Rachel Kelly was appointed a Non-executive Director on 14 April 2025.
2. Kate Spargo resigned as a Non-executive Director on 11 September 2024.
3. Elle Roseby was appointed as an Executive Director on 22 January 2025.
4. Mark Ronan resigned as an Executive Director and ceased to be a KMP on 20 February 2025.

Vested in the year %	Number lapsed or forfeited during the year	No. of options or rights exercised during the year	Ceasing to be a KMP	Balance as at 29 June 2025	Exercise price ($)	Vesting date	Expiry date
–	–	–			–	–	–
–	–	–			–	–	–
–	–	–			–	–	–
–	–	–			–	–	–
–	–	–			–	–	–
–	–	–	–	–	–	–	–
–	–	(540,000)	–	–	$2.40	2 Jul 2023	25 Oct 2025
–	(32,159)	–	(257,268)	–	–	29 Jun 2025	29 Jun 2025
–	(202,778)	–	(253,472)	–	–	28 Jun 2026	28 Jun 2026
–	(202,599)	–	–	–	–	29 Jun 2025	29 Jun 2025
–	–	–	–	343,750	–	28 Jun 2026	28 Jun 2026
–	–	–	–	261,905	–	27 Jun 2027	27 Jun 2027

Share Options and Performance Rights holdings of Key Management Personnel

The following table details the share option and performance rights holdings and movements for KMP (including their personally related entities) for FY25.

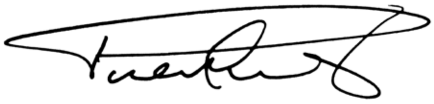
No. of Share Options/ Performance Rights	Type	Held at 30 June 2024	Quantity Granted	Exercised	Forfeited	Lapsed	Ceasing to be a KMP	Held at 29 June 2025	Vested %	Vested and exercisable as at 29 June 2025
Non-executive Directors										
Trent Peterson		-	-	-	-	-		-	-	-
Kiera Grant		-	-	-	-	-		-	-	-
Rachel Kelly[1]		-	-	-	-	-		-	-	-
David MacLean		-	-	-	-	-		-	-	-
Kate Spargo[2]		-	-	-	-	-		-	-	-
Executive Directors										
Elle Roseby[3]	Options	-	-	-	-	-	-	-	-	-
	Performance Rights	-	-	-	-	-	-	-	-	-
Mark Ronan[4]	Options	540,000	-	(540,000)	-	-	-	-	-	-
	Performance Rights	745,677	-	-	(234,937)	-	(510,740)	-	-	-
Other Senior Executives										
Ashley Gardner	Options	-	-	-	-	-	-	-	-	-
	Performance Rights	546,349	261,905	-	-	(202,599)	-	605,655	-	-

1. Rachel Kelly was appointed a Non-executive Director on 14 April 2025.
2. Kate Spargo resigned as a Non-executive Director on 11 September 2024.
3. Elle Roseby was appointed as an Executive Director on 22 January 2025.
4. Mark Ronan resigned as an Executive Director and ceased to be a KMP on 20 February 2025.

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

Signed in accordance with a resolution of the directors.

On behalf of the Board



Trent Peterson
Chair
Non-Executive Director

Elle Roseby
Managing Director
Group Chief Executive Officer

Melbourne
27 August 2025

adairs

ANNUAL FINANCIAL REPORT

for the 52 weeks ended 29 June 2025

ADAIRS LIMITED

ABN 50 147 375 451

CONTENTS

AUDITOR'S INDEPENDENCE DECLARATION

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Shape the future with confidence

Auditor's Independence Declaration to the Directors of Adairs Limited

As lead auditor for the audit of the financial report of Adairs Limited for the 52 weeks ended 29 June 2025, I declare to the best of my knowledge and belief, there have been:

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

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

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

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

Ernst & Young

Tony Morse
Partner
27 August 2025

INDEPENDENT AUDITOR´S REPORT

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Independent auditor's report to the members of Adairs Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Adairs Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 29 June 2025, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 52 weeks then ended, notes to the financial statements, including a summary of material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 29 June 2025 and of its consolidated financial performance for the 52 weeks ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

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

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Carrying value and existence of inventories

Why significant	How our audit addressed the key audit matter
As at 29 June 2025, the Group held $96.0m in inventories representing 15% of total assets. The Group's inventories are held at a number of warehouses and through a widely dispersed store network. Some of the Group's inventories are held at third party managed warehouse facilities. As detailed in Note 2.4(i) and Note 8 of the financial report, inventories are valued at the lower of cost and net realisable value. There is judgement involved in determining the cost of inventories and in assessing net realisable value. In determining the cost of inventories, the Group considers elements relating to handling and packaging costs, as well as freight, duty and exchange rates. Judgements were involved in the process of allocating these costs to inventories. In determining the net realisable value consideration is given to expectations for future sales based on recent sales history, expected future mark downs and estimated selling costs. Given the significance of the inventory balance and judgement involved in determining the carrying value of inventories, this was considered a key audit matter.	Our audit procedures included the following: ► Assessed the application of inventory costing methodologies, and whether they were consistent with Australian Accounting Standards. ► Assessed the accuracy of the Group's inventory costing model on a sample basis. ► Tested the effectiveness of relevant controls in relation to the stores inventory count process and the Group's inventory costing process. ► Attended stocktakes at a sample of stores and warehouses, at or near 29 June 2025 and performed roll back or roll forward procedures to balance date. ► Assessed the basis for inventory provisions recorded by the Group to determine whether inventory was recorded at the lower of cost and net realisable value . ► Considered the impact on inventory provisions of retail sales at or subsequent to 29 June 2025 and compared the selling prices with the carrying value of inventories inclusive of costs necessary to complete the sale. ► Assessed the adequacy of the disclosures in the notes to the financial report.

Carrying value of indefinite life intangible assets

Why significant	How our audit addressed the key audit matter
As at 29 June 2025, 41% of the Group's total assets was represented by goodwill and indefinite life brand names recognised from business combinations. As detailed in Note 2.4(m) and Note 10 of the financial report, the goodwill and brand names are tested by the Group for impairment at least annually. These assets are allocated to and tested at the Adairs, Mocka and Focus operating segment level. The recoverable amounts have been determined based on a value-in-use model referencing discounted cash flow forecasts. This model contains estimates, assumptions and significant judgements regarding future projections and the achievement of those forecasts which are critical to the assessment of impairment, particularly planned growth rates and discount rates. These estimates, assumptions and judgements are based on conditions existing and emerging as at 29 June 2025. Note 10 of the financial report details the assessment method, including the key underlying estimates. The carrying value of intangible assets was considered a key audit matter due to the significance of this balance and the judgements involved in the impairment assessment.	Our audit procedures, involving our valuation specialists where necessary, included the following; ► Evaluated whether the Group's determination of its cash generating units ("CGUs") is in accordance with Australian Accounting Standards, including the consideration of the level at which goodwill is allocated and monitored. ► Assessed the Group's methodology for determining recoverable amount. ► Assessed the key inputs and assumptions, including cashflows, discount rates, revenue growth rates and terminal growth rates adopted in the recoverable amount models. We agreed the forecast cashflows to the Board approved 2026 budget. ► Performed sensitivity analysis on key inputs, assumptions and forecast financial performance to determine whether any reasonably possible change could result in impairment. ► Compared earnings multiples derived from the Group's value in use model to those observable from external market data of comparable listed entities, where available. ► Assessed the adequacy of the related disclosures made in the notes to the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2025 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

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

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

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

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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 48 to 66 of the directors' report for the 52 weeks ended 29 June 2025.

In our opinion, the Remuneration Report of Adairs Limited for the 52 weeks ended 29 June 2025, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Tony Morse
Partner

Melbourne
27 August 2025

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DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
    a. the financial statements and notes of Adairs Limited for the 52 weeks ended 29 June 2025 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 June 2025 and of its performance for the 52 weeks ended on that date; and
        ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
    b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;
    c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
    d. the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act 2001* is true and correct.
2. This declaration has been made after receiving the declarations required to be made to the directors by the Group Chief Executive Officer and Group Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the 52 weeks ended 29 June 2025.
3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 23 of the financial statements will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Trent Peterson
Chair
Non-Executive Director

Elle Roseby
Managing Director
Group Chief Executive Officer

Melbourne
27 August 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the 52 weeks ended 29 June 2025

	Note	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Revenue from contracts with customers	4(a)	618,092	594,356
Cost of sales		(328,790)	(312,152)
Gross profit		**289,302**	**282,204**
Other income		75	288
Depreciation and amortisation expenses	4(b)	(59,956)	(55,719)
Salaries and employee benefits expenses	4(d)	(117,486)	(112,714)
Occupancy expenses	16	(13,553)	(13,082)
Advertising expenses		(18,044)	(16,114)
Other expenses	4(e)	(25,812)	(24,668)
Earnings before interest and tax		**54,526**	**60,195**
Finance expenses	4(c)	(18,395)	(16,237)
Finance income		311	444
Profit before income tax		**36,442**	**44,402**
Income tax expenses	5	(10,760)	(13,312)
Profit after income tax		**25,682**	**31,090**
Earnings per share attributable to ordinary equity holders of the Parent			
Basic earnings per share	22	14.6 cents	17.9 cents
Diluted earnings per share	22	14.4 cents	17.7 cents

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the 52 weeks ended 29 June 2025

	Note	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Profit after tax		**25,682**	**31,090**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss (net of tax):			
Net movement of cash flow hedges		(5,502)	(3,542)
Income tax relating to the components of other comprehensive income	5	1,649	1,066
Exchange differences on translation of foreign operations		(27)	(131)
Other comprehensive loss for the period, net of tax		**(3,880)**	**(2,607)**
Total comprehensive income for the period		**21,802**	**28,483**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 29 June 2025

	Note	As at 29 June 2025 $'000	As at 30 June 2024 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	8,434	12,872
Trade and other receivables	7	8,877	3,591
Inventories	8	96,026	83,745
Derivative financial instruments	17	–	1,863
Other assets	7	9,048	10,176
TOTAL CURRENT ASSETS		**122,385**	**112,247**
NON-CURRENT ASSETS			
Property, plant and equipment	9	39,105	38,300
Intangibles	10	281,693	282,557
Right-of-use assets	16	209,621	175,477
Deferred tax assets	5	1,680	2,428
Other assets	7	1,463	1,915
TOTAL NON-CURRENT ASSETS		**533,562**	**500,677**
TOTAL ASSETS		**655,947**	**612,924**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	57,948	52,427
Deferred revenue	12	20,011	20,231
Earn-out liabilities		–	261
Lease liabilities	16	52,169	52,523
Current tax payables		1,524	2,252
Provisions	14	11,978	10,817
Derivative financial instruments	17	3,589	–
TOTAL CURRENT LIABILITIES		**147,219**	**138,511**
NON-CURRENT LIABILITIES			
Deferred revenue	12	1,332	1,263
Deferred tax liabilities	5	15,839	20,173
Borrowings	13	76,000	77,000
Lease liabilities	16	184,272	146,374
Provisions	14	6,074	6,439
Derivative financial instruments	17	39	–
TOTAL NON-CURRENT LIABILITIES		**283,556**	**251,249**
TOTAL LIABILITIES		**430,775**	**389,760**
NET ASSETS		**225,172**	**223,164**
EQUITY			
Contributed equity	15(a)	91,493	87,351
Share-based payment reserve	15(b)	1,935	2,211
Cash flow hedge reserve	15(d)	(2,547)	1,306
Foreign currency translation reserve	15(c)	(434)	(407)
Retained earnings	15(e)	134,725	132,703
TOTAL EQUITY		**225,172**	**223,164**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 29 June 2025

	Note	Ordinary shares $'000	Share-based payment reserve $'000	Cash flow hedge reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
As at 30 June 2024		87,351	2,211	1,306	(407)	132,703	223,164
Profit after tax for the period		-	-	-	-	25,682	25,682
Other comprehensive loss for the period		-	-	(3,853)	(27)	-	(3,880)
Total comprehensive income/ (loss) for the period		**-**	**-**	**(3,853)**	**(27)**	**25,682**	**21,802**
Transactions with owners in their capacity as owners:							
Dividends paid	24	-	-	-	-	(23,660)	(23,660)
Dividend reinvestment plan	15(a)	3,911	-	-	-	-	3,911
Exercise of share options	15(a)	231	(231)	-	-	-	-
Share-based payments	15(b)	-	(5)	-	-	-	(5)
Tax effect of share-based payments		-	(40)	-	-	-	(40)
As at 29 June 2025		**91,493**	**1,935**	**(2,547)**	**(434)**	**134,725**	**225,172**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 52 weeks ended 29 June 2025

	Note	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		679,750	655,192
Payments to suppliers and employees (inclusive of GST)		(568,673)	(534,706)
Interest received		311	444
Income tax paid		(13,467)	(10,516)
Interest paid		(19,226)	(16,737)
Net cash flows from operating activities	6	78,695	93,677
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment and intangibles		(13,450)	(27,409)
Net cash flows used in investing activities		(13,450)	(27,409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawings of borrowings		60,000	56,000
Repayment of borrowings		(61,000)	(79,000)
Payment of borrowing costs		(575)	(214)
Dividends paid		(19,749)	(7,602)
Payment of principal portion of lease liabilities		(48,331)	(48,422)
Net cash flows used in financing activities		(69,655)	(79,238)
Net decrease in cash and cash equivalents		(4,410)	(12,970)
Net foreign exchange differences		(28)	(56)
Cash and cash equivalents at beginning of the period		12,872	25,898
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6**	**8,434**	**12,872**

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

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 29 June 2025

NOTE 1. CORPORATE INFORMATION

The consolidated financial statements of Adairs Limited (the "Company" or "Parent") and its subsidiaries (collectively, the "Group") for the 52 weeks ended 29 June 2025 were authorised for issue in accordance with a resolution of the directors on 27 August 2025.

The Group operates on a retail accounting calendar which monitors performance on a weekly basis. The current reporting period adopted is a 52 week reporting period which ended 29 June 2025. The prior corresponding reporting period was 53 weeks ended 30 June 2024.

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 1 Middle Road, Chadstone, Victoria, 3148, Australia.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1. Basis of Preparation

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

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

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

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

The financial report has been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the ordinary course of business. As at 29 June 2025, the Group has a net current asset deficiency of $24,834,000 after the recognition of $52,169,000 in current lease liabilities (30 June 2024: net current asset deficiency of $26,264,000 after the recognition of $52,523,300 in current lease liabilities). The Group expects to be able to meet its obligations as when they fall due over the next 12 months and beyond through the generation of operating cash flows and available finance facilities. Unused revolving loan facilities as at 29 June 2025 were $59,000,000 (30 June 2024: $58,000,000).

2.2. Compliance with International Financial Reporting Standards (IFRS)

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

2.3. Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the 53 weeks ended 30 June 2024, except as follows:

i) New and amended standards and interpretations

The Group has applied all relevant new standards and amendments, which are effective for annual periods beginning on or after 1 July 2025. None of these new standards or amendments have a material impact on the consolidated financial statements of the Group.

ii) Accounting standards and interpretations issued but not yet effective

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

Effective for annual reporting periods beginning on or after 1 January 2026, this amendment requires entities to assess contractual cash flow characteristics of financial assets with environmental, social and corporate governance (ESG) and similar features. The key changes introduced by this amendment include:

- Clarification that a financial liability is derecognised on the 'settlement date', being when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition.
- An accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before the settlement date if certain conditions are met.

This amendment also amends disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and adds disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs.

The impact of the standard on the Group is not expected to be material.

AASB 18 Presentation and Disclosure in Financial Statements

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

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

2.4. Summary of material accounting policy information

a) Current versus non-current classification

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

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

b) Trade and other receivables

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

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 29 June 2025. The Company controls an investee if and only if the Company has:

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

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

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

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

d) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the consideration for the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

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

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

e) Income tax

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

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

f) Other taxes

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

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

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

g) Foreign currencies

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

i) Transactions and balances

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

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

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

ii) Group companies

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

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

h) Revenue from contracts with customers

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

› ***Linen Lover membership program revenue***

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

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

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

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

› *Lay-by sales*

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

› *Rights of return*

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

› *Gift card breakage revenue*

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

› *Online sales*

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

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

i) Inventories

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

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

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

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

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

k) Property, plant and equipment

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

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

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

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

i) Derecognition and disposal

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

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

l) Intangible assets

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

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

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

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

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

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

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

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

ii) Brand names

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

m) Impairment

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

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

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated Statement of Profit or Loss.

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

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

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

n) Transaction costs

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

o) Leases

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

Group as a lessee

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

› ***Right-of-use assets***

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

› ***Lease liabilities***

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

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

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

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

p) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

All receivables from electronic funds transfer (EFT), credit card and debit card point of sale transactions during the period are classified as cash and cash equivalents.

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

q) Employee benefits

i) Wages, salaries and annual leave

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

ii) Long service leave

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

r) Interest-bearing loans and borrowings

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

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

s) Trade and other payables

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

t) Provisions

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

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

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

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

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

u) Contributed equity

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

v) Derivative financial instruments

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

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

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

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

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

i) Cash flow hedges

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

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

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

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

w) Fair value measurement

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

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

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

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

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

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

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

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

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

x) Share-based payments

Employees (including Senior Executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in in Note 25.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (share-based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the Consolidated Statement of Profit or Loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

2.5. Significant accounting judgements, estimates and assumptions

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

a) Significant accounting judgements

Impairment of non-financial assets other than goodwill

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

Determining the lease term of contracts with renewal options

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

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

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

Extension options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The present value of lease payments to be made under these options considered reasonably certain to be exercised at commencement date have been included in the lease liability balance at 29 June 2025. The undiscounted potential future payments at current rental rates under options that are not considered reasonably certain to be exercised at 29 June 2025 is $91,029,000 (2024: $40,819,000), which includes potential lease payments within the next five years of $19,153,000 (2024: $22,485,000) should those options be exercised.

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

Determining the leased asset

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

b) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units or group of cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. These estimates are based on conditions existing and emerging as at 29 June 2025, including management's assessment of the future cashflows. The assumptions used in this estimation of the recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 10.

Share-based payments

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

Long service leave provision

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

Make good provisions

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

Estimation of useful lives of assets

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

Net realisable value of inventories

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

Revenue from contracts with customers

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

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

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

NOTE 2. SUMMARY OF MATERIAL ACCOUNTING POLICIES *continued*

Lease related estimates – Estimating the incremental borrowing rate

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

NOTE 3. SEGMENT REPORTING

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

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

	Adairs $'000	**Focus on Furniture $'000**	**Mocka $'000**	**Consolidated $'000**
52 weeks ended 29 June 2025				
Revenue from contracts with external customers	442,231	117,929	57,932	618,092
Gross profit	221,255	47,300	20,747	289,302
Underlying EBITDA	46,925	13,309	7,741	67,975
Underlying EBIT	35,781	11,815	7,611	55,207
Items not included in the segment result:				
Non-underlying items[1]				(681)
Finance expenses				(18,395)
Interest income				311
Profit before income tax				**36,442**
Income tax expense				(10,760)
Profit after tax				**25,682**
As at 29 June 2025				
Total assets	357,110	191,773	107,064	655,947
Total liabilities	307,475	105,856	17,444	430,775

1. Non-underlying items comprise of (i) EBIT impact of AASB 16 *Leases*; (ii) warehouse management system (WMS) implementation costs; (iii) SaaS cloud computing project costs; (iv) leadership transition costs; and (v) office and warehouse relocation costs.

NOTE 3. SEGMENT REPORTING continued

	Adairs $'000	Focus on Furniture $'000	Mocka $'000	Consolidated $'000
53 weeks ended 30 June 2024				
Revenue from contracts with external customers	413,358	129,578	51,420	594,356
Gross profit	209,158	55,195	17,851	282,204
Underlying EBITDA	41,682	20,527	6,631	68,840
Underlying EBIT	31,660	19,510	6,458	57,628
Items not included in the segment result:				
Non-underlying items[1]				2,567
Finance expenses				(16,237)
Interest income				444
Profit before income tax				**44,402**
Income tax expense				(13,312)
Profit after tax				**31,090**
As at 30 June 2024				
Total assets	343,033	162,927	106,964	612,924
Total liabilities	295,355	76,967	17,438	389,760

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

NOTE 4. REVENUES AND EXPENSES

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
(a) Revenue from contracts with customers		
Set out below is the disaggregation of the Group's revenue from contracts with customers:		
Types of goods and services		
Sale of goods and services – stores	432,225	419,371
Sale of goods and services – online	185,867	174,985
Total revenue from contracts with customers	**618,092**	**594,356**

NOTE 4. REVENUES AND EXPENSES *continued*

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
(b) Depreciation and amortisation expenses		
Depreciation of property, plant and equipment	9,603	8,943
Depreciation of right-of-use assets	51,280	48,555
Amortisation of software	3,181	2,819
Total depreciation and amortisation expenses	**64,064**	**60,317**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	4,108	4,598
Depreciation and amortisation expenses	59,956	55,719
(c) Finance expenses		
Interest on borrowings and other finance costs	6,789	7,083
Interest on lease liabilities	12,436	9,654
Amortisation of borrowing costs	353	352
Total finance expenses	**19,578**	**17,089**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	1,183	852
Finance expenses	18,395	16,237
(d) Salaries and employee benefits expenses		
Wages and salaries	129,080	123,625
Defined contribution superannuation expense	11,196	10,391
Share-based payment (reversal)/expense	(5)	15
Total salaries and employee benefits expense	**140,271**	**134,031**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	22,785	21,317
Salaries and employee benefits expenses	117,486	112,714
(e) Other expenses from ordinary activities		
Merchant fees	5,864	5,604
Professional fees	1,918	2,547
Third party warehousing related charges	4,010	8,595
Packaging and consumables	1,628	1,272
Technology costs (including SaaS cloud computing project costs)	7,729	6,742
Asset, property and maintenance expenses	3,832	3,003
Other	8,223	8,731
Total other expenses	**33,204**	**36,476**
Included in the Consolidated Statement of Profit or Loss within:		
Cost of sales	7,392	11,808
Other expenses	25,812	24,668

NOTE 5. INCOME TAX

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
The major components of income tax expense are:		
Consolidated Statement of Profit or Loss		
Current income tax		
Current income tax charge	13,308	15,233
Adjustments in respect of current income tax of previous years	227	(9)
Deferred income tax		
Relating to origination and reversal of temporary differences	(2,451)	(1,912)
Adjustments in respect of deferred income tax of previous years	(324)	–
Income tax expense reported in the Consolidated Statement of Profit or Loss	**10,760**	**13,312**
Consolidated Statement of Other Comprehensive Income		
Deferred income tax		
Relating to origination and reversal of temporary differences	(1,649)	(1,066)
Income tax benefit reported in the Consolidated Statement of Other Comprehensive Income	**(1,649)**	**(1,066)**
A reconciliation of income tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Total accounting profit before income tax	36,442	44,402
At the statutory income tax rate of 30% (2024: 30%)	10,933	13,321
Adjustments in respect of current income tax of previous years	227	(9)
Adjustments in respect of deferred income tax of previous years	(324)	–
Net non-assessable income/non-deductible expenses	18	(5)
Effect of foreign tax rates	(128)	(32)
Other	34	37
Income tax expense reported in the Consolidated Statement of Profit or Loss	**10,760**	**13,312**

NOTE 5. INCOME TAX *continued*

	Consolidated Statement of Financial Position			
	As at 29 June 2025 $'000	As at 30 June 2024 $'000	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Deferred income tax				
Deferred income tax relates to the following:				
Deferred tax assets				
Inventories	529	697		
Lease liabilities	70,826	59,458		
Deferred revenue	3,750	3,615		
Trade and other payables	1,236	1,888		
Provisions	5,412	4,261		
Equity instruments	57	128		
Carry forward tax losses	-	852		
Derivative financial instruments	1,081	-		
Other (including tax only assets)	1,141	82		
Total deferred tax assets	**84,032**	**70,981**		
Deferred tax liabilities				
Other assets	(28)	(118)		
Property, plant and equipment	(1,377)	(1,962)		
Right-of-use assets	(62,793)	(52,603)		
Brand names	(33,425)	(33,425)		
Derivative financial instruments	-	(550)		
Other	(568)	(68)		
Total deferred tax liabilities	**(98,191)**	**(88,726)**		
Net deferred tax liabilities	**(14,159)**	**(17,745)**		
Net deferred tax balances according to jurisdiction disclosed on the Consolidated Statement of Financial Position				
Net deferred tax assets	1,680	2,428		
Net deferred tax liabilities	(15,839)	(20,173)		
Amounts credited directly to profit and loss			2,775	1,912
Amounts credited directly to other comprehensive income			1,649	1,066
Amounts (debited)/credited directly to equity			(40)	47
Previously recognised losses transferred and utilised against taxable income of prior years amongst New Zealand entities			(798)	-
Movement in net deferred tax liabilities			**3,586**	**3,025**

NOTE 6. CASH AND CASH EQUIVALENTS

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Cash at bank	8,333	12,766
Cash on hand	101	106
Total cash and cash equivalents	**8,434**	**12,872**

Consolidated Statement of Cash Flows Reconciliation

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

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Net profit after tax	25,682	31,090
Adjustments and non-cash items		
Depreciation and amortisation expenses	64,064	60,317
Share-based payments (reversal)/expense	(5)	15
Amortisation of borrowing costs	353	352
Changes in assets and liabilities		
(Increase)/Decrease in trade and other receivables	(5,286)	585
(Increase)/Decrease in other assets	1,802	(3,914)
(Increase)/Decrease in inventories	(12,281)	4,029
(Increase)/Decrease in current tax payables	70	4,736
Increase/(Decrease) in trade and other payables	6,935	(2,485)
Increase/(Decrease) in deferred revenue	151	1,400
Increase/(Decrease) in net deferred tax liabilities	(2,775)	(1,912)
Increase/(Decrease) in provisions	548	(336)
Increase/(Decrease) in earn-out liabilities	(261)	(200)
Net cash flow from operating activities	**78,695**	**93,677**

NOTE 6. CASH AND CASH EQUIVALENTS *continued*

b) Reconciliation of liabilities arising from financing activities

52 weeks ended 29 June 2025	As at 30 June 2024 $'000	Net cash flows $'000	As at 29 June 2025 $'000
Interest-bearing liabilities (Note 13)	77,000	(1,000)	76,000
Total liabilities from financing activities	**77,000**	**(1,000)**	**76,000**

53 weeks ended 29 June 2024	As at 25 June 2023 $'000	Net cash flows $'000	As at 30 June 2024 $'000
Interest-bearing liabilities (Note 13)	100,000	(23,000)	77,000
Total liabilities from financing activities	**100,000**	**(23,000)**	**77,000**

The reconciliation of lease liabilities is detailed within Note 16.

NOTE 7. TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Trade and other receivables		
Other receivables	8,877	3,591
Trade and other receivables	**8,877**	**3,591**
Other assets		
Prepaid expenses	7,340	8,551
Deposits	912	1,092
Contract assets	100	98
Other assets	696	435
Total current other assets	**9,048**	**10,176**
Prepaid expenses	1,463	1,915
Total non-current other assets	**1,463**	**1,915**

Other receivables primarily relate to amounts receivable from landlords, as well as cash receipts yet to be cleared into bank accounts.

Trade and other receivables are non-interest bearing and no provision for impairment (based on expected credit losses) has been recorded as at 29 June 2025 (2024: nil) as the amount is considered to be not material.

NOTE 8. INVENTORIES

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Stock on hand	79,878	73,088
Stock in transit	16,148	10,657
Total inventories, at lower of cost and net realisable value	**96,026**	**83,745**

During the 52 weeks ended 29 June 2025, $498,000 was recognised as a provision reversal for inventories carried at net realisable value (2024: $25,000 reversal). This is recognised in cost of sales.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and Fittings $'000	Leasehold Improvements $'000	Computer Hardware $'000	Plant and Other Equipment $'000	Total $'000
Cost					
As at 25 June 2023	**62,360**	**1,196**	**6,664**	**15,470**	**85,690**
Additions	18,296	–	961	3,329	22,586
Additions – work in progress	1,715	–	–	–	1,715
Disposals	(190)	–	(6)	(368)	(564)
Exchange differences	(6)	–	–	(1)	(7)
As at 30 June 2024	**82,175**	**1,196**	**7,619**	**18,430**	**109,420**
Additions	4,654	–	1,440	4,359	10,453
Additions – work in progress	624	–	–	–	624
Disposals	(776)	(543)	(31)	(105)	(1,455)
Exchange differences	47	–	1	2	50
As at 29 June 2025	**86,724**	**653**	**9,029**	**22,686**	**119,092**
Depreciation and impairment					
As at 25 June 2023	**47,368**	**691**	**4,859**	**9,822**	**62,740**
Depreciation	6,024	16	695	2,208	8,943
Disposals	(190)	–	(4)	(360)	(554)
Exchange differences	(9)	–	–	–	(9)
As at 30 June 2024	**53,193**	**707**	**5,550**	**11,670**	**71,120**
Depreciation	7,036	15	756	1,796	9,603
Disposals	(666)	(85)	(29)	(7)	(787)
Exchange differences	48	–	–	3	51
As at 29 June 2025	**59,611**	**637**	**6,277**	**13,462**	**79,987**
Net book value					
As at 30 June 2024	**28,982**	**489**	**2,069**	**6,760**	**38,300**
As at 29 June 2025	**27,113**	**16**	**2,752**	**9,224**	**39,105**

NOTE 9. PROPERTY, PLANT AND EQUIPMENT *continued*

Impairment testing of property, plant and equipment

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

Nil impairment loss was recognised during the 52 weeks ended 29 June 2025 (2024: nil).

NOTE 10. INTANGIBLES

	Software $'000	Brand Names and Trademarks $'000	Goodwill $'000	Total $'000
Cost or fair value				
As at 25 June 2023	**17,620**	**112,837**	**179,205**	**309,662**
Additions	3,108	-	-	3,108
Work in progress	-	-	-	-
Disposals	-	-	-	-
Exchange differences	-	-	-	-
As at 30 June 2024	**20,728**	**112,837**	**179,205**	**312,770**
Additions	2,292	-	-	2,292
Work in progress	81	-	-	81
Disposals	(318)	-	-	(318)
Exchange differences	-	-	-	-
As at 29 June 2025	**22,783**	**112,837**	**179,205**	**314,825**
Amortisation and impairment				
As at 25 June 2023	**7,483**	**-**	**19,910**	**27,393**
Amortisation	2,819	-	-	2,819
Disposals	-	-	-	-
Exchange differences	1	-	-	1
As at 30 June 2024	**10,303**	**-**	**19,910**	**30,213**
Amortisation	3,181	-	-	3,181
Disposals	(262)	-	-	(262)
Exchange differences	-	-	-	-
As at 29 June 2025	**13,222**	**-**	**19,910**	**33,132**
Net book value				
As at 30 June 2024	**10,425**	**112,837**	**159,295**	**282,557**
As at 29 June 2025	**9,561**	**112,837**	**159,295**	**281,693**

NOTE 10. INTANGIBLES *continued*

Impairment assessment of goodwill and brand names

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

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

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

The Group performed its annual impairment tests for the Adairs, Focus on Furniture and Mocka CGUs as at 29 June 2025. The recoverable amount of each CGU has been determined based on a value-in-use calculation using discounted cash flow projections from financial budgets approved by senior management and endorsed by the Board covering a five-year period.

The estimate of the recoverable amount of each CGU is based on conditions existing and emerging as at 29 June 2025. The calculation of the value-in-use for all CGUs is comprised of assumptions for revenue and EBITDA growth rates. The key estimates applied to determine the recoverable amount of each CGU are as follows:

	As at 29 June 2025			As at 30 June 2024		
	Adairs %	Focus on Furniture %	Mocka %	Adairs %	Focus on Furniture %	Mocka %
Discount rate (pre-tax)	13.4%	14.9%	15.6%	13.4%	14.5%	15.6%
Terminal value (long-term) growth rate	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%

Key assumptions used in value in use calculations

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

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

NOTE 10. INTANGIBLES *continued*

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

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

The Group's experience in recent periods evidences its ability to respond to evolving consumer trends and adapt within the overall operating environment, as reflected in the Group's profitable trading performance across all three segments during the 52 weeks ended 29 June 2025. In particular, the performance of the Mocka CGU has improved significantly over the past two reporting periods. The Group believes that the assumptions adopted in the value-in-use estimates reflect an appropriate balance between its experience to date and the uncertainty associated with the current and expected future economic environment.

Accordingly, no impairment was recorded for the 52 weeks ended 29 June 2025 (2024: nil impairment).

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

NOTE 11. TRADE AND OTHER PAYABLES

	As at 29 June 2025 $'000	**As at 30 June 2024 $'000**
Trade creditors	37,060	30,553
Accrued expenses	16,867	18,299
Other payables	4,021	3,575
Total current trade and other payables	**57,948**	**52,427**
Current	57,948	52,427
Non-current	–	–
Total trade and other payables	**57,948**	**52,427**

Terms and conditions of the above trade and other payables:

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

NOTE 12. DEFERRED REVENUE

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Current deferred revenue		
Undelivered customer orders and deposits	11,880	11,686
Other deferred revenue	8,131	8,545
Total current deferred revenue	**20,011**	**20,231**
Non-current deferred revenue		
Other deferred revenue	1,332	1,263
Total non-current deferred revenue	**1,332**	**1,263**
Current	20,011	20,231
Non-current	1,332	1,263
Total deferred revenue	**21,343**	**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. Refer to Note 2.4(h) for revenue recognition policy.

NOTE 13. BORROWINGS

	Interest rate %	Maturity	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Non-current				
Revolving loan – Facility A	BBSW + 2.15	14 July 2028	76,000	77,000
Revolving loan – Facility D	BBSW + 2.30	14 July 2029	–	–
Principal outstanding borrowings			76,000	77,000
Total non-current			**76,000**	**77,000**
Current			–	–
Non-current			76,000	77,000
Total interest-bearing loans and borrowings			**76,000**	**77,000**
a) Financing facilities available				
At reporting date, the following non-shareholder financing facilities had been in place with the bank and were available:				
Revolving loan facilities available at the reporting date:			135,000	135,000
Revolving loan facilities used at the reporting date:			(76,000)	(77,000)
Other multi-option facilities available at the reporting date:			12,000	9,500
Other multi-option facilities used at the reporting date[1]:			(6,435)	(5,603)
Facilities unused at the reporting date:			**64,565**	**61,897**

1. The amount of used multi-option facilities of $6,435,000 (30 June 2024: $5,603,000) represents bank guarantees, letters of credit and corporate card facilities.

In April 2025, the Group renegotiated its syndicated facilities A and D, resulting in an extension by 2.5 years to 14 July 2028 and 14 July 2029 respectively. A new minority lender joined the syndicated facilities, replacing an existing minority lender. Financial covenant measures and margin rates were also amended. There were no further material changes to the finance facilities.

Upon joining the syndicated facilities, the new minority lender extended a new $2,500,000 multi-option facility to the Group. As at 29 June 2025, total available multi-option facilities across all lenders are $12,000,000 (2024: $9,500,000).

The amount of borrowing costs capitalised as at 29 June 2025 is $696,000 (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 Consolidated Statement of Profit or Loss.

The Group expects to be in compliance with future covenant obligations for at least 12 months from the date of this report.

NOTE 14. PROVISIONS

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Current provisions		
Annual leave	6,676	6,283
Long service leave	4,840	4,534
Make-good	462	–
Total current provisions	**11,978**	**10,817**
Non-current provisions		
Long service leave	1,014	1,260
Make-good	5,060	5,179
Total non-current provisions	**6,074**	**6,439**
Current	11,978	10,817
Non-current	6,074	6,439
Total provisions	**18,052**	**17,256**

Nature and timing of provisions

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

NOTE 15. ISSUED CAPITAL AND RESERVES

a) Authorised Shares

	As at 29 June 2025 '000	As at 30 June 2024 '000
Ordinary Shares	176,742	174,683

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

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Balance at the beginning of the period	87,351	84,737
Exercise of share options[i]	231	1,563
Dividend reinvestment plan[ii]	3,911	1,051
Balance at the end of the period	**91,493**	**87,351**

i. New ordinary shares in the Company of 45,000 (2024: 1,190,429) were issued upon exercise of share options. The Company did not receive consideration (2024: nil) from the holders of the share options. Refer to Note 25.

ii. New ordinary shares in the Company were issued via the dividend reinvestment plan. During the 52 weeks ended 29 June 2025, 1,150,523 ordinary shares at a price of $1.80 per share were allotted in October 2024, and a further 863,768 ordinary shares at a price of $2.13 per share were allotted in April 2025.

b) Share-based payment reserve

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Balance at the beginning of the period	2,211	3,712
Exercise of share options	(231)	(1,563)
Share-based payment (reversal)/expense	(5)	15
Tax effect of share-based payments	(40)	47
Balance at the end of the period	**1,935**	**2,211**

c) Foreign currency translation reserve

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Balance at the beginning of the period	(407)	(276)
Foreign currency translation of foreign subsidiaries	(27)	(131)
Balance at the end of the period	**(434)**	**(407)**

d) Cash flow hedge reserve

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Balance at the beginning of the period	1,306	3,782
Recognised in Consolidated Statement of Other Comprehensive Income		
Net loss on cash flow hedges	(5,502)	(3,542)
Income tax related to the net loss on cash flow hedges	1,649	1,066
Balance at the end of the period	**(2,547)**	**1,306**

e) Retained earnings

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Balance at the beginning of the period	132,703	110,266
Net profit for the period	25,682	31,090
Dividends paid during the period	(23,660)	(8,653)
Balance at the end of the period	**134,725**	**132,703**

NOTE 16. LEASE ARRANGEMENTS AND OTHER COMMITMENTS

Set out below are the carrying amounts of the Groups' right-of-use assets and lease liabilities and the movement during the 52 weeks ended 29 June 2025:

	Right-of-use assets $'000	Lease liabilities $'000
As at 25 June 2023	**157,214**	**180,395**
Additions	66,805	66,912
Depreciation expense	(48,555)	–
Interest expense	–	9,654
Payments	–	(58,076)
Foreign currency difference	13	12
As at 30 June 2024	**175,477**	**198,897**
Additions	85,402	85,865
Depreciation expense	(51,280)	–
Interest expense	–	12,436
Payments	–	(60,788)
Foreign currency difference	22	31
As at 29 June 2025	**209,621**	**236,441**

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Current lease liabilities	52,169	52,523
Non-current lease liabilities	184,272	146,374
	236,441	**198,897**

The following are the amounts recognised in profit and loss:

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Depreciation expense of right-of-use assets	51,280	48,555
Interest expense on lease liabilities	12,436	9,654
Expense relating to short-term leases[1]	922	949
Variable lease payments[1]	12,631	12,133
Total amount recognised in profit or loss	**77,269**	**71,291**

1. Items included within Occupancy expenses are primarily variable lease payments and outgoings in the amount of $13,553,000 during the 52 weeks ended 29 June 2025 (2024: $13,082,000).

The Group had total cash outflows for leases of $76,212,000 during the 52 weeks ended 29 June 2025 (2024: $73,345,000).

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

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Current assets		
Forward currency contracts – cash flow hedges	–	1,863
	-	**1,863**
Non-current assets		
Forward currency contracts – cash flow hedges	–	–
	-	**-**
Current liabilities		
Forward currency contracts – cash flow hedges	(3,589)	–
	(3,589)	**-**
Non-current liabilities		
Forward currency contracts – cash flow hedges	(39)	–
	(39)	**-**

Forward currency contracts cash flow hedges

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

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

The Group is holding the following foreign currency contracts:

							Maturity
	< 1 month	1-3 months	3-6 months	6-9 months	9-12 months	>12 months	Total
As at 29 June 2025							
Forward currency contracts (highly probable forecast inventory purchases)							
– AUD notional amount ($'000)	3,071	9,711	45,169	33,131	61,409	5,048	**157,539**
– Average forward rate (USD/AUD)	0.6200	0.6360	0.6326	0.6424	0.6513	0.6536	
– Average forward rate (USD/NZD)	0.6327	0.5650	0.5775	0.5813	0.6038	-	
As at 30 June 2024							
Forward currency contracts (highly probable forecast inventory purchases)							
– AUD notional amount ($'000)	5,176	35,527	43,531	28,761	17,876	-	**130,871**
– Average forward rate (USD/AUD)	0.6771	0.6909	0.6744	0.6693	0.6702	-	
– Average forward rate (USD/NZD)	-	0.6301	0.6087	0.6107	-	-	

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS *continued*

	Notional amount $'000	Carrying amount $'000	Line item in the Consolidated Statement of Financial Position
As at 29 June 2025			
Forward currency contracts	157,539	(3,628)	Derivative financial instruments – liabilities
As at 30 June 2024			
Forward currency contracts	130,871	1,863	Derivative financial instruments – assets

There was no material hedge ineffectiveness arising from the Group's forward currency contract hedging strategy during the 52 weeks ended 29 June 2025 (2024: nil). This is due to inventory purchases in USD exceeding the notional amount of forward currency contracts taken out and maturing when payments are scheduled.

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Risk exposures and responses

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

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

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

i) Interest rate risk

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

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Financial instruments		
Cash and cash equivalents	8,434	12,872
Borrowings	(76,000)	(77,000)
Net exposure	**(67,566)**	**(64,128)**

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

As at 29 June 2025, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit after tax would have been affected as follows due to the higher/lower interest rate costs from variable debt and cash balances:

Judgements of reasonably possible movements:

Profit after tax higher/(lower)	52 weeks ended 29 June 2025 $'000
+1.5% (+150 basis points)	(709)
+1.0% (+100 basis points)	(473)
+0.5% (+50 basis points)	(236)
-0.5% (-50 basis points)	236
-1.0% (-100 basis points)	473
-1.5% (-150 basis points)	709

Significant assumptions used in the interest rate sensitivity analysis include:

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

ii) Foreign currency risk

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

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

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Financial liabilities		
Payables	8,803	12,122

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

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

As at 29 June 2025, had the AUD moved, as illustrated in the table below, with all other variables held constant and without consideration of the Group's available forward currency contracts, profit after tax would have been affected as follows:

Judgements of reasonably possible movements:

Profit after tax higher/(lower)	52 weeks ended 29 June 2025 $'000
AUD to USD +10%	560
AUD to USD +5%	293
AUD to USD -5%	(324)
AUD to USD -10%	(685)

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

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

iii) Liquidity risk

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

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

A. Non-derivative financial assets and liabilities

The following liquidity risk disclosures reflect all contractually fixed payables, repayments and interest resulting from recognised financial liabilities as well as liquid financial assets as of 29 June 2025. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for assets/liabilities is based on the contractual terms of the underlying contract.

	< 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000	Total $'000
As at 29 June 2025					
Liquid financial assets					
Cash and cash equivalents	8,434	-	-	-	8,434
Trade and other receivables	8,877	-	-	-	8,877
Financial Liabilities					
Trade and other payables	(57,948)	-	-	-	(57,948)
Lease liabilities	(33,256)	(33,293)	(150,067)	(83,195)	(299,811)
Borrowings	-	-	(76,000)	-	(76,000)
Net outflow	**(73,893)**	**(33,293)**	**(226,067)**	**(83,195)**	**(416,448)**

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

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

B. Derivative financial liabilities

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

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

	< 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000	Total $'000
As at 29 June 2025					
Derivatives – forward currency contracts	(2,198)	(1,391)	(39)	–	(3,628)
Net outflow	**(2,198)**	**(1,391)**	**(39)**	**–**	**(3,628)**

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

iv) Fair value

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

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

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

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

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

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

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

	As at 29 June 2025			As at 30 June 2024		
	Valuation Level 2 $'000	**Valuation Level 3 $'000**	**Total $'000**	**Valuation Level 2 $'000**	**Valuation Level 3 $'000**	**Total $'000**
Financial assets						
Forward exchange contracts	-	-	-	1,863	-	1,863
Financial liabilities						
Forward exchange contracts	(3,628)	-	(3,628)	-	-	-
Earn-out liabilities	-	-	-	-	(261)	(261)
	(3,628)	**-**	**(3,628)**	**1,863**	**(261)**	**1,602**

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

	As at 29 June 2025		As at 30 June 2024	
	Carrying Amount $'000	**Fair Value $'000**	**Carrying Amount $'000**	**Fair Value $'000**
Financial assets				
Forward exchange contracts	-	-	1,863	1,863
Financial liabilities				
Forward exchange contracts	(3,628)	(3,628)	-	-
Earn-out liabilities	-	-	(261)	(261)
Borrowings	(76,000)	(76,000)	(77,000)	(77,000)
	(79,628)	**(79,628)**	**(75,398)**	**(75,398)**

NOTE 19. CAPITAL MANAGEMENT

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

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

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Borrowings	76,000	77,000
Less: cash and cash equivalents	(8,434)	(12,872)
Net debt	**67,566**	**64,128**
Equity	225,172	223,164
Capital and net debt	**292,738**	**287,292**
Gearing ratio	23%	22%

There have been no other changes to the objectives, policies or processes for managing capital in the 52 weeks ended 29 June 2025.

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

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Current assets	41	44
Total assets	123,147	113,840
Current liabilities	(165)	(123)
Total liabilities	(590)	(474)
Net assets	**122,557**	**113,366**
Issued capital	91,493	87,351
Retained earnings	28,379	23,055
Share-based payment reserve	2,685	2,960
Equity	**122,557**	**113,366**
Profit of the Parent entity	28,983	12,383
Total comprehensive profit of the Parent entity	**28,983**	**12,383**

NOTE 21. RELATED PARTY DISCLOSURES

Compensation of key management personnel of the Group:

	52 weeks ended 29 June 2025 $	53 weeks ended 30 June 2024 $
Short-term employee benefit	1,770,140	1,861,467
Short-term incentives	377,500	321,691
Short term non-monetary benefits	13,145	-
Post-employment benefits	83,728	78,397
Termination benefits	271,488	-
Share-based payments (reversal)/expense	(18,038)	105,906
Total compensation to key management personnel	**2,497,963**	**2,367,461**

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

NOTE 22. EARNINGS PER SHARE

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

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

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Profit for the year attributable to ordinary equity holders of the Parent	25,682	31,090
Profit attributable to ordinary equity holders of the Parent for basic earnings	**25,682**	**31,090**
Profit attributable to ordinary equity holders of the Parent adjusted for the effect of dilution	**25,682**	**31,090**

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
Weighted average number of ordinary shares for basic EPS	175,757	173,437
Performance rights	2,066	2,027
Weighted average number of ordinary shares for the effect of dilution	**177,823**	**175,464**

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

NOTE 23. INFORMATION RELATING TO SUBSIDIARIES

The consolidated financial statements of the Group include:

Name of Entity	Country of incorporation	Equity Holding As at 29 June 2025 %	As at 30 June 2024 %
Home & Décor Pty Limited[1]	Australia	100	100
Adairs Holdings Australia Pty Limited[1]	Australia	100	100
Adairs Retail Group Pty Limited[1]	Australia	100	100
Wilder Days Pty Limited[1]	Australia	100	100
Adairs New Zealand Limited	New Zealand	100	100
Mocka Holdings Pty Ltd[1]	Australia	100	100
Mocka Limited	New Zealand	100	100
Mocka Products Pty Ltd	Australia	100	100
Refocus Furniture Pty Ltd[1]	Australia	100	100
D. Gallery Pty Limited[1]	Australia	100	100
Focus On Furniture Pty Ltd[1]	Australia	100	100
Furniture Online Australia Pty Ltd[1]	Australia	100	100
Beds Online Australia Pty Limited[1]	Australia	100	100
Home and Décor New Zealand Limited	New Zealand	100	–

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

Deed of Cross Guarantee

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

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

NOTE 23. INFORMATION RELATING TO SUBSIDIARIES *continued*

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

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Revenue from contracts with customers	553,243	536,043
Cost of sales	(298,123)	(284,376)
Gross profit	**255,120**	**251,667**
Other income	75	288
Depreciation and amortisation expenses	(57,346)	(53,183)
Salaries and employee benefits expenses	(110,635)	(106,237)
Occupancy expenses	(13,202)	(13,082)
Advertising expenses	(12,389)	(11,638)
Other expenses	(13,821)	(13,868)
Transactions with related entities outside of the Closed Group[1]	30,157	-
Earnings before interest and tax	**77,959**	**53,947**
Finance expenses	(20,556)	(16,002)
Finance income	237	378
Profit before income tax	**57,640**	**38,323**
Income tax expense	(7,751)	(11,998)
Profit after tax	**49,889**	**26,325**
Items that may be reclassified subsequently to profit and loss (net of tax):		
Net movement of cash flow hedges	(4,905)	(2,049)
Income tax relating to the components of other comprehensive income	1,472	615
Other comprehensive (loss)/income	**(3,433)**	**(1,434)**
Total comprehensive income	**46,456**	**24,891**
Retained earnings		
Retained earnings at beginning of period	113,061	95,389
Profit after tax for the period	49,889	26,325
Dividends paid	(23,660)	(8,653)
Retained earnings at end of period	**139,290**	**113,061**

1. Transactions with related entities outside of the Closed Group primarily relates to dividends and other intergroup charges received and paid between the Closed Group and other entities controlled by Adairs Limited.

NOTE 23. INFORMATION RELATING TO SUBSIDIARIES *continued*

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

	As at 29 June 2025 $'000	As at 30 June 2024 $'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5,974	11,317
Trade and other receivables	7,582	1,874
Inventories	80,919	72,078
Current tax receivables	1,086	-
Other assets	6,321	7,951
Derivative financial instruments	-	1,589
Related party receivables	4,281	-
TOTAL CURRENT ASSETS	**106,163**	**94,809**
NON-CURRENT ASSETS		
Property, plant and equipment	33,249	34,807
Intangibles	203,910	203,050
Right-of-use assets	200,013	165,100
Investment in subsidiaries	84,494	84,494
Other assets	1,463	1,529
TOTAL NON-CURRENT ASSETS	**523,129**	**488,980**
TOTAL ASSETS	**629,292**	**583,789**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	51,932	47,847
Deferred revenue	16,996	17,704
Earn-out liabilities	-	261
Lease liabilities	46,348	48,762
Current tax payables	-	1,154
Provisions	11,122	10,557
Derivative financial instruments	3,002	-
Related party payables	-	20,053
TOTAL CURRENT LIABILITIES	**129,400**	**146,338**
NON-CURRENT LIABILITIES		
Deferred revenue	1,331	1,172
Deferred tax liabilities	5,905	10,238
Borrowings	76,000	77,000
Lease liabilities	179,546	139,003
Provisions	6,482	6,303
Derivative financial instruments	39	-
TOTAL NON-CURRENT LIABILITIES	**269,303**	**233,716**
TOTAL LIABILITIES	**398,703**	**380,054**
NET ASSETS	**230,589**	**203,735**
EQUITY		
Contributed equity	91,493	87,351
Share-based payment reserve	1,935	2,211
Cash flow hedge reserve	(2,129)	1,112
Retained earnings	139,290	113,061
TOTAL EQUITY	**230,589**	**203,735**

NOTE 24. DIVIDENDS

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Dividends on ordinary shares declared:		
Interim dividend for 2025: 6.5 cents per share (2024: 5.0 cents per share)	11,432	8,653
Proposed dividends on ordinary shares:		
Final cash dividend for 2025: 4.0 cents per share (2024: 7.0 cents per share)	7,070	12,228

Proposed dividends are not recognised as a liability as at 29 June 2025.

Franking credit balance

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

	52 weeks ended 29 June 2025 $'000	53 weeks ended 30 June 2024 $'000
Franking account balance as at the end of the period at 30%	69,533	66,699
Franking credits that will arise from the payment of income tax payable as at the end of the period	-	1,351
Franking debits that will arise from the payment of dividends as at the end of the period	(3,030)	(5,240)
	66,503	**62,810**

NOTE 25. SHARE-BASED PAYMENTS

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

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 2026. The proportion of performance rights that vest will be pro-rated from 0-100% based on achievement with a range for each performance condition.

If these respective conditions are not met, the performance rights will not vest. The effective life of each performance right granted is 2.7 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.

NOTE 25. SHARE-BASED PAYMENTS *continued*

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

Tranche	Grant date	Instrument	Pricing model	Exercise price	Expected volatility	Expected dividend yield	Risk-free interest rate	Expected life (years)	Grant date fair value
2019	Oct 2018	Share options	Black-Scholes	$2.40	45.0%	5.0%	2.23%	4.8	$0.43
2020	Dec 2019	Share options	Black-Scholes	$1.86	50.0%	8.0%	0.82%	4.8	$0.38
2021	Nov 2020	Share options	Black-Scholes	$4.04	60.0%	6.0%	0.31%	4.8	$0.90
2022 (EPS)	Oct 2021	Share options	Black-Scholes	$3.95	50.0%	6.0%	1.35%	4.8	$0.96
2022 (TSR)	Oct 2021	Share options	Monte Carlo	$3.95	50.0%	6.0%	1.35%	4.8	$0.80
2022 (Other)	Dec 2021	Share options	Black-Scholes	$3.16	50.0%	6.0%	1.35%	1.8	$0.90
2023	Oct 2022	Performance rights	Black-Scholes	nil	-	9.0%	3.75%	2.7	$1.52
2024	Oct 2023	Performance rights	Black-Scholes	nil	-	9.0%	4.19%	2.6	$1.18
2025	Nov 2024	Performance rights	Black-Scholes	nil	-	7.0%	4.05%	2.7	$2.14

For the 52 weeks ended 29 June 2025, the Group recognised $5,000 net expense reversal in the Consolidated Statement of Profit or Loss (2024: $15,000 expense).

Share options:

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

Tranche	Expiry date	Balance as at 30 June 2024	Granted	Forfeited	Exercised	Lapsed	Expired	Balance as at 29 June 2025	Exercisable as at 29 June 2025
2018	Nov 2023	-	-	-	-	-	-	-	-
2019	Oct 2024	540,000	-	-	(540,000)[1]	-	-	-	-
2020	Oct 2025	-	-	-	-	-	-	-	-
2021	Nov 2026	-	-	-	-	-	-	-	-
2022 (EPS)	Oct 2027	-	-	-	-	-	-	-	-
2022 (TSR)	Oct 2027	-	-	-	-	-	-	-	-
2022 (Other)	Sep 2024	785,000	-	-	-	-	(785,000)	-	-
Total		**1,325,000**	**-**	**-**	**(540,000)**	**-**	**(785,000)**	**-**	**-**

NOTE 25. SHARE-BASED PAYMENTS *continued*

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

1 The Company offers holders of share options the opportunity to exercise their vested share options via a 'net settlement' arrangement, resulting in no cash payment to the Company and the issue of ordinary shares equivalent to the difference in value between the exercise price and the prevailing share price upon exercise. During the 52 weeks ended 29 June 2025, 540,000 share options were exercised resulting in the issuance of 45,000 ordinary shares (2024: 3,980,000 share options exercised for the issuance of 1,190,429 ordinary shares). The value of the ordinary shares issued was transferred to contributed equity from the share-based payment reserve.

The weighted average fair value of the share options granted during the 52 weeks ended 29 June 2025 was nil (2024: nil).

The weighted average remaining contractual life of share options outstanding as at 29 June 2025 was nil (2024: 2.7 years).

Performance rights:

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

Tranche	Expiry date	Balance as at 30 June 2024	Granted	Forfeited	Exercised	Lapsed	Balance as at 29 June 2025	Exercisable as at 29 June 2025
2023	Jun 2025	982,850	-	(98,238)	-	(884,612)	-	-
2024	Jun 2026	1,735,486	-	(365,104)	-	-	1,370,382	-
2025	Jun 2027	-	1,197,382	(129,167)	-	-	1,068,215	-
Total		**2,718,336**	**1,197,382**	**(592,509)**	**-**	**(884,612)**	**2,438,597**	**-**

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

The weighted average fair value of the performance rights granted during the 52 weeks ended 29 June 2025 was $2.14 (2024: $1.18).

The weighted average remaining contractual life of performance rights outstanding as at 29 June 2025 was 1.43 years (2024: 1.63 years).

NOTE 26. EVENTS AFTER THE BALANCE SHEET DATE

On 27 August 2025, the directors of Adairs Limited declared a dividend on ordinary shares in respect of the 2024 financial year. The total amount of the dividend is $7.1 million which represents a franked dividend of 4.0 cents per share. The dividend has not been provided for in the 29 June 2025 financial report.

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

NOTE 27. AUDITORS' REMUNERATION

The auditor of Adairs Limited is Ernst & Young Australia.

	52 weeks ended 29 June 2025 $	53 weeks ended 30 June 2024 $
Amounts received or due and receivable by Ernst & Young Australia for:		
› Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	518,000	563,000
› Fees for other services:		
– Taxation services	80,000	79,000
– Advisory services	54,000	–
– Other	90.000	–
Total fees to Ernst & Young Australia	**742,000**	**642,000**

Auditors' remuneration disclosed above relate to the audit of the statutory financial report of the Company and any other entities in the consolidated group, fees for tax compliance, as well as advisory and other services related to climate and technology.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

as at 29 June 2025

			Equity Holding	
Name of Entity	Entity type	Body corporate country of incorporation	Body corporate % of share capital held %	Country of tax residence
Adairs Limited	Body corporate	Australia		Australia
Home & Décor Pty Limited	Body corporate	Australia	100%	Australia
Adairs Holdings Australia Pty Limited	Body corporate	Australia	100%	Australia
Adairs Retail Group Pty Limited	Body corporate	Australia	100%	Australia
Wilder Days Pty Limited	Body corporate	Australia	100%	Australia
Adairs New Zealand Limited	Body corporate	New Zealand	100%	New Zealand
Home and Décor New Zealand Limited	Body corporate	New Zealand	100%	New Zealand
Mocka Holdings Pty Ltd	Body corporate	Australia	100%	Australia
Mocka Limited	Body corporate	New Zealand	100%	New Zealand
Mocka Products Pty Ltd	Body corporate	Australia	100%	Australia
Refocus Furniture Pty Ltd	Body corporate	Australia	100%	Australia
D. Gallery Pty Limited	Body corporate	Australia	100%	Australia
Focus On Furniture Pty Ltd	Body corporate	Australia	100%	Australia
Furniture Online Australia Pty Ltd	Body corporate	Australia	100%	Australia
Beds Online Australia Pty Limited	Body corporate	Australia	100%	Australia

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 8 August 2025.

Number of shareholders

There were 15,167 shareholders, holding 176,742,067 fully paid ordinary shares.

Distribution of equity securities

Analysis of numbers of equity holders by size of holding:

Range	Ordinary Securities	No. of Security holders
1–1,000	2,874,032	6,188
1,001–5,000	14,601,591	5,544
5,001–10,000	13,002,693	1,721
10,001–100,000	40,350,464	1,644
100,001 and over	105,913,287	70
Total	**176,742,067**	**15,167**

There were 1,365 shareholders (representing 189,644 ordinary shares) holding less than a marketable parcel.

Equity security holders

The names of the twenty largest registered holders of quoted equity securities in the Company are as follows:

	Ordinary Shares	
Name	Number held	Percentage of issued shares
HSBC Custody Nominees (Australia) Limited	26,511,420	15.00
Citicorp Nominees Pty Limited	22,835,595	12.92
J P Morgan Nominees Australia Pty Limited	16,114,045	9.12
BNP Paribas Nominees Pty Ltd	9,289,396	5.26
UBS Nominees Pty Ltd	3,195,275	1.81
National Nominees Limited	2,134,813	1.21
BNP Paribas Nominees Pty Ltd	1,741,268	0.99
Michael Cherubino Investments Pty Ltd	1,696,135	0.96
Bond Street Custodians Limited	1,586,500	0.90
Bond Street Custodians Limited	1,406,986	0.80
Refocus Furniture Nominees Pty Ltd	1,374,502	0.78
BNP Paribas Nominees Pty Ltd	1,192,775	0.67
HSBC Custody Nominees (Australia) Limited – A/C 2	1,101,819	0.62
BNP Paribas Noms Pty Ltd	1,033,291	0.58
NCH Pty Ltd	1,009,674	0.57
Mr Trent Peterson	995,000	0.56
BNP Paribas Nominees Pty Ltd	690,254	0.39
Finclear Services Pty Ltd	574,878	0.33
JACM Gardner Investments Pty Ltd	572,300	0.32
Mr Robert Zmeskal	500,000	0.28
Total – Top 20 shareholders	**95,555,926**	**54.07**
Total	**176,742,067**	**100.00**

Substantial Shareholdings

As at 8 August 2025, there are two substantial shareholders that the Company is aware of:

Name	Number held	Percentage of issued shares	Date of most recent notice
Entities associated with Dimensional Fund Advisors LP	8,919,708	5.07%	9 October 2024
Paradice Investment Management Pty Ltd	11,761,551	6.73%	5 September 2024

Voting Rights

The Company's Constitution sets out the voting rights attached to ordinary shares, which are as follows:

- On a show of hands at a General Meeting of the Company, every member present in person or by proxy shall have one vote.
- On a poll, each person present in person or by proxy shall have one vote for each ordinary share held.

On-market share acquisition

There is no current on-market buy-back of the Company's shares.

CORPORATE INFORMATION

ABN 50 147 375 451

Directors

Kiera Grant
Rachel Kelly (appointed: 14 April 2025)
David MacLean
Trent Peterson
Mark Ronan (resigned: 20 February 2025)
Narelle (Elle) Roseby (appointed: 22 January 2025)
Kate Spargo (resigned: 11 September 2024)

Company Secretary

Jamie Adamson
Ashley Gardner

Registered office

Level 9, 1 Middle Road
Chadstone
Victoria, 3148
Australia

Principal place of business

Level 9, 1 Middle Road
Chadstone
Victoria, 3148

Investor Relations website

investors.adairs.com.au

Share register

MUFG Corporate Markets (AU) Limited
Liberty Place
Level 41, 161 Castlereagh Street
Sydney NSW 2000
Phone: 1300 554 474

Auditors

Ernst & Young

Solicitors

Herbert Smith Freehills

adairs