



adairs

**NOTICE OF ANNUAL
GENERAL MEETING 2022**

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 2022 Annual General Meeting of members of Adairs Limited (the **Company**) will be held in the Bellarine Room at Hyatt Centric, 25 Downie Street, Melbourne, Victoria on Friday, 21 October 2022 at 11:00am (AEDT) (the **Meeting**).

Shareholders who are unable to attend in-person may view a live webcast of the Meeting via: <https://meetings.linkgroup.com/ADH22>. Shareholders watching online will not be able to vote, ask questions or make comments via the webcast.

Shareholders who cannot attend in-person are encouraged to submit a direct vote or appoint a proxy to participate and vote on their behalf. Shareholders can also submit questions in advance of the Meeting. Further details on how to participate, vote and submit questions are detailed in the Notice of Meeting.

In the lead up to the Meeting, Adairs will be monitoring the COVID-19 situation in Melbourne. In the event that it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Meeting, announcements will be communicated via Adairs' investor relations website (<https://investors.adairs.com.au>) and on the ASX market announcements platform. Shareholders should monitor Adairs' investor relations website and the ASX market announcements platform for any updates in the lead up to the Meeting.

AGENDA ITEMS

1. Annual Financial Report

To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and Auditor for the year ended 26 June 2022.

2. Re-election of Directors

To consider and, if thought fit, pass each of the following resolutions as separate ordinary resolutions:

- a. "That Trent Peterson, being eligible, be re-elected as a Director of the Company."
- b. "That Kate Spargo, being eligible, be re-elected as a Director of the Company."
- c. "That Kiera Grant, being eligible, be re-elected as a Director of the Company."

3. Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Remuneration Report for the year ended 26 June 2022 be adopted."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company. A voting exclusion statement applies to this resolution (see section 2 of the notes relating to voting).

4. Approval of long-term incentive grant of Performance Rights to Mark Ronan

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of Performance Rights to Mark Ronan as his annual long-term incentive for the year ended 25 June 2023 on the terms described in the explanatory notes accompanying this Notice of Meeting."

Note: A voting exclusion statement applies to this resolution (see section 2 of the notes relating to voting).

5. Approval of long-term incentive grant of Performance Rights to Michael Cherubino

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of Performance Rights to Michael Cherubino as his annual long-term incentive for the year ended 25 June 2023 on the terms described in the explanatory notes accompanying this Notice of Meeting."

Note: A voting exclusion statement applies to this resolution (see section 2 of the notes relating to voting).

6. Approval of the financial assistance to be provided by Refocus Furniture Pty Ltd and its subsidiaries in connection with the acquisition of Refocus Furniture Pty Ltd by Home & Decor Pty Ltd, a wholly-owned subsidiary of Adairs Limited (financial assistance resolution)

To consider and, if thought fit, pass the following resolution as a special resolution:

"That, for the purposes of section 260B(2) of the *Corporations Act 2001* (Cth), approval is given for the financial assistance to be provided by Refocus Furniture Pty Ltd (ACN 634 288 298) and its subsidiaries from time to time in connection with the Acquisition as described in the explanatory notes accompanying this Notice of Meeting."

By Order of the Board

Fay Hatzis

Company Secretary

20 September 2022

NOTES RELATING TO VOTING *continued*

NOTES RELATING TO VOTING

The notes relating to voting and the explanatory notes form part of this Notice of Meeting.

1. Entitlement to vote

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Board has determined that persons who are registered holders of shares in the Company as at 7:00 pm AEDT on Wednesday, 19 October 2022 will be entitled to attend and vote at the Meeting as a shareholder. Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

If more than one joint holder of shares is present at the Meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

On a poll, shareholders have one vote for every fully paid ordinary share held (subject to the restrictions on voting referred to below).

2. Voting exclusions

Agenda item 3 – Adoption of the Remuneration Report

The Company will disregard any votes cast on Agenda item 3:

- › by or on behalf of a member of the Company's key management personnel (**KMP**) named in the Company's Remuneration Report for the year ended 26 June 2022 or their closely related parties (regardless of the capacity in which the vote is cast); or
- › as a proxy by a person who is a member of the Company's KMP at the date of the Meeting or their closely related parties.

However, votes will not be disregarded if they are cast as proxy for a person entitled to vote on Agenda item 3:

- › in accordance with a direction in the Voting Form; or
- › by the person chairing the Meeting, in accordance with an express authorisation in the Voting Form to exercise the proxy even though Agenda item 3 is connected with the remuneration of the KMP.

Agenda items 4 and 5 – Approval of long-term incentive grant of Performance Rights to Mark Ronan and Michael Cherubino

The Company will disregard any votes cast on Agenda items 4 and 5:

- › in favour of the Agenda items by or on behalf of Mark Ronan and Michael Cherubino and their associates (regardless of the capacity in which the vote is cast); or
- › as a proxy by a person who is a member of the Company's KMP at the date of the Meeting or their closely related parties,

However, votes will not be disregarded if they are cast:

- › as proxy or attorney for a person entitled to vote on the Agenda item in accordance with a direction given to the proxy or attorney to vote on the Agenda item in that way;
- › by the person chairing the Meeting as a proxy for a person entitled to vote on the Agenda item, pursuant to an express authorisation in the Voting Form to exercise the proxy as the Chairman decides; or
- › by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Agenda item; and
 - the holder votes on the Agenda item in accordance with the directions given by the beneficiary to the holder to vote in that way.

3. How to vote

How to vote prior to the Meeting

Shareholders may lodge a direct vote or appoint a proxy online at www.linkmarketservices.com.au or by submitting a Voting Form to the share registry through one of the methods described in section 4 of these notes relating to voting. Please note, Voting Forms should be received by no later than 11.00am (AEDT) on Wednesday, 19 October 2022 in order to be valid.

Even if you plan to attend the Meeting, you are still encouraged to submit a direct vote or directed proxy in advance of the Meeting so that your votes can be counted if for any reason you cannot attend on the day.

Appointing a proxy

- a. A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. A shareholder can appoint a proxy by completing and returning a signed Voting Form (see section 4 of these notes relating to voting, and the Voting Form).
- b. A shareholder that is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.
- c. If you wish to direct how your proxy should vote, please mark the appropriate boxes on the Voting Form. If you do not direct your proxy how to vote on a particular item of business, you are authorising your proxy to vote as they decide, subject to any applicable voting exclusions.
- d. Unless the Chairman is your proxy, members of the Company's KMP (which includes each of the Directors) will not be able to vote as proxy on Agenda items 3, 4 or 5 unless you direct them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, you should ensure that you direct that person how to vote on Agenda items 3, 4 and 5. If you intend to appoint the Chairman as your proxy, you can direct the Chairman how to vote by marking the boxes for the relevant Agenda item (for example, if you wish to vote "for", "against" or to "abstain" from voting).
- e. If you appoint the Chairman as your proxy (or if the Chairman becomes your proxy by default) and you do not mark a box next to Agenda items 3, 4 or 5, then by signing and submitting the Voting Form, you will be expressly authorising the Chairman to vote as they see fit in respect of Agenda items 3, 4 or 5 even though they are connected with the remuneration of the Company's KMP.
- f. All Agenda items will be decided by poll. On a poll, if:
 - a shareholder has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the Agenda item; and
 - that shareholder's proxy is either not recorded as attending the Meeting or does not vote on the Agenda item,the Chairman will, before voting on the Agenda item closes, be taken to have been appointed as the proxy for the shareholder for the purposes of voting on that Agenda item and must vote in accordance with the written direction of that shareholder.
- g. Please note that for proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote all available proxies in favour of each Agenda item.

NOTES RELATING TO VOTING *continued*

4. Voting form

To be effective a Voting Form must be received no later than 11:00am (AEDT) Wednesday, 19 October 2022 at:

By Mail: Locked Bag A14
SYDNEY SOUTH NSW 1235

By Fax: +61 2 9287 0309

Online: www.linkmarketservices.com.au

Step 1: Select Investor Login from the right hand menu.

Step 2: Enter Adairs Limited as the Issuer.

Step 3: Enter your Holder Identifier (which appears under the barcode on the front of your Voting Form) and your postcode or Country.

Step 4: Enter the security code, tick the box to accept the terms and conditions and click "Login".

Step 5: Select Voting from the top menu and follow the prompts to lodge your Proxy.

5. Corporate representatives

A body corporate that is a shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The representative should provide the Company with evidence of his or her appointment, including any authority under which it has been signed, in the same manner, and by the same time, as outlined above for Voting Forms, unless it has previously been given to the Company.

6. Voting by attorney

A shareholder entitled to attend and vote may appoint an attorney to act on his or her behalf at the Meeting. An attorney may but need not be a member of the Company.

An attorney may not vote at the Meeting unless the instrument appointing the attorney, and the authority under which the instrument is signed or a certified copy of the authority, are received by the Company in the same manner, and by the same time, as outlined above for Voting Forms.

7. Questions for the Company

Shareholders who are physically present at the Meeting are able to ask a question during the Meeting when invited by the Chairman.

If you wish to ask a question in advance of the Meeting it must be submitted no later than 5:00pm (AEDT) on Friday, 14 October 2022 via the Link website at www.linkmarketservices.com.au. When you have accessed your shareholding online, select the 'Ask Question' option under the 'Action'.

We will endeavour to respond to as many of the more frequently asked questions as possible at the meeting. However, there may not be sufficient time available at the Meeting to address all of the questions raised. Please note that individual responses will not be sent to shareholders.

8. Submitting questions for the Auditor before the Meeting

Shareholders may submit written questions to the Company's Auditor, Ernst & Young, if the question is relevant to the content of Ernst & Young's Audit Report for the year ended 26 June 2022 or the conduct of its audit of the Company's Financial Report for the year ended 26 June 2022.

Relevant written questions for the Auditor must be received by the Company by no later than 5:00pm (AEDT) on Friday, 14 October 2022 by submitting them via the Link website at www.linkmarketservices.com.au.

A list of written questions will be made available to shareholders attending the Meeting. If written answers are tabled at the Meeting, they will be made available to shareholders as soon as practicable after the Meeting.

The Auditor is not obliged to provide written answers to written questions submitted by shareholders.

EXPLANATORY NOTES

These explanatory notes have been prepared to help shareholders understand the items of business at the forthcoming Meeting.

Item 1 – Annual Financial Report

The Corporations Act requires:

- › the reports of the Directors and Auditor; and
- › the annual Financial Report, including the Financial Statements of the Company for the year ended 26 June 2022,

to be laid before the Meeting. Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders on the reports or statements. However, shareholders will be given an opportunity to raise questions or comments on the management of the Company.

Also, a reasonable opportunity will be given to shareholders as a whole at the Meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

Item 2 – Re-election of Directors

Item 2(a): Re-election of Trent Peterson

Trent Peterson is a Non-Executive Director and joined the Board in 2010. Whilst the guidance in Box 2.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition indicates that a Director cannot be considered independent if they have been an officer of a substantial shareholder in the last 3 years, the Board does consider Trent to be independent based on the time elapsed (2 years and 8 months since he ceased being an officer of a substantial shareholder) and his observed independent behaviour and contribution. The Board also notes that Trent will meet the criteria from February 2023.

Trent is the chair of the Remuneration Committee and a member of the Audit and Risk Committee and the Nomination Committee.

Trent joined Catalyst in 2000 and was appointed as a Managing Director in 2006 when he acquired the Catalyst business with two partners. Trent is also the founder and Managing Director of Catalyst Direct Capital Management. Trent was Chairman of the Company's Board from 2010 until the initial public offer on the ASX in 2015, being the period of Catalyst's majority ownership.

In addition to Adairs Limited, Trent is a non-executive director of Cirrus Media (trading as Australian Doctor Group), Ascham Foundation and Australia Pure Health (trading as Mr Vitamins) and is also a non-executive director of dusk Group Limited, Shaver Shop Group Limited and Universal Store Holdings Limited. He is a former director of AATS (trading as Sky Bus), Power Farming Group, Global Television, EziBuy, Metro GlassTech, Moraitis Group, Taverner Hotel Group, Australian Discount Retail and Just Group.

Trent has over 20 years investment and private equity experience, focused primarily on businesses operating in the consumer, retail and media sectors. Trent is a qualified Chartered Accountant and holds a Bachelor of Commerce.

Recommendation

For the reasons outlined above, the Board (with Trent Peterson abstaining) unanimously recommends that shareholders vote **in favour** of Trent Peterson's re-election.

EXPLANATORY NOTES *continued*

Item 2(b): Re-election of Kate Spargo

Kate Spargo is a Non-Executive Director and joined the Board in May 2015. The Board considers Kate to be an independent Director. Kate is the chair of the Audit and Risk Committee and a member of the Remuneration Committee and the Nomination Committee.

Kate has been an independent company director for 20 years, covering listed and unlisted companies in a variety of sectors including infrastructure, construction and engineering, energy, financial services, building product manufacture and distribution, and health services.

Kate has broad commercial and organisational experience, as well as a focus on risk, audit and governance, supported by her legal background in both government law and private practice.

In addition to Adairs Limited, Kate is a non-executive director of Sonic Healthcare Ltd, Sigma Healthcare Ltd, the Geelong Football Club, Future Fuels CRC Ltd, Jellis Craig Corporation Pty Ltd and CIMIC Group.

Previous board positions have included chairman and director of UGL Ltd, and director of Pacific Hydro, Fulton Hogan, IOOF, Transfield Services Infrastructure, Suncorp Portfolio Services and AEMO.

Kate holds a Bachelor of Laws with honours and a Bachelor of Arts. She is also a Fellow of the Australian Institute of Company Directors.

Recommendation

For the reasons outlined above, the Board (with Kate Spargo abstaining) unanimously recommends that shareholders vote **in favour** of Kate Spargo's re-election.

Item 2(c): Re-election of Kiera Grant

Kiera Grant is a Non-Executive Director and joined the Board in January 2019. The Board considers Kiera to be an independent Director. Kiera is a member of the Remuneration Committee and the Nomination Committee.

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

In addition to Adairs Limited, Kiera is Chair and Trustee of the Art Gallery of New South Wales Foundation and holds a number of non-executive directorships including Future Generation Global Investment Company Ltd, Samuel Smith and Sons Pty Ltd (incorporating Yalumba Wine Co and Negotiants Fine Wine Distributors) and Perennial Partners.

Kiera is a former non-executive director of Pacific Brands Ltd and holds a Bachelor of Economics.

Recommendation

For the reasons outlined above, the Board (with Kiera Grant abstaining) unanimously recommends that shareholders vote **in favour** of Kiera Grant's re-election.

Item 3 – Remuneration Report

Shareholders will have a reasonable opportunity at the Meeting to ask questions about or make comments on the Remuneration Report. The Remuneration Report on pages 43-60 of the Company's 2022 Annual Report sets out the remuneration policies of the Company and reports on the remuneration arrangements in place for the Company's KMP during the year ended 26 June 2022. The Annual Report is available on the Company's investor relations website at investors.adairs.com.au.

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote and discussion at the Meeting into account in setting remuneration policy for future years.

Recommendation

The Board unanimously recommends that shareholders vote **in favour** of the adoption of the Remuneration Report.

Items 4 and 5 – Approval of long-term incentive grant of Performance Rights

Pursuant to ASX Listing Rule 10.14, the Company is seeking shareholder approval for the grant of Performance Rights to Mark Ronan and Michael Cherubino (each an **Eligible Participant**), as part of their Long-Term Incentive (**LTI**) for FY2023.

ASX Listing Rule 10.14 provides that a listed company must not issue securities to a Director under an employee incentive scheme unless it obtains the approval of its shareholders. As both Mark and Michael are Executive Directors of the Company, shareholder approval is being sought for this purpose.

If shareholder approval is obtained, the Performance Rights pursuant to Agenda items 4 and 5 will be granted under the Adairs Limited Equity Incentive Plan (the **Plan**) within 12 months of the Meeting.

Key terms of the FY2023 LTI grant

The LTI grant is designed to align the interests of the Eligible Participants with the interests of shareholders by providing the opportunity to receive an equity interest in the Company through the granting of performance rights.

The proposed change to the type of securities used in the FY2023 LTI grant from options (i.e. as used in previous LTI grants) to Performance Rights is intended to better align our LTI plan with those of peers at other ASX listed retailers. The performance measures proposed focus on outcomes that are in the reasonable control of management (e.g. Earnings Per Share), and over the long-term are expected to correlate strongly with the value created for shareholders.

It is proposed that Mr Ronan be granted 289,427 Performance Rights. The number of Performance Rights to be granted has been calculated based on the 5-day VWAP following release of the company's FY22 annual results. The total value of the grant is therefore \$657,000, which equates to approximately 90% of his fixed annual remuneration of \$730,000 in FY23.

It is proposed that Mr Cherubino be granted 107,930 Performance Rights. The number of Performance Rights to be granted has been calculated based on the 5-day VWAP following release of the company's FY22 annual results. The total value of the grant is therefore \$245,000, which equates to approximately 50% of his fixed annual remuneration of \$490,000 in FY23.

The Performance Rights do not entitle an Eligible Participant to dividends or voting rights however 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).

Performance Period

The performance period is 3 financial years from 27 June 2022 to 29 June 2025.

Vesting conditions

1. Service condition

Unless the Board determines otherwise, for any Performance Rights to vest [and become exercisable], the Eligible Participant must remain employed on a full time basis by the Company at the vesting date, subject to the cessation of employment provisions outlined below. The service condition will be tested on the vesting date for the Performance Rights, being 29 June 2025.

2. Performance conditions

Each proposed grant of Performance Rights will be subject to an earnings per share (**EPS**) performance condition. The performance hurdles are expressed as the absolute EPS for FY25.

Earnings per Share performance condition

The EPS performance condition will be measured by reference to the Company's EPS for the year ended 29 June 2025.

EPS measures the earnings generated by the Company attributable to the weighted average number of shares on issue during the period. Calculation of the EPS and achievement against the performance condition will be determined by the Board in its absolute discretion.

EXPLANATORY NOTES *continued*

The following table outlines the EPS performance hurdles as determined by the Board which must be met in order for Performance Rights to vest:

EPS Performance	Proportion of options that will vest against relevant target
Less than 35 cents	Nil
Between 35 and 45 cents	Pro-rata vesting on a straight-line basis between 30% and 100%
Equal to, or above, 45 cents	100%

For the purpose of this tranche of the LTI, the Board has determined that the Company's EPS for the period ending on 26 June 2022 is 30.3 cents per share, which is based on the underlying NPAT of the Company for FY22 of \$51.6 million.

Testing of the vesting conditions

Testing of the vesting conditions will occur at the end of the performance period. Any Performance Rights that do not vest will lapse immediately.

Cessation of employment

Where the employment of an Eligible Participant is terminated for cause or they resign, all unvested Performance Rights will lapse, unless otherwise determined by the Board.

Change of control

In the event of a likely change in control of the Company, the Board has a discretion to determine that some or all of the Eligible Participant's Performance Rights will vest.

If a change of control occurs before the Board exercises its discretion, a pro-rata portion of the Performance Rights (equal to the portion of the relevant performance period that has elapsed up to the change of control) will vest.

Restrictions on dealing

An Eligible Participant must not sell, transfer, encumber, hedge or otherwise deal with Performance Rights.

An Eligible Participant will be free to deal with the shares allocated on exercise of the Performance Rights, subject to the requirements of the Company's Securities Dealing Policy.

Additional information provided in accordance with ASX Listing Rules

- Mr Ronan's total remuneration package as at 31 August 2022 is \$1,972,000, comprising 37% as total fixed remuneration (inclusive of superannuation) and 63% as the maximum amount he can earn as variable remuneration. Further details regarding Mr Ronan's remuneration package are set out in the Remuneration Report in the Company's 2022 Annual Report.
- Mr Cherubino's total remuneration package as at 31 August 2022 is \$1,060,000, comprising 46% as total fixed remuneration (inclusive of superannuation) and 54% as the maximum amount he can earn as variable remuneration. Further details regarding Mr Cherubino's remuneration package are set out in the Remuneration Report in the Company's 2022 Annual Report.
- 3,815,000 options have been granted to Mr Ronan and 1,875,000 options have been granted to Mr Cherubino under the Plan in prior years. [The Options were granted for nil consideration as they form part of the executive's remuneration]. Each option held by Mr Ronan and Mr Cherubino entitles them to acquire an ordinary share in the Company subject to meeting specific performance and service conditions, and payment of an exercise price. The range of exercise prices is set out on page 59 of the 2022 Annual Report while the performance and service conditions are assessed and set by the Board each year in which options are proposed to be granted.
- As the Performance Rights form part of Mr Ronan's and Mr Cherubino's remuneration they are granted at no cost. No other Performance Rights have been issued to the Company's Directors under the Plan.

- Mark Ronan and Michael Cherubino are the only Directors entitled to receive options or Performance Rights under the Plan.
- No loan will be made by the Company in relation to the acquisition or exercise of Performance Rights by a Director.
- The Company uses Performance Rights because they seek to align the interests of executives and shareholders in creating long-term shareholder value. The Performance Rights do not receive dividends or have voting rights unless they vest and are exercised by the beneficiary.
- If shareholder approval is not obtained, the Board will consider alternative arrangements to appropriately remunerate and incentivise Mr Ronan and Mr Cherubino.
- Details of any Performance Rights or shares issued under the Plan will be published in the Company's Annual Report relating to the period in which they were issued, along with a statement that approval for this issue was obtained under ASX Listing Rule 10.14.
- Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of securities under the Plan after these Agenda items are approved and who are not named in this Notice of Meeting will not participate until approval is obtained under ASX Listing Rule 10.14.

Recommendation

The Board (with Mark Ronan and Michael Cherubino abstaining) unanimously recommends that shareholders vote **in favour** of the grant of Performance Rights to Mark Ronan and Michael Cherubino.

Item 6 – Approval of the financial assistance resolution

1. Background to the requirement for the financial assistance resolution

Pursuant to section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares in the company or a holding company of the company if the assistance is approved by shareholders under section 260B of the Corporations Act.

Under section 260B(1) of the Corporations Act, the financial assistance must be approved by a resolution passed by the shareholders of the relevant company.

In addition, under section 260B(2) of the Corporations Act, if immediately after the acquisition the company will be a subsidiary of another domestic corporation that is listed in Australia, then the financial assistance must be approved by a special resolution passed by the shareholders of that other domestic corporation.

The purpose of this Agenda item 6 is to explain in further detail the proposed financial assistance resolution set out in this Notice of Meeting which must be passed under section 260B(2) of the Corporations Act to enable Refocus Furniture Pty Ltd (ACN 634 288 298) and its subsidiaries (each a **Refocus Furniture Entity**) to financially assist Home & Decor Pty Ltd (ACN 147 375 988) (the **Purchaser**) in connection with the Acquisition (as described below). This resolution is required as, immediately following completion of the Acquisition (as described below), the Company became a holding company of each Refocus Furniture Entity.

2. Acquisition

On 1 December 2021, the Purchaser, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of Refocus Furniture Pty Ltd (ACN 634 288 298), which owns the entire issued share capital of Focus on Furniture Pty Ltd and certain other subsidiaries (the **Acquisition**).

Following the Acquisition, each Refocus Furniture Entity became a wholly-owned subsidiary of the Company.

The upfront consideration that was payable in connection with the Acquisition was partly funded with the proceeds of loans under the Facilities (as described below). Any deferred consideration which may have been paid or may in the future become payable by the Purchaser in connection with the Acquisition may also be funded with the proceeds of loans under the Facilities (as described below).

Further details of the Acquisition are outlined in the Company's ASX announcement on 1 December 2021.

EXPLANATORY NOTES *continued*

3. Debt financing arrangements

The Company and certain of its subsidiaries are or may in the future become party to debt financing arrangements. Pursuant to the terms of the debt financing arrangements, the Company and certain of its other subsidiaries have or will in the future have access to debt facilities including, amongst other things, cash advance facilities and working capital facilities (which may include, amongst other things, bank guarantee/letter of credit facilities, credit card facilities, overdraft facilities and other transactional banking facilities) (together, the **Facilities**).

The debt financing arrangements are currently governed by, amongst other documents:

- › the senior facilities agreement dated 23 February 2015 between, amongst others, the Company, the Purchaser and Commonwealth Bank of Australia, as amended from time to time, including by the amendment letter dated 25 November 2021 (**SFA**);
- › a security trust deed dated 3 December 2010, as amended from time to time (**Security Trust Deed**); and
- › each other 'Finance Document' (as defined in the SFA),

(together, the **Finance Documents**).

The Finance Documents contain, amongst other things, guarantees and indemnities in respect of the payment and other obligations under the Finance Documents and undertakings, representations, warranties and events of default consistent with financing arrangements of this nature or as required by the relevant financiers.

In addition, the Company and certain of its subsidiaries have provided security over some or all of their assets and undertaking to a security trustee (the **Security Trustee**) to hold on trust for the 'beneficiaries' under the Security Trust Deed. Those 'beneficiaries' include, among others, the financiers under the Facilities and the Finance Documents.

4. Financial Assistance

4.1 *Provision of guarantees and security*

Under the terms of the SFA, it is a requirement that, following the completion of the Acquisition, some or all of the Refocus Furniture Entities become:

- a. a "Guarantor" and "Obligor" under the SFA, by executing an accession letter under the SFA; and
- b. a "Security Provider" under the Security Trust Deed, by executing an accession deed under the Security Trust Deed,

(the **Accession Documents**).

Upon execution of the Accession Documents, each relevant Refocus Furniture Entity will (amongst other things) become a party to the SFA and the Security Trust Deed and become bound by the guarantees, indemnities and undertakings and give the representations and warranties in the SFA and the Security Trust Deed.

In addition, it is proposed that some or all of the Refocus Furniture Entities grant security over their respective assets and undertaking to the Security Trustee to hold on trust for the 'beneficiaries' under the Security Trust Deed (the **Security**). The Security will, amongst other things, secure the obligations of all borrowers and guarantors under the SFA and the other Finance Documents.

4.2 *Other support*

In addition, some or all of the Refocus Furniture Entities may, or may be required to:

- › borrow amounts under the Finance Documents or incur other indebtedness under the Finance Documents;
- › make available directly or indirectly their respective cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable the Company or its other subsidiaries to comply with their payment and other obligations under the Finance Documents;
- › consent or agree to amendments to the Finance Documents or enter into other Finance Documents;
- › provide additional support which may include incurring additional obligations and/or providing additional guarantees, mortgages and/or charges; and/or
- › provide other financial assistance in connection with the Acquisition including, without limitation, in connection with any refinancing.

5. Financial assistance resolution

5.1 Need for approval

The entry by the relevant Refocus Furniture Entities into, and the performance by the relevant Refocus Furniture Entities of their respective rights and obligations under, the Accession Documents, the Security and the other documents described above and the participation by the relevant Refocus Furniture Entities in the funding arrangements and other transactions, all as described above, constitutes the giving of financial assistance in connection with the Acquisition, within the meaning of section 260A(1) of the Corporations Act.

Pursuant to section 260B(2) of the Corporations Act, it is proposed that the giving of the financial assistance by each Refocus Furniture Entity be approved by the shareholders of the Company.

In addition, approval under section 260B(1) of the Corporations Act will be separately sought from the sole shareholder of each Refocus Furniture Entity.

5.2 Reason for the financial assistance

The reason for the giving of the financial assistance described above is to enable the Company and its other subsidiaries to comply with their obligations under the SFA and the other Finance Documents. If such obligations are not complied with, an 'Event of Default' will occur under the Finance Documents and the funding under the Finance Documents may be required to be repaid.

5.3 Effects, advantages and disadvantages

The substantial effect of the financial assistance described above on each relevant Refocus Furniture Entity is that it will have guaranteed all amounts payable under the Finance Documents and granted security for such obligations over its assets and undertaking. In addition, its operations will be restricted by the representations, warranties and undertakings given by it under the Finance Documents.

As the Company and certain of its subsidiaries are already liable for amounts payable under the Finance Documents, the giving of the financial assistance described above by the Refocus Furniture Entities is unlikely to have any adverse effect on the Company and the directors of the Company do not believe there are any disadvantages to the Company of the proposed resolution.

The advantage to the Company of the proposed resolution is that the Company and its other subsidiaries will be able to comply with its obligations under the SFA and the other Finance Documents. This will avoid an 'Event of Default' occurring under the SFA. If an 'Event of Default' occurs, the financiers may require immediate repayment of the amounts outstanding under the Finance Documents and the Security Trustee may be able to enforce the security it holds over the assets of the Company and its subsidiaries.

6. Prior notice to the Australian Securities & Investments Commission

As required by section 260B(5) of the Corporations Act, copies of this Notice of Meeting and these explanatory notes were lodged with the Australian Securities & Investments Commission prior to being made available to shareholders.

7. Further Information

The financial assistance resolution is set out in this Notice of meeting. The financial assistance resolution will be passed if at least 75% of the votes cast by shareholders entitled to vote on the resolution vote for the resolution. Shareholders may vote either for or against the financial assistance resolution.

8. Disclosure

The directors consider that this Agenda item 6 contains all information known to the Company that would be material to the shareholders in deciding how to vote on the proposed resolution other than information which it would be unreasonable to require the Company to include because it has been previously disclosed to the shareholders of the Company.

Recommendation

The directors unanimously recommend that the shareholders vote **in favour** of the financial assistance resolution to approve the giving of financial assistance by each Refocus Furniture Entity from time to time.

adairs

LODGE YOUR VOTE



ONLINE

<https://investorcentre.linkgroup.com>



BY MAIL

Adairs Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

VOTING FORM

I/We being a member(s) of Adairs Limited (the **Company**) and entitled to attend and vote hereby appoint:

STEP 1 Please mark either A or B

A

VOTE DIRECTLY



elect to lodge my/our
vote(s) directly (mark box)



in relation to the Annual General Meeting of the Company to be held at **11:00 am (AEDT) on Friday, 21 October 2022**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" for each item. Do not mark the "abstain" box as this will render that vote invalid.

OR

B

APPOINT A PROXY



the Chairman
of the Meeting
(mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00 am (AEDT) on Friday, 21 October 2022 at Bellarine Room at Hyatt Centric, 25 Downie Street, Melbourne, Victoria (the Meeting)** and at any postponement or adjournment of the Meeting.

Shareholders unable to attend may view the meeting by webcast via the following website: <https://meetings.linkgroup.com/ADH22>, however this does not provide for asking questions or voting.

Important for Items 3, 4 & 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Items 3, 4 & 5, even though the Item is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Voting Forms will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2

Items

2a Re-election of Trent Peterson as a Director

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

4 Approval of long-term incentive grant of rights to Mark Ronan

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

2b Re-election of Kate Spargo as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

5 Approval of long-term incentive grant of rights to Michael Cherubino

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

2c Re-election of Kiera Grant as a Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

6 Approval of financial assistance to Refocus Furniture Pty Ltd and its subsidiaries

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

3 Remuneration Report

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

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Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

ADH PRX2201N



HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's Share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your Shares using this form.**

VOTING UNDER BOX A - DIRECT VOTE

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either **"for"** or **"against"** for each item. Do not mark the **"abstain"** box. If you mark the **"abstain"** box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories **"for"** and **"against"** and their votes will be valid.

The Chairman's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a Shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form, including where the Items are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your Shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of Shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's Share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of Shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either Shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting Virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at vote@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's Share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A VOTING FORM

This Voting Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00 am (AEDT) on Wednesday, 19 October 2022**, being not later than 48 hours before the commencement of the Meeting. Any Voting Form received after that time will not be valid for the scheduled Meeting.

Voting Forms may be lodged using the reply paid envelope or:



ONLINE

<https://investorcentre.linkgroup.com>

Login to the Link website using the holding details as shown on the Voting Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their 'Holder Identifier' - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Adairs Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

*during business hours Monday to Friday (9:00am - 5:00pm) and subject to public health orders and restrictions