



Adairs Limited

Appendix 4E

Preliminary final report

52 weeks ending 28 June 2015

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

Current Period: 30 June 2014 to 28 June 2015 (52 weeks)

Prior corresponding period: 1 July 2013 to 29 June 2014 (52 weeks)

2. Results for announcement to the market

	Statutory Results \$A'000	Comparison to 2014 Statutory Results \$A'000			
Revenue from continuing operations	210,878	up	25.58%	from	167,917
Profit after tax from continuing operations attributable to members	2,942	down	56.62%	from	6,782
Profit/(Loss) after tax from discontinued operations after tax attributable to members	(2,197)	down	287.94%	from	763
Net profit after tax for the period attributable to members	745	down	90.13%	from	7,545

2.4 Dividends

The Board has resolved not to pay a dividend in respect of the year ended 28 June 2015.

2.5 Record Date for determining entitlement to dividends

Not applicable

2.6 Brief explanation of the figures reported above

The figures above represent the statutory results of the company.

The explanation following includes references to pro-forma results to exclude the impact of Adairs corporate and capital structure following the divestment of Dusk, refinancing of the Company's debt facilities and the costs associated with the IPO as disclosed in the Company's prospectus dated 29th May 2015. The Directors believe the presentation of non-IFRS financial measures such as pro-forma results and Earnings Before Interest and Tax (EBIT), are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business and can be directly compared to the forecasts given in the Prospectus. Non-IFRS financial measures contained within this report are not subject to audit or review.

Statutory Continuing Operations	2015 \$'000	2014 \$'000
Profit/ (Loss) after income tax from continuing operations	2,942	6,782
Add back:		
Finance expenses	14,267	15,985
Interest revenue	(446)	(347)
Income tax (benefit)/expense	1,675	(500)
EBIT from continuing operations ⁽¹⁾	<u>18,438</u>	<u>21,920</u>

- (1) EBIT is used as a measure of financial performance by excluding certain variables that affect operating profits but which may not be directly related to all financial aspects of the operations of the group. EBIT is not a measure of operating income, operating performance or liquidity under A-IFRS. Other companies may calculate EBIT in a different manner to us.

The table below reconciles the statutory result from continuing operations to the pro-forma result for FY2015 and FY2014. This illustrates the full year results from continuing operations had the operating structure that is in place following completion of the IPO, been in place since 1 July 2013.

	Consolidated	
	2015 \$'000	2014 \$'000
EBIT from continuing operations	18,438	21,920
Add Transaction Costs	14,727	-
Less Other Operating adjustments	(28)	(90)
Pro-forma EBIT	<u>33,137</u>	<u>21,830</u>

* Please refer to the attached directors' report within the financial report for details of the adjustments.

The table below details the pro forma results compared to the pro forma 2014 results from continuing operations:

	2015 \$'000	2014 \$'000	% Change
Revenue	210,878	167,917	+25.6%
Gross Profit	130,698	103,824	+25.9%
Earnings Before Interest and Tax ("EBIT")	33,137	21,830	+51.8%

The Company had an exceptional year with growth in EBIT of 51.8% on the prior year.

The growth in profit was driven by the revenue growth of 25.6% that was largely driven by the strong like for like sales growth of 21.6%. Like for like sales growth is calculated as a percentage change of the total aggregated sales generated from stores in a relevant period compared to the total aggregated sales from the same set of stores in the relevant previous corresponding period.

Strong revenue growth was driven primarily by the core store formats of Adairs and Adairs Homemaker delivering like for like sales of 20.4%. The Company's ongoing strategy of product differentiation and growth in fashion and decorator product delivered the revenue growth through increased customers and transaction growth across the core store formats. The emerging store formats of Adairs Kids and Urban Home Republic delivered like for like sales growth of 30.5% driven by the businesses ongoing work in improving the product offering in these formats.

Complementing the performance of these formats was the continued strong growth in online sales of 35.2% with the second half being particularly strong delivering 48.3% growth.

Complementing the strong sales growth was an improved gross margin rate on the prior year (20 basis points) as the business benefited from increased directly sourced product, change in sales mix towards higher margin fashion and decorator product and a cleaner inventory position reducing markdowns offset by the decline in the Australian dollar.

The increased revenue resulted in a further improved EBIT margin as operating leverage achieved on the higher sales resulted in an improved EBIT margin of 15.7% (2014 13.0%).

Due to the significant changes in the financing structure it is not reasonable to compare the net profit attributable to members for the prior year as a significantly higher gearing level was in place throughout the 2014 period.

3. Income Statement

Please refer to the attached financial statements for the 52 weeks ended 28 June 2015.

4. Balance Sheet

Please refer to the attached financial statements for the 52 weeks ended 28 June 2015.

5. Cash Flow Statement

Please refer to the attached financial statements for the 52 weeks ended 28 June 2015.

6. Dividend Details

Not applicable

7. Dividend or distribution reinvestment plan details

Not applicable

8. Statement of Changes in Equity

Please refer to the attached financial statements for the 52 weeks ended 28 June 2015.

9. Net tangible asset backing per ordinary security as at 28 June 2015

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	-\$0.15	N/A

10. Control gained or lost over entities in the financial year

During the financial year the group lost control of the Dusk group of companies by way of sale on the 23 February 2015.



	Ownership Interest		Consolidated profit from ordinary activities and extraordinary items after tax of the controlled entity	
	Current Period	Previous Corresponding Period	Current period to date of loss of control	Previous Corresponding Period
Dusk	0%	100%	\$2,651	\$763

11. Details of aggregate share of profits (losses) of associates and joint venture entities

Not applicable

12. Other significant information

Refer to the commentary in section 2.6

13. Foreign Entities

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

14. Commentary

For further explanation please refer to the Investor Presentation accompanying this preliminary final report.

15. Audited Report

The report should be read in conjunction with the attached audited financial statements for the 52 weeks ended 28 June 2015. The audit opinion is unqualified.