

1. Company details

Name of entity:	Nick Scali Limited
ABN:	82 000 403 896
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	24.4% to	171,081
Profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	up	89.9% to	40,619
Profit for the half-year attributable to the owners of Nick Scali Limited	up	89.9% to	40,619

Dividends

	Amount per security Cents	Franked amount per security Percentage
Final dividend for the year ended 30 June 2020 paid on 27 October 2020	22.5	100.0

On 4 February 2021 the directors declared a fully franked interim dividend of 40.0 cents per ordinary share with a record date of 9 March 2021 to be paid on 30 March 2021.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$40,619,000 (31 December 2019: \$21,390,000).

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit after income tax expense	40,619	21,390
Interest income	(244)	(314)
Interest expense	3,281	3,753
Income tax expense	17,172	8,913
Earnings Before Interest and Tax (EBIT)	60,828	33,742
Depreciation and amortisation expense	15,454	14,576
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	<u>76,282</u>	<u>48,318</u>

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>118.36</u>	<u>93.32</u>

Nick Scali Limited

ABN 82 000 403 896

Half-Year Report – 31 December 2020

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The Company's directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'consolidated entity') consisting of Nick Scali Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The names and details of the Company's directors (referred to hereafter as the "Board") in office at any time during the period until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

John Ingram
 Stephen Goddard
 William Koeck (appointed 1 August 2020)
 Carole Molyneux
 Anthony Scali

Principal activities

The principal activities of the Group during the half-year were the sourcing and retailing of household furniture and related accessories.

No significant change in the nature of these activities occurred during the half-year.

Dividends

During the interim period a final franked dividend for 30 June 2020 was paid of 22.5 cents per fully paid ordinary share. Since the end of the interim period the directors have declared a fully franked interim dividend for the year ended 30 June 2021 of 40.0 cents per fully paid ordinary share to be paid on 30 March 2021 out of retained profits at 31 December 2020.

Operating and financial review

Group operating results

	31 Dec 2020 \$'m	31 Dec 2019 \$'m	Change %
Revenue	171.1	137.6	24.4%
NPAT	40.6	21.4	89.9%
EPS (cents)	50.1	26.4	89.8%
DPS (cents)	40.0	25.0	60.0%
Net cash flow	24.6	7.4	232.4%

For the half-year ended 31 December 2020, the consolidated entity recorded a net profit after tax of \$40,619,000, up 89.9% on the prior half-year result of \$21,390,000.

The increase in profit was driven by a 52% increase in revenue from \$137,548,000 to \$171,081,000, with comparable store sales growth complemented by growth in Nick Scali Online and successful new store openings.

The Group achieved a gross margin of 64.0% for the half-year, increasing the margin by 180 basis points compared to prior comparative period through pricing initiatives and volume efficiencies.

Operating expenses were tightly managed across all areas of the business, with productivity initiatives, particularly in marketing, delivering significant savings. Furthermore, the Group benefitted from Covid-19 related wage subsidies and rent concessions totalling almost \$4million, and in total these amounts far exceeded the additional costs of new store openings and incremental variable employee incentives, leading to an overall reduction in operating expenses of \$5,557,000.

After allowing for the gains made on the sale of property in the prior half year, the underlying growth in net profit after tax was approximately 100%.

Showroom network

During the half-year, the Group opened two new Nick Scali Furniture showrooms, one in Bennetts Green, New South Wales and one in Wairau Park, New Zealand. These openings bring the total store network to 60 stores, with 56 in Australia and four in New Zealand.

The Group anticipates opening another two new showrooms in the second half of financial year 2021.

Covid-19 impact

Throughout the half-year, the Company continued to address the issues arising from the Covid-19 pandemic, and was required to close eleven showrooms in Melbourne for a period of three months, as well as two showrooms in Auckland for period of four weeks.

Despite these temporary closures, trading has remained extremely buoyant throughout the period, with written sales orders growing by over 50% as consumers continued to allocate a significant proportion of discretionary spending toward items for the home.

The Company was eligible for the first phase of the Australian Government's JobKeeper wage subsidy scheme up until September 2020, as well as the New Zealand Government's equivalent scheme for a shorter period in August 2020. The Company received \$3,555,000 in wage subsidies during the half-year ended 31 December 2020.

Outlook

Growth in written sales orders for the Group remains strong, and due to extended lead times caused by delays in raw materials to our suppliers and shipping issues which continue to be challenging, the Company's outstanding order bank is at record levels.

Therefore, the Company expects to continue to deliver profit growth for the remainder of the financial year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company during the half-year other than those set out in the operating and financial review above.

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Class Order 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

The directors received the declaration from the auditor of Nick Scali Limited and is included on page 4 of the Financial Statements.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



John Ingram
Chairman



Anthony Scali
Managing Director

4 February 2021
Sydney



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Nick Scali Limited

As lead auditor for the review of the half-year financial report of Nick Scali Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Lisa Nijssen-Smith
Partner
4 February 2021

Nick Scali Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2020



	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Revenue from contracts with customers	3	171,081	137,548
Cost of goods sold		(61,580)	(51,940)
Gross profit		109,501	85,608
Other income	3	845	2,887
Expenses			
Marketing expenses		(6,943)	(9,438)
Employment expenses	4	(18,792)	(21,166)
General and administration expenses		(4,941)	(5,493)
Property expenses	4	(2,398)	(2,778)
Distribution expenses		(743)	(953)
Depreciation and amortisation		(15,454)	(14,576)
Finance costs		(3,284)	(3,788)
Profit before income tax expense		57,791	30,303
Income tax expense		(17,172)	(8,913)
Profit after income tax expense for the half-year attributable to the owners of Nick Scali Limited		40,619	21,390
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		6	(6)
Net change in the fair value of cash flow hedges taken to equity, net of tax		429	(1,126)
Other comprehensive income for the half-year, net of tax		435	(1,132)
Total comprehensive income for the half-year attributable to the owners of Nick Scali Limited		41,054	20,258
		Cents	Cents
Basic earnings per share		50.1	26.4
Diluted earnings per share		50.1	26.4

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

	Note	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		87,648	63,037
Receivables		1,176	2,571
Inventories	6	40,708	36,273
Prepayments		3,180	2,091
Total current assets		<u>132,712</u>	<u>103,972</u>
Non-current assets			
Property	7	80,640	74,488
Plant and equipment	7	15,833	15,181
Right-of-use assets	8	169,105	161,734
Deferred tax		7,255	7,041
Intangibles assets		2,378	2,378
Total non-current assets		<u>275,211</u>	<u>260,822</u>
Total assets		<u>407,923</u>	<u>364,794</u>
Liabilities			
Current liabilities			
Borrowings	9	11,000	2,300
Payables	10	17,246	18,020
Lease liabilities	8	26,742	23,434
Deferred revenue	11	49,072	40,243
Current tax liabilities		7,974	5,587
Provisions	12	3,221	3,222
Other financial liabilities	13	5,200	5,371
Total current liabilities		<u>120,455</u>	<u>98,177</u>
Non-current liabilities			
Borrowings	9	22,662	31,362
Lease liabilities	8	164,054	157,769
Deferred revenue	11	954	620
Provisions	12	1,552	1,452
Total non-current liabilities		<u>189,222</u>	<u>191,203</u>
Total liabilities		<u>309,677</u>	<u>289,380</u>
Net assets		<u>98,246</u>	<u>75,414</u>
Equity			
Issued capital		3,364	3,364
Reserves		(3,600)	(4,038)
Retained profits		98,482	76,088
Total equity		<u>98,246</u>	<u>75,414</u>

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

	Issued Capital \$'000	Equity benefits reserve \$'000	Capital profits reserve \$'000	Cash flow hedge reserve \$'000	Foreign exchange reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2019	3,364	(29)	78	475	6	81,289	85,183
Adjustment to opening balance for adoption of AASB16	-	-	-	-	-	(10,827)	(10,827)
Adjusted opening balance at 1 July 2019	3,364	(29)	78	475	6	70,462	74,356
Profit after income tax expense for the half-year	-	-	-	-	-	21,390	21,390
Other comprehensive income for the half-year, net of tax	-	-	-	(1,126)	(6)	-	(1,132)
Total comprehensive income for the half-year	-	-	-	(1,126)	(6)	21,390	20,258
Employee share rights recognised under Executive Performance Rights Plan	-	(442)	-	-	-	-	(442)
Dividends paid (Note 5)	-	-	-	-	-	(16,200)	(16,200)
Balance at 31 December 2019	3,364	(471)	78	(651)	-	75,652	77,972
	Issued capital \$'000	Equity benefit reserve \$'000	Capital profits reserve \$'000	Cash flow hedge reserve \$'000	Foreign exchange reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	3,364	(352)	78	(3,760)	(4)	76,088	75,414
Profit after income tax expense for the half-year	-	-	-	-	-	40,619	40,619
Other comprehensive income for the half-year, net of tax	-	-	-	429	6	-	435
Total comprehensive income for the half-year	-	-	-	429	6	40,619	41,054
Employee share rights recognised under Executive Performance Rights Plan	-	3	-	-	-	-	3
Dividends paid (Note 5)	-	-	-	-	-	(18,225)	(18,225)
Balance at 31 December 2020	3,364	(349)	78	(3,331)	2	98,482	98,246

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

	Note	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Cash flows from operating activities			
Receipts from customers		200,459	147,874
Payments to suppliers and employees		(118,739)	(107,352)
		81,720	40,522
Interest receipts		244	314
Income tax payments		(14,992)	(9,381)
Net cash from operating activities		66,972	31,455
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,387)	(2,357)
Proceeds from the sale of property, plant and equipment		11	9,767
Net cash from investing activities		(10,376)	7,410
Cash flows from financing activities			
Payment of dividends on ordinary shares	5	(18,225)	(16,200)
Repayment of lease liabilities		(10,479)	(11,538)
Interest payments - lease liabilities		(2,996)	(3,321)
Interest payments - borrowings		(285)	(432)
Net cash used in financing activities		(31,985)	(31,491)
Net increase in cash and cash equivalents		24,611	7,374
Cash and cash equivalents at the beginning of the half-year		63,037	36,284
Cash and cash equivalents at the end of the half-year		87,648	43,658

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

Note 1. Basis of preparation

Basis of preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

Where necessary, and as a result of a change in the classification of certain expenses during the current year, comparative amounts in the statement of comprehensive income have been reclassified for consistency with presentation in the current year.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intercompany transactions, balances and unrealised gains on transactions between the Company and its subsidiaries are eliminated. Accounting policies of the subsidiaries are consistent with the policies adopted by the Company.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 30 June 2020.

Significant accounting judgements, estimates and assumptions

In the process of applying the Company's accounting policies, management has made judgements, estimates and assumptions. All judgements, estimates and assumptions made are believed to be reasonable, based on the most current information available to management. Actual results may differ from these judgements, estimates and assumptions. Judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements:

Impairment of goodwill

The Company determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated. Assessment performed at balance date confirmed no indicators of impairment are present.

Lease term of contracts with renewable options

The Company determines the lease term to be the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised. In assessing the likelihood of a lease option being exercised, the Company considers the costs of termination, the extent of any leasehold improvements, the strategic importance of the lease location and the current market rent for the site.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as consideration of lease terms (for assets used in or affixed to leased premises) and replacement policies (for motor vehicles). In addition, the condition

of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Net realisable value of inventories

Inventories are valued at the lower of cost and net realisable value. Weighted average cost is used to value inventories. Costs incurred in bringing each product to its present location and condition including freight, cartage and import duties are included in the cost of finished goods.

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

Note 2. Segment information

The Company has identified the Managing Director and the Board of Directors as the chief operating decision makers. The Company has one reportable segment being the retailing of furniture in Australia and New Zealand.

Note 3. Revenue

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Revenue		
Revenue from contracts with customers	171,081	137,548
	<hr/>	<hr/>
Other income		
Net gain on disposal of property, plant and equipment	7	1,826
Rental income	440	592
Interest income	244	314
Sundry income	154	155
	<hr/>	<hr/>
	845	2,887
	<hr/> <hr/>	<hr/> <hr/>

Note 4. Expenses

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Included within employment expenses		
Salaries and wages	19,489	17,446
Government wage subsidies received as a consequence of Covid-19	(3,555)	-
Superannuation expense	1,539	1,503
Share-based payments	46	-
Included within property expenses		
Operating lease payments	445	345
Rent concessions received as a consequence of Covid-19	(539)	-

Note 5. Dividends

Dividends paid during the half-year were as follows:

	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Final fully franked dividend for 30 June 2020: 22.5 cents (2019: 20.0 cents)	<u>18,225</u>	<u>16,200</u>

On 4 February 2021 the directors declared a fully franked interim dividend of 40.0 cents per fully paid ordinary share with a record date of 9 March 2021 to be paid on 30 March 2021.

Note 6. Inventories

	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Finished goods - at net realisable value	28,317	28,576
Stock in transit - at cost	<u>12,391</u>	<u>7,697</u>
	<u><u>40,708</u></u>	<u><u>36,273</u></u>

During the half-year ended 31 December 2020, \$400,000 was recorded as a reduction in the cost of goods sold due to changes in the net realisable value of finished goods inventories (31 December 2019: \$953,000 increase in cost of goods sold).

Note 7. Property, plant and equipment

	31 Dec 2020	30 Jun 2020
	\$'000	\$'000
Property		
Land and buildings – at cost	86,814	80,084
Less: Accumulated depreciation	<u>(6,174)</u>	<u>(5,596)</u>
	<u><u>80,640</u></u>	<u><u>74,488</u></u>

Note 7 (continued) Property, plant and equipment

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Plant and equipment		
Leasehold improvements - at cost	20,909	19,484
Less: Accumulated depreciation	<u>(10,734)</u>	<u>(10,122)</u>
	10,175	9,362
Fixtures and fittings - at cost	952	956
Less: Accumulated depreciation	<u>(746)</u>	<u>(729)</u>
	206	227
Motor vehicles - at cost	735	684
Less: Accumulated depreciation	<u>(400)</u>	<u>(381)</u>
	335	303
Office equipment – at cost	13,517	13,036
Less: Accumulated depreciation	<u>(8,400)</u>	<u>(7,747)</u>
	5,117	5,289
	<u>15,833</u>	<u>15,181</u>

Note 8. Leases

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Lease liabilities		
Lease liabilities - current	26,742	23,434
Lease liabilities – non current	<u>164,054</u>	<u>157,769</u>
	190,796	181,203
Right-of-use assets		
Right-of-use assets – at cost	282,740	263,488
Less: Accumulated depreciation	<u>(113,635)</u>	<u>(101,754)</u>
	169,105	161,734

Note 9. Borrowings

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Bank loan – current	11,000	2,300
Bank loan – non current	<u>22,662</u>	<u>31,362</u>
	33,662	33,662

Note 10. Payables

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Trade creditors	10,908	11,027
Other creditors and accruals	6,338	6,993
	<u>17,246</u>	<u>18,020</u>

Note 11. Deferred revenue

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Customer deposits	48,758	40,045
Accidental damage warranties – current	314	198
Deferred revenue – current	<u>49,072</u>	<u>40,243</u>
Accidental damage warranties – non current	954	620
Deferred revenue – non current	<u>954</u>	<u>620</u>

Note 12. Provisions

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Employee entitlements	3,117	3,083
Lease make good	104	139
Provisions – current	<u>3,221</u>	<u>3,222</u>
Lease make good	1,158	1,122
Employee entitlements	394	330
Provisions – non current	<u>1,552</u>	<u>1,452</u>

Note 13. Other Financial Liabilities

	31 Dec 2020 \$'000	30 Jun 2020 \$'000
Derivative hedge payable (Note 14)	<u>5,200</u>	<u>5,371</u>

Note 14. Financial instruments

Foreign currency risk

All of the Company's sales are denominated in either Australian dollars or New Zealand dollars, whilst the majority of inventory purchases are denominated in US dollars. Where appropriate the Company uses forward currency contracts and options to manage its currency exposures; and where the qualifying criteria are met, these are designated as hedging instruments for the purposes of hedge accounting.

As at 31 December 2020, the Company has trade payables of \$2,676,000 (30 June 2020: \$1,528,000) denominated in US dollars and stock in transit of \$12,391,000 (30 June 2020: \$7,697,000) denominated in US dollars, most of which are covered by designated cash flow hedges. As a result, the sensitivity to a reasonably possible change in the US dollar exchange rate is minimal. The cash flows relating to cash flow hedge positions held at 31 December 2020 are expected to occur between January 2021 and June 2021, and the profit and loss is expected to be affected through cost of sales as the hedged items (inventory) are sold to customers. All forecast transactions subject to hedge accounting have occurred or are highly likely to occur.

During the half-year, the Company designated foreign currency forward contracts as hedges of highly probable future purchases of inventory in US dollars. The future purchases are expected to occur between January 2021 and June 2021.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. Both parties to the contract have fully cash collateralised the foreign currency forward contracts, and therefore, effectively eliminated any credit risk associated with the contracts (both the counter-party's and the Company's own credit risk). Consequently, the hedges were assessed to be highly effective. As at 31 December 2020, an unrealised foreign exchange gain of \$435,000 (31 December 2019: unrealised loss of \$1,126,000) is recorded in other comprehensive income.

Note 15. Fair value measurement

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised with the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

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

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

At the reporting date the fair value of derivative financial instrument represented a derivative hedge payable of \$5,200,000 (30 June 2020: payable \$5,371,000). All foreign currency forward contracts were measured at fair value using the Level 2 method. Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 16. Contingent liabilities

There are no contingent liabilities at 31 December 2020 (30 June 2020: Nil).

Note 17. Commitments

Capital Commitments

At 31 December 2020, the Group had capital commitments of \$2,220,000 relating to building construction and showroom fit-out at Keswick, South Australia and building maintenance work at Auburn, New South Wales.

Note 18. Related party transactions

Other related party transactions

Dealings between the Company and the directors and personally-related entities were made during the half-year in the ordinary course of business on normal commercial terms and conditions. The nature of these dealings were primarily the reimbursement of personal expenses incurred on Company paid credit cards and the purchase of products for their own use.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to or from related parties

There were no loans to or from related parties at either the current or previous reporting date.

Note 19. Events after the reporting period

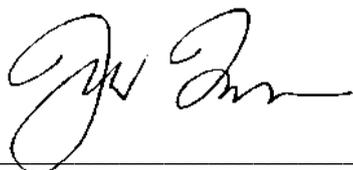
Apart from the dividend declared as disclosed in Note 5, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



John Ingram
Chairman



Anthony Scali
Managing Director

4 February 2021
Sydney



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Review Report to the Members of Nick Scali Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Nick Scali Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



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working world**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
4 February 2021