

## 1. Company details

Name of entity	Nick Scali Limited and its Controlled Entities (the Group)
ABN	82 000 403 896
Reporting period	For the half-year ended 31 December 2023
Previous period	For the half-year ended 31 December 2022

## 2. Results for announcement to the market

	Increase/ Decrease	%	\$'000
Revenues from ordinary activities	Decrease	20.2%	226,630
Profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	Decrease	29.0%	43,013
Profit for the half-year attributable to the owners of Nick Scali Limited	Decrease	29.0%	43,013

### Dividends

	Amount per security Cents	Franked amount per security %
Final dividend for the year ended 30 June 2023 paid on 18 October 2023	35.0	100.0

On 6 February 2024 the directors declared a fully franked interim dividend of 35 cents per ordinary share with a record date of 5 March 2024 to be paid on 26 March 2024.

### Comments

The profit for the consolidated entity after providing for income tax amounted to \$43,013,000 (31 December 2022: \$60,569,000). Written sales orders for the period were consistent with the prior period. Revenue for the prior period benefited from increased deliveries as the aging of the sales order bank reduced, with lead times returning to pre Covid levels following supply chain delays in the second half of FY22. As a result, revenue and profit for the current period reduced from the prior period.

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit after income tax expense	43,013	60,569
Interest income	(1,687)	(1,146)
Interest expense	7,263	5,925
Income tax expense	19,146	25,849
Earnings Before Interest and Tax (EBIT)	67,735	91,197
Depreciation and amortisation expense	22,110	20,973
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	89,845	112,170

## 3. Net tangible assets

	31 Dec 2023 Cents	31 Dec 2022 Cents
Net tangible assets per ordinary security	76.70	47.20

**Nick Scali Limited**

**ABN 82 000 403 896**

**Half-Year Report  
31 December 2023**

## Contents

Directors Report	2
Auditor's Independence Declaration	5
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Directors' declaration	17
Independent auditor's report to the members of Nick Scali Limited	18

## Directors Report

The Company's directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') 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 2023.

### 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 (Resigned effective 31 December 2023)  
 William Koeck  
 Carole Molyneux  
 Kathy Parsons  
 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 the year ended 30 June 2023 of 35.0 cents per fully paid ordinary share was paid. Since the end of the interim period the directors have declared a fully franked interim dividend for the period ending 31 December 2023 of 35 cents per fully paid ordinary share. The interim dividend will be paid out of retained profits at 31 December 2023, on 26 March 2024.

### Operating and financial review

#### *Group operating results*

	31 Dec 2023 \$'000	31 Dec 2022 \$'000	Change %
Revenue	226,630	283,908	-20.2%
Net profit after tax	43,013	60,569	-29.0%
Earnings per share ('EPS' cents)	53.1	74.8	-29.0%
Dividend per share (cents) paid	35.0	35.0	0.0%
Operating cashflow after deducting repayment of lease liabilities and interest on lease liabilities	43,578	35,205	+23.8%
Net change in borrowings	(20,000)	0.0	
Net cashflow	(20,949)	(5,730)	

The Group has recorded a decline in Revenue of 20.2% to \$226,630,000 in the interim period, net profit after tax was \$43,013,000 for the half-year ended 31 December 2023 which was a decrease of 29.0% on the prior comparative period.

Revenue for the prior period benefited from increased deliveries as the aging of the sales order bank reduced, with lead times returning to pre Covid levels following supply chain delays in the second half of FY22. As a result, revenue and profit for the current period reduced from the prior period. Written sales orders for the period were consistent with the prior period.

Group gross profit margin of 65.6% for the period improved 3.6% compared to the prior corresponding period and is consistent with the second half FY23 gross profit margin of 65.4%.

Operating expenses<sup>1</sup> were \$4,955,000 lower than the prior corresponding period. The prior period included additional logistics expenses of \$4 million to support the peak delivered volumes. Depreciation for leased assets and interest expense on leased liabilities for the period totalled \$24,252,000, \$1,702,000 higher than the prior corresponding period.

Operating cashflows after deducting repayment of lease liabilities and interest payments on lease liabilities were \$43,578,000 for the period, an increase of 23.8% compared to the prior period. Purchases of property, plant and equipment and leasehold improvements utilised \$13,757,000 of cash in the period including \$8,500,000 on the construction of a new distribution centre in Queensland. Completion of the new distribution centre is expected in the second half of FY24 with a total construction cost of \$16,200,000 in addition to the purchase of land in the prior year for \$7,800,000.

During the period the Group repaid \$20,000,000 on the debt facility taken out in November 2021 to partially fund the acquisition of Plush-Think Sofas Pty Ltd and returned \$28,350,000 to shareholders in the final FY23 dividend payment. Cash and cash equivalents at the end of the half year were \$68,302,000.

### **Showroom network**

During the half-year, the Group opened two new Plush-Think Sofas showrooms in Helensvale, Queensland and Payneham, South Australia. Nick Scali Payneham, South Australia also moved to a new larger format store. As part of the optimisation of the acquired Plush-Think Sofas store network one showroom closed during the period at Myaree, Western Australia.

In the current period 11 Plush showrooms were updated to the new concept for Plush launched in December 2022. In total 20 of the 44 Plush showrooms now reflect the new concept.

The company has a long-term target of 85 Nick Scali stores and 90-100 Plush stores.

### **Recent Trading**

January 2024 orders of \$58.9 million were up 3.6% over January 2023.

### **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 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group'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.

<sup>1</sup> Operating expenses exclude depreciation and amortisation expense and finance costs.

**Auditor's independence declaration**

The directors received the declaration from the auditor of Nick Scali Limited and is included on page 5 of the Financial Statements.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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John Ingram  
Chairman

6 February 2024  
Sydney



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Anthony Scali  
Managing Director



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Nick Scali Limited,

I declare that, to the best of my knowledge and belief, in relation to the review of Nick Scali Limited for the half-year ended 31 December 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

*KPMG*

KPMG

Julie Cleary  
*Partner*  
Sydney  
6 February 2024

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue from contracts with customers	3	226,630	283,908
Cost of goods sold		<u>(77,994)</u>	<u>(107,802)</u>
Gross profit		<u>148,636</u>	<u>176,106</u>
Other income	3	2,768	2,007
<b>Expenses</b>			
Marketing expenses		(11,463)	(10,202)
Employment expenses	4	(32,961)	(36,153)
General and administration expenses		(9,012)	(8,624)
Property expenses	4	(5,356)	(4,955)
Logistics expenses		(1,074)	(4,887)
Depreciation and amortisation		(22,110)	(20,973)
Finance costs		<u>(7,269)</u>	<u>(5,901)</u>
<b>Profit before income tax expense</b>		62,159	86,418
Income tax expense		<u>(19,146)</u>	<u>(25,849)</u>
<b>Profit after income tax expense for the half-year attributable to the owners of Nick Scali Limited</b>		43,013	60,569
<i>Other comprehensive income</i>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		33	133
Net change in the fair value of cash flow hedges taken to equity, net of tax		<u>(2,037)</u>	<u>(4,995)</u>
Other comprehensive income for the half-year, net of tax		<u>(2,004)</u>	<u>(4,862)</u>
<b>Total comprehensive income for the half-year attributable to the owners of Nick Scali Limited</b>		<u><u>41,009</u></u>	<u><u>55,707</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		53.1	74.8
Diluted earnings per share		53.1	74.8

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



	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents		68,302	89,251
Receivables		1,553	1,763
Inventories	6	53,187	54,555
Other financial assets	7	-	504
Prepayments		3,665	3,303
Total current assets		<u>126,707</u>	<u>149,376</u>
<i>Non-current assets</i>			
Land and buildings	8	113,599	104,482
Plant and equipment	8	17,731	14,836
Right-of-use assets	9	205,651	203,680
Deferred tax		6,893	5,493
Intangibles	10	129,853	129,773
Total non-current assets		<u>473,727</u>	<u>458,264</u>
<b>Total assets</b>		<u>600,434</u>	<u>607,640</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Borrowings	11	2,300	2,300
Payables	12	21,399	22,728
Lease liabilities	9	36,497	35,563
Deferred revenue	13	56,765	62,884
Current tax liabilities		7,713	5,560
Other financial liabilities	7	2,551	-
Provisions	14	5,600	5,325
Total current liabilities		<u>132,825</u>	<u>134,360</u>
<i>Non-current liabilities</i>			
Borrowings	11	69,387	89,387
Lease liabilities	9	193,084	190,915
Deferred revenue	13	1,758	2,274
Provisions	14	1,597	1,626
Deferred tax		9,800	9,165
Total non-current liabilities		<u>275,626</u>	<u>293,367</u>
<b>Total liabilities</b>		<u>408,451</u>	<u>427,727</u>
<b>Net assets</b>		<u>191,983</u>	<u>179,913</u>
<b>Equity</b>			
Issued capital		3,364	3,364
Reserves		(2,402)	191
Retained profits		191,021	176,358
<b>Total equity</b>		<u>191,983</u>	<u>179,913</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
<b>Balance at 1 July 2022</b>	<b>3,364</b>	<b>(93)</b>	<b>78</b>	<b>1,745</b>	<b>(192)</b>	<b>136,026</b>	<b>140,928</b>
Profit after income tax expense for the half-year	-	-	-	-	-	60,569	60,569
Other comprehensive income for the half-year, net of tax	-	-	-	(4,995)	133	-	(4,862)
Total comprehensive income for the half-year	-	-	-	(4,995)	133	60,569	55,707
Employee share rights recognised under Executive Performance Rights Plan	-	(390)	-	-	-	-	(390)
Dividends paid (Note 5)	-	-	-	-	-	(28,350)	(28,350)
<b>Balance at 31 December 2022</b>	<b>3,364</b>	<b>(483)</b>	<b>78</b>	<b>(3,250)</b>	<b>(59)</b>	<b>168,245</b>	<b>167,895</b>

	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
<b>Balance at 1 July 2023</b>	<b>3,364</b>	<b>(272)</b>	<b>78</b>	<b>493</b>	<b>(108)</b>	<b>176,358</b>	<b>179,913</b>
Profit after income tax expense for the half-year	-	-	-	-	-	43,013	43,013
Other comprehensive income for the half-year, net of tax	-	-	-	(2,037)	33	-	(2,004)
Total comprehensive income for the half-year	-	-	-	(2,037)	33	43,013	41,009
Employee share rights recognised under Executive Performance Rights Plan	-	(589)	-	-	-	-	(589)
Dividends paid (Note 5)	-	-	-	-	-	(28,350)	(28,350)
<b>Balance at 31 December 2023</b>	<b>3,364</b>	<b>(861)</b>	<b>78</b>	<b>(1,544)</b>	<b>(75)</b>	<b>191,021</b>	<b>191,983</b>

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

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		243,906	283,476
Payments to suppliers and employees		(161,810)	(203,924)
		82,096	79,552
Interest receipts		1,688	1,146
Income tax payments		(16,994)	(22,885)
Net cash from operating activities		66,790	57,813
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(13,757)	(10,464)
Purchase of intangible assets		(244)	(336)
Net cash used in investing activities		(14,001)	(10,800)
<b>Cash flows from financing activities</b>			
Payment of dividends on ordinary shares	5	(28,350)	(28,350)
Proceeds from borrowings		-	7,000
Repayment of borrowings		(20,000)	(7,000)
Repayment of lease liabilities		(18,097)	(18,468)
Interest payments - lease liabilities		(5,115)	(4,140)
Interest payments - borrowings		(2,176)	(1,785)
Net cash used in financing activities		(73,738)	(52,743)
Net decrease in cash and cash equivalents		(20,949)	(5,730)
Cash and cash equivalents at the beginning of the half-year		89,251	34,620
Cash and cash equivalents at the end of the half-year		68,302	28,890

*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 2023 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 2023 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.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of asset and settlement of liabilities in the ordinary course of business.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. 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 2023.

### **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 and brands*

The Company determines whether goodwill and brands are impaired on an annual basis. This requires determination of CGU's and estimation of the recoverable amount of the cash-generating unit to which the goodwill and brand is allocated. The Company has identified no events or changes in circumstances since the last annual review at 30 June 2023 which indicate goodwill or brands may be impaired at this interim reporting period.

#### *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 renew the lease if it is reasonably certain that the option will be exercised. In assessing the likelihood that a lease option will be 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.

*Net realisable value of inventory*

Net realisable value is determined based on the estimated selling price less an estimate of any costs necessary to make the sale in the ordinary course of business. 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 2023 \$'000	31 Dec 2022 \$'000
<b>Revenue</b>		
Revenue from contracts with customers	226,630	283,908
<b>Other income</b>		
Net gain on disposal of right-of-use asset	158	89
Rental income	481	473
Interest income	1,687	1,146
Sundry income	442	299
	<u>2,768</u>	<u>2,007</u>

**Note 4. Expenses**

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit before income tax includes the following specific expenses:		
<i>Included within employment expenses</i>		
Salaries and wages	23,836	24,049
Superannuation expense	2,678	2,478
Share-based payments	526	172
<i>Included within property expenses</i>		
Short-term and low value lease payments	986	1,053
Rent concessions received as a consequence of Covid-19	-	(64)

**Note 5. Dividends**

Dividends paid during the half-year were as follows:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Final fully franked dividend for 30 June 2023: 35.0 cents (2022: 35.0 cents)	28,350	28,350

On 6 February 2024 the directors declared a fully franked interim dividend of 35 cents per fully paid ordinary share with a record date of 5 March 2024 to be paid on 26 March 2024.

**Note 6. Inventories**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Finished goods - at net realisable value	37,221	41,702
Stock in transit - at cost	15,966	12,853
	53,187	54,555

During the half-year ended 31 December 2023, \$22,000 was recorded as a decrease to the cost of goods sold due to changes in the net realisable value of finished goods inventories (31 December 2022: \$741,000 increase in cost of goods sold).

**Note 7. Other Financial Assets and Liabilities**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Derivative hedge receivable	-	504
Derivative hedge payable	2,551	-

**Note 8. Property, plant and equipment**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b><i>Land and Buildings</i></b>		
Land and buildings - at cost	113,531	113,345
Less: accumulated depreciation	<u>(9,570)</u>	<u>(8,863)</u>
	<u>103,961</u>	<u>104,482</u>
Building under construction – at cost	9,638	-
Less: accumulated depreciation	<u>-</u>	<u>-</u>
	<u>9,638</u>	<u>-</u>
	<u>113,599</u>	<u>104,482</u>
<b><i>Plant and equipment</i></b>		
Leasehold improvements - at cost	28,912	24,927
Less: accumulated depreciation	<u>(16,748)</u>	<u>(15,475)</u>
	<u>12,164</u>	<u>9,452</u>
Fixtures and fittings - at cost	2,302	2,300
Less: accumulated depreciation	<u>(2,042)</u>	<u>(1,995)</u>
	<u>260</u>	<u>305</u>
Motor vehicles - at cost	922	921
Less: accumulated depreciation	<u>(739)</u>	<u>(691)</u>
	<u>183</u>	<u>230</u>
Office equipment - at cost	16,886	15,888
Less: accumulated depreciation	<u>(11,762)</u>	<u>(11,039)</u>
	<u>5,124</u>	<u>4,849</u>
	<u>17,731</u>	<u>14,836</u>

**Note 9. Leases**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<b><i>Lease liabilities</i></b>		
Lease liabilities - current	36,497	35,563
Lease liabilities - non current	<u>193,084</u>	<u>190,915</u>
	<u>229,581</u>	<u>226,478</u>
<b><i>Right-of-use assets</i></b>		
Right-of-use assets	<u>205,651</u>	<u>203,680</u>
	<u>205,651</u>	<u>203,680</u>

**Note 10. Intangibles**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Goodwill – at cost	90,589	90,589
Brand – at cost	38,000	38,000
Website – at cost	2,570	2,325
Less: accumulated amortisation	<u>(1,306)</u>	<u>(1,141)</u>
	<u>1,264</u>	<u>1,184</u>
	<u><u>129,853</u></u>	<u><u>129,773</u></u>

**Note 11. Borrowings**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current</i>		
Bank loans	<u>2,300</u>	<u>2,300</u>
<i>Non-current</i>		
Bank loans	<u><u>69,387</u></u>	<u><u>89,387</u></u>

**Note 12. Payables**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Trade creditors	12,696	10,132
Other creditors and accruals	<u>8,703</u>	<u>12,596</u>
	<u><u>21,399</u></u>	<u><u>22,728</u></u>

**Note 13. Deferred revenue**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current</i>		
Customer deposits	56,187	62,688
Accidental damage warranties	<u>578</u>	<u>196</u>
	<u><u>56,765</u></u>	<u><u>62,884</u></u>
<i>Non-current</i>		
Accidental damage warranties	<u><u>1,758</u></u>	<u><u>2,274</u></u>



**Note 14. Provisions**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current</i>		
Employee entitlements	5,296	5,010
Lease make good	304	315
	<u>5,600</u>	<u>5,325</u>
<i>Non-current</i>		
Employee entitlements	512	530
Lease make good	1,085	1,096
	<u>1,597</u>	<u>1,626</u>

**Note 15. 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 2023, the Company had trade payables of \$3,416,000 (30 June 2023: \$3,172,000) denominated in US dollars and stock in transit of \$15,966,000 (30 June 2023: \$12,853,000), all 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 2023 are expected to occur between January 2024 and June 2024, 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.

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 2023, an unrealised foreign exchange loss of \$2,037,000 (31 December 2022: unrealised loss of \$4,995,000) is recorded in other comprehensive income.

**Note 16. 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 \$2,551,000 (30 June 2023: derivative hedge receivable \$504,000). 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 17. Contingent liabilities**

There are no contingent liabilities at 31 December 2023 (31 December 2022: Nil).

**Note 18. Commitments**

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Land and buildings	7,954	16,013
Leasehold improvements	23	531
Plant and equipment	1,094	100
Intangibles - Website	-	50
	9,071	16,694

**Note 19. 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 20. 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 2023 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 consolidated financial position as at 31 December 2023 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 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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John Ingram  
Chairman

6 February 2024  
Sydney



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Anthony Scali  
Managing Director



# Independent Auditor's Review Report

To the members of Nick Scali Limited

## Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Nick Scali Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Nick Scali Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2023
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Nick Scali Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



## Responsibilities of the Directors 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the Half-Year Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

*KPMG*

KPMG

Julie Cleary  
Partner  
Sydney  
6 February 2024