nickscali LIMITED

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 2024
Previous period	For the half-year ended 31 December 2023

2. Results for announcement to the market

Statutory results compared to the prior corresponding period

	Increase/ Decrease	%	Reporting period $'000	Previous period $000
Revenues from ordinary activities	Increase	10.8%	251,068	226,630
Profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	Decrease	-30.2%	30,036	43,013
Profit for the half-year attributable to the owners of Nick Scali Limited	Decrease	-30.2%	30,036	43,013

Underlying results compared to the prior corresponding period

The table below presents the Company's underlying financial results. These have been calculated to exclude the impact of the restructuring costs incurred since the acquisition of Anglia Home Furnishings Ltd ($1,337,000) and additional costs incurred from the failure of a freight forwarder in ANZ ($2,760,000, net of tax underlying profit impact $1,932,000).

	Increase/ Decrease	%	Reporting period $'000	Previous period $000
Revenues from ordinary activities	Increase	10.8%	251,068	226,630
Underlying profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	Decrease	-22.6%	33,305	43,013
Underlying profit for the half-year attributable to the owners of Nick Scali Limited	Decrease	-22.6%	33,305	43,013

Dividends

	Amount per security Cents	Franked amount per security %
Final dividend for the year ended 30 June 2024 paid on 17 October 2024	33.0	100.0

On 7 February 2025 the directors declared a fully franked interim dividend of 30.0 cents per ordinary share with a record date of 5 March 2025 to be paid on 26 March 2025.

Comments

The profit for the consolidated entity after providing for income tax amounted to $30,036,000 (31 December 2023: $43,013,000). This is the first reporting period which includes United Kingdom ("UK") for the whole period and as a result revenue has increased and due to losses in the UK, profit has declined compared to the corresponding period. The Operating and financial review in the Directors Report provides additional commentary on results for the period.

	31 Dec 2024 $'000	31 Dec 2023 $'000
Profit after income tax expense	30,036	43,013
Interest income	(2,150)	(1,687)
Interest expense	8,476	7,263
Income tax expense	14,295	19,146
Earnings Before Interest and Tax (EBIT)	50,657	67,735
Depreciation and amortisation expense	26,970	22,110
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	77,627	89,845

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3. Net tangible assets

	Reporting Period	Previous Period
Total net assets ($'000)	266,794	191,983
Intangibles ($'000)	(159,403)	(129,853)
Net tangible assets ($'000)	107,391	62,130
Ordinary shares on issue	85,530,699	81,000,000
Net tangible assets per ordinary share	125.56	76.70

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Nick Scali Limited

ABN 82 000 403 896

Half-Year Report
31 December 2024

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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 2024.

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
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. The group acquired a business in the United Kingdom ("UK") with the same principal activities in May 2024 and the half-year includes the results of the acquired business for the whole period. No other significant change in principal activities occurred during the half-year.

Dividends

During the interim period a final franked dividend for the year ended 30 June 2024 of 33.0 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 2024 of 30.0 cents per fully paid ordinary share. The interim dividend will be paid out of retained profits at 31 December 2024, on 26 March 2025.

Operating and financial review

Group operating results

	31 Dec 2024 $'000	31 Dec 2023 $'000	Change %
Revenue	251,068	226,630	10.8%
Gross Margin %	62.3%	65.6%	-3.3%
Net profit after tax (NPAT)	30,036	43,013	-30.2%
Underlying[1] net profit after tax	33,305	43,013	-22.6%
Earnings per share ('EPS' cents)	35.1	53.1	-33.9%

Revenue for the period benefited from the inclusion of the results of the UK business acquired in May 2024.

Australia and New Zealand Group ("ANZ" Group) Results 1H FY25:

ANZ Group Underlying[1] net profit after tax was $36.0m, above the $30-33m profit guidance provided at the October 2024 Annual General Meeting ("the AGM"). Statutory ANZ Group net profit after tax was $34.1m.

During the current period a one-off expense of $2.8m was incurred from extensive detention and demurrage fees caused by the appointment of a liquidator to the ANZ Group's main freight forwarder, restricting access to ANZ Group containers landed into Australia for several weeks.

1. Underlying profit after tax 1H FY25 excludes $1.3m restructuring and integration costs for the UK and $2.8m ($1.9m post-tax) costs in ANZ resulting from the business failure of a freight forwarder.

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ANZ Group revenue for the period was $222.5m, -1.8% v 1H FY24.

ANZ Group written sales orders for the period were $208.1m, -2.2% compared to 1H FY24. July FY25 was disadvantaged having one less weekend of trading, whilst June benefited from having one more weekend, therefore for the period June to December written sales orders grew 1.3%.

ANZ Group online written sales orders for 1H FY25 were $18.6m, +17.0% compared to 1H FY24.

ANZ Group gross margin 64.5%, was -1.5% on FY24 and -1.1% on 1H FY24, due to higher freight rates.

ANZ Group Underlying[1] 1H FY25 operating expenses increased $5.1m compared to 1H FY24, the majority attributable to higher employment expenses.

ANZ Group Underlying[1] 1H FY25 profit before tax is lower due to lower revenue, the gross margin reduction and increased operating expenses compared to the prior period.

United Kingdom ("UK") Result 1H FY25:

UK Underlying[1] net loss after tax was $2.8m, lower than the $3.3m – 3.8m loss guidance provided at the October 2024 AGM. Statutory UK net loss after tax was $4.1m, lower than the $5.1-5.9m loss guidance provided at the October 2024 AGM.

The application of AASB 16 on consolidation increased the UK loss by $1.2m. Application of AASB 16 has no cash impact.

UK written sales orders of $19.4m were significantly impacted during the period, particularly on the second quarter FY25, from the disruption to the business caused by stores closed for refurbishment and the Fabb product range being cleared from showrooms and warehouse inventory.

UK gross margin was 45.1% versus 41.9% pre-acquisition.

UK Underlying[1] 1H FY25 operating expenses were $10.2m. Post acquisition restructuring has resulted in a full realised run rate savings of circa $2m per annum, partially reflected in the period.

Group Cashflow:

ANZ Group pre-tax operating cash flows, net of lease liabilities repayments and lease interest payments, were $44.1m in the period.

UK operational funding in the period was $12.1m with a further $3m invested in new Nick Scali product showroom and distribution centre inventory on hand at 31 December 2024. In addition, $3m was paid in remediation of acquired UK creditors with a final $1.6m expected in 2H FY25.

Group capital investments for the period of $5.8m included fit out costs of four UK showrooms, ANZ general capital expenditure and three new ANZ store openings.

Following shareholder approval at the October 2024 AGM, Anthony Scali, CEO and Managing Director subscribed for $3.8m, net of fees, in equity, completing the equity raise to fund the UK acquisition and subsequent UK investment.

Closing cash and cash equivalents at 31 December 2024 are $87.6m and net cash was $15.9m.

1. Underlying profit after tax 1H FY25 excludes $1.3m restructuring and integration costs for the UK and $2.8m ($1.9m post-tax) costs in ANZ resulting from the business failure of a freight forwarder.

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UK progress:

During the first half, 4 Stores were refurbished and re-branded Nick Scali, re-opening on Boxing Day displaying entirely Nick Scali Product range. The expected gross profit margin on the Nick Scali product when delivered is 57-59% net of consumer finance costs, compared to 41% at acquisition.

The programme of store refurbishments and rebranding to Nick Scali will continue in the second half of FY25 and will result in further disruption to written sales orders as stores are closed and refurbished.

The remaining Fabb stores are receiving the Nick Scali product as they sell off the Fabb product.

Nick Scali (UK) online launched mid-January 2025. UK radio and TV marketing also commenced in January 2025.

Nick Scali UK stores were the top 3 performing UK stores in January 2025 for written sales orders, only 1 of which was top 5 under Fabb. The Group aim is to complete the refurbishment and rebranding of a further 8 stores by 30th June 2025. The top selling Nick Scali sofa in ANZ is now the top selling sofa in the UK.

Store Network:

During the half, a new Nick Scali store in Artarmon, New South Wales was opened.

Two Plush stores in Newcastle and Prospect, New South Wales, were relocated to a larger format store with the new Plush look.

In the UK, a number of potential new stores are currently being reviewed. During the half as planned, the Peterborough store was closed being the end of lease and the building not suitable for re-brand to Nick Scali. Subject to identifying a suitable site, a UK store will be re-opened in Peterborough.

Outlook

ANZ Group:

Trading continues to be volatile with written sales orders down in the month of January period 8.5%, whilst the last week of the January Sale in the first week of February, was positive 5%. This compares to +4.2% growth in the month of December.

In the second half, one Plush store will open in Melton, Victoria. Some stores that were expected to open in the second half have been delayed to FY26.

UK:

With 4 stores now rebranded, 8 more stores are to be refurbished and rebranded in the second half. It is expected that this will cause further disruption compared to the first half and increase the operating losses in the second half compared to the first half.

1. Underlying profit after tax 1H FY25 excludes $1.3m restructuring and integration costs for the UK and $2.8m ($1.9m post-tax) costs in ANZ resulting from the business failure of a freight forwarder.

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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 2024 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.

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

John Ingram
Chairman

Anthony Scali
Managing Director

7 February 2025
Sydney

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1. Underlying profit after tax 1H FY25 excludes $1.3m restructuring and integration costs for the UK and $2.8m ($1.9m post-tax) costs in ANZ resulting from the business failure of a freight forwarder.

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 2024 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
7 February 2025

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Nick Scali Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2024

	Note	31 Dec 2024 $'000	31 Dec 2023 $'000
Revenue from contracts with customers	3	251,068	226,630
Cost of goods sold		(94,768)	(77,994)
Gross profit		156,300	148,636
Other income	3	2,903	2,768
Expenses			
Marketing expenses		(11,259)	(11,463)
Employment expenses	4	(42,298)	(32,961)
General and administration expenses		(11,077)	(9,012)
Property expenses	4	(8,754)	(5,356)
Logistics expenses		(4,701)	(1,074)
Restructuring and integration Costs		(1,337)	-
Depreciation and amortisation		(26,970)	(22,110)
Finance costs		(8,476)	(7,269)
Profit before income tax expense		44,331	62,159
Income tax expense		(14,295)	(19,146)
Profit after income tax expense for the half-year attributable to the owners of Nick Scali Limited		30,036	43,013
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		1,738	33
Net change in the fair value of cash flow hedges taken to equity, net of tax		2,388	(2,037)
Other comprehensive income for the half-year, net of tax		4,126	(2,004)
Total comprehensive income for the half-year attributable to the owners of Nick Scali Limited		34,162	41,009
		Cents	Cents
Basic earnings per share		35.1	53.1
Diluted earnings per share		35.1	53.1

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

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Nick Scali Limited
Consolidated statement of financial position
As at 31 December 2024

nickscali LIMITED

	Note	31 Dec 2024 $'000	30 Jun 2024 $'000
Assets			
Current assets			
Cash and cash equivalents		87,597	81,331
Term deposits		-	30,000
Receivables		2,802	2,102
Inventories	6	61,387	58,046
Current tax receivable		3,495	-
Other financial assets	7	4,306	-
Prepayments		4,974	4,802
Total current assets		164,561	176,281
Non-current assets			
Land and buildings	8	121,619	119,578
Plant and equipment	8	23,641	22,145
Right-of-use assets	9	209,070	223,526
Deferred tax asset		4,251	5,792
Intangibles	10	159,403	157,560
Total non-current assets		517,984	528,601
Total assets		682,545	704,882
Liabilities			
Current liabilities			
Borrowings	11	16,125	2,300
Payables	12	34,952	44,356
Lease liabilities	9	45,947	37,687
Deferred revenue	13	55,296	61,200
Current tax liabilities		-	2,418
Other financial liabilities	7	-	99
Provisions	14	6,399	5,971
Total current liabilities		158,719	154,031
Non-current liabilities			
Borrowings	11	55,562	69,387
Lease liabilities	9	189,381	210,998
Deferred revenue	13	1,028	1,195
Provisions	14	1,609	1,574
Deferred tax liability		9,452	9,918
Total non-current liabilities		257,032	293,072
Total liabilities		415,751	447,103
Net assets		266,794	257,779
Equity			
Issued capital	15	61,997	58,211
Reserves		2,617	(702)
Retained profits		202,180	200,270
Total equity		266,794	257,779

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

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	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 2023	3,364	(272)	78	493	(108)	176,358	179,913
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)
Balance at 31 December 2023	3,364	(861)	78	(1,544)	(75)	191,021	191,983

	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 2024	58,211	(608)	78	80	(252)	200,270	257,779
Profit after income tax expense for the half-year	-	-	-	-	-	30,036	30,036
Other comprehensive income for the half-year, net of tax	-	-	-	2,388	1,738	-	4,126
Total comprehensive income for the half-year	-	-	-	2,388	1,738	30,036	34,162
Employee share rights recognised under Executive Performance Rights Plan	-	(807)	-	-	-	-	(807)
Contributions of equity, net of transaction costs	3,786	-	-	-	-	-	3,786
Dividends paid (Note 5)	-	-	-	-	-	(28,126)	(28,126)
Balance at 31 December 2024	61,997	(1,415)	78	2,468	1,486	202,180	266,794

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

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Nick Scali Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2024

	Note	31 Dec 2024 $'000	31 Dec 2023 $'000
Cash flows from operating activities			
Receipts from customers		272,489	243,906
Payments to suppliers and employees		(217,844)	(161,810)
		54,645	82,096
Interest receipts		2,150	1,688
Income tax payments		(20,246)	(16,994)
Net cash from operating activities		36,549	66,790
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,581)	(13,757)
Maturity of term deposits		30,000	-
Purchase of intangible assets		(298)	(244)
Net cash from/ (used in) investing activities		24,121	(14,001)
Cash flows from financing activities			
Payment of dividends on ordinary shares	5	(28,126)	(28,350)
Issued capital		3,786	-
Repayment of borrowings		-	(20,000)
Repayment of lease liabilities		(22,378)	(18,097)
Interest payments - lease liabilities		(6,242)	(5,115)
Interest payments - borrowings		(2,185)	(2,176)
Net cash used in financing activities		(55,145)	(73,738)
Net increase/(decrease) in cash and cash equivalents		5,525	(20,949)
Cash and cash equivalents at the beginning of the half-year		81,331	89,251
Foreign currency translation		741	-
Cash and cash equivalents at the end of the half-year		87,597	68,302

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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 2024 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 2024 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 2024. 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 2024.

Material 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 2024 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.

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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 & Chief Executive Officer and the Board of Directors as the chief operating decision makers. The Company has two reportable segments being the retailing of furniture in Australia and New Zealand as well as in the United Kingdom.

Segment Profit and Loss
For the year ended 31 December 2024

	Australia & New Zealand $'000	United Kingdom $'000	Consolidated $'000
Revenue	222,487	28,581	251,068
Cost of goods sold	(79,024)	(15,744)	(94,768)
Gross profit	143,463	12,837	156,300
Other Income	2,711	192	2,903
Operating expenses	(67,997)	(10,092)	(78,089)
Restructuring and Integration Costs	-	(1,337)	(1,337)
Depreciation and Amortisation	(22,175)	(4,795)	(26,970)
Finance costs	(7,558)	(918)	(8,476)
Profit (Loss) before income tax expense	48,444	(4,113)	44,331
Income tax	(14,295)	-	(14,295)
Profit (Loss) after income tax expense for the half-year	34,149	(4,113)	30,036
As at 31 December 2024			
Total Assets	604,608	77,937	682,545
Total Liabilities	375,511	40,240	415,751

Segment Identification: Segments are based on internal financial reporting and operational performance evaluations. The CODM reviews segment profit before tax and revenue to assess performance and allocate resources.
Revenue Recognition: Revenue is recognised according to the accounting policies for each respective segment, as described in the company's accounting policies.
Inter-segment Transactions: There are no significant inter-segment sales. If there were, inter-segment transactions would be eliminated in the consolidation process.

Note 3. Revenue

	31 Dec 2024 $'000	31 Dec 2023 $'000
Revenue		
Revenue from contracts with customers	251,068	226,630
Other income		
Net gain on disposal of right-of-use asset	15	158
Rental income	311	481
Interest income	2,150	1,687
Sundry income	427	442
	2,903	2,768

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Note 4. Expenses

	31 Dec 2024 $'000	31 Dec 2023 $'000
Profit before income tax includes the following specific expenses:		
Included within employment expenses		
Salaries and wages	30,507	23,836
Superannuation expense	3,209	2,678
Share-based payments	(111)	526
Included within property expenses		
Short-term and low value lease payments	3,738	986

Note 5. Dividends

Dividends paid during the half-year were as follows:

	31 Dec 2024 $'000	31 Dec 2023 $'000
Final fully franked dividend for 30 June 2024: 33.0 cents (2023: 35.0 cents)	28,126	28,350

On 7 February 2025 the directors declared a fully franked interim dividend of 30.0 cents per fully paid ordinary share with a record date of 5 March 2025 to be paid on 26 March 2025.

Note 6. Inventories

	31 Dec 2024 $'000	30 Jun 2024 $'000
Finished goods - at net realisable value	45,651	44,026
Stock in transit - at cost	15,736	14,020
	61,387	58,046

During the half-year ended 31 December 2024, $401,000 was recorded as a decrease to the cost of goods sold (31 December 2023: $22,000) due to changes in the provision to record finished goods at net realisable value, following the disposal of clearance case goods from the Distribution Centres at less than cost.

Note 7. Other Financial Assets and Liabilities

	31 Dec 2024 $'000	30 Jun 2024 $'000
Derivative hedge receivable	4,306	-
Derivative hedge payable	-	99

Foreign exchange forward contracts are held as hedging instruments against forecast purchases in USD. The notional amount of foreign exchange contracts held at 31 December 2024 totalled $USD36,547,000 which covers between 50% and 100% of highly probable purchases for the six months to 30 June 2025 (30 June 2024 USD44,546,000). The average rate of foreign exchange forward contracts held on 31 December 2024 was $USD0.66 (30 June 2024 $USD0.66).

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Note 8. Property, plant and equipment

	31 Dec 2024 $'000	30 Jun 2024 $'000
Land and Buildings		
Land and buildings - at cost	130,829	129,966
Less: accumulated depreciation	(11,309)	(10,388)
	119,520	119,578
Building under construction – at cost	2,099	-
Less: accumulated depreciation	-	-
	2,099	-
	121,619	119,578
Plant and equipment		
Leasehold improvements - at cost	33,749	31,234
Less: accumulated depreciation	(19,523)	(18,029)
	14,226	13,205
Fixtures and fittings - at cost	4,259	3,316
Less: accumulated depreciation	(2,535)	(2,113)
	1,724	1,203
Motor vehicles - at cost	955	921
Less: accumulated depreciation	(712)	(779)
	243	142
Office equipment - at cost	20,321	19,693
Less: accumulated depreciation	(12,873)	(12,098)
	7,448	7,595
	23,641	22,145

Note 9. Leases

	31 Dec 2024 $'000	30 Jun 2024 $'000
Lease liabilities		
Lease liabilities - current	45,947	37,687
Lease liabilities - non current	189,381	210,998
	235,328	248,685
Right-of-use assets		
Right-of-use assets	209,070	223,526
	209,070	223,526

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Note 10. Intangibles

	31 Dec 2024 $'000	30 Jun 2024 $'000
Goodwill – at cost	119,939	118,172
Brand – at cost	38,000	38,000
Website – at cost	3,180	2,882
Less: accumulated amortisation	(1,716)	(1,494)
	1,464	1,388
	159,403	157,560

Note 11. Borrowings

	31 Dec 2024 $'000	30 Jun 2024 $'000
Current		
Bank loans	16,125	2,300
Non-current		
Bank loans	55,562	69,387

Note 12. Payables

	31 Dec 2024 $'000	30 Jun 2024 $'000
Trade creditors	20,488	26,396
Other creditors and accruals	14,464	17,960
	34,952	44,356

Note 13. Deferred revenue

	31 Dec 2024 $'000	30 Jun 2024 $'000
Current		
Customer deposits	54,537	60,387
Accidental damage warranties	759	813
	55,296	61,200
Non-current		
Accidental damage warranties	1,028	1,195

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Note 14. Provisions

	31 Dec 2024 $'000	30 Jun 2024 $'000
Current		
Employee entitlements	6,199	5,771
Lease make good	200	200
	6,399	5,971
Non-current		
Employee entitlements	489	477
Lease make good	1,120	1,097
	1,609	1,574

Note 15. Issued capital

	31 Dec 2024 No. of Shares	30 Jun 2024 No. of Shares
Authorised and fully paid ordinary shares	85,530,699	85,230,700

	31 Dec 2024 $'000	30 Jun 2024 $'000
Authorised and fully paid ordinary shares	61,997	58,211

A conditional placement of 299,999 fully paid ordinary securities were issued to an entity associated with Anthony Scali following securityholder approval at the Annual General Meeting in October 2024.

Note 16. Financial instruments

Foreign currency risk

All of the Company's sales are denominated in Australian dollars, New Zealand dollars or British Pounds, 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 2024, the Company had trade payables of $7,477,000 (30 June 2024: $3,552,000) denominated in US dollars and stock in transit of $15,736,000 (30 June 2024: $11,662,000) denominated in AUD, 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 2024 are expected to occur between January 2025 and June 2025, 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 2024, an unrealised foreign exchange gain of $2,388,000 (31 December 2023: unrealised loss of $2,037,000) is recorded in other comprehensive income.

Note 17. 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 receivable of $4,306,000 (30 June 2024: derivative hedge payable $99,000). 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.

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Note 18. Contingent liabilities

There are no contingent liabilities at 31 December 2024 (31 December 2023: Nil).

Note 19. Commitments

	31 Dec 2024 $'000	30 Jun 2024 $'000
Land and buildings	-	301
Leasehold improvements	110	170
Plant and equipment	1,572	58
	1,682	529

Note 20. Related party transactions

Other related party transactions
Dealings between the Company and the directors and personally-related parties 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, the purchase of products for their own use and employment on terms and conditions equivalent to unrelated party employers.

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 21. 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 2024 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 opinion of the directors of Nick Scali Limited ("the Company"):

- the condensed consolidated financial statements and notes set out on pages 11 to 17, are in accordance with the Corporations Act 2001 including:
    - giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the six month period ended on that date and
    - complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; 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

John Ingram
Chairman

Anthony Scali
Managing Director

7 February 2025
Sydney

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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 2024 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 2024
- 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 21 comprising material 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.

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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 2024 and 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*.

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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Julie Cleary
Partner
Sydney
7 February 2025

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