

1. Company details

Name of entity	Nick Scali Limited
ABN	82 000 403 896
Current reporting period	Year ended 30 June 2024
Prior corresponding period	Year ended 30 June 2023

2. Results for announcement to the market

Statutory results compared to the prior corresponding period

<i>Statutory results</i>	Increase/ decrease	%	Reporting period \$'000	Previous period \$'000
Revenue from ordinary activities	Decrease	-7.8	468,189	507,723
Profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	Decrease	-20.3	80,612	101,082
Profit for the year attributable to the owners of Nick Scali Limited	Decrease	-20.3	80,612	101,082

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 one-off acquisition costs incurred in relation to the acquisition of Anglia Home Furnishings Ltd. The underlying results for the prior corresponding period were calculated on a comparable basis.

<i>Underlying results</i>	Increase/ decrease	%	Reporting period \$'000	Previous period \$'000
Revenue from ordinary activities	Decrease	-7.8	468,189	507,723
Underlying profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	Decrease	-18.8	82,112	101,082
Underlying profit for the year attributable to the owners of Nick Scali Limited	Decrease	-18.8	82,112	101,082

Refer to the Operating and Financial review in the Directors' Report for discussion of the results.

<i>Earnings per share</i>	Increase/ decrease	%	Reporting period cents	Previous period cents
Basic earnings per share	Decrease	-20.9	98.7	124.8
Diluted earnings per share	Decrease	-20.9	98.7	124.8

<i>Dividends</i>	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
Interim dividend for the year ended 30 June 2024 paid on 26 March 2024	35.0	100.0

On 9 August 2024 the directors declared a fully franked final dividend of 33 cents per ordinary share with a record date of 26 September 2024 to be paid on 17 October 2024.

3.-7. Accompanying financial statements

Statements of comprehensive income, financial position, cash flows and changes in equity, together with notes to the statements and details of individual and total dividends are included in the Annual Report which accompanies this report.

8. Dividend reinvestment plans

Nick Scali Limited has not implemented a dividend reinvestment plan.

9. Net tangible assets

	Reporting period	Previous period
Total net assets (\$'000)	257,779	179,913
Intangibles (\$'000)	(157,560)	(129,773)
Net tangible assets (\$'000)	100,219	50,140
Ordinary shares on issue	85,230,700	81,000,000
Net tangible assets per ordinary share	117.59	61.90

The net tangible assets include right-of-use assets as defined by AASB16 for the reporting and previous period.

10. Entities over which control has been gained or lost during the period

On 8 May 2024, Nick Scali Limited acquired 100% of the issued share capital of Anglia Home Furnishings Ltd and its subsidiary, AHF Internet Limited. As part of the acquisition the company established in the United Kingdom, Nora Holdco UK Limited, Nora Opco UK Limited and Nora Debtco UK Limited. The acquisition will enable the Group to expand its geographical network.

11. Details of associates and joint ventures

Nick Scali Limited has no associates or joint ventures.

12. Other significant information

For further information on the Company's financial performance and financial position, please refer to the Company's Investor Presentation and Results Announcement which accompany this report.

13. Foreign entities

Nick Scali Limited is an Australian entity and has complied with International Financial Reporting Standards in compiling this report.

14. Commentary

For commentary on the Company's results, please refer to the Operating and Financial Review section of Directors' Report, in the Annual Report accompanying this report and the Company's Investor Presentation and Results Announcement which are available on the ASX announcements platform and the Company's website.

15-17. Audit opinion

This report is based on the Company's Annual Report for the year ended 30 June 2024 which has been audited and includes an unqualified audit opinion.

Additional information

For additional information required under ASX Listing Rule 4.3A, please refer to the attached Annual Report for the year ended 30 June 2024 of Nick Scali Limited and its controlled entities.

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Nick Scali Limited

ABN 82 000 403 896

Annual Report

Year ended 30 June 2024

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Corporate Directory

Directors	John Ingram Carole Molyneux William Koeck Kathy Parsons Anthony Scali	(Independent Non-Executive Chair) (Independent Non-Executive Director) (Independent Non-Executive Director) (Independent Non-Executive Director) (Managing Director & Chief Executive Officer)
Company Secretary	Sheila Lines	
Registered Office	Level 7, Trinitii II 39 Delhi Road North Ryde NSW 2113 Telephone: 02 9748 4000	
Share Register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Telephone: 02 8280 7100	
Auditor	KPMG Tower Three International Towers, Level 38 Sydney NSW 2000	
Solicitors	Ashurst Level 11, 5 Martin Place Sydney NSW 2000	
Stock Exchange Listing	Nick Scali Limited shares are listed on the Australian Securities Exchange (ASX code: NCK)	
Website	www.nickscali.com.au	

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Directors Report

The 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 year ended 30 June 2024.

Directors

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

John Ingram
Carole Molyneux
Stephen Goddard (retired 31 December 2023)
William Koeck
Kathy Parsons
Anthony Scali

Principal activities

The principal activities of the Group during the year were the sourcing and retailing of household furniture and related accessories. No significant change in the nature of these activities occurred during the year.

Dividends

Dividends paid during the year were as follows:

	2024 \$'000	2023 \$'000
Final franked dividend for 30 June 2023: 35.0 cents (2022: 35.0 cents)	28,350	28,350
Interim franked dividend for 30 June 2024: 35.0 cents (2023: 40.0 cents)	28,350	32,400
	56,700	60,750

In addition to the above dividend, since the end of the financial year directors have declared a fully franked final dividend of 33 cents per fully paid ordinary share to be paid on 17 October 2024 out of retained profits at 30 June 2024.

Operating and financial review

Nick Scali Limited is a furniture retailer operating in Australia, New Zealand and the United Kingdom.

Group operating results

	2024 \$'000	2023 \$'000	% change
Revenue	468,189	507,723	-7.8%
Gross Margin %	65.5	63.5	
Net profit after tax (NPAT)	80,612	101,082	-20.3%
Earnings per share (EPS)(cents)	98.7	124.8	-20.9%

The Group's net profit after tax included one off acquisition costs incurred in relation to the purchase of Anglia Home Furnishings Limited totalling \$1,500,000. On an underlying basis, excluding one-offs, net profit after tax was down 18.8% to \$82,112,000.

Group operating results (continued)

Reconciliation of underlying net profit after tax

	Reported \$'000	Acquisition Costs \$'000	Underlying \$'000
Net profit after tax	80,612	1,500	82,112

Revenue

The Group records revenue on delivery of furniture to the customer. Revenue for the current year includes \$8.3m in revenue for Anglia Home Furnishings Limited trading as Fabb Furniture ("Fabb Furniture"), a UK furniture retailer acquired 8 May 2024. Australian and New Zealand ("ANZ") FY24 revenue of \$459.9m is consistent with written sales order levels and typical delivery times. ANZ revenue for the prior year of \$507.7m benefited from increased deliveries as the June 2022 order bank reduced with lead times returning to pre Covid levels.

Gross margin

Group gross margin of 65.5% for FY24 improved 2.0% compared to FY23. Excluding Fabb Furniture, ANZ gross margin was 66.0% up 2.5% compared to FY23.

Operating expenses

Group operating expenses include one-off acquisition costs for Fabb Furniture of \$1.5m.

Excluding acquisition costs, on an underlying basis Group underlying operating costs increased \$6.4m compared to FY23. Of this \$6.4m, 3.3m related to Fabb Furniture. Underlying Australia and New Zealand (ANZ) operating costs increased \$3.1m, compared to the prior year;

- Marketing, property, and other expenses increased.
- Logistics and employment expenses decreased.

Note 2 in the Financial Statements provides the separate segment results for ANZ for FY24 and the UK from 8 May acquisition date.

Excluding the Fabb Furniture acquisition transaction costs of \$1.5m, ANZ underlying net profit after tax was \$84m compared to \$101m in the prior year with the reduction primarily driven by the increased deliveries as the prior year order bank reduced.

Cashflow and capital management

The Group maintained a strong working capital position throughout the year with closing cash and bank deposits at 30 June 2024 of \$111.3m and net cash and bank deposits of \$39.6m.

Property and other capital investments in the current year includes \$16.6m construction and \$2.4m fit out costs for the new Queensland Distribution centre and other plant, equipment, intangible assets and leasehold improvements of \$9.1m.

In the current year \$20m was repaid on the corporate acquisition debt taken out in 2021 to partially fund the Plush-Think Sofas Pty Ltd ("Plush") acquisition, reducing the outstanding balance to \$28m. Borrowings against property were unchanged at \$43.7m and are secured at less than 50% loan to value.

To fund the Fabb Furniture acquisition the group raised equity in the current year, receiving \$54.8m in proceeds (net of equity raise costs of \$1.2m). At June 2024 \$14.2m in total had been expended for transaction costs for acquisition of Fabb Furniture, an option for early exit of the current distribution centre, and initial working capital injection.

In the current year \$56.7m was returned to shareholders in dividend payments.

Showroom network

	ANZ	UK	Group
Nick Scali Furniture (No.)	64	-	64
Plush (No.)	44	-	44
Fabb Furniture (No.)		20	20
Total (No.)	108	20	128

During the year, the Group opened three new Plush-Think Sofas showrooms in Helensvale, Queensland, Payneham South Australia and Campbelltown, New South Wales. 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, two showrooms closed during the period at Myaree, Western Australia and Richmond, Victoria.

People

The Group has a strong focus on attracting, engaging, developing, and retaining top talent to ensure it remains a desirable employer and maximises its potential to deliver growth. Investment in training and leadership development ensures employees are equipped to deliver in their varied roles, and best practice short and long-term incentives are in place to reward exceptional performance.

To deliver maximum shareholder value, and to maintain investor and consumer confidence, the Group is committed to achieving high levels of integrity and ethical standards across all areas of the business. The Group has a Code of Conduct which sets out the requirement for honesty, care, fair dealing, and integrity in the conduct of all business activities.

The Group promotes workplace diversity and has zero tolerance for discrimination and harassment and ensures that Workplace Health and Safety is a priority for all employees, along with that of customers and suppliers.

Business Risk

The business, assets and operations of the group are subject to certain risk factors that have the potential to influence future operating and financial performance. The Group maintains a Risk Management Framework to support the identification, assessment, management, monitoring and reporting of such risks. Set out below are the key risks to future operating and financial performance the Group has identified together with the Group's risk management approach for these risks. This is not an exhaustive list of all actual or potential risks which may affect the Group.

Risk Description	Risk Management Approach
<p>External economic conditions</p> <p>A downturn in economic conditions may affect consumer demand for our products as our products are frequently discretionary purchase items for consumers.</p>	<p>The group maintains a strong balance sheet and significant available liquidity to navigate economic demand cycles. Marketing activity and management of retail team performance can partially mitigate. Where possible the cost base to support reduced volumes is adjusted.</p> <p>Additional opportunities may arise in an economic downturn to secure store locations on acceptable lease terms.</p>
<p>Acquisitions and integration</p> <p>Acquisitions may not deliver projected benefits or value, and integrations may not be successful, resulting in interruptions to the achievement of business strategy.</p>	<p>The Group identifies and actively manages integration risks, including where appropriate appointing additional leadership resources to assist with the management and delivery of the acquisition business case and delivery of integration programmes.</p>

	The Group regularly reports specific acquisition risks and the performance of the new business compared to the acquisition strategy to the Board.
<p>Cyber Security</p> <p>External cyber security threats to the group's IT systems and data (including personal information) could result in system suspension, loss of control or failure, the potential loss of intellectual property or a personal information data breach, which may result in significant reputational, financial, and regulatory implications for the Group.</p>	<p>The group seeks to reduce the risk of a Cyber security event via a programme of security initiatives which include but are not limited to: ongoing awareness training and phishing testing, continuous upgrading of software and hardware to remove security risks, engaging third parties to conduct penetration testing.</p> <p>These initiatives are regularly reported to the Audit and Risk Committee of the Board.</p>
<p>Technology, data availability, and integrity</p> <p>A failure or disruption of information technology services (including infrastructure, hardware, software, digital platforms) and/or the availability and integrity of data could have a material adverse impact on the Group's reputation, operations, and financial performance.</p>	<p>The Group has experienced IT executive leadership. Where possible additional technical resources are engaged to mitigate key person risk. Key operating systems have business continuity restoration plans. The Group uses effective change control habits by evaluating, approving, and documenting modifications to minimise risks and maintain system and organisational stability.</p> <p>The Audit and Risk Committee of the Board has ongoing oversight of technology risk.</p>
<p>Management Succession</p> <p>The group has executives considered key to the success of the Group by its stakeholders. A failure to adequately plan for their succession may adversely impact the groups financial and operational performance.</p>	<p>Competitive remuneration strategies have been implemented and succession and retention activities and outcomes are regularly reviewed by the Remuneration and Human Resources Committee of the Board and the Board.</p>
<p>Workplace Health and Safety</p> <p>Work, health, and safety risks could result in physical injury to employees or others, damage to property, damage to reputation and involve regulatory breach.</p>	<p>The group has an ongoing programme to embed a safety culture across the business, including policies, procedures, reporting training and education. The Board receives regular reports of any incident resulting in first aid or lost time to injury.</p>

Climate change

The Company has assessed that climate related risks are not likely to have a significant impact on the business. The Group recognises the severity of the potential global impacts of climate change and that expectations of customers, governments, employees, and other stakeholders regarding the Group's ESG profile continue to evolve. The Group will continue to develop policies and procedures reflecting these expectations.

Outlook

Australia and New Zealand

June 2024 benefited from 5 weekends of trading, whereas July 2024 was disadvantaged by one less weekend when compared to the 2023 calendar year. Written sales order growth for June and July combined was -1.2% compared to the prior year.

We continue to expand the store network and expect to open two Nick Scali stores and three to five Plush stores in FY25.

UK

Written sales orders are affected by a combination of tough market conditions, long lead times due to supply chain disruptions, and commencement of store refurbishments.

Trading is expected to deteriorate further in the first half of FY25 as disruption increases due to store refurbishments and change in the product range.

Significant changes in the state of affairs

During the year the Company acquired Anglia Home Furnishings Limited, a furniture retailer in the UK. With this acquisition the Company entered the UK market, in addition to existing furniture retailing operations in Australia and New Zealand. The Company intends to rebrand the UK acquisition Nick Scali (UK) Limited and leverage synergies and the successful business model practices of the group. As part of the acquisition the Company raised funding by way of equity capital via an institutional placement and a share purchase plan.

Matters subsequent to the end of the financial year

The Company declared a dividend on 9 August 2024. A conditional placement for 299,999 fully paid ordinary securities at \$13.25 per share are proposed to be issued to an entity associated with Anthony Scali subject to securityholder approval at the Annual General Meeting in October 2024. No other matter or circumstance has arisen since 30 June 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.

Likely developments and expected results of operations

Refer to the Operating and financial review on page 4.

Environmental regulation

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law. The Directors are not aware of any particular or significant environmental issues which have been raised in relation to the Group's operations during the financial year.

Information on directors

Name	John Ingram
Title	Independent Non-Executive Chair
Qualifications	AM, FAICD
Experience and expertise	John was appointed to the Board as non-executive Chair in April 2004, and was formerly Managing Director of Crane Group Limited.
Other current directorships	Non-executive Chair of Peter Warren Automotive Holdings Limited (ASX: PWR)
Former directorships	Nil
Special responsibilities	Member of the Audit and Risk Committee Member of the Remuneration and Human Resources Committee.
Interests in shares	206,387

Name	Carole Molyneux
Title	Independent Non-Executive Director
Qualifications	BA (Hons)
Experience and expertise	Carole was appointed to the Board in June 2014. Carole has extensive experience in retail and was the Chief Executive Officer of Suzanne Grae, (part of the Sussan Retail Group), for eighteen years until 2013.
Other current directorships	Nil
Former directorships	Nil
Special responsibilities	Chair of the Remuneration and Human Resources Committee Member of the Audit and Risk Committee
Interests in shares	25,000

Name	William (Bill) Koeck
Title	Independent Non-Executive Director
Qualifications	LLB, LLM(Hons), Post Graduate Applied Corporate Finance; admitted UK and Australia
Experience and expertise	Bill was appointed to the Board in August 2020. Bill is an experienced legal adviser with over 40 years of experience in mergers and acquisitions, equity capital markets, private equity, restructuring and corporate governance. For over 20 years, Bill has been a part time lecturer in corporate and securities law in the Masters of Law course at the University of Sydney. Bill was a Member of the Federal Governments Takeovers Panel until April 2024.
Other current directorships	Non-Executive Deputy Chair and lead Independent Director, Member of Audit Risk and Governance Committee and Chair of Compensation and Nomination Committee for Coronado Global Resources Inc (ASX: CRN) Non-Executive Director of Poulos Bros.Group
Former directorships	Nil
Special responsibilities	Member of the Remuneration and Human Resources Committee Member of the Audit and Risk Committee
Interests in shares	17,511

Name	Kathy Parsons
Title	Independent Non-Executive Director
Qualifications	BCom, CA
Experience and expertise	Kathy was appointed to the Board on 1 January 2023 and brings a wealth of experience in accounting, finance, governance and risk management. Formerly she was an assurance partner at Ernst & Young with deep international experience working in Australia, the USA and the UK in a broad range of industries including retail and real estate. She was also part of the Oceania assurance leadership team responsible for quality assurance and risk management. Kathy was the signing partner on the audit of Nick Scali Limited from 2012 to 2018. .
Other current directorships	Non-Executive Director and Chair of the Audit Risk and Compliance Committee for McMillan Shakespeare Ltd (ASX: MMS) Non-Executive Director and Chair of the Audit and Risk Committee for Shape Australia Corp Ltd (ASX: SHA)
Former directorships	Non-Executive Director and Chair of the Audit Committee for Tassal Group Limited (ASX: TGR)

Special responsibilities	Chair of the Audit and Risk Committee Member of the Remuneration and Human Resources Committee
Interests in shares	14,504
Name	Anthony Scali
Title	Managing Director
Qualifications	BCom
Experience and expertise	Anthony is Managing Director of Nick Scali Limited. Anthony joined the Company in 1982 after completing a Bachelor of Commerce degree at the University of New South Wales and has almost 40 years' experience in furniture retailing.
Other current directorships	Nil
Former directorships	Nil
Special responsibilities	Nil
Interests in shares	6,439,474 A conditional commitment to participate in the institutional placement, subject to shareholder approval at the AGM on 21 October 2024, exists for the purchase of a further 299,999

Other current directorships included above are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Former directorships included above are directorships held in the last three years for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

At the date of this report, no Directors held options over ordinary shares in the Company.

Company Secretary

The Company Secretary and Chief Financial Officer since 6 October 2022 is Sheila Lines. Sheila is currently a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Chartered Accountant Australia & New Zealand. Sheila has over 25 years of experience at an executive level, most recently as Chief Financial Officer at oOh!media Limited.

Meetings of directors

The numbers of meetings of the Board and of each Board sub-committee held during the year ended 30 June 2024, and the numbers of meetings attended by each director or sub-committee member, were:

	Directors' Meetings		Remuneration and Human Resources Committee Meetings		Audit and Risk Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
John Ingram	10	10	2	2	4	3
Stephen Goddard ²	5	5	1	1	2	2
William Koeck	10	10	2	2	4	4
Carole Molyneux	10	10	2	2	4	4
Kathy Parsons	10	10	2	2	4	4
Anthony Scali ¹	10	10	-	-	-	-

¹Anthony Scali is not a member of the sub-committees, but was invited to attend the meetings of the sub-committees and his attendance was recorded in the minutes ²Stephen Goddard retired 31 December 2023.

Remuneration Report (Audited)

The remuneration report details the remuneration arrangements for the key management personnel of the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of the report, key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the business.

1. Details of key management personnel

For the year ended 30 June 2024 the key management personnel (KMPs) of the Group consisted of the following directors:

- John Ingram - Non-Executive Chair
- Stephen Goddard - Non-Executive Director (Retired 31 December 2023)
- William Koeck - Non-Executive Director
- Carole Molyneux - Non-Executive Director
- Kathy Parsons - Non-Executive Director
- Anthony Scali - Managing Director & Chief Executive Officer

And the following executives:

- Sheila Lines - Chief Financial Officer & Company Secretary

2. Remuneration strategy

The quality of Nick Scali Limited's directors and executives is a major factor in the overall performance of the Group. To this end, the Company believes that an appropriately structured remuneration strategy underpins a performance-based culture which in turn drives shareholder returns. The Group's remuneration strategy is therefore designed to attract and retain high quality and committed non-executive directors and employees.

The executive remuneration and reward framework has two components:

- fixed remuneration comprising of salary and superannuation.
- variable incentives comprising short-term incentives (STIs) in the form of a cash-based reward and long-term incentives (LTIs) in the form of an equity rewards.

The variable incentives are designed to deliver value to executives for performance against a combination of Company profitability and achievement against strategic goals. Short-term incentives motivate employees to achieve outstanding performance and are based on current year predetermined key performance indicators (KPIs) such as profit after tax, and non-financial activities that achieve short to medium term objectives, while long-term incentives align employees with shareholder interests and are based on maintaining long-term shareholder value using performance measures such as earnings per share (EPS).

3. Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee currently consists of the non-executive Board members and is responsible for:

- reviewing remuneration arrangements and succession planning of senior management, including the Managing Director and engaging external compensation consultants if necessary.
- reviewing and approving any discretionary component of short and long-term incentives for senior executives reporting to the Managing Directors & Chief Executive Officer.
- recommending to the Board any discretionary component of short and long-term incentives for the Managing Director & Chief Executive Officer.
- the setting of overall guidelines for Human Resources policy, within which senior management determines specific policies.
- reviewing the performance of the Board and its sub-committees, with the advice of external parties if appropriate.

3. Remuneration and Human Resources Committee (continued)

The Committee has met twice in the last twelve months. In addition, matters for consideration by the Committee have been dealt with during various Board meetings, where all Remuneration and Human Resources Committee members were in attendance.

4. Remuneration structure

4.1 Non-executive directors' remuneration

Non-executive directors are paid a fixed annual fee, which is periodically reviewed. Non-executive directors do not receive any variable remuneration and they are not entitled to participate in the Executive Performance Rights Plan. Effective 1 January 2024 the base fee for Non-Executive Director increased to \$120,000 per annum.

Non-executive Chair and directors' fees in place at 30 June 2024 and 30 June 2023 were as follows:

	2024 \$	2023 \$
Base fee for Non-Executive Chair	200,000	200,000
Base fee for Non-Executive Director	120,000	100,000
Additional fee for Audit and Risk Committee Chair	20,000	20,000
Additional fee for Audit and Risk Committee Member	5,000	5,000
Additional fee for Remuneration and Human Resources Committee Chair	10,000	10,000
Additional fee for Remuneration and Human Resources Committee Member	3,000	3,000

The pool for non-executive directors' fees is capped at \$1,000,000 per year as approved by shareholders at the Company's Annual General Meeting in October 2021.

4.2 Executive remuneration

The Group provides appropriate rewards to attract and retain key personnel. Base salaries, STIs and LTIs are established by the Remuneration and Human Resources Committee for each executive reporting to the Managing Director and Chief Executive Officer having regard to the nature of each role, the experience of the individual employee and the performance of the individual. Remuneration for the Managing Director and Chief Executive Officer is approved by the Board. External consultants are engaged as appropriate and market information is used to benchmark executive remuneration. During the year ended 30 June 2024 no remuneration recommendations (as defined in the Corporations Act 2001) (Cth) were received.

4.2.1 Service agreements

Details of the ongoing service agreements between the Company and executives considered KMPs, are as follows:

Name	Title	Commencement date	Annual base salary including superannuation	Notice of termination by Company	Notice of termination by Employee
Anthony Scali	Managing Director & Chief Executive Officer	7 April 2004	\$750,000	12 months	6 months
Sheila Lines	Chief Financial Officer & Company Secretary	6 October 2022	\$550,000	6 months	6 months

4. Remuneration structure (continued)

4.2 Executive remuneration (continued)

4.2.2 Targeted remuneration mix

The targeted proportions of the total remuneration opportunity for the executives considered to be key management personnel (KMPs) for the 2024 financial year were:

	Fixed Remuneration	Variable Remuneration	
	Base Salary	Short-term Incentive	Long-term Incentive
Managing Director & Chief Executive Officer	50%	50%	-
Chief Financial Officer	50%	25%	25%

4.2.3 Fixed remuneration – Base Salary

Fixed compensation is set to provide a base level of compensation which is appropriate to the position and responsibility and is competitive in the market. Fixed compensation is reviewed annually, by the Remuneration and Human Resources Committee with reference to the performance of both the business and the individual, the individual's skills and experience, comparative market compensation and where appropriate, external advice. The Board approves changes to the fixed remuneration of the Managing Director and Chief Executive Officer.

The Group provides superannuation contributions in line with statutory obligations with benefits being contributed to the employee's chosen superannuation fund.

4.2.4 Variable remuneration – Short-term incentive (STI)

The Company operates annual short-term incentive programs that reward KMPs and other senior executives on the achievement of predetermined KPIs established each financial year, according to the accountabilities of their role and its impact on the Group's performance. KPIs include profit targets and personal performance criteria which are set to incentivise superior performance.

The maximum available STI for executives for the financial year is determined by financial targets established by the Board at the beginning of each financial year. The financial target set in August 2023 for the year ended 30 June 2024 was Group profit before tax after excluding the impact of the application to AASB16 and excluding the expense of the STI programme. This measure was chosen to link executive remuneration to the achievement of target financial returns for shareholders before the non-cash application of AASB16. The financial target set in August 2023 did not include the impact of any possible future acquisition. Therefore, the Board exercised its discretion to exclude the impact of the acquisition of Anglia Home Furnishings Limited (AFHL), the transaction costs for the acquisition and the impact of the associated equity raising ("collectively the "AHFL Acquisition Impact") from the measurement of the achievement of the Group financial target for the year ended 30 June 2024. This rewards management for performance on the profit growth of the business on a basis consistent with the assumptions when the financial target was set in August 2023. The net effect of excluding the AFHL Acquisition impact was to increase Profit Before Tax, however it did not change STI outcomes as the actual result exceeded the maximum available STI at 110% of Financial Target prior to the adjustment.

A sliding scale is applied pro rata from 40% of maximum available STI at 95% of financial target to 100% of maximum available STI at 110% of financial target. Below 95% of financial target set by the Board no STI is awarded for the financial year.

Up to 100% of the maximum available STI determined for the financial year by application of the financial target set by the Board may also be subject to achievement of individual non-financial KPIs. The Board at its discretion determines the weighting of non-financial KPIs for each financial year for the Managing Director and Chief Executive Officer. The Remuneration and HR committee determines the weighting of non-financial KPIs for each year for executives reporting to the Managing Director and Chief Executive Officer. There were no non-financial KPI's for the Managing Director and Chief Executive Officer or the CFO as the primary metric to align performance to shareholder return for the year ended 30 June 2024 was considered to be financial performance.

The Managing Director may also recommend to the Remuneration and Human Resources Committee discretionary bonuses in exceptional circumstances to reward contributions from high performing employees. The Remuneration and Human

4. Remuneration structure (continued)

4.2 Executive remuneration (continued)

Resources Committee approved an additional discretionary bonus for the CFO of \$25,000 in recognition of the significant contribution to the UK acquisition completed in FY24

STIs awarded are paid in the form of cash bonuses and the Remuneration and Human Resources Committee is responsible for assessing whether the KPIs are met and the STIs are payable.

The following table shows the STI cash bonus target and the amount achieved for each KMP in the years ended 30 June 2024 and 30 June 2023:

Year ended 30 June 2024	Targeted STI Entitlement and KPIs			STI Achieved and KPIs		
	\$	Financial KPIs	Non-financial KPIs	\$	Financial KPIs	Non-financial KPIs
Anthony Scali	750,000	100%	-	750,000	100%	-
Sheila Lines ¹	275,000	100%	-	300,000	100%	-

¹ STI achieved for 2024 includes an additional discretionary bonus of \$25,000 in recognition of the significant contribution to the UK acquisition completed in FY24.

Year ended 30 June 2023	Targeted STI Entitlement and KPIs			STI Achieved and KPIs		
	\$	Financial KPIs	Non-financial KPIs	\$	Financial KPIs	Non-financial KPIs
Anthony Scali	750,000	100%	-	750,000	100%	-
Sheila Lines ¹	275,000	100%	-	202,671	100%	-

¹ Target was pro-rated for 2023 year to period of service commencing 6 October 2022. Christopher Malley who resigned as Chief Financial Officer & Company Secretary on 5 October 2022 was not entitled to an STI for the year ended 30 June 2023.

4.2.5 Variable remuneration – Long-term incentive (LTI)

Long-term incentives, in the form of the share rights offered under the Executive Performance Rights Plan (EPRP), are provided to employees to align remuneration with the creation of shareholder value over the long-term. The EPRP is only made available to executives and other employees who have been employed for more than 12 months who are able to influence the generation of shareholder value and who have a direct impact on the Group performance against relevant long-term performance targets.

The Board has determined earnings per share (EPS) growth to be the most appropriate measure of long-term performance. Under the EPRP, employees are granted rights to ordinary shares that will vest after a period of three years subject to the achievement of specific levels of EPS growth. EPS is based on the Group's underlying profit after tax and before non-recurring items, as determined by the Board. The Board has the discretion to adjust the EPS base year to reflect specific trading conditions which are not expected to re-occur in the measurement period. For performance rights issued in FY23 the EPS base year was not adjusted. For performance rights issued in FY24, in recognition of the significant favourable impact on FY23 EPS due to the normalisation of delivery lead times following global supply chains disruptions in late FY22 that is not expected to recur in the LTI measurement period, the Board adjusted the EPS base year to 82 cents per share reflecting both the long-term target EPS growth from a pre COVID base and the Plush acquisition in FY22.

Under the EPRP the number of rights exercisable at the end of the vesting period is dependent on the level of EPS growth achieved by the Company, as follows:

EPS Growth (3 year CAGR)	Less than 5%	5%	5% to 10%	More than 10%
Percentage of rights exercisable	Nil	50%	Pro-rata between 50% and 100%	100%

4. Remuneration structure (continued)

4.2 Executive remuneration (continued)

The number of rights granted is calculated by taking the relevant executive's fixed annual remuneration and multiplying it by the relevant predetermined LTI entitlement percentage of fixed remuneration and then dividing this by the Group's volume weighted average share price for the four-week period prior to the date of the release of the Group's full year results.

The FY22/24 LTI grant vests August 2024. The vesting condition was a CAGR Earnings per share (EPS) growth for the 3-year period 1 July 2022 to 30 June 2024. The EPS is based on the statutory profit after tax of the Group. The Board exercised its discretion to alter performance targets during the performance period to exclude the AFHL Acquisition Impact. This was considered appropriate as it rewards management for performance against the organic profit growth of the business over the 3-year period. On this basis the FY22/24 LTI grant was measured at 95.4% vesting for participating employees. The net impact of excluding the AFHL Acquisition Impact was to increase the FY24 LTI vesting outcome by 14.2%. No key management personnel are participating employees for the FY22/24 LTI grant.

Rights to ordinary shares may also be granted in accordance with the EPRP as a retention award where the only performance condition is continued employment with the Group at the vesting date. During the year ended 30 June 2023, 12,000 such rights were awarded to Sheila Lines on the commencement of her employment.

If the minimum level of EPS growth is not met or if the participant ceases to be employed by the Group, any unvested rights will immediately lapse unless otherwise determined by the Board.

There is no exercise price for shares granted under the EPRP and the employees are able to exercise their rights up to two years following the vesting date, after which time the rights will lapse. In the event of a takeover offer for the Company, the rights may, at the discretion of the Board, vest in accordance with an assessment of performance with the performance period pro-rated to the date of the takeover offer.

The performance rights entitlement of executives considered KMPs is calculated as a percentage of fixed annual remuneration for the years ended 30 June 2024 and 30 June 2023 as follows:

Year ended 30 June 2024	Years of Service	Targeted LTI Entitlement	LTI Issued	LTI Vested
Anthony Scali ¹	43	0%	0%	0%
Sheila Lines	2	50%	50%	0%

¹ Anthony Scali is aligned to creation of shareholder value over the long term as the beneficial holder of 7.56% of the issued share capital in the Company. Anthony Scali is not invited by the Board to participate in the EPRP.

Year ended 30 June 2023	Years of Service	Targeted LTI Entitlement	LTI Issued	LTI Vested
Anthony Scali ¹	42	0%	0%	0%
Sheila Lines ²	9 months	0%	0%	0%

² Sheila Lines had not met the employment tenure criteria for EPRP participation in the year ended 30 June 2023.

4. Remuneration structure (continued)

4.2 Executive remuneration (continued)

Employees who have been granted rights are prohibited from entering transactions to limit the economic risk of such rights whether through a derivative, hedge, or similar arrangement. In addition, employees are prohibited from entering margin lending arrangements in respect of shares in the Company where those shares are offered as security for the lending arrangement.

4.2.6 Terms of performance and retention rights granted

The terms and conditions of each grant of rights to ordinary shares affecting the remuneration of employees in this financial year or future reporting years are as follows:

Grant reference	Grant date ¹	Vesting and exercisable date	Expiry date	Exercise price (\$)	Fair value per right at grant date (\$)
FY24/26	31 Aug 2023	Aug 2026 ²	30 June 2028	0.00	9.87
FY23/25	6 Oct 2022	Aug 2025 ³	31 Aug 2027	0.00	7.73
FY23/25	14 Nov 2022	Aug 2025 ²	30 June 2027	0.00	8.51
FY22/24	20 Sep 2021	Aug 2024 ²	30 June 2026	0.00	9.87

¹The grant date is the date at which the performance rights are communicated to the employees. The effective date of the grant, from which the performance hurdles are measured, is the first day of the financial year in which the grant is made.

²The exact vesting and exercisable date for performance rights that have not yet vested is currently indeterminate and depends on the date of meeting at which the Board can confirm the achievement of the long-term performance hurdles. This is typically four to eight weeks following the end of the financial year.

³The vesting and exercisable date for retention rights issued to Sheila Lines is after completion of continuous service from 6 October 2022 to 31 August 2025.

4.2.7 Performance rights holding

The table below sets out the balance of performance rights held by executives considered KMPs. The vesting of these rights are subject to the achievement of the 3 year EPS target. If the target is achieved the maximum value is determined by the share price at the time of vesting and the minimum value is nil.

	Balance at 1 July 2023	Granted	Vested and exercised	Forfeited	Balance at 30 June 2024
Anthony Scali	-	-	-	-	-
Sheila Lines	-	22,314	-	-	22,314

	Balance at 1 July 2022	Granted	Vested and exercised	Forfeited	Balance at 30 June 2023
Anthony Scali	-	-	-	-	-
Sheila Lines	-	-	-	-	-
Christopher Malley	58,377	-	23,810	29,093	5,474

4. Remuneration structure (continued)

4.2.8 Retention rights holding

The table below sets out the balance of retention rights held by executives considered KMPs. The vesting of these rights are subject to the completion of a service condition only.

	Balance at 1 July 2023	Granted	Vested and exercised	Forfeited	Balance at 30 June 2024
Anthony Scali	-	-	-	-	-
Sheila Lines	12,000	-	-	-	12,000
	Balance at 1 July 2022	Granted	Vested and exercised	Forfeited	Balance at 30 June 2023
Anthony Scali	-	-	-	-	-
Sheila Lines	-	12,000	-	-	12,000

4.3 Group performance

The table below sets out the financial performance of the Group over the past five years:

	2020	2021	2022	2023	2024	CAGR (%)
Revenue (\$m)	262.5	373.0	441.0	507.7	468.2	15.6
Net profit after tax (\$m)	42.1	84.2	74.9	101.1	80.6	17.6
Earnings per share (Cents)	51.9	104.0	92.5	124.8	98.7	17.4
Ordinary dividends paid per share (Cents)	47.5	65.0	60.0	75.0	70.0	10.2
Share price at 30 June (\$)	6.48	11.72	8.26	9.11	13.81	20.8

4.4 Remuneration outcomes

4.4.1 Remuneration outcomes for non-executive directors

The tables below set out the remuneration outcomes for the non-executive directors for the years ended 30 June 2024 and 30 June 2023 respectively:

	Short-term benefit	Post-employment benefits	Total
	Fees	Superannuation	
Year ended 30 June 2024			
John Ingram	180,180	19,820	200,000
William Koeck	106,306	11,694	118,000
Carole Molyneux	112,613	12,387	125,000
Stephen Goddard ¹	55,405	6,095	61,500
Kathy Parsons	113,063	12,437	125,500
	567,567	62,433	630,000
Year ended 30 June 2023			
John Ingram	180,996	19,004	200,000
William Koeck	97,738	10,262	108,000
Carole Molyneux	104,072	10,928	115,000
Stephen Goddard	111,312	11,688	123,000
Kathy Parsons ²	48,869	5,131	54,000
	542,987	57,013	600,000

¹Stephen Goddard retired as a Non-executive Director on 31 December 2023

²Kathy Parsons was appointed as a Non-executive Director on 1 January 2023

4. Remuneration structure (continued)

4.4 Remuneration outcomes (continued)

4.4.2 Remuneration outcomes for executive KMPs

The tables below set out the remuneration outcomes for the executive KMPs for the years ended 30 June 2024 and 30 June 2023 respectively:

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Base salary	Cash bonus (STI)	Super-annuation	Employee entitlements	Shares rights (LTI)	
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2024						
Anthony Scali	724,708	750,000	25,292	9,794	-	1,509,794
Sheila Lines	506,423	300,000	27,500	-	106,416	940,339
	1,231,131	1,050,000	52,792	9,794	106,416	2,450,133
Year ended 30 June 2023						
Anthony Scali	726,427	750,000	23,567	12,083	-	1,512,077
Sheila Lines ¹	391,875	202,671	20,625	-	24,458	639,629
Christopher Malley ¹	84,525	-	7,782	-	(96,431)	(4,124)
	1,202,827	952,671	51,974	12,083	(71,973)	2,147,582

¹Sheila Lines was appointed on 6 October 2022. Christopher Malley ceased to be a KMP on 5 October 2022. Amounts represent the payments to Chris Malley relating to the period in FY23 that he was KMP. Share based payment outcome for Christopher Malley includes reversal of prior period reported expense for performance rights forfeited on resignation in the current year.

4.5 Additional disclosures relating to key management personnel

4.5.1 Interest in the Shares of the Company

The beneficial interest of each director in the contributed equity of the Company are as follows:

	Balance at 1 July 2023	Received as part of remunerations	Purchases	Disposals	Balance at 30 June 2024
	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
John Ingram	385,000	-	6,387	185,000	206,387
William Koeck	16,300	-	1,211	-	17,511
Carole Molyneux	25,000	-	25,000	25,000	25,000
Kathy Parsons	13,500	-	1,004	-	14,504
Anthony Scali	11,039,474	-	-	4,600,000	6,439,474
	11,479,274	-	33,602	4,810,000	6,702,876

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The Company indemnifies all the directors and executive officers against certain liabilities incurred as such by a director or officer, while acting in their respective capacity, and enters contracts insuring the directors and officers against liabilities of this nature. The premiums paid under the terms of these contracts have not been determined on an individual director or officer basis, and the directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

No other agreements to indemnify directors or officers have been entered into, nor have any payments in relation to indemnification been made, during or since the end of the financial year, by the Company.

Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors KPMG, as part of the terms of audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount) – except for any loss in respect of any matters which are finally determined to have resulted from KPMG's negligent, wrongful, or wilful acts or omissions. No payment has been made to indemnify KPMG during or since the financial year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Corporate Governance Statement

Nick Scali Limited's Corporate Governance Statement discloses how the Company complies with the recommendations of the ASX Corporate Governance Council (4th Edition) and sets out the Group's main corporate governance practices. This statement has been approved by the Board and is current as of 30 June 2024. The Corporate Governance Statement of Nick Scali Limited can be found on the Company's website: www.nickskali.com.au/corporate-governance.

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.

Non-audit services

The Company may decide to employ the Company's auditor, or its network firms, for non-audit services where their skills and expertise are considered relevant.

During the year ended 30 June 2024, KPMG Australia performed tax advisory services and provided tax compliance services. Details of the amount paid to the auditor for non-audit services are set out below.

	2024 \$
Tax compliance services	45,795
Tax review services	12,859
	58,654

Non-audit services (continued)

The directors are satisfied that the provisions of non-audit services are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of all non-audit services provided was approved by the Audit and Risk Committee, and the directors are satisfied that the services provided do not compromise the integrity and objectivity of the Company's auditor for the following reasons:

- none of the services required the auditor to review or audit the auditor's own work
- none of the services required the auditor to act in a management or decision-making capacity for the Company
- none of the services required the auditor to act as an advocate for the Company
- none of the services involved the auditor jointly sharing in the economic risks and rewards of the Company
- a declaration required by section 307C of the Corporations Act 2001 confirming their independence has been included on page 22 of this financial report

Auditor's independence declaration

The directors received the declaration from the auditor of Nick Scali Limited and is included on page 22 of the Financial Statements.

Auditor

KPMG continues in office in accordance with section 327 of the Corporations Act 2001.

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
Chair



Anthony Scali
Managing Director

9 August 2024
Sydney



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 audit of Nick Scali Limited for the financial year ended 30 June 2024 there have been:

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

KPMG

KPMG

Julie Cleary

Partner

Sydney

9 August 2024

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Consolidated statement of comprehensive income

	Note	2024 \$'000	2023 \$'000
Revenue from contracts with customers	3	468,189	507,723
Cost of goods sold		(161,390)	(185,313)
Gross profit		306,799	322,410
Other income	3	5,474	4,661
Expenses			
Marketing expenses		(26,168)	(24,125)
Employment expenses		(72,537)	(71,573)
General and administration expenses		(19,184)	(17,248)
Property expenses		(12,907)	(8,568)
Logistics expenses		(3,031)	(6,039)
Acquisition expenses	32	(1,500)	-
Depreciation and amortisation		(45,410)	(42,762)
Finance costs		(15,102)	(13,243)
Profit before income tax expenses		116,434	143,513
Income tax expense	5	(35,822)	(42,431)
Profit after income tax expense for the year attributable to the owners of Nick Scali Limited		80,612	101,082
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(413)	(1,252)
Exchange differences on translation of foreign operations		(144)	84
Other comprehensive income for the year, net of tax		(557)	(1,168)
Total comprehensive income for the year attributable to the owners of Nick Scali Limited		80,055	99,914

	Note	2024 Cents	2023 Cents
Basic earnings per share	6	98.7	124.8
Diluted earnings per share	6	98.7	124.8

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

Consolidated statement of financial position

	Note	2024 \$'000	2023 \$'000
Assets			
<i>Current assets</i>			
Cash and cash equivalents	9	81,331	89,251
Term deposits	9	30,000	-
Receivables	10	2,102	1,763
Inventories	11	58,046	54,555
Other financial assets	12	-	504
Prepayments		4,802	3,303
Total current assets		176,281	149,376
<i>Non-current assets</i>			
Land and buildings	13	119,578	104,482
Plant and equipment	13	22,145	14,836
Right-of-use assets	14	223,526	203,680
Deferred tax	5	5,792	5,493
Intangibles	15	157,560	129,773
Total non-current assets		528,601	458,264
Total assets		704,882	607,640
Liabilities			
<i>Current liabilities</i>			
Borrowings	16	2,300	2,300
Payables	17	44,356	22,728
Lease liabilities	14	37,687	35,563
Deferred revenue	18	61,200	62,884
Current tax liabilities		2,418	5,560
Other financial liabilities	12	99	-
Provisions	19	5,971	5,325
Total current liabilities		154,031	134,360
<i>Non-current liabilities</i>			
Borrowings	16	69,387	89,387
Lease liabilities	14	210,998	190,915
Deferred revenue	18	1,195	2,274
Deferred tax	5	9,918	9,165
Provisions	19	1,574	1,626
Total non-current liabilities		293,072	293,367
Total liabilities		447,103	427,727
Net assets		257,779	179,913
Equity			
Issued capital	20	58,211	3,364
Reserves	21	(702)	191
Retained profits		200,270	176,358
Total equity		257,779	179,913

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

Consolidated statement of changes in equity

	Issued capital	Equity benefits reserve	Capital profits reserve	Cashflow hedge reserve	Foreign exchange reserve	Retained profits reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	3,364	(93)	78	1,745	(192)	136,026	140,928
Profit after income tax for the year	-	-	-	-	-	101,082	101,082
Other comprehensive income for the year, net of tax	-	-	-	(1,252)	84	-	(1,168)
Total comprehensive income for the year	-	-	-	(1,252)	84	101,082	99,914
Employee share rights recognised under EPRP (Note 21)	-	(179)	-	-	-	-	(179)
Dividends paid during the year (Note 7)	-	-	-	-	-	(60,750)	(60,750)
Balance at 30 June 2023	3,364	(272)	78	493	(108)	176,358	179,913
	Issued capital	Equity benefits reserve	Capital profits reserve	Cashflow hedge reserve	Foreign exchange reserve	Retained profits reserve	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2023	3,364	(272)	78	493	(108)	176,358	179,913
Profit after income tax for the year	-	-	-	-	-	80,612	80,612
Other comprehensive income for the year, net of tax	-	-	-	(413)	(144)	-	(557)
Total comprehensive income for the year	-	-	-	(413)	(144)	80,612	80,055
Employee share rights recognised under EPRP (Note 21)	-	(336)	-	-	-	-	(336)
Dividends paid during the year (Note 7)	-	-	-	-	-	(56,700)	(56,700)
Contributions of equity, net of transaction costs	54,847	-	-	-	-	-	54,847
Balance at 30 June 2024	58,211	(608)	78	80	(252)	200,270	257,779

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

Consolidated statement of cashflows

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers		508,992	539,733
Payments to suppliers and employees		(345,197)	(360,255)
		163,795	179,478
Interest received		3,400	2,460
Income tax payments		(36,019)	(44,038)
Net cash from operating activities	8	131,176	137,900
Cash flows from investing activities			
Investment of term deposits		(30,000)	-
Maturity of term deposits		-	40,000
Purchase of property, plant and equipment		(27,898)	(12,280)
Purchase of intangible assets		(557)	(608)
Acquisition of subsidiary, net of cash acquired	32	(6,455)	-
Net cash used in/ from investing activities		(64,910)	27,112
Cash flows from financing activities			
Payment of dividends on ordinary shares	7	(56,700)	(60,750)
Proceeds from issued capital		54,847	-
Proceeds from borrowings		-	7,025
Repayment of borrowings		(20,000)	(7,000)
Repayment of lease liabilities		(37,072)	(36,435)
Interest payments - lease liabilities		(10,816)	(9,242)
Interest payments - borrowings		(4,445)	(3,979)
Net cash used in financing activities		(74,186)	(110,381)
Net (decrease)/increase in cash and cash equivalents		(7,920)	54,631
Cash and cash equivalents at the beginning of the financial year		89,251	34,620
Cash and cash equivalents at the end of the financial year	9	81,331	89,251

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

Notes to the consolidated financial statements

Note 1. Basis of preparation

Corporate information

Nick Scali Limited (the Company or the parent) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The financial statements have been prepared under the historical cost convention, except for financial instruments, which have been prepared at fair value. The financial report was authorised for issue in accordance with a resolution of the directors on 9 August 2024.

The consolidated 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.

Where necessary because of a change in the presentation 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 of and for the 30 June 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 can 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 Group adopted disclosure of *Accounting Policies (Amendments to IAS 1)* from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than significant, accounting policies.

The Group also adopted *Deferred Tax related to Assets and Liabilities arising from a single Transaction (Amendments to IAS 12)* from 1 July 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases. The change does not result in any change of disclosure within the financial statements as the Group already presented the asset and liability separately within the deferred tax note.

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:

Note 1. Basis of preparation (continued)

Material accounting judgements, estimates and assumptions (continued)

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 assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and brands are discussed at Note 15 in the financial report.

Provisional fair value of acquired assets and liabilities

The assets acquired and liabilities assumed have been measured on a provisional basis. This is further discussed at Note 32.

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.

Net realisable value of inventory

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.

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 (CODM). The Company has two reportable segments being the retailing of furniture in Australia and New Zealand as well as the United Kingdom. The United Kingdom segment was acquired 8 May 2024 and is expected on an annualised basis to contribute more than 10% of Company revenues. In the prior year there was only one segment.

Operating segments are identified based upon internal reports to the CODM. Given discrete financial information is available management can assess each segments performance and are able to allocate resources.

Year ended 30 June 2024	Australia and New Zealand	United Kingdom	Consolidated
	\$'000	\$'000	\$'000
Revenue from contracts with customers	459,856	8,333	468,189
Gross profit	303,297	3,502	306,799
Other Income	5,457	17	5,474
Operating expenses	(132,014)	(3,313)	(135,327)
Depreciation and amortisation	(44,090)	(1,320)	(45,410)
Finance costs	(14,784)	(318)	(15,102)
Profit (Loss) before income tax expense	117,866	(1,432)	116,434
Income tax expense	(35,822)	-	(35,822)
Profit (Loss) after tax expense	82,044	(1,432)	80,612
As at 30 June 2024			
Total assets	637,886	66,995	704,881
Total liabilities	393,715	53,388	447,103

During the year the Company had additions to non-current assets of \$41,614,000 to the Australia and New Zealand operating segment and \$572,000 to the United Kingdom operating segment.

Note 3. Revenue and other income

	2024	2023
	\$'000	\$'000
Revenue		
Revenue from contracts with customers	468,189	507,723
Other income		
Rental income	967	1,029
Interest income	3,400	2,460
Net gain on disposal of right-of-use asset and remeasurement of lease liability	159	362
Sundry income	948	810
	5,474	4,661

Recognition and measurement – Revenue

Revenue from contracts with customers is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. Contracts with customers provide for both the sale of goods and the provision of accidental damage warranties, and the timing of the recognition of revenue of these separate components is as follows:

Sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is the delivery of the goods to the customer, and revenue is recognised at the time of delivery of the goods to the customer.

Accidental damage warranties

When recognising revenue in relation to accidental damage warranties, the key performance obligation of the Group extends over the term of the warranty, and consequently revenue is recognised over the term of warranty, weighted according to the expected occurrence of the performance obligations.

Note 4. Expenses

Profit before income tax includes the following specific expenses:

	2024	2023
	\$'000	\$'000
<i>Included within employee expenses</i>		
Salaries, wages and fees	51,210	48,701
Superannuation contributions	5,635	4,716
Share-based payments	712	466
<i>Included within property expenses</i>		
Short-term and low value lease payments	3,754	768
Rent concessions received as a consequence of Covid-19	-	(306)
<i>Included within finance expenses</i>		
Interest expense related to lease liabilities	10,816	9,256
Interest expense related to bank loans	4,332	3,978

Note 5. Current and deferred tax

	2024	2023
	\$'000	\$'000
Amounts recognised in statement of comprehensive income		
Income tax expense		
Current income tax charge	35,137	41,643
Adjustments in respect of current income tax of previous years	499	200
Relating to origination and reversal of temporary differences	186	588
Income tax expense	<u>35,822</u>	<u>42,431</u>

Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	116,434	143,513
Income tax at the statutory tax rate of 30%	34,930	43,054
Adjustments in respect of current income tax of previous years	499	200
Adjustment for difference in overseas tax rates	406	(40)
Adjustment for share rights exercised	(138)	(33)
Adjustment for non-assessable items	165	(574)
Other items	(40)	(176)
Income tax expense	<u>35,822</u>	<u>42,431</u>

	2024	2023
	\$'000	\$'000
Amounts recognised in equity		
Share Based Payments		
Before tax	433	(227)
Income tax	(130)	68
Net amount recognised in equity	<u>303</u>	<u>159</u>

	2024	2023
	\$'000	\$'000
Deferred tax recognised comprises temporary differences attributable to:		
Right-of-use assets	(57,689)	(60,712)
Lease liabilities	65,056	67,534
Brands	(11,400)	(11,400)
Deferred capital gains	(1,612)	(1,612)
Property, plant and equipment	(2,046)	(1,428)
Employee entitlements	1,872	1,660
Cashflow hedge (Note 23)	30	(153)
Inventory provision	760	907
Other	903	1,532
	<u>(4,126)</u>	<u>(3,672)</u>
Reflected in the statement of financial position as follows:		
Deferred tax assets	5,792	5,493
Deferred tax liabilities	(9,918)	(9,165)
Deferred tax liabilities, net	<u>(4,126)</u>	<u>(3,672)</u>

Note 5. Current and deferred tax (continued)

Recognition and measurement - Income tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Recognition and measurement - Deferred tax

Deferred income tax is provided on all temporary differences at the reporting date, reflecting the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax, assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Note 6. Earnings per share

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Profit after income tax attributable to the owners of Nick Scali Limited	80,612	101,082
Weighted average number of ordinary shares used in basic earnings per share	81,647,195	81,000,000
Weighted average number of ordinary shares used in diluted earnings per share	81,647,195	81,000,000
	<u>2024</u>	<u>2023</u>
	Cents	Cents
Basic earnings per share	98.7	124.8
Diluted earnings per share	98.7	124.8

Recognition and measurement - Earnings per share

Basic earnings per share

Basic earnings per share (EPS) is calculated as net profit attributable to members, divided by the weighted average number of ordinary shares.

Diluted earnings per share

Diluted EPS adjusts the basic EPS to take account of the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration.

Note 7. Dividends

Dividends

Dividends paid during the financial year were as follows:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Final fully franked dividend for 30 June 2023: 35.0 cents (2023: 35.0 cents)	28,350	28,350
Interim fully franked dividend for 30 June 2024: 35.0 cents (2023: 40.0 cents)	28,350	32,400
	<u>56,700</u>	<u>60,750</u>

In addition to the above dividend, since the end of the financial year directors have declared a final fully franked dividend of 33 cents per fully paid ordinary share to be paid on 17 October 2024 out of retained profits at 30 June 2024.

Note 7. Dividends (continued)

Franking credit

Franking credits are available to the Company as follows:

	2024	2023
	\$'000	\$'000
Franking credits available at the reporting date based on a tax rate of 30%	76,206	74,576
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	(678)	(2,419)
Franking credits available for subsequent financial years based on a tax rate of 30%	75,528	72,157
Impact on franking account of dividends proposed after the reporting date but not recognised as a liability	(12,054)	(12,150)
Franking credits available for future reporting periods based on a tax rate of 30%	63,474	60,007
	2024	2023
	%	%
Tax rate at which paid dividends have been franked	30.0	30.0
Tax rate at which dividends declared and unpaid will be franked	30.0	30.0

Note 8. Reconciliation of profit after income tax to net cash from operating activities

	2024	2023
	\$'000	\$'000
Profit after income tax expense for the year	80,612	101,082
Investing and financing items included in profit after income tax expense:		
- Net loss on disposal of property, plant and equipment	-	-
- Interest expense	15,102	13,221
- Net gain on disposal of right use asset	(159)	(362)
Non-cash items included in profit after income tax expense:		
- Depreciation and amortisation expense	45,410	42,762
- Share-based payments expense	712	466
Cash items not included in profit after income tax expense:		
- Purchase of shares under EPRP	(1,178)	(577)
Changes in operating assets and liabilities:		
- Trade and other receivables	22	1,787
- Inventories	1,037	15,970
- Deferred tax	454	(201)
- Prepayments	(1,024)	(263)
- Other financial assets	187	2,587
- Net fair value change on derivatives	(413)	(1,252)
- Trade and other payables	5,673	(12,251)
- Deferred revenue	(9,569)	(21,683)
- Provision for income tax	(3,142)	(2,105)
- Other provisions	(2,735)	(1,303)
Net foreign currency differences	187	22
Net cash from operating activities	131,176	137,900

Note 9. Cash and cash equivalents and Term Deposits

	2024 \$'000	2023 \$'000
Cash at bank and on hand	61,331	49,251
Short-term deposits	20,000	40,000
Cash and cash equivalents	81,331	89,251
Term Deposits (Maturity greater than 3 months)	30,000	-
Cash and Term Deposits	111,331	89,251

Recognition and measurement - Cash and cash equivalents and Term deposits

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. Deposits are made for varying periods, depending on the immediate cash requirements of the Group.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Term Deposits comprise any deposits which have a maturity of three months or more.

Note 10. Receivables

	2024 \$'000	2023 \$'000
Trade debtors	449	536
Other debtors	1,653	1,227
	2,102	1,763

During the year ended 30 June 2024, \$0 (2023: \$287,000) was recognised as an expense for expected credit losses.

Recognition and measurement - Trade and other receivables

Trade and other debtors are initially recognised at fair value, less any allowance for expected credit losses. Trade debtors are generally due for settlement within 30 days. Other debtors include receivables from suppliers and GST paid in advance. These are non-interest bearing and are due for settlement between 30 and 90 days.

Note 11. Inventories

	2024 \$'000	2023 \$'000
Finished goods – at lower of cost or net realisable value	44,026	41,702
Stock in transit - at cost	14,020	12,853
	58,046	54,555

During the year ended 30 June 2024, \$610,000 was recorded as a decrease to the cost of goods sold due to changes in the net realisable value of finished goods inventories (2023: \$2,320,000 increase in cost of goods sold).

Recognition and measurement - 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 includes purchase price plus freight, cartage and import duties.

Note 12. Other financial assets

	2024 \$'000	2023 \$'000
Derivative hedge receivable	-	504
	-	504
Derivative hedge payable	99	-
	99	-

Foreign exchange forward contracts

Foreign exchange forward contracts are held as hedging instruments against forecast purchases in USD. The notional amount of foreign exchange forward contracts held on 30 June 2024 totalled \$USD44,546,000 which covers between 50% and 100% of highly probably purchases for the six months to 31 December 2024 (30 June 2023: \$USD44,848,000). The average rate of foreign exchange forward contracts held on 30 June 2024 was \$USD0.66 (30 June 2023: \$USD0.67).

Recognition and measurement – Other financial assets

Derivative hedge payable

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Where derivative financial instruments are deemed to be effective hedges against foreign currency, interest rate, or commodity price risks, the net gain or loss on the fair value of the instrument is recognised as other comprehensive income. Where derivative financial instruments are deemed to be ineffective hedges, the net gain or loss on the fair value of the instrument is recognised in profit or loss.

Note 13. Property, plant and equipment

	Land and Buildings \$'000	Leasehold Improvements \$'000	Fixtures and Fittings \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Total \$'000
Year ended 30 June 2024						
At cost	129,966	31,234	3,316	921	19,693	185,130
Less, accumulated depreciation	(10,388)	(18,029)	(2,113)	(779)	(12,098)	(43,407)
	119,578	13,205	1,203	142	7,595	141,723
Year ended 30 June 2023						
At cost	113,345	24,927	2,300	921	15,888	157,381
Less, accumulated depreciation	(8,863)	(15,475)	(1,995)	(691)	(11,039)	(38,063)
	104,482	9,452	305	230	4,849	119,318

Note 13. Property, plant and equipment (continued)

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the financial year:

	Land and Buildings \$'000	Leasehold Improvements \$'000	Fixtures and Fittings \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Total \$'000
Balance at 1 July 2022	97,385	9,036	385	337	5,382	112,525
Additions	8,521	2,575	15	-	1,169	12,280
Disposals	-	(18)	-	-	-	(18)
Foreign currency translation	-	47	(3)	-	14	58
Depreciation expense	(1,424)	(2,188)	(92)	(107)	(1,716)	(5,527)
Balance at 30 June 2023	104,482	9,452	305	230	4,849	119,318
Additions	16,621	6,393	650	-	4,234	27,898
Acquisition (Note 32)	-	-	366	-	-	366
Disposals	-	(32)	-	-	(141)	(173)
Foreign currency translation	-	184	-	-	(3)	181
Depreciation expense	(1,525)	(2,792)	(118)	(88)	(1,344)	(5,867)
Balance at 30 June 2024	119,578	13,205	1,203	142	7,595	141,723

Land and buildings totalling \$81.0m (2023: \$80.3m) are used to secure bank loans relating to their purchase.

Recognition and measurement - Property, plant and equipment

All classes of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment in value. Depreciation is provided on a straight-line basis based on management's estimate of both the residual value and the useful economic life of the asset. The depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Management's current estimates of useful economic lives are as follows:

- Buildings: 20 to 40 years
- Leasehold improvements: 5 to 15 years (leasehold improvements are depreciated at the shorter of the useful life or the term of the lease)
- Furniture and fitting: 3 to 15 years
- Motor vehicles: 6 years
- Office equipment (including IT equipment): 3 to 12 years

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Note 14. Leases

	2024 \$'000	2023 \$'000
Lease liabilities		
Current lease liabilities	37,687	35,563
Non-current lease liabilities	210,998	190,915
	<u>248,685</u>	<u>226,478</u>
Reconciliation of lease liabilities		
Opening lease liabilities	226,478	237,936
Lease modifications agreed during the year	16,427	3,489
Additional leases entered during the year	14,070	26,988
Acquisitions (Note 32)	31,305	-
Interest accrued	10,816	9,242
Lease repayments	(47,889)	(45,677)
Disposal	(2,426)	(5,813)
Foreign currency translation	(96)	313
	<u>248,685</u>	<u>226,478</u>
Right-of-use assets		
	<u>223,526</u>	<u>203,680</u>
Reconciliation of right-of-use assets		
Opening right-of-use asset	203,680	215,362
Lease modifications agreed during the year	16,427	3,489
Additional right-of-use assets relating to leases entered during the year	13,731	26,988
Acquisitions (Note 32)	31,305	-
Disposal of right-of-use assets relating to leases terminated during the year	(2,267)	(5,450)
Make good asset movement during the year	(26)	(21)
Depreciation	(39,190)	(36,975)
Foreign currency translation	(134)	287
	<u>223,526</u>	<u>203,680</u>

Recognition and measurement – Leases

Lease liabilities

The Group enters non-cancellable leases for retail showrooms and warehouse facilities in Australia, New Zealand, and the UK. Leases are entered into for varying terms and rent reviews are based on CPI increases or fixed increases. A lease liability is recognised at the commencement date of a lease at the present value of the lease payments to be made over the term of the lease.

Lease liabilities include known future payments for which the Group is contractually obliged under the terms of its non-cancellable leases. Estimated future payments in respect of make-good clauses within non-cancellable leases are accounted for as provisions (Note 19).

A number of the leases contain options to renew in favour of the Group. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises

judgement in determining whether these extension options are reasonably certain to be exercised. The present value of the lease payments to be made under options considered reasonably certain to be exercised have been included in the lease liability balance at 30 June 2024. The undiscounted potential future payments under options that are not considered reasonably certain to be exercised is \$164,326,000 which includes those that have an exercise date within the next five years of \$85,404,000.

Right-of-use assets

Right-of-use assets are measured at cost at commencement of the lease and depreciated on a straight-line basis over the effective life of the asset. The right-of-use assets have an effective life of between two- and fifteen-years dependent on the term of the lease and the likelihood of the Company exercising any lease extension options in its favour.

Note 15. Intangibles

	Goodwill	Brands	Website costs	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2024				
At cost	118,194	38,000	2,882	159,076
Less, accumulated amortisation and foreign exchange differences	(22)	-	(1,494)	(1,516)
	118,172	38,000	1,388	157,560
Year ended 30 June 2023				
At cost	90,589	38,000	2,325	130,914
Less, accumulated amortisation	-	-	(1,141)	(1,141)
	90,589	38,000	1,184	129,773

Reconciliations

Reconciliation of the carrying amounts of intangibles at the beginning and end of the financial year:

	Goodwill	Brands	Website costs	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	90,589	38,000	836	129,425
Additions	-	-	608	608
Amortisation expense	-	-	(260)	(260)
Balance at 30 June 2023	90,589	38,000	1,184	129,773
Additions	-	-	557	557
Acquisitions (Note 32)	27,605	-	-	27,605
Foreign exchange	(22)	-	-	(22)
Amortisation expense	-	-	(353)	(353)
Balance at 30 June 2024	118,172	38,000	1,388	157,560

No impairment losses have been recognised in the year ended 30 June 2024 (2023: \$Nil)

Goodwill is allocated to CGUs as shown below:

	Australia and New Zealand	United Kingdom	Total
	\$'000	\$'000	\$'000
Goodwill	90,589	27,583	118,172

Recognition and measurement - Intangibles

Goodwill and brands

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Brand names acquired in a business combination are initially measured at fair value using the relief from royalty method. Following initial recognition, brands are measured at cost less any accumulated impairment losses.

Note 15. Intangibles (continued)

Recognition and measurement – Intangibles (continued)

Goodwill and brands are reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that their carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit ("CGU"), or group of CGUs, to which the asset relates. The Group has determined that its CGUs are the individual showrooms, being the smallest grouping of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill arising from business combination is allocated to the Group, being the group of CGUs that are expected to benefit from the synergies of combination. This is the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the aggregation of all CGUs within the Nick Scali Group is based on their value in use, determined by discounting the future cash flows expected to be generated by their continued use. The key assumptions, to which this determination is most sensitive, relate to the following;

Australia and New Zealand – Goodwill & Brand

Sales revenue: Revenue for the next five years has been estimated with reference to the Group's budget for the year ending 30 June 2025 and four-year forward-looking plans, adjusted for recent performance trends. Consideration was given to expected retail trading conditions when estimating future revenue.

Gross margin: Gross margins have been estimated with reference to the Group's budget for the year ending 30 June 2025, adjusted where appropriate for expected future changes in the Group's international supply chain.

Terminal growth rate: Growth beyond the next five years has been estimated with reference to the expected long-term average growth rate and was determined to be 2.0% (2023: 2.0%).

Discount rate: The discount rate is based on the specific circumstances of the Group and its CGUs and was derived from its weighted average cost of capital. Consideration was given to the cost of both debt and equity, and the Group's weighted average cost of capital was determined to be 11.3% (2023: 10.9%)

At 30 June 2024, the recoverable amount of the CGU exceeded its carrying amount, and there are considered to be no reasonably possible changes to any of the key assumptions that would cause the recoverable amount of the CGU to be less than its carrying values.

United Kingdom - Goodwill

Sales Revenue: Revenue for the next five years has been estimated with reference to the Group's 2-year business case utilised for the acquisition within the financial year and a rate of 2.5% growth for the years 3-5. This resulted in a 5-year CAGR of 5%.

Gross margin: Gross margins have been estimated with reference to the current performance of the CGU as well as targeted margin per business case budget.

Terminal growth rate: Growth beyond the next five years has been estimated with reference to the expected long-term average growth rate was determined to be 2.0%.

Discount rate: The discount rate is based on the specific circumstances of the Group and its CGUs and was derived from its weighted average cost of capital. Consideration was given to the cost of both debt and equity, and the Group's weighted average cost of capital was determined to be 9.7%

At 30 June 2024, the recoverable amount of the CGU exceeded its carrying amount and no impairment has been recognised.

Sensitivity analysis undertaken on the UK goodwill assumptions modelled and would result in impairment if there were a change in the assumptions by the magnitudes indicated:

- 5-year revenue CAGR decreased to below 3.4% with a corresponding 40% decrease in modelled marketing expense from FY26 and all other assumptions held constant

Note 15. Intangibles (continued)

Recognition and measurement – Intangibles (continued)

- If the gross margin FY26 to FY29 decreased to below 60.5% with a 0.3% increase in 5-year revenue CAGR
- if the discount rate increases 1% and all other assumptions held constant.

Website costs

The direct costs of developing the Group's websites are measured at cost, less accumulated amortisation and any impairment in value. The Group determines that the website will generate probable future economic benefits and recognises both internal expenditure and external expenditure on website content as an intangible. The website costs are determined to have a finite life of between 3 and 5 years and amortisation is provided on a straight-line basis over the useful life.

Note 16. Borrowings

	2024 \$'000	2023 \$'000
Current bank loans	2,300	2,300
Non-current bank loans	69,387	89,387
	71,687	91,687

Reconciliation of borrowings

Opening borrowings	91,687	91,662
Additional bank loans drawn during the year	-	7,025
Repayment of bank loans during the year	(20,000)	(7,000)
	71,687	91,687

	Currency	Interest rate including commitment fee	Year of maturity	Carrying amount \$000– 30 June 2024	Carrying amount \$000– 30 June 2023
Secured corporate bank loan	AUD	5.95%	2026	28,000	48,000
Secured property bank loan	AUD	5.51-5.54%	2026	25,262	25,262
Secured property bank loan	AUD	5.51-5.61%	2025	16,125	16,125
Secured property bank loan	AUD	5.45%	2024	2,300	2,300
Total				71,687	91,687

Recognition and measurement - Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Borrowing costs are recognised as an expense when incurred, unless they are directly attributable to the acquisition, construction, or production of a qualifying asset whereby they are capitalised.

Note 16. Borrowings (continued)

Recognition and measurement - Interest-bearing loans and borrowings (continued)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Note 17. Payables

	<u>2024</u> \$'000	<u>2023</u> \$'000
Trade creditors	26,396	10,132
Other creditors	17,960	12,596
	<u>44,356</u>	<u>22,728</u>

Trade creditors

Trade creditors are non-interest-bearing financial instruments and are normally settled within 30 days.

Other creditors

Other creditors are non-interest-bearing financial instruments and are normally settled on 30- to 60-day terms.

Recognition and measurement - Payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of goods and services received.

Note 18. Deferred revenue

	<u>2024</u> \$'000	<u>2023</u> \$'000
Customer deposits	60,387	62,688
Current accidental damage warranties	813	196
Current deferred revenue	61,200	62,884
Non-current accidental damage warranties	1,195	2,274
Non-current deferred revenue	1,195	2,274
	<u>62,395</u>	<u>65,158</u>

Recognition and measurement – Deferred revenue

Customer deposits

Customer deposits represent amounts received from customers for orders not yet completed. Deposits received from customers are recognised as revenue at the point of delivery of the goods to the customer. Orders are typically completed within three months and deposits are therefore considered short-term in nature and are not discounted.

Accidental damage warranties

Accidental damage warranties are purchased by customers in conjunction with the purchase of goods and are initially measured based on an allocation of the purchase price between the fair value of the goods and the warranty. Amounts deferred are recognised as revenue over the term of the warranty. Accidental damage warranties classified as current will be recognised as revenue within 12 months of the reporting date.

Note 19. Provisions

	<u>2024</u> \$'000	<u>2023</u> \$'000
Current employee entitlements	5,771	5,010
Current lease make good	200	315
Current provisions	<u>5,971</u>	<u>5,325</u>
Non-current employee entitlements	477	530
Non-current lease make good	1,097	1,096
Non-current provisions	<u>1,574</u>	<u>1,626</u>
	<u><u>7,545</u></u>	<u><u>6,951</u></u>

Recognition and measurement - Provisions

Employee entitlements

Liabilities for annual leave and long service leave expected to be settled within 12 months of the reporting date are measured as the amounts to be paid when the liabilities are settled and are discounted to net present value.

Liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Lease make good

A provision has been made for the present value of anticipated costs of future restoration of leased properties. The provision includes future cost estimates associated with restoring the premises to its condition at the time the Company initially leased the premises, subject to fair wear and tear.

Note 20. Issued capital

	<u>2024</u> No. of Shares	<u>2023</u> No. of Shares
Authorised and fully paid ordinary shares	85,230,700	81,000,000
	<u>58,211</u>	<u>3,364</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. All ordinary shares carry one vote per share without restriction.

In April 2024 to support the Groups expansion into the United Kingdom the company announced an equity raising. During the financial year an institutional placement and share purchase plan were completed adding 4,230,700 ordinary shares. A conditional placement for 299,999 fully paid ordinary securities are proposed to be issued to an entity associated with Anthony Scali subject to securityholder approval at the Annual General Meeting in October 2024.

There are no other classes of equity securities.

Note 20. Issued capital (continued)

Recognition and measurement – Issued share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received, net of tax.

Note 21. Reserves

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Capital profits reserve	78	78
Cash flow hedge reserve	80	493
Foreign exchange reserve	(252)	(108)
Equity benefits reserve	(608)	(272)
	<u>(702)</u>	<u>191</u>

Movements in reserves

	<u>Equity benefits reserve</u>	<u>Capital profits reserve</u>	<u>Cashflow hedge reserve</u>	<u>Foreign exchange reserve</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	(93)	78	1,745	(192)	1,538
Amounts recognised for cash flow hedges	-	-	(1,252)	-	(1,252)
Income tax on items taken directly to or transferred from equity	(68)	-	-	-	(68)
Purchase of shares under EPRP	(577)	-	-	-	(577)
Share based payments expense	466	-	-	-	466
Foreign currency translation differences	-	-	-	84	84
Balance at 30 June 2023	<u>(272)</u>	<u>78</u>	<u>493</u>	<u>(108)</u>	<u>191</u>
Amounts recognised for cash flow hedges	-	-	(413)	-	(413)
Income tax on items taken directly to or transferred from equity	130	-	-	-	130
Purchase of shares under EPRP	(1,178)	-	-	-	(1,178)
Share based payments expense	712	-	-	-	712
Foreign currency translation differences	-	-	-	(144)	(144)
Balance at 30 June 2024	<u>(608)</u>	<u>78</u>	<u>80</u>	<u>(252)</u>	<u>(702)</u>

Equity benefits reserve

This reserve is used to record the value of share-based payments provided to employees as part of their remuneration. Refer to Note 29 for further details of these plans.

Capital profits reserve

This reserve is comprised wholly of the surplus on the disposal of assets that were acquired prior to the introduction of Capital Gains Tax provisions.

Cash flow hedge reserve

This reserve is used to recognise the effective portion of the gain or loss on cash flow hedge instruments that are determined to be effective hedges.

Note 21. Reserves (continued)

Foreign exchange reserve

This reserve is used to recognise differences arising where assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate prevailing at the reporting date.

Note 22 Financing facilities

Unrestricted access was available to the following credit facilities at the reporting date:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Total facilities		
Bank loans expiring within 12 months	2,300	2,300
Bank loans expiring in greater than 12 months	69,387	89,387
Interchangeable facilities, including letters of credit and bank guarantees	-	-
Bank guarantee facilities	500	500
	<u>72,187</u>	<u>92,187</u>
Facilities used at reporting date		
Bank loans expiring within 12 months	2,300	2,300
Bank loans expiring in greater than 12 months	69,387	89,387
Bank guarantee facilities	295	380
	<u>71,982</u>	<u>92,067</u>
Facilities unused at reporting date		
Bank guarantee facilities	205	120
	<u>205</u>	<u>120</u>

Note 23. Financial instruments

Financial risk management objectives

The Company has exposure to foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The Company's financial risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established an Audit and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee provides regular reports to the Board of Directors on its activities.

The Company's principal financial instruments comprise bank loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for and fund the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the year, the Company's policy that no trading in financial instruments is undertaken.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control exposure within acceptable parameters while maximising return.

Foreign currency risk

All the Company's sales are denominated in either Australian dollars or New Zealand dollars, whilst the majority of inventory purchases are denominated in currencies other than Australian dollars, primarily US dollars. Where appropriate the Company

Note 23. Financial instruments (continued)

Financial risk management objectives (continued)

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 of 30 June 2024, the Company had trade payables of \$3,552,000 (2023: \$3,172,000) denominated in US dollars and stock in transit of \$11,662,000 (2023: \$12,853,000) denominated in US dollars, 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 year end are expected to occur in July 2024 through to December 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 of the contract have fully cash collateralised the foreign currency forward contracts, and therefore, effectively eliminated any credit risk associated with the contracts (both the counterparty's and the Company's own credit risk). Consequently, the hedges were assessed to be highly effective. As of 30 June 2024, an unrealised loss of \$413,000 (30 June 2023: an unrealised loss of \$1,252,000) is recorded in other comprehensive income.

Interest rate risk

Financial instruments utilised that are subject to interest, and therefore interest rate risk, are cash and commercial bills. Management continually monitor the exposure to interest rate risk, and the following table sets out the carrying amount by maturity of the financial instruments exposed to interest rate risk at reporting date. All financial instruments exposed to interest rate risk are exposed to a variable interest rate.

The fair value of the cash, deposits and bank loans shown below are based on the face value of those financial instruments.

	2024		2023	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$'000	%	\$'000
Assets less than three months - Cash	3.73	81,331	4.43	89,251
Assets between three months and 12 months - Deposits	5.08	30,000	-	-
Liabilities less than one year – Bank loans	5.45	(2,300)	4.87	(2,300)
Liabilities between one and five years – Bank loans	5.52	(69,387)	4.66	(89,387)
		<u>39,644</u>		<u>(2,436)</u>

A reasonably possible decrease (or increase) in the interest rate of 50 basis points would result in a decrease (or increase) of profit of \$198,000 (2023: \$12,000 on 50 basis points movement).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. In most cases, the Company requires full and final payment either prior to, or upon delivery of the goods to the customer. In limited cases where credit is provided, the Company trades on credit terms with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Company.

With respect to credit risk arising from financial assets of the Company, which comprise of cash and cash equivalents and receivables, the Company's maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is in the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. Cash and cash equivalents are only invested with credit worthy counterparties that are large Australian banks.

Note 23. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both known interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position. Lease liabilities only include remaining contractual terms and exclude lease options not yet exercised.

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Remaining maturities
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2024					
<i>Interest bearing</i>					
Bank loans	2,855	-	69,387	-	72,242
Lease liabilities	12,682	35,008	101,049	10,285	159,024
<i>Non-interest bearing</i>					
Trade creditors	26,396	-	-	-	26,396
Other creditors	17,960	-	-	-	17,960
Current tax liabilities	2,418	-	-	-	2,418
	61,311	35,008	170,436	10,285	278,040
Year ended 30 June 2023					
<i>Interest bearing</i>					
Bank loans	-	2,359	90,303	-	92,662
Lease liabilities	11,823	32,267	87,913	9,986	141,989
<i>Non-interest bearing</i>					
Trade creditors	10,132	-	-	-	10,132
Other creditors	12,596	-	-	-	12,596
Current tax liabilities	5,560	-	-	-	5,560
	40,111	34,626	178,216	9,986	262,939

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 instruments represented a derivative hedge payable of \$99,000 (2023: receivable of \$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 23. Financial instruments (continued)

Recognition and measurement - Financial instruments

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. As appropriate, the Company designates derivatives as either hedges of the fair value of recognised assets or liabilities of firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one year to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 24. Contingent liabilities

In the ordinary course of business, the Group are subject to various legal actions and inquiries or investigations from regulators and government bodies. Consideration has been given to all such matters at 30 June 2024, and no contingent liabilities were identified at that date (30 June 2023: Nil).

Note 25. Commitments

	<u>2024</u> \$'000	<u>2023</u> \$'000
Land and buildings	301	16,013
Leasehold improvements	170	531
Plant and equipment	58	100
Intangibles – Website costs	-	50
	<u>529</u>	<u>16,694</u>

Note 26. Employees

The total number of employees at the reporting date was as follows:

	<u>2024</u> No.	<u>2023</u> No.
Number of full-time and part-time employees at balance date	930	726

Note 27. Key management personnel

The aggregate compensation made to directors and other key management personnel of the Company is set out below:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	2,848,698	2,698,485
Long-term employee benefits	9,794	12,083
Post-employment benefits	115,225	108,987
Share-based payments	106,416	(71,973)
	<u>3,080,133</u>	<u>2,747,582</u>

Note 28. Related party transactions

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

Receivables from and payables to related parties

There were no trade receivables from or trade payables to related parties on 30 June 2024 (2023: Nil).

Loans or from related parties

There were no loans to or from related parties on 30 June 2024 (2023: Nil).

Note 29. Share-based payments

The Company has an Executive Performance Rights Plan (EPRP) which is provided for executives and other employees. In accordance with the provisions of the plan, executives and employees are awarded rights to ordinary shares that will vest after a period of three years subject to the achievement of specific performance hurdles in relation to earnings per share (EPS) growth. There is no exercise price for the shares and the employees can exercise the right for up to two years following vesting, after which time the rights lapse.

The financial target set in August 2023 did not include the impact of any possible future acquisition. Therefore, the Board exercised its right to exclude the impact of the acquisition of Anglia Home Furnishings Limited (AHFL), the transaction costs for the acquisition and the impact of the associated equity raising ("collectively the "AHFL Acquisition Impact") from the measurement of the achievement of the Group financial target measurement for the year ended 30 June 2024. This rewards management for performance on the profit growth of the business on a basis consistent with the assumptions when the financial target was set in August 2023. The net effect of excluding the AHFL Acquisition Impact as to increase Profit Before Tax, however it did not change STI outcomes as the actual result exceeded the maximum available STI at 110% of Financial Target prior to the adjustment.

The following table reconciles the outstanding employee share rights under the EPRP at the beginning and end of the financial year:

	<u>2024</u>	<u>2023</u>
Outstanding share rights at the start of the year	197,907	226,991
Share rights granted	51,797	49,516
Retention rights granted	-	12,000
Share rights vested and exercised	(100,146)	(61,508)
Share rights forfeited	-	(29,092)
Outstanding share rights at the end of the year	<u>149,558</u>	<u>197,907</u>

The expense recognised in relation to employee share rights during the year was \$712,000 (2023: \$466,000).

Recognition and measurement - Share-based payments

Share-based payments are measured at the fair value of the rights at grant date and are expensed on a straight-line basis over the vesting period, with a corresponding increase in equity, based on the Company's estimate of the number of shares that will eventually vest, considering the likelihood of employee turnover and the likelihood of non-market performance conditions being met.

The fair value of rights at grant date is valued under risk neutral conditions. Under these conditions the value of the right is equivalent to the share price reduced by the present value of dividends payable on the shares until vesting. The present value of the dividends is deducted from the share price because the right holder is not entitled to dividends until the rights are exercised. The valuation assumes that the rights are exercised as they vest.

Note 29. Share-based payments (continued)

Recognition and measurement - Share-based payments (continued)

The key assumptions used for determining fair value at grant date are as follows:

	2024	2023
Share price at grant date (\$)	12.51	11.04
Share price at grant date retention rights (\$)	-	10.23
Dividend yield (%)	5.8	6.3
Franking rate (%)	30.0	30.0
Implied pre-tax effective dividend yield (%)	8.2	9.0

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of financial position

	2024 \$'000	2023 \$'000
Current assets	275,358	239,336
Non current assets	269,863	255,298
Total assets	545,221	494,634
Current liabilities	96,132	94,211
Non current liabilities	194,868	220,813
Total liabilities	291,000	315,024
Net assets	254,221	179,610
Equity		
Issued capital	58,211	3,364
Capital profits reserve	78	78
Cash flow hedge reserve	(41)	372
Equity benefits reserve	(608)	(272)
Retained profits	196,581	176,068
Total equity	254,221	179,610

Statement of comprehensive income

	2024 \$'000	2023 \$'000
Profit after income tax expense	61,536	74,447
Other comprehensive Income	(413)	(1,252)
Total comprehensive income for the year	61,123	73,195

Recognition and measurement - Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nick Scali Limited ('Company' or 'parent entity') as of 30 June 2024 and the results of all subsidiaries for the year then ended. Nick Scali Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct

Note 30. Parent entity information (continued)

Recognition and measurement - Principles of consolidation (continued)

the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Note 31. Controlled entities

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in this financial report

Name of Entity	Country of incorporation	Class of shares	2024	2023
			%	%
Nick Scali (New Zealand) Limited	New Zealand	Ordinary	100.0	100.0
Nick Scali Employee Share Scheme Pty Limited	Australia	Ordinary	100.0	100.0
Plush-Think Sofas Pty Limited	Australia	Ordinary	100.0	100.0
Nora Holdco UK Limited	United Kingdom	Ordinary	100.0	-
Nora Opco UK Limited	United Kingdom	Ordinary	100.0	-
Nora Debtco UK Limited	United Kingdom	Ordinary	100.0	-
Anglia Home Furnishings Limited	United Kingdom	Ordinary	100.0	-
AHF Internet Limited	United Kingdom	Ordinary	100.0	-

Closed Group

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Nick Scali Limited, Plush-Think Sofas Pty Limited and Nick Scali Employee Share Scheme Pty Ltd (the "Closed Group") entered into a deed of cross guarantee on 30 June 2022. The effect of the deed is that Nick Scali Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities within the Closed Group have also given a similar guarantee in the event that Nick Scali Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, summary of movements in consolidated retained earnings and consolidated statement of financial position of the entities that are members of the Closed Group are as follows:

Note 31. Controlled entities (continued)

	Closed Group 2024 \$'000	Closed Group 2023 \$'000
Statement of profit or loss		
Revenue from contracts with customers	437,565	486,056
Cost of goods sold	(148,728)	(177,330)
Other income	6,490	4,632
Operating expenses	(124,024)	(120,053)
Depreciation and amortisation	(40,190)	(39,021)
Finance costs	(14,351)	(12,745)
Profit before income tax expenses	116,762	141,539
Income tax expense	(35,482)	(41,875)
Profit for the year	81,280	99,664
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	(413)	(1,252)
Other comprehensive income for the year, net of tax	(413)	(1,252)
Total comprehensive income for the year, net of tax	80,867	98,412
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the year	172,187	133,273
Profit for the year	81,280	99,664
Dividends paid during the year	(56,700)	(60,750)
Retained earnings at the end of the year	196,767	172,187

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Note 31. Controlled entities (continued)

	Closed Group 2024 \$'000	Closed Group 2023 \$'000
Statement of financial position		
Assets		
<i>Current assets</i>		
Cash and cash equivalents	75,616	86,890
Term deposits	30,000	-
Receivables	1,055	904
Inventories	48,690	50,612
Other financial assets	16,211	504
Prepayments	4,263	3,240
Total current assets	175,835	142,150
<i>Non-current assets</i>		
Land and buildings	119,578	104,482
Plant and equipment	19,519	12,618
Right-of-use assets	181,443	188,790
Intangibles	129,977	129,773
Total non-current assets	450,517	435,663
Total assets	626,352	577,813
Liabilities		
<i>Current liabilities</i>		
Borrowings	2,300	2,300
Payables	26,554	21,967
Lease liabilities	33,959	32,157
Deferred revenue	52,900	59,448
Current tax liabilities	2,641	5,458
Provisions	5,832	5,211
Total current liabilities	124,186	126,541
<i>Non-current liabilities</i>		
Borrowings	69,387	89,387
Lease liabilities	171,157	178,270
Deferred revenue	1,137	2,200
Deferred tax	4,512	4,066
Provisions	1,445	1,500
Total non-current liabilities	247,638	275,423
Total liabilities	371,824	401,964
Net assets	254,528	175,849
Equity		
Issued capital	58,211	3,364
Reserves	(450)	298
Retained profits	196,767	172,187
Total equity	254,528	175,849

Note 32. Business combinations

Acquisition of Anglia Home Furnishings Limited

Overview and strategic rationale

On 8 May 2024 the Company acquired 100% of the issued share capital of Anglia Home Furnishings Limited for \$6,455,000. The principal activity of Anglia Home Furnishings Limited is the sourcing and retailing of household furniture through retail showrooms in the United Kingdom. The acquisition will enable the Group to expand its geographical network.

The cashflow on acquisition was as follows:

	\$'000
Net cash acquired with the subsidiary	807
Cash paid	(7,262)
	<hr/>
Purchase consideration transferred	(6,455)
	<hr/> <hr/>

Identifiable assets and liabilities acquired

The Group measured the value of the identifiable assets and liabilities at the date of acquisition at fair value.

In determining the fair value of acquired lease liabilities and right of use assets within the business combination, the company determined the lease term to be the earliest cancellable term of the lease, due to expected assessment and optimisation of the acquired Anglia Home Furnishings Limited store network. 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.

The provisional fair values of the identifiable assets and liabilities of Anglia Home Furnishings Ltd at the date of acquisition were as follows:

	Provisional Values at Acquisition \$'000
Assets	
<i>Identifiable current assets</i>	
Cash and cash equivalents	807
Receivables	361
Inventories	4,528
Prepayments	474
	<hr/>
Total identifiable current assets	6,170
<i>Identifiable non-current assets</i>	
Plant and equipment	366
Right-of-use assets	31,305
	<hr/>
Total identifiable non-current assets	31,671
	<hr/>
Total identifiable assets	37,841
	<hr/> <hr/>
Liabilities	
<i>Identifiable current liabilities</i>	
Payables	15,955
Lease liabilities	6,614
Deferred revenue	6,806
Other financial liabilities	789
Accruals	3,329
	<hr/>
Total identifiable current liabilities	33,493
	<hr/> <hr/>

Note 32. Business combinations (continued)

Identifiable non-current liabilities

Lease liabilities	24,691
Total identifiable non-current liabilities	24,691
Total identifiable liabilities	58,184
Identifiable net liabilities	20,343

Cash paid	7,262
Identifiable net liabilities	20,343
Goodwill arising on acquisition	27,605

The goodwill recognised has been attributed to the expected synergies from combining the assets and activities of Anglia Home Furnishings Ltd with those of the other companies in the Group.

There is a liability of \$474,000 which is held as a warranty for future claims and payable one year after acquisition should no further claims arise.

Transaction costs

Transactions costs of \$1,500,000 were expensed and are included as acquisition expenses in the consolidated statement of comprehensive income. These costs were paid before 30 June 2024 and are part of operating cash flows in the consolidated statement of cash flows.

Reported impact of acquisition

AHFL contributed \$8,333,000 of revenue for the period from 8 May 2024 to 30 June 2024. If the acquisition had taken place on 1 July 2023, revenue for the Group would have increased by \$52,087,000 to \$520,276,000. The impact of the acquisition on profit after tax for the period from 8 May 2024 to 30 June 2024 was a loss of \$1,432,000. If the acquisition had taken place on 1 July 2023, NPAT would have decreased by \$7,479,000.

Recognition and Measurement – Business Combinations

Business combinations

Acquisitions of subsidiaries and other business combinations are accounted for using the acquisition method with the cost of acquisition allocated to the fair value of the assets acquired and liabilities assumed at the acquisition date. Acquisition costs incurred are expensed during the financial year.

Business combination provisional accounting

The Group has 12 months from the acquisition date to finalise the accounting for any business combination. Provisional accounting is applied by the Group for business combinations where the acquisition accounting is incomplete at the end of the reporting period.

Note 33. Significant events after the reporting period

The Company declared a dividend on 9 August 2024 (see Note 7). A conditional placement for 299,999 fully paid ordinary securities are proposed to be issued to an entity associated with Anthony Scali subject to securityholder approval at the Annual General Meeting in October 2024. No other matter or circumstance has arisen since 30 June 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.

Note 34. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG (Ernst & Young in 2023), the auditor of the Company, and its network firms:

	<u>2024</u>	<u>2023</u>
<i>Audit services</i>		
Auditing the statutory financial report of the Company and its controlled entities and auditing the statutory financial reports of any controlled entities	308,000	345,300
<i>Other services</i>		
Tax review	12,859	46,975
Tax compliance	45,795	56,689
	<u>366,654</u>	<u>448,964</u>

Note 35. Summary of other material accounting policies

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting year; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting year. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting year; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Other taxes

Revenues, expenses, and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Nick Scali Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions or at the hedged rate if qualifying financial instruments have been used to reduce exposure. Monetary assets and liabilities denominated in foreign currencies are retranslated at the financial year-end exchange rates and recognised in profit or loss. All exchange differences are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

Note 35. Summary of other material accounting policies (continued)

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Derecognition of financial assets and financial liabilities

Financial assets A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when either:

- the rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

Financial liabilities A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

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.

Consolidated entity disclosure statement

Set out below is relevant information relating to entities that are consolidated in the consolidated financial statements at the end of the financial year as required by the *Corporations Act 2001* (s.295(3A)(a)).

For the year ended 30 June 2024

Entity Name	Body corporate, partnership or trust	Place incorporated /formed	% of share capital held directly or indirectly by the company in the body corporate	Australian or foreign tax resident	Jurisdiction for foreign tax resident
Nick Scali Limited (the Company)	Body Corporate	N/A	N/A	Australian	N/A
Nick Scali (New Zealand) Limited	Body corporate	New Zealand	100%	Foreign	New Zealand
Nick Scali Employee Share Scheme Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Plush-Think Sofas Pty Limited	Body Corporate	Australia	100%	Australian	N/A
Nora Holdco UK Limited	Body Corporate	UK	100%	Foreign	UK
Nora Opco UK Limited	Body Corporate	UK	100%	Foreign	UK
Nora Debtco UK Limited	Body Corporate	UK	100%	Foreign	UK
Anglia Home Furnishings Limited	Body Corporate	UK	100%	Foreign	UK
AHF Internet Limited	Body Corporate	UK	100%	Foreign	UK

Key assumptions and judgements

Section 295 (3A) of the *Corporation Act 2001* requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed. In the context of an entity which was an Australian resident, "Australian resident" has the meaning provided in the *Income Tax Assessment Act 1997*. The determination of tax residency involves judgement as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the consolidated entity has applied the following interpretations:

Australian tax residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the Commission of Taxation's public guidance in *Tax Ruling TR 2018/5*.

Foreign Tax residency

The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency.

Directors' declaration

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 consolidated entity disclosure statement as at 30 June 2024 set out on page 26 is true and correct; and
- the attached financial statements and notes comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2024 and of its performance for the financial 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.
- as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 31 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

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
Chair

9 August 2024
Sydney



Anthony Scali
Managing Director

Independent Auditor's Report

To the members of Nick Scali Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Nick Scali Limited (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the **Group's** financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2024;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cashflows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Business Combination \$27.6m

Refer to Note 32 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group's acquisition of Anglia Home Furnishings Limited in the current year for consideration of \$6.5m, resulting in the recognition of goodwill of \$27.6m, represents a significant acquisition.</p> <p>This was a key audit matter due to the:</p> <ul style="list-style-type: none"> • Strategic and financial significance of the acquisition; and • Significant judgement required by us in assessing the Group's determination of the fair value of acquired assets and assumed liabilities, in particular right-of-use assets, lease liabilities, deferred revenue and inventories resulting in a higher extent of audit effort and senior team involvement. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We read the Business Acquisition Contracts and associated transaction documents to: <ul style="list-style-type: none"> • Understand the key terms and conditions of the acquisition; and • Evaluate the acquisition accounting by the Group against requirements of the accounting standards. • Evaluating the valuation methodology used by the Group to determine the fair value of assets and liabilities acquired, considering accounting standard requirements and observed industry practices. • We assessed the Group's fair value of the right-of-use asset and lease liability for the acquired entity by comparing the Group's inputs used to calculate the right-of-use assets and lease liabilities, such as key dates, rent payments and termination options, for consistency to relevant terms of a sample of underlying source documents including signed lease agreements. • We assessed the fair value of deferred revenue acquired by testing a sample of customer deposits. We did this by comparing the obligation required to fulfil this sales order to the value of the deferred revenue. This included checking the cost to purchase the inventory to underlying supplier invoices, and the cost to fulfil the order.

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	<ul style="list-style-type: none"> • We challenged the Group’s key assumptions in the fair value of inventories acquired particularly, recoverability and ageing, using our understanding of the business, knowledge of the market and board approved plans and strategies for consistency. • We recalculated the goodwill balance against the amount disclosed. • We assessed the adequacy of the Group’s provisional disclosures in respect of business combinations with reference to the requirements of the accounting standards.
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Other Information

Other Information is financial and non-financial information in Nick Scali Limited’s annual report which is provided in addition to the Financial Report and the Auditor’s Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor’s Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*
- implementing necessary internal control to enable the preparation of a Financial Report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group, and that is free from material misstatement, whether due to fraud or error
- assessing the Group and Company’s ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.

This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Nick Scali Limited for the year ended 30 June 2024, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 12 to 19 of the Directors' report for the year ended 30 June 2024.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



KPMG



Julie Cleary

Partner

Sydney

9 August 2024

Shareholder information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows.
The information is current as at 16 July 2024.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Shareholders Category	Holders of ordinary shares
	No.
1 to 1,000	3,831
1,001 to 5,000	2,254
5,001 to 10,000	502
10,001 to 100,000	414
100,001 and over	31
Total	7,032

Equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	No.	% of total shares issued
HSBC Custody Nominees (Australia) Limited	18,388,622	21.58
Citicorp Nominees Pty Limited	16,393,547	19.23
J P Morgan Nominees Australia Pty Limited	11,344,118	13.31
Scali Consolidated Pty Limited	6,439,474	7.56
BNP Paribas Nominees Pty Ltd	2,947,848	3.46
National Nominees Limited	2,641,181	3.10
Molvest Pty Ltd	1,200,000	1.41
BNP Paribas Noms Pty Ltd	702,657	0.82
Citicorp Nominees Pty Limited	541,637	0.64
Grahger Investments Pty Ltd	493,279	0.58
Netwealth Investments Limited	400,484	0.47
BNP Paribas Nominees Pty Ltd	385,439	0.45
UBS Nominees Pty Ltd	379,564	0.45
HSBC Custody Nominees (Australia) Limited	255,902	0.30
BNP Paribas Nominees Pty Ltd	254,139	0.30
BNP Paribas Noms Pty Ltd	247,486	0.29
NCH Pty Ltd	218,907	0.26
Neweconomy Com AU Nominees Pty Limited	210,266	0.25
Anacacia Pty Ltd	192,000	0.23
Averone Pty Limited	189,264	0.22
	63,825,814	74.91

Substantial holders

Substantial holders in the Company are set out below:

Scali Consolidated Pty Limited
Magellan Financial Group Limited (Australia)

Ordinary shares	
No.	% of total shares issued
6,439,474	7.56
4,896,103	6.04
11,335,577	13.60

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