

1. Company details

| | |
|------------------|--|
| Name of entity | Nick Scali Limited and its Controlled Entities (the Group) |
| ABN | 82 000 403 896 |
| Reporting period | For the half-year ended 31 December 2024 |
| Previous period | For the half-year ended 31 December 2023 |

2. Results for announcement to the market

Statutory results compared to the prior corresponding period

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

Underlying results compared to the prior corresponding period

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

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

Dividends

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

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

Comments

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

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

3. Net tangible assets

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

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Nick Scali Limited

ABN 82 000 403 896

**Half-Year Report
31 December 2024**

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Directors' Report

The Company's directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Nick Scali Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2024.

Directors

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

John Ingram
 William Koeck
 Carole Molyneux
 Kathy Parsons
 Anthony Scali

Principal activities

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

Dividends

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

Operating and financial review

Group operating results

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

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

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

ANZ Group Underlying¹ net profit after tax was \$36.0m, above the \$30-33m profit guidance provided at the October 2024 Annual General Meeting ("the AGM"). Statutory ANZ Group net profit after tax was \$34.1m.

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

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

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

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

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

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

ANZ Group Underlying¹ 1H FY25 operating expenses increased \$5.1m compared to 1H FY24, the majority attributable to higher employment expenses.

ANZ Group Underlying¹ 1H FY25 profit before tax is lower due to lower revenue, the gross margin reduction and increased operating expenses compared to the prior period.

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

UK Underlying¹ net loss after tax was \$2.8m, lower than the \$3.3m – 3.8m loss guidance provided at the October 2024 AGM. Statutory UK net loss after tax was \$4.1m, lower than the \$5.1-5.9m loss guidance provided at the October 2024 AGM.

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

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

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

UK Underlying¹ 1H FY25 operating expenses were \$10.2m. Post acquisition restructuring has resulted in a full realised run rate savings of circa \$2m per annum, partially reflected in the period.

Group Cashflow:

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

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

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

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

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

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

UK progress:

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

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

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

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

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

Store Network:

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

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

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

Outlook

ANZ Group:

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

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

UK:

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

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors



John Ingram
Chairman

7 February 2025
Sydney



Anthony Scali
Managing Director

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



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

To the Directors of Nick Scali Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Nick Scali Limited for the half-year ended 31 December 2024 there have been:

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

KPMG

KPMG

Julie Cleary
Partner
Sydney
7 February 2025

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

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

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

| | Issued Capital \$'000 | Equity benefits reserve \$'000 | Capital profits reserve \$'000 | Cash flow hedge reserve \$'000 | Foreign exchange reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|-----------------------------|---|---|---|--|-------------------------------|------------------------|
| Balance at 1 July 2023 | 3,364 | (272) | 78 | 493 | (108) | 176,358 | 179,913 |
| Profit after income tax expense for the half-year | - | - | - | - | - | 43,013 | 43,013 |
| Other comprehensive income for the half-year, net of tax | - | - | - | (2,037) | 33 | - | (2,004) |
| Total comprehensive income for the half-year | - | - | - | (2,037) | 33 | 43,013 | 41,009 |
| Employee share rights recognised under Executive Performance Rights Plan | - | (589) | - | - | - | - | (589) |
| Dividends paid (Note 5) | - | - | - | - | - | (28,350) | (28,350) |
| Balance at 31 December 2023 | 3,364 | (861) | 78 | (1,544) | (75) | 191,021 | 191,983 |
| | Issued capital \$'000 | Equity benefit reserve \$'000 | Capital profits reserve \$'000 | Cash flow hedge reserve \$'000 | Foreign exchange reserve \$'000 | Retained profits \$'000 | Total equity \$'000 |
| Balance at 1 July 2024 | 58,211 | (608) | 78 | 80 | (252) | 200,270 | 257,779 |
| Profit after income tax expense for the half-year | - | - | - | - | - | 30,036 | 30,036 |
| Other comprehensive income for the half-year, net of tax | - | - | - | 2,388 | 1,738 | - | 4,126 |
| Total comprehensive income for the half-year | - | - | - | 2,388 | 1,738 | 30,036 | 34,162 |
| Employee share rights recognised under Executive Performance Rights Plan | - | (807) | - | - | - | - | (807) |
| Contributions of equity, net of transaction costs | 3,786 | - | - | - | - | - | 3,786 |
| Dividends paid (Note 5) | - | - | - | - | - | (28,126) | (28,126) |
| Balance at 31 December 2024 | 61,997 | (1,415) | 78 | 2,468 | 1,486 | 202,180 | 266,794 |

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

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

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

Note 1. Basis of preparation

Basis of preparation

These general purpose financial statements for the half-year reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024. A subsidiary is an entity that is controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 30 June 2024.

Material accounting judgements, estimates and assumptions

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

Impairment of goodwill and brands

The Company determines whether goodwill and brands are impaired on an annual basis. This requires determination of CGU's and estimation of the recoverable amount of the cash-generating unit to which the goodwill and brand is allocated. The Company has identified no events or changes in circumstances since the last annual review at 30 June 2024 which indicate goodwill or brands may be impaired at this interim reporting period.

Lease term of contracts with renewable options

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

Net realisable value of inventory

Net realisable value is determined based on the estimated selling price less an estimate of any costs necessary to make the sale in the ordinary course of business. Judgment is applied in assessing the net realisable value of inventories.

Note 2. Segment information

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

Segment Profit and Loss

For the year ended 31 December 2024

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

Segment Identification: Segments are based on internal financial reporting and operational performance evaluations. The CODM reviews segment profit before tax and revenue to assess performance and allocate resources.

Revenue Recognition: Revenue is recognised according to the accounting policies for each respective segment, as described in the company's accounting policies.

Inter-segment Transactions: There are no significant inter-segment sales. If there were, inter-segment transactions would be eliminated in the consolidation process.

Note 3. Revenue

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

Note 4. Expenses

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

Note 5. Dividends

Dividends paid during the half-year were as follows:

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

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

Note 6. Inventories

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

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

Note 7. Other Financial Assets and Liabilities

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

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

Note 8. Property, plant and equipment

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

Note 9. Leases

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

Note 10. Intangibles

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

Note 11. Borrowings

| | 31 Dec 2024 \$'000 | 30 Jun 2024 \$'000 |
|--------------------|-----------------------|-----------------------|
| <i>Current</i> | | |
| Bank loans | <u>16,125</u> | <u>2,300</u> |
| <i>Non-current</i> | | |
| Bank loans | <u>55,562</u> | <u>69,387</u> |

Note 12. Payables

| | 31 Dec 2024 \$'000 | 30 Jun 2024 \$'000 |
|------------------------------|-----------------------|-----------------------|
| Trade creditors | 20,488 | 26,396 |
| Other creditors and accruals | <u>14,464</u> | <u>17,960</u> |
| | <u><u>34,952</u></u> | <u><u>44,356</u></u> |

Note 13. Deferred revenue

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

Note 14. Provisions

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

Note 15. Issued capital

| | 31 Dec 2024 No. of Shares | 30 Jun 2024 No. of Shares |
|---|---------------------------------|---------------------------------|
| Authorised and fully paid ordinary shares | <u>85,530,699</u> | <u>85,230,700</u> |
| | <u>31 Dec 2024 \$'000</u> | <u>30 Jun 2024 \$'000</u> |
| Authorised and fully paid ordinary shares | <u>61,997</u> | <u>58,211</u> |

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

Note 16. Financial instruments

Foreign currency risk

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

As at 31 December 2024, the Company had trade payables of \$7,477,000 (30 June 2024: \$3,552,000) denominated in US dollars and stock in transit of \$15,736,000 (30 June 2024: \$11,662,000) denominated in AUD, all of which are covered by designated cash flow hedges. As a result, the sensitivity to a reasonably possible change in the US dollar exchange rate is minimal. The cash flows relating to cash flow hedge positions held at 31 December 2024 are expected to occur between January 2025 and June 2025, and the profit and loss is expected to be affected through cost of sales as the hedged items (inventory) are sold to customers. All forecast transactions subject to hedge accounting have occurred or are highly likely to occur.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. Both parties to the contract have fully cash collateralised the foreign currency forward contracts, and therefore, effectively eliminated any credit risk associated with the contracts (both the counter-party's and the Company's own credit risk). Consequently, the hedges were assessed to be highly effective. As at 31 December 2024, an unrealised foreign exchange gain of \$2,388,000 (31 December 2023: unrealised loss of \$2,037,000) is recorded in other comprehensive income.

Note 17. Fair value measurement

Fair value hierarchy

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

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

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

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

At the reporting date the fair value of derivative financial instrument represented a derivative hedge receivable of \$4,306,000 (30 June 2024: derivative hedge payable \$99,000). All foreign currency forward contracts were measured at fair value using the Level 2 method. Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 18. Contingent liabilities

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

Note 19. Commitments

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

Note 20. Related party transactions

Other related party transactions

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

Receivable from and payable to related parties

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

Loans to or from related parties

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

Note 21. Events after the reporting period

Apart from the dividend declared as disclosed in Note 5, no other matter or circumstance has arisen since 31 December 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the opinion of the directors of Nick Scali Limited ("the Company"):

- the condensed consolidated financial statements and notes set out on pages 11 to 17, are in accordance with the Corporations Act 2001 including:
 - giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the six month period ended on that date and
 - complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



John Ingram
Chairman

7 February 2025
Sydney



Anthony Scali
Managing Director



Independent Auditor's Review Report

To the members of Nick Scali Limited

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2024 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2024
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 21 comprising material accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

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

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



KPMG



Julie Cleary
Partner
Sydney
7 February 2025