

## 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 2022
Previous period	For the half-year ended 31 December 2021

## 2. Results for announcement to the market

	Increase/ Decrease	%	\$'000
Revenues from ordinary activities	Increase	57.4%	283,908
Profit from ordinary activities after tax attributable to the owners of Nick Scali Limited	Increase	80.5%	60,569
Profit for the half-year attributable to the owners of Nick Scali Limited	Increase	80.5%	60,569

### Dividends

	Amount per security Cents	Franked amount per security %
Final dividend for the year ended 30 June 2022 paid on 24 October 2022	35.0	100.0

On 6 February 2023 the directors declared a fully franked interim dividend of 40.0 cents per ordinary share with a record date of 7 March 2023 to be paid on 28 March 2023.

### Comments

The profit for the consolidated entity after providing for income tax amounted to \$60,569,000 (31 December 2021: \$33,550,000). Revenue for the current period was improved favourably by a reduction in the sales order book between 30 June 2022 and 31 December 2022 and the inclusion of Plush-Think Sofas Pty, acquired 1 November 2021, for the entire current interim period. Written sales orders for the period were consistent with the prior period.

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Profit after income tax expense	60,569	33,550
Interest income	(1,146)	(68)
Interest expense	5,925	3,941
Income tax expense	25,849	14,795
Earnings Before Interest and Tax (EBIT)	91,197	52,218
Depreciation and amortisation expense	20,973	17,905
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	112,170	70,123

## 3. Net tangible assets

	31 Dec 2022 Cents	31 Dec 2021 Cents
Net tangible assets per ordinary security	47.20	4.53

**Nick Scali Limited**

**ABN 82 000 403 896**

**Half-Year Report  
31 December 2022**

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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 2022.

### Directors

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

John Ingram  
 Stephen Goddard  
 William Koeck  
 Carole Molyneux  
 Kathy Parsons (appointed 1 January 2023)  
 Anthony Scali

### Principal activities

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

### Dividends

During the interim period a final franked dividend for the year ended 30 June 2022 of 35.0 cents per fully paid ordinary share was paid. Since the end of the interim period the directors have declared a fully franked interim dividend for the period ending 31 December 2022 of 40.0 cents per fully paid ordinary share. The interim dividend will be paid out of retained profits at 31 December 2022, on 28 March 2023.

### Operating and financial review

#### Group operating results

	31 Dec 2022 \$'000	31 Dec 2021 \$'000	Change %
Revenue	283,908	180,323	+57.4%
Net profit after tax	60,569	33,550	+80.5%
Earnings per share ('EPS' cents)	74.8	41.4	+80.7%
Dividend per share (cents)	35.0	25.0	
Net cash flow	(5,730)	(46,291)	

The Group has recorded revenue growth of 57.4% to \$283,908,000 in the interim period, net profit after tax was \$60,569,000 for the half-year ended 31 December 2022 which was an increase of 80.5% on the prior comparative period.

The increase in revenue and profitability reflects (a) record deliveries of goods to customers in the current period and a corresponding reduction in the sales order bank of \$72,187,000 from 30 June 2022 to 31 December 2022 and (b) the inclusion of Plush-Think Sofas Pty, acquired 1 November 2021, for the entire current interim period.

Operating cashflows after deducting repayment of lease liabilities and interest payments on lease liabilities were \$35,205,000 for the period. Payment of the final dividend for the year ended 30 June 2022 utilised \$28,350,000 of cash in the period and purchases of property, plant and equipment utilised a further \$10,464,000 of cash in the period. During the period the Group acquired land in Brisbane which will be developed and used as a new Queensland Distribution Centre in 2024. Cash and cash equivalents at the end of the half year were \$28,890,000.

## Showroom network

During the half-year, the Group opened a new Nick Scali Furniture showroom in Helensvale, Queensland, and a new Plush-Think Sofas showroom in Capalaba, Queensland. There were also two Plush-Think Sofas showrooms closed during the period at Penrith, NSW and South Wharf, Victoria.

The Group will open two additional showrooms in the second half, a Plush-Think Sofas showroom at Campbelltown, NSW and a Nick Scali showroom in Shepparton, Victoria. There will additionally be up to 2 other showrooms opened during the second half of the current financial year.

## Outlook

January is the strongest trading month and was better than our expectations. The Group anticipated a slowdown compared to the Covid 19 boom yet trading remains better than pre Covid 19 despite rising interest rates. Plush traded well in January and the Group expects continued improvement in conversion rates with the new product roll out and visual look for the brand.

## 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 2022 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 4 of the Financial Statements.

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

On behalf of the directors



John Ingram  
Chairman



Anthony Scali  
Managing Director

6 February 2023  
Sydney



**Building a better  
working world**

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

As lead auditor for the review of the half-year financial report of Nick Scali Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review.
- b) no contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Lisa Nijssen-Smith' in a cursive style.

Lisa Nijssen-Smith  
Partner  
6 February 2023

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue from contracts with customers	3	283,908	180,323
Cost of goods sold		<u>(107,802)</u>	<u>(66,372)</u>
Gross profit		<u>176,106</u>	<u>113,951</u>
Other income	3	2,007	704
<b>Expenses</b>			
Marketing expenses		(10,202)	(7,892)
Employment expenses	4	(36,153)	(24,290)
General and administration expenses		(8,624)	(8,260)
Property expenses	4	(4,955)	(3,184)
Distribution expenses		(4,887)	(867)
Depreciation and amortisation		(20,973)	(17,905)
Finance costs		<u>(5,901)</u>	<u>(3,912)</u>
<b>Profit before income tax expense</b>		86,418	48,345
Income tax expense		<u>(25,849)</u>	<u>(14,795)</u>
<b>Profit after income tax expense for the half-year attributable to the owners of Nick Scali Limited</b>		60,569	33,550
<b><i>Other comprehensive income</i></b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		133	(23)
Net change in the fair value of cash flow hedges taken to equity, net of tax		<u>(4,995)</u>	<u>(1,014)</u>
Other comprehensive income for the half-year, net of tax		<u>(4,862)</u>	<u>(1,037)</u>
<b>Total comprehensive income for the half-year attributable to the owners of Nick Scali Limited</b>		<u><u>55,707</u></u>	<u><u>32,513</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		74.8	41.4
Diluted earnings per share		74.8	41.4

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

	Note	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents		28,890	34,620
Short term deposits		40,000	40,000
Receivables		2,916	3,550
Inventories	6	63,317	70,525
Other financial assets	7	-	3,091
Prepayments		3,372	3,040
Total current assets		<u>138,495</u>	<u>154,826</u>
<i>Non-current assets</i>			
Land and buildings	8	105,068	97,385
Plant and equipment	8	15,451	15,140
Right-of-use assets	9	203,836	215,362
Deferred tax		3,267	4,257
Intangibles	10	129,662	129,425
Total non-current assets		<u>457,284</u>	<u>461,569</u>
<b>Total assets</b>		<u>595,779</u>	<u>616,395</u>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Borrowings	11	8,300	20,100
Payables	12	23,805	34,979
Lease liabilities	9	36,774	36,200
Deferred revenue	13	57,358	85,074
Current tax liabilities		10,575	7,665
Other financial liabilities	7	4,598	-
Provisions	14	4,967	6,260
Total current liabilities		<u>146,377</u>	<u>190,278</u>
<i>Non-current liabilities</i>			
Borrowings	11	83,387	71,562
Lease liabilities	9	189,590	201,736
Deferred revenue	13	1,875	1,767
Provisions	14	1,787	1,994
Deferred tax		4,868	8,130
Total non-current liabilities		<u>281,507</u>	<u>285,189</u>
<b>Total liabilities</b>		<u>427,884</u>	<u>475,467</u>
<b>Net assets</b>		<u>167,895</u>	<u>140,928</u>
<b>Equity</b>			
Issued capital		3,364	3,364
Reserves		(3,714)	1,538
Retained profits		168,245	136,026
<b>Total equity</b>		<u>167,895</u>	<u>140,928</u>

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



	Issued Capital \$'000	Equity benefits reserve \$'000	Capital profits reserve \$'000	Cash flow hedge reserve \$'000	Foreign exchange reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 July 2021</b>	<b>3,364</b>	<b>(227)</b>	<b>78</b>	<b>1,098</b>	<b>9</b>	<b>109,704</b>	<b>114,026</b>
Profit after income tax expense for the half-year	-	-	-	-	-	33,550	33,550
Other comprehensive income for the half-year, net of tax	-	-	-	(1,014)	(23)	-	(1,037)
Total comprehensive income for the half-year	-	-	-	(1,014)	(23)	33,550	32,513
Employee share rights recognised under Executive Performance Rights Plan	-	(17)	-	-	-	-	(17)
Dividends paid (Note 5)	-	-	-	-	-	(20,250)	(20,250)
<b>Balance at 31 December 2021</b>	<b>3,364</b>	<b>(244)</b>	<b>78</b>	<b>84</b>	<b>(14)</b>	<b>123,004</b>	<b>126,272</b>

	Issued capital \$'000	Equity benefit reserve \$'000	Capital profits reserve \$'000	Cash flow hedge reserve \$'000	Foreign exchange reserve \$'000	Retained profits \$'000	Total equity \$'000
<b>Balance at 1 July 2022</b>	<b>3,364</b>	<b>(93)</b>	<b>78</b>	<b>1,745</b>	<b>(192)</b>	<b>136,026</b>	<b>140,928</b>
Profit after income tax expense for the half-year	-	-	-	-	-	60,569	60,569
Other comprehensive income for the half-year, net of tax	-	-	-	(4,995)	133	-	(4,862)
Total comprehensive income for the half-year	-	-	-	(4,995)	133	60,569	55,707
Employee share rights recognised under Executive Performance Rights Plan	-	(390)	-	-	-	-	(390)
Dividends paid (Note 5)	-	-	-	-	-	(28,350)	(28,350)
<b>Balance at 31 December 2022</b>	<b>3,364</b>	<b>(483)</b>	<b>78</b>	<b>(3,250)</b>	<b>(59)</b>	<b>168,245</b>	<b>167,895</b>

	Note	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		283,476	204,590
Payments to suppliers and employees		(203,924)	(136,438)
		79,552	68,152
Interest receipts		1,146	68
Income tax payments		(22,885)	(25,913)
Net cash from operating activities		57,813	42,307
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(10,464)	(10,943)
Purchase of intangible assets		(336)	-
Acquisition of subsidiary, net of cash acquired		-	(101,394)
Net cash from investing activities		(10,800)	(112,337)
<b>Cash flows from financing activities</b>			
Payment of dividends on ordinary shares	5	(28,350)	(20,250)
Proceeds from borrowings		7,000	72,500
Repayment of borrowings		(7,000)	(10,000)
Repayment of lease liabilities		(18,468)	(14,570)
Interest payments - lease liabilities		(4,140)	(3,531)
Interest payments - borrowings		(1,785)	(410)
Net cash used in financing activities		(52,743)	23,739
Net decrease in cash and cash equivalents		(5,730)	(46,291)
Cash and cash equivalents at the beginning of the half-year		34,620	106,892
Cash and cash equivalents at the end of the half-year		28,890	60,601

*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 2022 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 2022 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.

At the end of the reporting period the company had a net current liability position of \$7,882,000. Within the net current liability position, the Group has recorded deferred revenue of \$57,358,000 that is expected to be recognised as revenue within the next 12 months, and accordingly the financial statements continue to be prepared on a going concern basis.

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

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. 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 2022.

### **Significant accounting judgements, estimates and assumptions**

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

#### *Impairment of goodwill*

The Company determines whether goodwill is impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated. The Company has identified no events or changes in circumstances since the last annual review at 30 June 2022 which indicate goodwill 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.

*Estimation of useful lives of assets*

The estimation of the useful economic lives of assets is based on historical experience as well as consideration of lease terms (for assets used in or affixed to leased premises) and replacement policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful economic lives are made when considered necessary.

*Net realisable value of inventories*

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

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.

*Valuation of brands acquired*

Brand names acquired in a business combination are valued at fair value using the relief from royalty method. This method requires the Company to estimate future cashflows arising from the brand, applicable royalty rates and appropriate discount rates. The Company determines whether brands acquired are impaired on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated. The Company has identified no events or changes in circumstances since the last annual review at 30 June 2022 which indicate brands acquired may be impaired at this interim reporting period.

**Note 2. Segment information**

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

**Note 3. Revenue**

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<b>Revenue</b>		
Revenue from contracts with customers	283,908	180,323
<b>Other income</b>		
Net gain on disposal of right-of-use asset	89	-
Rental income	473	455
Interest income	1,146	68
Sundry income	299	181
	<u>2,007</u>	<u>704</u>

**Note 4. Expenses**

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Profit before income tax includes the following specific expenses:		
<i>Included within employment expenses</i>		
Salaries and wages	24,049	20,760
Superannuation expense	2,478	1,799
Share-based payments	172	214
<i>Included within property expenses</i>		
Short-term and low value lease payments	1,053	857
Rent concessions received as a consequence of Covid-19	(64)	(720)

**Note 5. Dividends**

Dividends paid during the half-year were as follows:

	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Final fully franked dividend for 30 June 2022: 35.0 cents (2021: 25.0 cents)	28,350	20,250

On 6 February 2023 the directors declared a fully franked interim dividend of 40.0 cents per fully paid ordinary share with a record date of 7 March 2023 to be paid on 28 March 2023.

**Note 6. Inventories**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Finished goods - at net realisable value	49,542	47,997
Stock in transit - at cost	13,775	22,528
	63,317	70,525

During the half-year ended 31 December 2022, \$741,000 was recorded as an increase to the cost of goods sold due to changes in the net realisable value of finished goods inventories (31 December 2021: \$40,000 reduction in cost of goods sold).

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

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Derivative hedge receivable	-	3,091
Derivative hedge payable	4,598	-

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

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b><i>Land and Buildings</i></b>		
Land and buildings - at cost	113,224	104,824
Less: accumulated depreciation	(8,156)	(7,439)
	<u>105,068</u>	<u>97,385</u>
<b><i>Plant and equipment</i></b>		
Leasehold improvements - at cost	23,386	22,318
Less: accumulated depreciation	(14,370)	(13,282)
	<u>9,016</u>	<u>9,036</u>
Fixtures and fittings - at cost	2,301	2,292
Less: accumulated depreciation	(1,948)	(1,907)
	<u>353</u>	<u>385</u>
Motor vehicles - at cost	921	921
Less: accumulated depreciation	(641)	(584)
	<u>280</u>	<u>337</u>
Office equipment - at cost	15,778	14,692
Less: accumulated depreciation	(9,976)	(9,310)
	<u>5,802</u>	<u>5,382</u>
	<u>15,451</u>	<u>15,140</u>

**Note 9. Leases**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b><i>Lease liabilities</i></b>		
Lease liabilities - current	36,774	36,200
Lease liabilities - non current	189,590	201,736
	<u>226,364</u>	<u>237,936</u>
<b><i>Right-of-use assets</i></b>		
Right-of-use assets - at cost	348,128	344,184
Less: Accumulated depreciation	(144,292)	(128,822)
	<u>203,836</u>	<u>215,362</u>

**Note 10. Intangibles**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Goodwill – at cost	90,589	90,589
Brand – at cost	38,000	38,000
Website – at cost	2,057	1,721
Less: accumulated amortisation	<u>(984)</u>	<u>(885)</u>
	<u>1,073</u>	<u>836</u>
	<u><u>129,662</u></u>	<u><u>129,425</u></u>

**Note 11. Borrowings**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b><i>Current</i></b>		
Bank loans	<u>8,300</u>	<u>20,100</u>
<b><i>Non-current</i></b>		
Bank loans	<u>83,387</u>	<u>71,562</u>

**Note 12. Payables**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Trade creditors	13,423	17,516
Other creditors and accruals	<u>10,382</u>	<u>17,463</u>
	<u><u>23,805</u></u>	<u><u>34,979</u></u>

**Note 13. Deferred revenue**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b><i>Current</i></b>		
Customer deposits	56,866	84,740
Accidental damage warranties	<u>492</u>	<u>334</u>
	<u><u>57,358</u></u>	<u><u>85,074</u></u>
<b><i>Non-current</i></b>		
Accidental damage warranties	<u>1,875</u>	<u>1,767</u>

**Note 14. Provisions**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
<b>Current</b>		
Employee entitlements	4,795	6,088
Lease make good	172	172
	<u>4,967</u>	<u>6,260</u>
<b>Non-current</b>		
Employee entitlements	614	698
Lease make good	1,173	1,296
	<u>1,787</u>	<u>1,994</u>

**Note 15. Financial instruments**

**Foreign currency risk**

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

As at 31 December 2022, the Company had trade payables of \$4,847,000 (30 June 2022: \$6,835,000) denominated in US dollars and stock in transit of \$13,775,000 (30 June 2022: \$22,529,000) denominated in US dollars, most of which are covered by designated cash flow hedges. As a result, the sensitivity to a reasonably possible change in the US dollar exchange rate is minimal. The cash flows relating to cash flow hedge positions held at 31 December 2022 are expected to occur between January 2023 and June 2023, 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 2022, an unrealised foreign exchange loss of \$4,995,000 (31 December 2021: unrealised loss of \$1,014,000) is recorded in other comprehensive income.

**Note 16. Fair value measurement**

**Fair value hierarchy**

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

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

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

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

At the reporting date the fair value of derivative financial instrument represented a derivative hedge payable of \$4,598,000 (30 June 2022: derivative hedge receivable \$3,091,000). All foreign currency forward contracts were measured at fair value using the Level 2 method. Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.



**Note 17. Contingent liabilities**

There are no contingent liabilities at 31 December 2022 (31 December 2021: Nil).

**Note 18. Commitments**

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Land and buildings	90	6,729
Leasehold improvements	35	43
Plant and equipment	1,189	1,391
Intangibles - Website	584	440
	<hr/>	<hr/>
	1,898	8,603
	<hr/>	<hr/>

**Note 19. Related party transactions**

*Other related party transactions*

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

*Receivable from and payable to related parties*

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

*Loans to or from related parties*

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

**Note 20. Events after the reporting period**

Apart from the dividend declared as disclosed in Note 5, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Company's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



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John Ingram  
Chairman



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Anthony Scali  
Managing Director

6 February 2023  
Sydney

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Nick Scali Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### 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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 the Code.

#### Directors' Responsibility for the Half-Year Financial Report

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

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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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.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Lisa Nijssen-Smith' in a cursive style.

Lisa Nijssen-Smith  
Partner  
Sydney  
6 February 2023