

**Nick Scali Limited**

ABN 82 000 403 896

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10 February 2011

Company Announcements Office  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

**By electronic lodgement**

Nick Scali Limited  
ACN 000 403 896  
ASX Code: NCK

**Half Year Ended 31 December 2010**

The following documents are attached for release to the market.

- Appendix 4D
- Financial Statements

For further information, contact:

David Clarke  
Chief Financial Officer

## Appendix 4D

### Half-Year Financial Report

Name of entity

**Nick Scali Limited (NCK)**

ABN: 82 000 403 896

Half-year ended ('current period'): **31 DECEMBER 2010**

#### Results for announcement to the market

*Extracts for announcement to the market*

				\$A'000
<b>Revenue from ordinary activities</b>	Up	1.3%	to	49,308
Profit (loss) from ordinary activities after tax attributable to members	Down	-5.7%	to	5,904
Profit (loss) from extraordinary items after tax attributable to members		-		-
Net profit (loss) for the period attributable to members	Down	-5.7%	to	5,904
<b>Net tangible asset backing per share</b> (cents per share)		December 2010		26.11
		December 2009		23.52
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
		4.5 cents		4.5 cents
Record date for determining entitlements to the dividend		9 March 2011		
Date the dividend is payable		30 March 2011		



# Nick Scali Limited

Half - Year Financial Report

31 December 2010

# ***Half-Year Financial Report 31 December 2010***

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## Directors' report

Your directors submit their report for the half-year ended 31 December 2010.

### Directors

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

John W. Ingram	<i>Non-Executive Chairman</i>
Nick D. Scali	<i>Non-Executive Director</i>
Greg R. Laurie	<i>Non-Executive Director</i>
Anthony J. Scali	<i>Managing Director</i>
Nicky D. Scali	<i>Alternate Director</i>

### Review and results of operations

The Company recorded a net profit after tax of \$5.9m on \$49.3m of sales for the six months ended 31 December 2010. This represents a decline in profit of 5.7% over the previous corresponding period.

Trading conditions during the half began well but deteriorated into the second quarter, with the last two to three months particularly subdued as consumers reacted to speculation of imminent interest rate rises. First half comparable store sales were down 2.7% on the previous corresponding period, which itself was exceptionally strong.

Further details are provided in our press release to the market which accompanies this financial report.

### Auditors independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 14

### Rounding

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100, The company is an entity to which the class order applies.

On behalf of the Board, signed in accordance with a resolution of the directors.



**J.W. Ingram** Chairman



**A.J. Scali** Managing Director

Sydney, 9 February 2011

## Statement of income

For the half year ended 31 December 2010

	Notes	Half-year Ended 31 Dec 10 \$'000	Half-year Ended 31 Dec 09 \$'000
<b>Revenue from sale of goods</b>	2	49,308	48,676
Cost of goods sold		<u>(18,262)</u>	<u>(18,281)</u>
<b>Gross profit</b>		<b>31,046</b>	<b>30,395</b>
Other income	2	387	278
Distribution expenses		(2,675)	(2,548)
Sales and Marketing expenses		(8,663)	(8,627)
Administrative expenses		(2,517)	(1,933)
Occupancy expenses		(8,651)	(8,176)
Other expenses		(493)	(445)
<b>Profit before income tax</b>		<b>8,434</b>	<b>8,944</b>
Income tax expense		(2,530)	(2,683)
<b>Profit after tax</b>		<b>5,904</b>	<b>6,261</b>

### Earnings per share (cents per share)

Basic for profit for the half-year	7.3	7.7
Diluted for profit for the half-year	7.3	7.7

## Statement of comprehensive income

For the half year ended 31 December 2010

	Half-year Ended 31 Dec 10 \$'000	Half-year Ended 31 Dec 09 \$'000
Profit after tax	5,904	6,261
<b>Other comprehensive income</b>		
Cash flow hedges gain/(loss) taken to equity	(161)	218
<b>Other comprehensive income for the period</b>	<u>(161)</u>	<u>218</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>5,743</u></u>	<u><u>6,479</u></u>

# Statement of financial position

As at 31 December 2010

	Notes	As at 31 Dec 10 \$'000	As at 30 Jun 10 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		13,550	17,312
Receivables		427	610
Inventories		12,335	13,871
Other financial assets		10	696
Prepayments and Other assets		654	430
<b>Total current assets</b>		<b>26,976</b>	<b>32,919</b>
<b>Non-current assets</b>			
Deferred tax assets		1,494	1,116
Property, plant and equipment	4	13,313	4,662
Intangible assets		2,378	2,378
<b>Total non-current assets</b>		<b>17,185</b>	<b>8,156</b>
<b>TOTAL ASSETS</b>		<b>44,161</b>	<b>41,075</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		15,282	17,630
Current tax liabilities		1,295	1,522
Provisions		264	207
<b>Total current liabilities</b>		<b>16,841</b>	<b>19,359</b>
<b>Non-current liabilities</b>			
Provisions		292	259
Deferred tax liability		-	27
Borrowings	5	3,500	-
<b>Total non-liabilities</b>		<b>3,792</b>	<b>286</b>
<b>TOTAL LIABILITIES</b>		<b>20,633</b>	<b>19,645</b>
<b>NET ASSETS</b>		<b>23,528</b>	<b>21,430</b>
<b>EQUITY</b>			
Contributed equity		3,364	3,364
Reserves		(21)	140
Retained profits		20,185	17,926
<b>TOTAL EQUITY</b>		<b>23,528</b>	<b>21,430</b>



## Statement of cash flows

For the half-year ended 31 December 2010

	Half-year Ended 31 Dec 10 \$'000	Half-year Ended 31 Dec 09 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	53,112	54,304
Payments to suppliers and employees	(44,880)	(42,122)
Interest received	387	278
Income tax paid	(3,092)	(1,976)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>5,527</u>	<u>10,484</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant & equipment	(9,144)	(515)
NET CASH FLOWS (USED) IN INVESTING ACTIVITIES	<u>(9,144)</u>	<u>(515)</u>
<b>Cash flows from financing activities</b>		
Equity dividends paid	(3,645)	(4,860)
Proceeds from borrowings	3,500	-
NET CASH (USED) IN FINANCING ACTIVITIES	<u>(145)</u>	<u>(4,860)</u>
NET INCREASE / (DECREASE) IN CASH HELD	<b>(3,762)</b>	<b>5,109</b>
Add opening cash and cash equivalents brought forward	17,312	11,498
<b>Closing cash carried forward</b>	<u>13,550</u>	<u>16,607</u>

## Statement of changes in equity

For the half-year ended 31 December 2010

	Contributed equity \$'000	Assets revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Total \$'000
<b><u>Half Year Ended 31 December 2010</u></b>					
<b>As at 1 July 2010</b>	3,364	78	62	17,926	21,430
Profit for the period	-	-	-	5,904	5,904
Other comprehensive income	-	-	(161)	-	(161)
Total comprehensive income	-	-	(161)	5,904	5,743
Equity dividends	-	-	-	(3,645)	(3,645)
<b>As at 31 December 2010</b>	<b>3,364</b>	<b>78</b>	<b>(99)</b>	<b>20,185</b>	<b>23,528</b>
<b><u>Half Year Ended 31 December 2009</u></b>					
<b>As at 1 July 2009</b>	3,364	78	(194)	15,176	18,424
Profit for the period	-	-	-	6,261	6,261
Other comprehensive income	-	-	218	-	218
Total comprehensive income	-	-	218	6,261	6,479
Equity dividends	-	-	-	(4,860)	(4,860)
<b>As at 31 December 2009</b>	<b>3,364</b>	<b>78</b>	<b>24</b>	<b>16,577</b>	<b>20,043</b>
				<b>Half-year Ended 31 Dec 10</b>	<b>Half-year Ended 31 Dec 09</b>
<b>Dividends per share declared (cents per share)</b>				4.5	4.5

## Notes to the financial statements

### For the half-year ended 31 December 2010

#### **Note 1: Basis of preparation of the half-year financial report**

##### **(a) Corporate information**

The financial report of Nick Scali Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 9th February 2011. Nick Scali Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

##### **(b) Statement of significant accounting policies**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of the Company as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Australian Stock Exchange listing rules.

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010.

##### **(c) Basis of preparation**

The half-year financial report has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

##### **(d) Changes in accounting policies**

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the interim reporting period.

## Notes to the financial statements (cont'd)

For the half-year ended 31 December 2010

		Half-year Ended 31 Dec 10 \$'000	Half-year Ended 31 Dec 09 \$'000
<b>Note 2:</b>	<b>Revenue and expenses</b>		
	<b>(a) Specific Items</b>		
	Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity		
	<b>(i) Revenue</b>		
	Sale of goods	49,308	48,676
		<hr/> 49,308	<hr/> 48,676
	<b>(ii) Other income</b>		
	Finance income	387	278
		<hr/> 387	<hr/> 278
	<b>(b) Seasonality of Operations</b>		
	There are no significant seasonal factors for the business.		
	<b>(c) Revision of Accounting Estimates</b>		
	There was no revision of accounting estimates made during the period.		
<b>Note 3:</b>	<b>Dividends paid and proposed</b>		
	<b>Equity dividends on ordinary shares</b>		
	<b>(a) Dividends paid during the half-year</b>		
	Final franked dividend for financial year 30 June 2010 4.5 cents (2009: 6.0 cents)	3,645	4,860
	<b>(b) Dividends proposed and not recognised as a liability</b>		
	Interim franked dividend for half-year ended 31 Dec 2010 4.5 cents (2009: 4.5 cents)	3,645	3,645
<b>Note 4:</b>	<b>Property, Plant and Equipment</b>		
	During the period the company settled on the purchase of a property for the purpose of operating a retail showroom. The transaction cost was \$7 million, with a further \$1.3 million of associated costs.		

## Notes to the financial statements (cont'd)

For the half-year ended 31 December 2010

### Note 5: Borrowings

During the period the Company has utilised a \$3.5 million commercial bill facility with the St George Bank, a division of the Westpac Banking Corporation, to partially fund the purchase of a property. The facility is for a 5 year term and is secured by a first mortgage over the property assets to which the borrowing relates. The company is compliant with all banking covenants.

Note 6:	Issued capital	As at	As at
		31 Dec 10	30 Jun 10
		'000	'000
	Ordinary shares		
	Issued and fully paid	81,000	81,000

### Note 7: Segment reporting

The Company has identified its operating segments based on the information regularly reviewed by the Managing Director and the Board of Directors (the chief operating decision makers) in assessing performance and determining the allocation of resources within the Company. Consideration is given to the manner in which the products are sold, the nature of the products supplied, the organisational structure and the country in which the activity is undertaken.

Reportable segments are based on aggregated operating segments determined by the similarity of products sold, the type of customer and methods of distribution to them. The Company's one reportable segment is the retailing of furniture in Australia, the revenue of which is derived from that activity.

The total of the reportable segments' revenue and profit is the same as that of the Company as whole and as disclosed in the statement of income.

### Note 8: Contingent assets and liabilities

Since the last annual reporting date, there has been no material change of any contingent assets or contingent liabilities. There are no significant contingent assets or liabilities as at the date of this report.

### Note 9: Events after the balance date

There have been no material or significant events that have occurred after the balance date.

### Note 10: Additional information

	As at	As at
	31 Dec 10	31 Dec 09
	\$'000	\$'000
<b>Reconciliation of cash</b>		
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash at bank and in hand	13,550	16,607

## Directors' declaration

In accordance with a resolution of the directors of Nick Scali Limited, we state that:

In the opinion of the directors :

- (1) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**J.W. Ingram** Chairman



**A.J. Scali** Managing Director

Sydney, 9th February 2011

To the members of Nick Scali Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nick Scali Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and 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.

### 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that 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. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2010 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*. As the auditor of Nick Scali Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

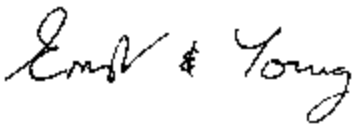
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

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 is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its 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*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

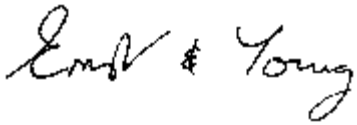
A handwritten signature in black ink that reads 'Daniel Cunningham'.

Daniel Cunningham  
Partner  
Sydney  
9 February 2011



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

In relation to our review of the financial report of Nick Scali Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Daniel Cunningham'.

Daniel Cunningham  
Partner  
9 February 2011