

**Nick Scali Limited**

ABN 82 000 403 896

Head Office  
3-29 Birnie Avenue  
Lidcombe NSW 2141

Phone: (02) 9748 4000

Facsimile: (02) 9748 4022



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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 document is attached for release to the market.

- Press Release.

For further information, contact:

David Clarke  
Chief Financial Officer

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**Press Release**  
10<sup>th</sup> February 2011

## **Nick Scali to Accelerate Growth**

	Half year ended December 2010 \$'000	Half year ended December 2009 \$'000	Change %
<b>Sales revenue</b>	<b>49,308</b>	<b>48,676</b>	<b>1.3%</b>
<b>Profit before tax</b>	<b>8,434</b>	<b>8,944</b>	<b>-5.7%</b>
<b>Net profit after tax</b>	<b>5,904</b>	<b>6,261</b>	<b>-5.7%</b>

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Australian furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) has today reported sales revenue of \$49.3m for the half year to 31 December 2010, a 1.3% increase on the previous corresponding half. Net profit before tax was \$8.4m (after tax \$5.9m), a \$0.5m reduction on last year.

The Directors have declared a fully franked interim dividend of 4.5 cents per share, with a record date of 9 March 2011 and payable on 30 March 2011. This compares with a fully franked interim dividend of 4.5 cents per share for the previous corresponding half year.

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.

The Managing Director, Mr Anthony Scali observed "volatility in retail sales appears to have become the legacy of the GFC. The first quarter was steady, the second was weak, and yet our peak selling month of January has been very strong. Whilst consumers appear reactive to commentary on the economy, there is some evidence that underlying demand for furniture is sound. The recent volatility, however, makes predicting future results very difficult."

The recent flooding and cyclone in Queensland resulted in only minor disruption to trading and minimal overall impact on the Company.

Operating costs have risen as a result of a decision to position the Company for further growth. These costs include people resources, additional marketing support and action taken to ensure the protection of the Nick Scali Furniture brand. The Company continues to have a strong internal focus on costs.

As previously announced, the Company will introduce a second retail brand later this financial year, which will be called Sofas2Go. This new brand will focus exclusively on selling sofas in a market segment below that of the Nick Scali Furniture brand. The first store is expected to open by April 2011 and two more will follow shortly thereafter.

Mr Scali said "Sofas2Go will be targeting entry level consumers; the first home buyer, renters and those seeking less expensive sofa options. It gives us an opportunity to address a larger segment of the furniture market, will insulate us from the volatility that afflicts the higher end of the market, without compromising the positioning of the Nick Scali brand nor straying from what we know and do well. The smaller store format of Sofas2Go will allow expansion of the network more rapidly, and the integration with the existing purchasing, distribution and support infrastructure will provide economy of scale benefits to both brands."

In 2010 the Company committed to accelerate the rate of store openings in order to more rapidly grow the business. In 2011 the Company is delivering on this commitment with further expansion of the Nick Scali store network. Two new Nick Scali showrooms have been opened so far this financial year, at Jindalee in Brisbane during July and Alexandria in Sydney late December; with the Alexandria store representing the Company's first property acquisition. A third Nick Scali showroom will open in the Wollongong region before the end of the financial year, and commitments are in place for more stores to open in 2012. Further locations are under negotiation for both brands and the Company remains prepared to acquire sites in strategically important locations if suitable leased sites are unavailable.

Mr Scali commented "this is an exciting time for the Company, with the business poised for further growth and greater opportunities for our people."

For further information contact:

Anthony Scali  
Managing Director

or

David Clarke  
Chief Financial Officer