

Nick Scali Limited

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**Press Release**14th August 2013**Record Profit and Sales**

	Year ended June 2013 \$'000	Year ended June 2012 \$'000	Change %
Sales revenue	127,431	109,391	16.5%
Profit before tax (PBT)	22,865	12,645	80.8%
Underlying PBT	17,492	12,645	38.3%
Net profit after tax (NPAT)	16,002	9,024	77.3%
Underlying NPAT	12,241	9,024	35.6%
Final Dividend	6.0 cents per share	3.5 cents per share	71.4%

Furniture retailer Nick Scali Limited ("the Company") (ASX:NCK) today reported a record underlying net profit before tax result of \$17.5 million for the year ended 30 June 2013; an increase of 38.3% on the previous year. The statutory profit before tax result of \$22.9m, benefitted from a one-off net compensation benefit of \$5.4m received from the NSW Government for the closure of the Nick Scali and Sofas2Go stores located at Bella Vista in North West Sydney, due to land resumption.

The strong growth in underlying profit was generated from record sales revenue of \$127.4m, which was up 16.5% on last year and from tight control of costs. The increase in sales was driven by the opening of new stores over the past 18 months, along with strong and encouraging comparable store sales growth of 5.9% for the year. Despite the competitive market place, gross margins were maintained and operating expenses as a percentage to sales fell to 46.4% from 48.4% last year, highlighting economies of scale benefits.

The Directors have declared a fully franked Final Dividend of 6.0 cents per share. The record date will be 9 October 2013 with the dividend payable on 31 October 2013. When added to the Interim Dividend of 6.0 cents per share, the Total Dividend for the year is 12.0 cents per share fully franked.

Mr Anthony Scali, the Managing Director for Nick Scali Limited, said "The Company has produced a better underlying profit due to strong sales growth and tight cost control. The improved sales came from more focus on the development of our sales people and continuous changes to our product range. It has not been an easy environment for furniture retailers, making our result even more satisfying."

Store network

During the year three new Nick Scali stores were opened and one was closed, bringing the total number of Nick Scali stores to 33 as at 30 June 2013. The three stores that opened during the year were in Maroochydore (QLD), Bankstown (NSW) and Moorabbin (VIC). The Bella Vista (NSW) store was closed due to the compulsory acquisition of the property by the NSW Government for the North West rail link project. All new stores have achieved encouraging results so far and have performed in line with expectations.

The Sofas2Go brand opened one new store during the year in Fyshwick (ACT). As part of the strategy to own stores in some strategic location, the property was purchased. The Sofas2Go store at Bella Vista (NSW) was closed in June 2013 as part of the compulsory acquisition of land referred to earlier. As a result, the total number of Sofas2Go stores at year end remains at 5 stores. While the Sofas2Go brand is still in its infancy in terms of rollout, the Company believes the brand has considerable room to grow and improve from an enlarged store network as appropriate sites are identified.

Outlook

Sales orders for the final quarter were up 14.2% on the previous corresponding period with same store sales orders up 5.5%. Despite a very subdued April, a robust last week of the June half yearly clearance promotion produced a very strong month and a positive outcome for the quarter. July sales orders have continued to follow June allowing a very healthy order bank of sales orders that will assist the first quarter of the current 2014 financial year.

Whilst current trading continues to provide solid sales growth, sharp falls in the Australian dollar bring challenges to the business as increases in landed cost can generate margin pressure. On the positive side historically low interest rates could drive a larger volume of housing sales, which is a strong catalyst for the industry's growth. The Company is well positioned to capitalise on any improvement in consumer confidence and spending patterns that may emerge.

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