

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 2012**

Results for announcement to the market

Extracts for announcement to the market

				\$A'000
Revenue from ordinary activities	Up	17.0%	to	62,931
Profit (loss) from ordinary activities after tax attributable to members	Up	22.6%	to	6,447
Profit (loss) from extraordinary items after tax attributable to members		-		-
Net profit (loss) for the period attributable to members	Up	22.6%	to	6,447
Net tangible asset backing per share (cents per share)		December 2012		35.43
		December 2011		30.79
Dividends (distributions)	Amount per security		Franked amount per security	
	6.0 cents		6.0 cents	
Record date for determining entitlements to the dividend		7 March 2013		
Date the dividend is payable		28 March 2013		

Half-Year Financial Report 31 December 2012

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Directors' report

Your directors submit their report for the half-year ended 31 December 2012.

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>Independent Non-Executive Chairman</i>
Nick D. Scali	<i>Non-Executive Director</i>
Greg R. Laurie	<i>Independent Non-Executive Director</i>
Ian Kennon	<i>Independent Non-Executive Director (passed away 22 October 2012)</i>
Anthony J. Scali	<i>Managing Director</i>
Nicky D. Scali	<i>Alternate Director</i>

Review and results of operations

For the half year to 31 December 2012, the Company reported a record first half NPAT result of \$6.4m, up 22.6% on the prior year first half NPAT result of \$5.3m. The improved NPAT was the result of a strong increase in sales revenue combined with a tight focus on costs.

Sales revenue for the half was \$62.9m, up 17.0% on last year and up 4.7% on a comparable store basis. The strong sales increase is attributable to the new stores opened in the last 12 months and strong sales orders written in the 4th quarter of last financial year.

The sales increase was marginally offset by a lower Gross Margin of 59.8%, which was down 140 basis points on the prior half. However, the result is in line with the Company's expectation.

A disciplined approach to managing expenses resulted in Operating Expenses as a percentage to sales dropping from 47.4% last half to 44.4% this half. Total Operating Expenses of \$27.9m for the half were up 9.4% on last year of \$25.5m due the opening of new stores in the last 12 months.

During the half year the Company opened three new stores; two Nick Scali stores and one Sofas 2 Go store. The two Nick Scali stores were opened at Bankstown, NSW and Maroochydore on the Sunshine Coast in Queensland. A Sofas 2 Go store opened in Fyshwick ACT, that was purchased by the Company as part of its strategy to have a mix of leasehold and freehold stores in its store portfolio. The Company has plans to open more stores in the second half of the year subject to negotiations with landlords.

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, 13 February 2013

Statement of income

For the half year ended 31 December 2012

	Notes	Half-year Ended 31 Dec 12 \$'000	Half-year Ended 31 Dec 11 \$'000
Revenue from sale of goods	2	62,931	53,801
Cost of goods sold		(25,325)	(20,858)
Gross profit		37,606	32,943
Other income	2	454	505
Employment expenses		(9,153)	(8,814)
General & Administration expenses		(2,402)	(1,959)
Marketing expenses		(5,322)	(4,673)
Property expenses		(10,792)	(9,783)
Distribution expenses		(274)	(279)
Finance cost		(90)	(116)
Depreciation and Amortisation		(813)	(558)
Profit before income tax		9,214	7,266
Income tax expense		(2,767)	(2,007)
Net profit after tax		6,447	5,259
Earnings per share			
Basic Earnings per share (cents per share)		8.0	6.5
Diluted Earnings per share (cents per share)		8.0	6.5

Statement of comprehensive income

For the half year ended 31 December 2012

	Half-year Ended 31 Dec 12 \$'000	Half-year Ended 31 Dec 11 \$'000
Profit after tax	6,447	5,259
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges gain/(loss) taken to equity	104	63
Other comprehensive income for the period	104	63
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,551	5,322

Statement of financial position

As at 31 December 2012

	As at 31 Dec 12 \$'000	As at 30 Jun 12 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	19,288	20,691
Receivables	613	808
Inventories	14,056	13,649
Prepayments and Other assets	595	603
Total current assets	34,552	35,751
Non-current assets		
Deferred tax assets	1,253	1,229
Property, plant and equipment	22,060	14,573
Intangible assets	2,378	2,378
Total non-current assets	25,691	18,180
TOTAL ASSETS	60,243	53,931
LIABILITIES		
Current liabilities		
Payables	17,694	18,536
Current tax liabilities	1,701	1,636
Provisions	454	448
Total current liabilities	19,849	20,620
Non-current liabilities		
Provisions	2,542	2,433
Deferred tax liability	16	0
Borrowings	6,762	3,500
Total non-liabilities	9,320	5,933
TOTAL LIABILITIES	29,169	26,553
NET ASSETS	31,074	27,378
EQUITY		
Contributed equity	3,364	3,364
Reserves	120	12
Retained profits	27,590	23,977
TOTAL EQUITY	31,074	27,353

Statement of cash flows

For the half-year ended 31 December 2012

	Half-year Ended 31 Dec 12 \$'000	Half-year Ended 31 Dec 11 \$'000
Cash flows from operating activities		
Receipts from customers	67,263	58,531
Payments to suppliers and employees	(59,368)	(51,755)
Interest received	454	505
Income tax paid	(2,780)	(2,661)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,569	4,620
Cash flows from investing activities		
Purchase of property, plant & equipment	(7,309)	(993)
NET CASH FLOWS (USED) IN INVESTING ACTIVITIES	(7,309)	(993)
Cash flows from financing activities		
Equity dividends paid	(2,835)	(3,645)
Proceeds from borrowings	3,262	-
Interest paid on borrowings	(90)	(116)
NET CASH (USED) IN FINANCING ACTIVITIES	337	(3,761)
NET INCREASE / (DECREASE) IN CASH HELD	(1,403)	(134)
Add opening cash and cash equivalents brought forward	20,691	17,552
Closing cash carried forward	19,288	17,418

Statement of changes in equity

For the half-year ended 31 December 2012

	Contributed equity \$'000	Equity benefits reserve \$'000	Assets revaluation reserve \$'000	Cash flow hedge reserve \$'000	Retained profits \$'000	Total \$'000
Half Year Ended 31 December 2012						
As at 1 July 2012	3,364	0	78	(67)	23,978	27,353
Profit for the period	-	-	-	-	6,447	6,447
Other comprehensive income	-	-	-	104	-	104
Total comprehensive income	-	-	-	104	6,447	6,551
Share-based payment	-	5	-	-	-	5
Equity dividends	-	-	-	-	(2,835)	(2,835)
As at 31 December 2012	3,364	5	78	37	27,590	31,074
Half Year Ended 31 December 2011						
As at 1 July 2011	3,364	8	78	(59)	22,244	25,635
Profit for the period	-	-	-	-	5,259	5,259
Other comprehensive income	-	-	-	63	-	63
Total comprehensive income	-	-	-	63	5,259	5,322
Share-based payment	-	4	-	-	-	4
Equity dividends	-	-	-	-	(3,645)	(3,645)
As at 31 December 2011	3,364	12	78	4	23,858	27,316

	Half-year Ended 31 Dec 12	Half-year Ended 31 Dec 11
Dividends per share declared (cents per share)	6.0	4.5

Notes to the financial statements

For the half-year ended 31 December 2012

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 2012 was authorised for issue in accordance with a resolution of the directors on 13th February 2013. 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 accounting policies adopted in the preparation of the half-year financial report statements are consistent with those followed in the preparation of the company's annual financial statements for the year ended 30 June 2012, except for the adoption of new standards and interpretations as of 1 July 2012 and the reclassification of comparatives in the statement of financial position.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income.

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

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 2012 in accordance with the continuous disclosure obligations arising under the Australian Stock Exchange listing rules.

(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 2012

		Half-year Ended 31 Dec 12 \$'000	Half-year Ended 31 Dec 11 \$'000
Note 2:	Revenue and expenses		
	(a) Specific Items		
	Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity.		
	(i) Revenue		
	Sale of goods	62,931	53,801
	(ii) Other income		
	Interest received	454	505
	(b) Seasonality of Operations		
	There are no significant seasonal factors for the business.		
	(c) Revision of Accounting Estimates		
	There was no revision of accounting estimates made during the period.		
Note 3:	Dividends paid and proposed		
	Equity dividends on ordinary shares		
	(a) Dividends paid during the half-year		
	Final franked dividend for financial year 30 June 2012 3.5 cents (2011: 4.5 cents)	2,835	3,645
	(b) Dividends proposed and not recognised as a liability		
	Interim franked dividend for half-year ended 31 Dec 2012 6.0 cents (2011: 4.5 cents)	4,860	3,645

Notes to the financial statements (cont'd)

For the half-year ended 31 December 2012

		As at 31 Dec 12 '000	As at 30 Jun 12 '000
Note 4:	Issued capital		
	Ordinary shares		
	Issued and fully paid	<u>81,000</u>	<u>81,000</u>

Note 5: 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 6: 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 7: Events after the balance date

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

Note 8: Additional information

	As at 31 Dec 12 \$'000	As at 30 Jun 12 \$'000
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Reconciliation of cash

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

Cash at bank and in hand	<u>19,288</u>	<u>20,691</u>
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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 2012 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, 13 February 2013

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 2012, the statement of income, 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 a Financial Report 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 2012 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.

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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:

- i giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Kathy Parsons
Partner
Sydney
13 February 2013

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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 2012, 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.



Ernst & Young



Kathy Parsons
Partner
13 February 2013

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