Appendix 4E

Preliminary Financial Report

Name of entity

Nick Scali Limited

ABN 82 000 403 896

Financial year ended ('current period'):
30 JUNE 2005

Results for announcement to the market

Extracts for announcement to the market

				$A'000
Revenue from ordinary activities	Up	24.9%	to	54,217
Profit (loss) from ordinary activities after tax attributable to members	Up	20.0%	to	8,085
Profit (loss) from extraordinary items after tax attributable to members	-	-		-
Net profit (loss) for the period attributable to members	Up	20.0%	to	8,085

Dividends (distributions)	Amount per security	Franked Amount per security
	3.5 cents	3.5 cents

Record date for determining entitlements to the dividend	10 October 2005
Date the dividend is payable	31 October 2005

Brief explanation of figures reported above to enable the figures to be understood:

During the year, new stores were open at Norwest in NSW, Aspley and Fortitude Valley in Queensland and Mile End in South Australia. In addition, the Company acquired three existing stores in South Australia.

The Company also incurred additional expenses in the set up of new Distribution Centres in Queensland and South Australia. These Distribution Centres are a necessary part of the Company's future expansion plans.

For further information, refer attached Press Release.

Press Release
Nick Scali Limited

Nick Scali Exceeds Prospectus Forecast

Results for the Year Ended 30 June 2005

	Year End June 2005 $'000	Year End June 2004 $'000	Change %
Sales revenue	**54,217**	**43,392**	**+ 24.9**
EBIT	**11,117**	**9,250**	**+ 20.2**
Profit After Tax	**8,085**	**6,737**	**+ 20.0**
Dividend	**6.5 cents per share**		

Nick Scali Limited is pleased to announce a Net Profit from ordinary activities after income tax of $8.1 million for the year ended 30 June 2005. This result exceeds the prospectus forecast of $7.7 million and represents an increase of 20% over the previous year. The profit was achieved from sales revenue of $54.2 million, which was an increase of 25% on the previous year.

Directors have declared a fully franked final dividend of 3.5 cents per share. This takes the total dividend for the year to 6.5 cents per share fully franked, which is 1 cent per share higher than forecast in the prospectus. The dividend will be paid on 31 October 2005 and the record date will be 10 October.

Commenting on the results Mr Anthony Scali, Managing Director, said the result was encouraging but was constrained by tighter trading conditions during the second half of the financial year and the additional costs associated with opening new stores.

During the year seven new stores were opened. These were at Norwest in NSW, Aspley and Fortitude Valley in QLD, and Mile End in SA. In addition the Company acquired the business of Payneham Home Furnishings in March, which provided three additional stores in SA. All of these new stores contributed positively to the profit result. In the year ending 30 June 2006 the company will have the benefit of a full years trading from its expanded network.

The Company's strategy is to continue to expand its network and currently plans to open four new stores during the year ending 30 June 2006. It is expected that the first Victorian store will be opened in January 2006 and there are plans for further new stores within that state.

The outlook for the current year will be impacted by any continuing softening in the retail market. The Company, however, will be assisted by the full year impact of the stores opened during the 2005 financial year and the continuation of its network expansion plans.

For further information contact:

Anthony Scali	or	Dominic Chiera
Managing Director		Chief Financial Officer
Phone 02 8737 7213		Phone 02 8737 7213

Annual Meeting

The annual meeting will be held as follows:

Place	Nick Scali Head Office
Date	Monday, 24 October 2005
Time	11:30 am
Approximate date the annual report will be available	23 September 2005

Statement of Financial Performance
For the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
Revenue from Sale of Goods	2	**54,217**	**43,392**
Cost of sales	3(b)	**(22,525)**	**(17,999)**
GROSS PROFIT		**31,692**	**25,393**
Other revenue from ordinary activities	2	**581**	**416**
Distribution expenses		**(349)**	**(463)**
Marketing expenses		**(4,202)**	**(3,591)**
Occupation expenses		**(5,718)**	**(5,812)**
Administration expenses		**(10,516)**	**(6,323)**
Borrowing costs expense		**(20)**	**(22)**
Written down value of property, plant & equipment sold		**-**	**(24)**
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		**11,468**	**9,574**
INCOME TAX RELATING TO ORDINARY ACTIVITIES	4	**(3,383)**	**(2,837)**
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX		**8,085**	**6,737**
Share issue costs	17	-	(648)
Total Revenue, Expenses and Valuation Adjustments Attributable to Members of Nick Scali Limited and Recognised directly in Equity		-	(648)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF NICK SCALI LIMITED		**8,085**	**6,089**
Basic Earnings per Share (cents per share)	7	10.0 cents	8.7 cents
Diluted Earnings per Share (cents per share)	7	10.0 cents	8.7 cents
Net tangible Asset Backing per Share (cents per share)		12.3 cents	9.2 cents

Statement of Financial Position
For the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
CURRENT ASSETS			
Cash assets	23	6,683	8,581
Receivables	8	2,176	240
Inventories	9	9,888	6,423
Other financial assets	10	1	-
Other assets	11	291	294
TOTAL CURRENT ASSETS		**19,039**	**15,538**
NON-CURRENT ASSETS			
Deferred tax assets	4	341	296
Property, plant and equipment	12	2,888	1,556
Intangible assets	13	2,378	-
TOTAL NON-CURRENT ASSETS		**5,607**	**1,852**
TOTAL ASSETS		**24,646**	**17,390**
CURRENT LIABILITIES			
Payables	14	10,454	6,714
Interest bearing liabilities	15	6	2,185
Current tax liabilities	4	1,403	690
Provisions	16	225	250
TOTAL CURRENT LIABILITIES		**12,088**	**9,839**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	1	-
Provisions	16	252	87
TOTAL NON-CURRENT LIABILITIES		**253**	**87**
TOTAL LIABILITIES		**12,341**	**9,926**
NET ASSETS		**12,305**	**7,464**
EQUITY			
Contributed equity	17	3,364	3,364
Reserves	18	78	78
Retained profits	18	8,863	4,022
TOTAL EQUITY		**12,305**	**7,464**

Statement of Cash Flows
For the year ended 30 June 2005

	Notes	2005 $'000	2004 $'000
Cash Flows from Operating Activities			
Receipts from customers		58,075	47,727
Payments to suppliers and employees		(47,909)	(37,807)
Interest received		371	346
Borrowing costs		(20)	(22)
Income tax paid		(2,716)	(3,460)
NET CASH FLOWS FROM OPERATING ACTIVITIES	23(a)	**7,801**	**6,784**
Cash Flows from Investing Activities			
Purchase of property, plant & equipment		(1,907)	(625)
Acquisition of Adelaide stores	23(d)	(2,092)	-
Acquisition costs on acquisition of Adelaide stores		(278)	-
Proceeds from disposal of assets		-	16
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(4,277)**	**(609)**
Cash Flows from Financing Activities			
Repayment of interest bearing liabilities		(2,160)	-
Payment of dividends on ordinary shares		(3,244)	(4,322)
Repayment of hire-purchase liability principal		(18)	(53)
Proceeds from issue of ordinary shares		-	4,000
Payment of share issue costs		-	(648)
Payments to related parties		-	(5,118)
NET CASH (USED) IN FINANCING ACTIVITIES		**(5,422)**	**(6,141)**
NET (DECREASE)/INCREASE IN CASH HELD		(1,898)	34
Add Opening Cash brought forward		8,581	8,547
Closing Cash carried forward	23(b)	**6,683**	**8,581**

Notes to the Financial Statements
For the year ended 30 June 2005

Note 1: Statement of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including the applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

(b) Changes in accounting policy

The accounting policies adopted are consistent with those of the previous year.

(c) Taxes

Income taxes
Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and except for receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows included in the Statement of Cash Flows are on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(d) Property, Plant and Equipment

All classes of property, plant and equipment are measured at cost.

Depreciation is provided on a straight line basis on all property, plant and equipment.

Major depreciation periods are:

	2005	2004
Office equipment	10%-33.3%	20%-33%
Furniture and fittings	20%-33%	10%-33%
Leasehold improvements	Lease term	Lease term
Plant & Equipment	20%-22.5%	20%
Motor vehicles	20%-22.5%	20%-22.5%

Notes to the Financial Statements
For the year ended 30 June 2005

(e) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense on the straight line basis.

The lease incentive liability in relation to the non-cancelable operating lease is being reduced on an imputed interest basis over the term of the lease at the rate implicit in the lease. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Weighted average cost is used to value inventories.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Finished Goods - Purchase price plus freight, cartage and import duties are included in the cost of finished goods.

(g) Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts.

Employee entitlements expenses and revenues arising in respect of the following categories:
- wages, salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

(h) Foreign Currencies

Translation of foreign currency transactions
Transactions in foreign currencies are converted to local currency at the rates of exchange ruling at the date of the transaction.

Amounts payable to and by the entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

All resulting exchange differences arising on settlement or resettlement are brought to account in determining the net profit or loss for the financial year.

(i) Derivative financial instruments

Foreign exchange contracts
The Company enters into forward exchange contracts where it agrees to buy or sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the Company against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than four months.

(j) Cash and cash equivalents

Cash on hand and in bank and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, convertible into cash within 2 working days.

(k) Revenue Recognition

Sales revenue is recognised in profit & loss account on delivery of furniture to customers. Customers deposits are held in a forward deposit account and transferred to trade debtors on receipt of goods. Interest is recognised when the control over the right to receive interest is obtained.

Notes to the Financial Statements
For the year ended 30 June 2005

(l) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(m) Recoverable amounts

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down.

(n) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Payables to related parties are carried at the principal amount.

(o) Interest bearing liabilities

All external loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(p) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before reporting date.

(q) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the company.
Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(r) Lease incentive contributions

The Company has received financial incentive contributions from the leases on certain stores. On receipt, these incentive contributions are recorded as a liability in the financial statements.

The liability is reduced and amortised over the lease term.

(s) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity (other than equity)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Comparatives

Where necessary, comparatives have been reclassified and re-positioned for consistency with current year disclosures.

(u) Intangibles

Goodwill
Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the Adeliade stores.

Notes to the Financial Statements
For the year ended 30 June 2005

	2005 $'000	2004 $'000
Note 2: Revenue from Ordinary Activities		
Revenue from operating activities		
Sales revenue	54,217	43,392
Total revenue from operating activities	54,217	43,392
Revenue from non operating activities		
Proceeds from sale of property, plant & equipment	-	16
Interest income	371	346
Other income	210	54
Total revenue from non operating activities	581	416
Total revenue from ordinary activities	**54,798**	**43,808**

Note 3: Operating Expenses and Losses/(Gains)

Operating profit before income tax has been determined after:

	2005 $'000	2004 $'000
(a) Expenses		
Bad debts written off	4	4
Depreciation/Amortisation of non-current assets		
Office equipment	199	203
Furniture and fittings	67	118
Leasehold improvements	305	306
Motor vehicles	54	37
Total depreciation/amortisation of non-current assets	**625**	**664**
Rental expense on operating leases	**6,034**	**4,750**
(b) Losses/(gains)		
Net foreign currency (gain) *	(115)	(494)
Net loss/(gain) on disposal of property, plant and equipment	-	8

* Exchange gain has been included in cost of sales

Notes to the Financial Statements
For the year ended 30 June 2005

	2005 $'000	2004 $'000
Note 4: Income Tax		
Prima facie income tax on operating profit before income tax @ 30%	3,441	2,872
Tax effect of permanent differences:		
Deductible costs for raising capital	-	(39)
(Over)/under provision Prior Year	(25)	2
Other permanent differences	(33)	2
	3,383	**2,837**
Deferred tax assets and liabilities		
Current tax payable	1,403	690
Future income tax benefit	341	296

The future income tax benefit will only be obtained if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) no changes in tax legislation adversely affect the Company in realising the benefit.

Note 5: Dividends

	2005 $'000	2004 $'000
(a) Dividends paid during the year		
Pre-IPO dividends paid to pre-IPO shareholder.	-	9,831
(b) Dividends declared and paid during the year relating to previous financial year		
A final dividend of 1.00 cent per share, in relation to the year ended 30 June 2004, was paid on 29 October 2004.	810	-
(b) Interim dividends declared and paid during the year, relating to current financial year		
An interim dividend of 3.00 cents per share was paid on 31 March 2005	2,434	-
(d) Dividends declared and not recognised at year end		
In addition to the above dividends, since the year-end, the directors have declared the payment of a final fully franked dividends of 3.5 cents per share for the year ended 30 June 2005 (2004: 1.00 cent per share). The aggregate amount of the proposed dividend expected to be paid on 31 October 2005 out of retained profits at 30 June 2005, has not been recognised as a liability at year end.	2,835	810
	6,079	10,641
(e) Dividend franking account		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year @ 30% (2004: 30%)	1,327	2
- franking account balance that will arise from the payment of income tax as at the end of the financial year	1,403	690
- franking account balance that will arise from the payment of fully franked dividends	(1,215)	(347)
	1,515	345

Notes to the Financial Statements
For the year ended 30 June 2005

Note 6: Auditors' Remuneration

	2005 $	2004 $
Amounts received or due and receivable by Ernst & Young for:		
- audit or review of the financial report of the Company	90,442	60,000
- other services provided to the Company (including taxation compliance and advice and performance of special turnover audits)	10,707	36,759
	101,149	96,759
- services related to Initial Public Offering, capitalised in Contributed Equity		207,662

Note 7: Earnings Per Share

	2005 $'000	2004 $'000
(a) Earnings used in calculating basic earnings per share	8,085	6,737

	No. of Shares 2005	No. of Shares 2004
(b) Weighted number of shares outstanding used to calculate basic EPS	81,000,000	77,852,514

	Cents per Share	Cents per Share
Basic earnings per share	10.0	8.7
Diluted earnings per share	10.0	8.7

Note 8: Receivables

	Note	2005 $'000	2004 $'000
Current			
Trade debtors		400	222
Hedging foreign currency receivable	26(b)	1,605	-
Sundry debtors		171	18
		2,176	240

(a) Terms and conditions relating to the above financial instruments:
(i) Trade debtors are non-interest bearing and generally on 30 day or less terms.
(ii) Sundry debtors are non-interest bearing and have repayment terms of between 30 and 90 days.

Note 9: Inventories

	2005 $'000	2004 $'000
Finished Goods	8,441	5,752
Provision for diminution in value	-	(100)
	8,441	5,652
Stock in transit	1,447	771
	9,888	6,423

Note 10: Other Financial Assets (Current)

	2005 $'000	2004 $'000
Deposits	1	-

Note 11: Other Assets

	2005 $'000	2004 $'000
Prepaid expenses	291	294

Notes to the Financial Statements
For the year ended 30 June 2005

Note 12: Property, Plant and Equipment

	2005 $	2004 $
Office equipment - at cost	2,088	1,039
Accumulated depreciation	(755)	(556)
	1,333	483
Furniture & fittings - at cost	688	656
Accumulated depreciation	(497)	(430)
	191	226
Leasehold improvements - at cost	2,305	1,504
Less: accumulated depreciation	(1,092)	(787)
	1,213	717
Motor vehicles - at cost	324	249
Accumulated depreciation	(173)	(119)
	151	130
Total property, plant and equipment	2,888	1,556

Reconciliation of the carrying amounts of property, plant & equipment
At the beginning and end of the current financial year

	2005 $	2004 $
Office Equipment		
Carrying amount at beginning	483	483
Additions	1,030	203
Additions as part of acquisition of Adelaide stores	19	-
Disposals	-	-
Depreciation charged	(199)	(203)
	1,333	483
Furniture & fittings		
Carrying amount at beginning	226	224
Additions	32	120
Disposals	-	-
Depreciation charged	(67)	(118)
	191	226
Leasehold improvements		
Carrying amount at beginning	717	844
Additions	801	179
Disposals	-	-
Depreciation charged	(305)	(306)
	1,213	717
Motor vehicles		
Carrying amount at beginning	130	68
Additions	44	123
Additions as part of acquisition of Adelaide stores	31	-
Disposals	-	(24)
Depreciation charged	(54)	(37)
	151	130
	2,888	1,556

Note 13: Intangible Assets

	2005 $	2004 $
Goodwill on acquisition of stores in Adelaide	2,100	-
Acquisition costs	278	-
Total intangibles assets	2,378	-

Notes to the Financial Statements
For the year ended 30 June 2005

Note 14: Payables (Current)

	Notes	2005 $'000	2004 $'000
Trade creditors		1,321	1,155
Customer deposits		3,998	2,964
Hedging foreign currency payable	26(b)	1,605	-
Other creditors and accruals		3,530	2,595
		10,454	6,714

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms

(ii) Other creditors are non-interest bearing and have an average of 30 to 60 days.

(iii) Australian Dollar Equivalents of unhedged amounts payable in foreign currencies not effectively hedged included in trade creditors at year end was 161,296 (Euro 91,338).

Note 15: Interest Bearing Liabilities

	2005 $'000	2004 $'000
Commercial bills - secured	-	2,176
HP liability	8	30
Less: deferred charges	(1)	(21)
	7	2,185
Disclosed as:		
- current liability	6	2,185
- non-current liability	1	-

Terms and conditions

Terms and conditions relating to the above financial instruments

(i) The bank facilities are secured by a first registered charge over the assets and undertakings of the company. The commercial bills relate to refinanced letters of credit, denominated in US dollars and are fully hedged by forward exchange contracts taken out by the Company.

(ii) The hire purchase facility relates to a Company owned van, forklift and photocopier, with the final payment due in June 2005, December 2005 and November 2007 respectively.

Note 16: Provisions

	2005 $'000	2004 $'000
Current		
Employee benefits (refer Note 21)	225	250
Non-Current		
Employee benefits (refer Note 21)	252	87

Notes to the Financial Statements
For the year ended 30 June 2005

	2005 $'000	2004 $'000

Note 17: Contributed Equity

	2005 $'000	2004 $'000
81,000,000 (2004: 81,000,000) fully paid ordinary shares	3,364	3,364

	2005 Number of ordinary shares	2005 $'000	2004 Number of ordinary shares	2004 $'000
Movement in ordinary shares on issue				
Balance at the beginning of the financial year	81,000,000	3,364	6,003	12
Issued to existing shareholder following capital reconstruction	-	-	76,993,997	-
Issued during the year pursuant to the Nick Scali Limited prospectus dated 18 April 2004	-	-	4,000,000	4,000
Transaction costs relating to share issue	-	-	-	(648)
Balance at the end of the financial year	81,000,000	3,364	81,000,000	3,364

(a) Terms and conditions of contributed equity
Ordinary shares are entitled to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Note 18: Reserves

	2005 $'000	2004 $'000
Capital profits	78	78
	78	78
Capital profits reserve		
Opening balance	78	5,588
Transfer to retained earnings	-	(5,510)
Closing balance at 30 June 2005	78	78

(a) Capital profits reserve
(i) Nature and purpose of reserve
Capital Profits Reserve is comprised wholly of the surplus on disposal of assets that were acquired prior to the introduction of Capital Gains Tax provisions.

	2005 $'000	2004 $'000
Retained profits		
Opening Balance	4,022	1,606
Profit from Ordinary Activities after Income Tax	8,085	6,737
Transfer from Capital Profits Reserve	-	5,510
Dividend Paid	(3,244)	(9,831)
Closing Balance	8,863	4,022

Notes to the Financial Statements
For the year ended 30 June 2005

	2005 $'000	2004 $'000

Note 19: Expenditure Commitments

(a) Hire-purchase commitments payable

	2005 $'000	2004 $'000
- not later than one year	7	22
- later than one year but not later than five years	1	8
- total minimum lease payments	8	30
Deduct future finance charges	(1)	(21)
- lease liability	7	9

(b) Operating leasing expenditure commitments

	2005 $'000	2004 $'000
- not later than one year	8,174	4,352
- later than one year but not later than five years	27,568	14,214
- later than 5 years	12,277	5,457
Aggregate expenditure contracted for at balance date	48,019	24,023

Note 20: Contingent Liabilities

There are no contingent liabilities at the end of the financial year.

Note 21: Employee Benefits

	2005 $'000	2004 $'000
Aggregate employee benefits, including on-costs		
Provision for employee benefits		
- current (refer Note 16)	225	250
- non-current (refer Note 16)	252	87
Accrual for wages and salaries included in 'other creditors and accruals'		
- current (refer Note 14)	77	88
	554	425

	2005	2004
Number of employees		
Number of full time and part-time employees at balance date	188	102

Superannuation funds
The Company contributes to a number of superannuation funds which exist to provide benefits for employees and their dependants on retirement, death or disability, subject to the rules of the funds. All of the funds are defined contribution funds and as such the Company has no commitment to fund retirement benefits, other than as specified in the rules of the respective funds and the requirements of the Superannuation Guarantee Change Act.

Note 22: Events Subsequent to Reporting Date

No significant events subsequent to balance date have occurred that require separate disclosure.

Notes to the Financial Statements
For the year ended 30 June 2005

Note 23: Statement of Cash Flows

(a) Reconciliation of operating profit after tax to net cash flows from operations

	2005 $'000	2004 $'000
Profit from ordinary activities after tax	8,085	6,737
Non-Cash Items		
Depreciation of non-current assets	625	664
(Gain)/Loss on disposal of property, plant and equipment	-	8
Changes in assets & liabilities		
(Increase) in value of trade & other receivables	(1,936)	(38)
(Increase) in value of inventories	(2,981)	(291)
Decrease / (increase) in other financial asset	(1)	12
Decrease / (increase) in value of prepayments	3	(235)
(Decrease) / increase in value of bill liabilities	-	1,205
(Decrease) / increase in value of payables	3,224	(700)
Increase in value of provisions	114	45
(Decrease) / increase in value of tax provision	713	(658)
(Decrease) / increase in value of future income tax benefits	(45)	35
Net cash flow from operating activities	7,801	6,784

(b) Reconciliation of Cash

	2005 $'000	2004 $'000
Cash balances comprise:		
- cash on hand	6,683	8,581

(c) Financing Arrangements

The following operating lines of credit were available at balance date:

	2005 $'000	2004 $'000
- credit facilities	6,600	5,600
- amount utilised	(1,797)	(3,904)
Unused credit facilities	4,803	1,696

(d) Acquisition of Adelaide Businesses

On 1 March 2005 the Company acquired selected assets of Payneham Home Furnishings Pty Ltd, an Adelaide based furniture retailer. The components of the acquisition costs were:

	2005 $'000
- plant and equipment	50
- inventory	484
- customer deposits	(529)
- employee provision	(13)
- goodwill arising on acquisition	2,100
	2,092
Net cash effect	
- cash paid for purchase of assets as reflected in the statement of cash flows	2,092

Notes to the Financial Statements
For the year ended 30 June 2005

Note 24: Related Party Disclosures

Directors
The names of the directors who have held office during the financial year, together with details of directors' remuneration, are set out in Note 25.

Apart from the details disclosed below, no Director has entered into a material contract with the Company since the end of the previous financial period and there were no material contracts involving directors' interests existing at balance date.

Related party arrangements
Chatswood and Auburn Leases
The Company leases premises at Chatswood and Auburn, both in New South Wales, from entities controlled by Messrs Anthony Scali and Nick Scali.

The following details the term and rent payable by the Company in respect of each of the above premises leased. Lease rentals are determined on an arms length basis.

All other material terms of these leases are of a nature that would be typically entered into between unrelated parties.

Location	242-248 Parramatta Road, Auburn, NSW	575 Pacific Highway, Chatswood, NSW
Term	10 years, commencing 1 March 2004	7 years, commencing 1 April 2004
Rent	$682,068 (plus GST) per annum	$496,800 (plus GST) per annum

Employment/Consultancy Agreements

	Anthony Scali	**Nicky D Scali**	**Nick Scali**
Type of agreement	Employment agreement	Employment agreement	Consultancy agreement
Title	Managing Director	Marketing and Information Technology Manager	Consultant
Remuneration	$350,000, subject to annual review, commencing May 2004	$200,000, subject to annual review, commencing May 2004	$60,000, subject to annual review, commencing May 2004
Term	Evergreen	Evergreen	3 years
Non competition period	12 months after termination, within Australia	12 months after termination, within Australia	12 months after termination, within Australia

Other related party transactions
The following dealings between the Company and the directors and personally-related entities were made in the ordinary course of business on normal commercial terms and conditions

Year ended 30 June 2005:
- The Company paid property lease rentals and outgoings to personally related entities of Messrs Anthony Scali and Nick Scali totaling $1,156,068 during the year

Year ended 30 June 2004:
- A personally-related entity of Messrs Anthony Scali and Nick Scali disposed of 36,500,000 shares in the Company as part of the Initial Public Offer in May 2004. The transaction value was $36.5m.

- Personally related entities of Messrs Anthony Scali and Nick Scali made or repaid loans to the Company during the year. All loans were settled prior to the Initial Public Offer in May 2004. There are no loans outstanding to or from any personally related entities.

- The Company paid property lease rentals and outgoings to personally related entities of Messrs Anthony Scali and Nick Scali totaling $1,080,675 during the year

Notes to the Financial Statements
For the year ended 30 June 2005

Note 25: Director and Executive Disclosures

(a) Remuneration of Specified Directors and Specified Executives

(i) Remuneration policy

Executive remuneration packages are currently based on a combination of fixed and performance based remuneration. The performance measures are a combination of results achieved by the Company and achievement of individual targets for each executive.

The Company intends to implement an equity-based long term incentive plan within the next twelve months.

Remuneration and Nomination Committee
The Remuneration and Nomination Committee currently consists of the non executive directors of the Company, and is responsible for:
- Reviewing remuneration arrangements of senior management.
- Recommending to the Board any increase in the remuneration of an existing senior employee of the Company for which Board approval is required.
- Recommending to the Board the remuneration of a new senior executive employee of the Company, for approval by the Board.
- The setting of overall guidelines for Human Resources policy, within which Senior Management determines specific policies.
- Reviewing the performance of the Board and its sub committees.

The committee has met once in the last twelve months. All members attended, together with the Managing Director and Company Secretary. In addition, matters for consideration by the Committee have been dealt with during the Board meetings, where Remuneration and Nomination Committee members were in attendance.

	Salary and Fees $	Cash Bonus $	Superannuation $	Total $
Specified Directors				
J.W. Ingram Non-Executive Chairman	69,266	-	-	69,266
A.J. Scali Managing Director	356,794	-	11,585	368,379
N.D. Scali Non-Executive Director	58,984	-	-	58,984
G.R. Laurie Non-Executive Director	46,254	-	4,541	50,795
TOTAL	**531,298**	**-**	**16,126**	**547,424**

There are no retirement benefits payable to non-executive directors and no share options have been issued by the Company.

Employment agreements have been entered into with the Managing Director, the Marketing and Information Technology Manager and the Company's founder, Mr N.D. Scali. The details of these agreements are disclosed in Note 24 above.

Specified Executives	Base Fee $	Bonus $	Superannuation $	Other $	Total $
Nicky D. Scali - Marketing and IT Manager	194,110	-	16,514	-	210,624
B.C.Y. Hui - Chief Financial Officer and Company Secretary *(ceased employment 1 April 2005)*	131,636	-	7,168	54,500	193,304
D. Chiera - Chief Financial Officer and Company Secretary *(appointed 9 March 2005)*	60,021	-	5,402	-	65,423
G. Sullivan - Operations Manager	84,315	14,100	7,588	-	106,003
TOTAL	**470,082**	**14,100**	**36,672**	**54,500**	**575,354**

The bonus paid to the Operations Manager was determined on the basis of specific performance criteria, including delivery and cost targets.

Notes to the Financial Statements
For the year ended 30 June 2005

Note 25: Director and Executive Disclosures (continued)

(b) Shareholdings of Specified Directors and Specified Executives

Shares held in Nick Scali Limited (number)	Balance 1 Jul 2004 $	Net Change $	Balance 30 June 2005 $
Specified Directors			
J.W. Ingram	200,000	-	200,000
A.J. Scali, N.D. Scali & Nicky D. Scali jnr	40,500,000	-	40,500,000
G.R. Laurie	30,000	-	30,000
Specified Executives			
B.C. Y. Hui Chief Financial Officer and Company Secretary (ceased employment 1 April 2005)	453,000	-	453,000
D. Chiera Chief Financial Officer and Company Secretary (appointed 9 March 2005)	-	-	-
G. Sullivan Operations Manager	-	-	-
TOTAL	**41,183,000**	-	**41,183,000**

Shares are held by a personally-related entity of Messrs Anthony, Nick and Nicky Scali.

Note 26: Financial Instruments

(a) Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the weighted average interest rate for classes of financial assets and liabilities is set out below:

As at 30 June 2005	*Note*	Interest Rate %	Interest Bearing $'000	Non-interest Bearing $'000	Total $'000
Financial Assets					
Cash	23(b)	5.52%	6,683	-	6,683
Receivables	8	-	-	571	571
Hedging foreign currency receivabl	26(b)	-	-	1,605	1,605
			6,683	**2,176**	**8,859**
Financial Liabilities					
Payables	14	-	-	8,849	8,849
Interest-bearing liabilities	15	8.25%	7	-	7
Hedging foreign currency payable	26(b)	-	-	1,605	1,605
			7	**10,454**	**10,461**

Notes to the Financial Statements
For the year ended 30 June 2005

Note 26: Financial Instruments

(a) Interest Rate Risk Exposure (continued)

As at 30 June 2004	*Note*	Interest Rate %	Interest Bearing $'000	Non-interest Bearing $'000	Total $'000
Financial Assets					
Cash	23(b)	5.00%	8,581	-	8,581
Receivables	8	-	-	240	240
			8,581	**240**	**8,821**
Financial Liabilities					
Payables	14	-	-	6,714	6,714
Interest-bearing liabilities	15	5.00%	2,185	-	2,185
			2,185	**6,714**	**8,899**

Terms and Conditions
Trade and other creditors are non-interest bearing and have repayment terms of 30-90 days.
Customer deposits are non-interest bearing.
Bank bills, included as interest-bearing liabilities, are denominated in US dollars.

(b) Foreign Exchange Risk
The Company enters into forward exchange contracts to hedge certain anticipated inventory commitments denominated in foreign currencies.

The terms of these commitments do not exceed four months.

The Company's policy is to enter into forward foreign exchange contracts to hedge foreign currency denominated inventory purchases based on firm orders placed with overseas suppliers, within Board approval limits.

At balance date, the values of forward exchange contracts outstanding were as follows:

	30 Jun 2005 Foreign Currency Value	30 Jun 2005 Australian $ Equivalent
United Sates Dollars	1,223,881	1,604,879

Notes to the Financial Statements
For the year ended 30 June 2005

Note 26: Financial Instruments (continued)

(c) Credit Risk Exposure
Credit exposure represents the extent of credit related losses that the Company may be subject to on amounts to be exchanged from financial assets.

The Company, while exposed to credit related losses in the event of non-performance by counter-parties to financial instruments, does not expect any counter-parties to fail to meet their obligations.

On- Balance Sheet Financial Instruments

The credit risk on financial assets, excluding investments, which have been recoginsed on the Statement of Financial Position are the carrying amount, net of any provisions for doubtful debts.

The Company minimises concentration of credit risk by undertaking relatively small value transactions with a large number of customers, and the majority of transactions are cash, cheque or credit card based. The Company is not materially exposed to any individual customer.

Forward foreign currency exchange contracts are subject to credit risk in relation to the relevant counter-parties, which are the Company's bankers.

The maximum credit risk exposure on forward foreign currency contracts is the full amount of the foreign currency the Company pays when settlement occurs, should the counter-party fail to pay the amount which it is committed to pay the Company.

The full amount of the exposure is disclosed at Note 26(b) above.

Note 27: Segment Information

The company operates in one industry segment being retail furniture and in one geographical location, being Australia.

Note 28: Impact of Adopting AASB Equivalents to IASB Standards

Nick Scali Limited has assessed the key areas that may have been impacted by the transition to IFRS. This will form the basis of accounting for IFRS in the future, and is required when the Company prepares its first fully compliant financial report for the year ended 30 June 2006.

In particular, the Company has analysed the following standards with regard to the potential impact on the accounts.

• Inventories (AASB 102) - Inventories are specifically identified, and the costs of bringing the inventory to the warehouses (cartage, freight and duty) is included. This cost is less than net realisable value, and is therefore the appropriate measure as per the standard.

• Segment Reporting (AASB 114) – The Company operates in one segment (retail) and in Australia only. There is therefore no additional reporting required.

• Property Plant & Equipment (AASB 116) - Given the nature of the Company's property plant & equipment, the current method of measuring at cost and depreciating on the basis of useful life continues to be appropriate.

• Rent Under Operating Leases (AASB 117) - The leases the Company enters into are generally ones where rent increases are either CPI, market or fixed percentages (usually around 3 – 3.5%). The increases therefore generally reflect CPI increases. The Company considers that the leases reflect the time pattern of the benefit received and hence there is no material impact on the transition to IFRS.

• Employee Benefits (AASB 119) – The difference to the balance sheet as a result of the adoption of this standard is not material.

• The Effects of Changes in Foreign Exchange Rates (AASB 121) – Fair value hedge accounting can only be considered where effectiveness tests are met. Ineffectiveness outside the prescribed range precludes the use of fair value hedge accounting and can result in significant volatility in the Statement of Financial Performance. The Company currently hedges its foreign exchange risk and under IFRS these hedges will be classified as fair value hedges. Fair value movements in fair value hedges will not lead to volatility in equity reserve balances. The Company aims to continue to align its hedging transactions to underlying exposures to achieve hedge accounting eligibility and thereby reduce Statement of Financial Performance volatility.

• Impairment of Assets (Goodwill) (AASB 136) - The Company acquired goodwill and other assets on the acquisition of the Adelaide stores. The Company has assessed the carrying value of goodwill as at 30 June 2005 under the impairment test, and considers the carrying value to be appropriate.

Appendix 4E - Compliance Statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2. This report, and the accounts upon which this is based, use the same accounting policies.

3. This report gives a true and fair view of the matters disclosed.

4. This report is based on accounts which have been audited.

5. The entity has a formally constituted audit committee.

Signed: ______________________ 9 August 2005

Anthony Scali
Managing Director