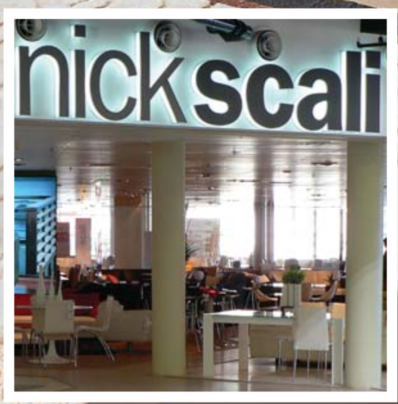
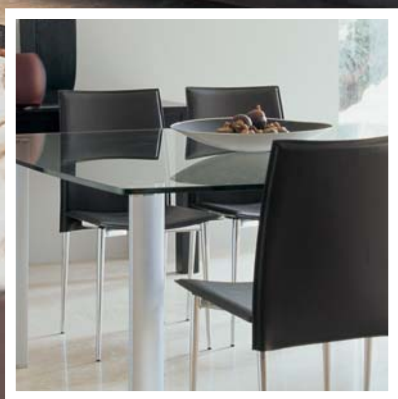
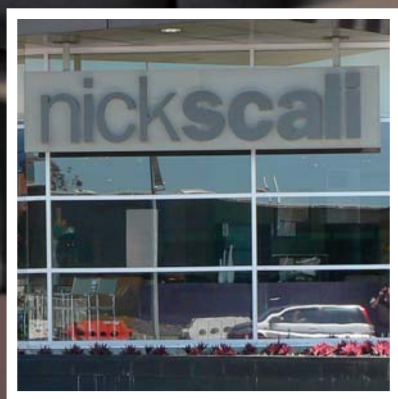
nickscali LIMITED

Annual Report 2006







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Chairman and Managing Director's Review

Dear Shareholder

Your Company achieved sales growth in 2005/06 of 19%, taking sales revenue to $64.5 million, in what was a difficult year for the industry. Sales growth was strong in Queensland and South Australia where there had been focus on network expansion and where the full-year impact of stores opened in the previous year was felt.

On a "same store" basis, which compares stores that were operating for a full twelve months in both the 2005 and 2006 years, sales revenue was down 9.7%. This reflects the subdued market conditions during the year caused by consumer uncertainty and lower discretionary spending, particularly on larger-ticket-item household goods.

Net Profit after Tax was $8.1 million for the year. This was in line with that achieved in the previous year. It was pleasing that stores opened in the 2005 year made a significant contribution to this profit and more than offset the lower profit from the pre-existing stores, mainly in New South Wales, that suffered lower sales.

Profit was also adversely affected by costs associated with the additional infrastructure that has been put in place in 2005/06 to support the on-going program of new store openings. During the year there were investments in larger distribution centres in Sydney and Brisbane as part of this infrastructure development. Operating expenses therefore increased during the year and contributed to the flat profit result.

Nick Scali limited remains committed to its program of network expansion, which is expected to deliver strong growth in shareholder value in the medium term.

Four new stores were opened during the year and more are planned for the current year. In December 2005, a store was opened in Townsville (Queensland) and this has performed well. Also in December 2005, the Company's first store in Melbourne (at Chirnside Park) was opened. As expected, trading at this store has been growing only slowly given that it is the first in metropolitan Melbourne and currently operates without the support of a local distribution centre. Its performance is expected to improve markedly as more stores are opened in Melbourne and an increased marketing focus is in place. Stores were also opened at Mildura (Victoria) and Campbelltown (NSW) late in the 2006 fiscal year.

Four new stores are also planned for the 2006/07 year. In Sydney, a store will open around mid year in a new and well located bulky goods centre in the northern suburb of Belrose. In Melbourne, plans are well underway for new stores at Nunawading (Oct 2006), Essendon (Dec 2006) and Thomastown (June 2007). The store at Nunawading is expected to develop into one of the Company's best performing stores when mature as it will be located in a very strong bulky goods precinct. The expected four stores established in Melbourne by June 2007 will provide economies of scale benefits associated with the distribution centre infrastructure expenditure and the planned Melbourne marketing spend.

The Company remains focused on continuing the expansion of its store network to deliver growth, to capitalise on the new infrastructure and other resources in place, and to gain critical mass in each geographic market. The full year contribution to the 2005/06 year profit from stores opened during 2004/05 underlines the validity and significance of this initiative.

FINANCIAL

The Directors have declared a fully franked final dividend of 3.0 cents per share payable on 31 October 2006. This results in a total dividend for the year of 7.5 cents per share fully franked and compares with 6.5 cents per share for 2004/05 year. The final dividend will absorb $2.43 million and brings the dividend payout ratio for the full year to 75%. Basic and diluted earnings per share were 10 cents per share in 2005/06, the same as in the previous year.

Cash flows during the year were solid. The Company's balance sheet remains particularly strong, with no debt and material net cash assets. Cash assets at 30 June 2006 were $6.3 million compared with $6.7 million at 30 June 2005. This was achieved whilst continuing to fund the network expansion program from internal cash flows, further demonstrating the strength of the Nick Scali business model.

OUTLOOK

Trading conditions continue to be unpredictable as consumers deal with higher interest rates and increasing petrol prices. In the 2007 fiscal year, results are expected to be affected by these market issues but are somewhat underpinned by the benefit of a full year's trading from stores that began operation during the 2006 fiscal year and store openings planned for the current year.

PEOPLE

Nick Scali Limited presently employs 188 people and they are our greatest asset. We wish to acknowledge the contribution made by all of our employees and thank them for their commitment throughout the year. We welcome their continued support.

J.W. Ingram Chairman

A.J. Scali Managing Director

Corporate Governance Statement

The Board of Nick Scali Limited is responsible for the direction and supervision of the Company's business and for its overall corporate governance. The Board recognises the need to maintain the highest standards of behaviour, ethics and accountability.

The Board is committed to effective corporate governance in order to ensure accountability and transparency to shareholders and other stakeholders, including customers, employees, staff and regulatory bodies. This includes ensuring that internal controls and reporting procedures are adequate and effective. Responsibility for the management of the day-to-day operations and administration of the Company is delegated to the Managing Director.

Effective corporate governance is achieved through the structure and operation of the Board and its sub-committees. There are two sub-committees – the Audit Committee and the Remuneration and Nomination Committee. The members of these are the three non executive Directors.

The Board works with senior management to continually review and improve corporate governance standards. In particular, as the Company enters a growth phase, there has been increased focus on both the substance and documentation of standard operating procedures, and information technology system enhancements.

The Corporate Governance Council has established best practice recommendations and details on the application of these by the Company are set out below.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board

The primary functions of the Board include:

- formulating and approving the objectives, strategies and long-term plans for the Company's continued development and operation, in conjunction with management;
- monitoring the implementation of these objectives, strategies and long-term plans to ensure the Company, to the best of its ability, delivers value to Shareholders;
- approval of management recommendations on capital expenditure;
- monitoring the Company's overall performance and financial results, including adopting annual budgets and approving the Company's financial statements;
- ensuring that adequate systems of internal control exist and are appropriately monitored for compliance;
- selecting and reviewing the performance of the Managing Director;
- ensuring significant business risks are identified and appropriately managed;
- ensuring that the Company meets the statutory, regulatory and reporting requirements of the Australian Stock Exchange Limited and the Corporations Act;
- ensuring that the Company, its Directors, officers, employees and Associates are aware of and comply with all relevant laws and regulations;
- reporting to Shareholders on performance; and
- deciding on the payment of dividends to Shareholders.

The Board has established an Audit Committee and a Remuneration and Nomination Committee. From time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues.

STRUCTURE THE BOARD TO ADD VALUE

The Board currently consists of the Chairman, the Managing Director and two Non-Executive Directors. The term of a Director's appointment is governed by the Company's Constitution. At least one-third of Directors, other than the Managing Director, must retire and seek re-election at each annual general meeting of the Company.

The background and skills of each of the Non-Executive Directors is complementary. This assists the Board in effectively reviewing and challenging the performance of management and the exercise of independent judgement.

Two of the Non-Executive Directors, Messrs John Ingram (who is Chairman) and Greg Laurie, are independent, in that they do not hold a material amount of shares in the Company, nor do they receive any financial benefit from the Company, apart from the Directors fees disclosed in the Annual Report. These Directors provide the Company with relevant information to enable the Company to continually assess this independence.

Each Director has the right of access to all relevant Company information and to the Company's executives, and, if required, may seek independent professional advice at the Company's expense.

PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

The Company has established its own Code of Ethics embracing high standards of personal and corporate conduct. This Code requires, among other things, that every Director, officer, employee, agent, sub-contractor and consultant of the Company must:

- act honestly and fairly in all dealings;
- understand the regulatory compliance requirements applicable to their duties and treat those requirements as essential to the performance of those duties;
- co-operate with relevant regulatory authorities;
- act professionally and with courtesy and integrity; and
- maintain the confidentiality of the Company's affairs other than as required by the Company or law.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Statement by Managing Director and Chief Financial Officer

Prior to the Board's adoption of the annual financial statements of the Company, the Managing Director and Chief Financial Officer certify in writing that the Company's financial results present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with applicable accounting standards.

Audit Committee

The Audit Committee consists of three Non-Executive Directors. The Chairman of the Audit Committee must not be the Chairman of the Board. Audit Committee meetings are held regularly throughout the year. The responsibilities of the Audit Committee are to:

- assist the Board to discharge fiduciary responsibilities with regard to the Company's accounting, control and reporting practices by monitoring the internal control environment and management over corporate assets;
- review and recommend to the Board the adoption of the Company's annual and half-yearly financial statements,
- review internal controls and any changes thereto approved and submitted by the Company's Chief Financial Officer;
- provide assurance regarding the quality and reliability of financial information used by the Board;
- review the Company's risk management policies and internal control processes;
- liaise with and review the performance of the external auditor, who is invited to attend Audit Committee meetings to report on audit findings and other financial and control matters; and
- ensure that information systems, processes and technology are reviewed periodically for future sustainability and the adequacy of controls.

As at the date of this report, the Audit Committee comprised of the non-executive Board members.

Three Audit Committee Meetings were held during the year ended 30 June 2006, attended by all Committee members.

MAKE TIMELY AND BALANCED DISCLOSURE

The Board is aware of its obligation under the Continuous Disclosure requirements of the Australian Stock Exchange. The Managing Director is responsible for monitoring compliance with Continuous Disclosure, assisted by the senior management team. All notices to the Australian Stock Exchange are approved by the Board, or in some circumstances by the Chairman, and other communication from the Company can only be made by the Managing Director or the Chief Financial Officer. Copies of presentation material prepared for analysts are released immediately to the Australian Stock Exchange.

RESPECT THE RIGHTS OF SHAREHOLDERS

The Company recognises and respects the rights of shareholders as follows:

- The Company uses the services of a reputable share registry to deal with shareholder matters, including dividend payments and general communication with shareholders.
- The Company's auditor is invited to attend the Annual General Meeting in order to be available to answer shareholder queries.
- As an accompaniment to the Annual Report and Half Year Financial Report, the Company prepares and releases, to the market, a Results Presentation which provides additional information for shareholders.
- The Annual Report and announcements to the Australian Stock Exchange are included on the Company's website.

RECOGNISE AND MANAGE RISK

The Board and the senior management team have addressed a number of specific risk areas of the operations of the Company and this process is continuing.

Corporate Governance Statement

ENCOURAGE ENHANCED PERFORMANCE

The Board undertakes an evaluation of its performance on an annual basis.

The Company Secretary is responsible for ensuring that Board policy and procedures are followed.

REMUNERATE FAIRLY AND RESPONSIBLY

The Company discloses the nature and amount of the fee or salary of each Director and each executive officer, in accordance with the Corporations Act.

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 Board members 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.

During the year, the Committee reviewed the Company's Human Resources Standard Operating Procedures. Currently, the Committee is considering a proposal to adopt an Executive Performance Rights plan as a means of remunerating certain employees.

The Committee has met five times in the last twelve months. All members attended, together with the Managing Director and Company Secretary.

RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

All employees of the Company are required to deal in an ethical and responsible manner toward all stakeholders of the Company. This includes shareholders and non shareholder groups, such as customers and suppliers.

A Code of Conduct, applicable to Directors and employees, has been adopted. This Code covers various issues, including compliance, confidential information and intellectual property, representation, company assets, employment issues and conflicts of interest. A Share Trading Policy for Directors and employees has also been adopted.

Financial Statements 2006

Directors' Report

The Directors present their report together with the financial report of Nick Scali Limited for the financial year ended 30th June 2006 and the Auditors' Report thereon.

DIRECTORS

The names and details of the Company's Directors in office at any time during the financial year or until the date of this report are as follows:

NON-EXECUTIVE DIRECTORS

John W Ingram, FCPA,
Non-Executive Chairman
John was appointed to the Board as non-executive Chairman on 7 April 2004. He is also the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of Nick Scali Limited. John was formerly Managing Director of Crane Group Limited. He is currently the Chairman of Wattyl Limited and a non-executive director of Rinker Group Limited, United Group Limited, Australian Super Pty Limited and The Victor Chang Cardiac Research Institute and is National President of the Australia Industry Group.

Nick D Scali,
Non-Executive Director
Nick founded the business of Nick Scali over 40 years ago and continues to act as a consultant to the Company. He was solely responsible for managing the business until Anthony (his son) joined in 1982. Nick is considered a pioneer and innovator in the importing and retailing of furniture and kitchens into Australia. Over the years, he has served on a number of public company boards, founded other enterprises and has made major contributions towards the Italian community within Australia, including serving as the President of the Italian Chamber of Commerce for 8 years. Nick is a member of the Audit Committee and the Remuneration and Nomination Committee of Nick Scali Limited.

Greg R Laurie, BCom,
Non-Executive Director
Greg was appointed to the Board on 7 April 2004. He is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of Nick Scali Limited. Greg was Finance Director of Crane Group Limited from 1989 until his retirement from that role in 2003. Greg is also a non-executive director of Repco Corporation Limited and Bradken Limited.

EXECUTIVE DIRECTOR

Anthony J Scali, BCom,
Managing Director
Anthony is Managing Director of Nick Scali Limited. He joined the Company full-time in 1982 after completing his Bachelor of Commerce degree from the University of New South Wales. Whilst he is responsible for the overall operation of the Company and identifying current and future trends in the furniture industry, a key function he leads is the direct sourcing of suitable product from manufacturers (principally overseas) for Nick Scali to retail.

ALTERNATE DIRECTOR

Nicky D Scali, BCom,
Marketing & IT Manager and Alternate Director to Nick Scali
Nicky is the Marketing & IT Manager for Nick Scali Limited. He joined the Company in 1991 after completing a Bachelor of Commerce degree from Bond University. Nicky is responsible for the direct buying of all advertising media and the development and execution of all creative strategies. He also oversees the operation of the Company's information technology systems and their related support contracts.

COMPANY SECRETARY

Dominic Chiera,
Chief Financial Officer and Company Secretary
Dominic joined Nick Scali Limited as Chief Financial Officer in March 2005. He has over 15 years experience in senior financial management roles, in the property, leisure, transport and financial services industries. Dominic is responsible for all financial and administration matters for the Company.

INTERESTS IN THE SHARES OF THE COMPANY

The beneficial interest of each Director in the contributed equity of the Company are as follows:

	No. of Ordinary Shares
John W Ingram – Non executive chairman	250,000
Anthony J Scali – Managing director	40,500,000*
Nick D Scali – Non executive director	40,500,000*
Greg R Laurie – Non executive director	30,000
Nicky D Scali – Alternate director	40,500,000*

** Shares are held by Scali Consolidated Pty Limited, a director-related entity of Messrs Anthony, Nick and Nicky Scali.*

At the date of this report, there were no options over ordinary shares.

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

OPERATING AND FINANCIAL REVIEW

Nick Scali Limited has recorded a Net Profit After Tax of $8.1 million for the year ended 30 June 2006, in-line with last year's result. This was achieved from sales revenue which was up 19% on the previous year.

The sales growth related primarily to stores that were opened during the 2005 and 2006 fiscal years. On a same store basis – i.e. stores that operated for a full twelve months in both 2005 and 2006 – sales revenue was down by 9.7%. This reflected the subdued market environment caused by lower discretionary spending, particularly on larger ticket item household goods.

In a difficult year it was pleasing that new stores opened during FY2005 contributed significantly to profit during FY2006. This profit growth was offset, however, by a decrease in profit from existing stores due to their lower sales. Furthermore, the investment in additional infrastructure associated with larger distribution centres in Sydney and Brisbane for future growth and the new store roll-out program, added to overall operating expenses.

Four new stores were opened during the year, in Townsville (Qld), Mildura (Vic), Campbelltown (NSW) and the Company's first store in Melbourne at Chirnside Park.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were the sourcing and retailing of household furniture and related accessories.

No significant change in the nature of these activities occurred during the period.

RESULTS OF OPERATIONS

The net profit of the Company for the financial year after providing for income tax amounts to $8.10m (2005: $8.09m).

DIVIDENDS

Fully franked dividends totalling $6.48m (2005: $3.24m fully franked) were paid during the year. A fully franked dividend of 3.0 cents per ordinary share has been declared by the Directors since balance date. Based on the number of shares on issue at 30 June 2006, this would amount to $2.43m. In accordance with Accounting Standard AASB110 "Events After the Balance Date", this dividend has not been provided for in the financial statements.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company intends to grow profitably through the development of the stores network.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Directors are not aware of any particular or significant environmental issues which have been raised in relation to the Company's operations during the financial period.

DIRECTORS' INDEMNIFICATION

During the financial period, the Company has indemnified all the Directors and executive officers against certain liabilities incurred as such by a director or officer, while acting in that capacity. The premiums have not been determined on an individual director or officer basis. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as such disclosure is prohibited under the terms of the contract.

No other agreement to indemnify Directors or officers have been entered into, nor have any payments in relation to indemnification been made, during or since the end of the financial period, by the Company.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Company discloses the nature and amount of the fee or salary of each Director and each executive officer, in accordance with the Corporations Act.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Remuneration Philosophy
The quality of Nick Scali Limited's directors and executives is a major factor in the overall performance of the Company. Nick Scali Limited believes it is essential to attract and retain key personnel. To this end, the company embraces the following principles in its remuneration framework.

- Remuneration of employees should be based on a combination of performance, Company performance, and market factors.
- Provide appropriate rewards to attract and retain key personnel.
- For the Chief Financial Officer, remuneration is at risk by way of a performance bonus, at the discretion of the Remuneration and Nomination Committee. An Executive Performance Rights Plan is also under consideration by the Remuneration and Nomination Committee. This Plan shall apply to all executives disclosed in this report.
- Where appropriate, provide incentive based rewards for operational staff.

Remuneration and Nomination Committee
The Remuneration and Nomination Committee currently consists of the non-executive Board members 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 five times 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.

Remuneration of directors and named executives

		Primary Benefits			Post Employment	Long Term	
		Salary and Fees	Cash Bonus	Non Monetary Benefits	Superannuation $	Incentive Plans	Total $
J.W. Ingram	*2006:*	75,000	–	–	–	–	75,000
Non-Executive Chairman	*2005:*	69,266	–	–	–	–	69,266
G.R. Laurie	*2006:*	50,459	–	–	4,541	–	55,000
Non-Executive Director	*2005:*	46,254	–	–	4,541	–	50,795
N.D. Scali	*2006:*	60,000	–	–	–	–	60,000
Non-Executive Director	*2005:*	58,984	–	–	–	–	58,984
A.J. Scali	*2006:*	358,425	–	–	11,808	–	370,233
Managing Director	*2005:*	356,794	–	–	11,585	–	368,379
Nicky D. Scali	*2006:*	196,123	–	–	14,747	–	210,870
Marketing & IT Manager	*2005:*	194,110	–	–	16,514	–	210,624
D. Chiera	*2006:*	194,598	–	–	15,451	–	210,049
Chief Financial Officer	*2005:*	60,021	–	–	5,402	–	65,423
and Company Secretary							
(appointed 9 March 2005)							

Remuneration of directors and named executives (cont.)

		Primary Benefits			Post Employment	Long Term	
		Salary and Fees	Cash Bonus	Non Monetary Benefits	Superannuation $	Incentive Plans	Total $
B Hui			–	–		–	
Chief Financial Officer	*2005:*	186,136	–	–	7,168	–	193,304
and Company Secretary		(includes $54,500 in separation payment)					
(ceased employment 1 April 2005)							

There are no other directors or executive officers of the Company.

There were no share options granted by the Company during the year.

The terms 'Director' and 'executive officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of cost to the Company.

Executive officers are those directly accountable and responsible for the operational management and strategic direction of the Company.

Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director (including when represented by an alternate) were as follows:

		Meetings of Committees	
	Directors' Meetings	Audit	Remuneration & Nomination
Number of meetings held:	11	3	5
Number of meetings attended:			
J.W. Ingram	11	3	5
G.R.Laurie	11	3	5
N.D. Scali	9	3	5
A.J. Scali	11	3	5

Note – A.J. Scali is not a member of the sub-committees, however, he was invited to, and attended, all of these meetings.

Audit Committee

The members of this Committee are as follows.

Greg Laurie (Chairman)
John Ingram
Nick Scali

Remuneration and Nomination Committee

The members of this Committee are as follows.

John Ingram (Chairman)
Greg Laurie
Nick Scali

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class order applies.

Auditor's Independence Declaration

The Directors received the declaration from the auditor of Nick Scali Limited and is included on page 10 of the Financial Statements.

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	19,475
Special turnover audits	1,550

Signed in accordance with a resolution of the Board of Directors.

J.W. Ingram Chairman

A.J. Scali Managing Director

Sydney, 9 August 2006

Income Statement
For the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
Revenue from Sale of Goods	2	64,532	54,217
Cost of sales	3(b)	(26,163)	(22,525)
Gross Profit		**38,369**	**31,692**
Other revenue from ordinary activities	2	505	581
Sales and marketing		(5,268)	(4,202)
Employee costs and benefits		(9,763)	(6,937)
General and administration expenses		(2,024)	(2,019)
Property expenses		(9,391)	(7,002)
Depreciation		(886)	(625)
Borrowing costs expense		–	(20)
Profit Before Income Tax		**11,542**	**11,468**
Income Tax Expense	4	(3,436)	(3,383)
Profit After Tax From Continuing Operations		**8,106**	**8,085**
Net Profit for the Period		**8,106**	**8,085**
Basic Earnings per Share (cents per share)	7	10.0 cents	10.0 cents
Diluted Earnings per Share (cents per share)	7	10.0 cents	10.0 cents
Net Tangible Asset Backing per Share (cents per share)		14.3 cents	12.3 cents

Balance Sheet
as at 30 June 2006

	Notes	2006 $'000	2005 $'000
CURRENT ASSETS			
Cash assets	22	6,291	6,683
Receivables	8	944	571
Inventories	9	10,985	9,888
Other financial assets	10	1	1
Other assets	11	378	291
Total Current Assets		**18,599**	**17,434**
NON-CURRENT ASSETS			
Deferred tax assets	4	319	341
Property, plant and equipment	12	3,136	2,888
Intangible assets	13	2,378	2,378
Total Non-Current Assets		**5,833**	**5,607**
Total Assets		**24,432**	**23,041**
CURRENT LIABILITIES			
Payables	14	8,943	8,849
Interest bearing liabilities	15	–	6
Current tax liabilities		849	1,403
Provisions	16	623	393
Total Current Liabilities		**10,415**	**10,651**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	–	1
Provisions	16	86	84
Total Non-Current Liabilities		**86**	**85**
Total Liabilities		**10,501**	**10,736**
Net Assets		**13,931**	**12,305**
EQUITY			
Contributed equity	17	3,364	3,364
Reserves	18	78	78
Retained profits		10,489	8,863
Total Equity		**13,931**	**12,305**

Statement of Changes in Equity
For the year ended 30 June 2006

	Notes	Issued Capital $'000	Retained Profits $'000	Other Reserves $'000	Total $'000
Year Ended 30 June 2006					
As at 1 July 2005		3,364	8,863	78	12,305
Profit for the period		–	8,106	–	8,106
Equity dividends	5	–	(6,480)	–	(6,480)
As at 30 June 2006		**3,364**	**10,489**	**78**	**13,931**
Year Ended 30 June 2005					
As at 1 July 2004		3,364	4,022	78	7,464
Profit for the period		–	8,085	–	8,085
Equity dividends	5	–	(3,244)	–	(3,244)
As at 30 June 2005		**3,364**	**8,863**	**78**	**12,305**

Statement of Cash Flows
For the year ended 30 June 2006

	Notes	2006 $'000	2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		70,696	58,075
Payments to suppliers and employees		(59,908)	(47,909)
Interest received		422	371
Borrowing costs		–	(20)
Income tax paid		(3,968)	(2,716)
Net Cash Flows from Operating Activities	22(a)	**7,242**	**7,801**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(1,164)	(1,907)
Proceeds from sale of property, plant & equipment		17	–
Acquisition of Adelaide stores	22(d)	–	(2,092)
Costs on acquisition of Adelaide stores		–	(278)
Net Cash Flows used in Investing Activities		**(1,147)**	**(4,277)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest bearing liabilities		–	(2,160)
Payment of dividends on ordinary shares		(6,480)	(3,244)
Repayment of hire-purchase liability principal		(7)	(18)
Net Cash used in Financing Activities		**(6,487)**	**(5,422)**
Net Decrease in Cash Held		(392)	(1,898)
Add Opening Cash brought forward		6,683	8,581
Closing Cash carried forward	22(b)	**6,291**	**6,683**

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 and Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

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 98/100. The Company is an entity to which the Class Order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first full year financial report prepared based on AIFRS. There is no material impact of adopting AIFRS on the total equity, profit after tax and cash flows as reported under Australian Accounting Standards applicable before 1 January 2005 (AGAAP).

Australian Accounting Standards recently issued or amended but not yet effective are as follows.

AASB Amend-ment	Affected standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Company (Year ending:)	Summary
2004–3	AASB 1 First time adoption of AIFRS, AASB 101 Presentation of Financial Statements and AASB 124: Related Party Disclosures.	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	Consequential amendments to the standards as a result of the release of AASB 119.
2005–1	AASB 139 Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	Amendment to AASB 139 to allow the foreign currency risk of a highly probable intra-group forecast transaction to qualify as the hedged item in certain circumstances.
2005–4	AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First time adoption of AIFRS, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts	No significant change to accounting policy required. Therefore minimal impact.	1 January 2006	30 June 2007	Amendments relate to the restriction on designating financial instruments at fair value through profit and loss.
2005–5	AASB 1 First time adoption of AIFRS, and AASB 139 Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	Consequential amendments made to AASB 1 due to the issue of UIG Interpretation 4. Consequential amendments made to AASB 139 due to the issue of UIG Interpretation 5

AASB Amend-ment	Affected standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Company (Year ending:)	Summary
2005–6	AASB 3 Business Combinations	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	The definition of 'contribution by owners' is removed and the AASB 3 scope exclusion for business combinations involving entities or business under common control is adopted.
2005–9	AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 139 Financial Instruments: Disclosure and Presentation, AASB 132 Financial Instruments and Disclosure	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	Amendments to all four standards providing guidance as to which standard applies to financial guarantee contracts under certain circumstances.
2005–10	AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First time adoption of AIFRS, AASB 4 Insurance Contracts, AASB 1023 General insurance Contracts and AASB 1038 Life Insurance Contracts	No significant change to accounting policy or disclosures required. Therefore minimal impact.	1 January 2007	30 June 2008	These amendments arise from the release of AASB 7 relating to financial instrument disclosures.

New or revised Standard / UIG Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Company (Year ending:)	Summary
AASB 7 Financial Instruments: Disclosures	No significant change to disclosures required. Therefore minimal impact.	1 January 2007	30 June 2008	The Standard requires disclosure of: – the significance of financial instruments for an entity's financial position and performance and – qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.
UIG 4 Determining whether an Arrangement contains a Lease	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	Specifies criteria for determining whether an arrangement is, or contains, a lease.

New or revised Standard / UIG Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Company (Year ending:)	Summary
UIG 5 Rights to Interests in Decommissioning, Restoration and Environmental Funds	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	Addresses accounting for the rights to interests in decommissioning, restoration and environmental rehabilitation funds and for additional contributions to such a fund.
UIG 9 Reassessment of Embedded Derivatives	No change to accounting policy required. Therefore no impact.	1 June 2006	30 June 2007	Requires an embedded derivative that has been combined with a non-derivative to be separated from the host contract and accounted for as a derivative in certain circumstances.
AASB 119 Employee Benefits	No change to accounting policy required. Therefore no impact.	1 January 2006	30 June 2007	Amendment to AASB 119 to incorporate changes to IFRS in connection with the "corridor approach" to account for movements in actuarial gains and losses for defined benefit plans.

(c) Property, plant and equipment

All classes of property, plant and equipment are measured at cost, less accumulated depreciation and any impairment in value.

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

Major depreciation periods are:	2006	2005
Office equipment	10%–33.3%	10%–33.3%
Furniture and fittings	20%–33%	20%–33%
Leasehold improvements	Lease term	Lease term
Plant & Equipment	20%–22.5%	20%–22.5%
Motor vehicles	10%–22.5%	20%–22.5%

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each financial year end.

Impairment
The carrying values of plant & equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Derecognition and disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(d) 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
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

The Company has received financial incentive contributions from the lessors 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.

(e) 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.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(f) Employee entitlements

(i) Wages salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(g) Foreign currency translation

Both the functional and presentation currency of the Company is Australian dollars ($). Items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the financial report are taken to profit or loss.

(h) Derivative financial instruments

The Company uses derivative financial instruments, being forward currency contracts, to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. These forward currency contracts do not meet the criteria for hedge accounting.

(i) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income
Revenue is recognised as interest accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(k) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate, that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(n) 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, net of tax.

(o) 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 dividends)
- 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.

(p) Intangibles

Goodwill
Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash-generating units that are expected to benefit from the synergies of the combination. Each unit to which the goodwill is so allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(q) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax, assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(r) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when 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
- 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(t) Significant accounting judgements, estimates and assumptions

Significant accounting judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating Lease Commitments – The Company has entered into commercial property leases for its stores. The Company has determined that it the lessors retain all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

Significant accounting estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill – The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill is discussed in the financial statements.

(u) Impairment of financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

(v) Derecognition of financial assets and financial liabilities

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

	2006 $'000	2005 $'000
Note 2: Revenue		
Revenue from continuing operations		
Sales revenue	64,532	54,217
Interest income	422	371
Other income	83	210
	505	581
Total revenue from continuing operations	65,037	54,798

	2006 $'000	2005 $'000
Note 3: Operating Expenses and Losses/(Gains)		
Profit before income tax has been determined after:		
a) Expenses		
Bad debts written off	–	4
Doubtful debts provided for	14	–
Operating lease rental	8,356	6,142
Depreciation/Amortisation of non-current assets		
Office equipment	327	199
Furniture and fittings	85	67
Leasehold improvements	413	305
Motor vehicles	61	54
Total depreciation/amortisation of non-current assets	**886**	**625**
(b) Losses/(gains)		
Net foreign currency (gain) *	(289)	(115)
** Exchange gain has been included in cost of sales*		

	2006 $'000	2005 $'000
Note 4: Income Tax		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	3,406	3,453
Adjustments in respect of current income tax of previous years	8	(25)
Deferred income tax		
Relating to origination and reversal of temporary differences	22	(45)
Income tax expense reported in the income statement	3,436	3,383

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2006 and 30 June 2005 is as follows:

	2006 $'000	2005 $'000
Accounting profit before income tax	11,542	11,468
At the statutory income tax rate of 30% (2005: 30%)	3,462	3,440
Other items (net)	(26)	(57)
Income tax expense	3,436	3,383
Effective income tax rate	29.8%	29.5%
Income tax expense reported in income statement	3,436	3,383

Deferred income tax assets

	Balance sheet		Income statement	
	2006	2005	2006	2005
Employee entitlements	213	143	(70)	(42)
Audit fee accrual	31	27	(4)	(6)
Superannuation accrual	31	12	(19)	10
Deferred rent	44	159	115	(7)
	319	341		
Deferred tax income / (expense)			22	(45)

	2006 $'000	2005 $'000
Note 5: Dividends		
Declared and paid during the year:		
Dividends on ordinary shares:		
Final franked dividend for 30 June 2005: 3.5 cents (2004: 1.0 cents)	2,835	810
Interim franked dividend for 30 June 2006: 4.5 cents (30 June 2005: 3.0 cents)	3,645	2,434
	6,480	3,244
Proposed – 3.0 cents (2005: 3.5 cents) (not recognised as a liability as at 30 June):	2,430	2,835
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
– franking account balance as at the end of the financial year at 30% (30 June 2005: 30%).	2,518	1,327
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	849	1,403
	3,367	2,730
The amount of franking credits available for future reporting periods:		
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(1,041)	(1,215)
	2,326	1,515

The tax rate at which paid dividends have been franked is 30% (30 June 2005: 30%).

Dividends proposed will be franked at the rate of 30% (30 June 2005: 30%).

	2006 $	2005 $
Note 6: Auditors' Remuneration		
Amounts received or due and receivable by Ernst & Young for:		
– audit or review of the financial report of the Company	101,000	90,442
– other services provided to the Company		
– tax compliance	19,475	8,235
– turnover reports	1,550	2,472
	122,025	101,149

	2006 $'000	2005 $'000
Note 7: Earnings Per Share		
(a) Earnings used in calculating basic earnings per share	8,106	8,085
	No. of Shares 2006	**No. of Shares 2005**
(b) Weighted number of shares outstanding used to calculate basic EPS	81,000,000	81,000,000
	Cents per Share	**Cents per Share**
Basic earnings per share	10.0	10.0
Diluted earnings per share	10.0	10.0

	2006 $'000	2005 $'000
Note 8: Receivables		
Current		
Trade debtors (note i – see below)	599	400
Provision for doubtful debts (ii)	(14)	–
	585	400
Sundry debtors (iii)	359	171
	944	571

(a) Terms and conditions relating to the above financial instruments:
- (i) Trade debtors are non-interest bearing and generally substantially less than 30 day terms.
- (ii) An allowance for doubtful debts is made where there is objective evidence that a trade receivable is impaired. The amount of the impairment has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.
- (iii) Sundry debtors are non-interest bearing and have repayment terms of between 30 and 60 days.

	2006 $'000	2005 $'000
Note 9: Inventories		
Finished Goods	9,315	8,441
Stock in transit	1,670	1,447
	10,985	9,888
Note 10: Other Financial Assets (Current)		
Deposits	1	1
Note 11: Other Assets		
Prepaid expenses	378	291

	2006 $'000	2005 $'000
Note 12: Property, Plant and Equipment		
Office equipment – at cost	2,489	2,088
Accumulated depreciation	(1,052)	(755)
	1,437	1,333
Furniture & fittings – at cost	775	688
Accumulated depreciation	(592)	(497)
	183	191
Leasehold improvements – at cost	2,699	2,305
Less: accumulated depreciation	(1,505)	(1,092)
	1,194	1,213
Motor vehicles – at cost	555	324
Accumulated depreciation	(233)	(173)
	322	151
Total property, plant and equipment	3,136	2,888
Reconciliation of the carrying amounts of property, plant & equipment at the beginning and end of the current financial year:		
Office Equipment		
Carrying amount at beginning	1,333	483
Additions	461	1,030
Additions as part of acquisition of Adelaide stores	–	19
Disposals	(30)	–
Depreciation charged	(327)	(199)
	1,437	1,333
Furniture & fittings		
Carrying amount at beginning	191	226
Additions	77	32
Depreciation charged	(85)	(67)
	183	191
Leasehold improvements		
Carrying amount at beginning	1,213	717
Additions	394	801
Depreciation charged	(413)	(305)
	1,194	1,213
Motor vehicles		
Carrying amount at beginning	151	130
Additions	232	44
Additions as part of acquisition of Adelaide stores	–	31
Depreciation charged	(61)	(54)
	322	151
	3,136	2,888

	2006 $'000	2005 $'000
Note 13: Intangible Assets		
Goodwill on acquisition of stores in Adelaide	2,378	2,378

No impairment loss was recognised including acquisition costs in the 2006 financial year.

Goodwill acquired through business combinations has been allocated to one individual cash generating unit for impairment testing, being the Adelaide stores acquired in 2005. The recoverable amount of the Adelaide stores has been determined based on a value in use calculation using cash flow projections based on financial forcasts approved by senior management covering a five year period.

The discount rate applied to cash flow projections is 12.2% (2005: 12.2%), which is the Company's cost of capital. The growth rate used to extrapolate cash flow projections is 2.0% (2005: 2.0%).

The following describes each key assumption on which management has based its cash flow projection when determining the value in use of the Adelaide stores.

- A consistent gross margin of 58% (2005: 58%) has been assumed, based on the Company's profit history of consistent store by store margins.
- Capital expenditure has been allowed for. This has been determined based on past history of capital expenditures required on the Company's stores of a similar age and size.

	2006 $'000	2005 $'000
Note 14: Payables		
Trade creditors (note i – see below)	1,347	1,321
Other creditors and accruals (ii)	3,489	3,530
Customer deposits (iii)	4,107	3,998
	8,943	8,849

(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) Customer deposits are monies received as deposits on customer orders not yet fulfilled.

	2006 $'000	2005 $'000
Note 15: Interest Bearing Liabilities		
Hire purchase liability	–	8
Less: deferred charges	–	(1)
	–	7
Disclosed as:		
– current liability	–	6
– non-current liability	–	1

	2006 $'000	2005 $'000
Note 16: Provisions		
Current		
Annual leave	567	372
Long service leave	56	21
	623	393
Non-Current		
Long service leave	86	84

	2006	2005
Number of employees		
Number of full time and part-time employees at balance date	249	188

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.

	2006 $'000	2005 $'000
Note 17: Contributed Equity		
81,000,000 (2005: 81,000,000) fully paid ordinary shares	3,364	3,364

	2006 Number of ordinary shares	2006 $'000	2005 Number of ordinary shares	2005 $'000
Movement in ordinary shares on issue				
Balance at the beginning of the financial year	81,000,000	3,364	81,000,000	3,364
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.

	2006 $'000	2005 $'000
Note 18: Reserves		
Capital profits	78	78
	78	78
Capital profits reserve		
Opening balance	78	78
Closing balance at the end of the financial year	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.

Note 19: Expenditure Commitments

(a) Hire-purchase commitments payable

Future minimum lease payments under hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2006 $'000	2005 $'000
– not later than one year	–	7
– later than one year but not later than five years	–	1
– total minimum lease payments	–	8
Deduct future finance charges	–	(1)
– lease liability	–	7

(b) Operating leasing expenditure commitments

Future minimum lease payments under non cancellable operating leases as at 30 June are as follows:

	2006 $'000	2005 $'000
– not later than one year	9,645	8,174
– later than one year but not later than five years	38,626	27,568
– later than 5 years	21,459	12,277
Aggregate expenditure contracted for at balance date	69,730	48,019

Operating leases are in respect of Nick Scali Furniture stores. Leases are entered into for varying terms. Rent reviews are typically CPI or fixed (up to 3.0 % per annum), or market review in some cases. A number of the store leases contain options to renew in favour of the Company.

Note 20: Contingent Liabilities

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

Note 21: Events Subsequent to Reporting Date

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

	2006 $'000	2005 $'000
Note 22: Statement of Cash Flows		
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net Profit	8,106	8,085
Non-Cash Items		
Depreciation of non-current assets	886	625
(Gain)/Loss on disposal of property, plant and equipment	13	–
Changes in assets & liabilities		
(Increase) in value of trade & other receivables	(263)	(1,936)
(Increase) in value of inventories	(1,097)	(2,981)
(Increase) in other financial asset	–	(1)
Decrease / (increase) in value of prepayments	(87)	3
(Decrease) / increase in value of payables	(16)	3,224
Increase in value of provisions	232	114
(Decrease) / increase in current tax liabilities	(554)	713
(Decrease) / increase in deferred tax assets	22	(45)
Net cash flow from operating activities	7,242	7,801
(b) Reconciliation of Cash		
Cash balances comprise:		
– cash at bank	6,291	6,683
(c) Financing Facilities Available		
The following operating lines of credit were available at balance date:		
– credit facilities	6,600	6,600
– amount utilised	(3,011)	(1,797)
Unused credit facilities	3,589	4,803

National Australia Bank holds a registered mortgage debenture over the Company's assets as security for the above financing facilities made available.

(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:

	2006 $'000	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

Note 23: 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 24.

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.

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	$367,500, subject to annual review, commencing May 2004	$210,000, subject to annual review, commencing May 2004	$60,000, paid as directors fees, 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 2006:

- The Company paid property lease rentals and outgoings to personally related entities of Messrs Anthony Scali and Nick Scali totalling $1,267,257 during the year.
- The Company incurs certain business expenses on a credit card held in the name of the Managing Director, who incurs personal expenses on the same card. The Company pays the total amount owing on the credit card and then receives reimbursement from the Managing Director for personal items. At year end, the Managing Director owed the Company $15,894 in respect of such items.

Year ended 30 June 2005:

- The Company paid property lease rentals and outgoings to personally related entities of Messrs Anthony Scali and Nick Scali totalling $1,156,068 during the year.

Note 24: Director and Executive Disclosures

(a) Remuneration of Specified Directors and Specified Executives

(i) Remuneration policy
The Company discloses the nature and amount of the fee or salary of each Director and each executive officer, in accordance with the Corporations Act.

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 whole Board 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.

During the year, the Committee reviewed the Company's Human Resources Standard Operating Procedures. Currently, the Committee is considering a proposal to adopt an Executive Performance Rights plan as a means of remunerating certain employees.

The committee has met five times 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.

Remuneration of directors and named executives

		Primary Benefits			Post Employment	Long Term	
		Salary and Fees	Cash Bonus	Non Monetary Benefits	Superannuation $	Incentive Plans	Total $
J.W. Ingram	*2006:*	75,000	–	–	–	–	75,000
Non-Executive Chairman	*2005:*	69,266	–	–	–	–	69,266
G.R. Laurie	*2006:*	50,459	–	–	4,541	–	55,000
Non-Executive Director	*2005:*	46,254	–	–	4,541	–	50,795
N.D. Scali	*2006:*	60,000	–	–	–	–	60,000
Non-Executive Director	*2005:*	58,984	–	–	–	–	58,984
A.J. Scali	*2006:*	358,425	–	–	11,808	–	370,233
Managing Director	*2005:*	356,794	–	–	11,585	–	368,379
Nicky D. Scali –	*2006:*	196,123	–	–	14,747	–	210,870
Marketing & IT Manager	*2005:*	194,110	–	–	16,514	–	210,624

Note 24: Director and Executive Disclosures (continued)

		Primary Benefits			Post Employment	Long Term	
		Salary and Fees	Cash Bonus	Non Monetary Benefits	Superannuation $	Incentive Plans	Total $
D. Chiera	*2006:*	194,598	–	–	15,451	–	210,049
Chief Financial Officer and Company Secretary (appointed 9 March 2005)	*2005:*	60,021	–	–	5,402	–	65,423
B Hui			–	–		–	
Chief Financial Officer and Company Secretary (ceased employment 1 April 2005)	*2005:*	186,136 (includes $54,500 in separation payment)	–	–	7,168	–	193,304

There are no other directors or executive officers of the Company.

There were no share options granted by the Company during the year.

The terms 'Director' and 'executive officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of cost to the Company.

Executive officers are those directly accountable and responsible for the operational management and strategic direction of the Company.

(b) Shareholdings of Specified Directors and Specified Executives

Shares held in Nick Scali Limited (number)		Balance 1 Jul 2005 $	Net Change $	Balance 30 June 2006 $
Specified Directors				
J.W. Ingram		200,000	50,000 Note (ii)	250,000
A.J. Scali, N.D. Scali & N.D. Scali (jnr)	Note (i)	40,500,000	–	40,500,000
G.R. Laurie		30,000	–	30,000
Specified Executives				
D. Chiera		–	–	–
	TOTAL	**40,730,000**	**50,000**	**40,780,000**

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

Note (ii) These shares were purchased on market under normal terms and conditions.

Note 25: Financial Risk Management Objectives and Policies

The Company's principal financial instruments are derivatives and cash.

The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. The Company also enters into derivative transactions including principally forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations and its sources of finance. It is and has been throughout the period under review the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(a) Cash Flow Interest Rate Risk

The Company's exposure to cash flow interest rate risk is minimal. The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk.

	<1 Year $'000	Total	Weighted Average Effective Interest rate
Year ended 30 June 2006			
Floating rate			
Cash assets	6,291	6,291	5.4%
Year ended 30 June 2005			
Floating rate			
Cash assets	6,683	6,683	5.1%

(b) Foreign Currency Risk

All of the Company's sales are denominated in the functional currency, whilst the majority of stock purchases costs are denominated in currencies other than the Company's functional currency. The Company uses forward currency contracts to manage the currency exposures.

(c) Commodity Price Risk

The Company's exposure to commodity price risk is minimal.

(d) Credit Risk

In most cases, the Company requires full and final payment either prior to, or upon delivery of the goods to the customer. In limited cases where credit is provided, the Company trades with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, and certain derivative instruments, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

(e) Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use cash and cash equivalents, trade receivables and trade payables.

Note 26: Financial Instruments

Fair Values

The fair values of financial instruments is equal to the carrying amounts recognised in the financial statements.

The fair value of derivatives have been calculated by discounting the expected future cash flows at prevailing interest rates.

As at 30 June 2006, the company held forward exchange contracts to cover purchase prices on firm commitments from overseas suppliers. The terms of these contracts are as follows:

30 June 2006

Buy US$	Maturity	Exchange Rate
3,295	7-Jul-06	0.7600
353,756	28-Jul-06	0.7700
500,000	7-Jul-06	0.7710
249,626	7-Jul-06	0.7600

30 June 2005

Buy US$	Maturity	Exchange Rate
222,786	22-Jul-05	0.7722
250,000	12-Aug-05	0.7691
4,604	17-Aug-05	0.7543
250,000	15-Aug-05	0.7587
143,742	26-Aug-05	0.7518
352,750	26-Aug-05	0.7606

The fair value of these contracts was determined to be immaterial, given the short time to maturity and the exchange rate movements.

Note 27: Segment Information

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

Directors' Declaration

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

1) In the opinion of the directors:

   (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of the performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

On behalf of the Board

J.W. Ingram Chairman

A.J. Scali Managing Director

Sydney, 9 August 2006

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock Exchange 10172

Independent audit report to members of Nick Scali Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Nick Scali Limited (the company), for the year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditors' Independence Declaration, a copy of which is included in the Annual Financial Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion, the financial report of Nick Scali Limited is in accordance with:

(a) the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the financial position of Nick Scali Limited at 30 June 2006 and of its performance for the year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst + Young

Ernst & Young

JHaydon

J K Haydon
Partner
Sydney, 9 August 2006

ERNST & YOUNG

■ Ernst & Young Centre
680 George Street
Sydney NSW 2000
Australia

GPO Box 2646
Sydney NSW 2001

■ Tel 61 2 9248 5555
Fax 61 2 9248 5959
DX Sydney Stock
Exchange 10172

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

In relation to our audit of the financial report of Nick Scali Limited for the financial year ended 30 June 2006, 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

Ernst & Young

J K Haydon

J K Haydon
Partner
Date: 9 August 2006

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 June 2006.

(a) Distribution of shareholders, by size of holding, are:

Shareholders Category	No. of Ordinary Shareholders
1 – 1,000	98
1,001 – 5,000	322
5,001 – 10,000	169
10,000 – 100,000	127
100,001 and over	20
	736

(b) Twenty largest shareholders as at 30 June 2006

Name	No. of Ordinary Shares Held	Percentage of Capital Held
Scali Consolidated Pty Limited	40,500,000	50.00%
J P Morgan Nominees Aust Ltd	7,508,456	9.27%
RBC Dexia Investor Services Aust P/L	5,547,657	6.85%
RBC Dexia Investor Services Aust P/L	4,749,397	5.86%
National Nominees Limited	3,854,877	4.76%
Citicorp Nominees Pty Ltd	2,984,932	3.69%
Citicorp Nominees Pty Ltd	2,487,847	3.07%
AUST Executor Trustees NSW Ltd	1,669,578	2.06%
HSBC Custody Nominees	1,301,386	1.61%
ANZ Nominees Ltd	1,280,936	1.58%
Cogent Nominees Pty Ltd	1,246,539	1.54%
RBC Dexia Investor Services – Australia Nominees P/L	285,885	0.35%
Mr Bernard Choon Yin Hui	200,000	0.25%
Mr John Weir Ingram	200,000	0.25%
Molvest P/L	165,000	0.20%
Citicorp Nominees Pty Ltd	148,701	0.18%
Mrs Molly Clark Schafer	130,000	0.16%
Hyperion Flagship Investments Ltd	120,000	0.15%
Mrs Catherine Alexis Grant	120,000	0.15%
RBC Dexia Investor Services Aust P/L	110,203	0.14%
	74,611,394	92.11%

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Shareholder	Ordinary Shares
Scali Consolidated Pty Limited	40,500,000
Perpetual Trustees Australia Limited	10,220,750
Commonwealth Bank Group	5,291,811
Hyperion Asset Management Limited	4,595,089
	60,607,650

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

Corporate Information

Nick Scali Limited
ABN 82 000 403 896

Store Locations

New South Wales	*Australian Capital Territory*	*Queensland*	*South Australia*	*Victoria*
Auburn	Fyshwick	Macgregor	Payneham	Chirnside
Chatswood		Gold Coast	City Living	Mildura
Caringbah		Aspley	Leather World	
Moore Park		Fortitude Valley	Mile End	
Moore Park – Scali Living		Townsville		
Tuggerah				
Kotara				
Norwest				
Campbelltown				

Registered Office
B1- B2, 3-9 Birnie Avenue
Lidcombe, NSW 2141
Telephone: 02 9748 4000
Facsimile: 02 9748 4022
website:www.nickscali.com.au

Company Secretary
Dominic Chiera

Auditors
Ernst & Young
Ernst & Young Building
680 George Street
Sydney NSW 2000

Solicitors
Bruce Stewart Dimarco
Level 2, 299 Elizabeth Street
(Cnr Elizabeth & Liverpool Streets)
Sydney NSW 2000

Bankers
National Australia Bank Limited

Share Registry
Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000
Locked Bag A14 Sydney South NSW 1235
Telephone: 02 8280 7111
Facsimile: 02 9287 0303
Email: registrars@linkmarketservices.com.au
website: www.linkmarketservices.com.au

Stock Exchange
The Company is listed on the Australian Stock Exchange.
The home exchange in Sydney
ASX code: NCK

Annual General Meeting
The annual General Meeting will be held at 11.30 am
on Monday, 23 October 2006
at Nick Scali Limited Head Office
3-9 Birnie Avenue, Lidcombe.