NICK SCALI & CO PTY LIMITED
A.B.N. 82 000 403 896

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2002

NICK SCALI & CO PTY LIMITED
A.B.N. 82 000 403 896

DIRECTORS' REPORT

Your Directors present their report on the company for the financial year ended 30th June 2002.

DIRECTORS

The names of the Directors in office at any time during or since the end of the year are:

Nicodemo Domenico Scali
Anthony John Scali
Nicodemo Domenico Scali Jnr

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

PRINCIPAL ACTIVITIES

Nick Scali & Co Pty Limited is a Proprietary Limited Company incorporated in New South Wales. The principal activities of the company during the period were importation and retailing of household furniture and related accessories.

SIGNIFICANT CHANGES DURING THE PERIOD

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

TRADING RESULTS

The net profit of the company for the financial year after providing for income tax amount to $3,049,787 (2001: $957,821).

DIVIDENDS

Partially franked dividends totalling $6,100,000 were paid during the year. The Directors do not recommend the payment of any further dividends for the year.

REVIEW OF OPERATIONS

A review of the operations of the company during the financial year and the results of those operations are as follows:

During the year, one new store Scali Living was opened at Moore Park in addition to the existing store.This store is performing as anticipated and has resulted in increased sales for the company.

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

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

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.

DIRECTORS AND AUDITORS INDEMNIFICATION

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Signed in accordance with a resolution of the Board of directors

Director; Anthony John Scali

Dated at Sydney this 25TH day of SEPTEMBER 2002.

NICK SCALI & CO PTY LIMITED
A.B.N. 82 000 403 896

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002	2001
		$	$
Revenue from Sale of Goods		30,277,097	22,787,772
Cost of sales		(15,129,521)	(12,273,122)
GROSS PROFIT		15,147,576	10,514,650
Other Revenues from Ordinary Activities	2	557,547	448,356
Distribution Expenses		(112,959)	(105,149)
Marketing Expenses		(2,676,045)	(2,209,475)
Occupation Expenses		(3,104,449)	(2,400,891)
Administration Expenses		(4,443,626)	(4,024,539)
Borrowing Costs Expense		(260,520)	(319,069)
Other expenses from Ordinary Activities		(821,225)	(475,677)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		4,286,299	1,428,206
INCOME TAX RELATING TO ORDINARY ACTIVITIES	3	(1,236,512)	(470,385)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX		3,049,787	957,821
TOTAL CHANGE IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF NICK SCALI & CO PTY LIMITED		3,049,787	957,821

NICK SCALI & CO PTY LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

	Notes	2002 $	2001 $
CURRENT ASSETS			
Cash assets	18	3,948,779	1,902,831
Receivables	4	117,389	121,488
Inventories	5	5,799,364	5,356,605
Other financial assets	6	14,400	3,352,414
Other	7	480,500	434,755
TOTAL CURRENT ASSETS		10,360,432	11,168,093
NON-CURRENT ASSETS			
Receivables	4	795,641	1,657,984
Deferred tax assets	3	106,417	139,084
Property, plant and equipment	8	9,039,419	8,656,240
TOTAL NON-CURRENT ASSETS		9,941,477	10,453,308
TOTAL ASSETS		20,301,909	21,621,401
CURRENT LIABILITIES			
Payables	9	7,846,829	5,807,149
Interest bearing liabilities	10	93,941	239,766
Current tax liabilities	3	629,342	444,899
Provisions	11	168,908	451,315
TOTAL CURRENT LIABILITIES		8,739,020	6,943,129
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	4,791,062	4,791,062
Deferred tax liabilities	3	8,029	78,256
Provisions	11	48,366	43,309
TOTAL NON-CURRENT LIABILITIES		4,847,457	4,912,627
TOTAL LIABILITIES		13,586,477	11,855,756
NET ASSETS		6,715,432	9,765,645
EQUITY			
Contributed equity	12	12,006	12,006
Reserves	13	6,653,196	6,653,196
Retained profits	13	50,230	3,100,443
TOTAL EQUITY		6,715,432	9,765,645

NICK SCALI & CO PTY LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 $	2001 $
Cash Flows from Operating Activities			
Receipts from customers		34,114,628	26,147,439
Payments to suppliers and employees		(27,601,229)	(24,500,708)
Interest received		284,377	134,572
Borrowing costs		(260,520)	(319,069)
Income tax paid		(1,089,629)	(1,052,990)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18(a)	5,447,627	409,244
Cash Flows from Investing Activities			
Proceeds from sale of property, plant & equipment		-	4,246,161
Repayment of advances from controlling entity		3,487,563	-
Payments to related parties, net		712,794	75,676
Purchase of property, plant & equipment		(1,356,211)	(617,591)
NET CASH FLOWS FROM INVESTING ACTIVITIES		2,844,146	3,704,246
Cash Flows from Financing Activities			
Proceeds from HP leasing		-	123,500
Payment of dividends		(6,100,000)	(4,512,483)
Repayment of term loan		-	(8,938)
Repayment of hire-purchase liability principal		(145,825)	(56,393)
NET CASH (USED) IN FINANCING ACTIVITIES		(6,245,825)	(4,454,314)
NET (DECREASE)/INCREASE IN CASH HELD		2,045,948	(340,824)
Add Opening Cash brought forward		1,902,831	2,243,655
Closing Cash carried Forward	18(b)	3,948,779	1,902,831

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001. The Directors have determined that the company is not a reporting entity.

The report has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements except for the following:

AASB 1005 Financial Reporting by Segments
AASB 1017 Related Party Disclosures
AASB 1033 Presentation and Disclosure of Financial Instruments

The financial report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

(b) Changes in accounting policy

The policies adopted are consistent with those of the previous years.

(c) Income Tax

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

Where assets are revalued no provision for potential capital gains tax liability has been made.

(d) Property, Plant and Equipment

Freehold land & buildings are measured at independent valuation. At each balance date, the value of each class of asset is reviewed to ensure that it does not differ materially from the asset's fair value at that date. Where necessary, the asset is revalued to reflect its fair value.

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

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:	2002	2001
Freehold Buildings	40 years	40 years
Leasehold Improvements	at lease term	at lease term
Plant & Equipment	5 to 15 years	5 to 15 years

(e) Leases

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

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

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

Finance leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the company are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

The cost of improvements to or on leasehold property is capitalised as leasehold improvements and amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is the shorter.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Finished Goods - Purchase, Freight, Cartage and Import Duties included in the cost of finished goods.

(g) Employee Entitlements

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

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

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

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

(h) Foreign Currencies

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

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

Except for certain specific hedges, all resulting exchange differences arising on settlement or resettlement are brought to account in determining the net profit or loss for the financial year.

(i) Cash and cash equivalents

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

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks.

(j) Revenue Recognition

Sales revenue is recognised in profit & loss account on delivery of furniture to customers. Customers deposits are held in a forward deposit account and transferred to trade debtors on delivery of goods.

(k) Trade and other receivables

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

Receivables from related parties are recognised and carried at the nominal amount due. No interest is charged on these amounts.

(l) Recoverable amounts

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

(m) Trade and other payables

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

Payables to related parties are carried at the principal amount.

(n) Loans and borrowings

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

Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

(o) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

2 OPERATING EXPENSES AND LOSSES/GAINS

Operating profit before abnormal items and income tax has been determined after:

	2002 $	2001 $
(a) Expense:		
Bad debts written off	4,785	33,536
Depreciation/Amortisation of non-current assets		
Office Equipment	46,737	35,568
Furniture & fittings	93,419	82,409
Staff amenities	1,816	1,598
Structural improvements	3,572	2,119
Workshop equipment	32,830	29,369
Motor vehicles under hire purchase	29,759	10,000
Motor vehicles under HP	-	52,165
Leasehold improvements	119,448	85,931
Total depreciation/amortisation of non-current assets	327,581	299,159
Provision for stock write-down	100,000	250,000
Write off of lease fitout - Moore Park	550,000	-
Loss/(Gain) on disposal of other plant & equipment	95,451	(53,345)
Rental expense on operating leases	2,448,437	1,787,934
Foreign Currency (gain)/loss	(383,966)	266,034
Provision for write-downs - related party loans	-	268,777
(b) Revenue from ordinary activities		
Revenue from operating activities		
Settlement Discounts	13,701	51,597
Supplier Rebates/Discounts	6,799	68,679
Rebate Received	-	3,156
Total operating revenues	20,500	123,432
Revenue from non-operating activities		
Insurance Recovery	5,154	1,544
Rent Received	15,500	90,000
Interest Income - other	284,377	134,572
Other Income	232,016	98,808
Total non-operating revenues	537,047	324,924
Total Other Revenue from ordinary activities	557,547	448,356

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

		2002 $	2001 $
3	**INCOME TAX EXPENSE**		
	Prima facie income tax on operating profit before income tax @ 30% (2001 34%)	1,285,890	485,590
	Prior year timing differences brought to account		
	Tax effect of permanent differences:		
	Capital profit on disposal of fixed assets	-	(63,127)
	Overprovision Prior Year	(59,296)	-
	Building write off allowance	(29,454)	(33,381)
	Diminution on loans	-	91,384
	Other permanent differences	39,372	11,372
	Adjustment to future income tax benefit & provision for deferred income tax for change in company tax rate to 34%	-	(21,453)
		1,236,512	470,385
	Current tax payable	629,342	444,899
	Provision for deferred income tax	8,029	78,256
	Future income tax benefit	106,417	139,084
4	**RECEIVABLES**		
	Current:		
	Trade debtors	105,153	51,920
	Provision for doubtful debts	-	-
		105,153	51,920
	Sundry debtors	12,236	69,568
		117,389	121,488
	Non Current		
	Loan to parent entity	62,689	737,897
	Loans to related corporations	1,001,729	1,188,864
	Less provision for write-down	(268,777)	(268,777)
		795,641	1,657,984
5	**INVENTORIES**		
	Finished Goods	4,885,315	4,522,390
	Less provision for write-down	(100,000)	(250,000)
		4,785,315	4,272,390
	Stock in transit	1,014,049	1,084,215
		5,799,364	5,356,605
6	**OTHER FINANCIAL ASSETS (Current)**		
	Short term deposits	14,400	3,352,414
7	**OTHER CURRENT ASSETS (Current)**		
	Prepaid expenses	480,500	434,755

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

8 PROPERTY, PLANT & EQUIPMENT

	2002 $	2001 $
Land & buildings		
At independent valuation, April 1999	-	-
At independent valuation, February 1998	7,500,000	7,500,000
	7,500,000	7,500,000
Office equipment - at cost	423,451	358,941
Accumulated depreciation	(252,583)	(205,846)
	170,868	153,095
Furniture & fittings - at cost	778,153	801,818
Accumulated depreciation	(520,048)	(472,122)
	258,105	329,696
Staff amenities - at cost	12,029	10,067
Less:accumulated depreciation	(8,286)	(6,518)
	3,743	3,549
Structural improvements - at cost	168,197	96,633
Accumulated depreciation	(10,314)	(6,742)
	157,883	89,891
Workshop equipment - at cost	363,172	174,909
Accumulated depreciation	(74,024)	(70,308)
	289,148	104,601
Motor vehicles - at cost	44,905	44,905
Accumulated depreciation	(44,905)	(44,905)
	-	-
Motor vehicles under HP - at cost	190,455	190,455
Accumulated depreciation	(109,713)	(79,954)
	80,742	110,501
Leasehold improvements - at cost	858,293	524,822
Accumulated depreciation	(279,363)	(159,915)
	578,930	364,907
Total Property, plant and equipment	9,039,419	8,656,240

An Independent valuation was carried out by Mr P Byron (F.V.L.E.), registered valuer, of Knight Frank Hooker (NSW) Pty Limited in December 1999 who advised a market value of $8,200,000.

However, no revaluation increment was taken up in relation to the December 1999 valuation as the management considered prudent to carry the value of the property at the 1998 valuation.

No provision for deferred income tax is raised in respect of any potential capital gains tax as the company has no plans to dispose of freehold land and buildings.

Reconciliation of the carrying amounts of property, plant & equipment

	2002 $	2001 $
Land & Buildings		
Carrying amount at beginning	7,500,000	11,300,689
Additions	-	-
Disposals		(3,800,689)
Depreciation Charged	-	-
	7,500,000	7,500,000
Office Equipment		
Carrying amount at beginning	153,095	90,734
Additions	64,510	97,929
Disposals	-	-
Depreciation Charged	(46,737)	(35,568)
	170,868	153,095

	2002	2001
8 PROPERTY, PLANT & EQUIPMENT (Cont'd)	**$**	**$**
Reconciliation of the carrying amounts of property, plant & equipment		
Furniture & fittings		
Carrying amount at beginning	329,696	266,862
Additions	86,528	145,243
Disposals	(64,700)	-
Depreciation charged	(93,419)	(82,409)
	258,105	329,696
Staff amenities		
Carrying amount at beginning	3,549	4,065
Additions	2,010	1,082
Disposals	-	-
Depreciation charged	(1,816)	(1,598)
	3,743	3,549
Structural improvements		
Carrying amount at beginning	89,891	80,146
Additions	71,564	11,864
Disposals	-	-
Depreciation charged	(3,572)	(2,119)
	157,883	89,891
Workshop equipment		
Carrying amount at beginning	104,601	123,755
Additions	248,128	10,215
Disposals	(30,751)	-
Depreciation charged	(32,830)	(29,369)
	289,148	104,601
Motor vehicles		
Carrying amount at beginning	-	175,431
Additions	-	-
Disposals	-	(165,431)
Depreciation charged		(10,000)
	-	-
Motor vehicles under HP		
Carrying amount at beginning	110,501	273,952
Additions	-	115,410
Disposals	-	(226,696)
Depreciation charged	(29,759)	(52,165)
	80,742	110,501
Leasehold improvements		
Carrying amount at beginning	364,907	214,991
Additions	883,471	235,847
Disposals	(550,000)	-
Depreciation charged	(119,448)	(85,931)
	578,930	364,907
	9,039,419	8,656,240

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

		2002	2001
		$	$
9	**ACCOUNTS PAYABLE (Current)**		
	Trade creditors	3,883,901	3,025,295
	Customer deposits	2,133,769	1,467,049
	Other creditors	1,737,169	1,263,549
	Goods & services tax	91,990	51,256
		7,846,829	5,807,149
(a)	Australian Dollar Equivalents of amounts payable in foreign currencies not effectively hedged:-		
	U S Dollars	2,698,583	1,386,981
	Euro	459,163	673,095
	Danish Kroner	127,471	63,277

(b) During the year the company entered into a lease agreement for the Lidcombe distribution centre with a lease incentive, being a rent free period of one year, and the term of the lease being seven years.

The rent free period has been expensed to the profit & loss account over the full term of the lease being seven years.

A liability for deferred rent has been recognised for the portion of rent free period attributable to 2002 financial year.

		2002	2001
10	**INTEREST BEARING LIABILITIES (Current)**		
	HP liability	115,000	269,245
	Less: deferred charges	(21,059)	(29,479)
		93,941	239,766
	Non-Current:		
	Bank loans - secured	4,791,062	4,791,062

The non-current bank loan is secured by a first registered mortgage over land and buildings held by the company, a first registered mortgage charge over present and future undertakings of the company and a related entity, and an all money guarantee and indemnity provided by a director.

		2002	2001
11	**PROVISIONS**		
	Current		
	Employee entitlements	168,908	130,204
	Other	-	321,111
		168,908	451,315
	Non-Current		
	Employee entitlements	48,366	43,309
12	**ISSUED CAPITAL**		
	6,003 fully paid ordinary shares	12,006	12,006

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

		2002	2001
		$	$
13	**RESERVES**		
	Asset revaluation	1,065,713	1,065,713
	Capital profits	5,587,483	5,587,483
		6,653,196	6,653,196
	Asset revaluation reserves		
	Opening balance	1,065,713	3,961,295
	Transfer from profit on disposal	-	-
	Transfer to capital profits reserve	-	(2,895,582)
	Closing balance at 30 June 2002	1,065,713	1,065,713
	Capital profits reserve		
	Opening balance	5,587,483	1,653,257
	Transfer from asset revaluation reserve	-	2,895,582
	Transfer from retained earnings	-	1,038,644
	Closing balance at 30 June 2002	5,587,483	5,587,483

The above balance of the 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.

		2002	2001
	Retained profits		
	Opening Balance	3,100,443	7,693,749
	Profit from Ordinary Activities after Income Tax	3,049,787	957,821
	Transfer to Capital Profits Reserve	-	(1,038,644)
	Dividend Provided For	(6,100,000)	(4,512,483)
	Closing Balance at 30 June 2002	50,230	3,100,443
	Dividends		
	Opening Balance	-	-
	Dividends Provided For	(6,100,000)	(4,512,483)
	Dividends Paid	6,100,000	4,512,483
	Closing Balance	-	-
14	**EXPENDITURE COMMITMENTS**		
(a)	**Hire-purchase commitments payable**		
	- not later than one year	115,000	269,245
	- later than one but not later than five years		-
	- total minimum lease payments	115,000	269,245
	- future finance charges	(21,059)	(29,479)
	- lease liability	93,941	239,766
	- current liability	93,941	239,766
	- non-current liability	-	-
		93,941	239,766
(b)	**Operating leasing expenditure commitments**		
	- not later than one year	1,188,538	853,818
	- later than one year but not later than five years	6,143,775	1,673,936
	- later than 5 years	1,491,277	-
	- aggregate expenditure contracted for at balance date	8,823,590	2,527,754

15 CONTINGENT LIABILITIES

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

16 CORPORATE INFORMATION

(a) Immediate Parent Company
Scali Holdings Pty Limited
(b) Ultimate Parent Company
Scali Consolidated Pty Limited
(c) Place of Incorporation
The company is incorporated in the state of New South Wales, Australia
(d) Registered Office
3-9 Birnie Ave Lidcombe NSW
(e) Principal Places of Business
3-9 Birnie Ave Lidcombe NSW
242 Parramatta Road, Auburn NSW
573-589 Pacific Highway, Chatswood NSW
Caringbah Supacentre, 220 Taren Point Road, Caringbah NSW
Moore Park Supacentre, Moore Park NSW
Tuggerah Supacentre, Wyong Road, Tuggerah NSW
Home Improvement Centre, 30 Northcott Drive, Kotara NSW
537 Kessels Road, Macgregor QLD
Scali Living, Homemakers Supacenta, Moore Park
(f) Number of Employees
The company employs 80 full-time and part-time employees. (2001: 77)

17 EVENTS SUBSEQUENT TO REPORTING DATE

There is no significant events subsequent to balance date.

18 STATEMENT OF CASH FLOWS

		2002 $	2001 $
(a)	**Reconciliation of operating profit after tax to net cash flows from operations**		
	Profit from ordinary activities after tax	3,049,787	957,821
	Non-Cash Items		
	Depreciation of non-current assets	327,581	299,159
	Provisions for write-down of related party borrowings		268,777
	(Gain)/Loss on disposal of property, plant and equipment	645,451	(53,345)
	Changes in assets & liabilities		
	Decrease / (increase) in value of trade & other receivables	4,099	202,139
	Decrease / (increase) in value of inventories	(442,759)	(1,001,574)
	Decrease / (increase) in value of prepayments	(45,745)	280,551
	(Decrease) / increase in value of trade payables	1,372,960	441,545
	(Decrease) / increase in customer deposits	666,720	(273,349)
	(Decrease) / increase in value of provisions	(277,350)	(129,875)
	(Decrease) / increase in value of tax provision	184,443	(442,082)
	(Decrease) / increase in value of deferred tax liabilities	(70,227)	(5,481)
	(Decrease) / increase in value of future income tax benefits	32,667	(135,042)
		5,447,627	409,244
(b)	**Reconciliation of Cash**		
	Cash balances comprise:		
	- cash on hand	3,948,779	1,902,831

19 FRANKING CREDIT BALANCE

The amount of franking credit available for the subsequent financial year are:

	2002 $	2001 $
- franking account balance as at the end of the financial year	-	-
- franking account balance that will arise from the payment of income tax as at the end of the financial year	1,468,467	729,680
	1,468,467	729,680

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

20 AUDITORS REMUNERATION

	2002 $	2001 $
Amounts received or due and receivable by Ernst & Young for audit or review of the financial report of the entity and any other entity in the Group	23,500	23,500
Other Services of the financial report of the entity and any other entity in the Group	62,919	51,453
	86,419	74,953

DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity. The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 16
   (a) comply with Accounting Standards as detailed in Note 1 to the financial statements and the Corporations Act 2001; and

   (b) give a true and fair view of the company's financial position as at 30 June 2002 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director; Anthony John Scali

Dated at Sydney this 25TH day of SEPTEMBER 2002.

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF NICK SCALI & CO PTY LIMITED

Scope

We have audited the attached financial report, being a special purpose financial report, of Nick Scali & Co Pty Limited for the year ended 30 June 2002 as set out on pages 3 to 17. The company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of Nick Scali & Co Pty Limited. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the entity's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

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

(a) the Corporations Act 2001 including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2002 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

  (ii) complying with Accounting Standards, comprising AASB 1025 "Application of the Reporting Entity Concept and Other Amendments" and other Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001; and

(b) other professional reporting requirements to the extent described in Note 1.

Ernst + Young

Ernst & Young

J K Haydon

J K Haydon
Partner

Sydney
Date: 28 September 2002