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**NICK SCALI LIMITED – ANNUAL GENERAL MEETING
20th OCTOBER 2011**

CHAIRMAN AND MANAGING DIRECTOR'S ADDRESSES

Chairman's Address

The following is a transcript of the address to shareholders by the Chairman of Nick Scali Limited, Mr John Ingram

It is with satisfaction I am able to report that for the year ended 30 June 2011 Nick Scali again achieved a record result both in terms of sales and profit. For the first time sales exceeded \$100 million for the year – a significant milestone for the company - and profit after tax was \$11.6 million.

It was a difficult year for retail and, as we had previously indicated, this result was achieved on the back of the growth in our store network, maintenance of our margins, and close control of costs.

The retail environment through the year could be best described as choppy. Slow, difficult periods were interceded with some months of very strong growth, as consumers responded to specific promotions, chased deals and reacted to sentiment in the broader economy.

Our business model has held up well in this environment and has allowed us to be flexible and responsive without compromising our brand's positioning or the quality of our product offering. We have proven our capacity to increase volumes with minimal increases in our costs base, and our careful selection and management of showroom locations has delivered the company a solid foundation for profitability in difficult times.

Despite market conditions, the company is in a strong position to continue investment in the growth and expansion plans that will allow us to take advantage of improved conditions when they occur. With minimal debt and a strong balance sheet the company is pursuing expansion of the store network through identifying new locations for lease or purchase. Additional growth is coming from the development of the new brands Sofas2Go and Chateau d'Ax. We believe that the Company has the flexibility and capacity to make the most of the variable market conditions and has clear strategies to accelerate future growth.

We are fortunate to have committed and loyal employees without whom the business could not succeed. I wish to thank and commend them for their efforts throughout the year.

I will now invite the Managing Director Mr Anthony Scali to address the meeting to give us an overview of the operations of the Company and the outlook for the current year.

Managing Director's Address

The following is a transcript of the address to shareholders by the Managing Director of Nick Scali Limited, Mr Anthony Scali

Thank you John and good morning Ladies and Gentlemen.

The 30 June 2011 result was achieved in the context of declining consumer confidence, subdued discretionary spending and what was a very difficult year for the retail industry. The company remained focused on delivering quality furniture and closely managing pricing and purchasing decisions in order to maintain margin, manage inventory levels, whilst at the same time delivering compelling offers and targeted promotions to the consumer.

Total sales growth for the year was 3.8% and was derived from the new stores opened in the past 18 months, including South Wharf in Victoria, Jindalee in Brisbane, and Alexandria in Sydney. Same store sales were negative 1.6% against exceptionally strong growth the previous year.

Additional operating costs were incurred over the previous year due to the investment in resources for the development of the new brands and increased marketing for the Nick Scali brand.

Capital expenditure during the year included \$8.5 million for the purchase and development of the Alexandria showroom property, which was partially funded by \$3.5 million of bank borrowings. Otherwise capital expenditure levels were similar to the previous year at \$1.6 million, and include the new store fitouts, refurbishments of older stores, and ongoing investment in the development of our IT systems.

Stores for the two new brands completed their first quarter of trading at the end of September 2011. Customers have responded positively and we have confidence that both brands will be successful. Three further Sofas2Go stores will open in the first half of the 2011-12 financial year, two in NSW and the first store in Victoria. We expect in the second half to continue to expand the store network.

The Nick Scali brand is also being expanded in the first half of this fiscal year. The NSW Warrawong store opened in August, and a store within the new Springvale development in Victoria is opening in November. Further store openings are expected in the second half of 2011-12.

During the first quarter of this new financial year, we have experienced good growth in sales orders. This was achieved from both new stores opened and positive growth in same store sales orders. The month of October has also commenced on a strong note.

However, as detailed during our full year results presentation for the financial year 2011, sales orders were down in the fourth quarter which in turn has had an impact on our sales for the first quarter this financial year. Our profit for the full year will be dependent upon contributions from new stores opened in the first half and achieving same store sales growth for the full year. During the period June to December 2011 the company will have opened seven stores. The start up costs for these stores will increase operating expenses with very little revenue in the first half, although we expect these stores to make positive earnings contributions in the second half.

With interest rate concerns appearing to subside and continuing low unemployment levels, we are becoming more confident that trading conditions will remain in line with the first quarter for the rest of the year.

As I conclude, I would like to take the opportunity on behalf of the senior management of the Company to thank our employees for their commitment and hard work through these unpredictable times. I would also like to thank my fellow Directors for their support and guidance throughout the year, which I greatly appreciate. I look forward to the period ahead with the further development of our new brands and the continued expansion of Nick Scali Furniture.