QUARTERLY REPORT

For the quarterly period ended September 30, 2005

of

ELEGANT ILLUSIONS, INC.

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In October 2002, Elegant Illusions, Inc. filed a Form 15 with the Securities and Exchange Commission terminating registration of its Common Stock under the Securities Exchange Act of 1934. As a result, it is no longer obligated to file periodic reports with the Securities and Exchange Commission. **This report is not a quarterly report on Form 10-QSB**.

FINANCIAL INFORMATION

Financial Statements

The accompanying financial statements are unaudited for the interim periods, but include all adjustments (consisting only of normal recurring accruals) which our management considers necessary for the fair presentation of results for the three and nine months ended September 30, 2005.

Moreover, these financial statements do not purport to contain complete disclosure in conformity with generally accepted accounting principles and should be read in conjunction with our audited financial statements at, and for the fiscal year ended December 31, 2004. If you would like a copy of such audited financial statements, please contact us and we will send them to you free of charge.

The results reflected for the three and nine months ended September 30, 2005 are not necessarily indicative of the results for the entire fiscal year.

ELEGANT ILLUSIONS, INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2004	September 30, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$1,229,305	$999,155
Accounts receivable	110,479	228,498
Income Taxes receivable	92,521	119,358
Inventory	4,815,770	4,660,027
Prepaid expenses	319,980	364,786
TOTAL CURRENT ASSETS	6,568,055	6,371,825
PROPERTY AND EQUIPMENT, NET	1,361,539	1,380,934
OTHER ASSETS	73,451	78,014
	$8,003,045	$7,830,773
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Current portion of long term debt	$28,930	$29,921
Accounts payable and accrued expenses	224,738	144,273
Income taxes payable	0	0
TOTAL CURRENT LIABILITIES	253,668	174,194
LONG TERM DEBT		
Mortgage payable	337,601	302,716
Deferred income taxes	65,000	65,000
	402,601	367,716
TOTAL LIABILITIES	656,270	541,910
STOCKHOLDERS' EQUITY		
Common stock-authorized 30,000,000 shares, $.001 per value, issued and outstanding 6,146,446 shares in 2004 and 2005	6,147	6,147
Additional paid in capital	3,914,509	3,914,509
Retained earnings	3,510,128	3,452,216
Less treasury stock at cost (62,067 shares in 2004 and 2005)	(84,008)	(84,008)
	7,346,775	7,288,863
	$8,003,045	$7,830,773

See Accompanying Notes to Unaudited Consolidated Condensed Financial Statements

ELEGANT ILLUSIONS, INC AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2005
(Unaudited)

	2004	2005
REVENUES	$7,233,737	$5,665,253
COST OF GOODS SOLD	1,910,949	1,408,435
GROSS PROFITS	5,322,788	4,256,817
EXPENSES		
SELLING, GENERAL AND ADMINISTRATION	4,737,350	4,127,095
DEPRECIATION, AND AMORTIZATION	235,560	208,497
INTEREST EXPENSE	12,307	14,137
	4,985,217	4,349,729
INCOME (LOSS) BEFORE INCOME TAXES	337,571	(92,912)
PROVISION (CREDIT) FOR INCOME TAXES	130,000	(35,000)
NET INCOME (LOSS)	$207,571	($57,912)
WEIGHTED AVERAGE SHARES OUTSTANDING	6,084,379	6,084,379
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$0.03	($0.01)

See Accompanying Notes to Unaudited Consolidated Condensed Financial Statements

ELEGANT ILLUSIONS, INC AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2004 AND 2005
(Unaudited)

	2004	2005
REVENUES	$2,274,358	$1,723,614
COST OF GOODS SOLD	627,724	463,817
GROSS PROFITS	1,646,634	1,259,797
EXPENSES		
SELLING, GENERAL AND ADMINISTRATION	1,452,974	1,272,537
DEPRECIATION, AND AMORTIZATION	79,584	85,455
INTEREST EXPENSE	5,453	4,937
	1,538,011	1,362,930
INCOME (LOSS) BEFORE INCOME TAXES	108,623	(103,133)
PROVISION(CREDIT) FOR INCOME TAXES	42,000	(39,000)
NET INCOME (LOSS)	$66,623	($64,133)
WEIGHTED AVERAGE SHARES OUTSTANDING	6,084,379	6,084,379
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$0.01	($0.01)

See Accompanying Notes to Unaudited Consolidated Condensed Financial Statements

ELEGANT ILLUSIONS, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2005
(Unaudited)

	2004	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$207,571	($57,912)
Adjustments to reconcile net income To net cash provided by (used in) operating activities		
Depreciation and amortization	235,560	208,497
Abandonment of property and equipment	76,194	16,399
Changes in operating assets and liabilities		
(Increase) Decrease in :		
Accounts receivable	36,429	(118,019)
Inventory	(522,419)	155,743
Prepaid expenses	30,954	(44,806)
Income tax receivable		(26,837)
Increase (Decrease in)		
Accounts payable and accrued expenses	2,842	(80,466)
Income taxes payable	(96,124)	0
NET CASH PROVIDED BY OPERATIONS	(28,993)	52,599
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(88,982)	(244,292)
Other assets	813	(4,563)
NET CASH USED IN INVESTING ACTIVITIES	(88,169)	(248,855)
CASH FLOW FROM FINANCING ACTIVITIES		
Mortgages payable	(41,894)	(33,894)
NET CASH USED IN FINANCING ACTIVITIES	(41,894)	(33,894)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(159,056)	(230,149)
CASH AND CASH EQUIVALENT BALANCE		
Beginning of period	1,294,713	1,229,305
CASH AND CASH EQUIVALENT BALANCE		
End of Period	$1,135,657	$999,155
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest Paid	$12,307	$4,937
Income taxes paid	$223,262	0

See Accompanying Notes to Consolidated condensed Financial Statements

ELEGANT ILLUSIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. COMMENTS

The accompanying unaudited consolidated condensed financial statements, which are for interim periods, do not include all disclosure provided in the annual consolidate financial statements. These unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto contained in the Annual Report for the year ended December 31, 2004 of Elegant Illusions, Inc (the "Company") The December 31, 2004 consolidated condensed balance sheet was derived from audited consolidated financial statements, but does not include all disclosures required by generally accepted accounting principles.

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (which are of a normal recurring nature) necessary for a fair presentation of the financial statements. The results of operations for the three and nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the full fiscal year.

2. EFFECTS OF HURRICANE KATRINA

Our operations and financial condition were significantly and adversely affected by Hurricane Katrina. In addition to all three New Orleans locations being closed since August 29, 2005, the Riverwalk location was looted and sustained substantial damage. Management has determined that Riverwalk sustained inventory losses in excess of $100,000 which, in part, may be covered by insurance. In addition, we have other coverage for business interruption and extra expense, which may cover certain costs that we incurred due to the suspension of operations as a result of the Hurricane. At this date, we have not determined the exact amount of this potential claim. We are continuing to pay our New Orleans employees. This ongoing expense is reimbursed by insurance through November 17, 2005 for the Bourbon Street locations and to a date yet to be determined for the Riverwalk location.

Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Cautionary Statement on Forward-Looking Statements

Except for the historical information contained herein, certain of the matters discussed in this report are "forward-looking statements," which involve certain risks and uncertainties, which could cause actual results to differ materially from those discussed herein. Forward-looking information generally is information stated to be anticipated, expected or projected by us. The following list, which is not intended to be an all encompassing list of risks and uncertainties affecting us and our business, summarizes several factors that could cause our actual results to differ from those anticipated or expected in these forward-looking statements: that low or negative growth in the economy or in the financial markets will reduce discretionary spending on goods such as those sold in our stores; that warehousing and distribution productivity and capacity can be further improved to support our distribution requirements; that changes in expenses (such as changes in our labor, rent and/or inventory purchase costs) could adversely affect our results of operations; that competition may impact our sales efforts by diminishing sales and/or requiring us to cut prices; that seasonality of the retail created gem jewelry business or downturns in consumer spending during the fourth quarter may adversely affect our operating results; that we may not be able to continue to manage our inventory and product supply effectively to respond to consumer demand; that fluctuations in created gem prices may negatively affect the business; that sustained adverse weather conditions may adversely affect our sales; that legal or governmental proceedings may have an adverse effect on our financial results or reputation; that alternate sources of merchandise supply may not be available on favorable terms to us; that key personnel who have been hired or retained by us may depart; or that changes in government or regulatory requirements may increase the cost of or adversely affect our operations.

We caution readers that any such forward-looking statements are based on our current expectations and beliefs but are not guarantees of future performance. Actual results could differ materially from those expressed or implied in the forward-looking statements.

Results of Operations

Three and Nine Months Ended September 30, 2005 Compared to Three and Nine Months Ended September 30, 2004

Sales for the three months ended September 30, 2005 decreased $550,744 or approximately 24.2% when compared to the three months ended September 30, 2004. Sales for the nine months ended September 30, 2005 decreased $1,568,484 or approximately 21.7% when compared to the nine months ended September 30, 2004.

Management believes that these significant decreases in same store and company wide sales for the three months ended September 30, 2005, were a direct result of Hurricane Katrina and its continued effect in the aftermath. Our three New Orleans locations closed effective August 29, 2005. We expect the two Bourbon Street locations to reopen with limited operating hours, by December 1, 2005. At present, we do not know when the Riverwalk location will reopen. Management believes that the significant decreases in same store and company wide sales for the nine months ended September 30, 2005, were a direct result of Hurricane Katrina and our realizing fewer sales, both in low ticket items and high ticket items.

As of September 30, 2004, we operated 22 retail locations and as of September 30, 2005, we operated 22 retail locations. In addition, we closed our St. Thomas location in August 2005 because it did not meet revenue expectations. Costs of goods as a percentage of revenues decreased from approximately 27.6% during third quarter of 2004 to approximately 26.9% during the third quarter of 2005.

Cost of goods as a percentage of revenues for the nine months ending September 30, 2005 decreased from approximately 26.5% during 2004 to approximately 24.9% during 2005.

Management believes that this decrease primarily resulted from slightly increasing retail prices to reflect current gold costs and our purchase of inventory at lower gold prices, before the rapid and steep increases in the past year.

During the three months ended September 30, 2005, selling, general and administrative expenses decreased when compared to the three months ended September 30, 2004 by $180,437 (approximately 12.4%). As a percentage of sales, selling, general and administrative expenses increased from approximately 63.9% during the three months ended September 30, 2004 to approximately 73.8% during the three months ended September 30, 2005.

During the nine months ended September 30, 2005, selling, general and administrative expenses decreased when compared to the nine months ended September 30, 2004 by $610,255 (approximately 12.9%). As a percentage of sales, selling, general and administrative expenses increased from approximately 65.5% during the nine months ended September 30, 2004 to approximately 72.8% during the nine months ended September 30, 2004. Included in the general expenses for the three and nine months ended September 30, 2005 is an amount of $16,000 as a one time expense for the closing of the St. Thomas and Savannah locations. Management has decreased expenses in the face of decreasing sales.

Management believes the increase in selling, general and administrative expenses as a percentage of sales is primarily the result of revenues not realized at our three New Orleans locations and a decrease in same store sales.

Revenues Same Store Locations.

As of September 30, 2005, we operated 20 locations that were also in operation at September 30, 2004: three in New Orleans, three in Monterey, one in Sacramento, one in San Diego, one in San Francisco, one in Palm Springs, one in Branson, one in Laughlin, two in St Croix, one in Birch Run, one in Miromar, one in Sarasota, one in Wailea, Hawaii, one in Maui, Hawaii and one in Vail.

Revenues from these locations for the quarter ended September 30, 2005, decreased approximately 25.9% from the same period in 2004. Revenues from these locations for the nine months ended September 30, 2005 decreased approximately 18.8% from the same period in 2004.

Excluding the three New Orleans stores that closed as a result of Hurricane Katrina, revenues for the quarter ended September 30, 2005 decreased 18.9% from the same period in 2004 and revenues from these locations for the nine months ended September 30, 2005 decreased approximately 16.4% from the same period in 2004. Management believes this decrease in same store revenues is the result of a middle class faced with shrinking discretionary funds resulting from lower job availability, lower paying jobs, and higher energy and housing costs. We are realizing fewer sales, both in low ticket items and high ticket items. We believe people are traveling less as a result of the high gasoline prices and this impacts our revenues at our locations in tourist destinations.

Net Income (Loss)

During the three months ended September 30, 2005, we realized a net loss of $64,133 compared to net income of $66,623 for the three months ended September 30, 2004. During the nine months ended September 30, 2005, we realized a net loss of $57,912 compared to a net income of $207,571 for the nine months ended September 30, 2004.

Inventory Turnover Ratios

During the three months ended September 30, 2005, we maintained an inventory that provided a turnover ratio of 0.6 to 1. We believe that this inventory turnover ratio is appropriate for our plan of operation, including maintaining our strategy of replacing inventory sold at our retail locations within a 2-3 day time frame. We review items on hand, on a regular basis, to determine slow moving items, then discount the price of those items so they are sold at prices that still generate a positive gross margin. The inventory turnover ratio for the three months ended September 30, 2004 was 0.5 to 1.

Liquidity and Capital Resources

As of September 30, 2005, we had $999,155 in cash and cash equivalents, down $230,150 from December 31, 2004, and our current assets exceeded our current liabilities by $6,197,631, down $116,756 from December 31, 2004.

Although we opened two new stores in 2005, Balboa Island in Newport Beach, California and Franklin Mills in Philadelphia, and continue to look for potential new store locations, store expansion is not our primary focus. Our Primary focus is on operating controls and costs.

In this regard, we closed our Savannah location in April 2005 and our St. Thomas location in August, 2005 because these locations were not meeting our revenue expectations.

Our operations and financial condition were significantly and adversely affected by Hurricane Katrina. In addition to all three New Orleans locations being closed since August 29, 2005, the Riverwalk location was looted and sustained substantial damage. Management has determined that Riverwalk sustained inventory losses in excess of $100,000 which, in part, may be covered by insurance. In addition, we have other coverage for business interruption and extra expense, which may cover certain costs that we incurred due to the suspension of operations as a result of the Hurricane. At this date, we have not determined the exact amount of this potential claim. We are continuing to pay our New Orleans employees. This ongoing expense is reimbursed by insurance through November 17, 2005 for the Bourbon Street locations and to a date yet to be determined for the Riverwalk location.

We anticipate that costs associated with restoring the Riverwalk location will be reimbursed by Insurance. The two Bourbon Street locations sustained no physical damage, yet could not operate due to damage to utilities and the hotel in which those locations reside.

Our business in New Orleans is highly dependent on tourist foot traffic. It is our understanding that Conventions and Cruise Ships will not return until sometime after April 2006. Further, it is our understanding there are limited hotel rooms available for visitors to the City of New Orleans. We believe that, once our locations open, there will be limited business opportunity while expenses will continue. We expect up to a 70% reduction in revenues. We have determined to open the Bourbon Street locations, limiting operating hours until such time as foot traffic returns to pre-Katrina levels. Management cautions it has no clear understanding of when this will occur, if at all. We have yet to determine when the Riverwalk location will open.

Our primary anticipated material capital expenditure during the last quarter of 2005 is the redesigning of our website.

We believe that we have sufficient capital reserves for all of our anticipated activities through the end of 2005.

Off-Balance Sheet Transactions

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

Application Of Critical Accounting Policies

Financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Critical accounting policies for us relate to impairment of long-lived assets, and the costing of inventory as it relates to obsolescence and marketability.

Actual results could differ from those estimates. For example, unexpected events or changes in market conditions or a downturn in the economy could adversely affect actual results. Hurricane Katrina was a good example of a material unexpected event. Estimates are used in accounting for, among other things, inventory obsolescence, depreciation, taxes, and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Consolidated Financial Statements in the period they are determined to be necessary.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its Consolidated Financial Statements.

Merchandise Inventories. Merchandise Inventories are stated at the lower of cost or market. Management is constantly reviewing the turnover of individual items to determine if adjustments in pricing are required to affect the sales of said products. Substantially all inventories represent finished goods which are valued using the first-in, first-out (FIFO) inventory method.

We also write down our inventory for discontinued, slow-moving and damaged inventory if required. This write-down is equal to the difference between the cost of inventory and its estimated market value based upon assumptions of targeted inventory turn rates, future demand, management strategy, and market conditions. If actual market conditions are less favorable than those projected by management, or management strategy changes, additional inventory write-downs may be required and, in the case of a major change in strategy or downturn in market conditions, such write-downs could be significant.

Shrinkage is estimated for the period from the last inventory date to the end of the fiscal year on a store by store basis. Such estimates are based on experience and the shrinkage results from the last physical inventory. Physical inventories are taken annually for all store locations and for the distribution warehouse. The shrinkage rate from the most recent physical inventory, in combination with historical experience, is the basis for providing a shrinkage reserve if required.

Long-lived Assets. Long-lived assets are periodically reviewed for impairment by comparing the carrying value of the assets with their estimated fair values. If the evaluation indicates that the carrying amount of the asset may not be recoverable, the potential impairment is measured based on a projected discounted cash flow method, using a discount rate that is considered to be commensurate with the risk inherent in our current business model. Assumptions are made with respect to cash flows expected to be generated by the related assets based upon updated projections. Any changes in key assumptions or market conditions could result in an unanticipated impairment charge. For instance, in the event of a major market downturn, individual stores may become unprofitable, which could result in a write-down of the carrying value of the assets located in those stores. Any impairment would be recognized in operating results if a permanent reduction were to occur.

Revenue Recognition. We recognize revenue in accordance with the Securities and Exchange Commissions Staff Accounting Bulletin No. 101 Revenue Recognition in Financial Statements (SAB 101). Revenue related to merchandise sales is recognized at the time of the sale, reduced by a provision for returns. The provision for sales returns is based on historical evidence of our return rate.

Income Taxes Income taxes are estimated for each jurisdiction in which we operate. This involves assessing the current tax exposure together with temporary differences resulting from differing treatment of items for tax and accounting purposes. Any resulting deferred tax assets are evaluated for recoverability based on estimated future taxable income.

Issues And Uncertainties

The risks and uncertainties discussed in "*Cautionary Statement on Forward-Looking Statements*" above, among others, should be considered in evaluating our financial outlook.

Other Information

None during the quarter ended September 30, 2005.

SIGNATURE	TITLE	DATE
________________ James Cardinal	Chief Executive Officer and Director	Nov 15, 2005