

10<sup>th</sup> December 2004



**retail cube**

Company Announcements  
Australian Stock Exchange Limited  
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Please find following an update on recent results, prospects and developments.

Yours sincerely

A handwritten signature in blue ink, which appears to read 'Robert Estcourt', is written over a horizontal line.

Robert Estcourt  
Chief Executive Officer

**diversified | specialty | retail**

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# **An Update on Recent Results, Prospects and Developments**

## **Results and Prospect**

### **Amazing Paints**

In our October 2004 Directors' Update we indicated that the weakening confidence in the housing sector had impacted on the paint sector and that sales were well down on the previous year. At that stage Management was hopeful that remedial action and the spring selling season would enable results to make up for lost ground. Unfortunately this has not occurred. Weak results continued through the election period and into November.

Sales levels are now recovering and the benefits of action taken are helping results. Management now consider it very unlikely that original forecasts will be reached in FY2005.

### **King of Knives**

As previously reported FY 2005 sales started strongly but fell away after Father's Day. Management expected that sales would improve after the election, but this did not occur. This situation has been aggravated by delayed openings of certain shopping centres. An exceptional Christmas selling season by King of Knives is required if it is to meet its sales and profit forecasts. It is likely that for the full year, results will come in below forecast.

### **The Athlete's Foot**

Whilst trading conditions have at times been difficult, results have been helped by a recovery in performance of the New Zealand stores, The Athlete's Foot is trading ahead of forecast and expectations are that it will enjoy strong profit growth in FY 2005 provided the sales are up to expectations in the main January selling season.

### **Summary**

Whilst the signs are that sales are recovering at Amazing Paints and King of Knives they are still below last year's levels. It is unlikely that this existing shortfall will be made up in FY 2005 or fully offset by good results from The Athlete's Foot. Almost certainly trading results will be below forecast due to lower than expected sales and the cost of remedial actions.

Due to the importance of the Christmas and January selling seasons, it is impossible to forecast results with accuracy. However the consequence of these developments is that, whilst Management continues to strengthen the foundations for longer term growth and expansion, Directors believe that earnings before tax may fall short of forecast for FY2005 by between 15% and 20%. The position will be clearer when the half year results are announced in late February 2005.

Directors still forecast of a fully franked 3.25 cent per share dividend for FY 2005 unless there is an unforeseen drop in retail sales in the second half of the year. Directors expect to pay a fully franked maiden interim dividend of 1.5 cents per share in March 2005.

## Other Developments

- Retail Cube has opened twelve new stores since listing. These are:
  - one Amazing Paints store,
  - five King of Knives stores,
  - one Chef King store and
  - five The Athlete's Foot stores.
- A further four King of Knives stores have been refurbished. Due to delays in the opening of new and refurbished shopping centres, three store openings were late. These delays have negatively impacted on budgeted sales in the short term.
- The Point of Sales system has been successfully rolled out through the Amazing Paints store chain. The system was completed on schedule with costs a little more than expected. Full benefits in terms of Management and reporting efficiencies will become apparent as the 2005 calendar year progresses.
- Work continues with preparing for the introduction of franchising to the King of Knives store chain. This work will necessitate some Management changes and appointments to ensure that we utilize The Athlete's Foot expertise in this area. These changes do have some adverse short term cost implications but Management remains confident of introducing franchising in the last quarter of FY2005.
- A number of acquisition opportunities have been reviewed and in some cases there have been some preliminary discussions. At this time these discussions have not led to anything concrete.

Management has continued to concentrate on developing the basis for the future growth of the Group, both by developing the platforms for the expansion of existing operations and investigating the acquisition of further operating companies. This has occurred against a background of significant volatility in sales in some of the retail sectors the Group is exposed to, as discussed in the results update above.