

KING OF KNIVES PTY LIMITED
ABN 34 003 232 531

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2003

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2003.

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

Leslie Ludovic Rosenfeld
Maurice Joffee
Ronald Baskin
Alfred Kant

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

The loss of the company for the financial year after providing for the writedown of investment and income tax expense amounted to \$1,090,796. (2002: Profit \$1,022,066).

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

- No significant changes in the company's state of affairs occurred during the financial year.
- The principal activities of the company during the financial year were the retailing of cutlery, home ware products and sporting knives.
- No significant change in the nature of these activities occurred during the year.

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 in the operations of the economic entity 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 economic entity.

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

No dividends were paid or declared since the start of the financial year.

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

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.

DIRECTORS' REPORT (Cont'd)

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

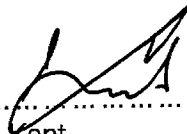
The company was not a party to any such proceedings during the year.

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

.....
Maurice Joffe
Director



.....
Alfred Kant
Director



Dated this

16th

day of

May

2004

KING OF KNIVES PTY LIMITED
ABN 34 003 232 531

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$	2002 \$
Sales revenue	2	22,538,123	20,494,560
Cost of sales		(11,068,527)	(10,318,554)
Gross Profit		<u>11,469,596</u>	<u>10,176,006</u>
Other revenue from ordinary activities	2	459,943	119,541
Employee benefits expenses		(4,553,413)	(4,237,731)
Depreciation expenses	3	(416,655)	(376,377)
Borrowing costs		(32,297)	(53,980)
Occupancy expenses		(3,151,961)	(2,873,383)
Administration expenses		(462,949)	(429,639)
Travelling expenses		(76,758)	(79,446)
Loss on sale of property		(41,760)	(18,185)
Unrealised foreign exchange losses		(8,825)	-
Writedown of investment	3	(2,788,548)	-
Other expenses		(769,173)	(605,010)
Profit/(loss) from ordinary activities before income tax expense		<u>(372,800)</u>	<u>1,621,796</u>
Income tax expense relating to ordinary activities	4	(717,996)	(599,730)
Net profit/(loss) from ordinary activities after income tax attributable to members of the company		<u>(1,090,796)</u>	<u>1,022,066</u>
Total changes in equity other than those resulting from transactions with owners as owners.		<u>(1,090,796)</u>	<u>1,022,066</u>

The accompanying notes form part of these financial statements.

KING OF KNIVES PTY LIMITED
ABN 34 003 232 531

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	2003 \$	2002 \$
CURRENT ASSETS			
Cash assets	5	1,000,173	16,673
Receivables	6	128,841	284,076
Inventories	7	4,682,531	3,395,443
TOTAL CURRENT ASSETS		5,811,545	3,696,192
NON-CURRENT ASSETS			
Receivables	6	470,681	2,868,856
Other Financial Assets	8	65,337	403,131
Plant and equipment	9	2,065,917	1,826,928
Deferred tax assets	10	63,580	-
TOTAL NON-CURRENT ASSETS		2,665,515	5,098,915
TOTAL ASSETS		8,477,060	8,795,107
CURRENT LIABILITIES			
Payables	11	2,427,340	1,781,835
Interest bearing liabilities	12	-	5,632
Tax liabilities	13	266,505	152,311
Provisions	14	123,959	99,277
TOTAL CURRENT LIABILITIES		2,817,804	2,039,055
NON-CURRENT LIABILITIES			
Payables	11	533,467	539,467
TOTAL NON-CURRENT LIABILITIES		533,467	539,467
TOTAL LIABILITIES		3,351,271	2,578,522
NET ASSETS		5,125,789	6,216,585
EQUITY			
Contributed equity	15	1,310,000	1,310,000
Retained profits		3,815,789	4,906,585
TOTAL EQUITY		5,125,789	6,216,585

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in connection with the financial reporting requirements for the proposed initial public offering of Retail Cube Limited. The directors have determined that the company is not a reporting entity.

King of Knives Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the requirements for the proposed initial public offering of Retail Cube Limited, and the following applicable Accounting Standards:

AASB 1002:	Events Occurring After Reporting Date
AASB 1004:	Revenue
AASB 1010:	Recoverable amount of non current assets
AASB 1018:	Statement of Financial Performance
AASB 1019:	Inventories
AASB 1020:	Accounting for Income Tax (Tax-effect Accounting)
AASB 1021:	Depreciation
AASB 1025:	Application of the Reporting Entity Concept and other Amendments
AASB 1031:	Materiality
AASB 1040:	Statement of Financial Position

No other Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The 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.

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Inventories

All inventories are stated at the lower of cost and net realisable value.

(b) Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Income Tax (cont'd)

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Employee Entitlements

Provision is made in respect of the company's liability for annual leave, long service leave and compulsory superannuation at balance date. Long service leave is provided for on the basis of the likelihood of payment, and discounted to present value from likely payment amount.

The provision for annual leave includes related on costs for the year ended 30 June 2003 and subsequent years.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred. The company has no other legal obligation to provide benefits to employees on retirement.

(d) Plant & Equipment

Plant and equipment are measured on the cost basis and all assets, are depreciated on a straight line basis over their useful lives to the company.

(e) Revenue

Revenue from the sale of goods is recognised upon delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(f) Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(g) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. For the purposes of the preparation of this financial report, the transactions in King of Knives LLC and King of Knives Ltd ATF (The Outback Unit Trust) have not been consolidated or equity accounted.

KING OF KNIVES PTY LIMITED
ABN 34 003 232 531

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
	\$	\$
NOTE 2: REVENUE		
Ordinary activities		
- Sales	22,538,123	20,494,560
	<u> </u>	<u> </u>
Non – operating activities		
- Foreign Exchange gain	14,304	-
- Sundry income	170,454	15,200
- Dividends	9,027	22,250
- Interest	41,118	40,942
- Management fees	104,000	58,000
- Other revenues	121,040	(16,851)
	<u> </u>	<u> </u>
	<u>459,943</u>	<u>119,541</u>
 NOTE 3: EXPENSES		
Depreciation of plant and equipment	416,655	376,377
Writedown of investment – King of Knives LLC	2,788,548	-
 NOTE 4: INCOME TAX		
(a) The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on operating profit before income tax at 30%	(111,840)	486,539
Add:		
Tax effect of:		
- Entertainment	6,099	4,169
- Other non-taxable items	27,214	(313)
- Writedown of investment	836,564	-
- Capital gain not subject to income tax	(36,312)	-
Under provision for income tax in prior year	-	109,335
Rebateable fully franked dividends	(3,729)	-
	<u> </u>	<u> </u>
Income tax expense attributable to profit from ordinary activities	<u>717,996</u>	<u>599,730</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003 \$	2002 \$
NOTE 5: CASH ASSETS		
Cash at bank	298,539	15,001
Interest Bearing Deposits	701,634	1,672
	1,000,173	16,673
NOTE 6: RECEIVABLES		
CURRENT		
Trade debtors	94,491	221,357
Other debtors	34,350	62,719
	128,841	284,076
NON-CURRENT		
Amounts receivable from related parties		
King of Knives LLC	-	2,317,325
King of Knives Ltd ATF (The Outback Unit Trust)	470,681	551,531
	470,681	2,868,856
NOTE 7: INVENTORIES		
Stock on Hand	4,682,531	3,395,443
	4,682,531	3,395,443
NOTE 8: OTHER FINANCIAL ASSETS		
Shares in listed corporations – at cost		
Telstra Corporation Limited	-	60,400
Macquarie Bank Limited	-	24,823
National Australia Bank Limited	-	26,236
BHP Company Limited	-	13,626
Commonwealth Bank of Australia Limited	-	35,670
Millers Retail Limited	5,487	182,526
TVSN Limited	59,850	59,850
	65,337	403,131

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003 \$	2002 \$
NOTE 8: OTHER FINANCIAL ASSETS (cont'd)		
Shares in other corporations— at cost		
King of Knives LLC	2,788,547	-
Less: Provision for write down to recoverable amount	(2,788,547)	-
	<u> -</u>	<u> -</u>
	<u>65,337</u>	<u>403,131</u>
 NOTE 9: PLANT AND EQUIPMENT		
Plant and equipment - at cost	283,869	262,599
Less: accumulated depreciation	(213,702)	(196,824)
	<u>70,167</u>	<u>65,775</u>
 Furniture and fittings – at cost	 3,991,600	 3,493,487
Less: accumulated depreciation	(2,019,304)	(1,764,286)
	<u>1,972,296</u>	<u>1,729,201</u>
 Leasehold Improvements – at cost	 65,152	 65,983
Less: Accumulated Depreciation	(41,698)	(34,031)
	<u>23,454</u>	<u>31,952</u>
 Total plant & equipment	 <u>2,065,917</u>	 <u>1,826,928</u>
 NOTE 10: DEFERRED TAX ASSETS		
Future income tax benefit	63,580	-
	<u>63,580</u>	<u> -</u>
 NOTE 11: PAYABLES		
CURRENT		
Trade Creditors	2,273,347	1,653,075
Sundry Creditors	153,993	128,760
	<u>2,427,340</u>	<u>1,781,835</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003	2002
	\$	\$
NOTE 11: PAYABLES (cont'd)		
NON-CURRENT		
Other loans – unsecured		
Maurice & Rozelle Joffe	182,814	188,814
Rosedale Road Pty Limited	242,759	242,760
Andask Pty Limited	53,947	53,946
Damor Investments Pty Limited	53,947	53,947
	533,467	539,467
 NOTE 12: INTEREST BEARING LIABILITIES		
Bank overdraft – Commonwealth Bank of Australia Limited	-	5,632
	-	5,632
 NOTE 13: TAX LIABILITIES		
CURRENT		
Provision for income tax	263,641	152,311
Provision for deferred income tax	2,864	-
	266,505	152,311
 NOTE 14: PROVISIONS		
Provision for Long Service Leave	123,959	99,277
	123,959	99,277
 NOTE 15: CONTRIBUTED EQUITY		
Fully Paid Ordinary Shares		
10,000 fully paid shares	1,310,000	1,310,000
	1,310,000	1,310,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 16: CONTINGENT LIABILITIES

There are no contingent liabilities at balance date which require disclosure.

NOTE 17: EVENTS SUBSEQUENT TO BALANCE DATE

Included in the financial report as a non-current asset is King of Knives Pty Limited's investment in King of Knives LLC (US) at a cost of \$2,788,547 and a corresponding provision for write-down to recoverable amount of \$2,788,547. As at 8 April 2004, the investment in King of Knives LLC (US) was sold to Outback Holdings Inc., a director related party for USD\$1.

NOTE 18: COMPANY DETAILS

The registered office of the company is:
Level 24 Plaza II
500 Oxford Street
Bondi Junction NSW 2022

The principal place of business is:
King of Knives Pty Limited
786A Pacific Highway
Gordon NSW 2072

DIRECTORS DECLARATION

The directors have determined that the company is not a reporting entity and this special purpose financial report should be prepared in accordance with the accounting policies described 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 4 to 12 are in accordance with the requirements for the proposed initial public offering of Retail Cube Limited, and:
 - a) comply with accounting standards as described in Note 1 to the financial statements; and
 - b) give a true and fair view of the company's financial position as at 30 June 2003 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.

.....
Maurice Joffe
Director



.....
Alfred Kant
Director



Dated this

10th

day of

May

2004

**INDEPENDENT AUDIT REPORT TO
THE MEMBERS OF KING OF KNIVES PTY LIMITED**

Scope

We have audited the attached financial report, being a special purpose financial report of King of Knives Pty Limited for the year ended 30 June 2003, as set out on pages 4 to 13. 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 financial reporting requirements for the proposed initial public offering of Retail Cube Limited. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. 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 the purpose of fulfilling the directors' financial reporting requirements for the proposed initial public offering of Retail Cube Limited. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person, 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 the 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 company's financial position, and performance as represented by the results of its operations. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

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

Qualifications

The financial report for the year ended 30 June 2002 has not been audited by us. Accordingly, we are not in a position to and do not express an opinion on the comparatives for 30 June 2002.

We did not observe the counting of the physical inventory stated at \$3,395,443 as at 30 June 2002, since that date was prior to our appointment as auditors. We were unable to satisfy ourselves as to the inventory quantities at that date by other audit procedures.

**INDEPENDENT AUDIT REPORT TO
THE MEMBERS OF KING OF KNIVES PTY LIMITED (cont'd)**

Qualified Audit Opinion

In our opinion, except for the existence of the limitations on the scope of our work as described in the qualification paragraphs above, and the effect of such adjustments, if any, as might have been determined to be necessary had the limitations in scope not existed, the financial report presents fairly in accordance with the accounting policies described in Note 1 to the financial statements the financial position of King of Knives Pty Limited as at 30 June 2003 and the results of its operations for the year then ended.

WHK Greenwoods

WHK GREENWOODS

David Sinclair

DAVID SINCLAIR

Dated this 10th day of May 2004