



27 October 2006

Company Announcements Office  
Australian Stock Exchange Limited

By Electronic Lodgment

Dear Sir,

RE: CHAIRMAN'S ADDRESS TO AGM

In connection with the 2006 Annual General Meeting of Retail Cube Ltd to be held at 11.00am today, we attach the prepared address of the Chairman.

Yours faithfully,

Howard Knapp  
Company Secretary

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## **RETAIL CUBE LIMITED**

### **ANNUAL GENERAL MEETING 27 OCTOBER 2006**

#### **CHAIRMAN'S ADDRESS**

I have been in the Chair for less than 2 weeks, so my address is going to be brief.

For those of you who have been following the Company's recent ASX announcements, a lot has happened in the past two weeks or so.

Those events however have been a long time coming.

Retail Cube, whilst perhaps an attractive concept at the time of its listing, has been a sorry tale for all its shareholders. At current market prices investors in the IPO have lost about 75% of their capital.

Whilst The Athlete's Foot is an excellent business, King of Knives and Amazing Paints have suffered from poor management and this has put the Company under severe financial pressure. This is clearly illustrated in the results of the Company for the year ended 30 June 2006. Those results are plain for all to see and I do not propose commenting on them further.

Given the results over the last 2 years, it was clear that major surgery was required. So on 19 October, with the full support of the Company's substantial shareholders, David Gordon and I were appointed to the Board to spearhead a new growth plan for the Company in conjunction with the Michaels, Michael Cooper and Michael Hirschowitz. Julia King, the former Executive Chair, Bill Bartlett and Peter Thomas all resigned as Directors. We intend to appoint an additional independent non-executive director to the Board shortly.

I cannot comment on the objectives of the old Board, but I can tell you that your new Board has a single and simple approach - we want to rebuild value for all shareholders. We intend to set a new strategic plan for the Company, make some hard decisions, recapitalize the Company and move forward with proper management and disciplined execution. We believe the new Board has the operational experience and strategic expertise to deliver just that.

I mentioned hard decisions, and we've already made one. As you know from the 2006 financial results, Amazing Paints had become an intolerable financial burden on the Group. Accordingly, last Friday we placed the subsidiary companies comprising that division into voluntary administration.

This leaves us free to concentrate our energies on The Athlete's Foot and King of Knives, and we have already identified a number of growth initiatives for these businesses. We will begin moving on these immediately.

I mentioned that the new Board also proposes to recapitalize the Company. The recapitalization proposal will consist of a private placement and rights issue to raise a total of approximately \$4 million of new capital for the Company.

Under the proposal, interests associated with the new Board and Management will subscribe approximately \$1.3 million into the Company, to be followed by a 2 for 7 non-renounceable rights issue to raise approximately a further \$2.7 million. It is currently proposed that the rights issue will be underwritten by a broking firm to be determined.

The Board intends to use the proceeds received under the placement and rights issue to implement the strategic plan I referred to earlier.

It is also proposed to establish 2 new option plans – a Directors Option Plan and an Employee Share Option Plan. David Gordon and I have undertaken to reinvest all Board fees that we receive over the next 3 years to exercise options under the Directors Option Plan. We are putting our money where our mouths are.

Finally, as part of the new plan and new strategy, it is proposed that the name of the Company be changed to RCG Limited.

The recapitalization, new option arrangements and change of name are all subject to shareholder approval. An Information Memorandum detailing all of the relevant matters and including an Independent Expert's Report will be sent to shareholders in November for consideration at an Extraordinary General Meeting to be held in December.

The new Board and Management are focused on rebuilding the Company for the benefit of all shareholders. We have only just begun and changes are already happening. I look forward to reporting even more to you at next year's Annual General Meeting.

Thank you