

Announcement

UnderCoverWear Limited

Comments by Chairman - prepared for AGM Tuesday 19 October 2004

This report covers the two weeks trading from 15 June 2004 to 30 June 2004 when UCW became a listed company on the Australian Stock Exchange

A also intend to comment on the period to 30 June 2005 giving details supporting the basis of our forecasts and budgets for that period.

Profit for the two weeks -	EBIT	\$361,000
	NPAT	\$237,000

This was an excellent result but it is worth noting the reasons why sales and profit were buoyant from May onwards.

The following measures which were put in place up to 12 months previous were the basis of the increased performance which has continued into the 2004 / 2005 financial year:

1. The appointment of two Regional Managers in Queensland was a pronounced success.
2. As a result, all State Managers were replaced by the appointment of Regional Managers
3. Implementation of a Car Programme gave greater incentive for Managers to achieve.
4. The investment in sophisticated IT programmes has allowed the company to adapt quickly to changes in demand.
5. The first foray into TV Advertising to provide brand awareness.
6. The continued emphasis on recruiting whereby consultant numbers increased from 1635 to 2182 during the 12 months.
7. Creation and subsequent employment of new positions directly supporting the sales force.

The above were the important and significant changes which led to the surge experienced in sales and profits.

The financial period from July to September 2004

The past 3 months trading has been strong with sales and profit well above the 12 months previous corresponding period and above prospectus forecasts.

Forward orders are particularly strong and this should ensure the 3 months to December 2004 will be ahead of budget.

"Discover the UCW Home Shopping Experience"

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UnderCoverWear Australia Pty Ltd ACN 050 095 291 as trustee for UnderCoverWear Unit Trust ABN 41 915 905 981



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.As a result we are confident that not only will forecasts as projected in the prospectus be achieved but in fact exceeded.

As UCW is the only direct selling company on the ASX we are very aware of the necessity to ensure the investing public is made aware of the culture and operations of such an organisation.

The trading year of a direct selling company is cyclical with the three months ending 30 September traditionally being the strongest quarter of the year. Consequently the performance of the first or indeed any quarter cannot be simply annualised to forecast the results for the year.

We will continue to advertise particularly for brand awareness per medium of TV and other forms of advertising as well as taking advantage of other forms of promotion so investors fully understand the financial strength of the company as well as the growth prospects.

For the ensuing period we will continue to recruit strongly and expand our field managers.

This will also mean that the car incentive programme will increase which in itself is a great promotional tool as all our vehicles prominently display the UCW logo.

Our investment in IT will continue and the returns from this can only improve both the method of operation as well as the profitability of the company.

Training our managers and consultants is a major priority and the recent employment of a Learning and Development Manager adds considerable weight to this procedure.

We believe that with the continued fine tuning of the above areas of IT, training and our already enhanced despatch system we will be able to handle the expected budgeted growth without any major capital expenditure.

The positive cash flow which the company enjoys and the belief that profit will continue to grow coupled with low capital expenditure will mean shareholders can reasonably expect returns on their investment to also grow in line with expected profitability.



John Everett
Chairman

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19 October 2004

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