

**UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES  
INFORMATION FOR THE HALF YEAR ENDED 31 DECEMBER 2013  
ABN: 85 108 962 152**

This half year financial report is to be read in conjunction with the financial report for the year ended  
30 June 2013

# UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

## APPENDIX D

### 1. Reporting period

Report for the half year ended 31 December 2013

Previous corresponding periods: Financial year ended 30 June 2013

Half year ended 31 December 2012

### Results for announcement to the market

| Key Information   |      | Change % | Half-year Ended  | Half-year Ended  |
|---|------|----------|------------------|------------------|
|   |      |          | 31 December 2013 | 31 December 2012 |
|   |      |          | \$               | \$               |
| Revenue from continuing operations                                  | Down | 47%      | 2,401,415        | 4,513,854        |
| (Loss) from continuing operations after tax attributable to members | Up   | 41%      | (1,301,178)      | (924,552)        |
| Total comprehensive (loss) attributable to members                  | Up   | 41%      | (1,301,178)      | (924,552)        |

### Dividends paid and proposed

No dividend was paid or proposed during the period.

### 2. Net tangible assets per share

Net tangible assets per ordinary share Nil (31 December 2012: Nil)

### 3. Control gained or lost over entities in the half year

Control gained over entities during the period Nil  
Loss of control of entities during the period Nil

### 4. Investments in associates and joint venture entities

Equity accounted associates and joint venture entities Nil  
Aggregate share of Profit / (losses) of associates and joint venture entities Nil

# UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

## TABLE OF CONTENTS

| <b>CONTENTS</b>   | <b>Page</b> |
|---|-------------|
| Directors' Report   | 4           |
| Auditor's Independence Declaration                                      | 6           |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 7           |
| Consolidated Statement of Financial Position                            | 8           |
| Consolidated Statement of Changes in Equity                             | 9           |
| Consolidated Statement of Cash Flows                                    | 10          |
| Condensed Notes to the Consolidated Financial Statements                | 11          |
| Directors' Declaration  | 15          |
| Independent Auditor's Report  | 16          |

# UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

The directors of UCW Limited (formerly Undercoverwear Limited) (**Company**) and its controlled entities (**Group**) submit herewith the consolidated financial statements of the Group for the half year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

### Directors

The names and details of the Company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| <b>Name</b>              | <b>Particulars</b>  |
|--------------------------|---|
| Stuart Richardson        | Non-Executive Chairman (Resigned 4 December 2013)                             |
| John Everett             | Non-Executive Director (Resigned 4 December 2013)                             |
| Richard Lowry            | Non-Executive Director (Resigned 4 December 2013)                             |
| Tracie-Lee Symons        | Non-Executive Director (Appointed 4 December 2013, resigned 16 February 2015) |
| Christine Pamela Kennedy | Non-Executive Director (Appointed 4 December 2013, resigned 16 February 2015) |
| Montgomery Grant         | Executive Director (Appointed 13 September 2013, resigned 16 February 2015)   |
| Adam Davis               | Executive Chairman (Appointed 16 February 2015)                               |
| Peter Mobbs              | Non-Executive Director (Appointed 16 February 2015)                           |
| Jonathan Pager           | Non-Executive Director (Appointed 16 February 2015)                           |
| Michael Pollak           | Non-Executive Director (Appointed 16 February 2015)                           |

### Incomplete records

The management and affairs of the Company and all its controlled entities have not been under the control of the Directors of the Group since it entered voluntary administration on 6 March 2014 and 10 March 2014 respectively.

The financial report was prepared by Directors who were not in office at the time the Company entered voluntary administration. The Directors who prepared this financial report were appointed on 16 February 2015.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using:

- data extracted from the Company's accounting system for the period 1 July 2013 to 31 December 2013;

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the company's financial position.

### Review of operations

The principal activities of the Group during the financial year were the importation, distribution and export of underwear and garments.

The loss after income tax for the half year ended 31 December 2013 was \$1,301,178 (31 December 2012: loss of \$924,552).

The Company was suspended from trading on ASX on 3 March 2014 at its request and on 6 March 2014 Ginette Muller and Lachlan McIntosh (**Administrators**) of FTI Consulting were appointed as joint and several Administrators of the Group and assumed control of the Group and their business, property and affairs.

Because of these events assets have been written down to their realisable values in the consolidated Statement of Financial Position and liabilities have been recorded at the amounts for which proofs of debt are expected by the Administrators.

# UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Significant changes in the state of affairs

The Company was suspended from trading on ASX on 3 March 2014 at its request. On 6 March 2014, Ginette Muller and Lachlan McIntosh of FTI Consulting were appointed as joint and several Administrators of the Company and assumed control of the Company and its business, property and affairs. On 10 March 2014, similarly they were appointed as joint and several Administrators of all its subsidiaries.

The Administrators subsequently advertised, sought and negotiated proposals to reconstruct the Company with interested parties. Pager Partners put forward a recapitalisation proposal which was accepted at a meeting of the Company's creditors on 18 June 2014. The DoCA was signed on 9 July 2014.

Under the Proposal, it was agreed that the Company would pay \$715,000 to the Deed Administrator for distribution under the DoCA to the Creditors' Trust in return for secured and unsecured creditors releasing all claims against the Company and their charge over the Company. However, under the Proposal certain unencumbered assets were retained by the Company. A Creditors' Trust Deed has been established pursuant to the DoCA which will be used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts. The syndicate lead by Pager Partners loaned the Company \$715,000 in order to effectuate the DoCA. This occurred on the 16 February 2015.

Under the Proposal, the Company is to issue up to 320,000,000 fully paid ordinary shares and up to 75,000,000 options to raise up to \$2,076,875 before the costs of the Proposal. On 23 December 2014 the Company's shareholders approved the issue of the shares at an Extraordinary General Meeting.

The Directors are currently working towards the restructure and recapitalisation of the Company and liaising with the ASX in relation to the reinstatement of the Company's securities for trading on the ASX.

### Auditor independence and non-audit services

The auditor's independence declaration is included on page 6 of the financial report.

Signed in accordance with a resolution of the directors.



Adam Davis  
Executive Chairman  
Sydney  
23 March 2015

23 March 2015

Board of Directors  
UCW Limited  
Level 5, 137-139 Bathurst Street  
NSW, 2000

Dear Directors

**RE: UCW LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of UCW Limited.

As Audit Director for the review of the financial statements of UCW Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
**Director**

**UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE  
HALF YEAR ENDED 31 DECEMBER 2013**

|  | Note | 2013<br>\$         | 2012<br>\$         |
|--|------|--------------------|--------------------|
| <b>Revenue</b>   | 2    | 2,401,415          | 4,513,854          |
| <b>Expenses</b>  |      |                    |                    |
| Change in inventories and work in progress   | 2    | (1,012,150)        | (1,892,177)        |
| Distribution costs   |      | (140,780)          | (314,856)          |
| Commission paid  |      | (199,296)          | (399,559)          |
| Promotion and advertising  |      | (83,426)           | (369,357)          |
| Depreciation and amortisation expense  |      | (25,959)           | (44,859)           |
| Insurance expense  |      | (34,874)           | (56,052)           |
| Employee benefits expense  |      | (925,190)          | (1,293,906)        |
| Rental expense   |      | (139,949)          | (617,799)          |
| Other expenses   |      | (319,238)          | (395,567)          |
| <b>Total expenses</b>  |      | <u>(2,880,862)</u> | <u>(5,384,132)</u> |
| <b>(Loss) before finance costs</b>   |      | (479,447)          | (870,278)          |
| Finance costs  |      | (32,015)           | (54,274)           |
| Provision for bad debts due to administration  |      | (112,283)          | -                  |
| Impairment of other assets due to administration   |      | (42,066)           | -                  |
| Creditors' Claims under administration   |      | (355,683)          | -                  |
| Employee entitlements due to administration  |      | (279,684)          | -                  |
|  |      | <u>(1,301,178)</u> | <u>(924,552)</u>   |
| <b>(Loss) before income tax expense</b>  |      | (1,301,178)        | (924,552)          |
| Income tax expense   |      | -                  | -                  |
| <b>(Loss) from continuing operations</b>   |      | <u>(1,301,178)</u> | <u>(924,552)</u>   |
| <b>Other comprehensive income for the half year</b>  |      |                    |                    |
| Other comprehensive income   |      | -                  | -                  |
| <b>Total comprehensive (loss)</b>  |      | <u>(1,301,178)</u> | <u>(924,552)</u>   |
| <b>(Loss) is attributable to:</b>  |      |                    |                    |
| UCW Limited  |      | <u>(1,301,178)</u> | <u>(924,552)</u>   |
|  |      | <u>(1,301,178)</u> | <u>(924,552)</u>   |
| <b>Total comprehensive (loss) is attributable to</b>   |      |                    |                    |
| UCW Limited  |      | <u>(1,301,178)</u> | <u>(924,552)</u>   |
|  |      | <u>(1,301,178)</u> | <u>(924,552)</u>   |
| <b>(Loss) per share from continuing operations attributable to equity holders of the parent entity</b> |      |                    |                    |
| Basic loss per share (cents per share)   |      | (2.63)             | (2.14)             |
| Diluted loss per share (cents per share)   |      | (2.63)             | (2.14)             |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying condensed notes.

**UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013**

|                                | <b>31 December<br/>2013</b> | <b>30 June 2013</b>       |
|--------------------------------|-----------------------------|---------------------------|
|                                | <b>\$</b>                   | <b>\$</b>                 |
| <b>Current Assets</b>          |                             |                           |
| Cash and cash equivalents      | -                           | 9,182                     |
| Trade and other receivables    | 5,240                       | 123,287                   |
| Inventories                    | 891,103                     | 769,193                   |
| Other assets                   | 11,635                      | 87,481                    |
| Plant and equipment            | 206,879                     | -                         |
| Intangible assets              | 5,500                       | -                         |
|                                | <u>1,120,357</u>            | <u>989,143</u>            |
| <b>Non-Current Assets</b>      |                             |                           |
| Plant and equipment            | -                           | 245,397                   |
|                                | <u>-</u>                    | <u>245,397</u>            |
| <b>Total assets</b>            | <u>1,120,357</u>            | <u>1,234,540</u>          |
| <b>Current Liabilities</b>     |                             |                           |
| Trade and other payables       | 1,619,016                   | 1,801,865                 |
| Financial liabilities          | 1,272,747                   | 288,857                   |
| Short-term provisions          | 566,664                     | 299,506                   |
|                                | <u>3,458,427</u>            | <u>2,390,228</u>          |
| <b>Non-Current Liabilities</b> |                             |                           |
| Financial liabilities          | -                           | 281,570                   |
| Long-term provisions           | -                           | 31,634                    |
|                                | <u>-</u>                    | <u>313,204</u>            |
| <b>Total Liabilities</b>       | <u>3,458,427</u>            | <u>2,703,432</u>          |
| <b>Net Asset Deficiency</b>    | <u><b>(2,338,070)</b></u>   | <u><b>(1,468,892)</b></u> |
| <b>Equity</b>                  |                             |                           |
| Issued capital                 | 23,241,146                  | 22,809,146                |
| Accumulated losses             | (25,579,216)                | (24,278,038)              |
|                                | <u><b>(2,338,070)</b></u>   | <u><b>(1,468,892)</b></u> |

The above consolidated statement of financial position should be read in conjunction with the accompanying condensed notes.



**UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER  
2013**

|   | <b>Issued Capital</b>    | <b>Accumulated<br/>Losses</b> | <b>Total Equity</b>       |
|---|--------------------------|-------------------------------|---------------------------|
|   | <b>\$</b>                | <b>\$</b>                     | <b>\$</b>                 |
| <b>Balance as at 1 July 2013</b>                                  | 22,809,146               | (24,278,038)                  | (1,468,892)               |
| Net (loss) for the half year                                      | -                        | (1,301,178)                   | (1,301,178)               |
| Other comprehensive income for the half year                      | -                        | -                             | -                         |
| <b>Total comprehensive (loss) for the half year</b>               | <u>-</u>                 | <u>(1,301,178)</u>            | <u>(1,301,178)</u>        |
| <b>Transactions with owners in their capacity as owners</b>       |                          |                               |                           |
| Share issue   | 432,000                  | -                             | 432,000                   |
| <b>Total transactions with owners in their capacity as owners</b> | <u>432,000</u>           | <u>-</u>                      | <u>432,000</u>            |
| <b>Balance as at 31 December 2013</b>                             | <u><u>23,241,146</u></u> | <u><u>(25,579,216)</u></u>    | <u><u>(2,338,070)</u></u> |
| <b>Balance as at 1 July 2012</b>                                  | 22,809,146               | (22,912,634)                  | (103,488)                 |
| Net (loss) for the half year                                      | -                        | (924,552)                     | (924,552)                 |
| Other comprehensive income for the half year                      | -                        | -                             | -                         |
| <b>Total comprehensive (loss) for the half year</b>               | <u>-</u>                 | <u>(924,552)</u>              | <u>(924,552)</u>          |
| <b>Balance as at 31 December 2012</b>                             | <u><u>22,809,146</u></u> | <u><u>(23,837,186)</u></u>    | <u><u>(1,028,040)</u></u> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying condensed notes

**UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

|  | <b>2013</b>        | <b>2012</b>             |
|--|--------------------|-------------------------|
|  | <b>\$</b>          | <b>\$</b>               |
| <b>Cash flow from operating activities</b>             |                    |                         |
| Receipts from customers                                | 2,409,837          | 4,376,456               |
| Payments to suppliers and employees                    | (3,525,725)        | (4,081,253)             |
| Interest received                                      | -                  | 2                       |
| Dividends and trust distributions received             | 16                 | 15                      |
| Finance costs  | (32,015)           | (54,274)                |
| Net cash (used in) / generated by operating activities | <u>(1,147,887)</u> | <u>240,946</u>          |
| <b>Cash flow from investing activities</b>             |                    |                         |
| Acquisition of intangible assets                       | (5,500)            | -                       |
| Proceeds from sale of property, plant and equipment    | 9,886              | 197,505                 |
| Payment for property plant and equipment               | -                  | (185,122)               |
| Net cash generated by investing activities             | <u>4,386</u>       | <u>12,383</u>           |
| <b>Cash flow from financing activities</b>             |                    |                         |
| Proceeds from share issue                              | 432,000            | -                       |
| Proceeds from interest bearing liabilities             | 702,319            | 353,250                 |
| Repayment of interest bearing liabilities              | -                  | (87,738)                |
| Net cash generated by financing activities             | <u>1,134,319</u>   | <u>265,512</u>          |
| Net (decrease) / increase in cash and cash equivalents | (9,182)            | 518,841                 |
| Cash and cash equivalents at beginning of year         | <u>9,182</u>       | <u>(855,335)</u>        |
| Cash and cash equivalents at end of half year          | <u><u>-</u></u>    | <u><u>(336,494)</u></u> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying condensed notes.

# UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

## CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This interim financial report of the Company and its controlled entities (the Group) for the half-year ended 31 December 2013 was authorised for issue at the date of the directors report.

#### (a) Basis of preparation of the interim financial report

##### Statement of compliance

The interim financial report is a general purpose financial report which was prepared in accordance with the Corporations Act 2001 and Accounting Standards AASB 134, Interim Financial Reporting where possible (refer to basis of preparation below). Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The interim financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### (b) Incomplete records

The management and affairs of the Company and all its controlled entities have not been under the control of the Directors of the Group since it entered into voluntary administration on 6 March 2014 and 10 March 2014 respectively.

The financial report was prepared by Directors who were not in office at the time the Company entered voluntary administration. The Directors who prepared this financial report were appointed on 16 February 2015.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using:

- data extracted from the Company's accounting system for the period 1 July 2013 to 31 December 2013;

It has not been possible for the Directors to obtain all the books and records:

- of the Company for the period prior to the appointment of the Administrators;

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Company's financial position.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### (c) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

There are no new or revised accounting standard requirements that became mandatory for the first time for the half year ended 31 December 2013.

#### (d) Going concern

The consolidated entity incurred a net loss of \$1,301,178 (2012 loss: \$924,552) and experienced total cash outflows from operating activities of \$1,147,887 (2012 cash inflow: \$240,946) for the half year ended 31 December 2013 and, as at that date, had a net current asset deficiency of \$2,338,070 (June 2013: \$1,401,085).

# UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

## CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Going concern (Continued)

The Company was suspended from trading on ASX on 3 March 2014 at its request and on 6 March 2014 Ginette Muller and Lachlan McIntosh of FTI Consulting were appointed as joint and several Administrators of the Group and assumed control of the Group and its business, property and affairs. On 10 March 2014, similarly, they were appointed as joint and several Administrators of all its subsidiaries.

The Administrators subsequently advertised, sought and negotiated proposals to reconstruct the Company with interested parties. Pager Partners put forward a recapitalisation proposal which was accepted at a meeting of the Company's creditors on 18 June 2014. The DoCA was signed on 9 July 2014.

Under the Proposal, it was agreed that the Company would pay \$715,000 to the Deed Administrator for distribution under the DoCA to the Creditors' Trust in return for secured and unsecured creditors releasing all claims against the Company and their charge (if any) over the Company. However, under the Proposal certain unencumbered assets were retained by the Company. A Creditors' Trust Deed has been established pursuant to the DoCA which will be used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts. The syndicate lead by Pager Partners loaned the Company \$715,000 in order to effectuate the DoCA. This occurred on the 16 February 2015.

Under the Proposal, the Company is to issue up to 320,000,000 fully paid ordinary shares and up to 75,000,000 options to raise up to \$2,076,875 before the costs of the Proposal. On 23 December 2014 the Company's shareholders approved the issue of the shares at an Extraordinary General Meeting.

The cash flow forecast indicates that based on the completion of the equity raising described above, the consolidated entity will have sufficient cash flows to meet all commitments and working capital requirements for a period of at least 12 months from the date of signing the half-year financial report. Accordingly, the directors are satisfied that the going concern basis of preparation is appropriate.

The half-year financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

### NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

The following revenue and expenses are relevant in explaining the financial performance for the interim year:

|                                | 2013             | 2012             |
|--------------------------------|------------------|------------------|
|                                | \$               | \$               |
| <b>Revenue:</b>                |                  |                  |
| Sale of goods                  | 2,300,324        | 4,283,516        |
| Distribution charges           | 67,283           | 145,719          |
| Rental revenue                 | 31,969           | 80,946           |
| Other revenue                  | 1,823            | 3,656            |
| Interest and dividend received | 16               | 17               |
|                                | <u>2,401,415</u> | <u>4,513,854</u> |

## UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

### CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

#### NOTE 2: LOSS BEFORE INCOME TAX EXPENSE (Continued)

|   | 2013        | 2012        |
|---|-------------|-------------|
|   | \$          | \$          |
| <b>Expenses:</b>                                  |             |             |
| Cost of sales                                     | (1,012,150) | (1,892,177) |
| Foreign currency translation reserve              | (23,291)    | (79,230)    |
| Finance costs                                     | (32,015)    | (47,522)    |
| Depreciation of property, plant & equipment       | (43,059)    | (31,352)    |
| Bad and doubtful debts                            | (5,314)     | (5,865)     |
| Rental expense on operating leases                | (139,949)   | (484,466)   |
| Write down on inventories to net realisable value | (76,876)    | (128,513)   |

#### NOTE 3: DIVIDENDS

There were no dividends provided or paid during the half year.

#### NOTE 4: FINANCIAL LIABILITIES

The Group has borrowed funds for equipment finance to assist with upgrading the fleet of motor vehicles. The equipment finance borrowing totalled \$458,390 (30 June 2013: \$205,719) at the half year end.

UCW Limited is guarantor for the amount borrowed, and the vehicle purchased are provided as security for the borrowings.

A loan of \$200,000 (30 June 2013: \$200,000) was made by director John Everett to the consolidated entity to assist with the cost of changing premises. The loan attracts a compound interest rate of 10%.

#### NOTE 5: EVENTS AFTER BALANCE DATE

The Company was suspended from trading on ASX on 3 March 2014 at its request. On 6 March 2014, Ginette Muller and Lachlan McIntosh of FTI Consulting were appointed as joint and several Administrators of the Company and assumed control of the Company and its business, property and affairs. On 10 March 2014, similarly they were appointed as joint and several Administrators of all its subsidiaries.

The Administrator subsequently advertised, sought and negotiated proposals to reconstruct the Company with interested parties. Pager Partners put forward a recapitalisation proposal which was accepted at a meeting of the Company's creditors on 18 June 2014. The DoCA was signed on 9 July 2014.

Under the Proposal, it was agreed that the Company would pay \$715,000 to the Deed Administrator for distribution under the DoCA to the Creditors' Trust in return for secured and unsecured creditors releasing all claims against the Company and their charge over the Company. However, under the Proposal certain unencumbered assets were retained by the Company including certain intellectual property and stock. A Creditors' Trust Deed has been established pursuant to the DoCA which will be used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts. The syndicate lead by Pager Partners loaned the Company \$715,000 in order to effectuate the DoCA. This occurred on the 16 February 2015.

Under the Proposal, the Company is to issue up to 320,000,000 fully paid ordinary shares and up to 75,000,000 options to raise up to \$2,076,875 before the costs of the Proposal. On 23 December 2014 the Company's shareholders approved the issue of the shares at an Extraordinary General Meeting.

## UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

### CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

#### NOTE 5: EVENTS AFTER BALANCE DATE (Continued)

The Directors are currently working towards the restructure and recapitalisation of the Company and liaising with the ASX in relation to the reinstatement of the Company's securities for trading on the ASX.

A consolidation of capital was completed on a 5:1 basis on 8 January 2015

#### NOTE 6: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no current contingent liabilities or contingent assets.

#### NOTE 7: SEGMENT INFORMATION

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group only operates in one business segment being the distribution of underwear and garments through the home party plan, which is supported by an administration office in Sydney, Australia. All segments assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared.

Revenues sourced from New Zealand, the Group's only export market, are deemed not to be material and therefore disclosure of assets and revenues by geographic segment is deemed not to be required.

## UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

### DIRECTORS' DECLARATION

In accordance with a resolution of the directors of UCW Limited (formerly Undercoverwear Limited), the directors of the Company declare that:

- (a) As set out in note 1(b), although the Directors have prepared the consolidated financial statements and notes thereto to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the consolidated financial statements and notes, as set out on pages 7 to 14 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*; and
  - (ii) giving a true and fair view of the financial position of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
- (b) In the directors opinion, subject to the succesful recapitlisation of the Company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Adam Davis  
Executive Chairman  
Sydney  
23 March 2015

**QUALIFIED INDEPENDENT AUDITOR REVIEW REPORT  
TO THE MEMBERS OF  
UCW LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of UCW Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for UCW Limited (the consolidated entity). The consolidated entity comprises both UCW Limited (the Company) and the entities it controlled during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of UCW Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of UCW Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.



*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of UCW Limited on 23 March 2015.

*Basis for Disclaimer of Auditor's Review Conclusion*

The company was placed into administration on 6 March 2014. Consequently, the financial information relating to the period under review was not subject to the same accounting and internal controls processes, which includes the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report. Whilst the books and records of the company have been reconstructed to the maximum extent possible, we were unable to satisfy ourselves as to the completeness of the general ledger and financial records as well as the relevant disclosures in the financial report.

As stated in Note 1(b), the Directors are unable to state that the financial report is in accordance with all the requirements of the *Corporations Act 2001* and the Australian Accounting Standards.

*Disclaimer of Auditor's Review Conclusion*

Based on our review, which is not an audit, and because of the existence of the limitation on the scope of our work, as described in the Basis for Disclaimer of Auditor's Review Conclusion paragraph noted above, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to, and do not express, a conclusion as to whether the financial report of UCW Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
**Director**

West Perth, Western Australia  
23 March 2015