



26 August, 2004

Company Announcements Office  
Australian Stock Exchange Limited  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir,

Please find attached copies of the following documents:

- a. Annual Report for period ended 30 June 2004.
- b. Preliminary Final Report - Appendix 4E for the period ended 30 June 2004.
- c. Media Release dated 26 August 2004.

Yours faithfully,  
UnderCoverWear Limited

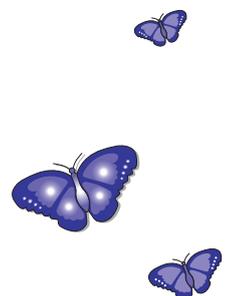
Francois Hoffmann  
Company Secretary

*"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



annual  
report  
2004



UnderCoverWear

Welcome to the  
first annual report for  
UnderCoverWear Limited.

We commenced trading on  
16 June 2004 and this Annual  
Report covers the remaining two  
weeks of the 2004 financial year.

During this fifteen day period  
we experienced some very  
exciting and unique events  
which we would like to share.

15

**Fifteen Fantastic Days of Trading**



# 15

## Fifteen Fantastic Days of Trading



# 1

### In the Beginning

Day 1 - 16 June 2004

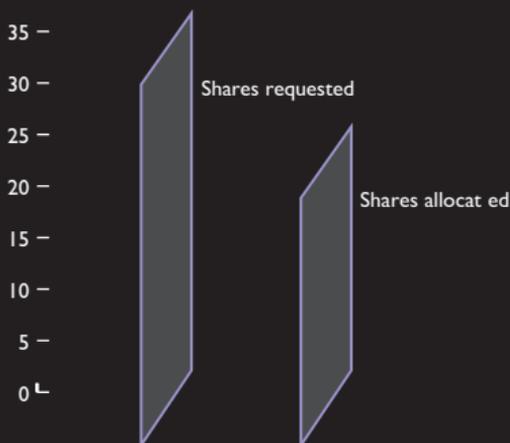
With approvals in place from the Australian Securities and Investments Commission (ASIC) the newly created entity UnderCoverWear Limited, commenced trading.

# 2

### Guess who's popular

Day 2 - 17 June 2004

Ahead of schedule, the allocation of shares was made. This was necessitated by the offer being considerably oversubscribed by prospective investors, representing the significant confidence in the strength and viability of the Company.



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### Annual General Meeting

The Annual General Meeting of UnderCoverWear Limited ABN 85 108 962 152 and Controlled Entities will be held at the offices of Grant Thornton, Level 17, 383 Kent Street, Sydney NSW on 19 October 2004 at 11.30 am.



UnderCoverWear's party plan method of selling involves in excess of 2,100 consultants located throughout suburban and rural Australia and New Zealand. To maintain the high quality of our consultants we focus on training, support and incentives.

UnderCoverWear was founded in 1981 on the belief that women should have the opportunity to purchase good quality lingerie at affordable prices in a comfortable, fun atmosphere. The UnderCoverWear collection today covers leisurewear, swimwear, sleepwear, eveningwear, childrenswear and lingerie. The products are sold through over 2,100 contracted sales consultants who sell direct to consumers at UnderCoverWear home shopping parties in hostesses' homes. These consultants are based in all states of Australia and New Zealand with approximately 57% in regional areas.

# 15

## Fifteen Fantastic Days of Trading



# 3

### Attract the big names

Day 3 - 18 June 2004

Negotiations were successfully concluded in securing the appearance of well-known TV personality and motivational speaker, Catriona Rowntree, at our 2004 Annual Managers'



Conference that was held during July.

# 4

### The hot locations

Day 4 - 19 June 2004

Announced today was a joint marketing initiative between the Twin Waters Resort on the Sunshine Coast of Queensland, (location for photography of our current catalogue) and blderCoverWear, offering all customers the opportunity to win a fabulous 4 night "Pamper Package" at the spectacular Resort.



# 15

## Fifteen Fantastic Days of Trading



# 5

## The Driving Force

Day 5 - 20 June 2004

Five Managers received Company branded vehicles in the 15 days of official trading. The vehicles were delivered just in this period of time throughout Australia.



Once qualified, Managers may choose to have the unlimited use of a white Kia Spectra and our Regional Executive Managers have the unlimited use of the silver C5 Citroen. With the distinctive UnderCoverWear branding, they really are moving billboards!





## Business Overview continued

Headquartered in Baulkham Hills, Sydney, UnderCoverWear operates from a large modern complex that incorporates garment design, administration, production, warehousing and distribution facilities. Information technology is an integral part of our costing, scheduling and order processing. The custom designed IT systems are owned by UnderCoverWear ensuring state of the art processes in all aspects of the business from stock control, production to accounting and forecasting.

### Our Product

UnderCoverWear has grown into a significant business since 1981 with current annual turnover exceeding \$30 million, more than 2,100 sales consultants around Australia and New Zealand, and offers over 200 designs up to size 26 in each of its catalogues. This is a broader range of sizes than traditional retailers offer and is particularly attractive to larger customers who are often unable to find a suitable choice of intimate apparel at traditional retailers. The UnderCoverWear range is sold through over 2,100 contracted sales consultants who sell direct to consumers at home shopping parties in hostesses' homes.

Each catalogue presents the work of the Company's top designers who have put together the latest colours, fabrics and styles in a range of sizes to suit UnderCoverWear's

customers. UnderCoverWear offers good quality products at reasonable prices. The direct marketing structure reduces overhead and fixed costs and allows UnderCoverWear to produce and sell quality products at competitive prices.

### Party Plan

By using party plan selling and independent sales consultants, UnderCoverWear offers the customer "fun" clothes in a fun and relaxed environment. A closer look reveals that UnderCoverWear does not only sell fashion lingerie and clothing: UnderCoverWear offers life style change and financial independence for many women not in a position to join the "9 to 5" workforce. UnderCoverWear offers consultants the opportunity to earn extra dollars or to develop a multi million dollar business with growth tailored to the individual. Consultants work their own hours and determine their own level of income.

The direct selling industry worldwide is estimated to have sales of in excess of US\$85 billion in 2002. The Direct Selling Industry in Australia and New Zealand has been operating for many years. The national trade body of the leading firms that manufacture and distribute goods and services sold directly to consumers is the Direct Selling Association of Australia (DSAA). The DSAA was formed in 1967, has 102 members and its members have annual sales of in excess of \$1.2 billion. There are in excess of 600,000 sales consultants employed by member organisations. Annual sales have grown 11%

per annum since 1987 and sales consultants have grown by 29% annually since 1987. The cornerstone of the Association is the commitment to ethical business practices and consumer service.

### Our Sales Consultants

The quality of the sales consultants is vital as they are the public face of the Company. All consultants are provided with detailed training and quality promotional material. Consultants are offered carefully structured incentives to not only sell products, but to also recruit new sales consultants to expand the sales network. The party plan method of direct selling is a highly successful and proven method of marketing, and is particularly effective in selling lingerie and other intimate apparel as it creates a social environment in which women are more comfortable buying these products.

UnderCoverWear has invested significant capital in unique information technology systems. The complexity of party plan fulfilment has been made simple and efficient with custom programming. The system is highly scalable, facilitating the annual growth of 13.66% in the past year and is designed to support future expansion with minimal additional capital expenditure.

UnderCoverWear held 64,814 parties and sold to 521,356 customers throughout Australia and New Zealand in the last year, representing an increase 16.7% over the previous year. This requires efficient distribution systems supported by leading edge technology and a solid network of sales consultants.

The intake of new consultants has steadily increased over the past 3 years, with an increase of 33.4% over the last 12 months as a result of a revitalised recruitment plan. In addition the successful development of the Regional Executive Manager level in the sales team structure has been instrumental in the company's growth.

Supporting the growth and development of the sales structure, a television advertising campaign commenced in May 2004. This was backed up by personal appearances at shopping centres by sales consultants and managers around Australia and New Zealand, with the use of company sponsored displays and promotional materials. This advertising campaign is scheduled to continue throughout 2005 as well as a professionally conducted promotional campaign in other media.

In all, the past 12 months has been an extremely successful year in the history of UnderCoverWear, culminating in the formation of UnderCoverWear Limited and listing on the Australian Stock Exchange. The financial report that follows covers the period since the incorporation of the public company and illustrates the fabulous first 15 days. Being 15 exciting and eventful days, we wanted to share these moments with you on the insert pages throughout the Annual Report.



# 15

## Fifteen Fantastic Days of Trading



# 6

### Santa comes early

Day 6 - 21 June 2004

The prosperity of the company is of very special interest to 240 of our head office staff and our field managers, as they were the lucky recipients of gifted shares made available by John Everett and an Everingham.



# 7

### Region sales of \$3 Million

Day 7 - 22 June 2004

Preliminary figures emerged (which were later confirmed) indicating that "The Heavenly Tropics" Region had comprehensively broken all previous sales figures. With annual sales of \$3,170,187 this region set a new benchmark.



# 15

## Fifteen Fantastic Days of Trading



# 8

### Investing in our Sales force

Day 8 - 23 June 2004

Recognising the need to increase the level of support available to our ever-increasing Sales Team, UnderCoverWear welcomes two new staff members to the newly created roles of Learning & Development Manager and Promotions & Conferencing Manager.

# 9

### Media coverage

Day 9 - 24 June 2004

Early media coverage began in anticipation of the following day's Stock Market Launch with fun headlines being printed by Ralph Wragg, Australian Business News and Australian Associated Press Financial News Wire.

**“UnderCoverWear ready to slip into something more public”**

## Chairman's Review



It is with pleasure that I present to you my report for the year ended 30 June 2004 for UnderCoverWear.

Whilst the financial reporting only covers the trading of the last two weeks of June when UnderCoverWear Limited was listed on the Australian Stock Exchange, it would be appropriate to detail the important issues of the past twelve months and how they will impact on our forecasts for the coming year.

During this fifteen day period we experienced some very exciting and unique events. Our strategic advertising campaign coupled with other marketing initiatives created the ideal climate for these fifteen fantastic days of trading. Record breaking sales were achieved, resulting in our largest commissions paid to date; highlights such as the securing of high profile guest speakers for our annual Managers' Conference and the recording of a motivating corporate song, "I Can, the UnderCoverWear Way" by Mishelle Bradford Jones.

UnderCoverWear Limited was listed on the Australian Stock Exchange on 25 June 2004, with 48,000,000 Fully Paid Ordinary Shares at a value of fifty cents per share. As a shareholder I warmly welcome you to the Register of the Company. I am particularly pleased that the staff of UnderCoverWear, as

well as our Regional Executives and Managers out in the field have had the opportunity of becoming a part owner in the enterprise in which they work so diligently.

The financial results for the listed Company are very good and as such augers well for the financial year 2005. These results are outlined in the body of the Financial Report.

However, the results for the twelve months of the financial year and the actual revenue and profit and loss compared with those outlined in the Prospectus are worth highlighting.

Revenue for the twelve months to 30 June 2004 increased by 13.6% and profit before tax for the same period was up by 32.3%.

More pleasing is the trading performance since the issue of the prospectus, where not only was forecast profit achieved, but in fact it was bettered by an impressive 11.3%. Trading in the last two months of the financial year was particularly buoyant and has continued through the first weeks of the financial year 2004/2005.

As a result, we are confident of achieving budgeted forecasts for the year 2005 as outlined in the prospectus.

The past 12 months have seen some important changes, which I believe are a direct result of

the good performance of the Company. The introduction of a car programme for Regional Executives and Managers in the field has met with much enthusiasm to the extent that early in the new financial year we should have in excess of 100 Managers with Company Vehicles.

The reorganisation of the structure whereby Regional Executives were promoted to accommodate our goal of not having State boundaries has now been fully implemented and the results which have been positive should flow strongly into 2004/2005.

The introduction of new positions in the Company, such as Learning & Development will ensure that training and business understanding for our Managers will be more focused. Marketing and Promotions have also been strongly supported by the addition of new personnel.

It is a major priority of your Board to ensure that the name UnderCoverWear will become a household name, particularly in the area of Direct Marketing. Accordingly we have already begun promoting the Company through the medium of television. Regional areas of Australia and New Zealand were covered during May and this will continue in September in some capital cities.

Further, to ensure the Brand becomes more noticeable, an intensive Bill Board advertising campaign will occur in other areas later in the year.

Capital expenditure will continue to be low and coupled with a very positive cash flow should enable the Company to improve the earnings per share in the forthcoming financial year.

Finally, the success of a Company is with its people. UnderCoverWear is very fortunate to have an experienced Board of Directors, a strong and focused Management Team under the direction of Elaine Vincent, a very diligent manufacturing workforce as well as a highly motivated selling force in the field.

I look forward to you sharing the benefits of what I believe will be a successful 2004/2005.

**John Everett AM**  
Chairman

# 15

## Fifteen Fantastic Days of Trading



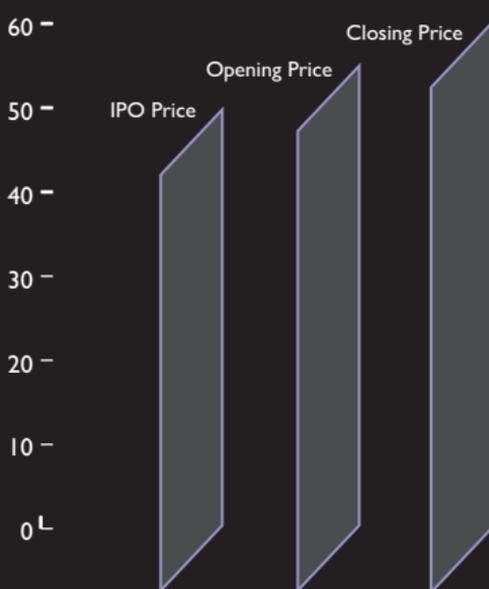
# 10

## We list on the ASX

Day 10 - 25 June 2004

Opening at \$0.54 - up 4 cents on the IPO price, & closing at \$0.60 our shares performed well on their first day of trading. Shareholders were gratified to watch their investment grow by 20% in just one trading day.

SHARE PRICE Activity on the First Day of Listing



The share listing was extensively covered by the media, with high demand for television and radio interviews including 2UE, 2GB, 2CC ABC Radio, SKY, 6PR (Perth), NINE Television Network. Articles were published in The Australian Financial Review (Market Wrap), Daily Telegraph, The Mercury, Hobart Mercury, The (Adelaide) Advertiser, Townsville Bulletin, Canberra Times, MX (Australia).

# 15

## Fifteen Fantastic Days of Trading



# 11

### Stocktake delight

Day 11 - 26 June 2004

Our annual stocktake count took place this weekend. Minimal stock discrepancies enabled the count and reconciliation to be completed well ahead of schedule.

# 12

### More media

Day 12 - 27 June 2004

Australian Financial Review published an article making mention of the interest value of the UnderCoverWear Prospectus and reflecting on the possible emotions of MMC (a substantial stockholder of the Company) in seeing their investment appreciate so quickly.

# 13

### That's growth

Day 13 - 28 June 2004

We promoted our 16th Regional Executive Manager, at the same time promoting 7 consultants to manager status & adding 191 new consultants to the Sales Force for the month of June.

## Chief Executive Officer's Report



I am pleased to present the Chief Executive Officer's report for the newly formed public company UnderCoverWear Limited. The UnderCoverWear business has operated for more than 20 years and I have held the position of CEO for the past four years out of a total of nine years with the company. Needless to say, with the formation of the public company and subsequent successful listing on the Australian Stock Exchange, this year stands out for all of us at UnderCoverWear as a landmark year in the history of the business.

Our objective this year was to increase turnover by 12.5% and increase profit by 25%. We exceeded both, with turnover being up by 13.6% and net profit increasing by 32.3%. During the year we also saw the number of sales consultants and managers increase from 1,635 to 2,182 an increase of 33.5%.

The future success of our business lies with the effectiveness of our people. During the year, as well as continuing to build our sales team, our focus was to analyse and to address their specific needs in order to improve their effectiveness. In particular, this led to the re-development of our Regional Executive level of Managers ensuring closer ties were established with the grass root sales representatives.

Committing additional resources with the appointment of a new Learning & Development Manager to specifically coach these Managers on improving their business skills and training techniques has ensured continued growth and an improved recruitment program.

At our Head Office a new Human Resources Performance Management system with KPI's identified for all departments. This promises to give greater job satisfaction for



employees as well as benefiting the company in lifting performance levels even higher.

### The year ahead

Our plans for the coming year include media advertising using TV and billboards, which proved most successful last year, as well as appearances by our sales representatives in shopping centres, with marketing and display material supplied by the company.

We have embarked on increasing the capacity of our despatch department to ensure the increase in orders through that department is handled speedily and efficiently.

Each year we look at the incentives offered to our sales consultants and this year we are implementing a new rewards system to encourage higher performance in sales and team building.

On 1 October we are releasing a special edition of our Summer catalogue featuring Christmas gift ideas and promoting parties in December, the more difficult month for party plan.



### Our commitment to excellence

In general we have a commitment to excellence in everything that we do and the pride and enthusiasm shown by our people will ensure that the coming year is an extremely successful one, not only in the financial results for the company and its shareholders, but in building our business for the future.

## Corporate Governance

The company has been a listed company for a relatively short period and has been unable to comply with all the recommendations of the ASX Corporate Governance Council. It is the desire of the organisation to adopt best practice and is currently implementing the framework to ensure this.

Set out below are the principles and recommendations of the ASX Corporate Governance Council along with the company's response in regards to compliance or non-compliance.

### 1. Lay solid foundations for management and oversight

- 1.1 Formalise & disclose the functions reserved to the board and those delegated to management.  
*Response: The board is developing a charter to comply.*

### 2. Structure the board to add value

- 2.1 A majority of the board should be independent directors.  
*Response: It is inappropriate for the company to comply at this stage.*
- 2.2 The chairperson should be an independent director.  
*Response: It is inappropriate for the company to comply at this stage.*
- 2.3 The same individual should not exercise the roles of chairperson and CEO.  
*Response: The company complies with this requirement.*
- 2.4 The board should establish a nomination committee.  
*Response: The board is in the process of establishing a nomination committee.*
- 2.5 Provide the information described in "Guide to Reporting on Principle 2".
- (a) The following material should be included in the corporate governance section of the annual report:
- (i) The skills, experience & expertise relevant to the position of director held by each director in office at the date of the annual report.  
*Response: Skills and experiences are described in the directors' report.*
  - (ii) The names of the directors considered by the board to constitute independent directors and the company's materiality thresholds.  
*Response: David Hall is considered to be an independent director. The board will address the issue of thresholds.*
  - (iii) A statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.  
*Response: The company is considering the possibility to comply.*
  - (iv) The term of office held by the directors in UnderCoverWear Limited.  
*Response: The terms in office held by the Directors are stated in the directors' report.*



# 15

## Fifteen Fantastic Days of Trading



# 14

## It's a Hit

Day 14 - 29 June 2004

In a Sydney recording studio singer/songwriter, Mishelle Bradford Jones, recorded the song "Can, the UnderCoverWear Way".

This motivational song was later launched at the Annual Managers' Conference and proved to be very popular with our Managers.



# 15

## New record set

Day 15 - 30 June 2004

Following our recent unprecedented sales levels, a mammoth commission was paid on sales of \$2M, setting yet another new record.

15

**Fifteen Fantastic Days of Trading**





- (v) The names of the members of the nomination committee and their attendance at meetings of the committee.  
**Response:** *The committee is being established and the names are not currently available.*
  - (vi) An explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5.  
**Response:** *Explanations are given below each requirement.*
- (b) The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:
- (i) A description of the procedure for the selection and appointment of new directors to the board.  
**Response:** *The company is considering the upgrading of the website to provide more corporate governance compliance information.*
  - (ii) The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for the committee.  
**Response:** *The company is considering the upgrading of the website to provide more corporate governance compliance information.*

### 3. Promote ethical and responsible decision making

- 3.1 Establish a code of conduct to guide the directors, the CEO, the CFO and other key executives.  
**Response:** *The company is in the process of establishing a code of conduct.*
- 3.2 Disclose the policy concerning trading in entity's securities by directors, officers & employees.  
**Response:** *The company is currently establishing a policy regarding trading in securities.*
- 3.3 Provide the information described in "Guide to Reporting on Principle 3".
- (a) The following material should be included in the corporate governance section of the annual report:
    - (i) Explanation of any departures from best practice recommendations 3.1, 3.2 or 3.3.  
**Response:** *Explanations are given below each requirement.*
  - (b) Any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under Principle 10 should be publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:
    - Response:** *The company is considering the upgrading of the website to provide more information regarding the code of conduct.*
    - (ii) The trading policy or a summary of its main provisions.  
**Response:** *The company is considering the upgrading of the website to provide more information regarding the trading policy.*

### 4. Safeguard integrity in financial reporting

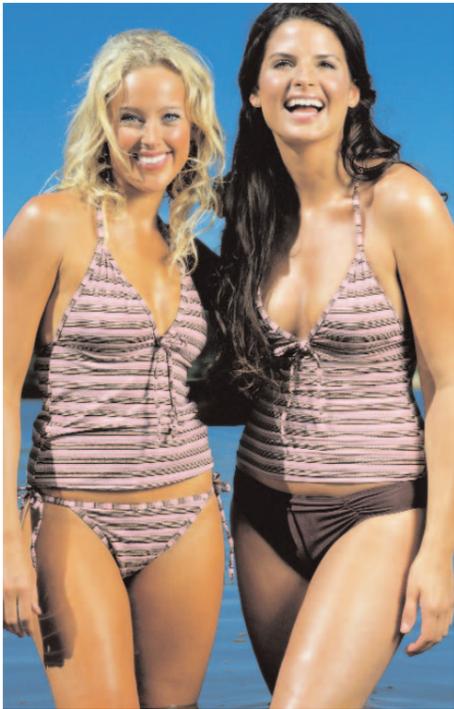
- 4.1 Require the CEO and CFO to state in writing to the board that the financial reports present a true and fair view, in all material respects, of the entity's financial condition and performance, and are in accordance with relevant accounting standards.  
**Response:** *A written statement has been provided.*
- 4.2 The board should establish an audit committee.  
**Response:** *An audit committee has been established after the year end.*



- 4.3 Structure the audit committee so that it consists of the following: only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson of the board; and at least three members.  
**Response:** *The Audit Committee consists of an independent, non-executive chairman (D. Hall), executive director (J. Everett), non-executive director (I. Everingham).*
- 4.4 The audit committee should have a formal charter.  
**Response:** *The charter is currently being established.*
- 4.5 Disclose the information described in "Guide to Reporting on Principle 4" in the corporate governance section of the annual report.
- (a) The following material should be included in the corporate governance section of the annual report:
    - (i) Details of the names and qualifications of those appointed to the audit committee, or; where an audit committee has not been formed, those who fulfil the functions of an audit committee.  
**Response:** *The names and members together with their qualifications are disclosed in the directors' report.*
    - (ii) The number of meetings of the audit committee and the names of the attendees.  
**Response:** *This information is disclosed in the directors' report.*
    - (iii) Explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5.  
**Response:** *Explanations were given below each requirement.*
  - (b) The following material should be publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:
    - (i) The auditor committee charter.  
**Response:** *The company is considering the upgrading of the website to provide more information regarding the auditor committee charter.*
    - (ii) Information on procedures for the selection and appointment of the external auditor; and for the rotation of external audit engagement partners.  
**Response:** *The company is considering the upgrading of the website to provide more information regarding the auditor selection process and rotation policies.*

### 5. Make timely and balanced disclosure

- 5.1 Establish written policies and procedures designed to ensure compliancy with disclosure requirements, and to ensure accountability at a senior management level for that compliance.  
**Response:** *The company is establishing a written policy to ensure compliance with the requirement.*
- 5.2 Provide the information described in "Guide to Reporting on Principle 5".
- (a) The material explaining of any departures from best practice recommendations 5.1 or 5.2. should be included in the corporate governance section of the annual report.  
**Response:** *All explanations have been given in this section.*
  - (b) The summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.  
**Response:** *The company is considering the upgrading of the website to provide more information regarding the auditor selection process and rotation policies.*



## Corporate Governance continued



### 6. Respect the rights of shareholders

- 6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.  
**Response:** *The company is evaluating an approach to the communications strategy and its compliance.*
- 6.2 Request the external auditor to attend the annual general meeting, and to be available to answer shareholder questions about the conduct of the audit, and preparation and content of the auditor's report.  
**Response:** *The company complies.*

### 7. Recognise and manage risk

- 7.1 The board, or appropriate board committee, should establish policies on risk oversight and management.  
**Response:** *The company is evaluating an approach to compliance with this requirement.*
- 7.2 The CEO and CFO should state to the board in writing that the statement given in accordance with best practice recommendation regarding the integrity of financial statements is founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the board; and the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.  
**Response:** *The company is considering its approach in this regard.*
- 7.3 Provide the information described in "Guide to Reporting on Principle 7".
- (a) Explanation of any departures from best practice recommendations 7.1, 7.2, 7.3 should be included in the corporate governance section of the annual report:  
**Response:** *All explanations have been provided in this section.*
- (b) A description of the company's risk management policy and internal compliance and control system should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:  
**Response:** *The company is considering the upgrading of the website to provide more information regarding the company's risk management policy.*

### 8. Encourage enhanced performance

- 8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.  
**Response:** *The remuneration policy, which sets the terms and conditions for the chief executive officer and other senior executives, will be developed by the remuneration committee after seeking professional advice from independent consultants and will be approved by the board. Due to the short trading period the board was unable to implement these policies during the financial period.*
- The amount of remuneration for all directors and the five highest paid executives, including all monetary and non-monetary components, are detailed in the Note 5 to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed.*
- The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value. The policy complies with the four key principles of IFSA Guidance Note 2-16.*
- The payment of bonuses, and other incentive payments are reviewed by the remuneration committee annually as part of the review of executive remuneration and a recommendation is put to the board*

*for approval. All bonuses and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria.*

### 9. Remunerate fairly and responsibly

- 9.1 Disclose the remuneration policies to enable investors to understand the costs and benefits of those policies, and the link between the remuneration paid to directors and key executives and corporate performance.  
**Response:** *This has been disclosed above.*
- 9.2 The board should establish a remuneration committee.  
**Response:** *A committee has been established.*
- 9.3 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.  
**Response:** *It is inappropriate at this time for the company to comply.*
- 9.4 Remuneration is made in accordance with thresholds set in plans approved by shareholders.  
**Response:** *The company is evaluating its approach in this regard.*
- 9.5 Provide the information indicated in "Guide to Reporting on Principle 9".
- (a) The following material should be included in the corporate governance section of the annual report:
- (i) Disclosure of the company's remuneration policies referred to in best practice recommendations 9.1 and in Box 9.1.  
**Response:** *The company has disclosed its position in this regard in point 8.1 of this section.*
- (ii) The names of the members of the remuneration committee and their attendance at meetings of the committee.  
**Response:** *This information has been provided in the directors' report.*
- (iii) The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.  
**Response:** *The company does not have any additional benefits other than the statutory requirements.*
- (iv) An explanation of any departures from best practice recommendations 9.1, 9.2, 9.3, 9.4 or 9.5.  
**Response:** *All explanations have been given in the relevant corporate governance sections.*
- (b) The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section:
- (i) The charter of the remuneration committee or a summary of the role rights, responsibilities and membership requirements for that committee.  
**Response:** *The company is considering the upgrading of the website to provide more information regarding the company's remuneration charter and its framework.*

### 10. Recognise the legitimate interest of stakeholders

- 10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.  
**Response:** *The company is in the process of evaluating its approach to code of conduct in regards to compliance with legal and other obligations to legitimate stakeholders.*



## Directors' Report

Your directors present their report on the company and its controlled entities for the financial period ended 30 June 2004.

### Directors

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

John H Everett (appointed 5 May 2004)  
 Elaine M Vincent (appointed 5 May 2004)  
 David C Hall (appointed 5 May 2004)  
 Ian G Everingham (appointed 5 May 2004)

Directors have been in office since 5 May 2004 to the date of this report unless otherwise stated.

### Trading Period

UnderCoverWear Limited was incorporated on 5 May 2004 and acquired 100% holding in UnderCoverWear Unit Trust on 15 June 2004 and therefore the period of trading is from 16 June 2004 to 30 June 2004.

### Principal Activities

The principal activities of the economic entity during the financial period were:

- Importation, manufacturing, distribution and exports of underwear and garments

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

### Operating Results

The consolidated profit of the economic entity after providing for income tax amounted to \$237,649.

### Dividends Paid or Recommended

There were no dividends paid or declared for the period under review.

### Review of Operations

UnderCoverWear Limited acquired 100% of UndercoverWear Unit Trust on 15 June 2004. After this period UnderCoverWear Unit Trust continued to maintain its operations in line with its budget and forecast in the prospectus issued on 13 May 2004.

### Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial period:

- i. On 16 June 2004 the company issued 48,000,000 ordinary shares at \$0.50 each and on 25 June 2004 the company listed on the Australian Stock Exchange.

Changes in controlled entities and divisions:

- ii. The Company purchase of 100% of UnderCoverWear Unit Trust that imports, manufactures, distributes and exports underwear and garments.

### After Balance Date Events

There were no significant events after the balance sheet reporting date that effects the position at 30 June 2004.

### Future Developments

The likely developments in the operations of the economic entity and the expected results of those operations in future financial years are as follows:

- i. The economic entity will align all operations to ensure that forecasts will be achieved as set out in the prospectus issued on 13 May 2004.

The Board expects that the operations will achieve the desired results.



### Information on Directors

John Everett A.M. Chairman (Executive)	
Qualifications	B.Ec (Sydney) & AASA degree.
Experience	Appointed Chairman 5 May 2004. Previously Chairman of Whites Wires Aust Pty Ltd and Carbolite Industries Pty Ltd and Nield Transport Pty Ltd.
Interest in Shares & Options	16,000,000 Ordinary Shares in UnderCoverWear Limited. Options - Nil
Special Responsibilities	John Everett is a Member of the Audit Committee, Remuneration Committee, Finance Committee & IFRS Committee.
Elaine Vincent Chief Executive Officer (Executive)	
Qualifications	B. Com (UNSW)
Experience	Board member since 5 May 2004. 20 Years experience in the clothing & textile industry and 10 years in chartered accounting practice.
Interest in Shares & Options	500,000 Ordinary Shares in UnderCoverWear Limited. Options - Nil
Special Responsibilities	Elaine Vincent is a Member of the Finance Committee & IFRS Committee.
Ian Everingham Director (Non-Executive)	
Experience	Board member since 5 May 2004. Previously Managing Director of Epping Rubber Co. Pty Ltd, Inaugural President of the Australian Rubber Products.
Interest in Shares & Options	8,000,000 Ordinary Shares in UnderCoverWear Limited. Options - Nil
Special Responsibilities	Ian Everingham is a Member of the Audit Committee and Remuneration Committee.
David Hall Director (Non-Executive)	
Qualifications	FCA
Experience	Board member since 5 May 2004. Previously group Managing Director of Nutri-Metics, Executive Deputy Chairman of Griffin Holdings. Currently also Managing Director of the Roche Group.
Interest in Shares & Options	100,000 Ordinary Shares in UnderCoverWear Limited. Options - Nil
Special Responsibilities	David Hall is Chairman of the Audit Committee and Chairman of the Remuneration Committee, and also a member of Finance Committee and IFRS Committee.

**Directors' and Executive Officers' Emoluments**

Disclosure relating to directors' and executive officers' emoluments has been included in Note 5 of the financial report.

**Meetings of Directors**

During the financial period, one meeting of directors (including committees of directors) were held. Attendances by each director during the year were:

Directors	Directors' Meetings		Committee Meetings							
			Audit Committee		Remuneration Committee		Finance Committee		IFRS Committee	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
John H Everett	1	1	-	-	-	-	-	-	-	-
David C Hall	1	1	-	-	-	-	-	-	-	-
Ian G Everingham	1	1	-	-	-	-	-	-	-	-
Elaine M Vincent	1	1	-	-	-	-	-	-	-	-

**Environmental Issues**

The economic entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

**Indemnifying Officers or Auditor**

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The total amount of the premium was \$24,595.

John Everett	Ian Everingham
Elaine Vincent	David Hall
Francois Hoffmann (Secretary)	

**Proceedings on Behalf of Company**

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.

**Options**

There were no options over issued shares and no options granted or outstanding during the financial period ended 30 June 2004 or the date of this report.



John Everett  
Director

Dated 26 August 2004.

**Statement of Financial Performance**

for the period ended 30 June 2004

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
Revenues from ordinary activities	2	2,243,664	421,759
Changes in inventories of finished goods and work in progress		(501,106)	-
Raw materials and consumables used		(253,444)	-
Distribution costs		(70,637)	-
Commissions paid		(499,965)	-
Promotions and advertising		(142,195)	-
Depreciation and amortisation expense	3	(73,915)	-
Insurance expense		(6,465)	-
Employee benefits expense		(193,743)	-
Rental expenses		(30,186)	-
Borrowing costs expense	3	(11,911)	-
Other expenses from ordinary activities		(98,315)	(7,981)
Profit from ordinary activities before income tax expense	3	361,782	413,778
Income tax expense relating to ordinary activities	4	(124,133)	(124,133)
Net profit attributable to members of the parent entity		237,649	289,645
Total changes in equity other than transactions with owners		237,649	289,645
Basic earnings per share (cents per share)	7	0.50	-
Diluted earnings per share (cents per share)	7	0.50	-

The Financial Statements should be read in conjunction with the accompanying notes.

# Statement of Financial Position

as at 30 June 2004

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>CURRENT ASSETS</b>			
Cash assets	8	1,150,367	-
Receivables	9	352,244	421,759
Inventories	10	4,251,622	-
Other	16	415,574	-
<b>TOTAL CURRENT ASSETS</b>		<b>6,169,807</b>	<b>421,759</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	11,12	-	24,000,000
Property, plant and equipment	13	600,503	-
Deferred tax assets	14	242,249	154
Intangible assets	15	24,905,910	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>25,748,662</b>	<b>24,000,154</b>
<b>TOTAL ASSETS</b>		<b>31,918,469</b>	<b>24,421,913</b>
<b>CURRENT LIABILITIES</b>			
Payables	17	4,041,182	47,231
Current tax liabilities	18	124,287	124,287
Provisions	19	857,098	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,022,567</b>	<b>171,518</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	20	2,550,634	-
Provisions	19	146,869	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,697,503</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>7,720,070</b>	<b>171,518</b>
<b>NET ASSETS</b>		<b>24,198,399</b>	<b>24,250,395</b>
<b>EQUITY</b>			
Contributed equity	21	23,960,750	23,960,750
Retained profits	22	237,649	289,645
<b>TOTAL EQUITY</b>		<b>24,198,399</b>	<b>24,250,395</b>

The Financial Statements should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

for the period ended 30 June 2004

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		3,539,119	-
Payments to suppliers and employees		(2,790,561)	-
Interest received		336	-
Borrowing costs		(11,911)	-
<b>Net cash provided by (used in) operating activities</b>	<b>24a</b>	<b>736,983</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		943	-
Purchase of property, plant and equipment		(26,620)	-
Payment for subsidiary, net of cash acquired	24b	(23,521,689)	(24,000,000)
<b>Net cash provided by (used in) investing activities</b>		<b>(23,547,366)</b>	<b>(24,000,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		23,960,750	23,960,750
Proceeds from related party		-	39,250
<b>Net cash provided by (used in) financing activities</b>		<b>23,960,750</b>	<b>24,000,000</b>
<b>Net increase in cash held</b>		<b>1,150,367</b>	<b>-</b>
Cash at the beginning at the period		-	-
<b>Cash at 30 June 2004</b>	<b>8</b>	<b>1,150,367</b>	<b>-</b>

The Financial Statements should be read in conjunction with the accompanying notes.

## Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of UnderCoverWear Limited and controlled entities, and UnderCoverWear Limited as an individual parent entity. UnderCoverWear Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### a. Reporting Period

UnderCoverWear Limited was incorporated on 5 May 2004 and acquired 100% holding in UnderCoverWear Unit Trust on 15 June 2004 and therefore the period of trading is from 16 June 2004 to 30 June 2004. Therefore there are no comparatives.

### b. Principles of Consolidation

A controlled entity is any entity controlled by UnderCoverWear Limited. Control exists where UnderCoverWear Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with UnderCoverWear Limited to achieve the objectives of UnderCoverWear Limited. A list of controlled entities is contained in Note 12 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

### c. Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities 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.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### d. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

### e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

### f. Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

### g. Depreciation

The depreciable amount of fixed assets is depreciated either on a straight line basis or diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	27%
Motor vehicles	22.5%
Furniture, fittings and equipment	40%
Computer software	40%

# Notes to the Financial Statements

for the period ended 30 June 2004

## h. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. There were no finance leases in the reporting period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

## i. Investments

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

## j. Intangibles

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on consolidation is amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

## k. Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealized, are included in profit from ordinary activities as they arise.

## l. Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been

measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

## m. Cash

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

## n. Revenue

Revenue from the sale of goods is recognised upon the despatch of goods to customers. Despatch only occurs after payment has been received.

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

All revenue is stated net of the amount of goods and services tax (GST).

## o. Goods and Services Tax (GST)

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 Tax 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.

## p. Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of Australian Equivalents to the International Financial Reporting Standards (AEIFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, in consultation with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to AEIFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of AEIFRS are:

# Notes to the Financial Statements

for the period ended 30 June 2004

## Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

## Goodwill on Consolidation

Under AASB 3: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 20 years.

## Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112 Income Tax, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

## Share Based Payments

Under AASB 2 Share Based Payments the company will be required to determine the fair value of options issued to employees as remuneration and recognised as an expense in the statement of financial performance. This standard is not limited to options and also extends to other forms of equity based remuneration. Whilst the company has not previously issued equity based remuneration to its employees, should it occur in the future, it would decrease reported profits.

Note	Economic Entity 2004 \$	Parent Entity 2004 \$
------	-------------------------------	--------------------------------

## Note 2: Revenue

### Operating activities:

■ sale of goods		2,129,020	-
■ profit distribution - unit trust	2a	-	421,759
■ distribution charges		74,717	-
■ rental revenue		23,788	-
■ other revenue		14,859	-
■ interest received	2b	337	-
		<b>2,242,721</b>	<b>421,759</b>

### Non-operating activities:

■ proceeds on disposal of property, plant & equipment		943	-
<b>Total Revenue</b>		<b>2,243,664</b>	<b>421,759</b>

### a. Profit Distribution from:

■ wholly-owned unit trust		-	421,759
<b>Total distribution received</b>		<b>-</b>	<b>421,759</b>

### b. Interest revenue from:

■ other persons		337	-
<b>Total interest revenue</b>		<b>337</b>	<b>-</b>

# Notes to the Financial Statements

for the period ended 30 June 2004

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>Note 3: Profit From Ordinary Activities</b>			
Profit from ordinary activities before income tax has been determined after:			
a. Expenses			
Cost of sales		807,519	-
Borrowing costs:			
■ other related parties		4,602	-
■ other persons		7,309	-
<b>Total borrowing costs</b>		<b>11,911</b>	<b>-</b>
Depreciation of non-current assets:			
■ plant and equipment		4,127	-
■ motor vehicles		184	-
■ furniture, fittings and equipment		5,047	-
■ computer software		12,561	-
<b>Total depreciation</b>		<b>21,919</b>	<b>-</b>
Amortisation of non-current assets:			
■ goodwill on consolidation		51,996	-
<b>Total amortisation</b>		<b>51,996</b>	<b>-</b>
<b>Total depreciation and amortisation</b>		<b>73,915</b>	<b>-</b>
Bad and doubtful debts:			
■ trade debtors		1,077	-
<b>Total bad and doubtful debts</b>		<b>1,077</b>	<b>-</b>
Rental expense on operating leases:			
■ minimum operating lease payments		15,922	-
■ rentals		30,186	-
■ rent office equipment		646	-
b. Revenue and Net Gains			
Net gain on disposal of non-current assets:			
■ property, plant and equipment		429	-

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>Note 4: Income Tax Expense</b>			
a. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30%:		108,535	124,133
Add:			
Tax effect of:			
■ non-deductible depreciation & amortisation on consolidation		15,598	-
<b>Income tax expense attributable to profit from ordinary activities before income tax</b>		<b>124,133</b>	<b>124,133</b>

## Note 5: Directors and Executive Remuneration

a. Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial period are:

### Parent Entity Directors

John Henry Everett	Chairman - Executive
Elaine Margaret Vincent	Managing Director - Executive
Ian Garnsey Everingham	Director - Non-Executive
David Capp Hall	Director - Non-Executive

### Specified Executives

Patricia Handford	International Sales Manager
Francois Johann Hoffmann	Chief Financial Officer & Company Secretary
Alice Bernice Carter	General Manager - Operations
Nicole Spike	Marketing Manager
Ana Tokic	Designer

# Notes to the Financial Statements

for the period ended 30 June 2004

## Note 5: Directors and Executive Remuneration continued

### b. Parent Entity Directors' Remuneration

2004	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions \$	Superannuation Contribution \$	Cash Bonus \$	Non-Cash Benefits \$	Superannuation \$	Options \$	Other \$	Total \$
John Henry Everett	5,416	112	-	-	-	-	-	5,528
Elaine Margaret Vincent	9,060	556	4,670	-	-	-	-	14,286
Ian Garnsey Everingham	1,250	112	-	-	-	-	-	1,362
David Capp Hall	1,250	112	-	-	-	-	-	1,362
	16,976	892	4,670	-	-	-	-	22,538

The service and performance criteria set to determine remuneration are included per Note (d).

### c. Specified Executives' Remuneration

2004	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions \$	Superannuation Contribution \$	Cash Bonus \$	Non-Cash Benefits \$	Superannuation \$	Options \$	Other \$	Total \$
Patricia Handford	8,226	458	-	-	-	-	-	8,684
Alice Bernice Carter	4,062	309	-	-	-	-	-	4,371
Francois Hoffmann	4,583	412	-	-	-	-	-	4,995
Ana Tokic	3,854	346	-	-	-	-	-	4,200
Nicole Spike	3,020	234	-	-	-	-	-	3,254
	23,745	1,759	-	-	-	-	-	25,504

The service and performance criteria set to determine remuneration are included per Note (d).

### d. Remuneration Practices

The economic entity's policy for determining the nature and amount of emoluments of board members and senior executives of the company are as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

Bonuses included as per Note 5b and Note 5c are based on achieved targets specified by management.

### e. Share Based Remuneration

There has been no share based remuneration and there were no movements in shareholdings of the specified directors and executives for the period ended 30 June 2004.

Note	Economic Entity 2004 \$	Parent Entity 2004 \$
------	----------------------------	--------------------------

## Note 6: Auditors' Remuneration

Remuneration of auditors of subsidiaries for:

■ auditing or reviewing the financial report of subsidiaries for the half year	45,000	45,000
■ other services	-	-
	45,000	45,000

Grant Thornton acted as investigating accountant and taxation advisor in relation to the company's initial public offering. However, their fees of \$96,245 were paid by the vendors of the UnderCoverWear Unit Trust and hence the amounts have not been incurred by the company.

## Note 7: Earnings Per Share

### a. Reconciliation of earnings to net profit or loss

Net profit	237,649	-
Earnings used in the calculation of basic and dilutive EPS	237,649	-

### b. Weighted average number of ordinary shares outstanding during the period used in calculation of basic and dilutive EPS

	48,000,000	-
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There were no potential ordinary shares outstanding during the period ended 30 June 2004.

## Note 8: Cash Assets

Cash at bank	1,105,367	-
Deposits at call	45,000	-
	1,150,367	-

### Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash	1,150,367	-
	1,150,367	-

# Notes to the Financial Statements

for the period ended 30 June 2004

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>Note 9: Receivables</b>			
CURRENT			
Other debtors		445,643	-
Amounts receivable from:		-	-
■ wholly-owned unit trust		-	421,759
■ provision for doubtful debts		(93,399)	-
		352,244	421,759

## Note 10: Inventories

CURRENT - At cost

Raw materials and stores	1,128,093	-
Work in progress	256,734	-
Finished goods	2,866,795	-
	4,251,622	-

## Note 11: Other Financial Assets

NON-CURRENT

Investments in subsidiaries:

■ units in unit trusts	11a	-	24,000,000
		-	24,000,000

a. Units in Unit Trust:

The Company holds interests in the following unit trust:

i. UnderCoverWear Unit Trust

The trusts' principal activities are the manufacture and distribution of underwear and garments in Australia and exporting to New Zealand.

- Investment at cost - 24,000,000

Percentage ownership: 100%

## Note 12: Controlled Entities

a. Controlled Entities

Entity	Country of Incorporation	Percentage Owned
UnderCoverWear Unit Trust	Australia	100

b. Controlled Entities Acquired

On 15 June 2004 the parent entity acquired 100% of UnderCoverWear Unit Trust with UnderCoverWear Limited entitled to all profits earned from 16 June 2004, for a purchase consideration of \$24,000,000.

## Note 13: Property, Plant and Equipment

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
Plant and equipment			
At cost		704,247	-
Accumulated depreciation		(421,633)	-
		282,614	-
Motor vehicles			
At cost		26,100	-
Accumulated depreciation		(10,666)	-
		15,434	-
Furniture, fittings and equipment			
At cost		642,253	-
Accumulated depreciation		(480,128)	-
		162,125	-
Computer software			
At cost		152,891	-
Accumulated depreciation		(12,561)	-
		140,330	-
<b>Total Property, Plant and Equipment</b>		<b>600,503</b>	<b>-</b>

# Notes to the Financial Statements

for the period ended 30 June 2004

## Note 13: Property, Plant and Equipment continued

### a. Movements in Carrying Amounts:

Movement in the carrying amounts for each class of property, plant and equipment between the beginning of the period and the end of the current financial year.

Economic Entity	Plant and equipment \$	Motor vehicles \$	Furniture, fittings and equipment \$	Computer software \$	Total \$
Balance acquired	269,826	15,618	164,766	146,111	596,321
Additions	17,220	-	2,620	6,780	26,620
Disposals	(305)	-	(214)	-	(519)
Depreciation expense	(4,127)	(184)	(5,047)	(12,561)	(21,919)
Carrying amount at the end of year	282,614	15,434	162,125	140,330	600,503

## Note 14: Deferred Tax Assets

Note	Economic Entity 2004 \$	Parent Entity 2004 \$
Future income tax benefit - timing differences	242,249	154
	242,249	154

## Note 15: Intangible Assets

Goodwill at cost	24,957,906	-
Accumulated amortisation	(51,996)	-
	24,905,910	-

## Note 16: Other Assets

CURRENT		
Prepayments	415,574	-
	415,574	-

Note	Economic Entity 2004 \$	Parent Entity 2004 \$
------	-------------------------------	-----------------------------

## Note 17: Payables

### CURRENT

#### Unsecured liabilities

Payable to previous partner (Quadrant)	474,606	-
Trade creditors	2,456,836	-
Sundry creditors and accrued expenses	620,489	-
Commissions payable	489,251	-
Amounts payable to wholly-owned unit trust	-	47,231
	4,041,182	47,231

## Note 18: Tax Liabilities

### CURRENT

Income tax	124,287	124,287
	124,287	124,287

## Note 19: Provisions

### CURRENT

Promotions	353,971	-
Employee benefits	19a	453,127
Other	50,000	-
	857,098	-

### NON-CURRENT

Employee benefits	19a	146,869	-
		146,869	-
a. Aggregate employee benefits liability		599,996	-
b. Number of employees at year end		81	-

# Notes to the Financial Statements

for the period ended 30 June 2004

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>Note 20: Interest Bearing Liabilities</b>			
NON-CURRENT			
Unsecured liabilities			
Payable to Directors	25	2,550,634	-
		2,550,634	-

## Note 21: Contributed Equity

48,000,000 fully paid ordinary shares	21a	24,000,000	24,000,000
		24,000,000	24,000,000

### a. Ordinary shares

At the beginning of the reporting period		-	-
Shares issued during the period			
■ 2 on 5 May 2004		1	1
■ 48,000,000 on 16 June 2004		24,000,000	24,000,000
Transaction costs relating to share issues		(39,250)	(39,250)
Shares bought back during the period			
■ 2 on 15 June 2004		(1)	(1)
At reporting date		23,960,750	23,960,750
At the beginning of reporting period		-	-
Shares issued during the period			
■ 5 May 2004		2	2
■ 16 June 2004		48,000,000	48,000,000
Shares bought back during the period			
■ 15 June 2004		(2)	(2)
At reporting date		48,000,000	48,000,000

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>Note 22: Retained Profits</b>			
Retained profits at the beginning of the financial period		-	-
Net profit for the period		237,649	289,645
Retained profits at the end of the financial period		237,649	289,645

## Note 23: Capital and Leasing Commitments

### a. Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

#### Payable

■ not later than 1 year	1,238,630	-
■ later than 1 year but not later than 5 years	782,724	-
	2,021,354	-

#### Property Lease

The property lease is a non-cancellable lease with a seven year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the CPI or per annum in years 2005, 2007, 2009, 2010 and 2012. An option exists to renew the lease at the end of the seven year term for an additional term of seven years, commencing 1 July 2006.

#### Motor Vehicles

Operating Leases have been entered into for a three year term to finance the motor vehicle fleet.

#### Office Equipment

Some office equipment is leased over a five year term.

# Notes to the Financial Statements

for the period ended 30 June 2004

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>Note 24: Cash Flow Information</b>			
a. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax:			
Profit from ordinary activities after income tax		237,649	-
Non-cash flows in profit from ordinary activities			
Amortisation		51,996	-
Depreciation		21,919	-
Net gain on disposal of property, plant & equipment		(423)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
(Increase)/decrease in receivables		202,426	-
(Increase) in other debtors		(241,121)	-
Decrease in inventories		79,374	-
Increase in payables		251,124	-
Increase in income taxes payable		124,287	-
(Decrease) in deferred taxes payable		(154)	-
Increase in provisions		9,906	-
<b>Cash inflow from operations</b>		<b>736,983</b>	<b>-</b>
b. Acquisition of Entities:			
During the year 100% of the controlled entity UnderCoverWear Unit Trust was acquired. Details of this transaction are:			
Purchase consideration		(24,000,000)	(24,000,000)
Less: cash acquired		478,311	-
<b>Cash consideration</b>		<b>(23,521,689)</b>	<b>(24,000,000)</b>
<b>Cash (outflow)/inflow</b>		<b>(23,521,689)</b>	<b>(24,000,000)</b>

	Note	Economic Entity 2004 \$	Parent Entity 2004 \$
<b>Note 24: Cash Flow Information continued</b>			
b. Acquisition of Entities continued:			
Assets and liabilities held at acquisition date:			
Receivables		971,218	-
Inventories		4,330,997	-
Property, plant and equipment		596,321	-
Creditors		(7,334,753)	-
		(1,436,217)	-
<b>Goodwill on consolidation</b>		<b>24,957,906</b>	<b>-</b>
c. Credit Standby Arrangements with Banks			
Credit facility		2,291,000	-
Amount utilised		-	-
<b>Unused credit facility</b>		<b>2,291,000</b>	<b>-</b>
The major facilities are summarised as follows:			
■ Banking overdrafts		1,200,000	-
■ Forward exchange cover		100,000	-
■ Bank guarantee		168,000	-
■ MasterCard corporate card		23,000	-
■ Commercial bill facility		800,000	-
		2,291,000	-

# Notes to the Financial Statements

for the period ended 30 June 2004

Note	Economic Entity 2004 \$	Parent Entity 2004 \$
------	----------------------------	--------------------------

## Note 25: Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### a. Director related transactions

Ian Everingham and John Everett are paid interest at 8% per annum on their loans that are listed under interest bearing liabilities Note 20. Interest is payable on \$1,600,000 until 15 September 2004 when the total of the balance will be subject to interest.

2,550,634 -

A rental lease for the property exists between UnderCoverwear Unit Trust, a subsidiary of UnderCoverWear Limited and the trustee of UnderCoverWear Property Trust, of which two directors Ian Everingham and John Everett hold an interest. Rent is payable at a rate of \$660,000 per annum. There is an option to renew for seven years on 1 July 2006.

## Note 26: Segment Reporting

The Company only operated in one business segment being the manufacturing and distribution of underwear and garments through the home party plan.

The Company operates in one geographic segment being Australia and New Zealand.

## Note 27: Financial Instruments

### a. Financial Instruments

The financial instruments of the economic entity consist of cash and a guarantee deposit. The liabilities consist of loans to related parties where the rates are fixed.

### b. Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial Instruments	Weighted Average Effective Interest Rate 2004	Fixed Interest Rate Maturing		Total 2004 \$
		within 1 year \$	1 to 5 years \$	
<b>Financial Assets:</b>				
Cash	3.7%	1,105,367	-	1,105,367
Investments	5.25%	45,000	-	45,000
<b>Total Financial Assets</b>		<b>1,150,367</b>	<b>-</b>	<b>1,150,367</b>
<b>Financial Liabilities:</b>				
Amounts payable related parties	8%	-	2,550,634	2,550,634
<b>Total Financial Liabilities</b>		<b>-</b>	<b>2,550,634</b>	<b>2,550,634</b>

All other assets and liabilities are non-interest bearing.

### c. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

## Note 28: Contingent Liabilities

During the period and at the reporting date there was no contingent liability that was not recorded as a liability or would result in an event after the reporting date that the company is aware of.



## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes as set out on pages 15 to 37 are in accordance with the Corporations Act 2001:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2004 and of the performance for the period ended on that date of the company and economic entity.
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.

John Everett  
Director  
Dated 26 August 2004.

## Independent Audit Report

to the Members of UnderCoverWear Limited

Grant Thornton

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both UnderCoverWear Limited (the company) and the UnderCoverWear Group (the consolidated entity) for the period ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that period.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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*Audit approach continued*

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

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**Audit opinion**

In our opinion, the financial report of UnderCoverWear Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the period ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Grant Thornton NSW  
Chartered Accountants



M A Adam-Smith  
Partner  
Sydney

26 August 2004

## Shareholder Information

a. Distribution of Shareholder Numbers - at 17 August 2004

Category (size of Holding)	Ordinary	Size of Holding
1 – 1,000	217	152,092
1,001 – 5,000	278	1,036,741
5,001 – 10,000	70	576,380
10,001 – 100,000	168	5,853,650
100,001 – and over	28	40,381,137
	<b>761</b>	<b>48,000,000</b>

b. The number of shareholdings held in less than marketable parcels is 163 holders and 98,392 holding.

c. The names of the substantial shareholders listed in the holding company's register as at 17 August 2004 are:

Shareholder	Number of Ordinary Shares
1. Mr John Everett & Ms Sonya Everett Everett Fam Settlement	16,000,000
2. Recone Pty Ltd Everingham Family	8,000,000
3. Permanent Trustee Australia Limited	7,500,000
4. Westpac Custodian Nominees Limited	2,214,095

d. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Redeemable and converting preference shares

- These shares have no voting rights.

## Shareholder Information continued

### e. 20 Largest Shareholders - Ordinary Shares at 17 August 2004

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Mr John Everett & Ms Sonya Everett Everett Fam Settlement	16,000,000	33.33
2. Recone Pty Ltd, Everingham Family	8,000,000	16.67
3. Permanent Trustee Australia Limited	7,500,000	15.63
4. Westpac Custodian Nominees Limited	2,214,095	4.61
5. JP Morgan Nominees Australia Limited	1,427,042	2.97
6. ANZ Nominees Limited	810,000	1.69
7. Mrs Jeanette Richardson	534,100	1.11
8. Invia Custodian Pty Limited	500,000	1.04
9. Alan Denis Vincent & Elaine Margaret Vincent Vincent Family S/fund	500,000	1.04
10. McNeil Nominees Pty Ltd	364,400	0.76
11. Mr Francis Harper & Ms Claudia Harper	304,000	0.63
12. National Nominees Limited	300,000	0.63
13. Pavilion Drive Pty Ltd	300,000	0.63
14. Brahman Securities Pty Ltd	250,000	0.52
15. Mr Rohan Boman	200,000	0.42
16. Mr Samuel Booth	200,000	0.42
17. Rah (STC) Pty Ltd MEH Fund	200,000	0.42
18. Mr Matthew Howison	159,000	0.33
19. I & H Management Services Pty Limited Superannuation Fund	150,000	0.31
20. Aleste Investments Pty Ltd	140,000	0.29
	40,052,637	83.45

## Company Details

### Directors

John Everett AM, *Chairman*  
 Ian Everingham  
 David Hall  
 Elaine Vincent, *Chief Executive Officer*

### Company Secretary

Francois Hoffmann

### Registered & Principal Office

UnderCoverWear Limited  
 ABN 85 108 962 152 ACN 108 962 152  
 8 Solent Circuit  
 Norwest Business Park  
 Baulkham Hills NSW 2153  
 Tel: 61 2 88532800 Fax: 61 2 8853 2899

### Auditor

Grant Thornton NSW  
 Level 17, 383 Kent Street  
 Sydney NSW 2000

### Solicitors

Hunt & Hunt  
 Level 9, 85 Macquarie Street  
 Hobart TAS 7000

### Share Registry

ComputerShare Technology Services Pty Ltd  
 452 Johnston Street,  
 Abbotsford VIC 3067

### Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

15

**Fifteen Fantastic Days of Trading**



# Appendix 4E

Preliminary Final Report For Period Ended 30 June 2004

Issued 26 August 2004

UnderCoverWear Limited

ACN 108 962 152 ABN 85 108 962 152



UnderCoverWear

# Results for Announcement to the Market

for the period ended 30 June 2004

UnderCoverWear Limited (ACN: 108 962 152)

**1. Details of the reporting period and the previous corresponding period.**

The company does not have a corresponding period to report to because it was incorporated on 5 May 2004 and trading commenced on 16 June 2004 therefore there can be no meaningful comparisons made by comparing the previous corresponding period to the current period in regards to revenue, profits, and dividends. The trading period that is disclosed in the financial statements commences on 16 June 2004 and ends on 30 June 2004.

**2. Key information:**

**2.1 Amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.**

Revenue from ordinary activities for the period ended 30 June 2004: \$2,243,664

The company does not have a corresponding period to report to because it was incorporated on 5 May 2004 and trading commenced on 16 June 2004 therefore there can be no comparisons made by comparing the previous corresponding period to the current period regarding revenues from ordinary activities.

**2.2 Amount and percentage change up or down from the previous corresponding period of profit from ordinary activities after tax attributable to members.**

Profit from ordinary activities after tax for the period ended 30 June 2004 attributable to members: \$237,649

The company does not have a corresponding period to report to because it was incorporated on 5 May 2004 and trading commenced on 16 June 2004 therefore there can be no comparisons made by comparing the previous corresponding period to the current period regarding profits from ordinary activities after tax attributable to members.

**2.3 Amount and percentage change up or down from the previous corresponding period of net profit for the period attributable to members.**

Net profit for the period ended 30 June 2004 attributable to members: \$237,649

The company does not have a corresponding period to report to because it was incorporated on 5 May 2004 and trading commenced on 16 June 2004 therefore there can be no comparisons made by comparing the previous corresponding period to the current period regarding period of net profit for the period attributable to members.

**2.4 Amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.**

The company does not intend to pay any dividends for the period ending 30 June 2004.

# Results for Announcement to the Market

for the period ended 30 June 2004

UnderCoverWear Limited (ACN: 108 962 152)

**2.5 Record date for determining entitlements to the dividends.**

The company does not intend to pay any dividends for the period ending 30 June 2004.

**2.6 Explanation of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.**

The company does not have a corresponding period to report to because it was incorporated on 5 May 2004 and trading commenced on 16 June 2004 therefore there can be no meaningful comparisons made by comparing the previous corresponding period to the current period in regards to the items listed in item 2 under key information.

**3. A statement of financial performance together with notes to the statement, prepared in compliance with AASB 1018 or the equivalent foreign accounting standard.**

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement.

**4. A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.**

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement.

**5. A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 1026 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard.**

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement.

**6. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.**

The company is not paying dividends for the period ended 30 June 2004.

**7. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.**

The company is not paying dividends for the period ended 30 June 2004 and does not have a dividend reinvestment plan in operation.

# Results for Announcement to the Market

for the period ended 30 June 2004

UnderCoverWear Limited (ACN: 108 962 152)

8. A statement of retained earnings showing movements.

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement.

9. Net tangible assets per security with the comparative figure for the previous corresponding period.

Net tangible liabilities	\$ 707,511
--------------------------	------------

Net tangible liabilities per ordinary share	0.01
---	------

There are no comparative figures because the company was incorporated on 5 May 2004.

10. Details of entities over which control has been gained or lost during the period, including the following.

10.1 Name of the entity.

10.2 The date of the gain or loss of control.

10.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement.

11. Details of associates and joint venture entities including the following:

11.1 Name of the associate or joint venture entity.

11.2 Details of the reporting entity's percentage holding in each of these entities.

11.3 Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.

The company does not have any associates or joint ventures therefore there is no requirement for disclosure in this regard.

12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement.

# Results for Announcement to the Market

for the period ended 30 June 2004

UnderCoverWear Limited (ACN: 108 962 152)

13. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).

The company does not have any foreign entities or reporting requirements therefore there is no need for compliance to this note.

14. A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following.

14.1 The earnings per security and the nature of any dilution aspects.

14.2 Returns to shareholders including distributions and buy backs.

14.3 Significant features of operating performance.

14.4 The results of segments that are significant to an understanding of the business as a whole.

14.5 A discussion of trends in performance.

14.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement.

15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement. The financial statements have been audited and an audit report has been included in the annual report.

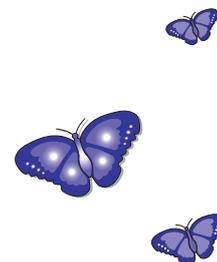
16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.

Not applicable. The financial statements have been audited and an audit report has been included in the annual report.

17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

Please refer to the attached annual report for the period ended 30 June 2004 where the company complied with this requirement. The financial statements have been audited and an audit report has been included in the annual report. There are no disputes or qualifications in the audit report.

## UnderCoverWear Exceeds 2004 Profit Forecast by 11%



The Board and Management of UnderCoverWear Limited are delighted to announce the maiden profit results, post listing on the Australian Stock Exchange on Friday 25 June 2004.

The company acquired the UnderCoverWear business on 15 June 2004 and for the period from 16 June 2004 to 30 June 2004, achieved a profit from ordinary activities before tax of \$361,782 and an operating profit after income tax of \$237,649.

The performance of the UnderCoverWear business for the whole of the year to 30 June 2004 is as follows:

SALES	\$32,388,891	up 13.6%
EBIT	2,846,198	up 32.3%
NPAT	1,992,339	up 38.8%

<b>HIGHLIGHTS</b>	<b>FY03 Actual</b>	<b>FY04 Prospectus</b>	<b>FY04 Actual Budget</b>
SALES (\$M)	28.4	31.6	32.3
EBITDA (\$M)	2.4	2.8	3.2
EBITA (\$M)	2.3	2.6	2.9
EBIT (\$M)	2.2	2.5	2.8
NPAT (\$M)	1.4	1.7	1.9
EPS (c)	2.9	3.7	4.1

### KEY FEATURES

The Chairman, Mr John Everett, said the key driver to the excellent result was the restructuring of Regional Management and the subsequent increase in the number of consultants.

The strong growth in sales in the last two months of the financial year meant net profit increased by just on 11% above the prospectus forecast.

*"Discover the UCW Home Shopping Experience"*

PO Box 1000 Castle Hill NSW 1765 Australia

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

Progressive rollout of the Regional Managers is continuing in all States and the CEO, Ms Elaine Vincent, is confident of continuing improvement in Sales for FY 2004/2005 and beyond with this renewed focus.

UnderCoverWear has also recently appointed two new personnel, a Learning and Development Manager as well as a Promotions and Conferencing Manager to further improve the skills of Sales Consultants in the field and this has already shown positive results.

Ms Vincent said "We are pleased to have achieved such a strong result and to have delivered, and in fact exceeded, our prospectus forecast. We are encouraged by the continued success of our proven business model and look forward to continued strong growth in earnings and free cash flow in the 2005 financial year. In fact sales and profit for the first month of year 2005 are at levels well above our budget forecast."

Ms Vincent reiterated the comment in the prospectus that the Company will have minimal capital expenditure and that the IT and production facilities will be able to appreciably expand without significant investment in capital.

Our Sales Consultants are continuing to grow and the Board is very confident of achieving or exceeding those budget targets of NPAT of \$2.254M with a fully franked dividend of 3.25¢ per share. Cash flows are more than adequate to support the planned dividend policy.

## **UNDERCOVERWEAR LIMITED**

26 August 2004

*"Discover the UCW Home Shopping Experience"*

PO Box 1000 Castle Hill NSW 1765 Australia

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

