

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2010

Details of the reporting period

Current period	1 July 2009 to 30 June 2010
Previous corresponding period	1 July 2008 to 30 June 2009

Results for announcement to the market

		\$	Up / down	Movement %
i.	Revenues from ordinary activities	23,696,617	down	5%
ii.	Profit/(loss) from ordinary activities after tax attributable to members	(5,768,731)	down	154.4%
iii.	Net profit/(loss) for the period attributable to members	(5,768,731)	down	154.4%
iv.	Dividends	Amount per Security (cents)	Franked amount per security (cents)	
	<i>Current Period</i>			
	Interim – paid 9 April 2010	1.25		1.25
	Final – Nil	Nil		Nil
	<i>Previous corresponding period</i>			
	Interim – paid 3 April 2009	1.0		1.0
	Final – payable 9 October 2009	1.0		1.0
v.	Record date for determining entitlements to dividends	N/A		
vi.	The information contained in this report is to be read in conjunction with the 2010 Annual Report.			

Statement of Comprehensive Income – refer to page 24 of the attached financial report

Statement of Financial Position – refer to page 25 of the attached financial report.

Statements of Cashflows – refer to page 27 of the attached financial report.

Details of dividend / distribution reinvestment plan

At 30 June 2010, there was no dividend reinvestment plan in operation for UnderCoverWear Limited.

Retained Earnings

	Current Period	Previous Corresponding Period
Retained earnings at the beginning of the financial period	1,595,698	5,663,269
Net profit attributable to members of the parent entity	(5,768,731)	(2,267,571)
Dividends provided for or paid	1,019,953	1,800,000
Retained earnings at the end of the financial period	(5,192,986)	1,595,698

Net Tangible Assets per security

	30 June 2010	30 June 2009
Net tangible asset backing per ordinary security	6.94 cents	9.66 cents

Details of entities over which control has been gained or lost during the period

i.	Name of entity (or group of entities) over which control was gained/lost	N/A
ii.	Date control was gained/lost	N/A
iii.	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired/lost	N/A
	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Details of associates and joint venture entities

N/A

Commentary on the results for the period

Results & earnings per share

The consolidated income statement shows a net loss after tax for the year ended 30 June 2010 of (\$5,768,731) compared to a loss of \$(2,267,751) in 2009, a loss increase of 154.4%.

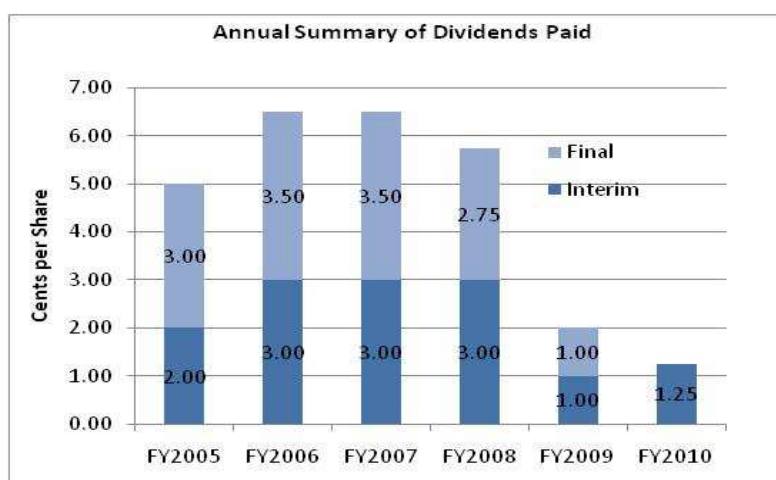
This result contains a goodwill impairment loss adjustment of \$6,300,000, refer to Note 16 in the financial report for details of factors and assumptions used in calculating the adjustment. The pre-impairment NPAT was positive \$531,269, a decline of 67% on the 2009 pre-impairment result.

Based on 44,641,982 weighted average ordinary shares on issue during the year ended 30 June 2010, this result represents negative earnings of (12.92) cents per share, a decrease from earnings of (4.72) cents per share on the previous year.

Dividends

The Board advises that based on the result of the Company during the year, the directors have declared there will be no final dividend payment. This brings the total ordinary dividend paid for the year ended 30 June 2010 to 1.25 cents per share.

Based on the share price at 30 June 2010, this represents a dividend yield of 6.1%.



Review of Operations

This is a disappointing result for UCW. However, the Board and management have extensively reviewed the business model with a “return to basics” approach that is anticipated to deliver results.

The three areas of focus are:

1. Halting the decline is consultant numbers leaving the business. This has largely been achieved and the key to 2010/11 year will be to grow net consultant numbers.
2. Restructuring of the management team - Simon Pervan has been appointed Chief Executive Officer effective 1st April 2010. Simon came to UCW from the leading direct selling organisation Nutrimecs. In addition to Simon a number of key management positions have been upgraded in UCW, including national sales manager, logistics manager, Chief Operating Officer and design, merchandising and buying functions.
3. March 2010 saw the first release of the revitalised product range and the new look catalogue. This refocuses the product back to similar customer groupings when last UCW delivered record results for shareholders.

Financial Position

	FY 2010	FY 2009
Total Revenue	\$23,696,617	\$24,953,815
EBITDA	\$912,308	\$ 2,365,923
EBIT	(\$5,588,489)	(\$1,562,868)
(Loss)/profit before tax	(\$5,676,185)	(\$1,562,868)
NPAT	(\$5,768,731)	(\$2,267,751)
(Loss)/earnings per share (cents)	(12.92)	(4.72)
Total dividend (cents)	1.25	2.0
Dividend yield at 30 June	6.1%	8.7%

The net loss of (\$5,768,731) for the 2010 Financial Year includes goodwill impairment of \$6,300,00, one off costs relating to the retirement of the former Chief Executive Officer, and replacement of key roles within the UnderCoverWear organization.

A mid year share buy back of 4,800,000 utilised cash reserves, and cashflow management will require a strong focus during the 2011 financial year.

Outlook for the Company

The Board and management believe the key elements are in place to see UCW return to profit growth after a number of disappointing years. A new leadership team, revitalised product range and a focused effort on the recruitment and retention of consultants, should see UCW return to profit growth in 2010/11.

Qualification of audit / review

The accounts have been audited and the audit report contains no qualifications.