

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

Details of the reporting period

Current period	1 July 2007 to 30 June 2008
Previous corresponding period	1 July 2006 to 30 June 2007

Results for announcement to the market

		\$	Up / down	Movement %
i.	Revenues from ordinary activities ^{^^}	33,712,442	down	23%
ii.	Profit/(loss) from ordinary activities after tax attributable to members	3,649,942	down	11%
iii.	Net profit/(loss) for the period attributable to members	3,649,942	down	11%
iv.	Dividends	Amount per Security (cents)	Franked amount per security (cents)	
	<i>Current Period</i>			
	Interim – paid 4 April 2008	3.0	3.0	
	Final – payable 3 October 2008	2.75	2.75	
<i>Previous corresponding period</i>				
	Interim – paid 24 April 2007	3.0	3.0	
	Final – paid 5 October 2007	3.5	3.5	
v.	Record date for determining entitlements to dividends	15 September 2008		
vi.	<p>^{^^} As a result of the change in business model from 1 August 2007, reported Revenues from Ordinary Activities shows a decrease in value in comparison to prior periods. Correspondingly, there has also been a decrease in Commissions Paid expense. When re-stated under the original business model, revenues would be shown as \$39,001,055, representing an 11% decrease in revenue from the previous year. There would be minimal impact on reported NPAT as a result of the change. For explanation, refer also to the Notes to the Financial Statements included in the 2008 Annual Report.</p> <p>The information contained in this report is to be read in conjunction with the 2008 Annual Report.</p>			

Income Statements – refer to page 24 of the attached financial report

Balance Sheets – 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 2008, 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	5,133,327	4,129,138
Net profit attributable to members of the parent entity	3,649,942	4,124,189
Dividends provided for or paid	3,120,000	3,120,000
Retained earnings at the end of the financial period	5,663,269	5,133,327

Net Tangible Assets per security

	30 June 2008	30 June 2007
Net tangible asset backing per ordinary security	10.01 cents	8.91 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

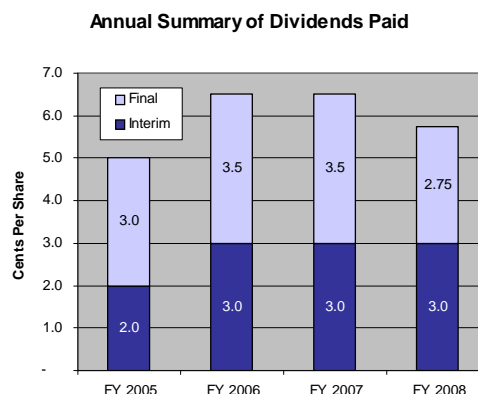
Profit & earnings per share

The consolidated income statement shows a net profit after tax for the year ended 30 June 2008 of \$3,649,942 compared to \$4,124,189 in 2007, a decrease of 11%.

Based on 48,000,000 weighted average ordinary shares on issue during the year ended 30 June 2008, this result represents earnings of 7.60 cents per share, a decrease 0.99 cents per share on the previous year.

Dividends

The Board advises that based on the profits earned by the Company during the year, the directors have declared the payment of a final fully franked dividend of 2.75 cents per share which will be paid on 3 October 2008. This brings the total ordinary dividend paid for the year ended 30 June 2008 to 5.75 cents per share. Based on the share price at 30 June 2008, this represents a dividend yield of 14.2%.



Review of operating performance

Trading for the company during the 2007/2008 year has been difficult, with a 12% reduction in the number of Independent Sales Consultants compared to June 2007. This is reflective in the company's net profit after tax figure of \$3,649,942, an 11% decrease on last year.

Whilst the company's focus has still been on recruiting, implementing strong training programs and added incentives for recruitment during the past year, to counteract the lower intake of sales consultants occurring, management concentrated on improving productivity both of the sales force and within the head office operations.

A number of projects were undertaken by management in line with the company's overall strategy to improve its key drivers, with particular emphasis on the areas of how to add value at the party, corporate advertising and changes to promotional material. A comprehensive corporate advertising campaign is being launched in the new financial year, aimed at establishing greater brand awareness and also strengthening the local marketing campaigns conducted by our sales consultants. New brochures have been developed, particularly designed to revitalise our offer to hold parties and also to join the sales team.

Our learning & development programs have been enthusiastically received by all those who attend. We have implemented the concept of travelling Roadshows throughout Australia & New Zealand, providing a corporate presence that reaches out to all of our sales consultants. The aim of the Roadshow is to ensure that consultants receive consistent direction in all areas of their business. Other initiatives we have successfully introduced this year has been "Success Connection" – a monthly e-newsletter that helps to inform and inspire our consultants with business building tips and motivational stories - and trial of a new party format.

Our commitment to continuously improving our IT systems has also been a focus. During the year we continued development of our on-line consultant ordering system, bringing added improvements in efficiency & accuracy of the information being processed. We have also introduced new developments with our overseas suppliers to facilitate the transfer and forecast of information, reporting on raw materials supplies and stock levels for future orders.

Production margins were improved due in part to a favourable exchange rate. The number of full time employees at head office decreased, resulting in an overall wages reduction of 3.9%. Total fixed costs were reduced by 3%.

In our manufacturing department, backorders remain at low levels. The percentage of imported goods has been maintained at 70% whilst continuing our representation of garments being locally produced. The company has established excellent relationships with its existing suppliers to ensure quality is impeccable, but continues to source new supplier relationships to reduce its exposure to any potential risk in this area.

On 1 August 2007, UCW underwent a change in its business model whereby the relationship between UnderCoverWear and the Independent Sales Consultants (ISC's) changed to that of wholesaler and retailer, respectively. This brought UnderCoverWear in line with the operating method of the majority of Direct Selling Organisations. The effect of the change from retailer to wholesaler means that our Independent Sales Consultants are no longer paid commissions on party sales, but instead they will receive a margin, which is the difference between the selling value on sales from the party and the wholesale cost of the goods. ISC's will continue to earn Manager bonuses and overrides, as part of our current incentive programs.

In terms of our reporting method for the year ended 30 June 2008, the effect of the change from retailer to wholesaler has seen a decrease in reported revenue (from \$39,001,055 to \$33,712,442) and a corresponding decrease in Commissions paid (from \$8,333,478 to \$3,044,865). In overall terms, there has been minimal impact on EBIT and net profit. Note, the changes only affect Australian ISC's.

We have continued to support sponsorship and fundraising activities in conjunction with the Make-A-Wish Foundation and the Cancer Councils of Australia & New Zealand. We have donated almost \$1,300,000 to these charities since 1987, including \$666,000 donated from sales of our "Support The Cause" t-shirts.

Financial Position

The consolidated entity continues to hold a strong financial position, with cash and cash equivalents held at 30 June 2008 of \$2,391,175 compared to \$2,097,808 at the same time last year.

Inventories have remained at conservative levels since the start of the financial year, with a reduction of 3.7% since 30 June 2007. Tighter Management controls have seen reductions in all components of inventory, namely raw materials, work in progress and finished goods.

Given that our direct selling business model provides for low capital expenditure, the company made no major cash outlays for purchases of new or replacement capital items during the year.

The Company's strong cash generation from its operations will allow it to remain debt free.

	FY 2008	FY 2007
Total Revenue	\$ 33,712,442	\$ 43,875,007
EBITDA	\$ 5,376,279	\$ 6,132,248
EBIT	\$ 5,218,061	\$ 5,893,525
Profit before tax	\$ 5,218,061	\$ 5,892,782
NPAT	\$ 3,649,942	\$ 4,124,189
Earnings per share (cents)	7.60	8.59
Total dividend (cents)	5.75	6.50
Dividend yield at 30 June	14.2%	6.3%

Outlook for the Company

For the coming financial year, if current economic trends continue, it is somewhat difficult to forecast future growth in revenues and results achievable for the year ending 30 June 2009.

Once again, the main focus in this forthcoming year will be on the growth of our independent sales consultant numbers and therefore increasing sales revenue. In addition, Management will continue to review areas across the business to identify and implement cost saving opportunities.

Qualification of audit / review

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