

**UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES
ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014
ABN: 85 108 962 152**

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

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UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

Directors

Adam Davis – Executive Chairman
Peter Mobbs - Non Executive Director
Jonathan Pager – Non Executive Director
Michael Pollak - Non Executive Director

Company Secretary

Andrew Whitten

Auditors

Stantons International
Level 2
1 Walker Avenue
West Perth WA 6005

Solicitors

Whittens Lawyers and Consultants
Level 5
137 – 139 Bathurst Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
94 Church Street
Middle Brighton
VIC 3186

Registered Office

Level 5
137 – 139 Bathurst Street,
Sydney NSW 2000

Share Registry

Link Market Services Pty Limited
Ground Floor,
178 St Georges Terrace
PERTH WA 6000

Investor Enquiries: 1300 554 474
Facsimile: +61 2 9287 0303

Stock Exchange Listing

Securities of UCW Limited (formerly Undercoverwear Limited) are listed on the Australian Securities Exchange (ASX).
ASX Code: UCW

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their financial report on UCW Limited (formerly Undercoverwear Limited) and its controlled entities (the **Group**) for the year ended 30 June 2014.

Directors

The names and particulars of the Directors during or since the end of the financial year are:

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

The above named Directors held office during and since the financial year, except as otherwise indicated

Information on Directors

Adam Davis

Experience and Expertise

Adam Davis has extensive experience in the education sector, having founded and then acted as Chief Executive Officer and Managing Director of ASX-listed Tribeca Learning Limited. The company was acquired in 2006 by Kaplan, Inc., a division of NYSE-listed Graham Holdings Company (formerly The Washington Post Company), to form the foundation of its Australian operations.

Under Adam's stewardship, Tribeca Learning acquired and integrated numerous education businesses servicing the Australian financial services sector, consolidating a fragmented market and creating the leading national provider. Tribeca Learning offered a broad range of accredited courses and continuing education programs and its customers included most of the major financial institutions in Australia. Adam holds a Bachelor of Applied Finance degree from Macquarie University.

As at the date of this report, Adam Davis does not have a direct or indirect interest in the Company.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Special Responsibilities

None

Interests in Shares and Options

None

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Information on Directors (Continued)

Peter Mobbs

Experience and Expertise

Peter Mobbs is an experienced and respected leader in education with 13 years' experience in the sector. He is currently CEO of online vocational provider, Ivy College. In previous roles, he was the Director of Operations, Career Education with Study Group – a global education provider- and held the role of Managing Director, Martin Collage, also a Study Group business. In earlier years, he established Australia's leading private real estate education business, Agency Training Australia, which in 2006 was acquired by Kaplan Inc., a division of NYSE listed The Washington Post Company. He became Kaplan's General Manager, Product Development and Delivery for the stock broking, insurance, accounting, real estate and financial services industries. As a member of Kaplan's senior executive team he was involved in business acquisition, integration and new product development.

Prior to entering the education sector, he worked as a lawyer in both the UK and Australia in the areas of commercial litigation and tax. While working as a lawyer he also gained extensive experience in training and compliance. He holds degrees in both commerce and law, a Graduate Diploma in Legal Practice, Certificate IV in Workplace Training and Assessment and is admitted to practise in the Supreme Court of NSW. He is a member of the Law Society of NSW and the Australian Institute of Company Directors..

As at the date of this report, Peter Mobbs does not have a direct or indirect interest in the Company.

Other Current Directorships

Ivy Institute Pty Limited

Mobbs Corporation Pty Limited

Former Directorships in the Last Three Years

ACPE Limited

Australian Institute of Applied Sciences Pty Limited

Special Responsibilities

None

Interests in Shares and Options

None

Jonathan Pager

Experience and Expertise

Jonathan has over 20 years' experience as a management consultant across a wide range of industries in Australia and overseas, and is currently Managing Director of Pager Partners Corporate Advisory. He has a Masters of Economics and qualified as a chartered accountant with Deloitte, where he commenced his career. He has restructured a range of public companies and been a director of publicly listed companies involved in the mining, healthcare and service industries.

As at the date of this report, Jonathan Pager does not have a direct or indirect interest in the Company.

Other Current Directorships

INT Corporation Limited (Finance director)

Montech Holdings Limited (Non-executive director)

Former Directorships in the Last Three Years

Rhipe Limited (Non-executive director)

PLD Corporation Limited (Non-executive director)

Prospect Resources Limited (Non-executive director)

Special Responsibilities

None

Interests in Shares and Options

None

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Information on Directors (Continued)

Michael Pollak

Experience and Expertise

Michael holds a bachelor of Commerce, is a chartered accountant and has an MBA in strategy from the Australian Graduate School of Management. Michael commenced his career at PricewaterhouseCoopers over 15 years ago. Michael has gained valuable experience in both Sydney and London in general management, audit, insolvency, corporate advisory and strategy across a wide range of industries, including financial services, professional services, retail, mining and manufacturing. Michael has been involved in the restructuring, recapitalisation and relisting of a number of ASX listed entities.

As at the date of this report, Michael Pollak does not have a direct or indirect interest in the Company.

Other Current Directorships

Montech Holdings Limited (Non-executive director)

HJB Corporation Limited (Non-executive director)

Former Directorships in the Last Three Years

Disruptive Investment Group Limited (Non-executive director)

Rhipe Limited (Non-executive director)

Prospect Resources Limited (Non-executive director)

PLD Corporation Limited (Non-executive director)

Special Responsibilities

None

Interests in Shares and Options

None

Company Secretary

Nick Geddes Resigned 9 September 2013

Richard Rodgers Appointed 9 September 2013 and resigned 16 February 2015

Andrew Whitten Appointed 16 February 2015

Environmental regulation and performance

There are no applicable environmental regulations that would have an effect on the Company.

Dividends

No dividends have been paid or declared since the beginning of the financial year and none are recommended.

Principal activities

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

Operating and financial review

The Company commenced trading on the Australian Securities Exchange on 25 June 2004. The Company was suspended from trading on ASX on 3 March 2014 at its request. On 6 March 2014 the Company and on 10 March 2014 all its Australian controlled subsidiaries were placed into voluntary administration.

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

The loss after income tax for the financial year was \$2,288,546 (2013: loss of \$1,365,404).

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Significant changes in the state of affairs

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

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

Significant events after balance date

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

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

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

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

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

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Indemnification and insurance of directors and officers

Due to the Company entering administration on the 6 March 2014, the Directors D & O insurance premium was consequently not renewed. It is the intention of the current Directors of the Company to ensure an adequate premium in respect of insuring the Directors of the Company, the Company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

Directors' meetings

Due to the appointment of the Administrators on 6 March 2014 to the Company, information on the attendance at Directors' meetings is not available.

Options

There were no options over issued shares and no options granted or outstanding during the financial period ended 30 June 2014 or previous financial year.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Auditor independence

The auditor's independence declaration is included on page 45 of the financial report.

Non-audit services

The following non-audit services were provided by the Company's auditor, Stantons International (2013: Grant Thornton Audit Pty Ltd). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence has not been compromised.

Stantons International did not receive and are not due to receive any fees for the provision of non-audit services in 2014. In 2013 Grant Thornton Audit Pty Ltd received \$3,200 for taxation services.

Incomplete records

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

The financial report was prepared by Directors who were not in office at the time the Group entered voluntary administration or for the full periods presented in this report. The Directors who prepared this financial report were appointed on 16 February 2015.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting systems and the record of receipts and payments made available by the Administrator of the Company and its subsidiaries for the period from their appointment. However, it has not been possible for the Directors to obtain all the books and records of the Group for the period prior to the appointment of the Administrators.

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

REMUNERATION REPORT (Audited)

INTRODUCTION

30 June 2014:

The remuneration report below reflects the remuneration policies that were adopted by the directors of the Company who were in office prior to the company entering administration. These policies applied until the Company entered voluntary administration on 6 March 2014. On entering administration, the Administrators were responsible for the remuneration policies of the Company.

The directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these remuneration policies. These policies may or may not have been in place during the financial period.

If the recapitalisation proposal is successful, the directors who are in office at the date of this report will adopt a new remuneration policy.

30 June 2013:

This report forms part of the Directors's Report for the year ended 30 June 2013. It provides a summary of the board's remuneration policy and practices during the past year as they apply to directors and executives (including "key management personnel" as defined by the Accounting Standards AASB 124).

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (Continued)

The disclosure set out in this report have been prepared in accordance with the requirements of section 300A of the Corporations Act 2001 and the Corporations Regulations 2001 and Accounting Standards AASB 124. As permitted by Corporations Regulation 2M.6.04, the relevant disclosures required by AASB 124 have been transferred from the financial statements to the Remuneration Report and have as a consequence been audited.

PRINCIPLES OF COMPENSATION

Role of the Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Board Members and Senior Executives of the Company and its controlled entities. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The remuneration policy for each type of key management personnel is set out as follows:

- **Non Executive Directors**

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non executive directors are not linked to the performance of the Group.

- **Executive Directors and Other Key Management Personnel**

Remuneration packages for executive directors and Senior executives include a mix of fixed remuneration (which is based on factors such as arm length of service and experience), superannuation, fringe benefits and performance incentives. All directors and other key management personnel receive a superannuation guarantee contribution required by the government, which at the date of the statement of financial position amounted to 9.25% and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase superannuation contributions.

Link between Remuneration and Company Performance

Bonus payments to key management personnel are reflective of the Company's overall trading results and not specific to an individual own performance. There were no bonus payments made during the year ended 30 June 2013 and 2014.

The following table shows earnings performance of the Group over the past five years:

Year ended 30 June	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
Revenue	3,288,311	8,016,760	11,493,915	17,049,933	23,696,617
(Loss) before interest, tax, depreciation & amortisation (LBITDA)	(1,431,503)	(1,195,791)	(244,478)	(1,753,798)	912,308
Net (loss)	(2,288,546)	(1,365,404)	(603,594)	(17,116,054)	(5,678,731)
Basic (loss) per share (cents)	(3.37)	(3.16)	(1.40)	(39.62)	(12.92)
Dividend per share (cents)	-	-	-	-	1.25

The main performance measure was economic profit, with the key component being EBIT.

Remuneration Practices

The Group's policy for determining the nature and amount of emoluments of board members and other key management personnel of the Company is as follows:

- The remuneration structure for Key Management Personnel, 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.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (Continued)

Remuneration Practices (Continued)

- The contracts for service between the Company and specified directors and other key management personnel are paid employee benefit entitlement accrued to date of retirement.
- The Board remuneration policy of its key management personnel is to ensure the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality within the Group.

DETAILS OF REMUNERATION FOR YEAR ENDED 30 JUNE 2013

Names and positions held of consolidated and parent entity key management personnel in office at any time during financial year are:

Key Management Person (KMP)	Position
Stuart Richardson	Non-Executive Chairman (Resigned 4 December 2013)
John Everett	Non-Executive Director (Resigned 4 December 2013)
Richard Lowry	Non-Executive Director (Resigned 4 December 2013)
Montgomery Grant	Executive Director (Appointed 13 September 2013)
Tracie-Lee Symons	Non-Executive Director (Appointed 4 December 2013)
Christine Pamela Kennedy	Non-Executive Director (Appointed 4 December 2013)
Laurie Fitzgerald	General Sales Manager
Angela Catford	Chief Financial Officer

The Company was under External Administration after 6 March 2014 and the Company's operations were suspended by the Administrators. The Company does not have sufficient information to allow this level of disclosure for the year ended 30 June 2014.

The remuneration for each director and other key management personnel of the Group during the year ended 30 June 2013 was as follows:

30 June 2013	Short-term Benefits					Total	Performance
	Salary, fees & commissions	Superannuation contribution	Cash bonus	Non-monetary benefits	Termination Payment		
	\$	\$	\$	\$	\$	\$	%
Stuart Richardson*	24,500	-	-	-	-	24,500	-
John Everett	58,333	-	-	-	-	58,333	-
Richard Lowry	230,242	20,807	-	-	-	251,049	-
Total for directors	313,075	20,807	-	-	-	333,882	-
Laurie Fitzgerald	160,000	14,400	-	17,651	-	192,051	-
Angela Catford	135,653	12,430	-	-	-	148,083	-
Total for other KMP	295,653	26,830	-	17,651	-	340,134	-
Total	608,728	47,637	-	17,651	-	674,016	-

* The amount disclosed was paid as a consulting fee to Blackwood Capital and Boston First Capital, and has been reported as related party transaction.

The previous directors' contracts ended upon entering administration. At the date of this report, there are no new contracts in place for the new directors appointed during the period of administration.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (Continued)

NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL

	Balance 1 July 2013	Received as remuneration	Net change other*	Balance 30 June 2014**
Stuart Richardson	1,678,476	-	-	1,678,476
John Everett	19,923,219	-	-	19,923,219
Richard Lowry	-	-	-	-
Laurie Fitzgerald	6,000	-	-	6,000
Angela Catford	1,000	-	-	1,000
Montgomery Grant	-	-	43,200,000	43,200,000
Total	21,608,695	-	43,200,000	64,808,695

	Balance 1 July 2012	Received as remuneration	Net change other*	Balance 30 June 2013**
Stuart Richardson	1,673,046	-	5,430	1,678,476
John Everett	19,923,219	-	-	19,923,219
Richard Lowry	-	-	-	-
Laurie Fitzgerald	6,000	-	-	6,000
Angela Catford	1,000	-	-	1,000
Total	21,603,265	-	5,430	21,608,695

* Net change other refer to shares purchased or sold during the financial year.

** The balance represents ordinary shares held directly or indirectly by the KMP (including their personally related entities) at the end of the financial year.

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

There have been no other transactions other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 26 Related Party Transactions.

USE OF REMUNERATION CONSULTANTS

No remuneration consultants were used during the year.

VOTING AND COMMENTS MADE AT THE COMPANY'S 2013 ANNUAL GENERAL MEETING

The Company received more than 95% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the Annual General Meeting on its remuneration report.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS REPORT

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Adam Davis', with a small mark to the right.

Adam Davis
Executive Chairman
23 March 2015

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

STATEMENT OF CORPORATE GOVERNANCE

The corporate governance statement below reflects the corporate governance policies that were adopted by the directors of the Company who were in office prior to the company entering administration. These policies applied until the Company entered voluntary administration on 6 March 2014. On entering administration, the Administrators were responsible for the corporate governance of the Company.

The directors who are in office at the date of this report had no involvement in adopting, implementing or complying with these corporate governance policies. These policies may or may not have been in place during the financial period.

If the recapitalisation proposal is successful, the directors who are in office at the date of this report will adopt a new corporate governance policy.

The board of directors of the Company is responsible for establishing the corporate governance framework of the Group. The board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarizes the Company's compliance with the ASX Corporate Governance Council's (CGC) corporate governance principles and recommendations.

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Unknown
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Unknown
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1 as follows: (a) an explanation of any departures from any Principle 1 recommendation; (b) whether a performance evaluation for senior executives has taken place during the reporting period under the process disclosed; and (c) the board charter should be made publicly available.	Unknown
2.	STRUCTURE THE BOARD TO ADD VALUE	
2.1	A majority of the board should be independent directors	Unknown
2.2	The Chairman should be an independent director.	Unknown
2.3	The roles of Chairman and Chief Executive Officer should not be exercised by the same individual.	Unknown
2.4	The board should establish a nomination committee.	Unknown
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Unknown
2.6	Provide the information indicated in Guide to Reporting on Principle 2	Unknown

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

STATEMENT OF CORPORATE GOVERNANCE

	BEST PRACTICE RECOMMENDATION	COMMENT
	PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Unknown
3.2	Companies should disclose in each annual report the measurable objectives for achieving gender diversity	Unknown
3.3	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Unknown
3.4	Provide the information indicated in Guide to Reporting on Principle 3	Unknown
	SAFEGUARD INTEGRITY IN FINANCIAL REPORTING	
4.1	The board should establish an audit committee.	Unknown
4.2	Structure the audit committee so that it: (a) consists only non-executive directors; (b) consists of a majority of independent directors; (c) is chaired by an independent chairperson, who is not chair of the board; and (d) has at least three members.	Unknown
4.3	The audit committee should have a formal charter.	Unknown
4.4	Provide the information indicated in Guide to Reporting on Principle 4.	Unknown
	MAKE TIMELY AND BALANCED DISCLOSURE	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Unknown
5.2	Provide the information indicated in Guide to Reporting on Principle 5.	Unknown
	RESPECT THE RIGHTS OF SHAREHOLDERS	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Unknown
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	Unknown
	RECOGNISE AND MANAGE RISK	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Unknown

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

STATEMENT OF CORPORATE GOVERNANCE

	BEST PRACTICE RECOMMENDATION	COMMENT
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Unknown
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Unknown
7.4	Provide the information indicated in Guide to Reporting on Principle 7.	Unknown
	REMUNERATE FAIRLY AND RESPONSIBLY	
8.1	The Board should establish a remuneration committee.	Unknown
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Unknown
8.3	Provide the information indicated in Guide to Reporting on Principle 8.	Unknown

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30 JUNE 2014**

	Notes	2014 \$	2013 \$
Revenue	3	3,288,311	8,016,760
Expenses			
Changes in inventories of finished goods and work in progress	4	(1,847,594)	(3,470,520)
Distribution costs		(171,683)	(572,006)
Commission paid		(279,001)	(702,818)
Promotion and advertising expense		(97,672)	(642,999)
Depreciation and amortisation expense	4	(33,066)	(62,132)
Insurance expense		(54,342)	(99,820)
Employee benefits expense		(1,328,647)	(2,308,720)
Rental expense	4	(261,196)	(769,021)
Administrators fee		(258,625)	-
Auditors fee	7	(10,000)	(68,981)
Other expenses		<u>(411,054)</u>	<u>(577,666)</u>
Total expenses		<u>(4,752,880)</u>	<u>(9,274,683)</u>
(Loss) before finance costs and impairment		(1,464,569)	(1,257,923)
Finance costs	4	(38,759)	(107,481)
Provision for bad debts due to administration	11	(112,283)	-
Impairment of other assets due to administration	13	(42,066)	-
Profit on sale of plant & equipment	15	4,498	-
Creditors' Claims under administration	17	(355,683)	-
Employee entitlements due to administration	19	<u>(279,684)</u>	<u>-</u>
(Loss) before income tax expense		(2,288,546)	(1,365,404)
Income tax expense		<u>-</u>	<u>-</u>
(Loss) from continuing operations		<u>(2,288,546)</u>	<u>(1,365,404)</u>
Other comprehensive income for the year			
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)		<u><u>(2,288,546)</u></u>	<u><u>(1,365,404)</u></u>
(Loss) is attributable to:			
UCW Limited		<u>(2,288,546)</u>	<u>(1,365,404)</u>
		<u><u>(2,288,546)</u></u>	<u><u>(1,365,404)</u></u>
Total comprehensive (loss) is attributable to			
UCW Limited		<u>(2,288,546)</u>	<u>(1,365,404)</u>
		<u><u>(2,288,546)</u></u>	<u><u>(1,365,404)</u></u>
(Loss) per share from continuing operations attributable to equity holders of the parent entity			
Basic (loss) per share (cents per share)	9	(3.37)	(3.16)
Diluted (loss) per share (cents per share)	9	(3.37)	(3.16)

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

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	10	51,721	9,182
Trade and other receivables	11	8,870	123,287
Inventories	12	38,750	769,193
Other assets	13	-	87,481
Plant and equipment	15	14,545	-
Intangible assets	16	5,500	-
		<u>119,386</u>	<u>989,143</u>
Non-Current Assets			
Plant and equipment	15	-	245,397
		<u>-</u>	<u>245,397</u>
Total assets		<u>119,386</u>	<u>1,234,540</u>
Current Liabilities			
Trade and other payables	17	2,338,047	1,801,865
Financial liabilities	18	559,130	288,857
Short-term provision	19	547,647	299,506
		<u>3,444,824</u>	<u>2,390,228</u>
Non-Current Liabilities			
Financial liabilities	18	-	281,570
Long-term provision	19	-	31,634
		<u>-</u>	<u>313,204</u>
Total Liabilities		<u>3,444,824</u>	<u>2,703,432</u>
Net Assets / Net Asset Deficiency		<u>(3,325,438)</u>	<u>(1,468,892)</u>
Equity			
Issued capital	20	23,241,146	22,809,146
Accumulated losses		<u>(26,566,584)</u>	<u>(24,278,038)</u>
		<u>(3,325,438)</u>	<u>(1,468,892)</u>

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

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	Accumulated Losses	Total Equity
	\$	\$	\$
Balance as at 1 July 2013	22,809,146	(24,278,038)	(1,468,892)
Net (loss) for the year	-	(2,288,546)	(2,288,546)
Other comprehensive income for the year	-	-	-
Total comprehensive (loss) for the year	<u>-</u>	<u>(2,288,546)</u>	<u>(2,288,546)</u>
Transactions with owners in their capacity as owners			
Shares issue	432,000	-	432,000
Total transactions with owners in their capacity as owners	<u>432,000</u>	<u>-</u>	<u>432,000</u>
Balance as at 30 June 2014	<u><u>23,241,146</u></u>	<u><u>(26,566,584)</u></u>	<u><u>(3,325,438)</u></u>
Balance as at 1 July 2012	22,809,146	(22,912,634)	(103,488)
Net (loss) for the year	-	(1,365,404)	(1,365,404)
Other comprehensive income for the year	-	-	-
Total comprehensive (loss) for the year	<u>-</u>	<u>(1,365,404)</u>	<u>(1,365,404)</u>
Balance as at 30 June 2013	<u><u>22,809,146</u></u>	<u><u>(24,278,038)</u></u>	<u><u>(1,468,892)</u></u>

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

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$	2013 \$
Cash flow from operating activities			
Receipts from customers		3,290,364	8,008,960
Payments to suppliers and employees		(3,826,634)	(7,510,636)
Interest received		66	2
Dividends and trust distributions received		16	31
Finance costs		<u>(38,759)</u>	<u>(107,481)</u>
Net cash (used in) / generated by operating activities	24a	<u>(574,947)</u>	390,876
Cash flow from investing activities			
Acquisition of intangible assets		(5,500)	-
Proceeds from sale of property, plant and equipment		202,284	261,975
Payment for property plant and equipment		<u>-</u>	<u>(218,552)</u>
Net cash generated by investing activities		196,784	43,423
Cash flow from financing activities			
Proceeds from share issue		432,000	-
(Repayment of) / Proceeds from borrowings		<u>(11,298)</u>	<u>228,758</u>
Net cash generated by financing activities		420,702	228,758
Net increase in cash and cash equivalents		42,539	663,057
Cash and cash equivalents at beginning of year		<u>9,182</u>	<u>(855,335)</u>
Cash and cash equivalents at end of year	10	<u><u>51,721</u></u>	<u><u>(192,278)</u></u>

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

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements cover UCW Limited (formerly Undercoverwear Limited) ("Company or "parent entity") and its controlled entities as a consolidated entity (also referred to as "the Group"). UCW Limited is a listed public company, incorporated and domiciled in Australia. UCW Limited is for-profit company for the purposes of preparing these annual financial statements.

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

(a) Basis of preparation of the financial report

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law where possible (refer to note 1(b) below).

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The consolidated financial statements were authorised for issue by the Board of Directors on 19 March 2015.

(b) Incomplete records

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

The financial report was prepared by Directors who were not in office at the time the Group entered voluntary administration or for the full periods presented in this report. The Directors who prepared this financial report were appointed on 16 February 2015.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting systems the record of receipts and payments made available by the Administrators of the Company and its subsidiaries for the period from their appointment. However, it has not been possible for the Directors to obtain all the books and records of the Group for the period prior to the appointment of the Administrators.

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

(c) Basis of preparation

The financial report has been prepared on the historical cost basis.

(d) Going concern

The consolidated entity incurred a net loss of \$2,288,546 (2013: \$1,365,404) and experienced total cash outflows from operating activities of \$574,947 (2013 cash inflow: \$390,876) for the year ended 30 June 2014 and, as at that date, had net current asset deficiency of \$3,325,438 (2013: \$1,401,085).

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(d) Going concern (Continued)

During the year and subsequent to the end of the year the following events took place:

- The Company was suspended from trading on ASX on 3 March 2014 at its request. On 6 March 2014, Ginette Muller and Lachlan McIntosh of FTI Consulting were appointed as joint and several Administrators of the Company and assumed control of the Company and its business, property and affairs. On 10 March 2014, similarly they were appointed as joint and several Administrators of all its subsidiaries.
- Pager Partners were successful in winning a bid to recapitalise the company which was accepted at a meeting of the Company's creditors on 18 June 2014. The Deed of Company Arrangement (DoCA) was signed on 9 July 2014.
- Under the Proposal, it was agreed that the Company would pay \$715,000 to the Deed Administrator for distribution under the DoCA to the Creditors' Trust in return for secured and unsecured creditors releasing all claims against the Company and their charge (if any) over the Company. However, under the Proposal certain unencumbered assets were retained by the Company. A Creditors' Trust Deed has been established pursuant to the DoCA which will be used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts. The syndicate lead by Pager Partners loaned the Company \$715,000 in order to effectuate the DoCA. This occurred on the 16 February 2015.
- Under the Proposal, the Company is to issue up to 320,000,000 fully paid ordinary shares and up to 75,000,000 options to raise up to \$2,076,875 before the costs of the Proposal. On 23 December 2014 the Company's shareholders approved the issue of the shares at an Extraordinary General Meeting.

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

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

(e) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by UCW Limited as at the end of the reporting period.

A controlled entity is any entity UCW Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. All controlled entities have a June financial year end.

All intercompany balances and transactions between entities in the Group, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies adopted by the parent entity.

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

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(f) Income tax

The income tax expense for the year comprises current tax expense and deferred tax expense. The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax liabilities are measured at the amounts expected to be paid to the relevant tax authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax is accounted for using the balance liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statements of Profit or Loss and Other Comprehensive Income, except where it relates to items that may be credited directly to equity, in which case the deferred tax asset is adjusted directly against equity.

Deferred income tax assets are recognised only to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(g) Inventories

Inventories are measured at 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. The cost of purchased goods includes purchase price, import and other taxes, transport and handling costs directly attributable to the acquisition of the inventories.

(h) Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses.

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

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

Class of Fixed Assets	Depreciation Rate
Plant and equipment	17% - 27%
Motor vehicle	15% - 33%
Furniture, fittings and equipment	27% - 40%
Computer software	40%

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(h) Plant and equipment (Continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statements of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(i) Leases

Lease of fixed assets where substantially all the risks and rewards incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities in the Group, are classified as finance leases. Finance lease are capitalised by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Lease assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group 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 year.

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor are recognised on a straight line basis over the lease term, unless another systematic basis is more representative of the true pattern of the user's benefits.

(j) Financial instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Interests in controlled entities are brought to account at cost and dividend distributions are recognised in the Statements of profit or Loss and Other Comprehensive Income of the Company when receivable.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payment and amortisation.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(k) Impairments of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount of the asset, being the higher of the assets' fair value less costs to sell and value in use, is compared to the assets' carrying value. Any excess of the assets' carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong.

(l) Intangible assets

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.

(m) Foreign currency transactions and balances

Foreign currency transactions during the year are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance date are converted at the rates of exchange ruling at the date. The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss.

(n) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled with 12 months have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

(o) Cash and cash equivalents

Cash and cash equivalents 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 three months to maturity.

(p) Revenue

Revenue from the sale of goods is recognised upon the despatch of goods to the customers, which is the date of significant transfer of risks. 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).

(q) Goods and service 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. The GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivable and payables are showed inclusive of GST. Cash flows are presented in the Cash Flow Statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(r) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets.

Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(r) Fair Value of Assets and Liabilities (Continued)

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques.

These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(s) New accounting standards and interpretations

New standards and interpretations adopted in 2013/ 2014 financial year

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: *Consolidated Financial Statements*;
- AASB 11: *Joint Arrangements*;
- AASB 12: *Disclosure of Interests in Other Entities*;
- AASB 13: *Fair Value Measurement*;
- AASB 119: *Employee Benefits*; and
- AASB 127: *Separate Financial Statements*

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(s) New accounting standards and interpretations (Continued)

Accounting Standard and Interpretation

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

- a) it has power over an investee;
- b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
- c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

Application of this standard has not impacted on the financial statements of the Group.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(s) New accounting standards and interpretations (Continued)

Accounting Standard and Interpretation (Continued)

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated Statement of Financial Position to reflect the full value of the plan deficit or surplus.

Application of AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(s) New accounting standards and interpretations (Continued)

New standards and interpretations not yet adopted (Continued)

Other standards not yet applicable

These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

These standards are not expected to impact the Group.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assumed a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTE 3: REVENUE

	2014 \$	2013 \$
Operating activities:		
Sale of goods	3,160,869	7,596,368
Distribution charges	88,494	267,263
Rental revenue	35,113	147,175
Other revenue	3,753	5,921
Interest received	66	2
Dividend received	16	31
Total revenue	3,288,311	8,016,760

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: LOSS BEFORE INCOME TAX EXPENSE

	2014	2013
	\$	\$
Loss before income tax has been determined after:		
Cost of sales	(1,847,594)	(3,470,520)
Finance costs	(38,759)	(107,481)
Foreign currency translation gains / losses	(25,717)	(133,091)
<i>Depreciation of plant and equipment</i>		
- plant and equipment	(11,776)	(20,767)
- motor vehicles	(21,290)	(29,462)
- furniture, fittings and equipment	-	(11,903)
Bad and doubtful debts	(7,690)	(10,493)
<i>Rental expense on operating leases</i>		
- staff motor vehicles	(4,177)	(4,012)
- consultants motor vehicles	-	(2,332)
- premises	(257,019)	(762,677)
Write down on inventories to net realisable value	(79,313)	(127,975)

NOTE 5: INCOME TAX EXPENSE

Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
Tax benefit on loss from ordinary activities before income tax at 30%		
Tax benefit on loss before income tax at 30% (2013: 30%)	(686,564)	(2,405,028)
Reversal of deferred tax asset	686,564	2,405,028
Income tax benefit	<u>-</u>	<u>-</u>

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Short term employee benefits	*	<u>(677,016)</u>
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* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure for the year ended 30 June 2014.

Number of shares held by Key Management Personnel as of the reporting date:

	Balance 1 July 2013	Received as remuneration	Net change other*	Balance 30 June 2014**
Stuart Richardson	1,678,476	-	-	1,678,476
John Everett	19,923,219	-	-	19,923,219
Richard Lowry	-	-	-	-
Laurie Fitzgerald	6,000	-	-	6,000
Angela Catford	1,000	-	-	1,000
Montgomery Grant	-	-	43,200,000	43,200,000
Total	<u>21,608,695</u>	<u>-</u>	<u>43,200,000</u>	<u>64,808,695</u>

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

	Balance 1 July 2012	Received as remuneration	Net change other*	Balance 30 June 2013**
Stuart Richardson	1,673,046	-	5,430	1,678,476
John Everett	19,923,219	-	-	19,923,219
Richard Lowry	-	-	-	-
Laurie Fitzgerald	6,000	-	-	6,000
Angela Catford	1,000	-	-	1,000
Total	<u>21,603,265</u>	-	5,430	<u>21,608,695</u>

* Net change other refer to shares purchased or sold during the financial year.

** The balance represents ordinary shares held directly or indirectly by the KMP (including their personally related entities) at the end of the financial year.

NOTE 7: AUDITOR'S REMUNERATION

	2014 \$	2013 \$
Amounts paid / payable to Stantons International (2013: Grant Thornton Audit Pty Limited) for audit and review work undertaken under Corporation Act 2001		
Auditing or reviewing the financial report	10,000	65,781
Other services	-	3,200
	<u>10,000</u>	<u>68,981</u>

NOTE 8: FRANKING CREDITS

Balance of franking credits at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years

	<u>2,070,474</u>	<u>2,070,474</u>
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NOTE 9: EARNING PER SHARE

(a) Basic loss per share (cents per share)

From continuing operations (3.37) (3.16)

(b) Diluted loss per share (cents per share)

From continuing operations (3.37) (3.16)

(c) Total shares

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share 67,936,438 43,200,000

NOTE 10: CASH AND CASH EQUIVALENTS

	2014 \$	2013 \$
Cash at bank and on hand	<u>51,721</u>	<u>9,182</u>
Cash and cash equivalents	51,721	9,182
Bank overdraft (see note 18)	<u>(206,678)</u>	<u>(201,460)</u>
	<u>(154,957)</u>	<u>(192,278)</u>

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11: TRADE AND OTHER RECEIVABLES

	2014	2013
	\$	\$
Current		
Other receivables	171,979	175,192
GST receivable	8,870	-
Less Provision for impairment of other receivables	(59,696)	(51,905)
Less: Provision for bad debts due to administration	<u>(112,283)</u>	<u>-</u>
	<u>8,870</u>	<u>123,287</u>

Other receivables consist mostly of balances relating to our Independent Sales Consultants and are not tracked on an ageing basis. Management monitors the collectability of these accounts by assigning each consultant account a status from 0 -7, representing the type of consultant debtors (current and active to debt collection). The remainder of other receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. These amounts have been included in the other expense item.

Movement in the provision for impairment of receivables is as follows:

Opening balance	51,905	57,530
Charge for the year	7,690	10,493
Amounts written off	<u>101</u>	<u>(16,118)</u>
Closing balance	<u>59,696</u>	<u>51,905</u>

There are no balances within trade and other receivables that contain assets that are not impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

Trade and other receivables have been impaired to their net realisable value based on whether the administrator has received payment.

NOTE 12: INVENTORIES

Current		
<i>At cost:</i>		
Finished goods	38,750	718,634
<i>At net realisable value:</i>		
Raw materials and stores	*	1,261
Finished goods	<u>*</u>	<u>49,298</u>
	<u>38,750</u>	<u>769,193</u>

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

NOTE 13: OTHER ASSETS

Current		
Prepayments	42,066	87,481
Less: Impairment due to administration	<u>(42,066)</u>	<u>-</u>
	<u>-</u>	<u>87,481</u>

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: CONTROLLED ENTITIES

Entity	Country of incorporation	% owned	
		2014	2013
Undercoverwear Unit Trust	In liquidation Australia	<u>100%</u>	<u>100%</u>

On 10 March 2014, the subsidiary was placed into voluntary administration. The above subsidiary was placed into liquidation by the Administrator after the reporting date.

NOTE 15: PLANT AND EQUIPMENT

	Plant and equipment \$	Motor vehicles \$	Furniture, fittings and equipment \$	Total \$
At 30 June 2014				
Cost	391,693	94,866	625,489	1,112,048
Accumulated depreciation	(375,179)	(22,706)	(616,001)	(1,013,886)
Disposals	(21,012)	(57,615)	(9,488)	(88,115)
Profit on sale of plant & equipment	4,498	-	-	4,498
	<u>-</u>	<u>14,545</u>	<u>-</u>	<u>14,545</u>
At 30 June 2013				
Cost	385,296	241,991	675,450	1,302,737
Accumulated depreciation	(356,163)	(35,632)	(665,545)	(1,057,340)
	<u>29,133</u>	<u>206,359</u>	<u>9,905</u>	<u>245,397</u>

(a) Reconciliations

Movement in the carrying amounts of each class of plant and equipment at the beginning and end of the year:

At 1 July 2013	29,133	206,359	9,905	245,397
Disposals	(21,855)	(170,524)	(9,905)	(202,284)
Profit on sale of plant & equipment	4,498	-	-	4,498
Depreciation	(11,776)	(21,290)	-	(33,066)
At 30 June 2014	<u>-</u>	<u>14,545</u>	<u>-</u>	<u>14,545</u>
At 1 July 2012	44,501	318,155	12,075	374,731
Additions	43,351	164,639	10,562	218,552
Disposal	(37,952)	(246,973)	(829)	(285,754)
Depreciation	(20,767)	(29,462)	(11,903)	(62,132)
At 30 June 2013	<u>29,133</u>	<u>206,359</u>	<u>9,905</u>	<u>245,397</u>

*Plant and Equipment reclassified as current assets as they will be sold in full before 30 June 2015

NOTE 16: INTANGIBLE ASSETS

	Total \$
At 30 June 2014	
Acquisition of intangible assets	<u>5,500</u>
	<u>5,500</u>

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: TRADE AND OTHER PAYABLES

	2014	2013
	\$	\$
Current		
Trade creditors	1,537,883	917,270
Other payables and accrued expenses	433,639	851,873
Commission payable	842	32,722
Auditors fees	10,000	-
Creditors' claims under administration	355,683	-
	2,338,047	1,801,865

A Creditors' Trust Deed has been established pursuant to the DoCA which will be used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts.

NOTE 18: FINANCIAL LIABILITIES

	2014	2013
	\$	\$
Current		
Finance lease liabilities	2,452	87,397
Bank overdraft	206,678	201,460
Shareholder loan	350,000	-
	559,130	288,857
Non-current		
Finance lease liabilities	-	81,570
Shareholder loan	-	200,000
	-	281,570

The Group has an overdraft facility of \$200,000 (2013: \$200,000). The Group has borrowed funds via an equipment finance facility to assist with upgrading the fleet of motor vehicles. The facility balance is \$2,452 (2013: \$168,967) at the end of the reporting year. UCW Limited is guarantor for the amount borrowed, and the vehicles purchased are provided as security for borrowings.

NOTE 19: PROVISIONS

Current		
Promotions	22,393	42,506
Employee benefits	245,570	257,000
Employee entitlements due to administration	279,684	-
	547,647	299,506
Non-current		
Employee benefits	-	31,634
	-	31,634
Aggregate employee benefits liability	525,254	288,634

A provision of \$22,393 (2013: \$42,506) has been recognised for estimated promotional costs payable in respect of the Independent Sales Consultant's achieving specific criteria. The provision for promotion has been based on known or budgeted costs for each promotion. Amounts are allocated monthly over the qualifying period using a fixed rate as a percentage of party sales or based on future estimated costs.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: PROVISIONS (Continued)

Movement in provision is as follows:

	2014	2013
	\$	\$
Promotions		
Opening balance	*	143,602
Additional provision	*	72,300
Amounts used	*	(166,547)
Unused amounts reversed	*	(6,849)
Closing balance	*	42,506
Employee benefits		
Opening balance	*	277,040
Additional provision	*	161,497
Amounts used	*	(149,903)
Closing balance	*	288,634

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

NOTE 20: SHARE CAPITAL

Fully paid ordinary shares - 86,400,000 (2013: 43,200,000)	23,241,146	22,809,146
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Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debts and capital includes ordinary shares and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

UCW Limited is guarantor for borrowings from Westpac Banking Corporation (the Bank) to the Group. The Group has, at the request of the Bank, been reducing its borrowings from the Bank. The Bank advised 5 April 2013, an announcement on the ASX, that the material adverse change in the Group's risk profile and security it has provided, based upon the release of 31 December half year results; "constitutes an event of default under the loan and security documentation and the Bank has reserved its rights to act under the default."

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

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

Payable

- not later than 1 year	*	237,505
- later than 1 year and not later than 5 years	*	612,668
	*	850,173
		850,173

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

Property Lease

The property lease is a non-cancellable lease with 4 year term, with rent payable monthly in advance.

Motor vehicles

Interest bearing loans have been entered into for 3 year term to finance the motor vehicle fleet.

Interest bearing liabilities

	2014	2013
	\$	\$
Payable		
- not later than 1 year	*	96,031
- later than 1 year and not later than 5 years	*	85,104
Minimum payments	*	181,135
Less: Future finance charges	*	(12,168)
Present value of minimum payments	*	168,967
		168,967
Included in the Statement of Financial Position as:		
Current financial liabilities	2,452	87,397
Non-current financial liabilities	-	81,570
	2,452	168,967
	2,452	168,967

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no current contingent liabilities or contingent assets.

NOTE 23: SEGMENT REPORTING

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group only operates in one business segment being the distribution of underwear and garments through the home party plan, which is supported by an administration office in Sydney, Australia. All segments assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared. Revenues sourced from New Zealand, the Group's only export market, are deemed not to be material and therefore disclosure of assets and revenues by geographic segment is deemed not to be required.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 24: CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operations with loss after income tax

Loss from ordinary activities after income tax	(2,288,546)	(1,365,404)
<i>Adjustments for non-cash items</i>		
Depreciation and amortisation expense	33,066	62,132
Net (profit) / loss on disposal of property, plant and equipment	(4,498)	23,781
Provision for bad debts due to administration	112,283	-
Impairment of other assets due to administration	42,066	-
Creditors' Claims under administration	355,683	-
Employee entitlements due to administration	279,684	-
<i>Changes in assets and liabilities</i>		
Trade and other receivables	2,135	(31,544)
Other assets	45,415	(58,971)
Inventories	730,443	1,522,396
Trade and other payables	180,499	327,989
Provisions	(63,177)	(89,503)
Cash flow from operating activities	<u>(574,947)</u>	<u>390,876</u>

(b) Credit standby arrangements with banks

Credit facility	*	682,000
Amount utilised	*	(358,574)
Unused credit facility	*	<u>323,426</u>

The major facilities are summarised as follows:

Bank overdrafts	*	200,000
Forward exchange cover	*	100,000
Bank guarantee	*	170,000
MasterCard corporate card	*	45,000
Westpac equipment finance	*	167,000
	*	<u>682,000</u>

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

NOTE 25: EVENTS AFTER BALANCE DATE

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

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

Under the Proposal, it was agreed that the Company would pay \$715,000 to the Deed Administrator for distribution under the DoCA to the Creditors' Trust in return for secured and unsecured creditors releasing all claims against the Company and their charge over the Company.

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

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: EVENTS AFTER BALANCE DATE (Continued)

However, under the Proposal certain unencumbered assets were retained by the Company. A Creditors' Trust Deed has been established pursuant to the DoCA which will be used to pay the Deed Administrator's fees and costs, the Administrator's fees and costs and the Trustees' fees and costs, with the balance distributed to creditors as full and final payment of the Company's outstanding debts. The syndicate lead by Pager Partners loaned the Company \$715,000 in order to effectuate the DoCA. This occurred on the 16 February 2015.

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

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

NOTE 26: RELATED PARTY TRANSACTIONS

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

The Company does not have sufficient information to disclose related party transactions for the year ended 30 June 2014 as it was placed into administration on the 6 March 2014.

Transactions with related parties for the year ended 30 June 2013:

- A rental lease for property existed between Undercoverwear Unit Trust, a subsidiary of UCW Limited, and the trustee of Undercoverwear Property Trust of which Ian Everingham held an interest during the year. This lease concluded on 21 December 2012. Ian Everingham resigned as director on UCW Limited on 14 December 2006, however continues to hold significant influence by way of indirect shareholdings held in trust and by other family members. Rent had been calculated at normal commercial rates, using an independent valuer. On 21 December 2012 UCW Limited terminated this lease agreement with make good of \$145,455 payable. The rent amount accrued for the year was \$471,121. The amount payable at 30 June 2013 was \$637,773. No interest has been paid on this amount.
- \$24,500 was paid to Boston First Capital for consulting services of UCW Limited Chairman Stuart Richardson.
- \$58,333 was paid to director, John Everett, during the year for consulting services of UCW Limited.
- A loan of \$200,000 was made by director John Everett to the consolidated entity to assist with the cost of changing premises during December 2012. The loan attracts compound interest rate of 10%. At 30 June 2013 interest of \$12,297 has been paid in relation to the loan.

Key management personnel compensation

	2014	2013
	\$	\$
Short term employee benefits	*	(677,016)

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

NOTE 27: FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT POLICIES

The financial instruments of the Group consist of cash, guarantee, deposit receivables and payables.

The Group did not use derivative financial instruments during the year.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27: FINANCIAL RISK MANAGEMENT (Continued)

Treasury risk management

Risk management is carried out by the Chief Executive Officer and members of the executive management team, under policies approved by the Board of Directors. Risks are identified and evaluated in close cooperation with the Group's management and the Board. The overall risk management strategy is to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk.

Interest rate risk

The Group's main 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 rate, arises from short term deposits.

The Group's policy is to ensure that the best interest rate is received for the short-term deposits. The Group uses a number of banking institutions, with a mixture of fixed and variable interest rates. Interest rates are reviewed prior to deposits maturing and re-invested at the best rate.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the consolidated financial statements.

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

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the purchase of goods in currencies other than the Group's measurement currency. The Group is able to pass on its risk from fluctuations in the foreign exchange rate through to its customers via catalogue pricing adjustments. The Group's exposure to foreign currency risk is reassessed prior to each new catalogue release, which is approximately every three months.

Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flow, matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are traded in highly liquid markets.

FINANCIAL INSTRUMENTS

Financial instruments composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statements of Financial Position.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 27: FINANCIAL RISK MANAGEMENT (Continued)

	Weighted average effective interest rate		Fixed interest rate maturing						Total	
	2014	2013	Within 1 year		1 - 5 years		Non-interest bearing		2014	2013
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Cash & cash equivalents			-	-	-	-	51,721	9,182	51,721	9,182
Receivables			-	-	-	-	8,870	123,287	8,870	123,287
Total financial assets			-	-	-	-	60,591	132,469	60,591	132,469
Financial liabilities										
Bank overdraft	*	12.31%	206,678	201,460	-	-	-	-	206,678	201,460
Trade & other payables			-	-	-	-	2,338,047	1,801,865	2,338,047	1,801,865
Interest bearing liabilities	*	8.62%	2,452	87,397	-	281,570	-	-	2,452	368,967
Total financial liabilities			209,130	288,857	-	281,570	2,338,047	1,801,865	2,547,177	2,372,292

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

Net fair values

The net fair value of cash, non-interest bearing monetary assets and financial liabilities approximate their carrying value.

Sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Interest rate sensitivity analysis

The effect on profit or loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014	2013
	\$	\$
Increase in interest by 2%	*	(18,776)
Decrease in interest by 2%	*	18,776

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

Foreign currency risk sensitivity analysis

The effect on purchases as a result of changes in the value of the Australian Dollar, with all other variables remaining constant would be as follows:

Improvement in AUD to USD by 15%	*	177,489
Decline in AUD to USD by 15%	*	(177,489)

* On 6 March 2014 the Company was placed into voluntary administration and the Company operations were suspended under the Administrators. The Company does not have sufficient information to allow this level of disclosure.

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 28: UCW LIMITED PARENT COMPANY INFORMATION

	2014	2013
	\$	\$
(a) Summarised statement of financial position		
Assets		
Total assets	-	109
Liabilities		
Total liabilities	<u>70,911</u>	<u>24,497</u>
Net assets	<u>(70,911)</u>	<u>(24,388)</u>
Equity		
Share Capital	23,241,146	22,809,146
Accumulated losses	<u>(23,312,057)</u>	<u>(22,833,534)</u>
Total equity	<u>(70,911)</u>	<u>(24,388)</u>
(b) Summarised statement of profit or loss and other comprehensive income		
Loss for the year	(478,523)	(1,365,404)
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive (loss) for the year	<u>(478,523)</u>	<u>(1,365,404)</u>

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

- 1) In the opinion of the Directors of UCW Limited (formerly Undercoverwear Limited) and its controlled entities ('the Group'):
 - a) as set out in note 1, although the Directors have prepared the consolidated financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the consolidated financial statements, notes thereto, and the remuneration disclosures contained in the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
 - (1) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
 - (2) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) Subject to the successful recapitalisation of the Company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors



Adam Davis
Executive Chairman
23 March 2015

**QUALIFIED INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
UCW LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of UCW Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements do not comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Because of the matter discussed in the Basis of Disclaimer of Auditor's Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*

Basis for Disclaimer of Auditor's Opinion

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

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

Disclaimer of Auditor's Opinion

In our opinion:

- (a) because of the existence of the limitation on the scope of our work, as described in the Basis for Disclaimer of Auditor's Opinion paragraph noted above, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are

unable to, and do not express, an opinion as to whether the financial report of UCW Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of their performance for the year ended on that date;
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (iii) complying with all the requirements of the International Financial Reporting Standards.

Report on the Remuneration Report

We have audited the remuneration report included on pages 8 to 11 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Disclaimer of opinion

Because of the existence of the limitation on scope of our work, as described in the Basis of Disclaimer of Auditor's Opinion, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to, and do not express, an opinion on the remuneration report of UCW Limited for the year ended 30 June 2014 and whether it complies with Section 300A of the Corporations Act 2001.

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

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
23 March 2015

23 March 2015

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

Dear Directors

RE: UCW LIMITED

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

As Audit Director for the audit of the financial statements of UCW Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

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



Martin Michalik
Director

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

ASX ADDITIONAL INFORMATION

NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 18 March 2015

ORDINARY SHARES:

17,280,024 fully paid pre consolidation ordinary shares held by 535 individual shareholders

All ordinary shares carry one vote per share

DISTRIBUTION OF HOLDERS IN EACH CLASS OF EQUITY SECURITIES:

TOTAL HOLDERS FULLY PAID ORDINARY SHARES

Range	Securities	%	No. of holders	%
100,001 and Over	15,740,456	91.09	13	2.43
10,001 to 100,000	981,389	5.68	35	6.54
5,001 to 10,000	192,064	1.11	27	5.05
1,001 to 5,000	244,979	1.42	86	16.07
1 to 1,000	121,136	0.70	374	69.91
Total	17,280,024	100.00	535	100.00

UCW LIMITED (FORMERLY UNDERCOVERWEAR LIMITED) AND ITS CONTROLLED ENTITIES

ASX ADDITIONAL INFORMATION

TOP 20 HOLDERS OF EQUITY SECURITIES AS AT 18 MARCH 2015:

Rank	Name	18 Mar 2015	%IC
1	THE CLOTHING GROUP LIMITED	8,640,000	50.00
2	MR JOHN EVERETT & MS SONYA EVERETT	3,426,565	19.83
3	RECONE PTY LTD	772,035	4.47
4	UNION PTY LIMITED	557,225	3.22
5	NATIONAL NOMINEES LIMITED	544,034	3.15
6	MR IAN GARNSEY EVERINGHAM & MRS CHRISTINE MARY EVERINGHAM	497,298	2.88
7	MR IAN GARNSEY EVERINGHAM & MR GEORGE ALLAN FLEMING	330,669	1.91
8	MRS JEANNETTE RICHARDSON	240,243	1.39
9	CONTEMPLATOR PTY LTD	179,503	1.04
10	J P MORGAN NOMINEES AUSTRALIA LIMITED	153,857	0.89
11	ALAN DENIS VINCENT & ELAINE MARGARET VINCENT	140,000	0.81
12	MR CRAIG PHILLIP O'SHANNESY	135,543	0.78
13	FLST PTY LTD	123,484	0.71
14	MRS JEANNETTE RICHARDSON	84,420	0.49
15	MR JOHANNES JACOBUS VAN KUYK	79,039	0.46
16	MRS MARINA SNYMAN	78,294	0.45
17	RUMINATOR PTY LTD	58,013	0.34
18	MR PETER KENT MCRITCHIE	52,776	0.31
19	MS GAIL GORHAM	51,000	0.30
20	MR RAHMON COUPE & MRS JULIA COUPE	36,700	0.21
	Total	16,180,698	93.64
	Balance of register	1,099,326	6.36
	Grand total	17,280,024	100.00

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Name	No. of ordinary shares	% ordinary shares
THE CLOTHING GROUP LIMITED	8,640,000	50.00
MR JOHN EVERETT & MS SONYA EVERETT	3,426,565	19.83

As at the 18th of March 2015, all holders held less than a marketable parcel of shares until such time as the recapitalisation is completed.