

Appendix 4E

Preliminary final report

Name of entity: UnderCoverWear Limited

ABN: 85 108 962 152

Details of the reporting period

Current period 1 July 2010 to 30 June 2011

Previous corresponding period 1 July 2009 to 30 June 2010

Results for announcement to the market

	\$	Up / down	Movement %
Revenues	17,049,933	down	28.9%
(Loss) from ordinary activities after tax attributable to members	(16,163,504)	up	180.2%
(Loss) for the period attributable to members	(16,163,504)	up	180.2%

<i>Dividends</i>	Amount per share cents	Franked amount per security cents
Interim	-	-
Final	-	-

Record date for determining entitlements to dividends N/A

The loss includes goodwill impairment of \$14,617,499.

Statement of Comprehensive Income

	Consolidated Entity	
	2011 \$	2010 \$
Revenue	17,049,933	23,696,617
Changes in inventories of finished goods and work in progress	(5,606,382)	(4,628,248)
Raw materials and consumables used	(2,706,892)	(5,301,695)
Distribution costs	(872,711)	(1,193,651)
Commissions paid	(1,224,440)	(1,695,440)
Promotions and advertising expense	(1,724,051)	(2,395,340)
Depreciation and amortisation expense	(260,476)	(200,797)
Impairment expense	(14,617,499)	(6,300,000)
Insurance expense	(168,349)	(160,024)
Employee benefits expense	(4,084,167)	(4,835,141)
Rental expenses	(1,105,599)	(940,035)
Finance costs	(194,017)	(87,696)
Other expenses	(1,311,140)	(1,634,735)
Loss before income tax expense	(16,825,790)	(5,676,185)
Income tax benefit/(expense)	662,286	(92,546)
Loss attributable to members of the parent entity	(16,163,504)	(5,768,731)
Other comprehensive income	-	-
Total comprehensive income for the year	(16,163,504)	(5,768,731)

Statement of Financial Position

	Consolidated Entity	
	2011 \$	2010 \$
CURRENT ASSETS		
Cash and cash equivalents	36,030	308,322
Trade and other receivables	1,387,350	786,466
Inventories	2,801,614	4,365,924
Other current assets	68,589	194,755
TOTAL CURRENT ASSETS	4,293,583	5,655,467
NON-CURRENT ASSETS		
Plant and equipment	843,271	1,266,021
Deferred tax assets	313,549	359,178
Intangible assets	-	14,617,499
TOTAL NON-CURRENT ASSETS	1,156,820	16,242,698
TOTAL ASSETS	5,450,403	21,898,165
CURRENT LIABILITIES		
Bank overdraft	1,190,085	-
Trade and other payables	1,689,552	1,997,734
Interest bearing liabilities	409,949	454,463
Short-term provisions	434,402	1,038,660
TOTAL CURRENT LIABILITIES	3,723,988	3,490,857
NON-CURRENT LIABILITIES		
Interest bearing liabilities	129,045	653,361
Long-term provisions	88,474	68,872
Deferred tax liabilities	56,240	68,915
TOTAL NON-CURRENT LIABILITIES	273,759	791,148
TOTAL LIABILITIES	3,997,747	4,282,005
NET ASSETS	1,452,656	17,616,160
EQUITY		
Issued capital	22,809,146	22,809,146
Retained earnings	(21,356,490)	(5,192,986)
TOTAL EQUITY	1,452,656	17,616,160

Statements of Cashflows

	Consolidated Entity	
	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	18,729,401	26,016,528
Payments to suppliers and employees	(19,550,899)	(24,412,671)
Interest received	66	36,710
Dividends & trust distributions received	37	34
Finance costs	(194,017)	(87,696)
Income taxes paid	(44,035)	(552,342)
Net cash (used in)/provided by operating activities	(1,059,447)	1,000,563
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	180,664	-
Purchase of property, plant and equipment	(14,764)	(1,330,825)
Share buy back	-	(1,151,604)
Net cash (used in)/provided by investing activities	165,900	(2,482,429)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid by parent entity	-	(1,019,953)
Proceeds from borrowings	(568,830)	1,107,824
Net cash (used in)/provided by financing activities	(568,830)	87,871
Net decrease in cash & cash equivalents held	(1,462,377)	(1,393,995)
Cash & cash equivalents at beginning of financial year	308,322	1,702,317
Cash & cash equivalents at the end of financial year	(1,154,055)	308,322

Details of dividend / distribution reinvestment plan

At 30 June 2011, there was no dividend reinvestment plan in operation for UnderCoverWear Limited.

Retained Earnings

	Ordinary Share Capital	Retained Earnings	Total
	\$	\$	\$
Consolidated Entity			
Balance at 1 July 2009	23,960,750	1,595,698	25,556,448
Total comprehensive income for the year	-	(5,768,731)	(5,768,731)
Shares bought back during the period	(1,151,604)	-	(1,151,604)
Dividends paid	-	(1,019,953)	(1,019,953)
Balance at 30 June 2010	22,809,146	(5,192,986)	17,616,160
Total comprehensive income for the year	-	(16,163,504)	(16,163,504)
Balance at 30 June 2011	22,809,146	(21,356,490)	1,452,656

Net Tangible Assets per security

	30 June 2011	30 June 2010
Net tangible asset backing per ordinary security	3.36 cents	6.94 cents

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

N/A

Details of associates and joint venture entities

N/A

Accounting standards

The financial report is a general purpose financial report that 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.

Results for the period***Earnings per security***

	2011 \$	2010 \$
Basic loss per share (cents)	(37.42)	(12.92)
Diluted loss per share (cents)	(37.42)	(12.92)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	43,200,000	44,641,982

Commentary on the results for the period

The result is disappointing and below expectations. It has been a challenging year.

The result includes one off expenses relating to staff redundancy costs of \$300,000 and aged inventory write downs of \$1.6m. The Board has reviewed the carry value of goodwill and written all remaining goodwill off. The goodwill write-off was \$14,617,499.

The management team has reviewed all aspects of the business. Staff numbers have been reduced by 25% at head office, the majority of manufacturing has been relocated offshore and the focus very much on growing consultant numbers.

The process of re-building has begun in relation to product quality, sizing consistency, and availability. The number of products per catalogue has been brought back to a manageable size for the sales consultants. Consistency of training and practices within the field of sales consultants is taking shape and a training program is scheduled for role out in 2012. All areas of the business are being reviewed to ensure best practice and a strict attention to costs.

Qualification of audit / review

The accounts are in the process of being audited.



Stuart Richardson
Director

Dated 30th August 2011