Concept Sports Limited
ACN. 108 042 593

CONCEPT SPORTS LIMITED
(ABN 41 108 042 593)

ANNUAL REPORT

FOR THE FINANCIAL PERIOD ENDED

30 JUNE 2004

Corporate Directory

Directors

Leon Daphne (Chairman)
Gary March (Managing Director)
David Carter
Steve Rolton
Jeff Taylor

Company Secretary

Scott Munro

Registered Office

Unit 11
331 Ingles Street
Port Melbourne Vic 3207

Auditors

Pitcher Partners
Level 6
161 Collins Street
Melbourne Victoria 3000

Website

www.conceptsports.com.au

Share Registry

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford Victoria 3067

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DIRECTORS REPORT

In accordance with a resolution of the directors of Concept Sports Limited and its controlled entities ("Concept Sports" or the "Company"), the Director's present their report, the financial statements and the auditor's report of Concept Sports for the period ended 30 June 2004.

Directors

The following persons were Directors of the Company during the financial period and up to the date of this report:

Leon Daphne (Independent Non-Executive Chairman)
Gary March (Managing Director)
David Carter
Jeff Taylor
Steven Rolton
John Moore (resigned 28 September 2004)

Further details on the Directors are set out below.

Principal activities

The principal activities of the Company during the financial period were:

- wholesale of licensed products;
- event retailing for annual and recurring sporting events; and
- event retailing for major international sporting events.

There were no significant changes in the nature of the activities of the Company during the period.

Operating result for the period

The consolidated loss after income tax for the period ended 30 June 2004 was $2,971,252.

Review of operations

Concept Sports was established on 4 March 2004 for the purpose of acquiring Concept Sports International Pty Ltd and its controlled entities. The acquisition was effective 1 January 2004 and in accordance with the prospectus dated 18 May 2004. During the financial period the Company has undertaken on-site event merchandising at the European Football Championships held in Portugal and subsequent to 30 June 2004, at the Athens Olympic Games 2004 (through a joint venture company, Venue Retailing S.A.). The Company has also continued to distribute licensed consumer products through on site merchandising outlets at major sporting events, on-site merchandising at recurring sporting events including the Australian Grand Prix, the Rugby State of Origin and wholesale to retailers.

State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the period other than as disclosed in this report.

Likely developments

The Company will continue to operate in its three principal areas as set out in this report subject to the continued review of its operations by the Board of Directors.

The Company will start to put in place operating structures for the Torino Winter Olympics 2006 and continue event merchandising at the America's Cup which will culminate in Valencia in 2007.

DIRECTORS REPORT (continued)

Events subsequent to balance date

All events of material significance have been reported. There has been no other event, item or transaction between the end of the financial year and the date of this report of a material and unusual nature which is likely, in the opinion of the Directors, to have significant effect on the Company's operations, results or outcomes in subsequent years.

Environmental Regulation

The Company's operations are not materially affected by environmental regulations.

Dividends

No dividends were paid or declared by the Company to the holders of shares in the Company during the financial period ended 30 June 2004 or since the end of that financial period.

Information on Directors

Leon Daphne – Non-executive Independent Chairman

Qualifications	Grad Dip (Mgt Systems)
Experience	Appointed Director and Chairman of the Company on 18 March 2004. Director of Nissan Motor Company (Australia) Pty Ltd, Nissan New Zealand Limited, Nissan Casting Australia Pty Ltd.
Interest in Shares and Options	200,000 Ordinary Shares in Concept Sports Limited and Options to acquire a further 200,000 Ordinary Shares
Special Responsibilities	Mr Daphne is Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee

Gary March – Managing Director

Experience	Board member since 18 March 2004. Founding director of Concept Sports International Pty Ltd
Interest in Shares and Options	11,873,664 Ordinary Shares in Concept Sports Limited Beverley March, the wife of Gary March also holds 8,905,248 ordinary shares in Concept Sports Ltd.

Jeff Taylor – General Manager

Qualifications	Ba App Sci (EDP)
Experience	Board member since 4 March 2004. Founding director of Concept Sports International Pty Ltd
Interest in Shares and Options	8,905,248 Ordinary Shares in Concept Sports Limited held by Jelor Software Pty Ltd, a company controlled by Jeff Taylor

Steve Rolton – Retail Sales Director

Experience	Board member since 4 March 2004. Founding director of Steve Rolton Agencies Pty Ltd, a wholly owned subsidiary of Concept Sports Ltd.
Interest in Shares and Options	4,047,840 Ordinary Shares in Concept Sports Limited Jennielou Rolton also holds 4,047,840 Ordinary shares in Concept Sports Ltd.

DIRECTORS REPORT (continued)

David Carter – Director (Non-executive and independent)

Qualifications	Bec., LLB (Hons), LLM, BCL (Oxon)
Experience	Board member since 4 March 2004. Former partner and now consultant to global law firm, Baker & McKenzie. Chairman TSV Holdings Limited. Director VENCorp
Interest in Shares and Options	100,000 Ordinary Shares in Concept Sports Limited and Options to acquire a further 100,000 Ordinary Shares.
Special Responsibilities	Mr Carter is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee.

Directors' Meetings

The number of Board meetings and Board committee meetings held during the period and each Director's attendance at those meetings is as follows:

	Board Meetings		Audit & Risk Management Committee		Nomination & Remuneration Committee	
Director	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Leon Daphne (Appointed 18 March 2004)	5	5	-	-	-	-
Gary March (Appointed 18 March 2004)	5	3	N/A	N/A	N/A	N/A
David Carter (Appointed 4 March 2004)	6	6	-	-	-	-
Jeff Taylor (Appointed 4 March 2004)	6	6	N/A	N/A	N/A	N/A
Steve Rolton (Appointed 4 March 2004)	6	5	N/A	N/A	N/A	N/A
John Moore (Appointed 18 March 2004, resigned 28 September 2004)	5	4	-	-	-	-

DIRECTORS REPORT (continued)

Directors & officer remuneration

Total remuneration to non-executive directors has been fixed by shareholders at $250,000. This amount is divided amongst the directors as they determine. That determination is based on a recommendation of the remuneration and nomination committee.

Non-executive directors may elect to take their directors fees by way of shares pursuant to the Non-Executive director Share Plan. The price of shares issued under that Plan is the five day weighted average of the price at which shares in the Company were traded on the ASX up to the day of allocation. All non-executive directors have notified the Company that they will take their remuneration as shares pursuant to the Non-Executive Director Share Plan for the financial period ending 30 June 2004.

DIRECTORS REPORT (continued)

Directors

	Salary and Fees $	Superannuation Contribution $	Non Cash Benefits $	Shares and Options (1) $	Total $
Leon Daphne (appointed 18 March 2004)	15,822	1,424	-	101,725	118,971
Gary March (appointed 18 March 2004)	50,000	4,500	6,911	-	61,411
Jeff Taylor (appointed 4 March 2004)	37,180	3,346	-	-	40,526
Steve Rolton (appointed 4 March 2004)	50,000	4,500	6,247	-	60,747
David Carter (appointed 4 March 2004)	11,507	1,036	-	50,863	63,406
John Moore (appointed 18 March 2004, resigned 28 September 2004)	8,630	777	-	50,000	59,407
	173,139	15,583	13,158	202,588	404,468

Officers

	Salary and Fees $	Superannuation Contribution $	Non Cash Benefits $	Shares and Options (1) $	Total $
David Fulford (Company Secretary, resigned 29 September 2004)	42,660	3,789	1,955	863	49,267
Scott Munro (Company Secretary, appointed 29 September 2004)	-	-	-	-	-
	42,660	3,789	1,955	863	49,627

(1) Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Directors' Interests and Benefits

Shares

The Directors hold the following interests in ordinary shares in the Company. The number of ordinary shares includes restricted securities.

	Concept Sports Ltd Ordinary Shares
Leon Daphne	200,000
Gary March (1)	20,778,912
Jeff Taylor (2)	8,905,248
Steve Rolton (3)	8,095,680
David Carter	100,000
John Moore (resigned 28 September 2004)	100,000
	38,179,840

(1) Includes 8,905,248 shares held by Beverley March, wife of Gary March.
(2) Jelor Software Pty Ltd, a company controlled by Jeff Taylor, is the beneficial holder of the shares.
(3) Includes 4,047,840 shares held by Jennielou Rolton.

During or since the financial period, no Director has received or become entitled to receive a benefit because of a contract that the Director or a firm of which the Director is a member or an entity in which the Director has a substantial financial interest made with the Company.

DIRECTORS REPORT (continued)

Options

The following options have been granted to Directors and the 5 most senior executive officers of the Company as follows:

		Concept Sports Ltd Options
Leon Daphne		200,000
David Carter		100,000
John Moore	(1)	100,000
Anita Chandler		100,000
Melissa Woolfe		50,000
Cameron Wright		50,000
David Fulford	(1)	100,000
		700,000

(1) As a result of resignation these options will not vest, in accordance with the provisions of granting.

All of the issued options have an exercise price of 50 cents per share and vest over a 4 year period, subject to the continued employment of the particular non-executive Director and key employee's continued employment. No options have been issued to Executive Directors of Concept Sports. The above options expire on 16 April 2008.

All options were granted in the period ended 30 June 2004 in accordance with terms of the prospectus dated 18 May 2004.

Audit Committee

The Audit Committee comprises of Mr Carter (Chairman) and Mr Daphne. The Committee meets four times per year, and as otherwise considered necessary, to review the Company's financial information to ensure its accuracy and timeliness. The Audit and Risk Management Charter providing terms of reference was approved on 8 April 2004.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises of Mr Daphne (Chairman) and Mr Carter. The Committee meets twice a year, and as otherwise considered necessary, to review the Company's remuneration structure and the performance of directors and executives. The Remuneration and Nomination Charter was approved by the Board on 8 April 2004.

Company Secretary – appointed 29 September 2004, Scott Munro B.Ec., LLB, Grad. Dip. (CSP), ACIS, Grad. Dip. (REL)

Mr Scott Munro was appointed as Company Secretary on 29 September 2004.

Company Secretary – resigned 29 September 2004, David Fulford CPA, AIMM

During the period, David Fulford was the Company Secretary of the Company. Mr Fulford became Company Secretary in March 2004. Mr Fulford resigned as Company Secretary on 29 September 2004.

Indemnification and insurance of officers.

During the financial year the Company paid a premium in respect of a contract insuring all the Directors, Secretary and executive officers against certain liabilities that may arise from their position as officers of the Company. The contract prohibits disclosure of the nature of the liabilities insured, the premium and sum insured.

This report is signed in accordance with a resolution of the Directors.

....
Mr. Leon Daphne
30 September 2004

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Concept Sports is dedicated to achieving the highest standards of ethical behaviour and corporate governance. To meet this aim, Concept Sports has adopted the majority of the corporate governance policies and practices based upon the ten principles set out in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

This statement sets out the main corporate governance practices that the Company had in place during the reporting period.

Principle 1: Laying solid foundations for management and oversight

The role of the Board is to provide strategic guidance for Concept Sport, to oversee the Company's management and to regularly review performance. The directors' focus is to act in the best interests of shareholders and other stakeholders.

The Board operates in accordance with Concept Sports' Constitution and Board Charter which describe the Board's composition, functions and responsibilities and identifies authority reserved to the Board and that which is delegated to management. A copy of Concept Sports' Board Charter can be obtained from the Company's website at www.conceptsports.com.au.

Principle 2: Structuring the Board to add value

Board Composition

As at the date of this report the Board comprises of 5 directors:

Leon Daphne	(Independent Non-Executive Chairman);
Gary March	(Managing Director);
David Carter	(Independent Non-Executive Director);
Jeff Taylor	(Executive Director); and
Steve Rolton	(Executive Director).

Under the Company's Constitution, there must be a minimum of 3 Directors and a maximum of 12. In addition, a Director (other than the Managing Director) may not retain office for more than 3 years without submitting to re-election. In effect, one third of Directors in office (with the exclusion of the Managing Director) retire by rotation at the Annual General Meeting. Those retiring Directors must seek re-election by the shareholders.

The shareholders may, by resolution in general meeting, remove and replace a Director.

Independence of Directors

All non-executive directors of Concept Sports including the Chairman are considered independent. The independence of directors is assessed pursuant to the Company's policy on independence of directors which is based upon the Australian Stock Exchange Corporate Governance Council Best Practice Recommendations ("ASX Recommendations"). In relation to director independence, materiality is determined on both a qualitative and quantitative basis.

Based on the assessment of independence of Directors conducted by the board two Directors are independent and three are not. Therefore the Company does not satisfy the ASX Recommendation as the majority of Directors are not independent.

Independent advice

Directors may, with the reasonable approval of the Chairman, obtain independent professional advice at the Company's cost, in relation to their position while acting as a Director of the Company.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (continued)

Nomination and Remuneration Committee

The Board has created the Nomination and Remuneration Committee. The Nomination and Remuneration Committee comprises Mr Carter and Mr Daphne as Chairman. It is a policy of the Board that members of the Nomination and Remuneration Committee be non-executive Directors. The Committee operates within a Charter which can be found in the Corporate Governance section of the Company website at www.conceptsports.com.au.

The Committee is responsible for assisting in identifying potential directors and to assist current directors understand the duties, responsibilities and the criteria that the Board considers appropriate for selection of directors. The Committee also assists the Board in evaluating the performance of executives, directors and members of Board Committees.

Principle 3: Promotion of Ethical and Responsible Decision-making

Concept Sports is committed to the principles of efficiency, honesty and fairness in undertaking its activities and seeks to maintain the highest standard of integrity.

Concept Sports has adopted a Directors' Code of Conduct to guide Directors and officers in relation to the standards that are expected of them. In addition, the Board has adopted a Share Trading Policy that regulates dealing by officers and employees in shares and other securities issued by Concept Sports. The policy seeks to ensure that officers and employees are aware of the legal restrictions on trading in Company shares while in possession of unpublished price-sensitive information and establishes a procedure for trading by officers and employees which ensures integrity and market confidence.

Copies of both the Directors' Code of Conduct and the Share Trading Policy can be found in the Corporate Governance section of the Company website at www.conceptsports.com.au

Conflict of interest

Directors must keep the board apprised of any potential conflicts of interest they may have with the interests of the Company.

Principle 4: Safeguarding Integrity in Financial Reporting

The Board has created the Audit Committee to oversee the Company's financial reporting processes and ensure it meets its reporting obligations. The Chairman of this committee is an independent non executive who is not Chairman of the Board. The Committee operates within a Charter which can be found in the Corporate Governance section of the Company website at www.conceptsports.com.au.

The Audit Committee comprises Mr Carter as Chairman and Mr Daphne. It is a policy of the Board that members of the Audit Committee be non-executive Directors and that the majority be independent.

The Audit Committee reviews the Company's financial information to ensure its accuracy and timeliness. The Committee's functions include reviewing the Company's accounting policies, assessing the effectiveness and independence of the external audit and considering risk management and compliance issues.

As of 1 July 2004, for that year end, the chief executive officer and chief financial officer are required to state in writing to the Board that the financial reports present a materially true and fair view of the Company's financial condition and the operational results are in accordance with relevant accounting standards. No representations were obtained for the 30 June 2004 period.

Principle 5: Timely and Balanced Disclosure

Concept Sports is committed to open, prompt and regular communications with the market.
Under the ASX Listing Rules, the Company has an obligation to inform the market of information that may have a material affect on the price or value of the Company's securities. To meet these obligations, the Board has adopted a Continuous Disclosure Policy which contains policies and procedures designed to ensure accountability at the senior management level for compliance with disclosure obligations.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

A disclosure sub-committee of the Board has also been established which comprises the Managing Director, the Company Secretary and one other non-executive director as determined by the Board. The role of the Disclosure Committee is to ensure that Concept Sports fulfils its disclosure requirements and to ensure that information is communicated to the market in a timely fashion.

The Continuous Disclosure Policy can be found in the Corporate Governance section of the Company website at www.conceptsports.com.au.

Principle 6: Respecting the Rights of Shareholders

The Board of Directors has a primary responsibility to its shareholders and the maintenance of active channels of communication with shareholders forms an integral part of this responsibility.

The Board aims to ensure that shareholders are informed of all major developments affecting Concept Sports in a timely fashion via the Announcements section of Concept Sports' website at www.conceptsports.com.au. Shareholders may wish to receive the Company's news and announcements via email by registering to receive Email Alerts. For details, go to the Investor Centre on the Company's website.

In addition, information is communicated via the distribution of the Annual Report, the lodging of a half yearly report with ASIC and the ASX and the distribution of notices to all Shareholders informing them of shareholder meetings.

The Board encourages shareholder participation at general meetings and will provide for shareholder questions in all meetings.

The Board will invite the Company auditors to attend the annual general meeting. Shareholders can ask questions of the auditors, with appropriate notice.

Principle 7: Recognising and Managing Risk

Concept Sports understands the need for an effective system of risk oversight, management and internal control. The Board is responsible for the overall control framework of the Company. The organisational structure has lines of accountability and adherence to the company policy is required at all times.

Concept Sports' internal control system is based on procedures, policies and guidelines and appropriate division of responsibility criteria. The Board Code of Conduct and the Audit Committee help recognise and manage risk.

Concept Sports is finalising the documentation of the risk management strategy which will be posted to the Company's internet website when it is approved by the Board.

As of 1 July 2004, for that year end, the chief executive officer and chief financial officer are required to state in writing to the Board that the statements made by them regarding the integrity of the financial statements is founded on a sound system of risk management , internal compliance and control systems which, in all material respects, implements the policies adopted by the board of directors and that the risk management and internal compliance and control systems, to the extent that they relate to financial reporting, are operating effectively and efficiently, in all material respects. No representations were obtained for the 30 June 2004 period.

Principle 8: Encouraging Enhanced Performance

The Nomination and Remuneration Committee is responsible for ensuring performance evaluation of the Board and key executives and for the implementation of induction procedures for new Board members.

Given that Concept Sports only listed on the Australian Stock Exchange in June 2004, a performance evaluation for the Board and its members did not take place in the last reporting period. A formal performance review procedure is being finalised and a performance evaluation will occur during the next reporting period.

The Committee's duties and responsibilities is set out in its Charter which can be found in the Corporate Governance section of the Company website at www.conceptsports.com.au.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Principle 9: Fair and Responsible Remuneration

Concept Sports is aware that fair remuneration is essential for attracting and holding onto talented and motivated directors and employees that will enhance the Company's performance. The Company is also aware that remuneration should be responsible and that there should be a clear relationship between performance and remuneration.

Executive Remuneration is fixed by the Board and may comprise salary or commission on or participation in profits of the Company.

Non-executive Remuneration comprises fixed remuneration, including superannuation, which is set at a level that reflects the marketplace. The fees payable to Directors (including equity based payments) must not be increased without the prior approval of Members at a general meeting.

Further information on remuneration can be found in the Nomination and Remuneration Committee Charter on the Company website at www.conceptsports.com.au, and in the Constitution of Concept Sports, a copy of which can be obtained from the Company on request.

Principle 10: Recognising Legitimate Interests of Stakeholders

Concept Sports recognises that it has a responsibility to shareholders, employees, clients and the community as a whole and is committed to corporate practices that reflect these responsibilities. The Company requires that the Directors and staff of the Company act in a manner that reflects the highest standards of behaviour and professionalism. It emphasises the need for honesty and integrity in all areas and in particular, in relation to legal compliance, record keeping, conflicts of interest and confidentiality.

Concept Sports has adopted a Directors' Code of Conduct to guide Directors and officers in relation to the standards expected of them by the Company. The Directors' Code of Conduct can be found in the Corporate Governance section of the Company website at www.conceptsports.com.au.
Given that Concept Sports only listed a short time ago, a Corporate Code of Conduct has not yet been adopted. A Corporate Code of Conduct is being finalised and will be posted to the Company's website during the next reporting period.

CONCEPT SPORTS LIMITED (ABN 41 108 042 593)
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 30 JUNE 2004

	Note	Economic Entity 2004	Parent Entity 2004
Revenues from ordinary activities	2	13,904,563	6,988
Changes in inventories of finished goods and work in progress		4,026,185	-
Materials and consumables used		(11,316,785)	-
Royalty expense		(3,004,921)	-
Employee benefits expense		(1,999,796)	(39,195)
Occupancy expense		(388,389)	-
Event expense		(780,428)	-
Advertising expense		(111,078)	-
Freight expense		(83,540)	-
Travel expense		(91,140)	-
Depreciation and amortisation expense	3	(609,944)	-
Borrowing costs expense	3	(164,897)	-
Other expenses from ordinary activities		(1,557,571)	(6,148)
Write down carrying value of associates accounted for using the equity method	12a	(30,614)	-
Loss from ordinary activities before income tax expense	3	(2,208,355)	(38,355)
Income tax expense relating to ordinary activities	4	(861,126)	-
Loss from ordinary activities after related income tax expense		(3,069,481)	(38,355)
Net loss attributable to outside equity interests	24	98,229	-
Total changes in equity other than those resulting from transactions with owners as owners	23	(2,971,252)	(38,355)
Basic loss per share	7	(7.5)	cents per share
Diluted loss per share	7	(7.5)	cents per share

The accompanying notes form part of these financial statements.

CONCEPT SPORTS LIMITED (ABN 41 108 042 593)
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	Economic Entity 2004	Parent Entity 2004
CURRENT ASSETS			
Cash assets	8	9,918,826	3,530
Receivables	9	2,529,923	10,552,704
Inventories	10	6,161,228	-
Other	17	243,330	-
TOTAL CURRENT ASSETS		18,853,307	10,556,234
NON-CURRENT ASSETS			
Other financial assets	13	-	18,889,920
Plant and equipment	15	1,178,413	-
Intangible assets	16	20,122,110	-
TOTAL NON-CURRENT ASSETS		21,300,523	18,889,920
TOTAL ASSETS		40,153,830	29,446,154
CURRENT LIABILITIES			
Payables	18	11,286,051	287,084
Interest-bearing liabilities	19	2,266,011	-
Current tax liabilities	20	6,112	-
Provisions	21	265,781	-
TOTAL CURRENT LIABILITIES		13,823,955	287,084
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	19	134,981	-
Provisions	21	56,321	-
TOTAL NON-CURRENT LIABILITIES		191,302	-
TOTAL LIABILITIES		14,015,257	287,084
NET ASSETS		26,138,573	29,159,070
EQUITY			
Contributed equity	22	29,197,425	29,197,425
Retained profits	23	(2,971,252)	(38,355)
Parent entity interest		26,226,173	29,159,070
Outside equity interest	24	(87,600)	-
TOTAL EQUITY		26,138,573	29,159,070

The accompanying notes form part of these financial statements.

CONCEPT SPORTS LIMITED (ABN 41 108 042 593)
AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2004

	Note	Economic Entity 2004	Parent Entity 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		14,453,369	-
Payments to suppliers and employees		(15,214,592)	(6,148)
Interest received		35,836	6,988
Borrowing costs		(164,897)	-
Income tax paid		(3,389)	(3,389)
Net cash provided used in operating activities	28a	(893,673)	(2,549)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(471,039)	-
Cash inflow on acquisition of subsidiary	28b	435,430	-
Net cash provided by used in investing activities		(35,609)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,479,874	10,479,874
Proceeds from borrowings		356,891	-
Advances to controlled entities		-	(10,473,795)
Advances to associate entities		(178,150)	-
Repayment of advances to associates		50,000	-
Repayment of finance liabilities		(87,892)	-
Net cash provided by financing activities		10,620,723	6,079
Net increase in cash held		9,691,441	3,530
Cash at beginning of period		-	-
Cash at end of period	8	9,691,441	3,530

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

Note 1 Statement of Significant Accounting Policies

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

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

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

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

a. **Principles of Consolidation**

A controlled entity is any entity controlled by Concept Sports Limited. Control exists where Concept Sports Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Concept Sports Limited to achieve the objectives of Concept Sports Limited. A list of controlled entities is contained in Note 14 to the financial statements.

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

Where controlled entities have entered the economic entity during the period, their operating results have been included from the date control was obtained.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. **Income Tax**

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

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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

Concept Sports Limited and wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Concept Sports Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered tax funding and tax sharing agreements whereby each company in the group contributes to the income tax payable in proportion to their contribution to net profit before tax of the tax consolidated group.

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of products includes direct costs 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.

d. **Plant and Equipment**

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Motor vehicles	15% straight line method
Office equipment	7-25% straight line method
Computer equipment	17-40% straight line method
Furniture, fixtures & fittings	17-40% straight line method
Leased plant and equipment	7.5-22.5% straight line method

Note 1 Statement of Significant Accounting Policies (continued)

e. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

f. **Investments**

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets for non-listed investments and the expected cash flows.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

g. **Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

h. **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are 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. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

i. **Foreign Currency Transactions and Balances**

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

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

For overseas controlled entities, which are integrated with the operations of the parent entity, the period end assets, liabilties and results are translated on the following basis:

- monetary items are translated at the spot rate at the reporting date;
- non-monetary and equity balances are translated at exchange rates current at the transaction dates;
- revenue and expense items are translated at the exchange rates current at the applicable transaction dates; and
- gains and losses arising on translation are taken directly to the statement of financial performance.

j. **Employee Benefits**

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

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

The company operates an ownership-based remuneration scheme through the employee option plan and the employee share scheme, details of which are provided in Note 30 to the financial statements.

k. **Cash**

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

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

l. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

m. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Note 1 Statement of Significant Accounting Policies (continued)

n. **Comparative information**
The parent company was incorporated on 4 March 2004. In accordance with the provision of the company prospectus dated 18 May 2004, the company acquired the subsidiary Concept Sports International Pty Ltd effective 1 January 2004. As this is the first reporting period for the group there will be no comparative information.

o **Adoption of Australian Equivalents to International Financial Reporting Standards**
Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing on or after 1 January 2005.

The economic entity's management are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

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

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

Goodwill
The current accounting policy of the entity is to amortise goodwill on a straight line basis over a period of 20 years. Amortisation of goodwill is to be prohibited. Under the proposed changes to the IAS 22: *Business Combinations*, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. The impairment test will determine the need for any write down of goodwill.

Foreign Currency Translation
Under the proposed changes on implementation of IFRS, foreign subsidiaries will no longer be classified as self-sustaining or integrated entities. Different translation rules will apply.

Income taxes
The economic entity currently adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Share based payments
The economic entity does not recognise share based payments for remuneration as an expense. Under the Australian equivalent to IFRS 2 Share Based Payments, any future outgoing for share based compensation to employees will be required to be recognised as an expense in respect of the services received.

CONCEPT SPORTS LIMITED (ABN 41 108 042 593)
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

	Note	Economic Entity 2004	Parent Entity 2004
Note 2 Revenue			
Operating activities			
— sale of goods		13,837,727	-
— interest received	2a	35,836	6,988
		13,873,563	6,988
Non-operating activities			
— proceeds on disposal of plant and equipment		31,000	-
		31,000	-
Total Revenue		13,904,563	6,988
a. **Interest revenue from:**			
— other persons		35,836	6,988

Note 3 Profit from Ordinary Activities

Profit from ordinary activities before income tax has been determined after:

	Economic Entity 2004	Parent Entity 2004
a. **Expenses:**		
Cost of sales	7,290,600	-
Borrowing costs:	164,897	-
Depreciation of non-current assets:		
— computer equipment	20,801	-
— motor vehicles	16,669	-
— office equipment	11,628	-
— furniture, fixtures and fittings	27,719	
Total depreciation	76,817	-
Amortisation of non-current assets:		
— goodwill	517,204	-
— leased motor vehicles	9,839	-
— leased furniture, fixtures and fittings	6,084	
Total amortisation	533,127	-
Foreign currency translation losses	34,570	-
Rental expense on operating leases		
— minimum lease payments	388,388	-
Net expense from movements in provisions:		
— Movement in employee provisions	29,259	-
— Movement in provision for doubtful debts	14,533	
— Movement in stock provisions	82,356	-
b. **Revenue and Net Gains**		
Net loss on disposal of non-current assets:		
— plant and equipment	139	-

	Note	Economic Entity 2004	Parent Entity 2004
Note 4 Income Tax Expense			
a. The prima facie tax on loss from ordinary activities before tax is reconciled to the income tax as follows:			
Prima facie tax payable on loss from ordinary activities before tax income tax at 30%		(662,507)	(11,507)
Add:			
Tax effect of:			
— non-deductible depreciation and amortisation		155,161	-
— other non-allowable items		50,021	
— foreign withholding tax credit not carried forward		81,762	
— future income tax benefit written off		779,364	
— future income tax benefit not brought to account		581,375	135,557
		985,176	124,050
Less:			
Tax effect of:			
— capital raising costs		124,050	124,050
Income tax expense attributable to loss from ordinary activities before income tax		861,126	-
The deferred tax assets not brought to account are:			
— timing differences		199,514	11,760
— carry forward losses		940,614	123,797
		1,140,128	135,557

Dividend franking account

The balance of the franking account at period end that could be distributed as franked dividends using franking credits already in existence or which will arise from the payment of income tax provided for in the financial statements.

Franking credits (measured on a tax paid basis)	269,817	

Note 5 Directors' and Executives' Remuneration

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

Parent Entity Directors

Leon Daphne (appointed 18 March 2004)	Chairman-Non-executive
Gary March (appointed 18 March 2004)	Managing Director-Executive
Jeff Taylor (appointed 4 March 2004)	Director-Executive
Stephen Rolton (appointed 4 March 2004)	Director-Executive
David Carter (appointed 4 March 2004)	Director-Non-executive
John Moore (appointed 18 March 2004, resigned 28 September 2004)	Director-Non-executive

Specified Executives

David Fulford	Chief financial officer
Anita Chandler	Licensing manager
Melissa Woolfe	General manager-apparel
Cameron Wright	Graphic fashion designer
Rohan Soraghan	Event manager

b. **Parent Entity Directors' Remuneration**

	Salary and Fees (1)	Superannuation Contribution	Non-Cash Benefits	Shares and Options (2)	**Total**
Leon Daphne (appointed 18 March 2004)	15,822	1,424	-	101,725	118,971
Gary March (appointed 18 March 2004)	50,000	4,500	6,911	-	61,411
Jeff Taylor (appointed 4 March 2004)	37,180	3,346	-	-	40,526
Stephen Rolton (appointed 4 March 2004)	50,000	4,500	6,247	-	60,747
David Carter (appointed 4 March 2004)	11,507	1,036	-	50,863	63,406
John Moore (appointed 18 March 2004, resigned 28 September 2004)	8,630	777	-	50,000	59,407
	173,139	15,583	13,158	202,588	404,468

(1) Subsequent to year end, non-executive directors have notified the Company that they will take their remuneration as shares persuant to the Non-Executive Director Share Plan.

c. **Specified Executives' Remuneration**

	Salary and Fees	Superannuation Contribution	Non-Cash Benefits	Shares and Options (2)	**Total**
David Fulford	42,660	3,789	1,955	863	49,267
Anita Chandler	30,180	2,716	-	10,863	43,759
Melissa Woolfe	34,038	3,063	-	431	37,532
Cameron Wright	20,184	1,615	-	431	22,230
Rohan Soraghan	28,333	2,550	-	5,000	35,883
	155,395	13,733	1,955	17,588	188,671

(2) Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Note 5 Directors' and Executives' Remuneration (continued)

d. **Options and Rights Holdings**

Number of Options held by Directors & Specified Executives

	Balance 1 January 2004	Granted as Remuneration	Options Exercised	Net Change Other*	Balance 30 June 2004
Directors					
Leon Daphne	-	-	-	200,000	200,000
David Carter	-	-	-	100,000	100,000
John Moore (resigned 28 September 2004) (1)	-	-	-	100,000	100,000
Specified Executives					
David Fulford (1)	-	-	-	100,000	100,000
Anita Chandler	-	-	-	100,000	100,000
Melissa Woolfe	-	-	-	50,000	50,000
Cameron Wright	-	-	-	50,000	50,000
	-	-	-	700,000	700,000

* The Net Change Other includes options issued during the period in accordance with the provisions of the Company prospectus dated 18 May 2004.

(1) As a result of resignation these options will not vest, in accordance with the provisions of granting.

	Total Vested 30 June 2004	Total Exercisable 30 June	Total Unexercisable 30 June 2004
Directors			
Leon Daphne	-	-	200,000
David Carter	-	-	100,000
John Moore (resigned 28 September 2004) (1)	-	-	100,000
Specified Executives			
David Fulford (1)	-	-	100,000
Anita Chandler	-	-	100,000
Melissa Woolfe	-	-	50,000
Cameron Wright	-	-	50,000
	-	-	700,000

(1) As a result of resignation these options will not vest, in accordance with the provisions of granting.

e. **Shareholdings**

Number of Shares held by Parent Entity Directors (and related parties) and Specified Executives

	Balance 1 January 2004	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30 June 2004
Parent Entity Directors					
Leon Daphne	-	-	-	200,000	200,000
Gary March (1)	-	-	-	20,778,912	20,778,912
Jeff Taylor (2)	-	-	-	8,905,248	8,905,248
Stephen Rolton (3)	-	-	-	8,095,680	8,095,680
David Carter	-	-	-	100,000	100,000
John Moore (resigned 28 September 2004)	-	-	-	100,000	100,000
Specified Executives					
Anita Chandler	-	-	-	20,000	20,000
Rohan Soraghan	-	-	-	10,000	10,000
	-	-	-	38,209,840	38,209,840

(1) Includes 8,905,248 shares held by Beverley March, wife of Gary March.
(2) Jelor Software Pty Ltd, a company controlled by Jeffrey Taylor, is the beneficial holder of the shares.
(3) Includes 4,047,840 shares held by Jennielou Rolton.
* The Net Change Other refers to shares issued as disclosed in the Company prospectus dated 18 May 2004-refer note 32(e)

f. **Remuneration Practices**

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

Executive Remuneration is fixed by the Board and may comprise salary or commission on or participation in profits of the Company. Non-executive Remuneration comprises fixed remuneration, including superannuation, which is set at a level that reflects the marketplace. The fees payable to Directors must not be increased without the prior approval of Members at a general meeting. The Company is also aware that remuneration should be responsible and that there should be a clear relationship between performance and remuneration.

	Note	Economic Entity 2004	Parent Entity 2004
Note 6 Auditors' Remuneration			
Remuneration of the auditor of the parent entity for:			
— auditing the financial report		40,000	-
— other services, including prospectus related services		138,629	-
Remuneration of other auditors of subsidiaries for:			
— auditing or reviewing the financial report of subsidiaries		26,287	-

Note 7 Earnings per Share

		Economic Entity 2004	Parent Entity 2004
Basic loss per share		(7.5) cents	
Diluted loss per share		(7.5) cents	
a. **Reconciliation of Earnings to Net Loss after income tax**			
Net loss after tax		(3,069,481)	
Net loss attributable to outside equity interest		98,229	
Earnings used in the calculation of basic EPS		(2,971,252)	
Earnings used in the calculation of dilutive EPS		(2,971,252)	
b. **Weighted average number of ordinary shares outstanding during the period used in calculation of basic EPS**		39,716,763	
Weighted average number of ordinary shares outstanding during the period used in calculation of dilutive EPS		39,716,763	

Note 8 Cash Assets

	Note	Economic Entity 2004	Parent Entity 2004
Cash on hand		56,545	-
Cash at bank		2,862,281	3,530
Deposits at call		7,000,000	-
		9,918,826	3,530

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

	Note	Economic Entity 2004	Parent Entity 2004
Cash		9,918,826	3,530
Bank overdrafts	19	(227,385)	-
		9,691,441	3,530

	Note	Economic Entity 2004	Parent Entity 2004
Note 9 Receivables			
CURRENT			
Trade debtors		1,666,906	-
Provision for doubtful debts		(100,000)	-
		1,566,906	-
Other debtors		784,867	78,909
Amounts receivable from:			
— wholly-owned subsidiaries		-	10,473,795
— associated companies		178,150	-
		2,529,923	10,552,704
Note 10 Inventories			
CURRENT			
Finished goods at cost		6,378,228	-
Provision for obsolescence		(217,000)	-
		6,161,228	-
Note 11 Investments Accounted for Using the Equity Method			
Associated companies	12	-	-
		-	-

Note 12 Associated Companies

Interests are held in the following associated companies

Name	Principal Activities	Ownership Interest 2004 %	Carrying Amount of Investment 2004 $
Unlisted:			
Venue Retailing SA	Event retailing	29.90	30,614

	Economic Entity 2004
a. **Movements during the period in Equity Accounted Investment in Associated Companies**	
Balance at beginning of the financial period	30,614
Less: Write down carrying value of investment	(30,614)
Balance at end of the financial period	-
b. **Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**	
Current Assets	31,725,172
Non-Current Assets	1,167,724
Total Assets	32,892,896
Current Liabilities	34,903,417
Non-Current Liabilities	85,512
Total Liabilities	34,988,929
Net Assets	(2,096,033)
Net loss from ordinary activities after income tax of associates	(2,201,205)

c. Ownership interest in Venue Retailing SA at that company's balance date was 29.9% of ordinary shares. The reporting date of Venue Retailing SA is 31 December 2004

	Note	Economic Entity 2004	Parent Entity 2004
Note 13 Other Financial Assets			
NON-CURRENT			
Unlisted investments, at cost			
— shares in controlled entities	14	-	18,889,920
		-	18,889,920

Note 14 Controlled Entities

a. **Controlled Entities**

		Country of Incorporation	Percentage Owned (%) 2004
Parent Entity			
Concept Sports Limited			
Subsidiaries of Concept Sports Limited			
Concept Sports International Pty Ltd	14b	Australia	100
Steve Rolton Agencies Pty Ltd	14b	Australia	100
Concept Sports International Pty Lda	14b	Portugal	100
Concept Sports International Gmbh	14c	Germany	75

b. **Controlled Entities Acquired**
Effective 1 January 2004 the parent entity acquired 100% of Concept Sports International Pty Ltd and controlled entities, for a purchase consideration of 37,779,840 shares in the parent entity in accordance with contracts identified in the prospectus dated 18 May 2004.

c. Concept Sports International Gmbh was incorporated on 22 April 2004.

	Economic Entity 2004	Parent Entity 2004
Note 15 Plant and Equipment		
Computer equipment		
At cost	502,982	-
Accumulated depreciation	(124,757)	-
	378,225	-
Motor vehicles		
At cost	150,162	-
Accumulated depreciation	(74,843)	-
	75,319	-
Under lease	94,817	-
Accumulated amortisation	(26,906)	-
	67,911	-
Total Motor vehicles	143,230	-
Office equipment		
At cost	147,457	-
Accumulated depreciation	(97,537)	-
	49,920	-
Furniture, fixtures & fittings		
At cost	629,627	-
Accumulated depreciation	(175,292)	-
	454,335	-
Under lease	163,145	-
Accumulated amortisation	(10,442)	-
	152,703	-
Total furniture, fixtures & fittings	607,038	-
Total Plant and Equipment	1,178,413	-

a. **Movements in Carrying Amounts**
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the

	Computer Equipment	Motor Vehicles	Office equipment	Furniture, Fixtures &	Total
Economic Entity:					
Balance at the beginning of period	-	-	-	-	-
Additions	335,279	-	23,055	112,705	471,039
Disposals	-	(31,139)	-	-	(31,139)
Additions through acquisition of entity	63,747	200,877	38,493	528,136	831,253
Depreciation and amortisation expense	(20,801)	(26,508)	(11,628)	(33,803)	(92,740)
Carrying amount at the end of period	378,225	143,230	49,920	607,038	1,178,413

	Notes	Economic Entity 2004	Parent Entity 2004
Note 16 Intangible Assets			
Goodwill at cost		20,688,164	-
Accumulated amortisation		(566,054)	-
		20,122,110	-
Note 17 Other Assets			
CURRENT			
Prepayments		241,840	-
Other		1,490	-
		243,330	-
Note 18 Payables			
CURRENT			
Unsecured liabilities			
Trade creditors		8,335,744	37,500
Sundry creditors and accrued expenses		2,776,738	249,584
Amounts payable to:			
— other parties		47,972	-
— other related parties	32(d)	125,597	-
		11,286,051	287,084
Note 19 Interest Bearing Liabilities			
CURRENT			
Secured liabilities			
Hire purchase liability	25	2,382	-
Lease liability	25	65,244	-
Bank overdrafts	19a	227,385	-
Trade finance facilities	19a	1,971,000	-
		2,266,011	-
NON-CURRENT			
Secured liabilities			
Lease liability	25	134,981	-
		134,981	-

a. The facilities are secured by a registered mortgage debenture over the whole assets of Concept Sports Ltd, Concept Sports International Pty Ltd and Steve Rolton Agencies Pty Ltd.

	Note	Economic Entity 2004	Parent Entity 2004
Note 20 Tax Liabilities			
CURRENT			
Income tax		6,112	-
Note 21 Provisions			
CURRENT			
Employee benefits	21a	265,781	-
		265,781	-
NON-CURRENT			
Employee benefits	21a	56,321	-
		56,321	-
a. **Aggregate employee entitlements liability**		322,102	-
		No.	No.
b. **Number of employees at period-end**		48	6
Note 22 Contributed Equity			
62,959,840 fully paid ordinary shares	22a	29,197,425	29,197,425
		29,197,425	29,197,425
a. **Ordinary shares**			
At the beginning of the reporting period		-	-
Shares issued during the period			
— 37,779,840 on 4 March 2004		18,889,920	18,889,920
— 750,000 on 16 June 2004		375,000	375,000
— 430,000 on 16 June 2004		-	-
— 24,000,000 on 16 June 2004		12,000,000	12,000,000
Transaction costs relating to share issues		(2,067,495)	(2,067,495)
At reporting date		29,197,425	29,197,425
		No.	No.
At the beginning of reporting period		-	-
Shares issued during period			
— 4 March 2004		37,779,840	37,779,840
— 16 June 2004		750,000	750,000
— 16 June 2004		430,000	430,000
— 16 June 2004		24,000,000	24,000,000
At reporting date		62,959,840	62,959,840

On 4 March 2004 the company issued 37,779,840 shares at 50c each to purchase 100% of the issued capital of Concept Sports International Pty Ltd effective 1 January 2004 in accordance with the prospectus dated 18 May 2004.

On 16 June 2004 the company issued 750,000 shares at 50c to company advisors as remuneration for services.

On 16 June 2004 the company issued 430,000 shares for no consideration to company non-executive directors and selected employees.

On 16 June 2004 the company issued 24,000,000 shares at 50c each in accordance with the prospectus dated 18 May 2004.

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.

b. **Options**
   i. For information relating to the Concept Sports Ltd employee option plan, including details of options issued, exercised and lapsed during the financial period and the options outstanding at period-end, refer to Note 30.
   ii. For information relating to share options issued to Non-executive directors during the financial period, refer to Note 30.

c. At 30 June 2004 there were 700,000 unissued ordinary shares for which options had not been exercised.

	Note	Economic Entity 2004	Parent Entity 2004
Note 23 Retained Profits			
Retained profits at the beginning of the financial period		-	-
Net profit attributable to the members of the parent entity		(2,971,252)	(38,355)
Retained profits at the end of the financial period		(2,971,252)	(38,355)

Note 24 Outside Equity Interests in Controlled Entities

Outside equity interest is attributable to the minoritory shareholding in controlled entity, Concept Sports International Gmbh and comprises:

		Economic Entity 2004	Parent Entity 2004
Share capital		10,629	-
Retained profits		(98,229)	-
		(87,600)	-

Note 25 Capital and Leasing Commitments

	Note	Economic Entity 2004	Parent Entity 2004
a. **Finance Lease Commitments**			
Payable			
— not later than 1 year		89,354	-
— later than 1 year but not later than 5 years		147,540	-
Minimum lease payments		236,894	-
Less future finance charges		36,669	
Total Lease Liability	19	200,225	-
Hire Purchase Commitments			
Payable			
— not later than 1 year		2,422	-
Minimum hire purchase payments		2,422	-
Less future finance charges		40	
Total Hire Purchase Liability	19	2,382	-
b. **Operating Lease Commitments**			
Non-cancellable operating leases contracted for but not			
Payable			
— not later than 1 year		254,600	-
— later than 1 year but not later than 5 years		89,985	-
		344,585	-

Operating lease commitments relate to business premises

Note 26 Contingent Liabilities and Contingent Assets

Estimates of the potential financial effect, that may become payable:

Contingent Liabilities
Bank Guarantees
A controlled entity has provided guarantees to third parties in relation to the performance and obligations of that entity in respect of its licensed products business and property lease rentals. The guarantees are for the terms of the licenses and leases. The periods covered by the guarantees range from 1 to 3 years.

	Economic Entity 2004	Parent Entity 2004
Bank Guarantees	4,654,541	-

Note 27 Segment Reporting

Geographical segments

	Segment Revenues 2004	Segment Results 2004	Carrying Amount of Segment Assets 2004	Carrying amount of segment liabilities 2004	Acquisitions of Non-current Segment Assets 2004
Geographical location:					
Australia	9,171,540	(1,016,746)	32,617,273	5,834,333	398,200
Germany	637,612	(392,118)	3,328,546	3,738,020	72,839
Portugal	4,095,411	(300,524)	4,150,652	4,442,904	-
Switzerland	-	-	57,359	-	-
Elimination entries	-	(498,967)	-	-	-
	13,904,563	(2,208,355)	40,153,830	14,015,257	471,039

	Depreciation and amortisation 2004	Non cash segment expenses 2004
Australia	(605,997)	(74,406)
Germany	(3,947)	(82,356)
Portugal	-	-
Switzerland	-	-
Elimination entries	-	-
	(609,944)	(156,762)

Business Segments

The economic entity's principal activities are within one business segment, being the sale of sports merchandise. No segment information is disclosed for this activity as it is the total financial information disclosed in this report.

Note 28 Cash Flow Information

a. Reconciliation of Cash Flow from Operations with Profit from ordinary activities after Income Tax

	Economic Entity 2004	Parent Entity 2004
Loss from ordinary activities after income tax	(3,069,481)	(38,355)
Cash flows excluded from profit from ordinary activities attributable to		
Non-cash flows in profit from ordinary activities		
Amortisation	533,127	-
Depreciation	76,817	-
Net loss on disposal of plant and equipment	139	-
Write down carrying value of associated companies	30,614	-
Changes in assets and liabilities, net of the effects of purchase and		
Increase in trade and term debtors	(615,242)	(78,909)
Increase in receivables reclassified as financing activities	75,520	75,520
Increase in prepayments	(115,300)	-
Increase in inventories	(3,809,185)	-
Increase in trade creditors and accruals	5,432,472	287,084
Increase in payables reclassified as financing activities	(247,889)	(247,889)
Increase in income taxes payable	6,112	-
Decrease in deferred asset	779,364	-
Increase in provisions	29,259	-
Cash flows from operations	(893,673)	(2,549)

b. Acquisition of Entities

During the period 100% of the controlled entity Concept Sports International. Pty Ltd was acquired. Details of this transaction are:

	Economic Entity 2004
Purchase consideration	18,889,920
Cash consideration	-
Shares issued as consideration	18,889,920
Assets and liabilities held at acquisition date:	
Cash assets	435,430
Receivables	1,736,531
Inventories	2,352,043
Other assets	128,030
Plant and equipment	831,253
Investments	30,614
Deferred tax assets	779,364
Intangibles	1,905,177
Payables	(5,800,308)
Borrowings	(1,949,508)
Provisions	(292,843)
	155,783
Goodwill on consolidation	18,734,137
	18,889,920

c. Non-cash Financing and Investing Activities

i. Share issue

37,779,840 ordinary shares were issued at $0.50 as consideration for the purchase of Concept Sports International Pty Ltd and controlled entities in accordance with contracts identified in the prospectus dated 18 May 2004.

Note 29 Financing Arrangements

The consolidated entity has access to the following lines of credit:

	Economic Entity 2004
Total facilities available	
Bank overdraft	250,000
Trade finance	2,000,000
Payroll facility	154,000
Other miscellaneous	10,000
	2,414,000
Facilities utilised at balance date	
Bank overdraft	227,385
Trade finance	1,971,000
Other miscellaneous	3,017
	2,201,402
Facilities not utilised at balance date	
Bank overdraft	22,615
Trade finance	29,000
Payroll facility	154,000
Other miscellaneous	6,983
	212,598

Security and conditions

The facilities are secured by a registered mortgage debenture over the whole assets of Concept Sports Ltd, Concept Sports International Pty Ltd and Steve Rolton Agencies Pty Ltd.

Note 30 Employee Option Plan

Employee Share Option Arrangement

i. On 15 April 2004, 300,000 share options were granted to specified employees under the Concept Sports Limited employee option plan to take up ordinary shares at an exercise price of $0.50 each. The options were issued free of charge. One quarter of the issued options vest annually subject to the employees continued employment with the company. The options expire on 16 April 2008.

Each option entitles the holder to subscribe for one fully paid ordinary share. The shares allotted upon exercise of the options will rank equally with all other issued shares of the Company. The Company will apply for official quotation on the ASX of those shares after they are issued. An option holder will not be entitled to participate in new share issues of shares or other securities made by the company to holders of its shares unless the options are exercised before the record date for determining entitlements to the issue.

ii. On 15 April 2004, 400,000 share options were granted to non-executive directors under the Concept Sports Limited employee option plan to take up ordinary shares at an exercise price of $0.50 each. The options were issued free of charge. One quarter of the issued options vest annually subject to the directors continued employment with the company. The options expire on 16 April 2008.

Each option entitles the holder to subscribe for one fully paid ordinary share. The shares allotted upon exercise of the options will rank equally with all other issued shares of the Company. The Company will apply for official quotation on the ASX of those shares after they are issued. An option holder will not be entitled to participate in new share issues of shares or other securities made by the company to holders of its shares unless the options are exercised before the record date for determining entitlements to the issue.

The closing share market price of an ordinary share of Concept Sports Limited on the Australian Stock Exchange at 30 June 2004 was $0.59.

	Economic Entity 2004	Parent Entity 2004
Note 30 Employee Option Plan (continued)		
	No.	No.
a. **Movement in the number of share options held by employees are as follows:**		
Opening balance	-	-
Granted during the period	700,000	700,000
Exercised during the period	-	-
Lapsed during the period	-	-
Closing Balance	700,000	700,000

b. **Details of share options exercised during the period:**
No share options were exercised during the period

c. **Details of share options outstanding as at end of period:**

Grant Date	Expiry and	Exercise	Economic Entity	Parent Entity
15 April 2004	16 April 2008	$0.50	700,000	700,000
			700,000	700,000

Note 31 Events subsequent to period end

On 14 July 2004 the entity announced the signing of two major contracts in Europe, being the onsite retailing contracts for the Torino 2006 Winter Olympics and the Americas Cup 2007.

On 28 September 2004 Mr John Moore resigned as a Director of Concept Sports Limited.

Subsequent to period end, non-executive directors have notified the Company that they will take their remuneration as shares persuant to the Non-Executive Director Share Plan.

Note 32 Related Party Transactions

(a) Directors

The names of each person holding the position of Director during the period are:

- Leon Daphne (appointed 18 March 2004)
- Gary March (appointed 18 March 2004)
- Jeff Taylor (appointed 4 March 2004)
- Stephen Rolton (appointed 4 March 2004)
- David Carter (appointed 4 March 2004)
- John Moore (appointed 18 March 2004, resigned 28 September 2004)

(b) Directors' holding of shares

For relevant interests of directors of the entity and their director related entities in the Shares of the company at period end refer note 5(e).

(c) Directors' holding of options

For relevant interests of directors of the entity and their director related entities in options of the company at period end and terms and conditions of those options, refer note 5(d) and note 30.

Note 32 Related Party Transactions (continued)

(d) Other matters

Gary March is a Director of Richmond Football Club, a customer of Concept Sports International Pty Ltd. The terms of trade with Richmond Football Club are commercial and are on an arms length basis.

John Moore is Chief Executive Officer-Asia Pacific of Nuance Group (Hellas) A.E. The Nuance Group (Hellas) A.E. is a 50.1% shareholder in Venue Retailing S.A., an associated entity of Concept Sports International Pty Ltd.

David Carter is a consultant to Baker & McKenzie, a legal practice that provides services to Concept Sports Ltd. The terms of trade with Baker & McKenzie are commercial and are on an arms length basis.

At balance date Concept Sports International Pty Ltd owed advances made by directors or director related entities of $125,597. These advances are interest free.

(e) Acquisition of subsidiaries

In accordance with the provisions of the Company prospectus dated 18 May 2004, the company acquired the subsidiary Concept Sports International Pty Ltd by way of share issue to directors or director related entities as follows:

Gary March	20,778,912
Jeff Taylor	8,905,248
Stephen Rolton	8,095,680

Note 33 Financial Instruments

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

2004	Weighted Average Effective Interest Rate	Floating Interest Rate $	Fixed Interest Rate Maturing: Within Year $	Fixed Interest Rate Maturing: 1 to 5 Years $	Non-interest Bearing $	Total $
Financial Assets						
Cash	5%	2,918,826	7,000,000	-	-	9,918,826
Receivables	-	-	-	-	2,529,923	2,529,923
Total Financial Assets		2,918,826	7,000,000	-	2,529,923	12,448,749
Financial Liabilities						
Bank overdrafts	10.35%	227,385	-	-	-	227,385
Trade finance facilities	8.13%	1,971,000	-	-	-	1,971,000
Trade creditors and other payables	-	-	-	-	11,286,051	11,286,051
Lease and hire purchase liabilities	13.22%	-	67,626	134,981	-	202,607
Total Financial Liabilities		2,198,385	67,626	134,981	11,286,051	13,687,043

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

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

Note 33 Financial Instruments (continued)

c. **Net Fair Values**
The net fair values of financial assets and financial liabilities approximates their carrying values as disclosed in the statement of financial position and notes to the financial statements.

d. **Foreign Exchange Risk**
As at 30 June 2004 the economic entity had the following unhedged foreign currency balances:

	Economic Entity 2004	Parent Entity 2004
Receivable:		
Amounts due in:		
Euro	288,494	-
Payable:		
Amounts payable in:		
Euro	7,530,833	-

Note 34 Company Details

The registered office of the company is:
Concept Sports Limited
Unit 11, 331 Ingles Street Port Melbourne
The principal places of business are:
Australia
Concept Sports Limited
331 Ingles Street
Port Melbourne

Directors' Declaration

In the directors' opinion the financial statements and notes set out on pages 10 to 31 are in accordance with the Corporations Act 2001 including:

(a) Complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) Giving a true and fair view of the financial position of the consolidated entity as at 30 June 2004 and of its performance as represented by the results of its operations and its cash flows, for the period ended on that date.

In the directors' opinion there are reasonable grounds to believe that Concept Sports Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

L Daphne
Director

J Taylor
Director

Melbourne
30 September 2004

Independent Auditors' Report to the members of Concept Sports Limited and its controlled entities

Scope

We have audited the financial report of Concept Sports Limited for the financial period ended 30 June 2004 as set out on pages 10 to 32. The financial report includes the consolidated financial statements of the consolidated entity comprising the

are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material aspects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

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

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the period ended on that date; and

- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Dated at Melbourne on 30 September 2004

Pitcher Partners

PITCHER PARTNERS

M W PRINGLE
Partner

Additional Information

The following additional information is required by the Australian Stock Exchange and was the status on 22 September 2004.

Distribution of ordinary shareholders and option holders

Category (Size of Holding)	Number of Ordinary Shareholders	Number of Employee Option Holders (Expiry 16 April 2008)
1 – 500	1	-
501 – 1,000	3	-
1,000 – 5,000	83	-
5,001 – 10,000	117	-
10,001 – 100,000	310	6
100,001 and over	48	1
Options on issue		700,000

Share capital

The ordinary share capital of Concept Sports Limited as at 22 September 2004 comprises 62,959,840 fully paid shares.

Less than marketable parcels

The number of shareholders holding less than marketable parcels is 33, and those holders held a total of 77,899 ordinary shares.

Top 20 shareholders

The 20 largest shareholders – fully paid ordinary shares – are as follows:

Shareholders	Number of Ordinary Shares	% of Issued Ordinary Shares
Gary March (1)	11,873,664	18.86
Jelor Software Pty Ltd (1)	8,905,248	14.14
Beverley March (1)	8,905,248	14.14
Jennielou Rolton (1)	4,047,840	6.43
Stephen Rolton (1)	4,047,840	6.43
Holdex Nominees Pty Ltd	1,150,000	1.83
Alkamye Pty Ltd	645,000	1.02
National Nominees Limited	660,000	1.05
Rowe Street Investments	602,716	0.96
Paul Lappin (1)	600,000	0.95
Asia Pac Technology Pty Limited	500,000	0.79
Net Nominees Limited	461,600	0.73
Expo Paints Pty Ltd	400,000	0.64
Robert James Wilson	400,000	0.64
Alkamye Pty Ltd	380,000	0.60
Biospace Investments Limited	350,000	0.56
Holdex Nominees Pty Ltd	350,000	0.56
Jack Vukovic & Ana Vukovic	344,900	0.55
SDR Investments Pty Ltd	341,700	0.54
Steven Howard Dunn	334,800	0.53
Danny Segman	300,000	0.48
Shane Paul Ogier	293,995	0.47
Total	**45,894,551**	**72.90**

(Note 1: shareholdings are restricted securities.)