Concept Sports Limited

ABN 41 108 042 593
ACN 108 042 593
Unit 11, 331 Ingles Street
Port Melbourne Victoria 3207
Telephone (03) 9646 6611
Facsimile (03) 9646 7676
www.conceptsports.com.au
Postal Address
PO Box 1039
South Melbourne, VIC
Australia 3205

**CONCEPT SPORTS LIMITED**
(ASX: CCS)

**ASX ANNOUNCEMENT**

**2 July 2007**

# Acquisition and FY07 Guidance

Concept Sports Limited (ASX: CCS) (the Company) is pleased to announce that it has entered into an agreement to purchase Kea Designer Sportswear (Kea - ACN 006 902 405) for $3.4 million.

Kea has a solid revenue and profit track record as an Australian based manufacturer and exporter of sportswear. Kea was established in 1988 and has traded profitably in the year to June 2007 on revenue of approximately $7.5 million.

The Directors believe that the Kea acquisition strengthens the Company's position in both the local and overseas retail markets and look forward to a successful integration and potential synergy benefits.

Kea founder and Managing Director, Mr. Michael Erwin, will continue with the company as Executive General Manger – Kea. Mr. Erwin brings a wealth of industry experience and enhances the group's management depth.

## Strategic Benefits

The acquisition has the following strategic benefits for the Company:

- provides an established customer base of schools, clubs, associations and individuals;
- has a low cost manufacturing arrangement in China which can be utilised by the Company;
- provides the opportunity to benefit from the synergies that exist between the two businesses;
- provides increased revenue opportunities for both businesses;
- improves revenue stability.

## Acquisition Funding

To immediately fund the acquisition the Company has secured bridging finance of $2,250,000 at a 10% interest rate from the Transition Group. This loan is to be repaid upon receipt of funds from an Equity Line of Credit to be agreed with Furneaux Equity Limited.

The terms of the Equity Line of Credit are to be approved by shareholders. The key terms of the agreement are:

- an ability to redeem (in part or full) the Equity Line of Credit for either cash or shares, at the Company's option, for a period of up to 210 days;
- conversion can be done in 6 tranches at monthly intervals commencing November 15, 2007 at the lower of; a fixed conversion price of 0.11 cents or at a 10% discount to the prevailing 10 day VWAP prior to the conversion;
- a 6.25% implementation fee on a principal amount of $2.4 million; and
- a 9.0% per annum interest rate until redemption or conversion.

**FY07 Guidance**

Directors are pleased to advise that the Company's trading performance has continued to improve and the operating profit in the year ending June 2007 is expected to be approximately $1.0 million.

This FY07 profit guidance compares with a net profit of $0.17 million in the first half ending December 2006 and a net loss from operations of $3.95 million in the year ending June 2006.

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**Further enquiries:**
**Gary March**
**Managing Director**
**Concept Sports Limited**

**Ph: (03) 9646 6611**