BEYOND SPORTSWEAR INTERNATIONAL LIMITED
ACN 108 042 593

ANNUAL REPORT
30 JUNE 2012

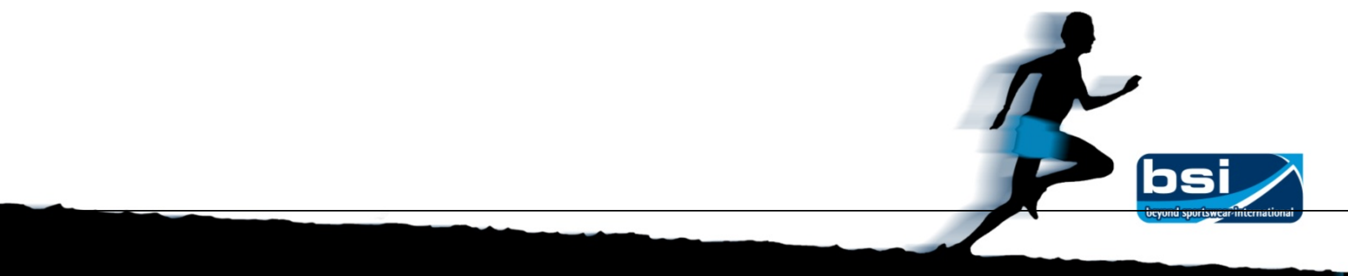

TABLE OF CONTENTS

CORPORATE INFORMATION

BEYOND SPORTSWEAR INTERNATIONAL LIMITED
ABN 41 108 042 593

DIRECTORS

Mr Andrew Plympton (Chairman)
Mr Glen Casey (Chief Executive Officer & Executive Director)
Mr Jeff Taylor (Non-Executive Director)
Mr Mark Kellett (Non-Executive Director)

COMPANY SECRETARY

Ms Sophie Karzis

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CHAIRMAN'S & CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders

The Year in Review

On behalf of the Board of Directors we present the Annual Report of Beyond Sportswear International Limited (**BSI** or the **Company**) for the year ended 30 June 2012.

During the year ended 30 June 2012, the Company underwent a number of significant restructuring events, including the closure of production in Beenleigh, Queensland, the acquisition of the Primary Edge business and the supply agreement for the production of all team wear apparel.

The Company also confirms that activities to give effect to the proposed "spin off" which was approved by shareholders at the Company's Extraordinary General Meeting on 6 August 2012 are well underway. The Company has now incorporated BSI2 Limited (ACN 159 846 349) as a wholly owned subsidiary and will shortly transfer to BSI2 the key assets of BSI as detailed in the Company's Notice of General Meeting held on 6 August 2012. In addition, BSI2 obtained, by way of a loan on arms' length terms, the funds to be received by the majority shareholders for the sale of their shares to parties associated with the proposed new directors (as detailed in the Company's Notice of general Meeting held on 6 August 2012). These funds are to be used by BSI2 for general working capital purposes as well to fund a proposed buy-back of shares in BSI2 once the in-specie distribution of shares in BSI2 to the Company's shareholders is complete.

All shareholders will retain their current percentage ownership interest in the capital of the Company, with the prospects of realising value from the shares under the direction and leadership of the incoming board.

The separation of the key assets allows BSI2's management, which will be the Company's current management, to specifically focus on generating value from the key assets without having to comply with corporate overheads associated with an ASX-listed entity.

Importantly, shareholders will not be required to pay any consideration for the BSI2 shares as the Company has effected an appropriate capital reduction in its books to reflect the in-specie distribution.

Results

As previously indicated to the market, the Company's results for the year ended 30 June 2012 are a net loss after tax (NLAT) of $4,064 thousand compared with a $340 thousand profit in the previous financial year. These results reflect the inclusion of $4,211 thousand of non-recurring costs related to the Company's restructure activities and the write down of goodwill and brand names following the Company's licensing agreement of the Kea business and trade marks to a third party.

A Net Profit After Tax (NPAT) of $147 thousand was realised with the exclusion of these restructure costs along with an operating EBITDA of $1,730 thousand compared to $1,900 thousand for the previous financial year.

Outlook for 2013

The Company continues to have a clear focus on growing its school and team sports markets. The environment in which the Company's businesses are operating remains challenging. A number of initiatives continue to be explored by management in response to these challenges, including further cost reductions, where appropriate, and the securing of more favourable supply terms. The Directors remain cautiously optimistic that with the right structure, the appropriate level of operating costs, improved terms of manufacturing from China, a strong currency and some key strategic acquisitions and alliances, the business will perform well.

Mr Andrew Plympton

Chairman

28 September 2012

Mr. Glen Casey
Chief Executive Officer
28 September 2012

CORPORATE GOVERNANCE STATEMENT

This statement sets out the corporate governance practices that were in operation throughout the financial year for BSI and its controlled entities. The Company's Directors and management are committed to conducting the Company's business in an ethical manner and in accordance with the highest standards of corporate governance.

The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations Second Edition with 2010 Amendments to the extent appropriate to the size and nature of the Company's operations. A summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations is included below. The various charters and policies are all available on the Beyond Sportswear International web site: www.beyondsportswear.com.au.

ASX Principle	Status	Reference / Comment
Principle 1: Lay solid foundation for management oversight Formalise and disclose the functions reserved to the board and those delegated to management		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	Complying	The Board has adopted a charter which establishes the role of the Board and its relationship with management. The primary role of the Board is the protection and enhancement of long term shareholder value. Its responsibilities include the overall strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals. Each director is given a letter upon his or her appointment which outlines the director's duties. The Nomination and Remuneration Committee takes responsibility for evaluating the Board's performance and the Group's key executives annually.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Complying	The Board and the Chief Executive Officer monitor the performance of senior management, including measuring actual performance against planned performance. The Board also reviews the Chief Executive Officer's performance annually.
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Complying	A copy of the Company's Board Charter is available on the Company's website in a clearly marked Corporate Governance section. A performance evaluation for senior executives has taken place in the reporting period.
Principle 2: Structure the Board to add value Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties		
2.1 A majority of the board members should be independent.	Non-Complying	It is noted that the Company does not satisfy the ASX Recommendations on Board independence as the majority of Directors are not independent. The Board comprises four directors, three of whom are non-executive and two of whom are independent. The Directors considered by the Board to constitute independent directors are the Chairman, Mr Andrew Plympton, and non-executive Director, Jeff Taylor. The test to determine independence which is used by the Company is whether a Director is independent of management and any business or other relationship with the Group that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

ASX Principle	Status	Reference / Comment
2.2 The chairman should be an independent director.	Complying	The Chairman, Mr A. Plympton has been Chairman of the Company since February 2007 and was, at the date of his appointment and continues to be, independent. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions.
2.3 The roles of the chairman and the chief executive officer should not be exercised by the same individual.	Complying	The positions of Chairman and Chief Executive Officer are held by separate persons.
2.4 The board should establish a nomination committee.	Complying	The Board has a formal Nomination & Remuneration Committee comprising of the non-executive Directors, and the Committee's functions and powers are formalised in a Charter.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Complying	The Board conducts an informal annual performance review of itself that compares the performance of the Board with the requirements of the Board Charter, critically reviews the mix of the Board and suggests and amendments to the Board Charter as are deemed necessary or appropriate.
2.6 Provide the information indicated in the Guide to reporting on Principle 2.	Complying	The following information is set out in the Company's annual report: • the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report; • the Directors considered by the Board to constitute independent directors and the Company's materiality threshold; • the existence of any of the relationships which may affect independence and an explanation of why the board considers a director to be independent notwithstanding the existence of these relationships; • a statement regarding directors' ability to take independent professional advice at the expense of the Company; • a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the Board; • The term of office held by each director in office at the date of the report. • The names of members of the Company's committees and their attendance at committee meetings. • whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; • an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6. The Company's Nomination & Remuneration Committee Charter is publicly available on the Company's website in a clearly marked Corporate Governance section.

ASX Principle	Status	Reference / Comment
Principle 3: Promote ethical and responsible decision-making Companies should actively promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code as to: • **The practices necessary to maintain confidence in the company's integrity.** • **The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.** **The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**	Complying	The Group has formulated a Code of Conduct which can be viewed on its website. The Code of Conduct has the commitment of the Directors and senior management to ensure practices are operating that are necessary to maintain confidence in the Company's integrity, and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Company has a policy concerning the trading in the Company's securities by Directors, senior managers and employees. In summary, Directors, senior managers and employees must not deal in the Company's securities when they are in possession of insider information. Directors and senior managers must not trade during the "trading blackout" beginning at the end of the Half Year and Full Year reporting period until the release to the ASX of the Financial Results for the relevant period.
3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Non-Complying	The Board has contemplated the necessity of implementing a diversity policy. Noting the relatively small size of the Company and the fact that the Company has a small number of employees, the Board has resolved to depart from the new recommendations by not implementing a gender diversity policy at this stage.
3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Non-Complying	The Board has not implemented a diversity policy and is of the view that due to the relatively few employees that the Company has, the recommendation is inappropriate to the Company's particular circumstances at this stage.
3.4: 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.	Part-Complying	There are no women on the Board however the position of Company Secretary is held by a woman.
3.5 Companies should provide the information indicated in the Guide to Reporting on Principle 3.	Complying	The Board will include in the Annual Report each year measurable objectives, if any, set by the Board; and progress against the objectives. A copy of the Company's Code of Conduct and Share Trading Policy is available on the Company's website.
Principle 4: Safeguard integrity in financial reporting Companies should have a structure to independently verify and safeguard the integrity of their financial reporting		
4.1 The board should establish an audit committee.	Complying	The Board has established an Audit Committee.

ASX Principle	Status	Reference / Comment
4.2 The audit committee should be structured so that it: **Consists only of non-executive directors; Consists of a majority of independent directors; Is chaired by an independent chair, who is not chair of the board; Has at least three members.**		The Audit Committee consists of non-executive directors only (Mr Jeff Taylor, Mr Andrew Plympton and Mr Mark Kellett) and is chaired by Jeff Taylor, an independent chair who is not chairman of the Board.
4.3 The audit committee should have a formal charter.		The Board has adopted an Audit Committee Charter which sets out the Audit Committee's role and responsibilities, composition, structure and membership requirements.
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.		A copy of the Company's Audit Committee Charter can be viewed on its website.
Principle 5: Make timely and balanced disclosure Companies should promote timely and balanced disclosure of all material matters concerning the company		
5.1 Companies should establish written policies 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.	Complying	The Company has a documented policy which has established procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The Chief Executive Officer, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the Australian Securities Exchange. The purpose of the procedures for identifying information for disclosure is to ensure timely and accurate information is provided equally to all shareholders and market participants.
5.2 Companies should provide the information indicated in the Guide.		The Company's Market Disclosure & Shareholder Communication Policy is posted on the Company's website in a clearly marked Corporate Governance section.
Principle 6: Respect the rights of shareholders Companies should respect the rights of shareholders and facilitate the effective exercise of those rights		
6.1 Companies should 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.	Complying	The Board informs shareholders of all major developments affecting the Group's state of affairs as follows: 1. The annual report is distributed to all shareholders, including relevant information about the operations of the consolidated entity during the year and changes in the state of affairs. 2. The half-yearly report to the Australian Securities Exchange contains summarised financial information and a review of the operations of the consolidated entity during the period. 3. All major announcements are lodged with the Australian Securities Exchange, and posted on the Group's website. 4. Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.

ASX Principle	Status	Reference / Comment
		5. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. 6. The Group's auditor attends the Annual General Meeting.
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complying	The Company explains any departures from Principle 6 in its annual reports. The Company's Market Disclosure & Shareholder Communication Policy is posted on the Company's website in a clearly marked Corporate Governance section.
Principle 7: Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complying	The Board has responsibility for monitoring risk oversight and ensures that the Chief Executive Officer reports on the status of business risks through risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. In addition the Board is responsible for reviewing the risk management framework and policies of the Group.
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.	Complying	The Board reviews the Group's major business units, organisational structure and accounting controls and processes on a continuing basis. A description of the Group's risk management policy and internal compliance and control systems will be available on the Group's website shortly.
7.3 The board should disclose whether it has received assurance from the chief executive officer 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.	Complying	The Chief Executive Officer and the Chief Financial Officer are required to state to the Board in writing that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Complying	The following material is included in the corporate governance statement in the Company's Annual Reports: • explanation of any departures from Recommendations 7.1, 7.2, 7.3 or 7.4; • whether the Board has received the report from management under Recommendation 7.2;

ASX Principle	Status	Reference / Comment
		• whether the Board has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) under Recommendation 7.3. A summary of the Company's policies on risk oversight and management of material business risks is either currently, or will shortly be, publicly available on the Company's website in a clearly marked corporate governance section.
Principle 8: Remunerate fairly and responsibly Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear		
8.1 The board should establish a remuneration committee.	Complying	The Company has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Board has established a Nomination & Remuneration Committee.
8.2 The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	Non-Complying	Currently the Nomination & Remuneration Committee is comprised of the whole Board, and is chaired by the Chairman of the Board, who is independent.
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complying	Details of the Directors and key senior executives remuneration are set out in the Remuneration Report of the Annual Report. The structure of non-executive Directors' remuneration is distinct from that of executives and is further detailed in the Remuneration Report of the Annual Report. Equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. In addition, the Company has issued equity based remuneration to both executive and non-executive directors which has been approved by shareholders at a general meeting
8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Complying	A charter setting out the responsibilities of the Nomination & Remuneration Committee has been adopted and a copy of this charter is posted on the Company's website.

DIRECTORS' REPORT

The directors of Beyond Sportswear International Limited submit the annual financial report of the company for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors and Senior Management

The Directors in office at any time during or since the end of the year to the date of this report are:

ANDREW PLYMPTON	GLEN CASEY	JEFF TAYLOR	MARK KELLETT
Chairman and Non-Executive Director since 30 January 2007	Chief Executive Officer since 5 November 2007 and Director since 18 April 2007	Non- Executive Director since 1 July 2008 and Director since 4 March 2004	Non–Executive Director since 1 April 2011

ANDREW PLYMPTON

Chairman and Non-Executive Director appointed on 30 January 2007

Mr Plympton joined the Company in January 2007 and brings to the role a wealth of experience in a diverse range of commercial and sporting activities.

In the financial services sector, Mr Plympton has been either the Managing Director and/or Executive Chairman of a number of international insurance brokers, underwriting agencies and captive insurance managers. In addition, Mr Plympton has served as Chairman of a specialist aviation underwriting company and Chairman of a high profile captive insurance operation. In the public company sector, Andrew is the Chairman of Beyond Sportswear International Limited and Entellect Limited, and is a director of Newsat Limited. In the private company arena, he is also a director of the New Zealand company Energy Mad Limited .He is also a commissioner of the Australian Sports Commission and is a director of The Australian Olympic Foundation.

Mr Plympton is Chairman of the Company's Nomination & Remuneration Committee and a member of the Company's Audit Committee.

GLEN CASEY, MBA, Grad Dip Bus, Bach-Bus

Chief Executive Officer since 5 November 2007; Director since 18 April 2007

Mr Casey was the Managing Director and Chief Executive Officer of Nylex Limited for 3 years up until April 2006. Prior to that, over a period of 9 years, he occupied a variety of positions within Nylex Limited including Chief Operating Officer, Head of Automotive and Head of Consumer.

Mr Casey has also held senior executive positions with Philips and Dulux in Australia and Europe. He is a former director of a number of public and private companies including Ambit Recruitment Group, the St Kilda Football Club Limited, Hawker Richardson Superannuation Fund Limited and Nylex Limited.

During the last three years, Mr Casey has not served as a director of any other listed companies.

JEFF TAYLOR, Ba App Sci (EDP)

Non-Executive Director since July 2008; Director since 4 March 2004

Mr Taylor has been a director of the Company since 2004, and is a founding director of Beyond Sportswear Pty Ltd (previously Concept Sports International Pty Ltd). Mr Taylor has over 18 years' experience in the information technology industry and has worked with a variety of government and private industry clients. Mr Taylor reverted to a Non-Executive Director on 1 July 2009.

Mr Taylor is Chairman of the Company's Audit Committee and a member of the Nomination & Remuneration Committee.

During the last three years, Mr Taylor has not served as a director of any other listed companies.

MARK KELLETT

Non-Executive Director since 1 April 2011

Mr Kellett is a substantial shareholder of the Company and has supported the Company through numerous capital raisings. Mr Kellett brings to his role extensive corporate and commercial experience and expertise, including 23 years with Gluck Forwarding Systems Pty Ltd (including a role as Managing Director) and the last 3 years as Group General Manager of Toll Global Forwarding ANZ. Mr Kellett's prior managerial roles and his strong track record of achieving business results bring skills to the Board to assist with capitalising on the program of restructuring, refinancing and business consolidation that has been recently undertaken by the Company.

Mr Kellett is a member of the Company's Audit Committee and Nomination & Remuneration Committee. During the last three years, Mr Kellett has not served as a director of any other listed companies.

SOPHIE KARZIS, B.Juris. LLB.

Company Secretary

Ms Karzis was appointed as Company Secretary on 1 June 2007. She is a practising lawyer who holds roles at a number of public and private companies.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director while they were a Director or committee member.

	Directors' Meetings		Audit Committee Meetings	
Directors	No of meetings eligible to attend	Attended	No of meetings eligible to attend	Attended
A. Plympton	8	8	3	3
G. Casey	8	8	3	n/a
M. Kellett	8	4	3	2
J. Taylor	8	7	3	3

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report.

Directors	Fully Paid Ordinary Shares	Options
A. Plympton	0	0
G. Casey	62,572,114	0
J. Taylor	35,683,025	0
M. Kellett	1,556,178,870	0

Remuneration of Directors and Senior Management

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this Directors' Report on pages 16 to 19.

Share Options Granted to Directors and Senior Management

The Company maintains an option plan for senior management and executives, including Executive Directors, as approved by shareholders at an Annual General Meeting. There are currently no unissued ordinary shares under option under the Company's option plan as at the date of this report.

No shares have been issued during or since the end of the financial year as a result of exercise of an option.

On 28 March 2011 the Company issued 568,160,778 warrants. The principle terms of the warrants are:

- Each warrant entitles the holder to acquire, by way of issue, one fully paid share in the Company
- The exercise price of each warrant is $0.00000000176, and the total aggregate exercise price for all warrants will be $1.00
- The final date for exercise of the warrants is 5.00pm (AEDT) on 28 February 2015, and
- Each warrant will rank equally with all other warrants

The warrants were issued to Investec Bank (Australia) Limited in consideration for providing two finance facilities to the Company to the aggregate value of $6,000 thousand.

Nature of Operations and Principal Activities

The consolidated entity's principal activities in the course of the financial year were the manufacture, distribution and sale of sports merchandise, the wholesale of licensed products, and event retailing at sporting events.

Review & Results of Operations

The loss after tax of the consolidated entity for the financial year attributable to the members of Beyond Sportswear International Limited was $4,064 thousand (30 June 2011: profit $340 thousand).

State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year under review not otherwise disclosed in this report or the accompanying financial report.

Reference should be made to the subsequent events note for changes in the state of affairs after balance date.

Events Subsequent to Balance Date

At an extraordinary general meeting conducted on 6 August 2012 the following resolutions were passed:-

"That, for the purposes of ASX Listing Rule 11.2, sections 256B and 256C of the Corporations Act 2001 (Cth) and for all other purposes:

(1) The Company's interest in Key Assets be transferred to a wholly-owned subsidiary of the Company, to be newly incorporated for the purposes of the Spinoff (such subsidiary to be BSI2);

(2) The Board of the Company be authorised at its discretion to effect a reduction in the issued share capital of BSI, without cancelling any shares, by an amount equal to the market value (as assessed by the Directors of the company) of the total issued capital of BSI2 on the record date;

(3) The reduction be satisfied by the Company making a pro-rata in specie distribution of all the shares held by the Company in BSI2 to holders of fully paid ordinary shares in the Company registered as at the Spinoff Record Date on and subject to the terms and conditions set out in the Explanatory Memorandum accompanying the Notice of Meeting;

(4) That Mr Mathew Walker, being eligible to act as a Director, be elected as a Director effective from the date that the in-specie distribution is completed;

(5) That Mr James Robinson, being eligible to act as a Director, be elected as a Director effective from the date that the in-specie distribution is completed; and

(6) That Mr Jonathan Wild, being eligible to act as a Director, be elected as a Director effective from the date that the in-specie distribution is completed."

At completion of the Spinoff, the majority shareholders who held 69.36% of the total issued capital of the Company will have divested their shareholding through a sale of their shares to a diverse range of investors; they will have however retain their collective shareholding in BSI2.

The incoming Board of Directors intends to undertake a non-renounceable pro-rata rights issue to raise approximately $1.6 million to fund the working capital requirements of the Company as well to fund the costs associated with the investigation of potential acquisition opportunities.

On 31 August 2012 the Company negotiated licensing its Kea business and trade marks to a third party. This transaction is expected to take effect by no later than 1 October 2012.

Likely Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years has been made in part in the Chairman's Report and the Chief Executive Officer's Report of this Annual Report. Any further such disclosure and the expected results of those operations are likely to result in unreasonable prejudice to the consolidated entity and have accordingly not been disclosed in this report.

Environmental Regulation and Performance

The economic entity's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the economic entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the economic entity.

Dividends

No dividend has been declared by the Directors for this financial year.

Indemnification of Officers and Auditors

During the financial year, the Company paid a premium in respect of a contract 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 a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

Auditor Independence and Non-Audit Services

The auditor's independence declaration is included on page 21 of this Annual Report.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.
The Directors are of the opinion that the services as disclosed in note 6 to the financial statements do not compromise the external auditor's independence for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Proceedings on Behalf of the Company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Rounding Off of Amounts

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars.

REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Beyond Sportswear International Limited's directors and its senior management for the financial year ended 30 June 2012. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of directors and senior management
- Key terms of employment contracts.

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

Non-Executive Chairman	Andrew Plympton
Executive Director	Glen Casey was appointed Chief Executive Officer on 5 November 2007 and has held that role since that date.
Non-Executive Directors	Jeff Taylor was an Executive Director until 1 July 2008 from which time he reverted to and continues to be a Non-Executive Director.
	Mark Kellett was appointed Non-Executive Director on 1 April 2011 and has held that role since that date.

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Sales Manager	David Johnson, Sales Manager of Kea Sportswear since acquired by the Company on 29 July 2007.
Business Unit Manager	Stephen Day, Business Unit Manager of Kombat since 1 July 2009.
Chief Financial Officer	Robert Savage, Chief Financial Officer since 1 January 2007.

Remuneration Policy

The Company's remuneration policy is based on the following principles:

- Provide competitive rewards to attract high quality executives;
- Provide an equity incentive for senior executives that will provide an incentive to executives to align their interests with those of the Company and its shareholders; and
- Ensure that rewards are referenced to relevant employment market conditions.

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees;
- Benefits, including the provision of motor vehicles and superannuation; and
- Incentive schemes, including share options under the executive share option plan as disclosed in Note 22 to the financial statements.

In accordance with best practice corporate governance, the structure of Non-Executive Directors and key management personnel remuneration is separate and distinct.

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of relevant experience and skill, whilst incurring costs which are acceptable to shareholders.

Remuneration of Non-Executive Directors

The Company's Constitution provides that non-executive Directors may collectively be paid from an aggregate maximum fixed sum out of the funds of Beyond Sportswear International Limited as remuneration for their services as Directors. The aggregate maximum fixed sum has been set at $250,000 per annum. The Constitution and the Australian Securities Exchange Listing Rules specify that the aggregate remuneration amount can only be increased by the passing of an ordinary resolution of shareholders. Since the Company's establishment in March 2004, this fixed amount has not been increased. The amount of the aggregate remuneration and the manner in which it is apportioned is reviewed periodically. The Board considers fees paid to Non-Executive Directors of comparable companies when undertaking this review process.

Each Non-Executive Director receives a fee for being a Director of the Company and does not participate in performance based remuneration. The Chairman has been issued with options over ordinary shares in the Company which include a requirement to remain a Director of the Company for a specified period of time before they vest. Non-Executive Directors are encouraged to hold shares in the Company (purchased by the Director on-market). It is considered good governance for Directors to have a stake in the Company. As at the date of this Report, the Non-Executive Directors of the Company are Andrew Plympton, Jeff Taylor and Mark Kellett. Mr Plympton receives an annual fee of $55,190 for being a director of the Company and Messrs Taylor and Kellett each receives an annual fee of $30,000 for being a director of the Company.

Retirement Benefits

Consistent with the ASX Corporate Governance Rules which states that non-executive directors should not be provided with retirement benefits other than statutory superannuation, the Company does not provide retirement benefits to its Non-Executive Directors.

Remuneration of Senior Management and Executive Directors

The Company aims to reward senior management and executive directors with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The objective of the remuneration policy is:

- Reward senior management personnel and executive directors for Company and individual performance;
- Align the interests of the senior management personnel and executive directors with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

In determining the level and make-up of senior management and executive directors' remuneration, the Board reviews reports detailing market levels of remuneration for comparable roles. Remuneration currently consists of fixed and variable elements which are dependent on the satisfaction of such performance conditions as may be imposed by the Board.

Senior Management and Executive Directors are compensated through a variety of components which include:

- Short term employee benefits;
- Post-employment benefits;
- Other long term benefits;
- Termination benefits; and
- Share-based payments.

The relative weighting of fixed and variable components for target performance is set according to the scope of the individual's role. The 'at-risk' component is linked to those roles in which market value provides reasons to provide some individuals with higher levels of remuneration, while also recognising the importance for providing shareholders with value. To ensure that fixed remuneration for the Company's most senior executives remains competitive, it is reviewed annually based on performance and market data.

Options issued to executives as a form of compensation are outlined in note 18 of the financial statements. Cash bonuses granted to executives are based on the respective performance of their regional business unit. Bonuses are paid out at various times during the year and are determined by the Board.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2012:

Financial Year Ending 30 June	2012	2011	2010	2009	2008
Revenue ($'000)	14,872	16,941	24,958	30,366	26,398
NPAT ($'000)	(4,064)	340	581	(577)	3,150
Share price at start of year	$0.001	$0.01	$0.03	$0.05	$0.07
Share price at end of year	$0.001	$0.001	$0.01	$0.03	$0.05
Dividend	-	-	-	-	-
Basic EPS (cents per share)	(0.13)	0.02	0.17	(0.23)	1.96

Certain executive directors receive a performance bonus for a combination of achievement of net profit after tax and achievement of personal KPIs as approved by the Board.

Remuneration of Senior Management and Executive Directors

The following table discloses the remuneration of the Non-Executive and Executive Directors of the Company:

	Short Term Benefits		Post Employment		Share Based Payments	Total	Performance Related	
2012 Directors	Salary & Fees ($)	Non-monetary ($)	Superannuation ($)	Termination Benefit ($)	Options Note 1 ($)	($)	Total %	Options %
Executive Directors								
G. Casey	300,000*	0	0*	0	0	300,000	0	0
Non-Executive Directors								
A. Plympton	53,985	0	0**	0	0	53,985	0	0
J. Taylor	30,000	0	0***	0	0	30,000	0	0
M. Kellett	30,000	0	0****	0	0	30,000	0	0
Senior management								
D. Johnson	135,000	0	9,900	0	0	144,900	0	0
S. Day	210,900	0	18,981	0	0	229,881	0	0
R. Savage	240,000*****	0	0*****	0	0	240,000	0	0
Total	999,885	0	28,881	0	0	1,028,766	0	0

	Short Term Benefits		Post Employment		Share Based Payments	Total	Performance Related	
2011 Directors	Salary & Fees ($)	Non-monetary ($)	Superannuation ($)	Termination Benefit ($)	Options Note 1 ($)	($)	Total %	Options %
Executive Directors								
G. Casey	217,500*	0	0*	0	0	217,500	0	0
Non-Executive Directors								
A. Plympton	67,590	0	0**	0	(12,400)	55,190	(22)	(22)
J. Taylor	30,000	0	0***	0	0	30,000	0	0
M. Kellett	7,500	0	0****	0	0	7,500	0	0
Senior management								
D. Johnson	146,033	0	26,806	0	0	172,839	0	0
S. Day	224,860	0	20,237	0	0	245,097	0	0
R. Savage	119,541*****	0	0*****	0	0	119,541	0	0
Total	813,024	0	47,043	0	(12,400)	847,667	(1)	(1)

Note 1: Options over shares issued as part of remuneration have been valued in accordance with the Australian Accounting Standards AASB2, using the Monte Carlo Valuation methodology; the value of the options is determined on the grant date and in included in remuneration on a proportionate basis from grant date to vesting date.

* Mr Casey's services to the Company are provided pursuant to a service contact with a company of which he is a director and major shareholder, GFC Management Pty Ltd. As the legal relationship is one of contractor and not employee, there are no superannuation entitlements due to Mr Casey by the Company. The annual remuneration entitlement to Mr Casey is $300,000, however, in the previous financial year Mr Casey was required to forego $82,500 in service fees in order to comply with the conditions of a subordinated loan agreement with Investec.

**Mr Plympton's services to the Company as a Director are provided through his private company, Windward Mark Pty Ltd. As the legal relationship is one of contractor and not employee, there are no superannuation entitlements due to Mr Plympton by the Company.

***Mr Taylor's services to the Company as a Director are provided through his private company, Jelor Software Pty Ltd. As the legal relationship is one of contractor and not employee, there are no superannuation entitlements due to Mr Taylor by the Company.

**** Mr Kellett's services to the Company are provided through his private company, Stetten No. 2 Pty Ltd. As the legal relationship is one of contractor and not employee, there are no superannuation entitlements due to Mr Kellett by the Company.

***** Mr Savage's services to the Company are provided through his private company, Savage5 Pty Ltd. As the legal relationship is one of contractor and not employee, there are no superannuation entitlements due to Mr Savage by the Company. The annual remuneration entitlement to Mr Savage is $240,000, however, in the previous financial year Mr Savage was required to forego $120,459 in service fees in order to comply with the conditions of a subordinated loan agreement with Investec.

Components of Remuneration of Senior Management & Executive Directors

The Company has entered into a service contract with GFC Management Pty Ltd ACN 121 025 054 under which GFC Management Pty Ltd is obliged to provide the services of Mr. Glen Casey to the Company to perform the functions of the Chief Executive Officer.

Under this Contract, either party can terminate the arrangement at any time by giving to the other notice in writing for a period of not less than three (3) months or in the case of the Company by providing an equivalent payment in lieu of such notice.

The amount of the fees payable under the Contract is $300,000.00 gross per annum plus GST. In addition, a performance bonus is set on an annual basis. This is based on 90-150% of a bonus amount as determined by the Board for a combination of achievement of net profit after tax and achievement of personal KPIs as approved by the Board. The incentive is subject to specific annual agreement between the parties so as to reflect relevant circumstances at the time.

No bonus payment is due for the 2012 financial year.

During the financial year, the following share-based payment arrangements were in existence pertaining to members of senior management and executive directors:

Options series		Grant date	Expiry date	Grant date fair value	Vesting date
(1)	Issued 9 February 2007	9.02.2007	8.02.2012	12,400	Expired

There are no further service or performance criteria that need to be met in relation to options granted under series 1 before the beneficial interest vests in the recipient. Executives and senior employees receiving options under series 1 are entitled to the beneficial interest under the option when the performance condition is met.

There were no grants of share-based payment compensation to directors and senior management during the current financial year.

No option series currently on issue was exercised during the financial year.

No options held by directors and senior management were exercised during the financial year.

Options previously granted to directors and senior management expired during the financial year.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr Andrew Plympton
Chairman
28 September 2012

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ACCOUNTANTS and ADVISORS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF BEYOND SPORTSWEAR INTERNATIONAL LTD AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit

Stannarts Accountants & Advisors

Michael B Shulman

Date: 28 September 2012

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEYOND SPORTSWEAR INTERNATIONAL LTD

Report on the Financial Report

We have audited the accompanying financial report of Beyond Sportswear International Limited (the company) and Beyond Sportswear International Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Beyond Sportswear International Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Stannards Accountants and Advisors Pty Ltd
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stannards
ACCOUNTANTS and ADVISORS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEYOND SPORTSWEAR INTERNATIONAL LTD

Auditor's Opinion

In our opinion:

a. the financial report of Beyond Sportswear International Limited and Beyond Sportswear International Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. 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.

Auditor's Opinion

In our opinion the remuneration report of Beyond Sportswear International Limited for the year ended 30 June 2012 complies with Section 300A of the Corporations Act 2001.

Stannards Accountants & Advisors

Stannards Accountants & Advisors

Michael B Shulman

Dated this 28th day of September 2012

DIRECTORS' DECLARATION

The Directors declare that:

The financial statements and notes, as set out on pages 25 to 68 are in accordance with the Corporations Act 2001 including:

- In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable:

- In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group and the Company;

- In the directors' opinion, the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note (1) to the financial statements; and

- The directors have been given the declarations required by section 295A of the Corporations Act 2001 by the Chief Executive Officer and the Chief Financial Officer.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001

Mr Andrew Plympton
Chairman
28 September 2012

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

		Consolidated		Company	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Revenue	3	14,872	16,941	0	0
Changes in inventories of finished goods and work in progress		(899)	217	0	0
Raw materials and consumables used		(7,274)	(9,442)	0	0
Royalty expenses		(97)	(58)	0	0
Employee benefits expense	4	(2,730)	(2,922)	0	12
Occupancy expenses		(373)	(476)	0	0
Event expenses		0	(207)	0	0
Advertising expenses		(73)	(108)	0	0
Freight expenses		(243)	(281)	0	0
Travel expenses		(125)	(145)	0	0
Depreciation and amortisation expenses	4	(617)	(668)	(6)	(6)
Professional fees		(877)	(625)	(386)	(475)
Finance costs	4	(701)	(899)	0	0
(Write down)/write back of related party loan	4	0	0	2,060	(5,708)
Other expenses		(634)	(631)	0	120
Business restructuring costs		(4,210)	(299)	(1,513)	0
Restructuring costs related to debt refinancing		0	(451)	0	0
Profit/ (Loss) before tax		(3,981)	(54)	155	(6,057)
Income tax benefit	5	0	300	(213)	(1,281)
Profit / (Loss) for the year		(3,981)	246	(58)	(7,338)
PROFIT/(LOSS) FOR THE YEAR		(3,981)	246	(58)	(7,338)
Other comprehensive income					
Exchange differences on translating foreign operations		(83)	94	0	0
Other comprehensive income for the year, net of tax		(83)	94	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(4,064)	340	(58)	(7,338)
Earnings per share					
Basic (cents per share)	28	(0.13)	0.02		
Diluted (cents per share)	28	(0.13)	0.02		

Notes to the financial statements are included on pages 29 to 68

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		Consolidated		Company	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Assets					
Current assets					
Cash and bank balances	7	115	43	0	0
Trade and other receivables	8	2,713	1,953	6	0
Inventories	9	3,003	3,282	0	0
Other assets	10	556	642	0	0
Total current assets		6,387	5,920	6	0
Non-current assets					
Deferred tax assets	5	4,680	4,680	2,577	2,790
Other financial assets	11	75	75	11,933	13,396
Property plant and equipment	12	1,619	1,890	8	14
Goodwill	13	3,705	5,168	0	0
Other intangible assets	14	9,337	9,439	0	0
Total non-current assets		19,416	21,252	14,518	16,200
Total assets		25,803	27,172	14,524	16,200
Current liabilities					
Trade and other payables	15	4,121	4,125	14	137
Borrowings	16	1,535	1,142	800	900
Provisions	17	368	413	0	0
Total current liabilities		6,024	5,680	814	1,037
Non-current liabilities					
Borrowings	16	8,585	7,193	2,625	4,100
Trade and other payables	15	2,493	1,530	80	0
Provisions	17	152	156	0	0
Total non-current liabilities		11,230	8,879	2,705	4,100
Total liabilities		17,254	14,559	3,519	5,137
Net assets		8,549	12,613	11,005	11,063
Equity					
Issued capital	18	39,991	39,991	39,991	39,991
Reserves	19	96	179	0	0
Accumulated losses	20	(31,538)	(27,557)	(28,986)	(28,928)
		8,549	12,613	11,005	11,063
Equity attributable to owners of the Company		8,549	12,613	11,005	11,063
Non-controlling interests		0	0	0	0
Total equity		8,549	12,613	11,005	11,063

Notes to the financial statements are included on pages 29 to 68

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

Consolidated	Note	Share Capital $'000	Share Option Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Attributable to equity holders of the parent $'000	Total $'000
Balance at 1 July 2010		38,258	132	(360)	(27,358)	10,672	10,672
Profit for the year		0	0	0	246	246	246
Other comprehensive income for the year		0	0	94	0	94	94
Total comprehensive income for the year		0	0	94	246	340	340
Share based payments		0	(132)	0	0	(132)	(132)
Issue of shares	18	2,868	0	0	0	2,868	2,868
Share transaction costs	18	(1,135)	0	0	0	(1,135)	(1,135)
Transfer arising from deconsolidation		0	0	445	(445)	0	0
Balance at 30 June 2011		39,991	0	179	(27,557)	12,613	12,613
Balance at 1 July 2011		39,991	0	179	(27,557)	12,613	12,613
Loss for the year		0	0	0	(3,981)	(3,981)	(3981)
Other comprehensive income for the year		0	0	(83)	0	(83)	(83)
Total comprehensive income for the year		0	0	(83)	(3,981)	(4,064)	(4,064)
Balance at 30 June 2012		39,991	0	96	(31,538)	8,549	8,549

Company	Note	Share Capital $'000	Share Option Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Attributable to equity holders of the parent $'000	Total $'000
Balance at 1 July 2010		38,258	132	0	(21,590)	16,800	16,800
Loss for the year		0	0	0	(7,338)	(7,338)	(7,338)
Total comprehensive loss for the year		0	0	0	(7,338)	(7,338)	(7,338)
Share based payments		0	(132)	0	0	(132)	(132)
Issue of shares	18	2,868	0	0	0	2,868	2,868
Share transaction costs	18	(1,135)	0	0	0	(1,135)	(1,135)
Balance at 30 June 2011		39,991	0	0	(28,928)	11,063	11,063
Balance at 1 July 2011		39,991	0	0	(28,928)	11,063	11,063
Loss for the year		0	0	0	(58)	(58)	(58)
Total comprehensive loss for the year		0	0	0	(58)	(58)	(58)
Balance at 30 June 2012		39,991	0	0	(28,986)	11,005	11,005

Notes to the financial statements are included on pages 29 to 68

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
Cash flows from operating activities					
Receipts from customers		14,085	19,001	0	0
Payments to suppliers and employees		(14,353)	(17,930)	(435)	(602)
Interest received		0	10	0	0
Finance costs		(701)	(899)	0	0
Other income		20	254	0	0
Net cash provided by / (used in) operating activities	21	(949)	436	(435)	(602)
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(406)	(60)	0	0
Proceeds from sale of plant and equipment		100	32	0	0
Payments for other intangible assets		(224)	(1,035)	0	0
Purchase of businesses	29	(234)	(423)	(234)	(423)
Net cash (used in) investing activities		(764)	(1,486)	(234)	(423)
Cash flows from financing activities					
Proceeds from issue of shares		0	2,868	0	2,868
Payment for share issue costs		0	(1,135)	0	(1,135)
Proceeds from unsecured and shareholder loans		1,597	45	0	0
Repayment of secured borrowings		0	(4,775)	0	0
Proceeds from secured bank long term loan		343	5,000	(1,575)	5,000
(Advances to)/Repayment from controlled entities		0	0	2,244	(5,708)
Payments for hire purchase liabilities		(155)	(328)	0	0
Net cash provided by financing activities		1,785	1,675	669	1,025
Net increase/(decrease) in cash and cash equivalents		72	625	0	0
Cash and cash equivalents at the beginning of financial year		43	(582)	0	0
Effect of exchange rate changes on the balance of cash held in foreign currencies		0	0	0	0
Cash and cash equivalents at end of financial year	21	115	43	0	0

Notes to the financial statements are included on pages 29 to 68

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Australian Accounting Standards set out accounting policies that result in the presentation of reliable and relevant information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 September 2012.

Basis of Preparation of the Financial Report

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

Significant accounting policies

(a). Going concern policy note

At 30 June 2012 the Group had a positive working capital position of $363 thousand (2011: $240 thousand). The Group recorded net cash outflows from operations of $949 thousand and a net loss after tax of $4,064 thousand in the current financial year.

Subsequent to balance date at an extraordinary general meeting, shareholders approved:-

- The transfer of the Company's interest in key assets to a new wholly owned subsidiary;
- A capital reduction by an amount equal to the market value of the total issued capital of the new wholly owned subsidiary; and
- Satisfaction of the capital reduction by a pro-rata in specie distribution of all shares held by the Company in the new wholly owned subsidiary as at the Spinoff record date.

Further, a non-renounceable pro-rata rights issue to raise approximately $1.6 million is also intended, with the purpose of the capital raising being to fund future working capital requirements of the Group, as well as to fund costs associated with identifying potential acquisition opportunities.

The above events will have a favourable impact on liquidity.

The Directors are confident that the Group and the Company will continue as going concerns for the following reasons:

- Ongoing support of our shareholders, and
- Forecast future cash flows indicate sufficient funds will be available to pay for debts as and when they fall due,

Future activities of the Group, which will require acquisition of new businesses to replace the key assets transferred, will occur.

Preparation of this financial report assumes that the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(b). Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as ‘the Group’ in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions (‘common control transactions’) are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group’s equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority’s share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(c). Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the profit and loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 (2008) are recognised at their fair value at acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 12 Income Taxes and AASB 119 Employee Benefits respectively,
- Liabilities or equity instruments related to the replacement by the Group of an acquiree’s share based payments awards are measured in accordance with AASB 2 Share based Payment, and
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Non current assets held for sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below) or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of acquisition date, and is subject to a maximum of one year.

(d). Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the Combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e). Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current tax</u>
Current tax payable is based on taxable profit for the period. Taxable profit differs from profit reported in the consolidated statement of comprehensive income due to items of income or expense that are taxable or deductible in other reporting periods and items that are never taxable or deductible (permanent differences). Current tax is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

<u>Deferred tax</u>
Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from an initial recognition (other than a business combination) of other assets or liabilities where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the period</u>

Current and deferred tax are recognised as an expense or income in profit and loss except where they relate to items that are recognised outside profit and loss (whether in comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination the tax effect is included in the accounting for the business combination.

Income Tax (Continued)

<u>Tax consolidation</u>
The Company and its controlled Australian entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax and deferred tax assets in respect of tax losses for the consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each Australian taxed company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(f). Inventories

Inventories are stated at the 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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(g). Property, Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment, and motor vehicles are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

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.

Depreciation (Continued)

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rates	Depreciation Basis
Plant and equipment	2.5% - 30.0%	Straight line
Leased plant and equipment	12.5%	Straight line
Motor vehicles	20.0%	Straight line

(h). Leases

Finance Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the Group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating Leases

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. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i). Impairment of tangible and intangible assets (excluding goodwill)

At the end of each reporting period the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j). Intangible Assets

Brands

Brand names recognised by the Group are assessed as having an indefinite useful life and are not amortised. Each period, this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 1(i).

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it occurs.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit and loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(k). Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans
Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(l). Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions (Continued)

Restructurings
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Contingent liabilities acquired in a business combination
Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less cumulative amortisation recognised in accordance with AASB 118 'Revenue'.

(m). Foreign Currencies

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Australian dollars which is the Group's functional currency and the presentation currency for the consolidated financial statements.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rate prevailing at the date of transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:
- Assets and liabilities are translated at year-end exchange rates at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Exchange differences arising on translation of foreign operations are recognised in Other Comprehensive Income and included in the Group's foreign currency translation reserve in the statement of financial position. The differences are recognised in the income statement in the period in which the operation is disposed.

(n). Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes:
- Cash on hand and at call deposits with banks or financial institutions, net of outstanding bank overdrafts,
- Term deposits that support finance facilities, as identified in Note 7.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(o). Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other allowances.

Sale of goods
Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity, and
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

Interest
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(p). Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

(q). Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial or Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r). 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 Taxation 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.

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.

(s). Financial assets

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

(t). Critical accounting judgements and key sources of estimation uncertainty

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

Key estimates and judgements - Impairment

Inventory

Stock on hand remaining for expired events is valued at net realisable value. The anticipated recoverable amount is based on historical knowledge and best available information.

Goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations.

The recoverable amount of goodwill is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The cash flow projections for the wholesale license business have been calculated using historical knowledge and best available information regarding revenues and expenses. A growth rate of 3% (2011: 3%) has been used to extrapolate the wholesale license business cash flow projections beyond the period covered by the most recent forecasts. The present value of future cash flows has been calculated using a discount rate of 17.6% (2011: 19.5%) to determine value-in-use.

Identifiable Intangibles

The calculation used to assess the value of the Group's brands is based on projected cash flows approved by management covering a period not exceeding ten years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The cash flow projections for the business have been calculated using historical knowledge and best available information regarding revenues and expenses. A growth rate of 2% (2011: 3%) has been used to extrapolate the business cash flow projections beyond the period covered by the most recent forecasts. The present value of future cash flows has been calculated using a discount rate of 17.6% (2011: 19.5%) to determine value-in-use.

(u). New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

New Accounting Standards for Application in Future Periods (Continued)

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- Simplifying the requirements for embedded derivatives;
- Removing the tainting rules associated with held-to-maturity assets;
- Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- Requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- Requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group does not expect any impact from these pronouncements on its financial statements.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052)

This Standard is applicable for annual reporting periods commencing on or after 1 July 2013.

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements.

- Tier 1: Australian Accounting Standards, and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements

The Group does not believe it qualifies for the reduced disclosure requirements for Tier 2 entities.

New Accounting Standards for Application in Future Periods (Continued)

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets {AASB-112}

This Standard is applicable for annual reporting periods commencing on or after 1 January 2012.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Group.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interest in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]

These Standards are applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either 'joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities.

These Standards are not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]

This Standard is applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- Inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy: and
- Enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Group.

New Accounting Standards for Application in Future Periods (Continued)

AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]

This Standard is applicable for annual reporting periods commencing on or after 1 July 2012.

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]

These Standards are applicable to periods beginning on or after 1 January 2013.

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to:

- Requires only benefits that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service to be classified as short-term employee benefits. All other employee benefits are to be classified as other long-term employee benefits, post-employment benefits or termination benefits, as appropriate; and

- The accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:
  - for an offer that may be withdrawn – when the employee accepts;
  - for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
  - where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

This Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

NOTE 2: SIGNIFICANT EVENTS

Exit of Non-Core Licences/Licence Rationalisation

The Board of Beyond Sportswear International Limited determined to discontinue a number of non-core licenses resulting in the disposal of inventory and plant and equipment at cost value during the current financial year (2011: cost).

NOTE 3: REVENUE

The following is an analysis of the Group's revenue for the year.

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Operating activities				
- Revenue from sale of goods	14,872	16,731	0	0
- Government grant	0	200	0	0
- Interest received (a)	0	10	0	0
Total Revenue	14,872	16,941	0	0
(a) Interest revenue from:				
- External parties	0	10	0	0
Total interest revenue	0	10	0	0

NOTE 4: PROFIT

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Expenses				
Cost of sales	7,274	9,442	0	0
Finance Costs:				
- Shareholder related parties	246	241	0	0
- External parties	455	658	0	0
Total finance costs	701	899	0	0
Depreciation of non current assets				
- Plant and equipment	607	636	6	6
- Motor vehicles	10	32	0	0
Total depreciation	617	668	6	6
Net loss/(gain) from movement in provisions				
- Movement in provision for doubtful debts	0	0	0	0
- Movement in employee provisions	(49)	16	0	0
- Movement in inventory provision	500	0	0	0
- Provision for write down/(write back) of related party loan	0	0	(2,060)	5,708
Total net gain/(loss) from movements in provisions	451	16	(2,060)	5,708
Rental expense on operating leases				
- Minimum lease payments	373	476	0	0
Employee benefits				
- Employee wages and salaries	2,410	2,819	0	0
- Employee benefits expense	320	235	0	0
- Share based payment charges	0	(132)	0	(12)
Total employee benefits	2,730	2,922	0	(12)

NOTE 5: INCOME TAX

	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
The components of tax expense/(benefit) comprise:				
Current tax	0	0	0	0
Deferred tax	(129)	(1,984)	84	(403)
Recognition of prior year tax losses	129	1,684	129	1,684
Total income tax benefit	0	(300)	213	1,281

	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
The prima facie tax on profit/(loss) is reconciled to the income tax as follows:				
Prima facie tax payable on pre tax accounting profit from operations at 30% (2010 30%)	(1,194)	12	46	(1,817)
Add tax effect of:				
- Other non-allowable items	211	294	454	0
- Write-downs/(write-backs) to recoverable amounts	838	0	(618)	1,712
- Deferred tax assets not brought to account	593	126	205	159
	448	432	87	54
Less tax effect of:				
- Deductible capital raising costs	84	18	84	3
- Deductible defence costs	4	11	4	11
- Other deductible items	335	410	0	40
- Effect of subsidiaries operating in other jurisdictions	25	(7)	0	0
- Deferred tax asset (losses and temporary differences) now brought to account	0	300	(214)	(1,281)
	448	732	(126)	(1,227)
Income tax expense/(benefit)	0	(300)	213	1,281

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Opening Balance 1/07/2010 $'000	Charged to profit and loss $'000	Closing Balance 30/06/2011 $'000	Charged to profit and loss $'000	Closing Balance 30/06/2012 $'000
Consolidated					
Unused tax losses	4,071	(1,684)	2,387	(129)	2,258
Employee Entitlements	187	(16)	171	(18)	153
Other Provisions	0	995	995	345	1,340
Capital Raising Costs	0	403	403	(84)	319
Capitalised Costs	0	352	352	(172)	180
Doubtful Debts	62	(62)	0	0	0
Stock	0	0	0	150	150
Other	60	312	372	(92)	280
	4,380	300	4,680	0	4,680
Company					
Unused tax losses	4,071	(1,684)	2,387	(129)	2,258
Capital Raising Costs	0	403	403	(84)	319
	4,071	(1,281)	2,790	(213)	2,577

NOTE 5: INCOME TAX (Continued)

Unrecognised deferred tax assets:

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax assets not recognised at reporting date:				
- Gross carry forward income losses	0	0	0	0
- Gross carry forward capital losses	1,932	1,932	1,932	1,932
	1,932	1,932	1,932	1,932

Tax Consolidation

Relevance of tax consolidation to the group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Beyond Sportswear International Limited. The members of the tax-consolidated group are identified at note 26.

NOTE 6: AUDITORS REMUNERATION

	Consolidated		Company	
	2012 $	2011 $	2012 $	2011 $
Auditor of the Company:				
- Auditing or reviewing the financial report	84,000	200,201	84,000	200,201
- Tax and other services	54,000	31,856	54,000	31,856
	138,000	232,057	138,000	232,057
Other auditors for:				
- Auditing or reviewing the financial report of subsidiaries	0	0	0	0
- Other services	0	0	0	0
	0	0	0	0

The auditor of Beyond Sportswear International Limited is Stannards Accountants and Advisors.

NOTE 7: CASH & CASH EQUIVALENTS

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash on hand	3	6	0	0
Term Deposit	0	0	0	0
Cash at bank	112	37	0	0
	115	43	0	0

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current				
Trade debtors	2,503	1,735	0	0
Less allowance for doubtful debts	0	0	0	0
	2,503	1,735	0	0
Other debtors	210	218	6	0
Amounts receivable from:				
- wholly-owned subsidiaries	0	0	8,230	10,290
- provision for loan to subsidiary	0	0	(8,230)	(10,290)
	2,713	1,953	6	0

The average credit period on sales of goods and rendering of services is 45 days. No interest is charged on the trade receivables. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience. The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable. Other trade receivables are assessed on an individual basis.

Before accepting any new customers, the Group uses a trade reference credit check system to assess the potential customer's credit quality and defines credit limits by customer. Limits to customers are reviewed periodically. Of the trade receivables balance at the end of the year, there are no customers who represent more than 5% of the total balance of trade receivables (2011: $nil).

Included in the Group's trade receivable balance are debtors with a carrying amount of $255 thousand (2011: $261 thousand) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Ageing of past due but not impaired				
60-90 days	100	82	0	0
90+ days	155	179	0	0
Total	255	261	0	0
Movement in Allowance for Doubtful Debts				
Balance at the beginning of the year	0	208	0	0
Impairment losses recognised on receivables	0	0	0	0
Amounts written off as uncollectible	0	(208)	0	0
Balance at the end of the year	0	0	0	0

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of $nil (2011: $nil thousand) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

Ageing of impaired trade receivables under liquidation				
60-90	0	0	0	0
90+	0	0	0	0
Total	0	0	0	0

NOTE 9: INVENTORIES

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Raw materials at cost	1,317	707	0	0
Work in progress at cost	1,191	1,070	0	0
Finished goods at net realisable value	495	1,505	0	0
	3,003	3,282	0	0

The cost of inventory recognised as an expense during the period in respect of continuing operations was $7,274 thousand (2011: $9,442 thousand).

The cost of inventory recognised as an expense includes $nil (2011: $nil) in respect of restructure costs associated with the exit of the Events business and $500 thousand (2011: $nil) in respect of write-downs to net realisable value.

NOTE 10: OTHER ASSETS

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current				
Prepayments	196	327	0	0
Capitalised Development Costs (refer note 14)	360	315	0	0
	556	642	0	0

NOTE 11: OTHER FINANCIAL ASSETS

		Consolidated		Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non-Current	Note				
Unlisted investments, at recoverable amount					
- shares in other associated entities at cost		75	75	0	0
- less impairment write down		0	0	0	0
		75	75	0	0
- shares in controlled entities at cost	26	0	0	30,246	30,196
- less impairment write down		0	0	(18,313)	(16,800)
		0	0	13,396	13,396
Carrying amount at end of the year		75	75	11,933	13,396

NOTE 12: PROPERTY, PLANT & EQUIPMENT

	Consolidated		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Plant and equipment (including equipment under finance lease)				
Cost				
Balance at the beginning of year	4,831	5,171	29	29
Additions	446	60	0	0
Disposals	(260)	(400)	0	0
Balance at 30 June 2012	5,017	4,831	29	29
Accumulated depreciation				
Balance at the beginning of year	(2,996)	(2,740)	(15)	(9)
Disposals	201	380	0	0
Depreciation	(607)	(636)	(6)	(6)
Balance at 30 June 2012	(3,402)	(2,996)	(21)	(15)
Carrying amount at end of the year	1,615	1,835	8	14
Motor Vehicles				
Cost				
Balance at the beginning of year	142	175	0	0
Additions	0	0	0	0
Disposals	(99)	(33)	0	0
Balance at 30 June 2012	43	142	0	0
Accumulated depreciation				
Balance at the beginning of year	(87)	(77)	0	0
Disposals	58	22	0	0
Depreciation expense	(10)	(32)	0	0
Balance at 30 June 2012	(39)	(87)	0	0
Carrying amount at end of the year	4	55	0	0
Net book value				
Balance at the beginning of the financial year	1,890	2,529	14	20
Balance at the end of the financial year	1,619	1,890	8	14

No impairment losses were recognised in respect to property, plant and equipment (2011: nil).

The useful lives used in the calculation of depreciation are disclosed in note 1(g).

NOTE 13: GOODWILL

		Consolidated		Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Goodwill	Note				
Gross carrying amount					
Balance at beginning of the financial year		23,579	23,156	0	0
Additional amounts recognised from business combinations occurring during the period	29	0	423	0	0
Balance at end of the financial year		23,579	23,579	0	0
Accumulated impairment losses					
Balance at beginning of the financial year		(18,411)	(18,411)	0	0
Impairment write-down		(1,463)	0	0	0
Balance at end of the financial year		(19,874)	(18,411)	0	0
Net book value					
At the beginning of the financial year		5,168	4,745	0	0
At the end of the financial year		3,705	5,168	0	0

Allocation of goodwill to cash-generating units

The carrying amount of goodwill inclusive of any impairment loss was allocated to the following cash-generating units:

Allocation of goodwill to cash generating units				
Kea Australia Pty Ltd and its controlled entities	0	1,463	0	0
Kea Designer Sportswear (UK) Pty Ltd	816	816	0	0
Kombat Pty Ltd	419	419	0	0
Beyond Sportswear International Pty Ltd and Steve Rolton Agencies Pty Ltd	2,470	2,470	0	0
Total	3,705	5,168	0	0

Kea Australia Pty Ltd and its controlled entities
The recoverable amount of this cash-generating unit has been determined based on the discounted cashflows associated with the licensing agreement recently transacted with a third party. A discount rate of 17.6%p.a was used, and an impairment loss was allocated thereto.

Kombat Pty Ltd
The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 17.6%p.a. (2011: 19.5%).
Cash flow projections during the budget period for the cash-generating unit are based on the same expected gross margins during the budget period and the consumer price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a steady 3%p.a. (2011: 3%) growth rate which is the projected long-term average growth rate for the international sportswear market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Kea Designer Sportswear (UK) Pty Ltd
The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 17.6%p.a. (2011: 19.5%).
Cash flow projections during the budget period for the cash-generating unit are based on the same expected gross margins during the budget period and the consumer price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a steady 3%p.a. (2011: 3%) growth rate which is the projected long-term average growth rate for the international sportswear market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Beyond Sportswear International Pty Ltd and Steve Rolton Agencies Pty Ltd
The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 17.6%p.a. (2011: 19.5%p.a.).
Cash flow projections during the budget period for the cash-generating unit are based on the same expected gross margins during the budget period and the consumer price inflation during the budget period. The cash flows beyond that five year period have been extrapolated using a steady 3%p.a. (2011: 3%) growth rate which is the projected long-term average growth rate for the international sportswear market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Key assumptions
The key assumptions used in the value in use calculations for all cash-generating units are as follows:

Budgeted market share	Average market share in the period immediately before the budget period, plus a growth of 2% of market share per year. The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with management's plans for focusing operations in these markets. Management believes that the planned market share growth per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increased for expected efficiency improvements. This reflects past experience, except for efficiency improvements. Management expects efficiency improvements of 2% per year to be reasonably achievable.
Raw materials price inflation	Forecast consumer price indices during the budget period for the countries from which raw materials are purchased. The values assigned to the key assumption are consistent with external sources of information.

NOTE 14: OTHER INTANGIBLE ASSETS

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Brands				
Gross carrying amount				
Balance at beginning of the financial year	8,178	8,178	0	0
Acquisition through business combination	1,000	0	0	0
Balance at end of the financial year	9,178	8,178	0	0
Accumulated impairment losses				
Balance at beginning of the financial year	0	0	0	0
Impairment write-down	(1,281)	0	0	0
Balance at end of the financial year	(1,281)	0	0	0
Carrying amount at end of year	7,897	8,178	0	0
Capitalised Development Costs				
Gross carrying amount				
Balance at beginning of the financial year	1,261	541	0	0
Additions from internal developments	179	720	0	0
Balance at end of the financial year	1,440	1,261	0	0
Accumulated impairment losses				
Balance at beginning of the financial year	0	0	0	0
Balance at end of the financial year	0	0	0	0
Carrying amount at end of year	1,440	1,261	0	0
Net book value				
Balance at beginning of the financial year	9,439	8,719	0	0
Balance at end of the financial year	9,337	9,439	0	0

Significant intangible assets
The Group holds significant brand names for their exclusive use on sportswear apparel. Capitalised development costs are expected to have a useful life of 5 years for the calculation of amortisation, once commercial production commences. In the current financial year $360 thousand (2011: $315 thousand) of capitalised development costs are shown as a current asset.

Impairment loss
The carrying value of the Kea brand name has been written down due to impairment by $1,281 thousand. The impairment calculation has been determined based on the discounted cashflows accounted within the licensing agreement recently transacted with a third party, and applying a discount rate of 17.6%p.a.

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current				
Unsecured liabilities				
Trade creditors	2,644	2,214	0	0
Sundry creditors and accruals	1,477	1,911	14	137
	4,121	4,125	14	137
Non-current				
Unsecured liabilities				
Sundry Creditors and Accruals	2,493	1,530	80	0
	2,493	1,530	80	0
	6,614	5,655	94	137

The average credit period on purchases of goods is 45 days. No interest is charged on trade payables.
The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe or as separately agreed with creditors.

NOTE 16: BORROWINGS

	Note	Consolidated		Company	
		2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current					
Secured liabilities at amortised cost					
Bank term loan (1)		800	900	800	900
Bank debtor funding facilities (1)		718	0	0	0
Finance lease liability (2)	24	17	156	0	0
		1,535	1,056	800	900
Unsecured liabilities at amortised cost					
Other financial liabilities (3)		0	86	0	0
Total current liabilities		1,535	1,142	800	900
Non-current					
Secured liabilities at amortised cost					
Finance lease liability (2)	24	0	16	0	0
Bank debtor funding facilities (1)		1,200	0	0	0
Bank term loan (1)		2,625	4,100	2,625	4,100
		3,825	4,116	2,625	4,100
Unsecured liabilities at amortised cost					
Other financial liabilities (3)		4,760	3,077	0	0
Total non-current liabilities		8,585	7,193	2,625	4,100
Total borrowings at end of financial year		10,120	8,335	3,425	5,000

NOTE 16: BORROWINGS (Continued)

Summary of borrowing arrangements:

(1) Banking facilities include:

- Term loan of $3,425 thousand (2011: $5,000 thousand) with a current weighted average effective interest rate of 8.9% p.a. (2011: 8.9%) repayable over 3 years
- Debtor funding of $1,918 thousand (2011: $nil) with a current weighted average interest rate of 11.0% p.a. (2011: nil).

The term loan facilities are secured by a registered mortgage debenture over all property assets and undertakings of Beyond Sportswear International Limited, Beyond Sportswear International Pty Ltd, Steve Rolton Agencies Pty Ltd, Kombat Pty Ltd, Kea Australia Pty Ltd, Kea China Pty Ltd and Kea Sports Holdings Pty Ltd, guarantees provided by certain shareholders and directors to $3,000 thousand, joint and several guarantees and subordination deeds of all subsidiary companies, and a warrant deed poll which gives the lender the right to acquire 15% of the Company for $1 between 1 March 2011 and 1 March 2015.

The debtor funding facilities are secured by the debtor invoices sold under the agreement.

(2) Secured by the assets leased.

- The borrowings are fixed interest rate debt with repayment periods not exceeding five years, with a current weighted average effective interest rate of 8.6% p.a. (2011: 8.6%).

(3) Unsecured non-current financial liabilities include:

- $4,674 thousand loan (2011: $3,077 thousand) from various shareholder related entities. The loans are subordinate to the Term Loan with repayment due in 3 years and a current weighted average effective interest rate of 10.4% p.a. (2011: 10.4%)
- $86 thousand (2011: $86 thousand current financial liabilities) from a UK entity which provides working capital finance. No interest is payable on this loan which is repayable on demand.

NOTE 17: PROVISIONS

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Current				
Employee entitlements (1)	368	413	0	0
Total current provisions	368	413	0	0
Non-current				
Employee entitlements	152	156	0	0
Total non-current provisions	152	156	0	0
Aggregate employee entitlements	520	569	0	0

(1) The current provision for employee entitlements includes $80 thousand of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2011: $75 thousand).

(2) As at 30 June 2012, the Group had 51 full time equivalent staff.

NOTE 18: ISSUED CAPITAL

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
3,218,561,308 fully paid ordinary shares (2011: 3,218,561,308)	39,991	39,991	39,991	39,991

Changes to the then Corporations Act abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2012 Number		2011 Number	
	'000	$'000	'000	$'000
Fully paid ordinary shares				
Balance at beginning of the financial year	3,218,561	39,991	349,917	38,258
Issue of shares (1)	0	0	2,868,644	2,868
Share transaction costs	0	0	0	(1,135)
Balance at end of the financial year	3,218,561	39,991	3,218,561	39,991

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(1) Shares issued during the previous financial year comprised the following:

- 2,099,503,584 shares at an issue price of $0.001 per share as a 6 for 1 pro rata renounceable rights issue.
- 769,140,460 shares to Rocket Captain Pty Ltd at an issue price of $0.001 per share as consideration for underwriting fees payable by the Company in relation to the rights issue.

There were no shares issued during the current financial year.

Options

(1) On 9th February 2007, the Company issued 200,000 options to Mr Andrew Plympton at an exercise price of $0.10 each. These options were exercisable after 9th February 2008 and before 8th February 2012. There were no vesting criteria or performance hurdles required to be met in order for the options to be exercised. These options were issued as part of Mr Plympton's remuneration package. These options were not exercised by the expiry date therefore the options lapsed.

Each option entitled the holder to subscribe to one fully paid ordinary share. The shares allotted upon exercise of the options 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 is 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 the determining entitlements to the issue. All options granted to key management personnel were for ordinary shares in Beyond Sportswear International Limited which confer a right of one ordinary share for every option held.

		Number of options	
	Note	2012 $'000	2011 $'000
Options movements			
Balance at the beginning of the financial year		200	200
Options granted during the year		0	0
Options exercised during the year		0	0
Options lapsed during the year		(200)	0
Balance at the end of the financial year		0	200

There were no options on issue that were exercisable at the end of the year (2011: 200,000).

There were no options exercised during the year ended 30 June 2012 (2011: nil).

NOTE 19: RESERVES

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
Option Reserve		0	0	0	0
Foreign Currency Translation Reserve		96	179	0	0
		96	179	0	0
Option Reserve					
Balance at the beginning of the financial year		0	132	0	132
Options granted during the year					
- employee remuneration		0	(132)	0	(132)
Balance at the end of the financial year		0	0	0	0
Foreign Currency Translation Reserve					
Balance at the beginning of the financial year		179	(360)	0	0
Movement during the year					
- translation of controlled subsidiaries		(83)	94	0	0
- transfer arising from deconsolidation	20	0	445	0	0
Balance at the end of the financial year		96	179	0	0

NOTE 20: ACCUMULATED LOSSES

	Consolidated 2012 $'000	Consolidated 2011 $'000	Company 2012 $'000	Company 2011 $'000
Accumulated losses at the beginning of the financial year	(27,557)	(27,358)	(28,928)	(21,590)
Net profit/(loss) attributable to equity holders of the parent	(3,981)	246	(58)	(7,338)
Transfer arising from deconsolidation	0	(445)	0	0
Accumulated losses at the end of the financial year	(31,538)	(27,557)	(28,986)	(28,928)

NOTE 21: CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash on hand	3	6	0	0
Cash at bank	112	37	0	0
Term Deposit	0	0	0	0
Bank Overdrafts	0	0	0	0
	115	43	0	0
(b) Reconciliation of cash flow from operations with profit				
Profit / (Loss) after income tax	(4,064)	340	(58)	(7,338)
Non cash flows in profit/(loss)				
Depreciation and amortisation of plant and equipment	617	668	6	6
Goodwill/Investment impairment	1,463	0	1,513	0
Brand names impairment	1,281	0	0	0
Provision for write down / (write back) of related party loan	0	0	(2,060)	5,708
Bargain purchase on acquisition	(588)	0	0	0
Options write back	0	(132)	0	(132)
Changes in assets and liabilities:				
(Increase) / decrease in trade receivables	(768)	2,325	0	0
(Increase) / decrease in other receivables	8	(171)	(6)	4
(Increase) / decrease in inventories	349	(255)	0	0
(Increase) / decrease in other current assets	131	5	0	20
(Increase) / decrease in tax assets	0	(300)	213	1,281
Increase / (decrease) in payables	430	(1,970)	0	0
Increase / (decrease) in sundry creditors and accruals	247	(90)	(43)	(151)
Increase / (decrease) in provisions	(55)	16	0	0
Net cash inflow / (outflow) provided by operations	(949)	436	(435)	(602)

(c) Lines of credit with banks

The Group had access to the following lines of credit:

Facility	Available	Utilised	Unutilised
2012			
Bank term loan	3,425	3,425	0
Acquisition loan	1,000	0	1,000
Debtor finance	2,500	1,918	582
HP finance	17	17	0
Other loans	4,760	4,760	0
	11,702	10,120	1,582

Facility	Available	Utilised	Unutilised
2011			
Bank term loan	5,000	5,000	0
Acquisition loan	1,000	0	1,000
HP finance	172	172	0
Other loans	3,163	3,163	0
	9,335	8,335	1,000

NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group who held office during the year were:

Glen Casey (Chief Executive Officer & Executive Director)
Andrew Plympton (Chairman and Non-Executive Director)
Jeff Taylor (Non-Executive Director)
Mark Kellett (Non-Executive Director)
David Johnson (Sales Manager Kea)
Stephen Day (Business Unit Manager Kombat)
Robert Savage (Chief Financial Officer)

The aggregate compensation paid/payable to key management personnel of the Group is set out below:

		Consolidated		Company	
	Note	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Short term employment benefits		1,000	813	115	105
Post-employment benefits		29	47	0	0
Termination benefits		0	0	0	0
Share based payments		0	(12)	0	(12)
		1,029	848	115	93

NOTE 23: DIVIDENDS

No Dividends were declared during the relevant period.

The adjusted franking account balance is $1,459 thousand (2011: $1,459 thousand).

NOTE 24: CAPITAL AND LEASING COMMITMENTS

Finance leases
Leasing arrangements
Finance leases relate to plant and equipment with lease terms ranging from 3 to 5 years. The Group has options to purchase the equipment for an agreed residual amount at the conclusion of the lease arrangements. The Group's obligation under finance leases are secured by the lessor's title to the leased assets.

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
No later than 1 year	17	162	0	0	17	156	0	0
Later than 1 year and not later than 5 years	0	16	0	0	0	16	0	0
Minimum future lease payments (1)	17	178	0	0	17	172	0	0
Less future finance charges	0	(6)	0	0	0	0	0	0
Present value of minimum lease payments	17	172	0	0	17	172	0	0
Included in the financial statements as: (note 16)								
Current borrowings					17	156	0	0
Non-current borrowings					0	16	0	0
					17	172	0	0

NOTE 24: CAPITAL AND LEASING COMMITMENTS (Continued)

(1) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating Leases

Leasing arrangements

Operating leases relate to manufacturing, warehouse and office facilities with lease terms of between 1 and 3 years, with an option to extend for a further 5 years. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased premises at the expiry of the lease period.

		Consolidated		Company	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Minimum lease payments					
- not later than 1 year		396	326	0	0
- longer than 1 year and not longer than 5 years		306	537	0	0
		702	863	0	0

NOTE 25: RELATED PARTY TRANSACTIONS

Equity Investments in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 26 to the financial statements.

Key Management Personnel Remuneration

Details of key management personnel remuneration are disclosed in Note 22 to the financial statements.

Key Management Personnel Equity Holdings

(1) Directors Equity Holdings

Fully paid ordinary shares	Balance 30 June 2011	Shares Acquired	Options Exercised	Net Change	Balance 30 June 2012
Executive Directors					
G Casey	62,572,114	0	0	0	62,572,114
Non-Executive Directors					
A. Plympton	0	0	0	0	0
J. Taylor	35,683,025	0	0	0	35,683,025
M. Kellett	1,556,178,870	0	0	0	1,556,178,870
Total	1,654,434,009	0	0	0	1,654,434,009

NOTE 25: RELATED PARTY TRANSACTIONS (Continued)

(2) Directors Equity Holdings Compensation Options: Granted and Vested during the year

					Terms & Conditions for Each Grant			
Share Options – Key Management Personnel	Vested Number	Granted Number	Grant Date	Value Per Option at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Non-Executive Directors								
A. Plympton	0	200,000	09.02.2007	$0.062	$0.10	08.02.2012	09.02.2008	Expired
Total	0	200,000						

(3) Loans to Key Management Personnel & Directors

The following amounts were payable to/(receivable from) Directors and their Director-related entities as at the reporting date:

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
G. Casey	2,474	2,577	0	0
J. Taylor	0	3	0	0
R. Savage	500	500	0	0
	2,974	3,080	0	0

Entities related to G. Casey have provided loans to the Group to fund working capital. The current weighted average interest rate for these loans is 10.4% p.a. (2011: 10.4% p.a.). Included in the loan is an amount of $82,500 of service fees foregone in the previous year as a result of complying with the conditions of a subordinated loan agreement with Investec.

An entity related to J. Taylor has provided loans to the Group to fund working capital. The loan was repaid during the financial year. The weighted average interest rate in 2011 was 8%.

An entity related to R. Savage has provided loans to the Group to fund working capital. The current weighted average interest rate for these loans is 10.4% p.a. (2011: 10.4% p.a.). Included in the loan is an amount of $120,459 of service fees foregone in the previous year as a result of complying with the conditions of a subordinated loan agreement with Investec.

During the financial year, key management personnel and their related entities may have purchased goods, which were domestic or trivial in nature, from the Group on the same terms and conditions available to other employees and customers.

(4) Other transactions with key management personnel of the Group

Consolidated revenue includes the following amounts arising from transactions with key management personnel of the consolidated entity or their related entities:

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Interest revenue	0	0	0	0
	0	0	0	0

NOTE 25: RELATED PARTY TRANSACTIONS (Continued)

Consolidated profit includes the following expenses arising from transactions with key management personnel of the consolidated entity or their related entities:

	Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Interest expense	246	241	0	0
Related party charges	0	0	0	0
	246	241	0	0

The wholly-owned Group includes:

- The ultimate parent entity in the wholly-owned group; and
- Wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Beyond Sportswear International Limited, which is also the parent entity in the economic entity.

Amounts receivable from entities in the wholly-owned group are disclosed in Note 8. These amounts are repayable at call.

NOTE 26: CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%) 2012	2011
Parent Entity			
Beyond Sportswear International Limited (1)	Australia		
Controlled Entities			
Beyond Sportswear International Pty Ltd (2)	Australia	100	100
Steve Rolton Agencies Pty Ltd (2)	Australia	100	100
Beyond Sportswear International (Barbados)	Barbados	100	100
Kea Australia Pty Ltd and its controlled entities (2)	Australia	100	100
- Kea Knitwear Pty Ltd (2)	Australia	100	100
- Kea China Pty Ltd (2)	Australia	100	100
Kombat Pty Ltd (2)	Australia	100	100
Kea Designer Sportswear (UK) Pty Ltd	United Kingdom	100	100
Primary Sports International Pty Ltd	Australia	100	0

(1) Beyond Sportswear International Limited is the head entity within the tax-consolidated group
(2) These companies are members of the tax-consolidated group

NOTE 27: SEGMENT REPORTING

The Group has operating segments identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segment and to assess its performance.

The Group's reportable segments are as follows:

- The Teamwear reportable segment supplies sports apparel to the sporting club market.
- The Schoolwear reportable segment supplies sports apparel to the private and public school sector.
- The Events reportable segment sells licensed and unlicensed sports merchandise at sporting events.

All amounts reported are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements.

Corporate charges are allocated to reporting segments, where possible, based on the segments' overall proportion of revenue generation within the Group, as it is believed this is representative of likely consumption.

Segment assets used across multiple segments are allocated to the segment receiving the majority of economic value from the asset.

Segment liabilities are allocated based on the nexus between incurrence of the liability and the operations of the segment.

Unallocated segment assets and liabilities (ie not part of core operations of the segment) are shown separately in the annual financial statements.

NOTE 27: SEGMENT REPORTING (Continued)

1) Segment Revenue and results

	Consolidated Segment Revenue		Consolidated Segment Profit	
	2012	2011	2012	2011
Continuing Operations	$'000	$'000	$'000	$'000
Team wear	11,005	11,448	2,731	2,751
School wear	3,867	5,085	(194)	850
Events	0	198	(57)	(117)
	14,872	16,731	2,480	3,484
Corporate	0	210	(1,016)	(1,127)
Depreciation			(617)	(668)
Finance Costs			(701)	(899)
Restructure Costs & Other			(4,210)	(750)
(Loss) / Profit before income tax			(4,064)	40
Income tax benefit			0	300
Total Segment Revenue and Profit / (Loss)	14,872	16,941	(4,064)	340

Revenue reported above represents revenue generated from external customers.

2) Segment Assets and liabilities

	Segment Assets	
	2012	2011
Segment Assets	$'000	$'000
Team wear	12,750	11,344
School wear	3,771	7,474
Events	2,870	3,021
Corporate	6,412	5,333
Total Assets	25,803	27,172

	Segment Liabilities	
	2012	2011
Segment Liabilities	$'000	$'000
Team wear	4,739	3,103
School wear	614	1,047
Events	0	178
Corporate	11,901	10,231
Total Liabilities	17,254	14,559

NOTE 27: SEGMENT REPORTING (Continued)

3) Other segment information

	Depreciation and amortisation		Additions to Non-current assets	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Team wear	510	532	812	990
School wear	42	59	50	251
Events	0	0	0	220
Other	65	77	2	57
	617	668	864	1,518

4) Geographic information

The Group operates in 3 principle geographic areas – Australia (country of domicile), UK and China.

	Revenue from external customers		Non-current assets*	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Australia	14,660	16,737	13,464	15,225
UK	212	204	816	816
China	0	0	381	456
	14,872	16,941	14,661	16,497

* Non-current assets excluding deferred tax assets and other financial assets.

4) Information about major customers

The Group has no external customers that represent more than 10% of total Group revenue.

Beyond Sportswear International Limited is not reliant on any of its major customers.

NOTE 28: EARNINGS PER SHARE

	Consolidated 2012 Number '000	2011 Number '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,218,561	1,550,338

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	$'000	$'000
Net profit/ (loss)	(4,064)	340
Earnings used in the calculation of diluted EPS	(4,064)	340

	Number '000	Number '000
Weighted average number of ordinary shares for the purposes of basic EPS	3,218,561	1,550,338
Shares deemed to be issued for no consideration in respect of:		
Share options	0	200
Weighted average number of ordinary shares used in the calculation of diluted EPS	3,218,561	1,550,538

NOTE 29: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Acquisition of businesses

In the current period the Group acquired the net operating assets of Primary Edge Pty Ltd, detailed as follows:

	$'000	$'000
Cash consideration		234
Net assets acquired		
Stock	70	
Brand names	1,000	
Plant and equipment	40	
Employee entitlements	(6)	
Potential earn outs	(162)	
Restructure provisions	(120)	822
Bargain purchase on acquisition		588

During the financial year to 30 June 2011, the Company did not acquire any businesses. It did, however incur earn out payments in respect of previous acquisitions as follows:

	2011 $'000
Purchase consideration	423
Less cash acquired	0
Net cash consideration	423

During the previous year the company incurred earn out payments in connection with the purchase agreements for the acquisition of Kea Australia Pty Ltd and Kombat Pty Ltd. Earn out payments were not previously provided as part of the acquisition as the outflow of economic benefit was not probable nor could it be reliably estimated at the time. The payment of these earn outs resulted in an increase in goodwill of $423 thousand.

NOTE 30: FINANCIAL INSTRUMENTS

(a) Capital Risk Management

The Group manages its capital to ensure that entities in the group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents disclosed in note 7, and equity attributable to the equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18, 19 and 20.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand the group's manufacturing and distribution assets, as well as to make the routine outflows of tax, dividends (where declared) and repayment of maturing debt.

The Group's policy is to borrow centrally, using banking borrowing facilities or convertible notes, to meet anticipated funding requirements.

Gearing ratio

The Group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 50% in line with the industry norm that is determined as the proportion of net debt to equity. The Group will balance its overall capital structure through the payment of dividends (when declared), new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

		Consolidated		Company	
		2012	2011	2012	2011
	Note	$'000	$'000	$'000	$'000
Debt	16	10,120	8,335	3,425	5,000
Cash and cash equivalents	7	(115)	(43)	0	0
Net debt		10,005	8,292	3,425	5,000
Equity		8,549	12,613	11,005	11,063
Net debt to equity ratio		117%	66%	31%	45%

Debt is defined as long- and short-term borrowings, as detailed in note 16.

Equity includes all capital and reserves.

The banking facilities with the Investec require the Group to maintain a capital adequacy ratio. The Group believes it is in compliance with existing financial banking covenants.

(b) Financial risk management objectives

The Group seeks to minimise the effects of risks by establishing business entities in the geographical segments in which it operates. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's corporate treasury function reports regularly to the board, which monitors risks and policies implemented to mitigate risk exposures.

NOTE 30: FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group does not hedge its exposure to foreign currency risk and interest risk.

The Group manages its exposure to foreign currency risk by establishing business entities in the geographical segments in which it operates.

The Group manages its exposure to interest rate risk by entering into certain debt obligations which incur a fixed rate of interest.

There have been no changes to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

(d) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are not limited to operating businesses in the currency of the geographical segments in which it operates.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
Foreign currency	2012	2011	2012	2011
Euro	0	0	0	0
UK Pound sterling	609	578	230	254
US Dollar	464	401	100	100

Foreign currency sensitivity analysis

The group is primarily exposed to the US dollar and UK pound sterling.

The following table details the group's sensitivity to a 10% increase in the Australian Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening against the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit or loss and other equity.

	US Dollar Impact				UK Pound Sterling Impact			
	Consolidated		Company		Consolidated		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Profit or (loss)	32	25	0	0	53	44	0	0
Other equity	0	0	0	0	1	1	0	0

The Group does not enter into forward foreign currency contracts and has none outstanding as at the reporting date.

NOTE 30: FINANCIAL INSTRUMENTS (Continued)

(e) Interest rate risk management

The Group is exposed to interest rate risk as entities in the group borrow funds at both fixed and floating interest rates. The Group manages interest rate risk by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging is evaluated regularly to align with interest rate views and defined risk appetite, but is not necessarily applied. The Group's corporate treasury function seeks to position the statement of financial position and protect interest rate expense by closely monitoring interest rate cycles instead.

Interest rate sensitivity analysis

Sensitivity analyses have been prepared on the basis of exposure to interest rates for non-derivative financial instruments only at the reporting date, as the Group does not enter into the use of derivatives, and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

Net profit would increase by $46 thousand and decrease by $46 thousand (2011: increase by $43 thousand and decrease by $43 thousand), attributable to the Group's exposure to interest rates on an average variable rate borrowings of $9,148 thousand (2011: $8,652 thousand).

The Group's sensitivity to interest rates has increased as the Group has increased its exposure to variable rate debt instruments.

The Group has no exposure to interest rate swap contracts or hedges.

(f) Other price risks

The Group is not exposed to equity price risks arising from equity instruments. The Group does not acquire equity instruments for strategic or trading purposes and the Group does not actively trade these investments.

(g) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the financial loss from defaults. The Group uses publicly available financial information and its own trading record to rate its major customers. The group's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover will be purchased. At the date of reporting, the group has not acquired any credit guarantee insurance cover on any customer as no such risks have been identified.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The Group is not exposed to any credit risk on derivative financial instruments as the group has not acquired any and does not use them in the course of its normal operations.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

NOTE 30: FINANCIAL INSTRUMENTS (Continued)

(h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 21 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated	Weighted average effective interest rate	less than 1 year $'000	1-3 years $'000	3-5 years $'000	5+ years $'000
2012					
Non-interest bearing		4,121	2,580	0	0
Finance lease liability	8.6	17	0	0	0
Variable interest rate borrowings	8.1	1,612	3,956	230	0
Fixed interest rate borrowings	9.5	0	5,778	0	0
Financial guarantee contracts		0	0	0	0
		5,750	12,314	230	0
2011					
Non-interest bearing		4,211	1,530	0	0
Finance lease liability	8.6	161	17	0	0
Variable interest rate borrowings	8.9	957	2,903	1,827	0
Fixed interest rate borrowings	10.3	0	0	4,192	0
Financial guarantee contracts		0	0	0	0
		5,329	4,450	6,019	0

Company	Weighted average effective interest rate	less than 1 year $'000	1-3 years $'000	3-5 years $'000	5+ years $'000
2012					
Non-interest bearing		14	80	0	0
Finance lease liability	8.6	0	0	0	0
Variable interest rate borrowings	8.1	843	2,671	230	0
Fixed interest rate borrowings	9.5	0	0	0	0
Financial guarantee contracts		0	0	0	0
		857	2,751	230	0
2011					
Non-interest bearing		137	0	0	0
Finance lease liability	8.6	0	0	0	0
Variable interest rate borrowings	8.9	957	2,903	1,827	0
Fixed interest rate borrowings	10.3	0	0	0	0
Financial guarantee contracts		0	0	0	0
		1,094	2,903	1,827	0

NOTE 30: FINANCIAL INSTRUMENTS (Continued)

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group anticipates that the cash flow will occur in a different period.

Consolidated	Weighted average effective interest rate	less than 1 year $'000	1-3 years $'000	3-5 years $'000	5+ years $'000
2012					
Non-interest bearing		2,715	0	0	0
Variable interest rate instruments	3.7	115	0	0	0
Fixed interest rate instruments	5.8	0	0	0	0
		2,830	0	0	0
2011					
Non-interest bearing		1,959	0	0	0
Variable interest rate instruments	4.0	38	0	0	0
Fixed interest rate instruments	5.8	0	0	0	0
		1,997	0	0	0

Company	Weighted average effective interest rate	less than 1 year $'000	1-3 years $'000	3-5 years $'000	5+ years $'000
2012					
Non-interest bearing		6	0	0	0
Variable interest rate instruments		0	0	0	0
Fixed interest rate instruments		0	0	0	0
		6	0	0	0
2011					
Non-interest bearing		0	0	0	0
Variable interest rate instruments		0	0	0	0
Fixed interest rate instruments		0	0	0	0
		0	0	0	0

The Group does not hold any derivative financial instruments, nor has it held any during the previous period, consequently no liquidity analysis of derivative financial instruments is provided.

(i) Fair value of financial instruments

The Group determines the fair values of financial assets and liabilities in accordance with accounting policies as disclosed in Note 1 to the financial statements.

The directors consider that the carrying amount of financial assets and financial liabilities at amortised cost in the financial statements approximates their fair values.

NOTE 31: SUBSEQUENT EVENTS

At an extraordinary general meeting conducted on 6 August 2012 the following resolutions were passed:-

"That, for the purposes of ASX Listing Rule 11.2, sections 256B and 256C of the Corporations Act 2001 (Cth) and for all other purposes:

(7) The Company's interest in Key Assets be transferred to a wholly-owned subsidiary of the Company, to be newly incorporated for the purposes of the Spinoff (such subsidiary to be BSI2);

(8) The Board of the Company be authorised at its discretion to effect a reduction in the issued share capital of BSI, without cancelling any shares, by an amount equal to the market value (as assessed by the Directors of the company) of the total issued capital of BSI2 on the record date;

(9) The reduction be satisfied by the Company making a pro-rata in specie distribution of all the shares held by the Company in BSI2 to holders of fully paid ordinary shares in the Company registered as at the Spinoff Record Date on and subject to the terms and conditions set out in the Explanatory Memorandum accompanying the Notice of Meeting;

(10) That Mr Mathew Walker, being eligible to act as a Director, be elected as a Director effective from the date that the in-specie distribution is completed;

(11) That Mr James Robinson, being eligible to act as a Director, be elected as a Director effective from the date that the in-specie distribution is completed; and

(12) That Mr Jonathan Wild, being eligible to act as a Director, be elected as a Director effective from the date that the in-specie distribution is completed."

At completion of the Spinoff, the majority shareholders who held 69.36% of the total issued capital of the Company will have divested their shareholding through a sale of their shares to a diverse range of investors; they will however have retained their collective shareholding in BSI2.

The incoming Board of Directors, upon completion of the Spinoff intend to undertake a non-renounceable pro-rata rights issue to raise approximately $1.6 million to fund the Company's working capital requirements as well as the costs associated with pursuing acquisition opportunities.

On 31 August 2012 the Company negotiated licensing its Kea business and trade marks to a third party. This transaction is expected to take effect by no later than 1 October 2012.

NOTE 32: DISCONTINUED OPERATIONS

As set out in note 31, the Company's key assets were transferred to a wholly owned subsidiary, which by virtue of an in-specie distribution, are no longer owned by the Company.

Financial information relating to the discontinued operations is set out below:

	Consolidated	
	2012 $'000	2011 $'000
Revenue	14,872	16,941
Expenses	(18,853)	(16,901)
Profit/ (Loss) before tax	(4,064)	40
Income tax benefit	0	300
Profit/(Loss) attributable to members of the parent entity	(4,064)	340

Net cash flows of the discontinued operations are set out below:

Net cash flows from operating activities	(949)	436
Net cash flows from investing activities	(764)	(1,486)
Net cash flows from financing activities	1,785	1,675
Net cash generated by discontinued operations	72	625

All assets and liabilities of the Group and the Company have been disposed of by virtue of the reconstruction set out in note 31 to the accounts.

NOTE 33: CONTINGENT LIABILITIES

	Consolidated	
	2012 $'000	2011 $'000
Estimates of the potential financial effect of contingent liabilities that may become payable		
Bank Guarantee A controlled entity has previously 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 expired on 28 February 2011.	0	0

NOTE 34: COMPANY DETAILS

The registered office of the Company is:

Beyond Sportswear International Limited
Suite 1, 65 Fennell Street
Port Melbourne VICTORIA 3207

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Number of Holdings of Equity Securities as at 14 September 2012

The fully paid issued capital of the Company consisted of 3,218,561,308 ordinary fully paid shares held by 500 shareholders. Each share entitles the holder to one vote.

There are no options over ordinary shares. Options do not carry a right to vote.

Distribution of Holders of Equity Securities as at 14 September 2012

Range	Total holders	Units	% Issued capital
1 – 1,000	4	2,736	0.00
1,001 – 5,000	33	116,406	0.00
5,001 – 10,000	46	404,458	0.01
10,001 – 50,000	114	3,373,106	0.10
50,001 – 100,000	60	5,037,717	0.16
100,001 – 500,000	110	29,339,394	0.91
500,001 – 1,000,000	49	38,805,185	1.21
1,000,001 – 9,999,999	84	3,141,482,265	97.61
Rounding	0	41	0.00
Total	500	3,218,561,308	100.00
Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 0.0010 per unit	500,000	359	29,,273,817

Substantial Shareholders as at 14 September 2012

Shareholder		No.	%
1.	ROD BUTTERSS	1,578,515,452	49.04
2.	STETTEN NO 2 PTY LTD <KELLETT FAMILY>	1,556,178,870	48.35

Twenty Largest Holders of Quoted Equity Securities

Rank	Shareholder	Units	% of issued capital
1.	ROCKET CAPTAIN PTY LTD	902,269,170	28.03
2.	STETTEN NO 2 PTY LTD <KELLETT FAMILY ACCOUNT NO 2>	653,909,700	20.32
3.	LIGHTHOUSE PROPERTY GROUP PTY LTD <ROD BUTTERSS FAMILY A/C>	606,001,257	18.83
4.	EM & TOM PTY LTD <E AND T SUPER FUND A/C>	151,540,000	4.71
5.	MR PETER JOHN KLASON	99,954,674	3.11
6.	KM CUSTODIANS PTY LTD	91,000,000	2.83
7.	BUTTERSS MANAGEMENT SERVICES PTY LTD <CAMASH SUPER FUND A/C>	68,625,025	2.13
8.	GFC MANAGEMENT PTY LTD	58,296,414	1.81
9.	JELOR SOFTWARE PTY LTD	35,683,025	1.11

10.	MR EDWARD HUNTER + MR WILLIAM HUNTER <HUNTER SUPER FUND A/C>	35,203,722	1.09
11.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	25,001,564	0.78
12.	MR. ROBERT JOHN SAVAGE & MRS SHARON JOY SAVAGE <SAVAGE SUPER FUND A/C>	24,923,506	0.77
13.	MR RICHARD O'SULLIVAN	23,590,476	0.73
14.	FURNEUX EQUITY LIMITED	19,600,000	0.61
15.	BROOKSREID PTY LTD <BROOKSREID SUPER FUND A/C>	18,311,972	0.57
16.	MR GARY MARCH	15,562,552	0.48
17.	IAN FOOTE COMPUTER SERVICES PTY LTD <FOOTE SUPER FUND A/C>	14,000,000	0.43
18.	ZENNYAR PTY LTD	13,523,888	0.42
19.	SAVAGE5 PTY LTD <SAVAGE FAMILY A/C>	12,007,895	0.37
20.	ROAN INDUSTRIES PTY LTD <ROBINSON SUPER FUND A/C>	11,642,702	0.36
TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AT 15 SEPTEMBER 2008		2,873,925,375	89.49

Other Information

The name of the Company Secretary is Ms Sophie Karzis. The address of the principal registered office in Australia, and the principal administrative office is Suite 1, 65 Fennell Street, Port Melbourne, Victoria, 3207, Australia, telephone is (613) 9646 6611. The Company is listed on the Australian Securities Exchange. The home exchange is Melbourne. Registers of securities are held by Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnston Street, Abbotsford, 3067, Victoria, Australia, local call is 1300 850 505, international call is + 613 9415 4000.