

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2009

1. Details of the reporting period

Current period	1 July 2009 to 31 December 2009
Previous corresponding period	1 July 2008 to 31 December 2008

2. Results for announcement to the market

		\$	Up / down	Movement %
2.1	Revenues from ordinary activities	13,401,225	down	10.6%
2.2	Profit/(loss) from ordinary activities after tax attributable to members	892,550	down	37.6%
2.3	Net profit/(loss) for the period attributable to members	892,550	down	37.6%
2.4	Dividends	Amount per Security (cents)	Franked amount per security (cents)	
	<i>Current Period</i>			
	Final	N/A		N/A
	Interim – payable 09 April 2010	1.25		1.25
	<i>Previous corresponding period</i>			
	Final – paid 04 October 2009	1.0		1.0
	Interim – paid 03 April 2009	1.0		1.0
2.5	Record date for determining entitlements to dividends		12 March 2010	
2.6	<p>During the half-year ended 31 December 2009, other than disclosed in the Directors' Report, there were no significant items that impacted on the results recorded in our Income Statement.</p> <p>Refer to the Directors' Report contained in attached interim financial report for further explanation of the results.</p>			

3. Net Tangible Assets per security

	31 Dec 2009	31 Dec 2008
Net tangible asset backing per ordinary security	9.18 cents	10.25 cents

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

i.	Name of entity (or group of entities) over which control was gained/lost	N/A
ii.	Date control was gained/lost	N/A
iii.	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired/lost	N/A
	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

5. Details of dividends / distributions

The Directors have declared a fully franked interim dividend of 1.25 cent per share.

The interim dividend will have a payment date of 9 April 2010.

6. Details of dividend / distribution reinvestment plan

At 31 December 2009, there was no dividend reinvestment plan in operation for UnderCoverWear Limited.

7. Details of associates and joint venture entities

N/A

8. Accounting Standards used by foreign entities

N/A

9. Qualification of audit / review

N/A as there is no audit dispute or qualification. Refer to the attached interim financial report which includes our auditor's Independent Review Report.

For personal use only

UnderCoverWear

UnderCoverWear Limited - ABN 85 108 962 152



Interim Financial Report
Half Year Ended
31 December 2009

For personal use only

UNDERCOVERWEAR LIMITED
A.B.N 85 108 962 152

INTERIM FINANCIAL REPORT
Half-Year Ended 31 December 2009

UNDERCOVERWEAR LIMITED
A.B.N 85 108 962 152

CONTENTS

	<i>Page</i>
Company Details	3
Directors' Report	4
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Performance	7
Consolidated Statement of Changes In Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Interim Financial Statements	10
Directors' Declaration	14
Auditor's Independence Declaration	15
Independent Auditor's Review Report	16



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

COMPANY DETAILS

Directors	Stuart Richardson, <i>Chairman</i> John Everett AM Elaine Vincent, <i>Chief Executive Officer</i>
Company Secretary	Nick Geddes
Registered & Principal Office	UnderCoverWear Limited ABN 85 108 962 152 ACN 108 962 152 8 Solent Circuit Norwest Business Park Baulkham Hills NSW 2153 Tel: +61 2 8853 2800 Fax: +61 2 8853 2899 Website: www.ucw.com.au
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney NSW 2000
Share Registry	ComputerShare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide SA 5000
Stock Exchange Listing	Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' REPORT

Your directors submit the financial report of UnderCoverWear Limited and its controlled entities for the half-year ended 31 December 2009.

Directors

The names of directors who held office during or since the end of the half-year:

Stuart Richardson

John H Everett

Elaine M Vincent

All directors held office from the start of the half year to the date of this report unless otherwise stated.

Review of Operations

The six months of trading for UnderCoverWear for the period ended 31 December 2009 was in line with the advice to the market in mid December.

The headline results comparing first half results for the 2010 financial year with the previous year's first half are as follows:

Revenue	\$13.4m down 10.6%
Profit after tax	\$0.89m down 37.6%
Dividend declared	1.25 cents increased 25%

Directors have declared a fully franked interim dividend of 1.25 cents per share (2009: 1 cent), with a Record Date of 12 March 2010 and payable to shareholders on 9 April 2010.

Trading for the six month period has remained challenging. Sales are responding to new initiatives with revised incentive plans and a refreshed product offering. However the benefits of these largely flow into the second half trading.

As further changes are implemented to the product range in the second half, there will be improvement to the margin in the fourth quarter of 2010.

In the first half of the financial year, the Board has reviewed all aspects of the business including consultant incentives, product development and design. The focus remains to improve sales volumes, gross margin and the bottom line.

The Board is confident the product review and design focus will lead to strengthening appeal to customers, resulting in increasing sales. Margins will improve over the medium term with a tighter control on inventory manufacture, variable and fixed costs. Sales since December have remained behind budget, however have improved year on year.

The on-market buyback of 10% of share capital has been completed since 31 December 2009.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the review of the interim financial report for the half year ended 31 December 2009 is shown on page 15 and forms part of this report.

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



Stuart Richardson

Director

Dated 25 February 2010



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	31 December 2009	31 December 2008
	\$	\$
Revenue	13,401,225	14,989,841
Changes in inventories of finished goods and work in progress	(2,570,637)	(3,632,759)
Raw materials and consumables used	(3,070,777)	(2,310,295)
Distribution costs	(682,525)	(732,882)
Commissions paid	(972,624)	(1,095,793)
Promotions and advertising expense	(1,300,231)	(1,375,839)
Depreciation and amortisation expense	(73,483)	(50,541)
Insurance expense	(59,416)	(57,292)
Employee benefits expense	(2,288,758)	(2,372,031)
Rental expenses	(458,276)	(455,480)
Finance costs	(19,390)	(249)
Other expenses	(765,705)	(859,564)
Profit before income tax expense	1,139,403	2,047,116
Income tax expense	(246,853)	(615,924)
Profit attributable to members of the parent entity	892,550	1,431,192
Other comprehensive income	-	-
Total comprehensive income	892,550	1,431,192
Basic earnings per share (cents per share)	2.05c	2.98c
Diluted earnings per share (cents per share)	2.05c	2.98c

The accompanying notes form part of this financial report.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
AS AT 31 DECEMBER 2009

	Consolidated Entity	
	31 December 2009	30 June 2009
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,010,681	1,702,317
Trade and other receivables	318,438	508,572
Inventories	4,379,403	4,713,133
Other current assets	267,922	188,042
TOTAL CURRENT ASSETS	5,976,444	7,112,064
NON-CURRENT ASSETS		
Plant and equipment	1,163,189	135,993
Deferred tax assets	391,485	308,328
Intangible assets	20,917,499	20,917,499
TOTAL NON-CURRENT ASSETS	22,472,173	21,361,820
TOTAL ASSETS	28,448,617	28,473,884
CURRENT LIABILITIES		
Trade and other payables	1,708,178	2,205,667
Current tax liabilities	39,912	-
Short-term borrowings	930,282	572,357
TOTAL CURRENT LIABILITIES	2,678,372	2,778,024
NON-CURRENT LIABILITIES		
Long-term borrowings	733,736	-
Deferred tax liabilities	7,434	55,901
Long-term provisions	122,334	83,511
TOTAL NON-CURRENT LIABILITIES	863,504	139,412
TOTAL LIABILITIES	3,541,875	2,917,436
NET ASSETS	24,906,742	25,556,448
EQUITY		
Issued capital	22,898,496	23,960,750
Retained earnings	2,008,246	1,595,698
TOTAL EQUITY	24,906,742	25,556,448

The accompanying notes form part of this Financial Report.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	Ordinary Share Capital	Retained Profits	Total
Balance at 1 July 2008		23,960,750	5,663,269	29,624,019
Total comprehensive income for the period		-	1,431,192	1,431,192
Dividends paid or provided for	3	-	(1,320,000)	(1,320,000)
Balance at 31 December 2008		23,960,750	5,774,461	29,735,211
Balance at 1 July 2009		23,960,750	1,595,696	25,556,446
Total comprehensive income for the period		-	892,550	892,550
Share buy back		(1,062,254)	-	(1,062,254)
Dividends paid or provided for	3	-	(480,000)	(480,000)
Balance at 31 December 2009		22,898,496	2,008,246	24,906,742

The accompanying notes form part of this financial report.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	31 December 2009	31 December 2008
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	15,104,978	14,952,308
Payments to suppliers and employees	(13,970,184)	(13,866,331)
Interest received	28,877	71,208
Dividends & trust distributions received	16	33
Finance costs	-	(249)
Income taxes paid	(300,338)	(834,906)
Net cash provided by operating activities	863,349	322,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(1,100,679)	(8,600)
Share buy back	(1,062,254)	-
Net cash used in investing activities	(2,162,933)	(8,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(480,000)	(1,320,000)
Interest bearing liabilities	1,107,338	-
Financing costs	(19,390)	-
Net cash provided by/(used in) financing activities	607,948	(1,320,000)
Net decrease in cash held	(691,636)	(1,006,537)
Cash at beginning of period	1,702,317	2,391,175
Cash at end of period	1,010,681	1,384,638

The accompanying notes form part of this financial report.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by UnderCoverWear Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2009 financial report.

Reporting basis and conventions

The half year report has been prepared on an accruals basis and is based on historical costs.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using the same measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Please refer to Note 6 for disclosures required under this standard.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

Consolidated Entity
31 December 2009 31 December 2008

NOTE 2: PROFIT BEFORE TAX

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Revenue:

• sale of goods	12,861,399	14,244,002
• distribution charges	171,677	268,417
• rental revenue	258,165	265,888
• other revenue	81,091	140,293
• interest & dividends received	28,893	71,241
Total Revenue	13,401,225	14,989,841

Profit before income tax has been determined after:

• Expenses		
- cost of sales	5,641,414	5,943,054
- borrowing costs	19,390	249
- depreciation of non-current assets	73,227	50,541
- bad & doubtful debts	22,856	648
- rental expense on operating leases	551,115	745,571



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Entity	
	31 December 2009	31 December 2008
NOTE 3: DIVIDENDS		
Dividends provided for and paid during the half year are listed below:		
Dividends paid	480,000	1,320,000
Declared interim fully franked ordinary dividend of 1.25 (2008: 1.0) cent per share franked at the tax rate of 30% (2008: 30%)	543,325	480,000

NOTE 4: BORROWINGS

During the period, the consolidated group borrowed funds via a revolving equipment finance facility to assist with upgrading the fleet of motor vehicles. The facility was for \$1,500,000, of which \$1,106,355 had been utilised by the end of the interim reporting period.

UnderCoverWear Limited is guarantor for the amount borrowed, and the vehicles purchased are provided as security for the borrowings.

NOTE 5: DETAILS OF SHARES REPURCHASED

During the period, the consolidated group notified its intention to buy back 4,800,000 shares. At the conclusion of the interim reporting period 4,533,976 shares had been repurchased.

Issued shares at beginning of interim reporting period 1 July 2009	48,000,000
Shares purchased by consolidated group during the interim reporting period	<u>(4,533,976)</u>
Issued shares at end of interim reporting period 31 December 2009	<u>43,466,024</u>

NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE

On 25 February 2010, an interim dividend of 1.25 cents per ordinary share, fully franked, was declared by the Company. The dividend record date will be 12 March 2010 and will be paid on 9 April 2010.



For personal use only

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

NOTE 5: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 6: SEGMENT INFORMATION

The consolidated group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief decision makers) in assessing performance and determining the allocation of resources.

The group only operated in one business segment being the manufacturing and distribution of underwear and garments through the home party plan, which is supported by an administration office in Sydney, Australia. All segment assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared.

Revenues sourced from New Zealand, the groups only export market, are deemed not to be material and therefore disclosure of assets and revenues by geographic segment is deemed not to be required.



For personal use only

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 13:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.

2. 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.

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



Stuart Richardson

Director

Dated 25 February 2010



For personal use only



For personal use only

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@grantthornton.com.au
W www.grantthornton.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF UNDERCOVERWEAR LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of UnderCoverWear Limited for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Adam-Smith
Director - Audit & Assurance Services

Sydney, 25 February 2010



For personal use only

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@grantthornton.com.au
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF UNDERCOVERWEAR LIMITED

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of UnderCoverWear Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF UNDERCOVERWEAR LIMITED**

Auditor's responsibility (cont)

As the auditor of UnderCoverWear Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of UnderCoverWear Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- b complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Grant Thornton Audit Pty Ltd

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Adam-Smith
Director – Audit & Assurance Services

Sydney, 25 February 2010