BEYOND SPORTSWEAR INTERNATIONAL LIMITED
ACN 108 042 593

ANNUAL REPORT
30 JUNE 2009

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)

COMPANY SECRETARY

Ms. Sophie Karzis

REGISTERED OFFICE

Unit 11, 331 Ingles Street Port Melbourne Victoria 3207
T + 613 9646 6611

SOLICITORS

Gadens Lawyers
Level 25, Bourke Place 600 Bourke Street Melbourne Victoria 3000
T +61 3 9252 2555

SHARE REGISTER

Computershare
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067
Local call 1300 850 505
International call + 613 9415 4000

AUDITOR

Deloitte Touche Tohmatsu
550 Bourke Street Melbourne Victoria 3000
T: +61 (0) 3 9671 7000

WEBSITE ADDRESS

www.beyondsportswear.com.au

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 Limited" or the "Company") for the year ended 30 June 2009.

In accordance with the Company's previously stated objective, the Board's focus over the last two reporting periods has been to establish a solid foundation for the Company to achieve long term profitable growth. Whist the Company is recording an overall loss of $577,005 for the year ending June 2009 is it is pleasing to note that earnings before interest, tax, depreciation and amortisation ("EBITDA") from continuing businesses and before redundancies and other one off items are $4,089,984. This is in line with the guidance released during the year, and compares with EBITDA of $3,400,129 in FY2008.

The table below sets out a reconciliation of the reported EBITDA for the 2009 financial year from continuing businesses.

	$
Reported profit before tax	**(2,177,005)**
Add back interest	1,020,119
EBIT	**(1,156,886)**
Add back non-recurring costs	
Write down of non core licence inventory	2,349,162
One off exit costs for events	507,921
Non recurring management and redundancies	1,128,411
Fixed asset write downs and other exit costs	520,275
Depreciation	741,101
EBITDA for continuing businesses	**4,089,984**

As previously reported to shareholders, in 2007 the Company commenced an assessment of its licences and events business; this assessment is now complete and has resulted in a number of licences and events either not being renewed or being terminated. Consequently, during the period the Company managed the dramatic reduction of its operations in the field of merchandise and events. The result for the year ended 30 June 2009 reflects the costs associated with the non-renewal or exiting of certain licences and events. This process, along with cost reduction and redundancies in the apparel businesses, has resulted in a write-down of stock and associated costs to the value of $4,500,000 which is not expected to reoccur in future years, although it is possible that there will be some final restructuring costs, during the first half of the current financial year following completion of exiting of parts of the Company's licences and events business.

While the overall result is a small loss, the underlying performance of the Company's continuing businesses is strong and validates the streamlining that has occurred. From an operating perspective, the Company's focus on manufacturing and distribution of its key brands Kea and Kombat continues to result in improving profitability. Management has worked during the year to improve cost structures from the reduction of non-core businesses and to achieve operational improvements in other areas of the business. In addition, by restricting the Company's operations in the field of licences and events to specific proven events, the Company is reducing its exposure to the volatility inherent in this side of the business. The Company's strategy in relation to its ongoing events business is to be critically selective focussing on events that have historically proven to be reasonably predictable and profitable. As part of the change of focus, Mr Gary March retired as a non-executive Director of the Company on 11 August 2009 and has been engaged to provide part-time consultancy services on certain events as required. Mr March is one of the Company's founders, and gained global recognition for his event expertise over the last few years. Mr. March also continues to be a substantial shareholder of the Company. The Board thanks Mr March for his contribution to the Company and looks forward to his continued involvement as a special consultant.

During the year ending 30 June 2009, the Company also successfully completed a non-renounceable rights issue. The rights issue was conducted on the basis of 1 new share for every 1.6 existing shares and closed on 3 April 2009 with the result that a total number of 120,264,783 ordinary fully paid shares were issued and total funds of $2,705,957 (before issue costs) were raised.

Management and Staff

We would like to thank the whole team at BSI for their hard work and dedication to the business during the last twelve months as the Company refocussed its core activities.

Outlook for 2009

The Company continues to have a clear focus on manufacture and distribution of sports apparel to the school and team sports markets. This area of the business is expected to continue to perform well over the current financial year as lower operating costs, and improved cost structures from the reduction of non-core businesses are leveraged.

During the current financial year, the Board also advised that the Company has received interest from a number of parties regarding the acquisition of certain assets of the business. Whilst the Board continues to actively consider all such expressions of interest, it believes maximisation of shareholder returns will be achieved by being able to leverage a solid performance in the current financial year and consequently any such considerations are better to be deferred to the end of the current financial year. The Board will continue to keep shareholders and stakeholders advised of any developments as they occur.

AGM

A notice of the Company's Annual General Meeting to be held on 16 November 2009 and a proxy form for voting is enclosed with this report. I look forward to meeting shareholders at the Annual General Meeting.

Mr Andrew Plympton
Chairman
30 September 2009

Mr. Glen Casey
Chief Executive Officer
30 September 2009

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 Board has continued its strategy of strengthening its corporate governance practices and the Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations Second Edition August 2007 to the extent appropriate to the size and nature of the Company's operations. It is noted that the revised principles and recommendations are not required to be reported on until the Company's 2009 annual report is published.

The ASX Corporate Governance Council has encouraged companies to make an early transition to the revised Principles and Recommendations and the Company is reporting by reference to the revised Principles and Recommendations in this 2009 Annual Report. 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.

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.	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. The functions and responsibilities of the Board and management are consistent with ASX Principle 1. A copy of the Board Charter is posted on the Group's website. Each director is given a letter upon his or her appointment which outlines the director's duties. The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Nomination and Remuneration Committee takes responsibility for evaluating the Board's performance and the Group's key executives annually.
Principle 2: Structure the Board to add value		
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 three directors, two of whom are non-executive and one of whom is independent. The Director considered by the Board to constitute an independent director is the Chairman, Mr. Andrew Plympton 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. The Board continues to consider appropriate non-executive and independent directors to join the Board.
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.

ASX Principle	Status	Reference / Comment
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.
The board should establish a nomination committee.	Complying	The Board has a formal Nomination & Remuneration Committee comprising of the non-executive Directors. The Nomination Committee's functions and powers are formalised in a Charter.
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 and experience of Directors. • The Directors considered by the Board to constitute independent Directors and the Company's materiality thresholds. • A statement regarding Directors' ability to take independent professional advice at the expense of the Company. • 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.

Principle 3: Promote ethical and responsible decision-making

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.** **Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.** **Companies should provide the information indicated in the Guide to reporting on Principle 3.**	Complying	The Group has formulated a Code of Conduct which can be viewed on its website. The Group has adopted a Share Trading Policy which can be viewed on its website.

Principle 4: Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.	Part-Complying	The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Board reviews the Company's half yearly and annual financial statements. The Board requires the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
The board should establish an audit committee.		

ASX Principle	Status	Reference / Comment
The audit committee should be structured so that it:		Whilst the Board has established an Audit Committee, this is currently suspended until such time as the Board appoints a further Non-Executive and independent director. In the meantime, the Board as a whole carries out the functions of the Audit Committee in accordance with the Company's Audit Committee Charter.
• **Consists only of non executive directors.**		
• **Consists of a majority of independent directors.**		The Board has adopted an Audit Committee Charter which sets out the Audit Committee's role and responsibilities, composition, structure and membership requirements.
• **Is chaired by an independent chair, who is not chair of the board.**		
• **Has at least three members.**		
The audit committee should have a formal charter.		
Companies should provide the information indicated in the Guide.		

Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company. **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 or a summary of those policies. Companies should provide the information indicated in the Guide.**	Complying	The Company has a documented policy which has established procedures designed to ensure compliance with Australian Securities Exchange 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.

Principle 6: Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights. **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. Companies should provide the information indicated in the Guide to reporting on Principle 6.**	Complying	The Board informs shareholders of all major developments affecting the Company'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 Stock 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. 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 Company's auditor attends the Annual General Meeting.

Principle 7: Recognise and manage risk

ASX Principle	Status	Reference / Comment
Companies should establish a sound system of risk oversight and management and internal control.	Complying	The Board has responsibility for monitoring risk oversight and ensures that the Chief Executive Officer and the Chief Financial Officer report 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 Company.
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. **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	Management has completed a review of the Company's major business units, organisational structure and accounting controls and processes. A description of the Company's risk management policy and internal compliance and control systems is available on the Company's web site.
The board should disclose whether it has received assurance from the chief executive officer (or equivalent) 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. **Companies should provide the information indicated in the Guide to reporting on Principle 7.**	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 Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

ASX Principle	Status	Reference / Comment
Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.	Complying	The Company has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness.
The board should establish a remuneration committee.	.Non-Complying	The Board carries out the function of the Nomination & Remuneration Committee which has been suspended until such time as a further Non-Executive independent director is appointed to the Board.
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
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 herewith the annual financial report of the company for the financial year ended 30 June 2009. 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:

CURRENT DIRECTORS

ANDREW PLYMPTON	GLEN CASEY	JEFF TAYLOR	GARY MARCH
Chairman and Non-Executive Director since 9 February 2007	Chief Executive Officer since 5 November 2007 and Director since 19 April 2007	Non- Executive Director since 1 July 2008 and Director since 4 March 2004	Non – Executive Director between 18 March 2004 and 11 August 2009

ANDREW PLYMPTON

Chairman and Non-Executive Director appointed on 9 February 2007

Mr. Plympton joined the Company in February 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. He currently acts as an Executive Consultant to Willis, a global risk management and broking organisation. Mr. Plympton has held a number of directorships in private companies in the marine and sports sector. A previous Chairman of the St Kilda Football Club, previous director of The Alannah and Madeline Foundation and current President of Yachting Australia Inc representing the sport in many areas including its Olympic campaigns.

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

Mr. Plympton is Chairman of the Company's Nomination & Remuneration Committee.

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

Chief Executive Officer since 5 November 2007; Director since 19 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; no other directorships of listed companies were held by Mr. Casey during the three years prior to 30 June 2009.

JEFF TAYLOR, Ba App Sci (EDP)

Non-Executive Director

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.

GARY MARCH

Director from March 2004 to August 2009

Mr. March was appointed as a director in March 2004 and retired as a director on 11 August 2009. Mr. March is also a Director of the Richmond Football Club. No other directorships of listed companies were held by Mr. March at any time during the three years prior to 30 June 2009.

Company Secretary

SOPHIE KARZIS, B.Juris. LLB.

Sophie 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		Nomination & Remuneration Committee Meetings	
Directors	No of meetings eligible to attend	Attended	No of meetings eligible to attend	Attended
A. Plympton	10	10	1	1
G. Casey	10	10	0	0
J. Taylor	10	8	1	1
G. March	10	8	0	0

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	1,000,000
G. Casey	8,938,874	1,000,000
J. Taylor	10,683,025	0
G. March	26,206,022	1,000,000

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 14 to 18.

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 10,000,000 unissued ordinary shares under option under the Company's option plan as at the date of this report.

Details of unissued shares or interests under option as at the date of this report are

Issuing entity	Number of shares under option	Class of shares	Grant date	Expiry date	Exercise price
Beyond Sportswear International Limited	5,000,000	Ordinary	6.05.2005	30.04.2010	$0.05
Beyond Sportswear International Limited	200,000	Ordinary	9.02.2007	8.02.2012	$0.10
Beyond Sportswear International Limited	1,500,000	Ordinary	3.12.2007	30.11.2012	$0.05
Beyond Sportswear International Limited	3,300,000	Ordinary	7.03.2008	31.12.2011	$0.10

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

The Company issued an additional 1,000,000 options at an exercise price of $0.10 on 26 November 2008. These options lapsed during the financial year as the vesting conditions attached to the options were note met.

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 $577,000 (30 June 208: profit $3,150,000).

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.

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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 Managing Director'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 19 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 2009. 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 Directors	Glen Casey was appointed Chief Executive Officer on 5 November 2007 and has held that role since that date.
	Gary March was an Executive Director since his initial appointment as a director on 18 March 2004. He was the Group's Chief Executive Officer until 5 November 2007 after which time he took the role of Director of Business Development until 5 March 2009 when Mr March became a Non-Executive Director of the Company. On 11 August 2009 Mr. March retired as a Director of the Company. Mr. March has since been engaged by the Company to provide part-time consultancy services in relation to specific events.
Non-Executive Director	Jeff Taylor was an Executive Director until 1 July 2008 from which time he reverted to and continues to be a Non-Executive Director.

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:

Business Unit Manager	M. Erwin, Business Unit Manager of Kea Sportswear (resigned 31 July 2009)
Business Unit Manager	P. Franklin, Business Unit Manager of Kombat (employment will be concluded on 30 September 2009)

Nomination and Remuneration Committee

The Board carries out the function of the Nomination & Remuneration Committee which has been suspended until such time as a further Non-Executive independent director is appointed to the Board.

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 and Jeff Taylor. Mr. Plympton receives an annual fee of $70,006 for being a director of the Company and Mr. Taylor receives an annual fee of $25,000 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 22 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 2009:

Financial Year Ending 30 June	2009	2008	2007	2006	2005
Revenue ($'000)	30,710	26,398	22,346	19,051	20,055
NPAT ($'000)	(577)	3,150	261	(11,272)	(16,530)
Share price at start of year	$0.05	$0.07	$0.02	$0.055	$0.59
Share price at end of year	$0.03	$0.05	$0.07	$0.02	$0.055
Dividend	-	-	-	-	-
Basic EPS (cents per share)	(0.23)	1.96	0.25	(17.8)	(26.2)

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	
2009 Directors	Salary & Fees	Non-monetary	Superannuation	Termination Benefit	Options(1)		Total	Options
	($)	($)	($)	($)	($)	($)	%	%
Executive Directors								
G. Casey	300,000	0	0*	0	0	300,000	3	3
Non Executive Directors								
G. March	317,991*****	0	32,000	0	0	490,464	0	0
A. Plympton	70,006	0	0**	0	0	70,006	0	0
J Taylor	25,000	0	0***	0	0	25,000	0	0
Senior management								
M. Erwin	192,661	0	17,139	0	0	209,800	0	0
P. Franklin	200,000	0	18,000	0	0	218,000	0	0
Total	**1,105,658**	**0**	**67,139**	**0**	**0**	**1,313,270**	**0**	**0**

	Short Term Benefits		Post Employment		Share Based Payments	Total	Performance Related	
2008 Directors	**Salary & Fees ($)**	**Non-monetary ($)**	**Superannuation ($)**	**Termination Benefit ($)**	**Options ($)**	**($)**	**Total %**	**Options %**
Executive Directors								
G. Casey	210,000****	0	0	0	6,482	216,482	3	3
G. March	223,445	135,148	34,881	0	6,482	399,956	2	2
J. Taylor	126,612	0	7,225	34,125	0	167,962	0	0
Non Executive Directors								
A. Plympton	49,031	0	0	0	12,795	61,826	21	21
Senior management								
M. Erwin	171,172	0	15,339	0	0	186,511	0	0
P. Franklin	118,269	0	10,644	0	0	128,913	0	0
Total	**898,529**	**135,148**	**68,089**	**34,125**	**25,759**	**1,161,650**	**3**	**3**

(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.

**Mr. Plympton's services to the Company as a Director are provided through his private company, Earlom Investments 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.

**** Of the $210,000 received by G. Casey in salary & fees for 2008, $50,000 was received for his services as a Non-Executive Director between 1 July 2007 and November 2007 and $160,000 was received for his services as the Company's Chief Executive Officer from November 2007 to 30 June 2008.

***** G. March received a payment of $140,473 during the financial year comprising all outstanding employment entitlements accrued but untaken at balance date.

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 2009 financial year.

The Company had an agreement with Mr. March for his services as a an Executive Director during the 2009 financial year under which the amount of the remuneration payable was $300,000.00 gross per annum (inclusive of superannuation). A performance bonus was set for the 2009 financial year 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. No bonus payment is due for the 2009 financial year. On 11 August 2009, the Company and Mr. March entered into a new agreement under which the previous arrangement including Mr. March's directorship was concluded and the Board engaged Mr. March as a consultant to the Company.

This Agreement has a fixed term and terminates in March 2010. The amount of the remuneration payable under this Agreement is $12,500 per month (plus GST).

Paul Franklin, the former owner of Kombat Pty Ltd was retained by the Company on a 3 year employment agreement pursuant to the acquisition agreement between the Company and Mr. Franklin for the acquisition of Kombat Pty Ltd. Mr. Franklin was employed as the Executive General Manager of the Company's Kombat business unit. Pursuant to his employment agreement with the Company, Mr. Franklin's salary for the year was $218,000 (inclusive of superannuation). Under this Agreement, 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. Mr. Franklin's employment will be concluded on 30 September 2009.

Michael Erwin, the former owner of Kea Australia was retained by the Company on a 3 year employment agreement pursuant to the acquisition agreement between the Company and Mr. Erwin for the acquisition of Kea Australia Pty Ltd. Mr. Erwin was employed as the Executive General Manager of the Company's Kea business unit. Pursuant to his employment agreement with the Company, Mr. Erwin's salary for the year was $209,800 (inclusive of superannuation). Under this Agreement, 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. Mr. Erwin's employment was concluded on 31 July 2009.

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	Vests at date of grant
(2)	Issued 7 March 2008	7.03.2008	31.12.2011	21,390	Vests upon continual employment to 30 June 2008, budgeted operating EBIT for financial year 30 June 2008 and when the Beyond Sportswear International Limited share price exceeds 10 cents on any 10 trading days prior to 31 December 2009

There are no further service or performance criteria that need to be met in relation to options granted under series 1, and 2 before the beneficial interest vests in the recipient. Executives and senior employees receiving options under option series 1 and 2 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 or lapsed 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
30 September 2009

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
PO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

The Board of Directors
Beyond Sportswear International Limited
Unit 11, 333 Ingles Street,
PORT MELBOURNE, VIC, 3207

30 September 2009

Dear Board Members

Auditor's Independence Declaration: Beyond Sportswear International Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Beyond Sportswear International Limited.

As lead audit partner for the audit of the financial statements of Beyond Sportswear International Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Tom Imbesi
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
PO Box 78B
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Beyond Sportswear International Limited

Report on the Financial Report

We have audited the accompanying financial report of Beyond Sportswear International Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 as set out on pages 23 to 65.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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. These Auditing 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 judgement, 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.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Beyond Sportswear International Limited 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 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Material Uncertainty Regarding Continuation as a Going Concern
Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates the consolidated entity's and company's current liabilities exceeded its current assets by $7,237 thousand and $283 thousand respectively as at 30 June 2009 and the consolidated entity and the company had net cash outflows from operations of $2,856 thousand and $1,818 thousand respectively for the year ended 30 June 2009. These conditions, along with other matters as set forth in Note 1, indicate the existence of a significant uncertainty which may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Tom Imbesi
Partner
Chartered Accountants

Melbourne, 30 September 2009

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 24 to 65 are in accordance with the Corporations Act 2001 including:

- compliance with Accounting Standards in Australia and the Corporations Regulations 2001;
- providing a true and fair view of the financial position as at 30 June 2009 and of the performance, as represented by the results of the operations and the cash flows, of the company and consolidated entity for the year ended on that date; and
- that the Directors have been given the declaration required under section 295A of the Corporations Act 2001.

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.

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

Mr. Andrew Plympton
Chairman
30 September 2009

INCOME STATEMENT

For the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Revenue	3	30,710	26,398	0	0
Changes in inventories of finished goods and work in progress		526	625	0	0
Raw materials and consumables used		(19,968)	(15,150)	0	0
Royalty expenses		(527)	(1,244)	0	0
Employee benefits expense	4	(4,771)	(3,710)	0	0
Occupancy expenses		(556)	(528)	0	0
Event expenses		(1,062)	(1,297)	0	0
Advertising expenses		(393)	(372)	0	0
Freight expenses		(705)	(494)	0	0
Travel expenses		(357)	(315)	0	0
Depreciation and amortisation expenses	4	(741)	(538)	(3)	0
Professional fees		(1,546)	(1,183)	(758)	(680)
Finance costs	4	(1,020)	(1,724)	(59)	347
Write down of related party loan	4	(20)	(81)	(742)	4,746
Discount on acquisition		0	1,662	0	0
Other expenses		(1,747)	(1,299)	0	(4)
Profit/ (Loss) before tax		(2,177)	750	(1,562)	4,409
Income tax benefit	5	1,600	2,400	1,600	2,400
Profit /(Loss) for the year attributable to members of the parent entity		(577)	3,150	38	6,809
Earnings per share					
Basic (cents per share)	28	(0.23)	1.96		
Diluted (cents per share)	28	(0.22)	1.84		

Notes to the financial statements are included on pages 28 to 69

BALANCE SHEET

As at 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Assets					
Current assets					
Cash and cash equivalents	7	388	744	0	0
Trade and other receivables	8	5,016	3,111	12	91
Inventories	9	3,327	3,854	0	0
Other current assets	10	233	90	0	0
Total current assets		8,964	7,799	12	91
Non-current assets					
Deferred tax assets	5	4,000	2,400	4,000	2,400
Financial assets	11	75	75	12,411	11,971
Property plant and equipment	12	3,191	3,514	26	0
Goodwill	13	4,184	3,743	0	0
Intangible assets	14	8,178	8,178	0	0
Total non-current assets		19,628	17,910	16,437	14,371
Total assets		28,592	25,709	16,449	14,462
Current liabilities					
Trade and other payables	15	8,973	9,396	295	1,375
Borrowings	16	6,700	4,847	0	0
Provisions	17	528	787	0	0
Current tax liabilities		0	44	0	0
Total current liabilities		16,201	15,074	295	1,375
Non-current liabilities					
Borrowings	16	2,110	2,648	0	0
Provisions	17	107	6	0	0
Total non-current liabilities		2,217	2,654	0	0
Total liabilities		18,418	17,728	295	1,375
Net assets		10,174	7,981	16,154	13,087
Equity					
Issued capital	18	38,312	35,283	38,312	35,283
Reserves	19	(199)	60	161	161
Accumulated losses	20	(27,939)	(27,362)	(22,319)	(22,357)
Total equity		10,174	7,981	16,154	13,087

Notes to the financial statements are included on pages 28 to 69

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

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 2007		**31,191**	**161**	**(2)**	**(30,512)**	**838**	**838**
Exchange differences arising on translation of foreign operations	19	0	0	(99)	0	(99)	(99)
Net income recognised directly in equity		0	0	(99)	0	(99)	(99)
Profit for the year		0	0	0	3,150	3,150	3,150
Total recognised income and expense		0	0	0	3,150	3,150	3,150
Issue of shares	18	4,092	0	0	0	4,092	4,092
Options granted	19	0	0	0	0	0	0
Balance at 30 June 2008		**35,283**	**161**	**(101)**	**(27,362)**	**7,981**	**7,981**
Balance at 1 July 2008		**35,283**	**161**	**(101)**	**(27,362)**	**7,981**	**7,981**
Exchange differences arising on translation of foreign operations	19	0	0	(259)	0	(259)	(259)
Net income recognised directly in equity		0	0	(259)	0	(259)	(259)
Loss for the year		0	0	0	(577)	(577)	(577)
Total recognised income and expense		0	0	0	(577)	(577)	(577)
Issue of shares	18	3,029	0	0	0	3,029	3,029
Options granted	19	0	0	0	0	0	0
Balance at 30 June 2009		**38,312**	**161**	**(360)**	**(27,939)**	**10,174**	**10,174**

Notes to the financial statements are included on pages 28 to 69

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

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 2007		**31,191**	**161**	**0**	**(29,166)**	**2,186**	**2,186**
Exchange differences arising on translation of foreign operations	19	0	0	0	0	0	0
Net income recognised directly in equity		0	0	0	0	0	0
Profit for the year		0	0	0	6,809	6,809	6,809
Total recognised income and expense		0	0	0	6,809	6,809	6,809
Issue of shares	18	4,092	0	0	0	4,092	4,092
Options granted	19	0	0	0	0	0	0
Balance at 30 June 2008		**35,283**	**161**	**0**	**(22,357)**	**13,087**	**13,087**
Balance at 1 July 2008		**35,283**	**161**	**0**	**(22,357)**	**13,087**	**13,087**
Exchange differences arising on translation of foreign operations	19	0	0	0	0	0	0
Net income recognised directly in equity		0	0	0	0	0	0
Profit for the year		0	0	0	38	38	38
Total recognised income and expense		0	0	0	38	38	38
Issue of shares	18	3,029	0	0	0	3,029	3,029
Options granted	19	0	0	0	0	0	0
Balance at 30 June 2009		**38,312**	**161**	**0**	**(22,319)**	**16,154**	**16,154**

Notes to the financial statements are included on pages 28 to 69

STATEMENT OF CASH FLOWS

For the year ended 30 June 2008

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		28,921	25,638	0	0
Payments to suppliers and employees		(30,841)	(21,694)	(1,759)	700
Interest received		19	18	0	0
Finance costs		(1,020)	(1,608)	(59)	463
Other income		65	202	0	0
Net cash provided by / (used in) operating activities	21	(2,856)	2,556	(1,818)	1,163
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(419)	(363)	(29)	0
Proceeds from sale of plant and equipment		0	349	0	0
Purchase of businesses	29	(441)	(10,236)	(441)	(9,405)
Net cash provided by / (used in) investing activities		(860)	(10,250)	(470)	(9,405)
Cash flows from financing activities					
Proceeds from issue of shares		417	0	417	0
Proceeds from 3rd party borrowings		311	1,110	0	1,610
(Repayment of)/Proceeds from secured borrowings		2,634	1,897	0	0
Payments for hire purchase liabilities		(226)	(206)	0	0
Proceeds from issue of convertible notes		0	4,092	0	4,092
Advances/(repayments) to/(from) controlled entities		0	0	1,871	2,540
Repayments to associated entities		0	(145)	0	0
Net cash provided by / (used in) financing activities		3,136	6,748	2,288	8,242
Net increase in cash and cash equivalents		(580)	(946)	0	0
Cash and cash equivalents at the beginning of financial year		627	1,671	0	0
Effect of exchange rate changes on the balance of cash held in foreign currencies		(259)	(98)	0	0
Cash and cash equivalents at end of financial year	21	(212)	627	0	0

Notes to the financial statements are included on pages 28 to 69

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, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS 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 2009.

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.

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

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 2009 the consolidated entity and the company had a deficiency in working capital of $7,237 thousand and $283 thousand respectively and the consolidated entity and the company had net cash outflows from operations of $2,856 thousand and $1,818 thousand respectively for the year ended 30 June 2009. The consolidated entity has also recorded a deficiency of net tangible assets of $2,188 thousand and a loss before tax of $2,177 thousand for financial year 30 June 2009. This result has been impacted by significant one off costs incurred in the exit and non-renewal of licenses and events. However, as a result of the Rights Issue implemented by the directors' the consolidated entity has continued to strengthen its positive net asset position, achieving an increase of $2,193 thousand in net assets during the current year.

The Directors are confident that the consolidated entity and the company will continue as going concerns for the following reasons:

- Ongoing support of suppliers and financiers,
- In November 2008, the Company successfully negotiated new borrowing facilities with the National Australia Bank for $7.7 million,
- Kea and Kombat are expected to continue to generate positive cash flows going forward,

(a) Going concern policy note (cont'd)

- Ongoing focus on cost reduction and continued generation of synergies arising from Kea and Kombat, and
- Forecast future cash flows indicate sufficient funds will be available to pay for debts as and when they fall due.

Preparation of this financial report assumes that the consolidated entity and the company will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. Notwithstanding the above, should existing financiers and suppliers not continue to provide facilities on terms suitable to the consolidated entity, alternative sources of finance, if required, not be obtained or future trading performance fail to generate sufficient positive cash flows to meet the consolidated entity's and the company's financial obligations, there is significant uncertainty whether the consolidated entity and company will continue as going concerns and whether they will realise its assets and extinguish their 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 consolidated entity and the company not continue as going concerns.

(b). Restatement of prior financial year

During the year management identified that control did not exist over three previously consolidated entities. Concept Sports International AG, Concept Sports International France and Concept Sports International (Spain) SL. As a result, these entities have not been consolidated in the current year and the comparative information included in these financial statements has been restated to exclude the financial information of these entities. The financial impact of the restatement of the comparative period to the consolidated entity is as follows:

Income Statement

	Restated 30 June 2008 $'000	Adjustment $'000	Previously Audited 30 June 2008 $'000
Revenue	26,398	(10,345)	36,743
Expenditure	(25,648)	10,345	(35,993)
Profit before tax	750	0	750
Income tax benefit	2,400	0	2,400
Profit for the year	3,150	0	3,150

There were no changes to basic and diluted earnings per share as a result of the restatement of the comparative period

Balance Sheet

	Restated 30 June 2008 $'000	Adjustment $'000	Previously Audited 30 June 2008 $'000
Current Assets	7,799	(585)	8,384
Non current assets	17,910	(1,218)	19,128
	25,709	(1,803)	27,512
Current liabilities	15,074	(1,803)	16,877
Non current liabilities	2,654	0	2,654
	17,728	(1,803)	19,531
Net assets	7,981	0	7,981

The net impact on the income statement and the net assets of the balance sheet is nil.

(c). 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.

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current 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', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d). Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the original recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 reporting date.

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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Tax consolidation

The parent entity 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.

(e). Inventories

Inventories are measured 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.

(f). 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, leasehold improvements are stated at cost less accumulated depreciation and impairment. Construction in progress is stated at cost. 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.

(f) Plant and Equipment (cont'd)

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 or diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rates	Depreciation Basis
Plant and equipment	2.5% - 30.0%	Straight line
Leased plant and equipment	7.5%	Straight line
Motor vehicles	10.0% - 22.5%	Straight line

(g). 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 economic entity 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.

(h). Impairment of assets

At each reporting date, 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 the asset does not generate cash flows that are independent from other assets, 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 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

(h) Impairment of assets (cont'd)

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.

Impairment testing is performed annually for goodwill. 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.

(i). Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post acquisition profits and reserves of its associates.

(j). Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(k). Intangibles

<u>Brands</u>

Brand names recognised by the company have an indefinite useful life and are not amortised. Each period, the useful life of 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(g).

(l). 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 employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months 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.

(m). 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.

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 both 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’.

Provision for restoration and rehabilitation
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing the facilities and restoring the affected areas.

(n). 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 that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity’s functional and presentation currency.

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 yearend exchange rate.

(n) Foreign Currencies (cont'd)

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 transferred directly to the group's foreign currency translation reserve in the balance sheet. The differences are recognised in the income statement in the period in which the operation is disposed.

(o). 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;
- 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 balance sheet.

(p). 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.

<u>Sale of goods</u>
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.

<u>Interest</u>
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 exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(q). 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.

(r). 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, with corresponding adjustment to the equity-settled employee benefits reserve.

No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

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.

(s). 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 balance sheet 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.

(t). 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.

(u). Critical accounting estimates and judgements

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 - 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.

(u) Critical accounting estimates and judgements (cont'd)

Goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations.

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 Company's wholesale license business have been calculated using historical knowledge and best available information regarding revenues and expenses. A growth rate of 3% (2008: 3%) has been used to extrapolate the wholesale license business cash flow projections beyond the period covered by the most recent forecasts. The cash flow projections for event retailing at major international sports events have been based on contracted events and those the Company believes it is likely to secure. The present value of future cash flows has been calculated using a discount rate of 19% (2008: 15%) to determine value-in-use.

Identifiable Intangibles

The calculation used to assess the value of the Company'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 3% (2008: 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 19% (2008: 15%) to determine value-in-use.

(v). Standards and interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

• AASB 101 "Presentation of Financial Statements" (revised September 2007)	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 8 "Operating Segments"	Effective for annual reporting periods beginning on or after 1 January 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

• AASB Interpretation 12 "Service Concession Arrangements"	Effective for annual reporting periods beginning on or after 1 January 2008
• AASB Interpretation 14 "AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"	Effective for annual reporting periods beginning on or after 1 January 2008
• AASB Interpretation 13 "Customer Loyalty Programmes"	Effective for annual reporting periods beginning on or after 1 July 2008
• AASB 123 "Borrowing Costs" (revised)	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 2008-2 "Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation"	Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

• IFRS 3 "Business Combinations" and IAS "Separate and Consolidated Financial Statements"	Effective for annual reporting periods beginning on or after 1 July 2009

NOTE 2: SIGNIFICANT EVENTS

(a). 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 of $2,349 thousand below cost during the 2009 financial year (2008: $1,116 thousand).

(b). Exit of Non Continuity Events / Contracts

The Board of Beyond Sportswear International Limited determined to discontinue a number of events contracts resulting in one off costs of $508 thousand during the 2009 financial year (2008: nil).

NOTE 3: REVENUE

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Operating activities				
- Sale of goods	30,691	26,380	0	0
- Interest received (a)	19	18	0	0
Total Revenue	30,710	26,398	0	0
(a) Interest revenue from:				
- External parties	19	18	0	0
Total interest revenue	19	18	0	0

NOTE 4: PROFIT

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Expenses				
Cost of sales	21,237	17,163	0	0
Write down of inventory to net realisable value	2,349	868	0	0
Finance Costs:				
- Related parties	0	0	0	0
- Shareholder related parties	256	457	59	457
- External parties	764	1,267	0	(804)
Total finance costs	1,020	1,724	59	(347)
Foreign currency translation loss	(12)	(17)	0	0
Depreciation of non current assets				
- Plant and equipment	704	486	3	0
- Motor vehicles	37	52	0	0
Total depreciation	741	538	3	0
Net expense from movement in provisions				
- Movement in provision for doubtful debts	49	57	0	0
- Movement in employee provisions	(201)	466	0	0
- Movement in stock provision	12	(68)	0	0
- Provision for write down / (write back) of related party loan	20	81	742	(4,746)
Total net expenses from movements in provisions	(218)	536	742	(4,746)
Profit on sale of plant and equipment	0	0	0	0
Rental expense on operating leases				
- minimum lease payments	556	528	0	0
Employee benefits				
Employee wages and salaries	4,442	3,549	0	(26)
Employee benefits expense	329	135	0	0
Share based payment charges	0	26	0	26
Total employee benefits	4,771	3,710	0	0

NOTE 5: TAX

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
The components of tax benefit comprise:				
Current tax	0	0	0	0
Deferred tax	0	0	0	0
Recognition of prior year tax losses	(1,600)	(2,400)	(1,600)	(2,400)
Total income tax benefit	(1,600)	(2,400)	(1,600)	(2,400)
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% (2006 30%)	(653)	225	(469)	1,322
Add:				
Tax effect of:				
- Other non-allowable items	240	347	3	0
- Write-downs/(write-backs) to recoverable amounts	6	24	223	(1,424)
- Capital Losses not brought to account	489	0	0	0
- Deferred tax assets not brought to account	954	245	301	272
	1,036	841	58	170
Less:				
Tax effect of:				
- Deductible capital raising costs	3	122	3	122
- Deductible defence costs	52	48	52	48
- Other deductible items	197	134	3	0
- Discount on acquisitions	0	499	0	0
- Effect of subsidiaries operating in other jurisdictions	784	38	0	0
- Deferred tax asset (losses) now brought to account	1,600	2,400	1,600	2,400
	2,636	3,241	1,658	2,570
Income tax benefit	(1,600)	(2,400)	(1,600)	(2,400)

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:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Unused tax losses				
Opening balance	2,400	0	2,400	0
Charged to income	1,600	2,400	1,600	2,400
Closing balance	4,000	2,400	4,000	2,400

Unrecognised deferred tax assets:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Deferred tax assets not brought to account are:				
- Temporary differences	0	1,810	0	475
- Carry forward income losses	3,223	4,003	3,223	3,223
- Carry forward capital losses	3,196	1,542	3,196	1,542
	6,419	7,355	6,419	5,240

Tax Consolidation

Relevance of tax consolidation to the group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group in 2005 and are therefore taxed as a single entity from that date. 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	
	2009	2008	2009	2008
	$	$	$	$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	250,000	273,000	250,000	273,000
- Tax services	42,000	6,000	42,000	6,000
	292,000	279,000	292,000	279,000
Remuneration of other auditors of subsidiaries 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 the parent is Deloitte Touche Tohmatsu.

NOTE 7: CASH & CASH EQUIVALENTS

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash on hand	7	3	0	0
Deposits at call	254	249	0	0
Cash at bank	127	492	0	0
	388	744	0	0

NOTE 8: RECEIVABLES

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Trade debtors	4,995	3,397	0	0
Less allowance for doubtful debts	(168)	(384)	0	0
	4,827	3,013	0	0
Other debtors	189	98	8	87
Amounts receivable from:				
- wholly-owned subsidiaries	0	0	5,695	4,956
- provision for loan to subsidiary	0	0	(5,691)	(4,952)
	5,016	3,111	12	91

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, $456 thousand (2008: $461 thousand) is due from ANZ Stadium. There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of $830 thousand (2008: $680 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	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Ageing of past due but not impaired				
60-90 days	221	303	0	0
90+ days	609	377	0	0
Total	830	680	0	0
Movement in Allowance for Doubtful Debts				
Balance at the beginning of the year	384	327	0	0
Impairment losses recognised on receivables	49	95	0	0
Amounts written off as uncollectible	(265)	0	0	0
Impairment Losses Recovered	0)	(38)	0	0
Balance at the end of the year	168	384	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 $114 thousand (2008: $345 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

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
60-90	0	0	0	0
90+	114	345	0	0
Total	114	345	0	0

NOTE 9: INVENTORIES

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Raw materials at cost	850	550	0	0
Work in progress at cost	961	1,079	0	0
Finished goods at net realisable value	1,516	2,225	0	0
	3,327	3,854	0	0

NOTE 10: OTHER ASSETS

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Prepayments	233	90	0	0
	233	90	0	0

NOTE 11: OTHER FINANCIAL ASSETS

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Non-Current					
Unlisted investments, at recoverable amount					
- shares in associated entities at cost		75	75	0	0
- less impairment writedown		0	0	0	0
		75	75	0	0
- shares in controlled entities at cost	26	0	0	29,211	28,771
- less impairment writedown		0	0	(16,800)	(16,800)
		0	0	12,411	11,971
Carrying amount at end of the year		75	75	12,411	11,971

NOTE 12: PLANT & EQUIPMENT

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Plant and equipment				
Cost				
Balance at the beginning of year	5,022	2,347	0	0
Additions through acquisition	0	2,688	0	0
Additions for cash consideration	419	363	29	0
Disposals	(180)	(376)	0	0
Balance at 30 June 2008	5,261	5,022	29	0
Accumulated depreciation				
Balance at the beginning of year	(1,574)	(1,093)	0	0
Disposals	179	5	0	0
Depreciation	(704)	(486)	(3)	0
Balance at 30 June 2008	(2,099)	(1,574)	(3)	0
Carrying amount at end of the year	3,162	3,448	26	0
Motor Vehicles				
Cost				
Balance at the beginning of year	258	179	0	0
Additions through acquisition	0	79	0	0
Disposals	(83)	0	0	0
Balance at 30 June 2008	175	258	0	0
Accumulated depreciation				
Balance at the beginning of year	(192)	(140)	0	0
Disposals	83	0	0	0
Depreciation expense	(37)	(52)	0	0
Carrying amount at the end of year	(146)	(192)	0	0
Carrying amount at end of the year	29	66	0	0
Net book value				
Balance at the beginning of the financial year	3,514	1,293	0	0
Balance at the end of the financial year	3,191	3,514	26	0

NOTE 13: GOODWILL

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Goodwill					
Gross carrying amount					
Balance at beginning of the financial year		22,154	20,881	0	0
Additional amounts recognised from business combinations occurring during the period	29	441	1,273	0	0
Balance at end of the financial year		22,595	22,154	0	0
Accumulated impairment losses					
Balance at beginning of the financial year		(18,411)	(18,411)	0	0
Balance at end of the financial year		(18,411)	(18,411)	0	0
Net book value					
At the beginning of the financial year		3,743	2,470	0	0
At the end of the financial year		4,184	3,743	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:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Allocation of goodwill to cash generating units				
Kea Australia Pty Ltd and its controlled entities	975	534	0	0
Kea Designer Sportswear (UK) Pty Ltd	739	739	0	0
Beyond Sportswear International Pty Ltd and Steve Rolton Agencies Pty Ltd	2,470	2,470	0	0
Total	4,184	3,743	0	0

Kea Australia Pty Ltd and its controlled entities

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 19%p.a. (2008: 15%).

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. (2008: 5%) 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 19%p.a. (2008: 15%).

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. (2008: 5%) 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 19%p.a. (2008: 15%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. (2008: 5%) 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 1-2% 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 three 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: INTANGIBLE ASSETS

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Brands				
Gross carrying amount				
Balance at beginning of the financial year	8,178	0	0	0
Acquisition through business combinations	0	8,178	0	0
Balance at end of the financial year	8,178	8,178	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
Net book value				
Balance at beginning of the financial year	8,178	0	0	0
Balance at end of the financial year	8,178	8,178	0	0

Significant intangible assets
The Group holds significant brand names for their exclusive use on sportswear apparel.

NOTE 15: PAYABLES

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Unsecured liabilities				
Trade creditors	3,848	3,800	0	0
Sundry creditors and accruals	4,101	4,843	295	1,375
Deferred income	995	0	0	0
Amounts payable to:				
- directors or director related entities	25	749	0	0
- other	4	4	0	0
	8,973	9,396	295	1,375

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	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current					
Secured liabilities at amortised cost					
Bank overdrafts (1)	21	600	117	0	0
Bank trade finance facilities (1)	21	1,458	0	0	0
Bank debtor funding facilities (1)	21	3,997	2,221	0	0
Finance lease liability (2)	24	267	399	0	0
		6,322	2,737	0	0
Unsecured liabilities at amortised cost					
Other financial liabilities (3)		378	2,110	0	0
Total current liabilities		6,700	4,847	0	0
Non-current					
Secured liabilities at amortised cost					
Finance lease liability (2)	24	439	533	0	0
Bank loans (1)	21	600	1,200	0	0
		1,039	1,733	0	0
Unsecured liabilities at amortised cost					
Other financial liabilities (4)		1,071	915	0	0
Total non-current liabilities		2,110	2,648	0	0

Summary of borrowing arrangements:

(1) Banking facilities include:
– Trade finance facility of $1,500 thousand (2008: nil) with a current weighted average effective interest rate of 8.4% p.a. (2008: nil)
– Debt funding of $4,200 thousand (2008: $2,500 thousand) with a current weighted average effective interest rate of 7.5% p.a. (2008: 12.0%)
– Term loan of $1,200 thousand (2008: nil) with a payment period of $300 thousand p.a. over five years, with a current weighted average effective interest rate of 8.3% p.a. (2008: 11.8%)
– An overdraft facility of $500 thousand was repaid during the current year.

The facilities are secured by a registered mortgage debenture over all assets of Beyond Sportswear International Limited, Beyond Sportswear International Pty Ltd and Steve Rolton Agencies Pty Ltd.

(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. (2008: 8.6%).

(3) Unsecured current financial liabilities include:

- $275 thousand loans (2008: $556 thousand) from various parties who provide working capital finance with a current weighted average effective interest rate of 6.3% p.a. (2008: 12.7%)
- $103 thousand loan (2008: $104 thousand) from a UK entity which provides working capital finance. No interest is payable on this loan. This amount is repayable by 31 December 2010.
- $1,450 thousand Convertible Notes were repaid during the year

(4) Unsecured non-current financial liabilities include:

- $1,010 thousand loan (2008: $760 thousand) from a shareholder related entity with repayment due in 18 months and a current weighted average effective interest rate of 6.3% p.a. (2008: 12.7%)
- $61 thousand loan (2008: $155 thousand) from a UK related entity which provides working capital finance. No interest is payable on this loan. This amount is repayable by 31 December 2010.

NOTE 17: PROVISIONS

		Consolidated		Company	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current					
Employee entitlements (1)		528	787	0	0
Total current provisions		528	787	0	0
Non current					
Employee entitlements		107	6	0	0
Total non-current provisions		107	6	0	0
Aggregate employee entitlements		635	793	0	0

(1) The current provision for employee entitlements includes $91 thousand of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2008: $84 thousand).

NOTE 18: CONTRIBUTED EQUITY

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
349,917,000 fully paid ordinary shares (2008: 218,111,000)	38,312	35,283	38,312	35,283

Changes to the then Corporations Law 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.

	2009		2008	
	Number '000	$'000	Number '000	$'000
Fully paid ordinary shares				
Balance at beginning of the financial year	218,111	35,283	136,910	31,191
Issue of shares (1)	131,806	3,029	81,201	4,092
Balance at end of the financial year	349,917	38,312	218,111	35,283

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

(1) Shares issued during the current year include the following:

- 10,416,666 shares to Furneaux Equity Limited and related parties at an issue price of $0.0288 per share as consideration for the partial retirement of a line of equity credit facility.
- 120,264,783 shares at an issue price of $0.0225 per share as a 1 for 1.6 pro rata non renounceable rights issue..
- 1,125,000 shares to Novus Capital Partners Pty Ltd at an issue price of $0.02 per share as consideration for fees payable to the Company's broker for services in relation to the rights issue.

(1) Shares issued during the previous year included the following:

- 1,446,465 shares to Transition Group and related parties at a price of $0.08 per share as consideration for providing loans to fund working capital.
- 6,437,358 shares to P&W Franklin at an issue price of $0.062 as part consideration for the purchase of Kombat Pty Ltd.
- 13,097,913 shares to Transition Group and related parties at an issue price of $0.071 for retirement of debt owing to Transition Group.
- 60,219,313 shares to Furneaux Equity Ltd and related parties at an average issue price of $0.044 as consideration for the partial retirement of a convertible note facility.

Options

(1) On 6th May 2005, the Company issued 5,000,000 to Mr Tim Stewart at an exercise price of $0.05 each. These options are exercisable on or before 30th April 2010. There are no vesting criteria or performance hurdles required to be met in order for the options to be exercised. These options were issued in relation to a previous funding agreement with Westminster Communications.

(2) On 9th February 2007, the Company issued 200,000 options to Mr Andrew Plympton at an exercise price of $0.10 each. These options are exercisable after 9th February 2008 and before 8th February 2012. There are 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.

(3) On 3rd December 2007, the Company issued 1,500,000 options to Mr Tim Stewart at an exercise price of $0.05 each. These options are exercisable on or before 30th November 2012. There are no vesting criteria or performance hurdles required to be met in order for the options to be exercised. These options were issued in relation to a previous funding agreement with Westminster Communications.

(4) On 7th March 2008, the Company issued 3,300,000 options to various executives and directors of the Company at an exercise price of $0.10 each. These options are exercisable on or before 31st December 2011. These options were issued as part of the executives' and directors' remuneration packages. The options were issued for nil consideration. These options vest upon continual employment of personnel until 30 June 2008, the achievement of budgeted operating EBIT fot the financial year 30 June 2008 and when Beyond Sportswear International Limited share price exceeds 10 cents on any 10 trading days prior to 31 December 2009.

(5) On 26th November 2008, the Company issued 1,000,000 options to Mr Thomas Gribben at an exercise price of $0.10 each. These options are exercisable on or before 26th November 2011. These options were issued as part of Mr Gribben's remuneration package. These options vest upon continual employment until 30th June 2009 and the achievement of sales revenue targets for the financial year 30 June 2009. Mr Gribben resigned his employment prior to 30 June 2009 and did not meet the sales revenue targets for the financial year 30 June 2009 therefore the options lapsed.

Each option entitles the holder to subscribe to one fully paid ordinary share. The shares allotted upon exercise of the options will rank equally with all other issued shares of the Company. The Company will apply for official quotation on the ASX of those shares after they are issued. An option holder will not be entitled to participate in new share issues of shares or other securities made by the Company to holders of its shares unless the options are exercised before the record date for the determining entitlements to the issue. All options granted to key management personnel are for ordinary shares in Beyond Sportswear International Limited which confer a right of one ordinary share for every option held.

	Number of options	
	2009	2008
	'000's	'000's
Options movements		
Balance at the beginning of the financial year	10,000	5,350
Options granted during the year	1,000	4,800
Options exercised during the year	0	0
Options lapsed during the year	(1,000)	(150)
Balance at the end of the reporting period	10,000	10,000

There were 10,000,000 options on issue that were exercisable at the end of the year (2008: 10,000,000).

There were no options exercised during the year ended 30 June 2009 (2008: nil).

The options outstanding at 30 June 2009 had a weighted average exercise price of $0.0675 (2008: $0.0675) and a weighted remaining contractual life of 1.81 years (2008: 2.39 years). The range of exercise prices for options at the end of the year was $0.05 to $0.10 (2008: $0.05 to $0.10).

	Option Series		
Inputs into the model	**Issued 26 November 2008**	**Issued 7 March 2008**	**Issued 3 December 2007**
Grant date share price	$0.03	$0.057	$0.072
Exercise price	$0.10	$0.10	$0.05
Expected volatility	203%	203%	203%
Option life	3 years	3.8 years	2.4 years
Dividend yield	0	0	0
Risk-free interest rate	5.25%	7.55%	7.38%

NOTE 19: RESERVES

	Consolidated		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Option Reserve	161	161	161	161
Foreign Currency Translation Reserve	(360)	(101)	0	0
	(199)	60	161	161
Option Reserve				
Balance at the beginning of the financial year	161	161	161	161
Options granted during the year				
- employee remuneration	0	26	0	26
- consideration for establishing finance facilities	0	(26)	0	(26)
Balance at the end of the financial year	161	161	161	161
Foreign Currency Translation Reserve				
Balance at the beginning of the financial year	(101)	(2)	0	0
Movement during the year				
- translation of controlled subsidiaries	(259)	(99)	0	0
Balance at the end of the financial year	(360)	(101)	0	0

NOTE 20: ACCUMULATED LOSSES

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Accumulated losses at the beginning of the financial year	(27,362)	(30,512)	(22,357)	(29,166)
Net profit/(loss) attributable to equity holders of the parent	(577)	3,150	38	6,809
Accumulated losses at the end of the financial year	(27,939)	(27,362)	(22,319)	(22,357)

NOTE 21: CASH FLOW INFORMATION

	Note	Consolidated		Company	
		2009 $'000	2008 $'000	2009 $'000	2008 $'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		7	3	0	0
Cash at bank and on call		381	744	0	0
Bank overdrafts		(600)	(117)	0	0
		(212)	627	0	0
(b) Reconciliation of cash flow from operations with profit					
Profit / (Loss) after income tax		(577)	3,150	38	6,809
Non cash flows in profit/(loss)					
Profit on disposal of fixed assets		0	0	0	0
Depreciation and amortisation of plant and equipment		741	538	3	0
Provision for write down / (write back) of related party loan		20	81	742	(4,746)
Debt forgiveness		0	0	0	0
Expenses settled through issue of options		0	0	0	0
Unrealised foreign exchange (gain)/loss		0	0	0	0
Fixed Assets acquired for nil consideration		0	0	0	0
Interest not paid in cash		0	116	0	116
Discount on acquisition		0	(1,662)	0	0
Changes in assets and liabilities:					
(Increase) / decrease in trade receivables		(1,814)	(830)	0	0
(Increase) / decrease in other receivables		(91)	62	79	(87)
(Increase) / decrease in inventories		527	(568)	0	0
(Increase) / decrease in other current assets		(143)	2,445	0	82
Increase / (decrease) in payables		1,043	(2,040)	0	0
Increase / (decrease) in provisions		(158)	(335)	0	0
Increase / (decrease) in tax assets		(1,600)	(2,400)	(1,600)	(2,400)
Increase / (decrease) in sundry creditors and accruals		(760)	3,999	(1,080)	1,389
Increase / (decrease) in tax liabilities		(44)	0	0	0
Net cash inflow / (outflow) provided by operations		(2,856)	2,556	(1,818)	1,163

(c) Lines of credit with banks

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

Facility	**Available**	**Utilised**	**Unutilised**
2009			
Bank overdraft	0	0	0
Debtor finance	4,200	3,997	203
Term loan	1,200	1,200	0
Business card facility	0	0	0
Trade finance	1,500	1,458	42
Standby letter of credit	0	0	0
Bank guarantee	150	129	21
International facility	0	0	0
HP finance	706	706	0
Directors loans	25	25	0
Other loans	1,449	1,449	0
Other miscellaneous	0	0	0
	9,230	8,964	266

NOTE 21: CASH FLOW INFORMATION (CONT'D)

2008	Available	Utilised	Unutilised
Bank overdraft	500	117	383
Debtor finance	2,500	2,221	279
Term loan	1,500	1,500	0
Business card facility	70	12	58
Trade finance	0	0	0
Standby letter of credit	0	0	0
Bank guarantee	150	129	21
International facility	0	0	0
HP finance	932	932	0
Directors loans	193	193	0
Other loans	2,200	2,200	0
Other miscellaneous	16	16	0
	8,061	7,320	741

Note:

There is a $47,500 Bank Deposit to cover an existing bank guarantee and a further $201,000 Bank Deposit to cover other existing bank facilities

Security and conditions

The facilities are secured by a registered mortgage debenture over all assets of Beyond Sportswear International Pty Ltd, Beyond Sportswear International Limited and Steve Rolton Agencies Pty Ltd.

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)
Gary March (Non Executive Director)
Andrew Plympton (Chairman and Non Executive Director)
Jeff Taylor (Non Executive Director)
Michael Erwin (Executive General Manager Kea)
Paul Franklin (Executive General Manager Kombat)

The aggregate compensation made to key management personnel of the Group is set out below:

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Short term employment benefits		1,006	1,034	0	0
Post employment benefits		67	68	0	0
Termination benefits		240	34	0	0
Share based payments		0	26	0	0
		1,313	1,162	0	0

NOTE 23: DIVIDENDS

No Dividends were declared during the relevant period.

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	
	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000	2009 $'000	Restated 2008 $'000	2009 $'000	2008 $'000
No later than 1 year	330	459	0	0	267	399	0	0
Later than 1 year and not later than 5 years	475	589	0	0	439	533	0	0
Minimum future lease payments (1)	805	1,048	0	0	706	932	0	0
Less future finance charges	(99)	(116)	0	0	0	0	0	0
Present value of minimum lease payments	706	932	0	0	706	932	0	0
Included in the financial statements as: (note 16)								
Current borrowings					267	399	0	0
Non-current borrowings					439	533	0	0
					706	932	0	0

(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 asset at the expiry of the lease period.

	Note	Consolidated		Company	
		2009 $'000	2008 $'000	2009 $'000	2008 $'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		271	314	0	0
- longer than 1 year and not longer than 5 years		99	266	0	0
		370	580	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 28 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 2008	Shares Acquired	Options Exercised	Net Change	Balance 30 June 2009
Executive Directors					
G. Casey	5,500,000	3,438,874	0	0	8,938,874
Non-Executive Directors					
A. Plympton	0	0	0	0	0
G. March	20,278,912	5,927,110	0	0	26,206,022
J. Taylor	8,905,248	1,777,777	0	0	10,683,025
Total	**34,684,160**	**11,143761**	**0**	**0**	**45,827,921**

(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
Executive Directors								
G. Casey	0	1,000,000	07.03.2008	$0.065	$0.10	31.12.2009	30.09.2008	31.12.2009
G. March	0	1,000,000	07.03.2008	$0.065	$0.10	31.12.2009	30.09.2008	31.12.2009
Non Executive Directors								
A. Plympton	0	200,000	09.02.2007	$0.062	$0.10	08.02.2012	09.02.2008	08.02.2012
		800,000	07.03.2008	$0.065	$0.10	31.12.2009	30.09.2008	31.12.2009
J. Taylor	0	0	-	-	-	-	-	-
Total	**0**	**3,000,000**						

(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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
G. Casey	1,009	556	0	0
G. March	(61)	0	0	0
J. Taylor	33	193	0	0
S. Rolton	4	4	0	0
Current	985	753	0	0

NOTE 25: RELATED PARTY TRANSACTIONS (CONT'D)

An entity related to G. Casey has provided loans to the Group to fund working capital. The current weighted average interest rate for these loans is 6.3% p.a. (2008: 20% p.a.).

G. March received a payment of $140,473 during the financial year comprising all outstanding employment entitlements accrued but untaken at balance date. The sum of $61,000 remains payable at 30 June 2009. During the 2008 financial year a non monetary benefit of $135,148 was granted to G. March. This was in relation to a loan provided by the company to G. March totalling $63,000 in December 2006. The loan was interest free. The company resolved to forgive the loan amount during the 2008 financial year. In addition, during the 2008 financial year the company paid $72,148 on behalf of G. March for costs incurred by G. March in relation to the prospectus litigation.

J. Taylor has provided loans to the Group to fund working capital. The loan is to be repaid by instalments of $10,000 per month. The current weighted average interest rate is 8% p.a. (2008: 8%).

During the financial year, key management personnel and their related entities 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue	13	0	0	0
	13	0	0	0

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

	Consolidated		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Interest expense	198	704	0	0
Net amounts written off	0	135	0	0
Related party charges (i)	543	834	0	0
	741	1,673	0	0

(i) During the financial year the consolidated entity made payments to an entity controlled by G March, a Director related party. These entities were Concept Sports International AG, Concept Sports International France and Concept Sports International (Spain) SL. These payments were made during the period when management were of the understanding that control existed over these entities. These amounts are not considered recoverable by the consolidated entity.

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 (%) 2009	2008
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
- PB Sports Pty Ltd (2)	Australia	100	100
Kombat Pty Ltd (2)	Australia	100	100
Kea Designer Sportswear (UK) Pty Ltd	United Kingdom	100	100

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

During the year management identified that control did not exist over three previously consolidated entities. Concept Sports International AG, Concept Sports International France and Concept Sports International (Spain) SL. As a result, these entities have not been consolidated in the current year and the comparative information included in these financial statements has been adjusted to exclude the financial information of these entities. Refer to note 1(b) for further information.

NOTE 27: SEGMENT REPORTING

Business Segment

The economic entity's principal activities are within one business segment, being the sale of sports merchandise.

Geographical Segment

The group operates in three principal geographic areas – Asia Pacific, UK and the Americas.

The composition of each geographic segment is as follows:

Asia Pacific	The Group manufactures and sells sports merchandise in Australia.
UK	The Group operates a warehouse and sales office in UK providing sports merchandise for various schools and sporting clubs in UK.
Americas	The Group sold sports merchandise at events in West Indies in 2007.

During the year management identified that control did not exist over three previously consolidated entities. Concept Sports International AG, Concept Sports International France and Concept Sports International (Spain) SL. As a result, these entities have not been consolidated in the current year and the comparative information included in these financial statements has been adjusted to exclude the financial information of these entities. The non consolidation of these entities in the prior year is not material. The geographical segments have been amended to reflect this deconsolidation.

The group's revenue from external customers and information about its segment assets and liabilities is detailed below:

Primary Reporting – Geographical Segments

	Asia Pacific $'000	UK $'000	Americas $'000	Elimination $'000	Total $'000
30 June 2009					
Revenue from outside the economic entity	29,943	767	0	0	30,710
Total revenue	29,943	767	0	0	30,710
Segment operating profit/(loss)	(2,179)	2	0	0	(2,177)
Income tax expense/(benefit)	(1,600)	0	0	0	(1,600)
Operating profit/(loss) after tax	(579)	2	0	0	(577)
Depreciation and amortisation	741	0	0	0	741
Individually significant items					
Segment assets	33,384	451	0	(5,243)	28,592
Total assets	33,384	451	0	(5,243)	28,592
Segment liabilitie	17,965	1,144	85	(776)	18,418
Total liabilities	17,965	1,144	85	(776)	18,418
Acquisition of segment non-current assets	441	0	0	0	441

	Asia Pacific $'000	UK $'000	Americas $'000	Elimination $'000	Total $'000
30 June 2008					
Revenue from outside the economic entity	25,877	521	0	0	26,398
Total revenue	25,877	521	0	0	26,398
Segment operating profit / (loss)	680	20	50	0	750
Income tax (expense) / benefit	(2,400)	0	0	0	(2,400)
Operating profit / (loss) after tax	3,080	20	50	0	3,150
Depreciation and amortisation	538	0	0	0	538
Individually significant items					
Segment assets	31,905	361	0	(6,557)	25,709
Total assets	31,905	361	0	(6,557)	25,709
Segment liabilities	16,827	1,056	85	(240)	17,728
Total liabilities	16,827	1,056	85	(240)	17,728
Acquisition of non current assets	11,702	0	0	0	11,702

NOTE 28: EARNINGS PER SHARE

	Consolidated	
	2009 Cents per share	2008 Cents per share
Basic earnings per share		
Total basic earnings per share	(0.23)	1.96
Diluted earnings per share		
Total diluted earnings per share	(0.22)	1.84

Basic earnings per share

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

	2009 $'000	2008 $'000
Net profit/ (loss)	(577)	3,150
Earnings used in the calculation of basic EPS	(577)	3,150

NOTE 28: EARNINGS PER SHARE (CONT'D)

	2009 Number '000	2008 Number '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	251,816	160,976

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:

	2009 $'000	2008 $'000
Net profit/ (loss)	(577)	3,150
Earnings used in the calculation of diluted EPS	(577)	3,150

	2009 Number '000	2008 Number '000
Weighted average number of ordinary shares for the purposes of basic EPS	251,816	160,976
Shares deemed to be issued for no consideration in respect of:		
Share options	10,000	10,000
Weighted average number of ordinary shares used in the calculation of diluted EPS	261,816	170,976

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

NOTE 29: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Acquisition of businesses

During the financial year to 30 June 2009, the company did not acquire any businesses.

During the financial year to 30 June 2008, the company acquired the following businesses:

Names of entities and businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Cost of acquisition ($'000)
Kea Australia Pty Ltd and its controlled subsidiaries	Sale of sports merchandise	31/07/2007	100%	4,568
– PB Sports Australia Pty Ltd	Sale of sports merchandise	31/07/2007	100%	-
– Kea Knitwear Pty Ltd	Sale of sports merchandise	31/07/2007	100%	-
Kombat Pty Ltd	Sale of sports merchandise	26/11/2007	100%	4,471
Kea Designer Sportswear (UK) Pty Ltd	Sale of sports merchandise	19/12/2007	100%	853
GJK business	Sale of sports merchandise	08/06/2008	-	420
Frontrow business	Sale of sports merchandise	30/06/2008	-	400
				$10,712

The fair value of the identifiable assets of the businesses as at the date of acquisition is disclosed within the following table:

	2008											
	Kea Australia Pty Ltd and its controlled entities			Kea Designer Sportswear (UK) Pty Ltd			Kombat Pty Ltd			GJK	Frontrow	Total
	Book Value	Fair value adjustment	Fair value on acquisition	Book Value	Fair value adjustment	Fair value on acquisition	Book Value	Fair value adjustment	Fair value on acquisition	Fair value on acquisition	Fair value on acquisition	Fair value on acquisition
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Net assets acquired												
Current assets												
Cash & cash equivalents	175	0	175	232	0	232	(370)	0	(370)	0	0	37
Trade & other receivables	1,195	0	1,195	49	0	49	685	0	685	0	0	1,929
Loans to subsidiaries	433	0	433	0	0	0	0	0	0	0	0	433
Inventories	1,323	(667)	656	193	0	193	1,237	0	1,237	0	0	2,086
Other current assets	27	0	27	77	0	77	111	0	111	0	0	215
Non-current assets												
Property, plant & equipment	467	0	467	0	0	0	2,235	0	2,235	65	0	2,767
Brands	0	2,500	2,500	0	0	0	0	4,400	4,400	644	634	8,178
Investments	101	(101)	0	0	0	0	0	0	0	0	0	0
Current liabilities												
Trade & other payables	(553)	0	(553)	(4)	0	(4)	(968)	0	(968)	0	0	(1,525)
Accruals	(140)	0	(140)	0	0	0	(360)	0	(360)	0	0	(500)
Short term borrowings	(186)	0	(186)	0	0	0	(1,055)	0	(1,055)	0	0	(1,241)
Loans from subsidiaries	0	0	0	(433)	0	(433)	0	0	0	0	0	(433)
Other provisions	(155)	0	(155)	0	0	0	(198)	0	(198)	0	0	(353)
Provision for tax	(385)	0	(385)	0	0	0	(76)	0	(107)	0	0	(492)
Non-current liabilities												
Long term borrowings	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Totals	2,302	1,732	4,034	114	0	114	1,241	4,400	5,610	709	634	11,101
Goodwill on acquisition			534			739						1,273
Discount on acquisition									(1,139)	(289)	(234)	(1,662)
Consideration			4,568			853			4,471	420	400	10,712
Cash consideration			4,568			777			4,071	420	400	10,236
Share Issue			0			76			400	0	0	476
Total Consideration			4,568			853			4,471	420	400	10,712

NOTE 29: ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONT'D)

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Company 2009 $'000	Company 2008 $'000
Purchase consideration		441	10,712	0	0
Less cash acquired		0	(37)	0	0
Net cash consideration		441	10,676	0	0

During the current financial year the company incurred earn out payments in connection with the purchase agreements for the acquisition of Kea Australia Pty Ltd. Earn out payments were not previously provided as part of the acquisition as the outflow of economic benefit was not probable at the time. The payment of these earn outs resulted in an increase in goodwill of $441 thousand to $1,714 thousand at 30 June 2009.

The purchase consideration of $10,712 thousand is comprised of cash consideration of $10,236 thousand and shares issued of $476 thousand.

During the 2008 financial year the cost of acquisitions were only provisionally determined.

The entities Kea Australia Pty Ltd and its controlled entities, Kombat Pty Ltd and Kea Designer Sportswear (UK) Pty Ltd became wholly owned on acquisition and have joined the company's tax-consolidated group. For tax purposes, the tax values of each entity's assets are required to be reset based on market values and other factors. The necessary market valuations and other calculations have been finalised and the adjustment to deferred tax liabilities and goodwill has been included above.

The cost of the acquisitions comprises cash for all acquisitions except for the acquisition of Kombat Pty Ltd, which comprised cash and direct costs of $3,932 thousand plus shares to the value of $400 thousand in Beyond Sportswear International Limited.

In the acquisition of Kea Australia Pty Ltd and its controlled entities and Kea Designer Sportswear (UK) Pty Ltd, the Company has paid a premium for the acquirees as it believes the acquisitions will create synergistic benefits to its existing operations.

Goodwill arose in the businesses because the cost of the combination included a premium for control and amounts related to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of all entities. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

As a result of the combined net assets and recognition of the brand name of Kombat being valued at greater than the consideration, a discount on acquisition of $1,662 thousand has been recorded in the income statement for the year ended 30 June 2008.

Following the acquisition of the above entities, the directors of the company sought independent valuations of the brand names and have recorded the following amounts at 30 June 2008:

Kea Australia Pty Ltd and its controlled entities	$2,500 thousand
Kombat Pty Ltd	$4,400 thousand
GJK	$644 thousand
Frontrow	$634 thousand

Included in the net profit for the 2008 financial year since acquisition is $647 thousand attributable to the extra business generated by Kea Australia Pty Ltd and its controlled entities, $1,066 thousand attributable to the extra business generated by Kombat Pty Ltd and $20 thousand attributable to the extra business generated by Kea Designer Sportswear (UK) Pty Ltd. No amounts were included in the net profit for the period for GJK and Frontrow.

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 2008.

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 19, 20 and 21.

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	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Financial assets					
Debt	16	8,810	7,495	0	0
Cash and cash equivalents	7	(388)	(744)	0	0
Net debt		8,422	6,751	0	0
Equity		10,174	7,981	16,154	13,087
Net debt to equity ratio		83%	85%	0%	0%

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 National Australia Bank require the Group to maintain a capital adequacy ratio. The Group 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 (CONT'D)

(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	**2009**	**2008**	**2009**	**2008**
Euro	53	1,349	0	86
UK Pound sterling	557	493	220	174
Swiss Franc	0	426	281	364
US Dollar	449	0	100	40

Foreign currency sensitivity analysis

The group is primarily exposed to the US dollar.

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 and other equity.

	US Dollar Impact				UK Sterling Impact			
	Consolidated		Company		Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit or (loss)	40	(5)	0	0	2	2	0	0
Other equity	0	0	0	0	2	2	0	0

The Group's sensitivity to foreign currency has increased during the current period due to higher purchases from foreign suppliers.

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

NOTE 30: FINANCIAL INSTRUMENTS (CONT'D)

(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 balance sheet 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 $35 thousand and decrease by $35 thousand (2008: increase by $17 thousand and decrease by $17 thousand), attributable to the Group's exposure to interest rates on an average variable rate borrowings of $6,900 thousand (2008: $3,400 thousand).

The Group's sensitivity to interest rates has increased as the Group has increased its exposure to variable rate debt instruments as part of the funding mix used to acquire new businesses.

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 (CONT'D)

(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
2009					
Non-interest bearing		9,157	61	0	0
Finance lease liability	8.6	330	459	17	0
Variable interest rate borrowings	7.8	6,390	1,647	0	0
Fixed interest rate borrowings	8.0	25	0	0	0
Financial guarantee contracts		0	0	0	0
		15,902	2,167	17	0
2008					
Non-interest bearing		7,459	166	0	0
Finance lease liabilitiy	8.6	456	484	105	0
Variable interest rate borrowings	11.9	2,515	848	706	0
Fixed interest rate borrowings	12.3	1,782	760	0	0
Financial guarantee contracts		0	0	0	0
		12,212	2,258	811	0
Company					
2009					
Non-interest bearing		0	0	0	0
Finance lease liability		0	0	0	0
Variable interest rate borrowings		0	0	0	0
Fixed interest rate borrowings		0	0	0	0
Financial guarantee contracts		0	0	0	0
		0	0	0	0
2008					
Non-interest bearing		0	0	0	0
Finance lease liability		0	0	0	0
Variable interest rate borrowings		0	0	0	0
Fixed interest rate borrowings	12.7	0	760	0	0
Financial guarantee contracts		0	0	0	0
		0	760	0	0

NOTE 30: FINANCIAL INSTRUMENTS (CONT'D)

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
2009					
Non-interest bearing		5,023	0	0	0
Variable interest rate instruments	4.0	127	0	0	0
Fixed interest rate instruments	4.0	254	0	0	0
		5,404	0	0	0
2008					
Non-interest bearing		3,273	0	0	0
Variable interest rate instruments	6.2	492	0	0	0
Fixed interest rate instruments	6.2	249	0	0	0
		4,014	0	0	0
Company					
2009					
Non-interest bearing		12	0	0	0
Variable interest rate instruments		0	0	0	0
Fixed interest rate instruments		0	0	0	0
		12	0	0	0
2008					
Non-interest bearing		91	0	0	0
Variable interest rate instruments		0	0	0	0
Fixed interest rate instruments		0	0	0	0
		91	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(t) 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

No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report that, in the opinion of the Directors of the Company, is likely to affect significantly, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 32: CONTINGENT LIABILITIES

	Consolidated 2009 $'000	2008 $'000
Estimates of the potential financial effect of contingent liabilities that may become payable		
Contingent Liabilities		
Bank Guarantee		
A controlled entity has provided guarantees to third parties in relation to the performance and obligations of that entity in respect of its licensed products business and property lease rentals. The guarantees are for the term of the licenses and leases. The periods covered by the guarantees range from 1 to 5 years.	129	81

NOTE 33: COMPANY DETAILS

The registered office of the Company is:

Beyond Sportswear International Limited
Unit 11, 331 Ingles Street Port Melbourne Victoria 3207

ADDITIONAL SECURITIES EXCHANGE INFORMATION

Number of Holdings of Equity Securities as at 21 September 2009

The fully paid issued capital of the Company consisted of 349,917,264 ordinary fully paid shares held by 479 shareholders. Each share entitles the holder to one vote.

There are 5 option holders holding 11,000,000 options over ordinary shares. Options do not carry a right to vote.

Distribution of Holders of Equity Securities as at 21 September 2009

Range	Total holders	Units	% Issued capital
1 – 1,000	5	2,657	0.00
1,001 – 5,000	38	134,248	0.04
5,001 – 10,000	53	458,150	0.13
10,001 – 100,000	226	10,323,675	2.95
100,001 and over	157	348,998,534	96.88
Rounding	0		0.00
Total	**479**	**349,917,264**	**100.00**
Unmarketable Parcels	**Minimum parcel size**	**Holders**	**Units**
Minimum $ 500.00 parcel at $ 0.0220 per unit	22,728	154	1,582,336

Substantial Shareholders as at 21 September 2009

Shareholder		No.	%
1.	ROD BUTTERSS	73,419,115	20.98
2.	JUDITH LOUISE KELLETT	53,439,860	15.27
3.	GARY MARCH	26,206,022	7.49
4.	FURNEAUX EQUITY LIMITED	19,600,000	5.60

Twenty Largest Holders of Quoted Equity Securities

Rank	Shareholder	Units	% of issued capital
1.	LIGHTHOUSE PROPERTY GROUP PTY LTD <THE ROD BUTTERSS FAMILY A/C>	58,718,404	16.78
2.	STETTEN NO 2 PTY LTD <KELLETT FAMILY ACCOUNT NO 2>	44,444,444	12.70
3.	FURNEAUX EQUITY LIMITED	19,600,000	5.60
4.	MR GARY MARCH	15,562,552	4.45
5.	ZENNYAR PTY LTD	13,523,888	3.86
6.	KM NOMINEES PTY LTD	13,000,000	3.72
7.	ROAN INDUSTRIES PTY LTD <ROBINSON SUPER FUND A/C>	11,642,702	3.33
8.	JELOR SOFTWARE PTY LTD	10,683,025	3.05

9.	BUTTERSS MANAGEMENT SERVICES PTY LIMITED <CAMASH SUPER FUND A/C>	9,803,575	2.80
10.	MRS JUDITH LOUISE KELLETT	8,995,416	2.57
11.	MR PETER JOHN KLASEN	8,062,630	2.30
12.	MS BEVERLEY MARCH	6,784,581	1.94
13.	MR PAUL L FRANKLIN + MRS WENDY A FRANKLIN	6,437,358	1.84
14.	LIGHTHOUSE PROPERTY GROUP PTY LTD <ROD BUTTERSS FAMILY A/C>	4,897,136	1.40
15.	GFC MANAGEMENT PTY LTD	4,663,174	1.33
16.	MR EDWARD HUNTER + MR WILLIAM HUNTER <HUNTER SUPER FUND A/C>	4,439,104	1.27
17.	TRANSITION GROUP PTY LTD	4,275,700	1.22
18.	MARCH SUPERANNUATION PTY LTD <G & B MARCH SUPER FUND A/C>	3,858,889	1.10
19.	MR. ROBERT JOHN SAVAGE & MRS SHARON JOY SAVAGE <SAVAGE SUPER FUND A/C>	3,560,498	1.02
20.	SPRAY AUSTRALIA PTY LTD	3,472,222	0.99
TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AT 15 SEPTEMBER 2008		**256,425,298**	**73.28**

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 Unit 11, 331 Ingles 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 Johnson Street, Abbotsford, 3067, Victoria, 3067, local call is 1300 850 505, international call is + 613 9415 4000.