

# Appendix 4E

## Preliminary final report

Name of entity

AdultShop.com Limited

ABN or equivalent company  
reference

92 009 147 924

Financial year ended ('current period')

30 June 2010

### Results for announcement to the market

\$A'000

Revenues from continuing operations	Down	4% to	21,567
Loss from continuing operations after tax attributable to members	Down	67% to	(625)
Net loss after tax for the period attributable to members	Up	161% to	(2,208)
<b>Dividends (distributions)</b>	Amount per security		Franked amount per security
Final dividend	None		- ¢
Interim dividend	None		- ¢
Previous corresponding period	None		- ¢
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	N/A		

The above results should be read in conjunction with the notes and commentary contained in this report.

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## Management Discussion and Analysis

### Overview

The consolidated entity incurred a net loss of \$625,000 (2009: loss \$1,894,000) from continuing operations and a total net loss of \$2,208,000 (2009: loss \$847,000).

The total loss per share for the year was 0.43 cents (2009: loss 0.28 cents).

Summarised operating results are as follows:

#### Year ended 30 June 2010

Operating Segment	Sales and Services Revenues to External Customers	Other income	Earnings before interest, tax, depreciation, amortisation and impairment	Depreciation, amortisation and impairment	Net Interest received / (paid)	Profit / (loss) before income tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Online	12	-	(84)	-	-	(84)
Retail	1,287	-	402	(52)	-	350
Wholesale	19,714	1,201	1,901	(469)	(10)	1,422
Phone Services	490	-	95	(1)	-	94
Unallocated	-	-	(2,430)	(40)	63	(2,407)
	21,503	1,201	(116)	(562)	53	(625)
Discontinued operations	10,499	15	(990)	(594)	1	(1,583)
Total	32,002	1,216	(1,106)	(1,156)	54	(2,208)

#### Year ended 30 June 2009

Operating Segment	Sales and Services Revenues to External Customers	Other income	Earnings before interest, tax, depreciation, amortisation and impairment	Depreciation, amortisation and impairment	Net Interest paid	Profit / (loss) before income tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Online	42	20	(289)	-	-	(289)
Retail	1,952	-	687	(70)	-	617
Wholesale	19,427	730	1,304	(830)	(31)	443
Phone Services	1,063	-	30	(1)	-	29
Unallocated	87	-	(2,676)	(121)	103	(2,694)
	22,571	750	(944)	(1,022)	72	(1,894)
Discontinued operations	12,280	8	1,450	(369)	(34)	1,047
Total	34,851	758	506	(1,391)	38	(847)

### **Online**

The closure of the online entertainment division, Today's Success, and the pending sale of the Adultshop.com website has resulted in the reclassification of these operations as discontinued operations leaving the division with only minor revenues and costs related to the dating site which is itself being wound down.

### **Retail**

The continuing Retail operations (after the reclassification of the Adultshop.com retail store operations as discontinued operations), are those of the company's wholly owned subsidiary, Calvista Australia Pty Ltd and consist of the mail order, factory outlet and DVD rental operations.

The significant decrease in sales and profitability is attributed to the continuing decline in the mail order business which is expected to continue.

### **Wholesale**

Despite the continuing difficult economic climate, the wholesale division managed to maintain its revenues with increased toy sales offsetting a decrease in media sales.

The improved Australian dollar and tight control over expenses resulted in an increase in profitability, although the result for the year is assisted by \$431,000 in legal fees recovered.

### **Phone Services**

The phone services division's revenues declined to the extent that, by year end, only a small number of advertising mediums remained viable, resulting in the decrease in revenues. Residual income (without advertising costs) resulted in the improved profitability for the period.

### **Contingencies**

There were no known contingent assets or liabilities within the group at year end.

### **Subsequent Events**

Subsequent to the year end, the director's of the company entered into an agreement to dispose of the group's Adultshop.com Retail and Online operations for a purchase price of \$1,487,000, payable in the form of a cash consideration of \$1,000,000 and the assumption of a liability for employee entitlements of \$487,000. The effects of this transaction on the group have been accounted for in the financial statements at 30 June 2010 by classifying assets and liabilities held within this business group as assets held for sale and disclosing the results from this business group as a discontinued operation.

The director's of the company also entered into a memorandum of understanding with Blackfeather Limited to work together to implement a merger of the two companies. The agreement includes a 1:8 consolidation of the company's share capital, the acquisition of Blackfeather Limited via the issue of shares for \$20,000,000, the raising of \$10,000,000 in share capital via a placement to sophisticated or professional investors, and the offer to buyback the shares of the remaining shareholders, all at a post consolidation price of 21 cents per share.

Both of the above agreements are subject to shareholder approval.

No other matter or circumstance has arisen since the end of the financial year to the date of this report which has 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.

**Statement of Comprehensive Income  
For the Year ended 30 June 2010**

	Notes	Consolidated	
		For the year ended 30 June 2010 \$'000	For the year ended 30 June 2009 \$'000
<b>Continuing Operations</b>			
<b>Revenue</b>	<b>1</b>	21,567	22,571
Cost of sales		(13,386)	(13,717)
<b>Gross Profit</b>		8,181	8,854
Other income	<b>1</b>	1,201	750
Other expenses	<b>1</b>	(9,996)	(11,483)
<b>Loss from continuing operations before tax and finance costs</b>		<b>(614)</b>	<b>(1,879)</b>
Finance costs		(11)	(15)
<b>Loss before income tax from continuing operations before income tax</b>		<b>(625)</b>	<b>(1,894)</b>
Income tax expense		-	-
<b>Loss from continuing operations after income tax</b>		<b>(625)</b>	<b>(1,894)</b>
(Loss) / profit from discontinued operations after tax	<b>2</b>	(1,583)	1,047
<b>Net loss for the period</b>		<b>(2,208)</b>	<b>(847)</b>
<b>Other comprehensive income</b>			
Foreign currency translation		(12)	78
Foreign currency translation difference reclassified to profit and loss on discontinuance of foreign operation		1,543	(98)
<b>Other comprehensive income</b>		<b>1,531</b>	<b>(20)</b>
<b>Total comprehensive income for the period</b>		<b>(677)</b>	<b>(867)</b>

<b>Loss per share</b>		
Basic loss per share from continuing operations	(0.12) cents	(0.62) cents
Diluted loss per share from continuing operations	(0.12) cents	(0.62) cents
Basic (loss) / earnings per share	(0.43) cents	(0.28) cents
Diluted (loss) / earnings per share	(0.43) cents	(0.28) cents

## Statement of Financial Position

As at 30 June 2010

Consolidated	Notes	As at 30 June 2010 \$'000	As at 30 June 2009 \$'000
<b>Current assets</b>			
Cash and cash equivalents		4,112	2,178
Trade and other receivables		3,371	3,714
Inventories		6,138	8,338
Prepayments and deposits		965	855
Assets of disposal group classified as held for sale	2	1,726	-
<b>Total current assets</b>		<b>16,312</b>	<b>15,085</b>
<b>Non-current assets</b>			
Plant and equipment		1,084	2,388
Intangible assets and goodwill		441	541
<b>Total non-current assets</b>		<b>1,525</b>	<b>2,929</b>
<b>Total assets</b>		<b>17,837</b>	<b>18,014</b>
<b>Current liabilities</b>			
Trade and other payables		1,721	2,308
Interest-bearing loans and borrowings		37	91
Provisions		293	642
Liabilities directly related to assets classified as held for sale	2	726	-
<b>Total current liabilities</b>		<b>2,777</b>	<b>3,041</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings		66	15
Provisions		254	665
<b>Total non-current liabilities</b>		<b>320</b>	<b>680</b>
<b>Total liabilities</b>		<b>3,097</b>	<b>3,721</b>
<b>Net assets</b>		<b>14,740</b>	<b>14,293</b>
<b>Equity</b>			
Contributed equity	4	69,341	68,217
Reserves		290	(1,241)
Accumulated losses		(54,891)	(52,683)
<b>Total equity</b>		<b>14,740</b>	<b>14,293</b>

**Cash Flow Statement**  
**For the Year ended 30 June 2010**

<b>Consolidated</b>	<b>For the year ended 30 June 2010 \$'000</b>	<b>For the year ended 30 June 2009 \$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	35,125	38,284
Payments to suppliers and employees	(34,867)	(39,326)
Net proceeds from legal settlements	531	782
Interest received	56	52
Income taxes paid	-	(17)
<b>Net cash flows from / (used in) operating activities</b>	<b>845</b>	<b>(225)</b>
<b>Cash flows from investing activities</b>		
Payment for purchases of property, plant and equipment	(98)	(453)
Repayment of loans from / (loans to) associated companies	110	(191)
Proceeds from disposal of plant and equipment	-	46
Proceeds from disposal of operations	-	1,050
<b>Net cash flows from investing activities</b>	<b>12</b>	<b>452</b>
<b>Cash flows from financing activities</b>		
Proceeds from rights issue	1,227	-
Capital raising expenses	(110)	-
Proceeds from exercise of options	7	-
Payment of hire purchase liabilities	(32)	(62)
<b>Net cash flows from / (used in) financing activities</b>	<b>1,092</b>	<b>(62)</b>
<b>Net increase in cash held</b>	<b>1,949</b>	<b>165</b>
Cash and cash equivalents at beginning of period	2,178	1,982
Net foreign exchange difference	(15)	31
<b>Cash and cash equivalents at end of period</b>	<b>4,112</b>	<b>2,178</b>

**Statement of Changes in Equity**  
**Year ended 30 June 2010**

	Consolidated			
	Issued Capital	Accumulated losses	Other reserves	Total equity
	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2008</b>	<b>68,217</b>	<b>(51,836)</b>	<b>(1,221)</b>	<b>15,160</b>
Other comprehensive income	-	-	(20)	(20)
Loss for the year	-	(847)	-	(847)
Total comprehensive income for the year	-	(847)	(20)	(867)
<b>At 30 June 2009</b>	<b>68,217</b>	<b>(52,683)</b>	<b>(1,241)</b>	<b>14,293</b>
Other comprehensive income	-	-	1,531	1,531
Loss for the year	-	(2,208)	-	(2,208)
Total comprehensive income for the year	-	(2,208)	1,531	(677)
Issue of share capital	1,124	-	-	1,124
<b>At 30 June 2010</b>	<b>69,341</b>	<b>(54,891)</b>	<b>290</b>	<b>14,740</b>

## Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

	<b>As at 30 June 2010 \$'000</b>	<b>As at 30 June 2009 \$'000</b>
Cash on hand and at bank	1,673	2,172
Deposits at call	2,439	6
<b>Total cash at end of period</b>	<b>4,112</b>	<b>2,178</b>

## Non-cash financing and investing activities

During the financial year plant and equipment with a cash cost of \$21,000 (2009: \$97,000) was acquired by the consolidated entity by means of hire purchase agreements.

## NTA backing

	<b>As at 30 June 2010</b>	<b>As at 30 June 2009</b>
Net tangible asset backing per ordinary security	2.33 cents	4.48 cents

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## Notes to the Preliminary Final Report

### 1 REVENUE AND EXPENSES

Consolidated	For the year ended 30 June 2010 \$'000	For the year ended 30 June 2009 \$'000
<b>Revenue</b>		
<b>Continuing Operations</b>		
Sales and services revenue	21,503	22,484
Finance revenue	64	87
	21,567	22,571
<b>Other Income</b>		
<b>Continuing Operations</b>		
Legal expenses recovered	431	-
Other Income	770	750
	1,201	750
<b>Expenses</b>		
<b>Continuing operations</b>		
Administration expenses	6,131	6,769
Distribution expenses	40	23
Marketing expenses	1,074	1,285
Occupancy expenses	1,349	1,069
Other	1,402	2,337
	9,996	11,483
<b>Continuing Operations</b>		
Depreciation and amortisation of fixed assets	562	772
Amortisation of intangibles	-	24
Impairment of intangibles	-	226
Foreign exchange (gain) / loss	(65)	68
<b>Discontinued Operations</b>		
Interest paid	-	34
Depreciation	271	369
Impairment of intangibles	100	-
Impairment of assets	223	-

## 2 DISCONTINUED OPERATIONS

The continued decline in Online Adult Entertainment revenue culminated in the closure of this division during the current financial year. In addition to this, a strategic review of the groups' operations was undertaken, and, following an independent sales process, an agreement was entered into subsequent to the year end to dispose of the group's Adultshop.com Retail and Online businesses. The Online Adult Entertainment and Online Retail operations formed part of the Online Business segment while the Retail Stores previously formed part of the Retail business segment.

In 2009, following continued unsatisfactory results, the group disposed of its New Zealand retail stores. The New Zealand retail stores previously formed part of the Retail and Wholesale business segment.

### a) Financial performance of discontinued operations

The results of the discontinued operations attributed to the group during the financial years ended 30 June 2010 and 30 June 2009 are as follows:

Year ended 30 June 2010	Online Entertainment \$'000	Adult-shop.com Retail \$'000	Total \$'000
Revenue	41	10,474	10,515
Expenses	(61)	(10,171)	(10,232)
	(20)	303	283
Impairment of goodwill	-	(100)	(100)
Write down of assets to net realisable value	-	(223)	(223)
Currency translation reserve loss realised on disposal	(1,543)	-	(1,543)
Loss from discontinued operations	(1,563)	(20)	(1,583)

Year ended 30 June 2009	New Zealand Retail Operations \$'000	Online Entertainment \$'000	Adult-shop.com Retail \$'000	Total \$'000
Revenue	750	642	10,896	12,288
Expenses	(1,001)	(372)	(9,873)	(11,246)
	(251)	270	1,023	1,042
Loss on disposal	(93)	-	-	(93)
Currency translation reserve realised on disposal	98	-	-	98
Profit / (loss) from discontinued operations	(246)	270	1,023	1,047

### b) Assets and liabilities of discontinued operations

The assets and liabilities of the Online Entertainment division were realised in the ordinary course of business.

The assets and liabilities of Adultshop.com Retail and Online have been reclassified at year end as "Assets of the disposal division classified as held for sale" and "Liabilities directly related to assets classified as held for sale" respectively and are made up as follows:

**Assets of the group held for sale**

	<b>30 June 2010 \$'000</b>
Other financial assets	51
Inventories	1,250
Prepayments	41
Plant & equipment	384
	<b>1,726</b>

**Liabilities directly related to assets of the group held for sale**

	<b>30 June 2010 \$'000</b>
Employee entitlements	487
Provisions	239
	<b>726</b>

**c) Loss per share**

	<b>for the year ended 30 June 2010</b>
Basic loss per share from discontinued operations	(0.31) cents
Diluted loss per share from discontinued operations	(0.31) cents

**3 DIVIDENDS PAID AND PROPOSED**

No dividends have been paid or proposed during the year.

**4 ISSUED CAPITAL**

	<b>For the year ended 30 June 2010 \$'000</b>	<b>For the year ended 30 June 2009 \$'000</b>
<b>Issued and fully paid</b>		
Ordinary shares	69,341	68,217
	<b>69,341</b>	<b>68,217</b>

	<b>Number of shares</b>	<b>\$'000</b>
Movements in ordinary shares on issue		
At 1 July 2009	306,796,528	68,217
Issued during the year – rights issue	306,796,528	1,227
- share issue expenses	-	(110)
- conversion of options	857,212	7
	<b>614,450,268</b>	<b>69,341</b>

## 5 SEGMENT REPORTING

### Operating Segments

The following table presents the revenue and profit information regarding segments for continuing operations for the years ended 30 June 2010 and 30 June 2009.

	Online	Retail	Wholesale	Phone Services	Un- allocated	Total Continuing Operations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2010</b>						
Segment Sales & Services Revenues	12	1,287	19,714	490	-	21,503
Segment results before tax	(84)	350	1,422	94	(2,407)	(625)
<b>30 June 2009</b>						
Segment Sales & Services Revenues	42	1,952	19,427	1,063	87	22,571
Segment results before tax	(289)	617	443	29	(2,694)	(1,894)

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## Annual meeting

*(Preliminary final report only)*

The annual meeting will be held as follows:

Place

Hyatt Regency Hotel, 99 Adelaide Terrace, Perth.
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Date

30 November 2010
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Time

9 am
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Approximate date the <sup>+</sup>annual report will be available

22 October 2010
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## Compliance statement

- 1 This report has been prepared in accordance with ASX Listing Rules.
- 2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed.
- 4 This report is based on +accounts to which one of the following applies.

(Tick one)

The +accounts have been audited.

The +accounts have been subject to review.

The +accounts are in the process of being audited or subject to review.

The +accounts have *not* yet been audited or reviewed.



Sign here: .....  
(Director)

Date: 31 August 2010

Print name: Malcolm Day