

**THE ATHLETES FOOT AUSTRALIA PTY LIMITED**  
**ABN 57 001 777 582**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**30 JUNE 2003**

**THE ATHLETES FOOT AUSTRALIA PTY LIMITED**

**ABN 57 001 777 582**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2003**

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THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

TRADING ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 2003

	NOTE	2003 \$	2002 \$
<b>TRADING ACCOUNT</b>			
Sales		12,936,428	13,131,524
Discount Received		515,389	514,598
Cost of Goods Sold		(7,491,862)	(7,556,739)
		<u>5,959,955</u>	<u>6,089,383</u>
Warehouse/Other Sales		366,635	263,589
Administration Fees Received		318,972	307,331
Franchise Fees Received		590,086	316,446
Interest Received		20,948	29,227
Profit on Disposal of Fixed Assets		16,327	-
Royalties Received		3,860,699	3,364,736
Royalty Rebates		90,286	-
Sundry Income		102,582	261,135
Bad Debts Recovered		7,200	-
		<u>5,373,735</u>	<u>4,542,464</u>
<b>GROSS PROFIT</b>		<b>11,333,690</b>	<b>10,631,847</b>
<b>Direct Expenses</b>			
Cost of Sales - Other Departments		260,306	197,026
Freight		10,689	6,594
Marketing		-	84
Royalties Paid		674,029	583,862
		<u>945,024</u>	<u>787,566</u>
<b>GROSS PROFIT FROM TRADING</b>		<b>10,388,666</b>	<b>9,844,281</b>

The accompanying notes form part of these  
financial statements.

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 2003

	NOTE	2003 \$	2002 \$
<b>INCOME</b>			
Gross Profit from Trading		10,388,666	9,844,281
<b>EXPENSES</b>			
Accountancy		39,275	28,638
Advertising		290,876	296,127
Amortisation - Australia		18,000	53,139
Amortisation - New Zealand		765	4,320
Bank Charges		35,108	47,225
Bonuses		228,960	153,797
Cash Over/Under		3,316	(177)
Cleaning		10,059	11,190
Commission - Daily Sales		70,502	62,158
Computer Expenses		8,439	11,526
Computer Software		34,080	13,487
Consulting		150,744	300,929
Courier & Freight		20,924	34,683
Depreciation		379,902	337,207
Directors' Termination Payments		-	322,391
Donations & Gifts		13,769	6,096
Entertainment		5,050	4,739
Entertainment - Xmas Party		9,077	11,763
Equipment Hire		6,802	5,916
Foot Card 7 Redemptions		2,281	2,183
Fringe Benefits Tax		33,663	47,562
Franchise Development		35,190	231
Holiday Pay		240,166	198,657
In-Store Supplies		58,648	76,733
Incentive program		9,709	2,027
Insurance		53,127	36,083
Interest		39,004	101,235
Lease - Equipment		132,860	62,808

The accompanying notes form part of these financial statements.

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 2003

	NOTE	2003 \$	2002 \$
Fitout Finance Costs		82,220	63,767
Lease - Motor Vehicle		45,609	72,243
Legal Costs		29,586	7,038
Light and Power		46,195	45,293
Long Service Leave		14,943	28,141
Loss on disposal of fixed assets		-	57,050
Merchant Fees		138,949	143,452
Motor Vehicle Expenses		174,039	114,452
Operator's share of profit		167,704	83,898
Payroll Tax		205,152	178,796
Packaging		316	312
Penalties		880	364
Printing, Postage & Stationery		38,906	51,226
Recruitment		11,704	57,739
Rent		2,039,640	2,199,960
Repairs & Maintenance		48,704	41,051
Royalties		129,345	130,746
Salaries		3,028,203	3,017,931
Salaries - Temps		107,265	37,031
Security		4,876	6,461
Seminars		38,662	24,236
Shop Expenses		45,971	44,790
Staff Amenities		9,984	10,548
Stamp Duty		3,055	-
Store Development		6,669	6,287
Subscriptions		8,073	15,290
Sundry Expenses		1,822	2,048
Superannuation		268,706	289,737
Superannuation - Directors		140,444	246,162
Telephone		123,372	149,118
Transax		894	1,107
Training		57,548	54,968
Travelling Expenses - Domestic		95,403	108,932
Travelling Expenses - Overseas		24,400	19,751

The accompanying notes form part of these financial statements.

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 2003

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		2003	2002
	NOTE	\$	\$
Workers Compensation		72,189	85,129
<b>TOTAL EXPENSES</b>		<u>9,141,724</u>	<u>9,627,817</u>
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>		<u>1,246,942</u>	<u>216,464</u>

The accompanying notes form part of these  
financial statements.

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2003

		2003	2002
	NOTE	\$	\$
Profit from Ordinary Activities Before Income Tax		1,246,942	216,464
Income Tax Attributable to Operating Profit	12	426,088	71,178
<b>Profit from Ordinary Activities After Income Tax</b>		<b>820,854</b>	<b>145,286</b>
Opening Retained Profits		644,941	749,259
Prior Year Adjustment		(53,079)	-
<b>Total Available For Appropriation</b>		<b>1,412,716</b>	<b>894,545</b>
Dividends		645,561	249,604
<b>Closing Retained Profits</b>		<b>767,155</b>	<b>644,941</b>

The accompanying notes form part of these financial statements.

## THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

## BALANCE SHEET

FOR THE YEAR ENDED 30TH JUNE 2003

	NOTE	2003 \$	2002 \$
<b>CURRENT ASSETS</b>			
Cash	2	1,025,094	504,376
Inventories	3	2,457,041	2,510,098
Receivables	4	852,401	873,830
Prepayments	5	22,321	12,333
<b>TOTAL CURRENT ASSETS</b>		<b>4,356,857</b>	<b>3,900,637</b>
<b>NON-CURRENT ASSETS</b>			
Property Plant and Equipment	6	746,484	983,163
Intangibles	7	112,422	131,142
<b>TOTAL NON-CURRENT ASSETS</b>		<b>858,906</b>	<b>1,114,305</b>
<b>TOTAL ASSETS</b>		<b>5,215,763</b>	<b>5,014,942</b>
<b>CURRENT LIABILITIES</b>			
Creditors	8	2,266,077	2,791,902
Borrowings	9	729,537	327,113
Provisions	10	1,252,011	440,003
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,247,625</b>	<b>3,559,018</b>
<b>NON-CURRENT LIABILITIES</b>			
		-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>4,247,625</b>	<b>4,169,018</b>
<b>NET ASSETS</b>		<b>968,138</b>	<b>845,924</b>

The accompanying notes form part of these  
financial statements.

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

BALANCE SHEET

FOR THE YEAR ENDED 30TH JUNE 2003

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**EQUITY**

Paid-up Capital	11	200,983	200,983
Retained Profits		767,155	644,941
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		968,138	845,924
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The accompanying notes form part of these  
financial statements.

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a special purpose financial report prepared for use by directors and members of the company. The directors have determined that the company is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 1002: Events Occurring After Reporting Date

AASB 1031: Materiality

No other Australian Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

	2003	2002
	\$	\$
<b>NOTE 2 – CASH</b>		
Cash at Bank	921,128	463,941
Security Deposits	103,966	40,435
	<u>1,025,094</u>	<u>504,376</u>

**NOTE 3 – INVENTORIES****Current**

Stock in Transit		882	69,723
Stock on Hand - at Cost	13	2,456,159	2,440,375
		<u>2,457,041</u>	<u>2,510,098</u>

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2003

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**NOTE 4 – RECEIVABLES**

**Current**

Trade Debtors	867,692	662,945
Layby Debtors	28,394	34,891
Other Debtors	19,149	1,769
Provision for Doubtful Debts	(25,000)	(50,000)
Work in Progress - Projects	61,750	18,640
Intercompany Loan - ADF	(101,734)	176,722
TAF Directors Staff Super Fund	-	24,093
Intercompany Loan – TAF Construction	2,150	1,650
Intercompany loan – TAF Investments	-	3,120
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	852,401	873,830
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**NOTE 5 - OTHER**

Prepayments	22,321	12,333
	<hr/>	<hr/>

**NOTE 6 – PROPERTY, PLANT & EQUIPMENT**

Computer Equipment		
Cost	867,058	963,108
Accumulated Depreciation	(680,904)	(656,716)
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	186,154	306,392
Fixtures and Fittings		
Cost	1,271,828	1,665,936
Accumulated Depreciation	(728,874)	(1,009,839)
	<hr/>	<hr/>
	542,954	656,097
Motor Vehicles		
Cost	19,338	19,558
Accumulated Depreciation	(11,291)	(7,642)
	<hr/>	<hr/>
	8,047	11,916
Office Equipment		
Cost	51,886	51,535
Accumulated Depreciation	(42,557)	(42,777)
	<hr/>	<hr/>
	9,329	8,758
	<hr/>	<hr/>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>746,484</b>	<b>983,163</b>
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**NOTE 7 - INTANGIBLE ASSETS**

Goodwill - At Cost	338,154	338,154
Less: Accumulated Amortisation	(225,732)	(207,012)
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	112,422	131,142
	<hr/> <hr/>	<hr/> <hr/>

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2003

**NOTE 8 - ACCOUNTS PAYABLE**

**Current**

Trade Creditors	1,528,474	1,592,318
Royalties Payable	130,647	311,106
Other Creditors	-	(82)
Accruals	622,705	690,081
Clearing Accounts	(15,749)	198,479
	<u>2,266,077</u>	<u>2,791,902</u>

**NOTE 9 - BORROWINGS**

**Current**

Contra Account	206,412	48,260
Fixed Rate Short Term Loans	500,000	150,000
Hire Purchase Liability	-	9,649
Lease Liability	23,125	95,773
Intercompany Loan - NTVA	-	23,431
	<u>729,537</u>	<u>327,113</u>

**Non-Current**

Fixed Rate Short Term loan	-	610,000
	<u>-</u>	<u>610,000</u>

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2003

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**NOTE 10 - PROVISIONS**

**Current**

Provision for Deferred Tax	57,660	76,880
Provision for Income Tax	401,680	39,897
Provision for Holiday Pay	251,290	231,789
Provision for Long Service Leave	106,381	91,437
Provision for Dividends	435,000	-
	<hr/>	<hr/>
	1,252,011	440,003
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**NOTE 11 - SHARE CAPITAL**

**Issued Capital**

Ordinary Shares	300	300
Fully Paid "K" Class 2% Non Cum Preference Shares	200,683	200,683
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	200,983	200,983
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**NOTE 12 - INCOME TAX**

The prima facie income tax on operating profit and extraordinary items differs from the income tax provided in the accounts and is calculated as follows:

Prima facie tax payable	333,999	64,939
<b>Add</b>		
Amortisation	5,400	15,942
Movement in Provisions	81,821	1,789
Non-deductible Entertainment	582	-
Superannuation Accrual	-	5,736
Penalties	264	109
Unrealised Foreign Exchange Loss	-	8,776
Under provision prior years	1,363	1,984
	423,429	99,275
<b>Subtract</b>		
Unrealised Foreign Exchange Loss	8,776	-
Unrealised Foreign Exchange Gain	22,240	-
Prepayments	-	8,386
Bad Debt Provision Write Back	7,500	-
Trading Profit - NZ Branch	-	19,711
	384,913	71,178
	384,913	71,178

THE ATHLETES FOOT AUSTRALIA PTY LIMITED

ABN 57 001 777 582

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2003

**NOTE 13 – STOCK ON HAND**

Advertising and Instore	132,623	145,042
Parramatta	158,632	174,387
Chatswood Chase	255,223	242,638
Orange	-	85,000
Liverpool	175,486	163,033
Pagewood	148,326	150,681
Erina	-	(166)
Collins Street	153,479	152,268
Westfield Chatswood	158,753	152,599
Burwood	151,649	144,481
Warringah Mall	133,695	152,741
Centrepoint	194,727	160,305
Loganholme	-	90,000
St Ives	176,554	136,972
Glenfield	131,367	108,794
Wollongong	-	166
Queen Street	113,384	-
Porirua	111,058	119,534
St Lukes	141,041	140,686
Botany Town Centre	120,162	121,214
	2,456,159	2,440,375
	2,456,159	2,440,375

The accompanying notes form part of these financial statements.

**NOTE 14 - SHAREHOLDERS LOANS**

<b>Date</b>	<b>Details</b>	<b>Arthur Cooper</b>	<b>Michael Nathanson</b>	<b>Roycam Pty Limited</b>	<b>Total</b>
01/07/02	Opening Balance	-	-	-	-
12/07/02	S/H Life Policy	(745.15)	(745.15)	(745.15)	(2,235.45)
12/08/02	S/H Life Policy	(745.15)	(745.15)	(745.15)	(2,235.45)
12/09/02	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
15/10/02	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
12/11/02	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
12/12/02	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
13/01/03	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
12/02/03	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
12/03/03	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
14/04/03	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
12/05/03	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
12/06/03	S/H Life Policy	(869.67)	(869.67)	(869.67)	(2,609.00)
29/06/02	Dividend Paid	10,186.97	10,186.98	10,186.98	30,560.92
30/06/02	Closing Balance	-	-	-	-

DIRECTORS' DECLARATION

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The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes, as set out in the trading account, profit and loss account, profit and loss statement, balance sheet and notes to the financial statements present fairly the company's financial position as at 30 June 2003 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director \_\_\_\_\_ MICHAEL HIRSCHOWITZ

Dated this \_\_\_\_\_ day of \_\_\_\_\_

### **Scope**

We have audited the financial report, being a special purpose financial report of The Athletes Foot Australia Pty. Limited for the year ended 30 June 2003, as set out on pages 1 to 17. The company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Law and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporation Law. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any other person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1 to the financial statements. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

### **Qualification**

Due to a limitation of scope we were unable to obtain sufficient appropriate audit evidence to support the Property, Plant and Equipment, Layby Debtors, Layby Forfeits, Goods received not invoiced, Goods returned not debited, Gift Voucher Clearing, External Gift Voucher Clearing and Store Deposits clearing accounts

### **Qualified Audit Opinion**

In our opinion, except for the matter referred to in the qualification paragraph, the financial report of The Athletes Foot Australia Pty. Limited is in accordance with the Corporations Law, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2003 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
- (ii) complying with Accounting Standards, other mandatory professional reporting requirements and the Corporations Regulations. As the company has applied AASB 1025:

The accompanying notes form part of these financial statements.

THE ATHLETES FOOT AUSTRALIA PTY LIMITED  
ABN 57 001 777 582  
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
THE ATHLETES FOOT AUSTRALIA PTY LIMITED

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Application of the Reporting Entity Concept and Other Amendments, other Accounting Standards and mandatory professional reporting requirements have only been applied to the extent described in Note 1 to the financial statements.

Fleming Moynihan & Kay  
Chartered Accountants  
Suite 16, Level 2  
25 Solent Circuit  
BAULKHAM HILLS NSW 2153

GEORGE A FLEMING

BAULKHAM HILLS

16 FEBRUARY 2004

The accompanying notes form part of these  
financial statements.