

**THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED**

ABN 57 001 777 582

**Financial report  
For the six months ended 31 December 2003**

**THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED**

**ABN 57 001 777 582**

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**THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED**

**ABN 57 001 777 582**

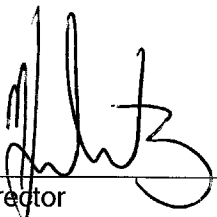
**DIRECTORS' DECLARATION**

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

The directors of the company declare that:

1. the financial statements and notes present fairly the company's financial position as at 31 December 2003 and its performance for the six months ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. in the directors' opinion, at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

  
\_\_\_\_\_  
Director

Dated: 17-05-2004

\_\_\_\_\_  
Director

Dated:

**THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED**

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**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2003**

	<b>31-Dec-03</b>	<b>Year ended</b>
	<b>\$</b>	<b>30-Jun-03</b>
		<b>\$</b>
Net profit for the period	317,688	1,246,942
Income tax expense	<u>91,000</u>	<u>426,088</u>
Net profit after tax	<u>226,688</u>	<u>820,854</u>

The accompanying notes form part of these accounts

**THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED**

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**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2003**

		<b>31-Dec-03</b>	<b>30-Jun-03</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash	2	900,535	1,025,094
Inventories	3	2,562,275	2,457,041
Receivables	4	635,945	852,401
Prepayments	5	49,225	22,321
<b>TOTAL CURRENT ASSETS</b>		<u>4,147,980</u>	<u>4,356,857</u>
<b>NON-CURRENT ASSETS</b>			
Plant and Equipment	6	798,124	746,484
Intangibles	7	103,422	112,422
<b>TOTAL NON-CURRENT ASSETS</b>		<u>901,546</u>	<u>858,906</u>
<b>TOTAL ASSETS</b>		<u>5,049,526</u>	<u>5,215,763</u>
<b>CURRENT LIABILITIES</b>			
Creditors	8	2,541,787	2,266,077
Borrowings	9	410,020	729,537
Provisions	10	981,389	1,252,011
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,933,196</u>	<u>4,247,625</u>
<b>TOTAL LIABILITIES</b>		<u>3,933,196</u>	<u>4,247,625</u>
<b>NET ASSETS</b>		<u>1,116,330</u>	<u>968,138</u>
<b>EQUITY</b>			
Paid-up Capital	11	200,983	200,983
Retained Profits	12	915,347	767,155
<b>TOTAL EQUITY</b>		<u>1,116,330</u>	<u>968,138</u>

The accompanying notes form part of these accounts

# THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The Athletes Foot Australia Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

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

AASB 1001 Accounting Policies - Disclosure  
AASB 1002 Events Occurring After Reporting Date  
AASB 1031 Materiality

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

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

The following material accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report for the company.

### a) Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future

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assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## **b) Inventory**

Inventories are measured at lower of cost and net realisable value. Costs are allocated on average costing basis and include direct labour, direct materials and an appropriate amount of fixed and variable overhead expenses.

## **c) Plant and equipment**

All plant and equipment are depreciated at rates based upon their expected economic life using the straight-line method.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

## **d) Leases**

Where substantially all the risks and benefits incidental to the ownership of a leased fixed asset, but not the legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised as an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value is brought to account. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the lease interest expense for the period and the reduction of the lease liability.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expense in the periods in which they are incurred.

## **e) Foreign Currency Transactions and Balances**

Foreign currency transactions are converted to Australian currency at the rates of exchange applicable at the dates of the transactions.

Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

All foreign exchange gains and losses, whether realised or unrealised, are included in operating profit before income tax.

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## f) Employee Benefits

Provision has been made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at amounts expected to be paid. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made to an employee superannuation fund and are charged as expenses when incurred.

## g) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash in banks net of outstanding bank overdrafts.

## h) Revenue

Revenue is recognised upon delivery of goods and services.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable on the financial assets.

All revenue is stated at net of the amount of goods and services tax (GST).

## i) 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 Tax 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 financial statements are shown inclusive of GST.

## j) Intangibles

Intangibles are amortised over varying periods but not exceeding 20 years.

## k) Comparative figures

The corresponding figures for the preceding financial year have, where necessary, been reclassified to facilitate comparison.

The comparative figures in statement of financial performance are for the year ended 30 June 2003.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR SIX MONTHS ENDED 31 DECEMBER 2003**

	31-Dec-03 \$	30-Jun-03 \$
<b>2. CASH</b>		
Cash at Bank	797,284	921,128
Security Deposits	103,251	103,966
	<u>900,535</u>	<u>1,025,094</u>
 <b>3. INVENTORIES</b>		
<b>Current</b>		
Stock in Transit	54,560	882
Stock on Hand - at Cost	2,507,715	2,456,159
	<u>2,562,275</u>	<u>2,457,041</u>
 <b>4. RECEIVABLES</b>		
<b>Current</b>		
Trade Debtors	574,614	867,692
Layby Debtors	34,512	28,394
Other Debtors	28,857	19,149
Provision for Doubtful Debts	(17,000)	(25,000)
Work in Progress - Projects	(13,028)	61,750
Intercompany Loan - ADF	-	(101,734)
Intercompany Loan – TAF Construction	2,350	2,150
Shareholders loan	25,640	-
	<u>635,945</u>	<u>852,401</u>
 <b>5. OTHER</b>		
Prepayments	<u>49,225</u>	<u>22,321</u>

**THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR SIX MONTHS ENDED 31 DECEMBER 2003**

	31-Dec-03	30-Jun-03
	\$	\$
<b>6. PLANT &amp; EQUIPMENT</b>		
Computer Equipment		
Cost	896,626	867,058
Accumulated Depreciation	(705,772)	(680,904)
	<u>190,854</u>	<u>186,154</u>
Fixtures and Fittings		
Cost	1,410,216	1,271,828
Accumulated Depreciation	(847,880)	(728,874)
	<u>562,336</u>	<u>542,954</u>
Motor Vehicles		
Cost	19,338	19,338
Accumulated Depreciation	(13,223)	(11,291)
	<u>6,115</u>	<u>8,047</u>
Office Equipment		
Cost	86,062	51,886
Accumulated Depreciation	(47,243)	(42,557)
	<u>38,819</u>	<u>9,329</u>
<b>TOTAL PLANT AND EQUIPMENT</b>	<u><u>798,124</u></u>	<u><u>746,484</u></u>
<b>7. INTANGIBLE ASSETS</b>		
Goodwill & Rights - At Cost	338,154	338,154
Less: Accumulated Amortisation	(234,732)	(225,732)
	<u>103,422</u>	<u>112,422</u>

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## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 31 DECEMBER 2003

	31-Dec-03	30-Jun-03
	\$	\$
<b>8. CREDITORS</b>		
<b>Current</b>		
Trade Creditors	1,674,999	1,528,474
Royalties Payable	128,021	130,647
Accruals	709,954	622,705
Clearing Accounts	4,463	(15,749)
OSP Security dep	24,350	-
	<u>2,541,787</u>	<u>2,266,077</u>
<b>11. BORROWINGS</b>		
<b>Current</b>		
Contra Account	(14,149)	206,412
Fixed Rate Short Term Loans	400,000	500,000
Lease Liability (net of unexpired interest)	24,169	23,125
	<u>410,020</u>	<u>729,537</u>
<b>10. PROVISIONS</b>		
<b>Current</b>		
Provision for Deferred Tax	48,271	57,660
Provision for Income Tax	472,187	401,680
Provision for Holiday Pay	321,848	251,290
Provision for Long Service Leave	139,083	106,381
Provision for Dividends	-	435,000
	<u>981,389</u>	<u>1,252,011</u>

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR SIX MONTHS ENDED 31 DECEMBER 2003

	31-Dec-03 \$	30-Jun-03 \$
<b>11. SHARE CAPITAL</b>		
<b>Issued Capital</b>		
Ordinary Shares	300	300
Fully Paid "K" Class 2% Non Cum Preference Shares	<u>200,683</u>	<u>200,683</u>
	<u>200,983</u>	<u>200,983</u>
<b>12. ACCUMULATED PROFITS</b>		
Opening Retained Profits	767,155	644,941
Prior Year Adjustment	(78,495)	(53,079)
<b>Profit from Ordinary Activities After Income Tax</b>	226,688	820,854
<b>Total Available For Appropriation</b>	915,347	1,412,716
Dividends	-	645,561
<b>Closing Retained Profits</b>	<u>915,347</u>	<u>767,155</u>

**THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED**

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**ADDITIONAL INFORMATION**

**FOR MANAGEMENT PURPOSES**

# THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED

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	Note	31-Dec-03 \$	30-Jun-03 \$
<b>TRADING ACCOUNT</b>			
Sales		6,486,982	12,936,428
Discount Received		279,255	515,389
Cost of Goods Sold		(3,634,604)	(7,491,862)
		<u>3,131,633</u>	<u>5,959,955</u>
Warehouse/Other Sales		193,110	366,635
Administration Fees Received		178,668	318,972
Franchise Fees Received		221,000	590,086
Interest Received		8,403	20,948
Profit on Disposal of Fixed Assets		1,484	16,327
Royalties Received		2,006,171	3,860,699
Royalty Rebates		10,775	90,286
Sundry Income		20,005	102,582
Bad Debts Recovered		10,400	7,200
Exchange gain		31,702	-
		<u>2,681,718</u>	<u>5,373,735</u>
<b>GROSS PROFIT</b>		5,813,351	11,333,690
<b>Direct Expenses</b>			
Cost of Sales – Other Departments		142,610	260,306
Freight		1,011	10,689
Royalties Paid		340,782	674,029
		<u>484,403</u>	<u>945,024</u>
<b>GROSS PROFIT FROM TRADING</b>		<u>5,328,948</u>	<u>10,388,666</u>

# THE ATHLETE'S FOOT AUSTRALIA PTY LIMITED

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	31-Dec-03	30-Jun-03
	\$	\$
<b>INCOME</b>		
Gross Profit from Trading	5,328,948	10,388,666
<b>EXPENSES</b>		
Accountancy	19,692	39,275
Advertising	176,513	290,876
Amortisation - Australia	9,728	18,000
Amortisation - New Zealand		765
Bank Charges	14,029	35,108
Bonuses	207,014	228,960
Cash Over/Under	(1,521)	3,316
Cleaning	6,319	10,059
Commission - Daily Sales	26,968	70,502
Computer Expenses	2,228	8,439
Computer Software	26,635	34,080
Consulting	113,312	150,744
Courier & Freight	8,830	20,924
Depreciation	195,287	379,902
Directors' Fees	90,000	-
Donations & Gifts	11,119	13,769
Entertainment	1,728	5,050
Entertainment - Xmas Party	6,791	9,077
Equipment Hire	3,349	6,802
Foot Card 7 Redemptions	1,196	2,281
Fringe Benefits Tax	11,550	33,663
Franchise Development	20,813	35,190
Holiday Pay	93,522	240,166
In-Store Supplies	29,884	58,648
Incentive program	1,662	9,709
Insurance	27,604	53,127
Interest	13,555	39,004
Lease - Equipment	66,954	132,860
Fitout Finance Costs	50,846	82,220
Lease - Motor Vehicle	17,740	45,609
Legal Costs	25,982	29,586
Light and Power	21,062	46,195
Long Service Leave	9,514	14,943
Loss on disposal of fixed assets		-
Merchant Fees	70,358	138,949
Motor Vehicle Expenses	84,698	174,039
Operator's share of profit	73,260	167,704
Payroll Tax	100,316	205,152
Packaging	121	316
Penalties		880
Printing, Postage & Stationery	18,499	38,906
Rates and taxes	2,900	

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	31-Dec-03 \$	30-Jun-03 \$
Recruitment	1,200	11,704
Rent	1,090,265	2,039,640
Repairs & Maintenance	23,480	48,704
Royalties	65,136	129,345
Salaries	1,712,440	3,028,203
Salaries – Temps	10,942	107,265
Security	1,764	4,876
Seminars	14,273	38,662
Shop Expenses	3,702	45,971
Staff Amenities	5,103	9,984
Stamp Duty		3,055
Store Development	1,569	6,669
Subscriptions	7,706	8,073
Sundry Expenses	124	1,822
Superannuation	172,910	268,706
Superannuation – Directors		140,444
Telephone	70,641	123,372
Transax	473	894
Training	34,268	57,548
Travelling Expenses – Domestic	67,349	95,403
Travelling Expenses – Overseas	26,263	24,400
Workers Compensation	41,595	72,189
<b>TOTAL EXPENSES</b>	5,011,260	9,141,724
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>	317,688	1,246,942

**Independent Review Report  
To the Directors of The Athlete's Foot Australia Pty Limited**

**Scope**

We have reviewed the special purpose financial report of The Athlete's Foot Australia Pty Limited for the half-year ended 31 December 2003 as set out on pages 3 to 12. The directors are responsible for the preparation and presentation of the special purpose financial report and the information contained therein. We have performed the review of the special purpose financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the special purpose financial report is not presented fairly in accordance with accounting policies described in Note 1 to the financial statements.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Statement**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the special purpose financial report of The Athlete's Foot Australia Pty Limited for the six month period ended 31 December 2003 does not present fairly the financial position as at 31 December 2003 and the financial performance for the six month period then ended in accordance with accounting policies described in Note 1 to the financial statements.

Mark Nicholaeff  
Partner

HAINES NORTON  
Chartered Accountants

Signed at Sydney on