APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**OrotonGroup Limited**
ABN:	14 000 038 675
Reporting period:	**Year ended 25 July 2009**
Previous corresponding period:	Year ended 26 July 2008

2. Results for announcement to the market

Revenues from operating activities	up	10.6%	to	$ 135,603,000
Profit from ordinary activities after tax attributable to members	up	16.1%	to	$ 19,436,000
Profit for the period attributable to members	up	16.1%	to	$ 19,436,000

Dividends

	Amount per security	Franked amount per security
Final dividend paid on 31 October 2008	13.000 cents	13.000 cents
Special dividend paid on 31 October 2008	7.000 cents	7.000 cents
Interim dividend paid on 22 April 2009	16.000 cents	16.000 cents

On 25 September 2009 the directors declared a fully franked final dividend of 22.0 cents per ordinary share and a fully franked special dividend of 3.0 cents per ordinary share, out of current period profits, with a record date of 14 October 2009 to be paid on 28 October 2009.

Comments

Refer to the company announcement on 25 September 2009.

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	62.78 cents	51.78 cents

4. Control gained over entities

Name of entities (or group of entities)	N/A	
Date control gained		
Contribution of such entities to the reporting entity's profit/(loss) from operating activities during the period (where material)		$ -
Profit/(loss) from operating activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)		$ -

5. Loss of control over entities

Name of entities (or group of entities)	N/A	
Date control lost		
Contribution of such entities to the reporting entity's profit/(loss) from operating activities during the period (where material)		$ -
Profit/(loss) from operating activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)		$ -

6. Dividends

	Amount per security	Franked amount per security
Current period		
Final dividend paid on 31 October 2008	13.000 cents	13.000 cents
Special dividend paid on 31 October 2008	7.000 cents	7.000 cents
Interim dividend paid on 22 April 2009	16.000 cents	16.000 cents

On 25 September 2009 the directors declared a fully franked final dividend of 22.0 cents per ordinary share and a fully franked special dividend of 3.0 cents per ordinary share, out of current period profits, with a record date of 14 October 2009 to be paid on 28 October 2009.

	Amount per security	Franked amount per security
Previous corresponding period		
Final dividend paid on 31 October 2007	10.000 cents	10.000 cents
Special dividend paid on 31 October 2007	7.000 cents	7.000 cents
Interim dividend paid on 23 April 2008	15.000 cents	15.000 cents

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

N/A

The last date(s) for receipt of election notices for the dividend or distribution plans: N/A

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to net profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
N/A				
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit(loss) from operating activities before income tax				
Income tax on operating activities				

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

N/A

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The accounts are in the final process of being audited.

11. Attachments

Details of attachments (if any):

The financial report (excluding the notes for “key management personnel disclosures” and “share-based payments”) of OrotonGroup Limited for the year ended 25 July 2009 is attached.

12. Signed

Signed: ______________________ Date: 25 September 2009

Sally L Macdonald
Managing Director
Sydney

OrotonGroup Limited
ABN 14 000 038 675

Financial Report - 25 July 2009

OrotonGroup Limited
Financial report
For the year ended 25 July 2009

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General information

This financial report covers both OrotonGroup Limited as an individual entity and the consolidated entity consisting of OrotonGroup Limited and its subsidiaries. The financial report is presented in Australian currency.

OrotonGroup Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 15
Level 2
409 George Street
Waterloo NSW 2017

OrotonGroup Limited
Income statements
For the year ended 25 July 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Revenue from continuing operating activities	4	135,603	122,630	25,684	13,471
Other income	5	32	231	-	-
Expenses					
Cost of sales		(43,889)	(36,035)	-	-
Warehouse and distribution		(3,490)	(3,928)	-	-
Marketing		(4,404)	(4,313)	-	-
Selling		(41,739)	(38,657)	-	-
Administration		(14,109)	(15,342)	(1)	-
Finance costs		(503)	(572)	-	-
Profit before income tax expense	6	27,501	24,014	25,683	13,471
Income tax expense	7	(8,065)	(7,275)	-	-
Profit after income tax expense attributable to members of OrotonGroup Limited	26	19,436	16,739	25,683	13,471

		Cents	Cents
Basic earnings per share	38	47.7	40.4
Diluted earnings per share	38	47.3	39.8

The above income statements should be read in conjunction with the accompanying notes

OrotonGroup Limited
Balance sheets
As at 25 July 2009

	Note	Consolidated		Parent entity	
		2009	**2008**	**2009**	**2008**
		$'000	**$'000**	**$'000**	**$'000**
Current assets					
Cash and cash equivalents	8	197	1,297	2	83
Trade and other receivables	9	3,704	6,116	7,660	-
Inventories	10	24,615	22,343	-	-
Tax receivable	11	-	106	-	-
Total current assets		28,516	29,862	7,662	83
Non-current assets					
Other financial assets	12	-	-	32,000	32,000
Property, plant and equipment	13	19,427	13,002	-	-
Intangibles	14	558	748	-	-
Deferred tax	15	3,801	3,644	-	-
Total non-current assets		23,786	17,394	32,000	32,000
Total assets		52,302	47,256	39,662	32,083
Current liabilities					
Trade and other payables	16	12,278	15,710	22	1,183
Borrowings	17	1,325	315	-	-
Derivative financial instruments	18	1,443	399	-	-
Income tax	19	4,509	5,627	4,399	5,627
Provisions	20	169	208	-	-
Total current liabilities		19,724	22,259	4,421	6,810
Non-current liabilities					
Borrowings	21	4,319	815	-	-
Deferred tax	22	18	24	-	-
Provisions	23	2,017	2,095	-	-
Total non-current liabilities		6,354	2,934	-	-
Total liabilities		26,078	25,193	4,421	6,810
Net assets		26,224	22,063	35,241	25,273
Equity					
Contributed equity	24	22,523	23,521	22,523	23,521
Reserves	25	(767)	(1,130)	32	32
Retained profits/(accumulated losses)	26	4,468	(328)	12,686	1,720
Total equity		26,224	22,063	35,241	25,273

The above balance sheets should be read in conjunction with the accompanying notes

OrotonGroup Limited
Statements of changes in equity
For the year ended 25 July 2009

Consolidated	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance 29 July 2007	30,372	34	(3,596)	26,810
Exchange differences on translation of foreign operations	-	(221)	-	(221)
Changes in fair value of cash flow hedges, net of tax	-	(282)	-	(282)
Net income/(expense) recognised directly in equity	-	(503)	-	(503)
Profit after income tax expense	-	-	16,739	16,739
Total recognised income/(expense) for the year	-	(503)	16,739	16,236
Share buy-back	(6,851)	-	-	(6,851)
Net movement in share-based payments reserve	-	(830)	-	(830)
Net movement in share-based payments trust reserve	-	169	-	169
Dividends paid	-	-	(13,471)	(13,471)
Balance 26 July 2008	23,521	(1,130)	(328)	22,063

Consolidated	Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Balance 27 July 2008	23,521	(1,130)	(328)	22,063
Exchange differences on translation of foreign operations	-	(44)	-	(44)
Changes in fair value of cash flow hedges, net of tax	-	593	-	593
Net income/(expense) recognised directly in equity	-	549	-	549
Profit after income tax expense	-	-	19,436	19,436
Total recognised income/(expense) for the year	-	549	19,436	19,985
Share buy-back	(998)	-	-	(998)
Net movement in share-based payments reserve	-	502	-	502
Net movement in share-based payments trust reserve	-	(688)	-	(688)
Dividends paid	-	-	(14,640)	(14,640)
Balance 25 July 2009	22,523	(767)	4,468	26,224

The above statements of changes in equity should be read in conjunction with the accompanying notes

OrotonGroup Limited
Statements of changes in equity
For the year ended 25 July 2009

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Parent entity				
Balance 29 July 2007	30,372	32	1,720	32,124
Profit after income tax expense	-	-	13,471	13,471
Total recognised income/(expense) for the year	-	-	13,471	13,471
Share buy-back	(6,851)	-	-	(6,851)
Dividends paid	-	-	(13,471)	(13,471)
Balance 26 July 2008	23,521	32	1,720	25,273

	Contributed equity $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Parent entity				
Balance 27 July 2008	23,521	32	1,720	25,273
Profit after income tax expense	-	-	25,683	25,683
Total recognised income/(expense) for the year	-	-	25,683	25,683
Share buy-back	(998)	-	-	(998)
Dividends paid	-	-	(14,717)	(14,717)
Balance 25 July 2009	22,523	32	12,686	35,241

The above statements of changes in equity should be read in conjunction with the accompanying notes

OrotonGroup Limited
Cash flow statements
For the year ended 25 July 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		150,986	133,727	-	-
Payments to suppliers (inclusive of GST)		(117,397)	(104,978)	(1)	-
		33,589	28,749	(1)	-
Interest received		46	243	8	-
Interest and other finance costs paid		(503)	(572)	-	-
Income taxes paid		(9,707)	(3,309)	-	-
Net cash inflow/(outflow) from operating activities	36	23,425	25,111	7	-
Cash flows from investing activities					
Payments for property, plant and equipment		(10,899)	(9,054)	-	-
Payments for software		(288)	(438)	-	-
Loans to related parties		-	-	(88)	(14)
Net cash inflow/(outflow) from investing activities		(11,187)	(9,492)	(88)	(14)
Cash flows from financing activities					
Proceeds from borrowings		28,000	7,000	-	-
Dividends paid	27	(14,640)	(13,471)	-	-
Repayment of borrowings		(26,000)	(7,000)	-	-
Payments for share buy-back		(998)	(6,851)	-	-
Payments for share-based payments trust purchases		(475)	(1,454)	-	-
Net cash inflow/(outflow) from financing activities		(14,113)	(21,776)	-	-
Net increase/(decrease) in cash and cash equivalents		(1,875)	(6,157)	(81)	(14)
Cash and cash equivalents at the beginning of the financial year		1,297	7,534	83	97
Effects of exchange rate changes on cash		2	(80)	-	-
Cash and cash equivalents at the end of the financial year	8	(576)	1,297	2	83

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The above cash flow statements should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for OrotonGroup Limited as an individual entity and the consolidated entity consisting of OrotonGroup Limited and its subsidiaries.

Comparative information

To ensure consistency with the current financial year, comparative information may have been reclassified to ensure comparability.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* .

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (IFRS).

Early adoption of standards

The consolidated entity has not elected to early adopt any standards.

Historical cost convention

This financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of this financial report in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 2.

Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of OrotonGroup Limited ('company' or 'parent entity') as at 25 July 2009 and the results of all subsidiaries for the year then ended. OrotonGroup Limited and its subsidiaries together are referred to in this financial report as the 'consolidated entity'.

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between company's in the consolidated entity are eliminated.

Investments in subsidiaries are accounted for at cost. Such investments include both investments in shares issued by the subsidiary and other parent entity interests that in substance form part of the parent entity’s investment in the subsidiary. These include investments in the form of interest-free loans which have no fixed repayment terms and which have been provided as an additional source of long term capital. Trade amounts receivable from subsidiaries in the normal course of business and other amounts advanced on commercial terms and conditions are included in receivables.

The consolidated entity utilises a trust to administer the consolidated entity's employee share scheme. The trust is consolidated, into the consolidated entity.

Treasury shares acquired by the trust are recorded in the share-based payment trust reserve. Information relating to these shares is disclosed in note 25.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is OrotonGroup Limited's functional and presentation currency.

Transactions and balance
Foreign currency transactions are translated into Australian dollars at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at the average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financials instruments designated as hedges of such investments are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the consolidated entity's activities as described below.

Sale of goods
The consolidated entity operates retails stores and a premium wholesaling business. Revenue from the sale of goods is recognised when a group entity sells a product to the customer. Retail sales are usually paid via credit card or cash. Revenue from license fees, franchise fees and commissions are recognised and accrued in the period in which the fees are earned.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the consolidated entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends
Dividend revenue is recognised when the right to receive a dividend has been established.

Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

OrotonGroup Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 3 August 2003.

The head entity, OrotonGroup Limited, and the controlled entities in the tax consolidation group continue to account for their own deferred tax amounts. These tax assets are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, OrotonGroup Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. A provision for doubtful debts is recognised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. Bad debts are written off during the period in which they are identified. Amounts (other than trade debts) receivable from related parties are carried at nominal amounts due which equates to fair value. Interest when charged, is taken up as income on an accruals basis.

Trade receivables are due for settlement no more than 45 days from the date of recognition.

Inventories
Inventories are valued at the lower of cost and net realisable value determined on the basis of moving average cost.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivatives are designated as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), or
- Hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges)

The consolidated entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Fair value hedge
Changes in the fair value of the derivatives that are designated as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is recognised in the income statement within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item effects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Investments
Investments and other financial assets are carried at cost. Dividend income is recognised in the income statement when receivable. The carrying amount of the investment is reviewed annually by the directors to ensure that it is not in excess of its recoverable amount.

Property, plant and equipment
Plant and equipment is measured at historical cost less depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. Any gain or loss on disposal will be recognised on a net basis in the income statement.

Plant and equipment is depreciated on a straight line basis over their estimated useful lives commencing from the time the asset is held ready for use. Items of plant and equipment are depreciated at rates ranging from 7.5% to 33.3% per annum. Motor vehicles are depreciated at 15.0% per annum.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its recoverable amount.

The cost of improvements to or on leasehold properties is depreciated over a period of 5 years or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter.

Leases
A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Assets of the consolidated entity which are subject to finance leases are capitalised. The initial amount of the leased asset and corresponding lease liability is the lower of the fair value of the leased property and the present value of the minimum lease payments. Leased assets are amortised over the shorter of the lease term and the life of the relevant asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the company will obtain ownership of the asset, the life of the asset. Leased assets held at the reporting date are being amortised over periods ranging from 1 to 10 years. Incentives received on entering into operating leases are recognised as liabilities and credited to income over the period of the lease. Lease payments are allocated between interest (calculated by applying the interest rate implicit in the lease to the outstanding amount of the liability), rental expense and reduction of the liability.

The consolidated entity has certain operating leases that contain make good clauses. The present value of the make good is recognised as a provision with a corresponding asset recognised in relation to the leasehold improvements. The provision is re-measured each reporting date taking into account changes in the discount rate and timing or amount of the costs to be incurred.

Intangible assets

Software
Significant costs associated with software are capitalised and have a finite useful life. Software is carried at cost less any accumulated amortisation. Amortisation is charged on a straight line basis over the period of the expected benefit being three years.

Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Finance costs
Finance costs are recognised as expenses in the period in which they are incurred. Finance costs include interest on:
- the bank overdraft
- short term and long term borrowings
- ancillary costs incurred in connection with the arrangement of borrowings

Provisions
Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable the consolidated entity 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.

Employee benefits

Wages and salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations
During the year, the consolidated entity participated in superannuation funds which provide benefits upon retirement or death of employees. Contributions to these funds are expensed as they become payable. The consolidated entity has no legal obligation to cover any shortfall in the superannuation funds' obligations to provide benefits to employees on retirement. Under relevant employee awards, contributions to industry funds are made as required by the relevant award and expensed as incurred.

Employee benefit on-costs
Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities when the related employee benefit liability is incurred.

Bonuses
The consolidated entity recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The consolidated entity recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments
The fair value of options granted under the Oroton Executive Share and Option Scheme are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, employee tenure). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Contributed equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the financial year but not distributed at balance date.

Business combinations
The purchase method of accounting is used to account for all business combinations, excluding business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the consolidated entity's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are presented as operating cash flows.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding-off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New accounting standards and interpretations
Certain new accounting standards and interpretations have been published that are not mandatory for 25 July 2009 reporting periods. The consolidated entity's and the parent entity's assessment of the impact of these new standards and interpretations are set out below.

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The consolidated entity will adopt AASB 8 in the year ending 31 July 2010. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12)
The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the consolidated entity, as the consolidated entity already capitalises borrowing costs relating to qualifying assets.

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101
A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The consolidated entity intends to apply the revised standard from 26 July 2009.

Revised AASB 3 Business Combinations
A revised AASB 3 was issued in March 2008 and is applicable for annual reporting periods beginning on or after 1 July 2009. There are a number of changes in this standard. For example, it requires the expensing of transaction costs relating to acquisitions. Currently these costs are included in the cost of acquisitions. This standard will impact the consolidated entity's accounting for acquisitions made after 26 July 2009.

Revised AASB 127 Consolidated and Separate Financial Statements
A revised AASB 3 was issued in March 2008 and is applicable for annual reporting periods beginning on or after 1 July 2009. Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. This standard will only impact the consolidated entity if there is a change in the subsidiaries ownership interest after 26 July 2009 that does not result in loss of control.

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations
AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The consolidated entity will apply the revised standard from 26 July 2009, but it is not expected to affect the accounting for the consolidated entity's share-based payments.

AASB 2008-6 Further Amendments to AASB 1 and AASB 5 arising from the Annual Improvements Project
The amendments clarify that all of a subsidiary's assets and liabilities are to be classified as held for sale if a partial disposal sale plan results in the loss of control. This Standard is applicable to annual reporting periods beginning on or after 1 July 2009 and is prospectively applied from the date AASB 5 amendments are applied. These amendments will have a prospective effect on the consolidated entity, if there are partial disposals in the future.

AASB 2008 -7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
This Amendment is applicable to annual reporting periods beginning on or after 1 January 2009 and will be adopted by the consolidated entity from 26 July 2009. The amendments to AASB 1 have no relevance to the consolidated entity; however the amendments to AASB 127 to be applied prospectively are relevant, being the deletion of the 'cost method' and requiring all dividends from subsidiaries, jointly controlled entity or associate to be recognised in profit or loss in the parent entity accounts. There is no longer a requirement to distinguish between pre and post acquisition profits. AASB 136 has also been amended, as the payment of such a dividend is now an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary to be based on the previous carrying amount rather than its fair value. The adoption of these amendments may will give rise to greater dividend income being recognised by the parent. It also provides the consolidated entity the ability to use carry over accounting in a group reorganisation establishing a new parent entity, if the limited conditions are met.

Note 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Inventory obsolescence provisioning
The inventory obsolescence provision assessment requires a degree of estimation and judgement. The level of the provision is assessed taking into account the recent sales experience and the ageing of inventories.

Note 3. Segment information

Business and geographical segments
The consolidated entity operates in one industry and one geographical segment. The consolidated entity is a retailer, wholesaler and brand manager operating predominantly in Australia.

Note 4. Revenue

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
From continuing operations				
Sales revenue				
Sale of goods	133,953	121,170	-	-
Licence and franchise fees	1,604	1,217	-	-
	135,557	122,387	-	-
Other revenue				
Dividends received	-	-	25,676	13,471
Interest received	46	243	8	-
	46	243	25,684	13,471
Revenue from continuing operations	135,603	122,630	25,684	13,471

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Note 5. Other income

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Foreign exchange gain	-	143	-	-
Other revenue	32	88	-	-
Other income	32	231	-	-

Note 6. Expenses

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Profit before income tax from continuing operations includes the following specific expenses:				
Depreciation, amortisation and impairment of assets				
Depreciation of plant and equipment	4,327	2,862	-	-
Amortisation of software	446	1,359	-	-
Impairment of plant and equipment	210	258	-	-
Total depreciation, amortisation and impairment of assets	4,983	4,479	-	-
Finance costs				
Interest and finance charges paid/payable	503	572	-	-
Finance costs expensed	503	572	-	-
Foreign exchange loss				
Foreign exchange loss	619	-	-	-
Net loss on sale				
Net loss on sale of property, plant and equipment	196	571	-	-
Net loss on sale of software	32	-	-	-
Rental expense relating to operating leases				
Minimum lease payments	15,876	15,076	-	-
Amortisation of deferred lease incentives	(657)	(1,324)	-	-
Total rental expense relating to operating leases	15,219	13,752	-	-
Defined contribution superannuation expense				
Defined contribution superannuation expense	1,563	1,466	-	-
Employee benefits expense				
Employee benefits expense excluding superannuation	21,726	21,103	-	-
Other charges against assets				
Inventories	1,550	2,240	-	-
Other expenses				
Royalties and licence fees paid/payable	3,268	3,551	-	-

Note 7. Income tax expense

	Consolidated		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Income tax expense				
Current tax	8,889	7,936	-	-
Deferred tax	(630)	(699)	-	-
Under/(over) provision in prior years	(194)	38	-	-
Aggregate income tax expense	8,065	7,275	-	-
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 15)	(624)	(674)	-	-
(Decrease)/increase in deferred tax liabilities (note 22)	(6)	(25)	-	-
	(630)	(699)	-	-
Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	27,501	24,014	25,683	13,471
Tax at the Australian tax rate of 30%	8,250	7,204	7,705	4,041
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-taxable dividends	-	-	(7,703)	(4,041)
Sundry items	9	13	(2)	-
	8,259	7,217	-	-
Under/(over) provision in prior years	(194)	38	-	-
Difference in overseas tax rates	-	20	-	-
Income tax expense	8,065	7,275	-	-

Tax consolidation legislation

OrotonGroup Limited and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as of 3 August 2003.

OrotonGroup Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly owned Australian Controlled Entities in this group in its financial statements as if those transactions, events and balances were its own transactions, events and balances. There is no formal tax sharing agreement in place.

Note 8. Current assets - cash and cash equivalents

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank	178	1,258	2	83
Cash on deposit	19	39	-	-
	197	1,297	2	83

Reconciliation to cash at the end of the year
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balances as above	197	1,297	2	83
Bank overdraft (note 17)	(773)	-	-	-
Balance as per cash flow statement	(576)	1,297	2	83

The cash balances as at 25 July 2009 were non-interest bearing. The weighted average interest rate on cash balances as at 26 July 2008 was 6.71%.

Note 9. Current assets - trade and other receivables

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade receivables	2,023	3,591	-	-
Less: Provision for impairment of receivables	(17)	(51)	-	-
	2,006	3,540	-	-
Other receivables	126	323	2	-
Receivable from subsidiaries	-	-	7,658	-
Prepayments	1,572	2,253	-	-
	3,704	6,116	7,660	-

Bad and doubtful trade receivables
The consolidated entity has recognised a gain of $34,000 (2008: a gain of $7,000) in respect of bad and doubtful trade receivables during the year ended 25 July 2009. The net gain/loss has been included in “other expenses” in the income statement.

Impairment of receivables
The aging of the impairment of receivables recognised above is as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
1 to 3 months	-	34	-	-
Over 6 months	17	17	-	-
	17	51	-	-

The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations.

Note 9. Current assets - trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Opening balance	51	58	-	-
Additional provisions recognised	17	51	-	-
Unused amounts reversed	(51)	(58)	-	-
Closing balance	17	51	-	-

The creation and release of the provision for impaired receivables has been included in operating expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Past due but not impaired
Customers with balances past due but without provision for doubtful debts amount to $242,000 at 25 July 2009. Management did not consider a credit risk on the aggregate balances after reviewing agency credit information and recognising a tacit extension to the recorded credit terms of customers based on recent collection practices.

The aging of the past due but not impaired receivables is as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
1 to 3 months	137	1,170	-	-
3 to 6 months	18	77	-	-
Over 6 months	87	13	-	-
	242	1,260	-	-

Foreign exchange and interest rate risk
Information about the consolidated entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 28.

Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant. Refer to note 28 for more information on the risk management policy of the consolidated entity and the credit quality of the entity’s trade receivables.

Note 10. Current assets - inventories

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Finished goods - at cost	26,000	23,727	-	-
Less: Provision for obsolescence	(1,385)	(1,384)	-	-
Finished goods - at net realisable value	24,615	22,343	-	-

For income statement charges against inventory, see note 6.

Note 11. Current assets - tax receivable

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Income tax refund due	-	106	-	-

Note 12. Non-current assets - other financial assets

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Shares in subsidiaries - at cost (note 33)	-	-	6,500	6,500
Other investments	-	-	25,500	25,500
	-	-	32,000	32,000

Other investments in subsidiaries include parent entity interests in subsidiaries as disclosed in note 1.

Note 13. Non-current assets - property, plant and equipment

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Plant and equipment - at cost	34,852	22,888	-	-
Less: Accumulated depreciation	(15,425)	(9,896)	-	-
	19,427	12,992	-	-
Motor vehicles - at cost	-	21	-	-
Less: Accumulated depreciation	-	(11)	-	-
	-	10	-	-
	19,427	13,002	-	-

Reconciliations
Reconciliations of the net book values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $'000	Motor vehicles $'000	Consolidated $'000
Consolidated			
Balance 29 July 2007	7,395	13	7,408
Additions	9,327	-	9,327
Disposals	(571)	-	(571)
Exchange differences	(42)	-	(42)
Impairment of assets	(258)	-	(258)
Depreciation expense	(2,859)	(3)	(2,862)
Balance 26 July 2008	12,992	10	13,002
Additions	11,153	-	11,153
Disposals	(188)	(8)	(196)
Exchange differences	5	-	5
Impairment of assets	(210)	-	(210)
Depreciation expense	(4,325)	(2)	(4,327)
Balance 25 July 2009	19,427	-	19,427

Impairment tests, plant and equipment
Impairment testing for plant and equipment is carried out at a store level, with each store being an individual cash generating unit (CGU).

The recoverable amount of a CGU has been determined based on value in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors. Cash flows are extrapolated using a weighted average growth rate of 3-5% (2008: 3-5%). The growth rates do not exceed the long-term average growth rate for the businesses in which the CGU’s operate. The pre-tax discount rate applied to the cash flow projections is 13.80% (2008: 13.80%).

Note 14. Non-current assets - intangibles

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Software - at cost	4,505	4,422	-	-
Less: Accumulated amortisation	(3,947)	(3,674)	-	-
	558	748	-	-

Reconciliations
Reconciliations of the net book values at the beginning and end of the current and previous financial year are set out below:

	Software	Consolidated
	$'000	$'000
Consolidated		
Balance 29 July 2007	1,704	1,704
Additions	438	438
Disposals	(35)	(35)
Amortisation expense	(1,359)	(1,359)
Balance 26 July 2008	748	748
Additions	288	288
Disposals	(32)	(32)
Amortisation expense	(446)	(446)
Balance 25 July 2009	558	558

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Note 15. Non-current assets - deferred tax

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Doubtful debts	5	15	-	-
Employee benefits	495	405	-	-
Accrued expenses	356	580	-	-
Deferred revenue	90	77	-	-
Depreciation	60	646	-	-
Stock provision	102	41	-	-
Lease incentives, fixed rent increases and make good	1,438	901	-	-
Stock valuation	800	507	-	-
Borrowing costs	31	-	-	-
	3,377	3,172	-	-
Amounts recognised in equity	424	472	-	-
Deferred tax asset	3,801	3,644	-	-
Deferred tax asset to be recovered within 12 months	2,500	2,166	-	-
Deferred tax asset to be recovered after more than 12 months	1,301	1,478	-	-
	3,801	3,644	-	-
Movements:				
Opening balance	3,644	2,769	-	-
Credited/(charged) to the income statement (note 7)	624	674	-	-
Credited/(charged) to equity	(467)	201	-	-
Closing balance	3,801	3,644	-	-

Note 16. Current liabilities - trade and other payables

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables	4,623	7,592	-	-
Payable to subsidiaries	-	-	-	1,161
Other payables	7,655	8,118	22	22
	12,278	15,710	22	1,183

Risk exposure
Information about the consolidated entity's and the parent entity's exposure to foreign exchange risk is provided in note 28.

Amounts not expected to be settled within the next 12 months
Other payables include accruals for annual leave. The entire obligation is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Annual leave obligation expected to be settled after 12 months	49	45	-	-

Note 17. Current liabilities - borrowings

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Bank overdraft	773	-	-	-
Deferred lease incentives	552	315	-	-
	1,325	315	-	-

Deferred lease incentives represent the unamortised value of lease incentive payments received from lessors at the time of entering new leases. Deferred lease incentives are unsecured.

Refer to note 21 for the non-current portion of deferred lease incentives.

Note 18. Current liabilities - derivative financial instruments

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Forward foreign exchange contracts - cash flow hedges	1,443	399	-	-

Refer to note 28 for the consolidated entity's exposure to foreign exchange risk on cash flow hedges.

Note 19. Current liabilities - income tax

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Provision for income tax	4,509	5,627	4,399	5,627

Note 20. Current liabilities - provisions

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Provisions - employee benefits	169	208	-	-

Amounts not expected to be settled within the next 12 months
The current provision for long service leave (employee benefits) includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Long service leave obligation expected to be settled after 12 months	58	78	-	-

Note 21. Non-current liabilities - borrowings

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Bank loans	2,000	-	-	-
Deferred lease incentives	2,319	815	-	-
	4,319	815	-	-

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Bank overdraft	773	-	-	-
Bank loans	2,000	-	-	-
	2,773	-	-	-

Financing arrangements
Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total facilities				
Bank overdraft	3,000	3,000	-	-
Working capital facilities	37,000	37,000	-	-
	40,000	40,000	-	-
Used at balance date				
Bank overdraft	773	-	-	-
Working capital facilities *	8,374	3,280	-	-
	9,147	3,280	-	-
Unused at balance date				
Bank overdraft	2,227	3,000	-	-
Working capital facilities	28,626	33,720	-	-
	30,853	36,720	-	-

* Working capital facilities used includes bank loans of $2,000,000 (2008: $nil).

The financing arrangements are secured by a first mortgage over the consolidated entity's assets.

The bank overdraft facilities and bank bill acceptance facility may be drawn at any time. In addition to the unused credit facilities disclosed above, the consolidated entity has access to the cash balances as disclosed in note 8. Bank facilities are arranged with the general terms and conditions being set and agreed from time to time. The $3m bank overdraft facility is repayable and terminable on demand and the $37m working capital facilities expire on 9 May 2011.

Note 22. Non-current liabilities - deferred tax

	Consolidated		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Accrued income	18	24	-	-
Deferred tax liability	18	24	-	-
Deferred tax liability to be settled within 12 months	18	24	-	-
Movements:				
Opening balance	24	49	-	-
Charged/(credited) to the income statement (note 7)	(6)	(25)	-	-
Closing balance	18	24	-	-

Note 23. Non-current liabilities - provisions

	Consolidated		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Provisions - employee benefits	217	240	-	-
Provisions - lease make good	1,028	1,064	-	-
Provisions - fixed rental increases	772	791	-	-
	2,017	2,095	-	-

Lease make good
OrotonGroup is required to restore the leased premises of its retail stores as per their lease conditions at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to restore any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the expected useful life of the asset.

Fixed rate increases
OrotonGroup is required to straight line fixed rental increases over the lease term resulting in a provision for fixed rental increases.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good $'000	Fixed rental increases $'000	Consolidated $'000
Consolidated - 2009			
Carrying amount at the start of the year	1,064	791	1,855
Additional provisions recognised	254	-	254
Amounts used	(290)	(19)	(309)
Carrying amount at the end of the year	1,028	772	1,800

Note 24. Equity - contributed

	Parent entity		Parent entity	
	2009 Shares	2008 Shares	2009 $'000	2008 $'000
Ordinary shares - fully paid	40,880,902	41,165,902	22,523	23,521

Movements in ordinary share capital

Details	Date	No of shares	Price	$'000
Balance	29 July 2007	42,915,799		30,372
Cancelled shares pursuant to on-market share buy-back	12 November 2007	(1,728,096)	$3.90	(6,740)
Cancelled shares pursuant to on-market share buy-back	19 December 2007	(3,725)	$3.80	(14)
Cancelled shares pursuant to on-market share buy-back	21 December 2007	(18,076)	$3.90	(70)
Transaction costs				(27)
Balance	26 July 2008	41,165,902		23,521
Cancelled shares pursuant to on-market share buy-back	26 September 2008	(285,000)	$3.50	(998)
Balance	25 July 2009	40,880,902		22,523

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
The company announced on 25 September 2007 an on-market share buy-back which operated over a period of 12 months commencing 10 October 2007.

The company announced on 23 September 2008 an on-market share buy-back which will operate over a period of 12 months commencing 13 October 2008.

Oroton Share Plan
The OrotonGroup trust holds 212,960 (2008: 79,500) shares on issue at the end of the year. See note 25 for more details.

Note 25. Equity - reserves

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Foreign currency reserve	(157)	(113)	-	-
Share-based payments reserve	230	(272)	32	32
Hedging reserve - cash flow hedges	(321)	(914)	-	-
Share-based payments trust reserve	(519)	169	-	-
	(767)	(1,130)	32	32

	Foreign currency $'000	Share-based payments $'000	Hedging $'000	Share-based payments trust * $'000	Consolidated $'000
Consolidated					
Balance 29 July 2007	108	558	(632)	-	34
Exchange differences on translation of foreign operations	(221)	-	-	-	(221)
Revaluation of cash flow hedges - gross	-	-	(399)	-	(399)
Deferred tax effect on revaluation of cash flow hedges	-	-	120	-	120
Transfer to inventory - gross	-	-	(4)	-	(4)
Deferred tax effect on transfer to inventory	-	-	1	-	1
Share-based payment expense	-	357	-	-	357
Issues from trust to satisfy vested shares	-	(1,187)	-	1,187	-
Purchase of shares by share trust	-	-	-	(1,454)	(1,454)
Deferred tax effect on purchase of shares	-	-	-	436	436
Balance 26 July 2008	(113)	(272)	(914)	169	(1,130)
Exchange differences on translation of foreign operations	(44)	-	-	-	(44)
Revaluation of cash flow hedges - gross	-	-	(1,044)	-	(1,044)
Deferred tax effect on revaluation of cash flow hedges	-	-	313	-	313
Transfer to inventory - gross	-	-	1,891	-	1,891
Deferred tax effect on transfer to inventory	-	-	(567)	-	(567)
Share-based payment expense	-	502	-	-	502
Issues from trust to satisfy vested shares	-	-	-	-	-
Purchase of shares by share trust	-	-	-	(475)	(475)
Deferred tax	-	-	-	(213)	(213)
Balance 25 July 2009	(157)	230	(321)	(519)	(767)

* Represents 212,960 shares (2008: 79,500).

Note 25. Equity - reserves (continued)

	Foreign currency $'000	Share-based payments $'000	Hedging $'000	Share-based payments trust $'000	Parent $'000
Parent entity					
Balance 29 July 2007	-	32	-	-	32
Balance 26 July 2008	-	32	-	-	32
Balance 25 July 2009	-	32	-	-	32

Foreign currency reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve.

Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of all shares, options and rights both issued and issued but not exercised under the employee share plans.

Hedging reserve - cash flow hedges
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share-based payments trust reserve
The share-based payments trust reserve is used to recognise the cost, post income tax benefit, of shares purchased through the Oroton share plan company.

Note 26. Equity - retained profits

	Consolidated		**Parent entity**	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Retained profits/(accumulated losses) at the beginning of the financial year	(328)	(3,596)	1,720	1,720
Profit after income tax expense	19,436	16,739	25,683	13,471
Dividends paid (note 27)	(14,640)	(13,471)	(14,717)	(13,471)
Retained profits/(accumulated losses) at the end of the financial year	4,468	(328)	12,686	1,720

Note 27. Equity - dividends

Dividends paid

	Consolidated		Parent entity	
	2009	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Final ordinary dividend for the year ended 26 July 2008 of 13.0 cents (2007: 10.0 cents) per fully paid share paid on 31 October 2008				
- paid to external shareholders	5,286	4,292	5,286	4,292
- paid to Oroton Share Plan Company Pty Limited	-	-	28	-
Special dividend for the year ended 26 July 2008 of 7.0 cents (2007: 7.0 cents) per fully paid share paid on 31 October 2008				
- paid to external shareholders	2,847	3,004	2,847	3,004
- paid to Oroton Share Plan Company Pty Limited	-	-	15	-
Interim ordinary dividend for the year ended 25 July 2009 of 16.0 cents (2008: 15.0 cents) per fully paid share paid on 22 April 2009				
- paid to external shareholders	6,507	6,175	6,507	6,175
- paid to Oroton Share Plan Company Pty Limited	-	-	34	-
	14,640	13,471	14,717	13,471

Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of a fully franked final dividend of 22.0 (2008: 13.0) cents per ordinary share and a fully franked special dividend of 3.0 (2008: 7.0) cents per ordinary share, out of current period profits, to be paid on 28 October 2009. These are estimated distributions of $8,994,000 and $1,226,000 respectively based on the number of ordinary shares on issue as at 25 July 2009.

Franking credits

	Parent entity	
	2009	**2008**
	$'000	**$'000**
Franking credits available for subsequent financial years based on a tax rate of 30%	17,142	15,382

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking credits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be reduction in the franking account of $4,380,000 (2008: $3,529,000).

Note 28. Financial instruments

Financial risk management objectives
The consolidated entity's activities exposes it to a variety of financial risks: market risk (including foreign currency risk, credit risk, and liquidity risk). The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

Financial risk management is carried out by the Finance department (Finance) under policies approved by the Board of Directors. Finance identifies and evaluates financial risks in close co-operation with the consolidated entity's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risk and use of derivative financial instruments.

Market risk

Foreign currency risk
The consolidated entity and the parent entity undertake certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. This is primarily through the purchase of inventory and payment of Polo royalties in United States Dollars and receipts from sales of goods in New Zealand Dollars.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated entity has entered into forward exchange contracts to purchase US dollars and sell New Zealand Dollars. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge between 30% and 70% of anticipated transactions in US dollars for the subsequent 24 months and between 25% and 90% of anticipated transactions in New Zealand dollars for the subsequent 12 months. Approximately 90% (2008: 90%) of projected purchases and sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

The cash flows are expected to occur at various dates between one month to eighteen months from the balance sheet date. At the balance sheet date, the details of outstanding contracts are:

Buy US Dollars	**Sell Australian Dollars**		**Average exchange rates**	
	2009 $'000	**2008 $'000**	**2009**	**2008**
Maturity:				
0 - 6 months	12,274	10,794	0.7292	0.9050
6 - 12 months	2,055	3,941	0.7788	0.8800
12 - 18 months	-	545	-	0.9173

Buy Australian Dollars	**Sell New Zealand Dollars**		**Average exchange rates**	
	2009 $'000	**2008 $'000**	**2009**	**2008**
Maturity:				
0 - 6 months	862	-	1.2186	-

Note 28. Financial instruments (continued)

Amounts disclosed above represent currency sold measured at contract rate.

The proportion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the consolidated entity adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

At the balance sheet date these contracts represented a liability of $1,443,000 (2008: liability of $399,000).

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Consolidated				
US Dollar	807	1,681	3,224	2,800
New Zealand Dollar	133	70	-	-
	940	1,751	3,224	2,800

The consolidated entity had net liabilities denominated in foreign currency of AUD$2,284,000 (assets AUD$940,000 less liabilities AUD$3,224,000) as at 25 July 2009. Based on this exposure, had the Australian Dollar weakened/strengthened by 10% against the these foreign currencies with all other variables held constant, the consolidated entity's profit for the year would have been $108,000 lower/$89,000 higher and equity for the year would have been $934,000 higher/$763,000 lower. The equity adjustment is higher because the consolidated entity uses hedging accounting. The 10% change is the expected overall volatility of the US Dollar. The actual foreign exchange loss for the year ended 25 July 2009 was $619,000 (2008: gain of $143,000).

The parent entity has no foreign currency denominated financial assets and financial liabilities at the reporting date.

Price risk
The consolidated entity and parent entity are not exposed to price risk.

Interest rate risk
The consolidated entity and parent entity have no interest rate risk arising from cash at bank, as the cash balances as at 25 July 2009 were non-interest bearing.

The consolidated entity's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk.

For the consolidated entity the bank overdraft and loans outstanding, totalling $2,773,000, are subject to variable interest rates. Monthly cash outlays of approximately $12,000 per month are required to service the interest payments. An official increase in interest rates one percentage point (100 basis points) would have an adverse affect on profit after tax of $19,000 per annum.

The parent entity does not have any interest rate risk at the reporting date as it has no interest bearing borrowings.

Credit risk
Credit risk is managed on a consolidated entity basis. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparts and cash transactions are limited to high credit quality financial institutions. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheets and notes to the financial statements.

The consolidated entity has credit exposure to a major Australian retailer.

Note 28. Financial instruments (continued)

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, consolidated entity Finance department aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing arrangements
Undrawn borrowing facilities at the reporting date to which the consolidated entity and the parent entity had access to are disclosed in note 21.

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The bank loan facilities may be drawn at any time and have an average maturity of 2 years (2008: 3 years).

Liquidity and interest rate risk management
The following tables detail the consolidated entity's and parent entity's remaining contractual maturity for its derivative and non-derivative financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the consolidated entity and parent entity can be required to pay. The tables include both interest and principal cash flows, disclosed as remaining contractual maturities and these totals differ from their carrying amount in the balance sheet for interest-bearing liabilities due to the interest component.

Consolidated - 2009	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	4,623	-	-	-	4,623
Other payables	-	7,655	-	-	-	7,655
Interest bearing - variable rate						
Bank overdraft	7.50	773	-	-	-	773
Bank loans	4.50	90	2,075	-	-	2,165
Total non-derivatives		13,141	2,075	-	-	15,216
Derivatives						
Forward exchange contracts outflow	-	1,443	-	-	-	1,443
Total derivatives		1,443	-	-	-	1,443

Consolidated - 2008	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	7,592	-	-	-	7,592
Other payables	-	8,118	-	-	-	8,118
Total non-derivatives		15,710	-	-	-	15,710
Derivatives						
Forward exchange contracts outflow	-	425	(26)	-	-	399
Total derivatives		425	(26)	-	-	399

Note 28. Financial instruments (continued)

Parent entity - 2009	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Other payables	-	22	-	-	-	22
Total non-derivatives		22	-	-	-	22

Parent entity - 2008	Weighted average interest rate %	1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Other payables	-	1,183	-	-	-	1,183
Total non-derivatives		1,183	-	-	-	1,183

Fair value of financial instruments
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value of the financial assets and financial liabilities have been assessed as approximately matching their fair value.

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Capital risk management
The consolidated entity's and parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the optimal capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

OrotonGroup Limited
Notes to the financial statements
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Note 29. Remuneration of auditors

During the year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company, and its related practices:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$	$	$	$
Audit services - PricewaterhouseCoopers				
Audit or review of the financial report	234,000	286,171	24,000	26,000
	234,000	286,171	24,000	26,000
Other services - PricewaterhouseCoopers				
Audit of regulatory returns	1,300	1,200	-	-
Other services	35,652	50,300	-	-
Tax compliance services, including review of company income tax returns	39,255	30,000	-	-
	76,207	81,500	-	-
	310,207	367,671	24,000	26,000

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignment additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

Note 30. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Guarantees and letters of responsibility have been given to lending institutions by OrotonGroup Limited, OrotonGroup (Australia) Pty Limited, Polo Ralph Lauren Australia Pty Limited, Macbray Pty Ltd and MARCS Wholesale Pty Ltd in respect of borrowings and documentary letters of credit of controlled entities in the normal course of business. Entities in the Consolidated Entity have guaranteed each other in respect of amounts advanced under banking and finance arrangements in the normal course of business.

OrotonGroup Limited has guaranteed OrotonGroup (Australia) Pty Limited, Polo Ralph Lauren Australia Pty Limited, OrotonGroup (New Zealand) Pty Limited in respect of the tenancy of a total of 64 (2008: 56) properties, occupied in the normal course of business. The contingent liability under the leases, covering the period to the lease expiry dates, is assessed at $50,655,000 at 25 July 2009 (2008: $45,358,000).

The directors believe that the public liability claim made against the company during a previous financial year lacks substance. The directors do not anticipate any material adverse impact on cash flow as a result of this claim.

No material liabilities, not already provided for in the financial report, are anticipated in respect of the above.

Note 31. Commitments for expenditure

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Capital commitments - Property, plant and equipment				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	478	883	-	-
Capital commitments - Intangible assets				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	12	-	-	-
Lease commitments - operating				
Committed at reporting date but not recognised as liabilities, payable:				
Within one year	13,466	13,044	-	-
One to five years	32,246	30,087	-	-
More than five years	4,943	2,227	-	-
	50,655	45,358	-	-
Lease commitments - operating - sub-leases				
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:				
Within one year	1,405	1,450	-	-
One to five years	6,226	7,363	-	-
More than five years	276	1,934	-	-
	7,907	10,747	-	-

Not included in the above operating lease commitments are contingent rental payments which may arise in the event that a pre-determined percentage of sales produced in certain leased shops exceed the basic rent provided for in the lease. The contingent rentals payable are based on varying percentages of sales revenue.

Note 32. Related party transactions

Parent entities
The parent entity is OrotonGroup Limited.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$	$	$	$
Other income:				
Dividends received from subsidiaries	-	-	25,676,180	13,471,000

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent entity	
	2009	2008	2009	2008
	$	$	$	$
Current receivables:				
Receivable from subsidiaries	-	-	7,658,278	-
Current payables:				
Payable to subsidiaries	-	-	-	1,160,598

Loans to/from related parties
There are no loans to or from related parties at the reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 33. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Class of shares	Equity holding 2009 %	Equity holding 2008 %
OrotonGroup (Australia) Pty Limited	Australia	Ordinary	100	100
Polo Ralph Lauren Australia Pty Limited	Australia	Ordinary	100	100
OrotonGroup (New Zealand) Pty Limited	New Zealand	Ordinary	100	100
Macbray Pty Ltd	Australia	Ordinary	100	100
Marcs Wholesale Pty Ltd	Australia	Ordinary	100	100
Oroton Share Plan Company Pty Limited	Australia	Ordinary	100	100

Note 34. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

OrotonGroup Limited
OrotonGroup (Australia) Pty Limited
Polo Ralph Lauren Australia Pty Limited
OrotonGroup (New Zealand) Pty Limited
Macbray Pty Ltd
Marcs Wholesale Pty Ltd
Oroton Share Plan Company Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission (ASIC).

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by OrotonGroup Limited, they also represent the 'Extended Closed Group'. Thus the income statement and balance sheet of the consolidated entity represent these Groups.

Note 35. Events occurring after balance date

The current Polo license expires on 30 June 2010. The parties expect to enter into a new definitive license agreement to commence on 1 July 2010.

Apart from the dividend declared, detailed in note 27, no other matter or circumstance has arisen since 25 July 2009 that has significantly affected, or may significantly affect the consolidated entity's operations in future financial years, the results of those operations in future financial years, or the consolidated entity's state of affairs in future financial years.

Note 36. Reconciliation of profit after income tax to net cash flows from operating activities

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit after income tax expense	19,436	16,739	25,683	13,471
Depreciation and amortisation	4,773	4,221	-	-
Net loss/(profit) on disposal of property, plant and equipment	228	571	-	-
Amortisation of landlord contributions	(657)	(1,324)	-	-
Impairment of tangible plant and equipment	210	258	-	-
Non-cash employee benefits expense share-based payments	502	357	-	-
Foreign currency differences	(51)	(111)	-	-
Non-cash dividends received from subsidiaries	-	-	(25,676)	(13,471)
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	1,731	(1,130)	-	-
(Increase)/decrease in inventories	(381)	(1,685)	-	-
(Increase)/decrease in tax receivable	106	(3)	-	-
(Increase)/decrease in deferred tax assets	(624)	(674)	-	-
(Increase)/decrease in other operating assets	681	(618)	-	-
Increase/(decrease) in trade and other payables	(3,432)	3,440	-	-
Increase/(decrease) in provision for income tax	(1,118)	4,333	-	-
Increase/(decrease) in deferred tax liabilities	(6)	(25)	-	-
Increase/(decrease) in other provisions	2,027	762	-	-
Net cash inflow from operating activities	23,425	25,111	7	-

Note 37. Non-cash investing and financing activities

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Dividends receivable from subsidiaries	-	-	25,676	13,471
Dividends paid by related parties	-	-	(14,640)	(13,471)
Payments for share buy-back by related parties	-	-	(998)	(6,851)
Income tax paid by related parties	-	-	(9,707)	(3,309)
	-	-	331	(10,160)

The subsidiaries of the parent company paid amounts on behalf of the parent company as detailed above.

Note 38. Earnings per share

	Consolidated	
	2009	**2008**
	$'000	**$'000**
Profit after income tax attributable to members of OrotonGroup Limited	19,436	16,739
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	40,738,327	41,441,649
Adjustments for calculation of diluted earnings per share:		
Options	315,642	638,093
Weighted average number of ordinary shares used in calculating diluted earnings per share	41,053,969	42,079,742
	Cents	**Cents**
Basic earnings per share	47.7	40.4
Diluted earnings per share	47.3	39.8