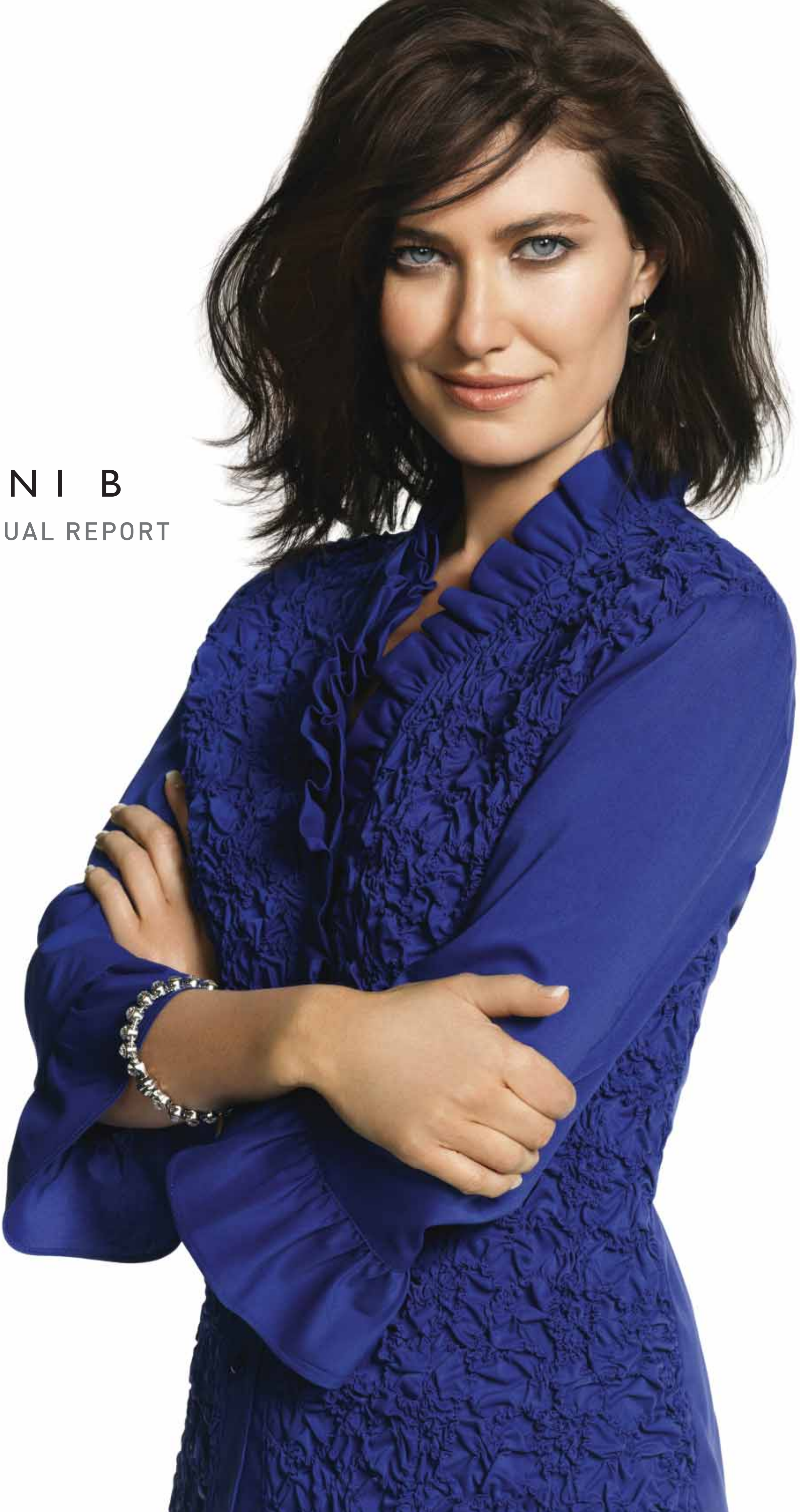
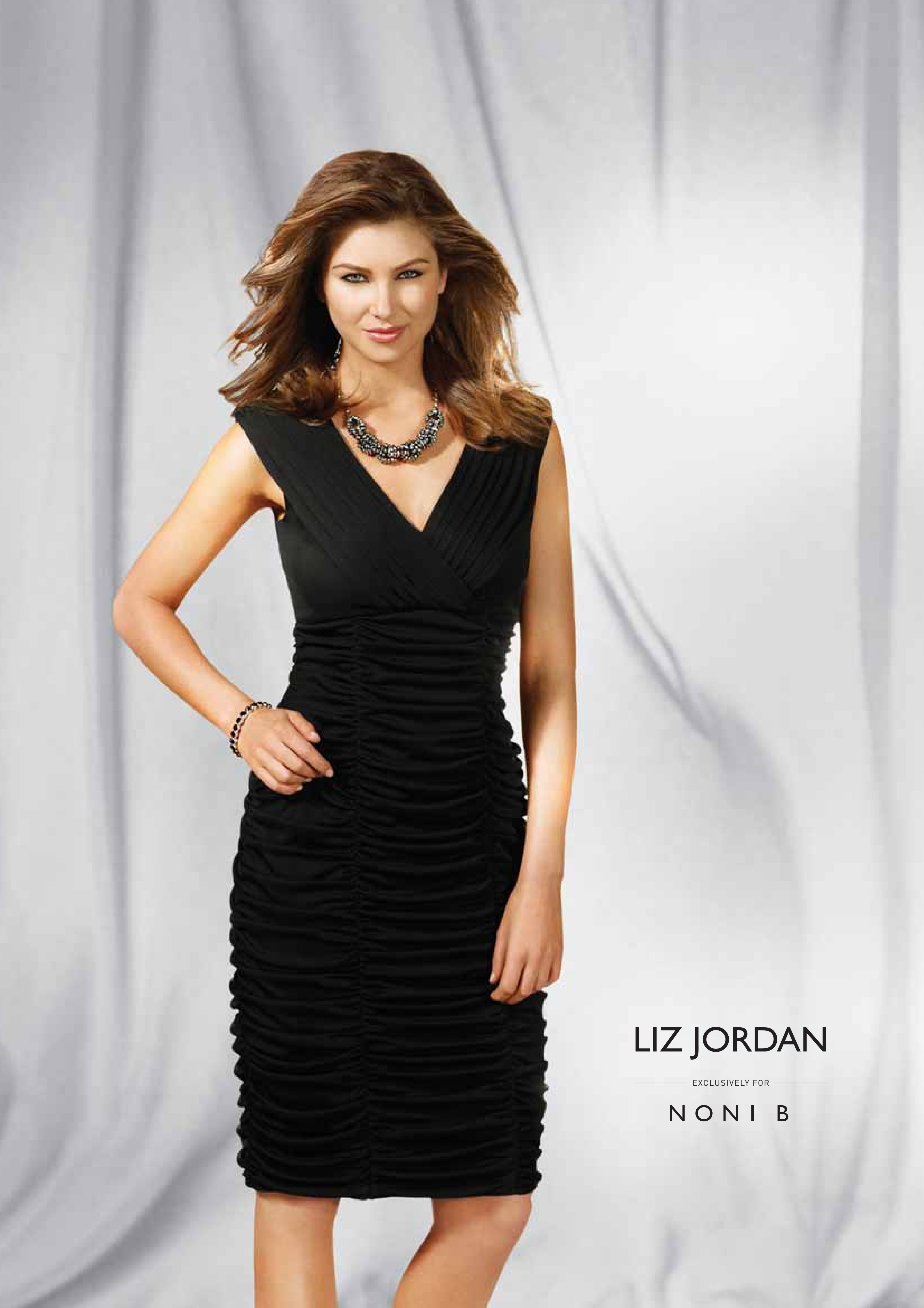
NONI B

2011 ANNUAL REPORT




LIZ JORDAN
EXCLUSIVELY FOR
NONI B

Noni B, founded in 1977, is one of Australia's leading fashion retailers, with 214 stores covering every state and territory and an online store which has been opened recently.

We have a reputation for superior service, style and fit.

Our dedicated team is passionate about providing women with an instore experience where personalised advice is the basis of great customer service, and our styles are designed to make our customers look and feel good throughout the day and evening, even when they travel. The exclusive **NONI B** and **LIZ JORDAN** designer collections offer classic and stylish contemporary fashion for today's woman.

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Noni B Limited
ABN 96 003 321 579

CHAIRMAN'S REPORT

Cash flow remains strong, we have no bank borrowings, and stock-turn increased during the year.

Lynn Wood

MANY of our customers – mainly 40+ women – have been hit hard by the current economic turbulence and by increases in household expenses and decreases in asset values.

As a result, while our sales in FY2011 were in line with the previous year, there was a decline in our gross profit margin due to discounting to meet the market. This led to an underlying after-tax profit of $0.7 million for FY2011 compared with $3.9 million in FY2010. After impairment of goodwill relating to the company's initial public offering in 2000, the after-tax profit was $0.2 million.

An interim dividend of 1.0 cent fully franked was paid in April 2011, and we decided it would be prudent not to pay a final dividend in view of the uncertain retail outlook.

While these results are disappointing, the current increase in the savings rate means that our customers may have more to spend on discretionary items when consumer confidence returns. We are focusing, therefore, on ensuring that all parts of the business are operating efficiently so Noni B is well-positioned to bounce back strongly as consumer demand grows.

In order to ensure our business model is sustainable, we have reviewed it in detail over the past three years. This review has led to many changes to improve performance. Management is now closer to the shop floor, store staffing rosters are more aligned with demand and there is greater scrutiny of the profitability of each store. Importantly, cash flow remains strong, we have no bank borrowings, stock-turn increased last year and we had 10 per cent less inventory at the end of June than a year earlier.

We recognise that some of the changes in retail behaviour that have affected our performance will be permanent and we must adapt accordingly. While we expect most of our customers will continue to visit our stores to receive the personal service and advice for which Noni B is well known, a growing number of people are shopping online and in September 2011 we launched our own online store. This will enable us to reach new customers who do not live near a Noni B store and perhaps even build an overseas customer base.

The importance of innovation in our business is underlined through our Chairman's Award for Innovation. The winner this year was Evelyn McArthur, one of our business managers, who developed a business case for, and implemented, a new 'styling by appointment' service, based on an initiative by a store manager. This has been successful in attracting customers who want personal attention to choose the fit and style that suits them, and we are now rolling out this service nationally across our 214 stores.

The high level of customer service which differentiates Noni B depends on the skills and motivation of our staff, to whom we offer flexible hours to fit in with family responsibilities. We are continuing to invest in their knowledge and skills, and during the year all store managers completed a certificate course in retail studies, which has now been extended to assistant managers. The Equal Opportunity for Women in the Workplace Agency has commended Noni B for delivering this training program to many women who previously had never received a formal qualification.

We believe that diversity, providing a wide range of experience and perspectives, is important to secure a sound and profitable future for the company. Our diversity policy is outlined in the corporate governance report later in this document and we remain committed to the policy's objectives.

The difficult trading conditions over the past year have resulted in exceptional challenges for our people and I would like to thank all members of our team for their hard work, passion and determination to capitalise on the strengths that underpin the Noni B brand. I also thank our shareholders for their continuing support.

We have a great reputation for classic and stylish contemporary fashion, with superior style and fit, which helps our customers look and feel good throughout the day and evening. Our personalised service and advice differentiate us, and we have a loyal customer base with which we are increasing communication through emails and social media. I am confident that these strengths and the initiatives we have taken to improve operations, will position Noni B to increase our share of the fashion market and resume growth when our customers' confidence returns.

Lynn Wood
Chairman

JOINT MANAGING DIRECTORS' REVIEW

Our main objectives during the past year have been to manage the business as efficiently as possible, and to position it to benefit from permanent changes in consumer behaviour and from an eventual improvement in consumer confidence.

James Kindl

David Kindl

WITH consumers reluctant to spend, our main objectives during the past year have been to manage the business as efficiently as possible, and to position it to benefit from permanent changes in consumer behaviour and from an eventual improvement in consumer confidence.

Overcoming current challenges

The volatility we are experiencing in our revenue is a major challenge when many of our costs – such as wages and rent – are fixed and rise every year. One of our solutions has been to restructure the business, removing middle management so our senior managers are closer to the shop floor and to our customers. All customer feedback comes directly to us and we are able to respond quickly and take any action that is needed.

We have also increased our focus on the individual profitability and productivity of each store. We negotiated a new three-year enterprise agreement during the year, and rosters have been changed so stores are fully staffed at times of peak demand. Increased investment in training has improved service standards, and the introduction of 'styling by appointment' is enabling staff to give individual attention to customers who have a particular need and want advice on style and fit at a time that suits them.

New stores are only opened where we can negotiate attractive leasing terms, and where we can share the risk with the landlord. Additionally, we achieved a significant decrease in base rent for store leases that were renewed during the year. Eight new stores were opened and seven underperforming stores were closed, including clearance outlets which were no longer needed due to our tight stock management. We are currently under-represented in Victoria and Queensland, where the population is growing, and are looking for opportunities to open further stores in these states, especially in regional centres.

Choosing the right location is increasingly important whether that is in a shopping centre or a high street location. One store doubled its profit as a result of moving from a shopping centre to a high street location. A new store in a high street location achieved the highest opening day sales in three years.

While we have succeeded in increasing our average full price margin, extreme discounting by retailers with excess inventory has resulted in us having to discount to maintain revenue. We have resisted the urge to cut service standards and have continued to invest in branding and promotions marketing to expand our demographic and encourage traffic into our stores.

The new retail world

Some of the challenges we are facing are likely to be permanent, and we have had to adapt our business model accordingly.

Although our customers have been telling us that they prefer to visit a Noni B store to receive the excellent service for which we are known, the trend towards online shopping is expected to grow. Our online store, launched in September 2011, will make a selection of Noni B and Liz Jordan styles accessible to a wider range of consumers, and especially those who live in remote locations or are time-poor and choose to shop online.

While our Noni B and Liz Jordan fashion is now available online, we see the rise in online shopping as an opportunity to differentiate Noni B through the personal service and advice on style, colour and fit that customers currently receive in our stores.

Improving our margin

We are always looking for better ways to do things: as part of a detailed review of all areas of the business, we examined our supply chain and are satisfied there are significant advantages in our existing local inventory model. This enables us to source product from different factories, mitigating production cost increases, and benefit from changes in trading terms.

During the year we renegotiated terms with our suppliers so the stronger Australian dollar is reflected in higher full price margins, without taking on currency risk. We also appointed a new jewellery supplier, increasing the commission we receive on jewellery sales.

Engaging with our customers

We have undertaken detailed research into customers' perceptions of our Noni B and Liz Jordan labels and what they expect from us. This has helped us plan effective marketing events and new product ranges. In particular, this research has indicated that our brand remains strong. There are however members of our loyalty club who have not shopped at a Noni B store since the beginning of the global financial crisis and we see this as an opportunity to re-engage with them.

The loyalty club database has over one million names and addresses; half of these are regular Noni B customers. 91,000 new names were added during the year. Emails and digital media, including Facebook and Twitter, are enabling us to engage regularly and cost-effectively with customers. By asking how often and through what means they would like to hear from us, we are tailoring our communication to their individual needs.

We regard ourselves as a part of the communities in which we operate, and support many local charities and events. During the year we also contributed to Mission Australia, Dress for Success and the Victorian and Queensland flood appeals.

Continuing to strengthen the Noni B brand

We believe there will be increasing divergence between retailers who compete on price and those whose brands offer a special shopping experience. Noni B already has a reputation with our regular customers for personal service and advice which helps them to choose the best style, colour and fit for them, and one of our objectives is to broaden awareness of this difference to attract additional customers.

Noni B is also known for our wide range of exclusive career, casual and evening wear and for offering the latest contemporary fashion to match customers' busy lifestyles. We have plans to extend our product range into new areas, capitalising on the Noni B brand, and for some exciting promotional initiatives to increase sales and tempt customers to spend more.

Meanwhile, we will continue to review and, when necessary, refine every part of our business, and manage costs and inventory tightly so we can avoid the more aggressive discounting we have seen in the fashion sector in the past year.

While the current retail environment is challenging, we are far from discouraged. We have experienced downturns in consumer spending before – notably after the introduction of the GST – and we are confident that Noni B will recover strongly as it has in the past, helped by the increase in savings that is taking place across the country. The changes that have been made and the initiatives taken during the past year, together with Noni B's sound financial position, will add further strength to the company's reputation and brand and enable us to increase our share of our target market.

We have a great team of people, passionate about customer service and determined to succeed in everything they do, and we thank them for their ongoing commitment to Noni B.

James Kindl
Joint Managing Director

David Kindl
Joint Managing Director

Results summary for the year

	FY 2011 $'000	FY 2010 $'000
Sales revenue	117,286	117,368
Underlying earnings before interest, tax, depreciation, amortisation and goodwill impairment	4,635	9,487
Underlying earnings before interest, tax and goodwill impairment	855	5,523
Profit before tax and goodwill impairment	1,026	5,614
Profit after tax before goodwill impairment	669	3,867
Goodwill impairment	438	–
Profit after tax and goodwill impairment	231	3,867
Earnings per share* (cents)	2.1	12.1
Full year dividends – fully franked (cents)	1.0	9.0

*Earnings per share before goodwill impairment

BOARD OF DIRECTORS

Lynn Wood

Chairman (Non-executive)

Lynn was appointed Chairman in October 2008 after serving as a non-executive director from January 2007.

Alan Kindl

Non-executive Director

Alan, with a partner, in 1977 acquired Noni B. In 1989 he became the sole owner and Managing Director, a role he held until 2008 when he retired. Alan remains Noni B's largest shareholder and is a non-executive director. He is a member of the Audit and Risk Management Committee and Remuneration Committee.

Joycelyn Morton

Non-executive Director

Joycelyn joined the Board in January 2009 and chairs the Audit and Risk Management Committee.

David Kindl

Joint Managing Director

David commenced employment with Noni B in 1996 and was appointed a Director in May 1998. David was appointed Joint Managing Director in April 2008. He is responsible for strategy, finance, administration, information technology, distribution, property and investor relations. He is chairman of the executive committee.

James Kindl

Joint Managing Director

James joined Noni B in June 1992 and has been a director since May 1998. James was appointed Joint Managing Director in April 2008. He is responsible for retail operations, human resources, buying and marketing. He is a member of the executive committee.

Full directors' details can be seen on page 6 of the Directors' Report.

EXECUTIVE COMMITTEE

David Kindl

Joint Managing Director

See page 6 , Directors' Report

James Kindl

Joint Managing Director

See page 6, Directors' Report

Rhonda Kilpatrick

General Manager, Buying and Marketing

Rhonda joined Noni B in 1999 as a buyer and has been responsible for the Liz Jordan label. In April 2008 she was appointed general manager buying and marketing and joined the executive committee. Rhonda started her career as a store sales assistant with a Sydney fashion group that became part of the Katies chain. She then gained experience as a store manager, national buyer of bridal wear, area manager for NSW, state manager for Queensland and national sales manager with Katies. This was followed by four years with another chain as National Operations Manager.

Phillip Fikkers

General Manager, Human Resource Services

Phillip joined Noni B in August 2002 from David Jones, where he held numerous training/ human resources and corporate project roles. In 2007, Phillip joined another retail group, however in February 2008 was offered the position of general manager – human resource services and rejoined Noni B. Phillip is a member of the executive committee. Phillip has 19 years experience in the retail industry. He has a Bachelor of Arts and Diploma of Education from Macquarie University with majors in Business Law and Education.

Ann Phillips

Chief Financial Officer and Company Secretary

Ann joined Noni B in October 2008 as financial controller. In July 2009 she assumed the role of general manager finance and administration and in August 2010 was appointed chief financial officer and company secretary. Ann is a member of the executive committee. Ann has more than 25 years' experience in finance and accounting. She has a Bachelor of Business degree from University of Technology in Sydney, is a member of CPA Australia and a Certificated member of Chartered Secretaries Australia.

DIRECTORS' REPORT

Your directors present their report on Noni B Limited ("the company") and its controlled entities for the financial year ended 26 June 2011.

Directors

The details of the company directors in office during the whole of the financial year and until the date of this report are as follows;

Lynn Wood – Chairman (Non-executive)

Lynn Wood was appointed Chairman in October 2008 after serving as a non-executive director since January 2007.

She is Chairman of the Australian Government Financial Reporting Council. She is also a non-executive director of GPT Funds Management Limited, the External Reporting Board (NZ) and the Committee for Economic Development of Australia.

Her previous non-executive board positions include the Foreign Investment Review Board, HSBC Bank Australia Limited, Macquarie Goodman Group, NSW Lotteries Corporation, MS Australia Limited and Women's College at the University of Sydney. Her executive experience included senior positions in the retail, property and finance industries in Australia and Hong Kong with a focus on growth through strategic marketing. She has also developed, managed and sold two SME businesses. Lynn has a Master of Arts degree from the University of Sydney and a Master of Business Administration from the AGSM, University of New South Wales. She is a fellow of the Australian Institute of Company Directors and was awarded a Centenary Medal in 2003.

Alan Kindl – Non-executive Director

Alan Kindl, with a partner in 1977, acquired two women's fashion stores at Belmont and Swansea NSW which were the foundation of Noni B Limited. In 1989, the Kindl family became the sole owner of Noni B and Alan set a strategy for the direction and future growth of the company. The strategy was for Noni B to become the best fashion chain in Australia and culminated in the 2000 ASX listing of the company.

In April 2008, after over 30 years at the helm, and as a result of a succession strategy, Alan handed over management to his sons David and James. He remains on the Noni B Board as a non-executive director.

Alan has a Bachelor of Science degree from the University of New South Wales.

He is active in community affairs and has served for many years as a board member of the Board of Advice for the Hills Private Hospital.

He was also a councillor with the Australian Retailers Association of New South Wales.

Alan is a Melvin Jones Fellow for dedicated humanitarian services to the Lions Club International Foundation and has been awarded a Lifetime Achievement award.

Joycelyn Morton – Non-executive Director

Joycelyn Morton joined the Board in January 2009 and chairs the Audit and Risk Management Committee.

Joycelyn has been a non-executive director of Count Financial Limited since 2006 and is chair of its audit committee and due diligence committee. During the year she was also a non-executive director of Crane Group Limited. However due to the takeover all directors were required to resign. She is a board member of the International Federation of Accountants, representing the Institute of Chartered Accountants (ICAA) and CPA Australia. She is a fellow of ICAA, CPA Australia, Australian Institute of Company Directors and the Chartered Secretaries Australia and a former national president of both CPA Australia and the Australian Council of Professions. She has served on many committees and councils in both the private and government sectors.

Previously, Joycelyn worked with Shell, both in Australia and the Netherlands, in a number of senior financial roles including country finance lead for Australia and vice-president, accounting services for Shell International. Earlier she was group taxation manager for Woolworths Limited and taxation manager in Coopers & Lybrand's Sydney office (now PWC). Joycelyn has a Bachelor of Economics degree from the University of Sydney.

David Kindl – Joint Managing Director

David Kindl commenced employment with Noni B in 1996 and was appointed a director in May 1998. David was appointed Joint Managing Director in April 2008. He is responsible for strategy, finance, administration, information technology, distribution, property and investor relations. Since joining Noni B he has held roles as chief financial officer and company secretary, property and marketing manager and general manager of retail operations. He is chairman of the executive committee.

Previously, David held several positions within the Lend Lease group in finance and property related roles. He has a Bachelor of Economics degree from the University of Sydney and is a CPA. He is an affiliate of Chartered Secretaries Australia and is a graduate of the Australian Institute of Company Directors, having been awarded a Company Directors Course Diploma with Order of Merit in 2010.

James Kindl – Joint Managing Director

James Kindl joined Noni B in June 1992 and has been a director since May 1998. He has been Joint Managing Director of Noni B since April 2008. He is responsible for store operations, buying and marketing. James has previously held roles of Accountant, Buying Controller, General Manager Buying and Marketing and General Manager Noni B Stores. He is a member of the executive committee.

He has a Bachelor of Economics degree from the University of Sydney. Prior to joining Noni B, he was employed by the chartered accounting firm KPMG and by Coca-Cola Amatil Limited.

Company Secretary

Ann Phillips – Chief Financial Officer and Company Secretary

Ann Phillips joined Noni B in October 2008 and in August 2010 was appointed chief financial officer and company secretary. Ann has more than 25 years experience in finance and accounting. She has a Bachelor of Business degree from the University of Technology in Sydney, is a member of CPA Australia, a certificated member of Chartered Secretaries Australia, and a member of the Australian Institute of Company Directors.

Independent Directors

The directors considered by the board to be independent directors are Lynn Wood and Joycelyn Morton.

In determining whether a non-executive director is considered by the Board to be independent, the following relationships affecting independence will be taken into account:

1. whether the director is a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder of the Company (as defined in section 9 of the Corporations Act);
2. whether the director is employed or has been employed in an executive capacity by the Company or another group member and there has not been a period of at least three years between ceasing such employment and serving on the board;
3. whether the director is or has been, within the last 3 years, a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
4. whether the director is or has been, within the previous three years, employed by, or a partner in, any firm that in the past three years has been the Company's external auditors;
5. whether the director is a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
6. whether the director has a material contractual relationship with the Company or another group member other than as a director of the Company; and,
7. whether the director is free from any interest and any business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company.

Performance Evaluation of Directors

1. A performance evaluation for the board and its members has taken place during the reporting period.
2. The performance evaluation of the board and its members was conducted in accordance with clause 7 of the Board Charter.
3. The internal board review was undertaken in October 2010.

Principal Activities

The principal activities of the consolidated entity constituted by the company and the entities it controlled during the financial year were the retailing of women's apparel and accessories.

There were no significant changes in the nature of these activities during the financial year.

Consolidated Operational Results

The consolidated profit of the consolidated entity for the financial year ended 26 June 2011 after providing for income tax was $231,000 (2010: $3,867,000).

Dividends Paid, Declared or Recommended

Dividends paid or declared for payment are as follows:

	$'000
Fully franked final ordinary dividend paid on 20 October 2010 of 3 cents per share	964
Fully franked interim ordinary dividend paid on 28 April 2011 of 1 cent per share	321

Operational and Financial Highlights

Noni B operated 214 stores across Australia during FY2011. This past year has been challenging, and one in which the dedication of our over 1,000 staff members has been very important to the business.

During the past three years management have reviewed the business model and all parts of the business in detail and changes have been made. Management has been restructured, supplier terms have been improved and administration costs have been reduced wherever possible, and store staffing rosters have been adjusted so they are aligned more closely with demand.

Individual store performance has been scrutinized and seven underperforming stores were closed in both FY2011 and FY2010. The company continues to open new stores where attractive leasing terms can be negotiated, and as a result of the current economic conditions the company has negotiated a decrease in base rent for store lease renewals in FY2011. Eight new stores were opened in FY2011 and seven in FY2010.

The company has a history of providing quality training programs to their staff and during FY2011 it continued its commitment to its staff and increased the investment in training. All store managers now have an externally recognized qualification in retail studies, and thus ensuring they have a career within the industry. A new enterprise bargaining agreement with our staff was also secured during the year. This agreement is in place until late 2013.

Noni B has a local supplier strategy. In the last year the company has consolidated its supplier group to ensure higher full price margins and to increase our importance to our suppliers. New suppliers were also brought into the core group to ensure diversity and freshness of ideas to our product offering.

Sales revenue at $117.3m was in line with FY2010. Whilst overall comparable store revenue was down 1.0 per cent, Victoria and Western Australia both achieved an increase. Overall market conditions continue to provide a difficult trading environment.

The company has acknowledged the impact of the difficult trading conditions in the last year. It has taken a view that the retail outlook is uncertain and this uncertainty, along with the results of this past year have necessitated an impairment adjustment of intangibles of $0.4m

Underlying EBITDA before goodwill impairment is $4.6m (FY2010 $9.4m). Profit after tax and before the impairment adjustment was $0.7m (FY2010 $3.9m) which was in line with guidance.

Cash from operations at $5.2m remains strong, although lower than last year. The company continued its commitment to capital expenditure projects.

While the company is not expecting consumer confidence to improve significantly in the short term, we are confident that, following the many changes we have made, Noni B is well placed to recover when demand grows.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the year.

Significant after Reporting Date Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Future Developments and Expected Results

The likely developments in the operations of Noni B and expected results of those operations in financial years subsequent to the year ended June 2011 are included in the financial and operational highlights section of this report.

Performance in Relation to Environmental Regulation

The operations of the consolidated entity are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a state or territory.

Remuneration Report

Introduction

The following Remuneration Report forms part of the report of the directors and is the only section of the directors' report subject to audit.

The directors (executive and non-executive) and the senior executives received the amounts set out in the tables below and explained in this section of the Report as compensation for their services as directors and/or executives of the company and/or the Group during the financial year ended 26 June 2011.

Key Management Personnel

The following were directors of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

- Lynn Wood
- Alan Kindl
- Joycelyn Morton

Executive directors

- David Kindl, Executive Director, Joint Managing Director
- James Kindl, Executive Director, Joint Managing Director

Senior Executives

- Rhonda Kilpatrick (General Manager Buying & Marketing)
- Phillip Fikkers (General Manager Human Resources Services)
- Ann Phillips (Chief Financial Officer and Company Secretary, previously General Manager Finance and Administration – appointed to current role on 17 August 2010)

Specific matters included in this Report are set out below under separate headings, as follows:

Details of remuneration – Directors (including non-executive and executive directors and the Senior Executives)

This section sets out the dollar value of all components of the remuneration received by the directors and the senior executives during the year ended 26 June 2011.

Remuneration policy – Non-executive directors

This section sets out the company's rationale in determining non-executive director payments and other relevant disclosures.

Remuneration policy – Executive directors and the Senior Executives

This section sets out the company's rationale in determining salaries and incentives for executive directors and the senior executives, including detailed explanations of the link between variable remuneration and performance and other relevant disclosures.

Other Information

This section sets out information in respect of relevant key management personnel including, details of remuneration, remuneration policy, employment contract details, and shareholdings.

Remuneration Report (continued)

Details of Remuneration

2011	Short term benefits				Post employment benefits		Long term benefits	Share based payments		
	Cash salary and fees $	Cash bonuses STI $	Cash bonuses LTI $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Long service leave $	$	Total $	% Performance related
Directors										
Non-executive directors										
Lynn Wood (Chairman)	134,002	–	–	–	12,206	–	–	–	146,208	–
Alan Kindl	–	–	–	–	66,896	–	–	–	66,896	–
Joycelyn Morton	67,202	–	–	–	6,048	–	–	–	73,250	–
Executive Directors										
David Kindl[a]	241,609	–	7,500	3,351	15,199	–	7,173	–	274,832	2.7%
James Kindl[a][b]	204,145	–	10,000	58,362	15,199	–	(137)	–	287,569	3.5%
Other key management personnel										
Rhonda Kilpatrick	180,084	–	–	30,752	32,550	–	8,230	47,654	299,270	0.0%
Phillip Fikkers	178,897	–	–	3,231	16,099	–	4,203	41,943	244,373	0.0%
Ann Phillips[c]	177,031	–	–	4,686	17,176	–	3,645	33,938	236,476	0.0%
Total	1,182,970	–	17,500	100,382	181,373	–	23,114	123,535	1,628,874	

(a) Executive Directors receive a cash bonus under NDEIP. This bonus is calculated as the equivalent to dividends earned on 250,000 shares, payable upon declaration of dividends.

(b) Long service leave for James Kindl includes impact of restatement of liability arising from a change of mix between cash and non cash components of remuneration package

(c) Appointed CFO and Company Secretary 17 August 2010, previously GM Finance and Administration

2010	Short term benefits				Post employment benefits		Long term benefits	Share based payments		
	Cash salary and fees $	Cash bonuses STI[d] $	Cash bonuses LTI $	Non-monetary benefits $	Super-annuation $	Termination benefits $	Long service leave $	$	Total $	% Performance related
Directors										
Non-executive directors										
Lynn Wood (Chairman)	119,163	–	–	–	10,837	–	–	–	130,000	–
Alan Kindl[a]	–	–	21,212	–	65,000	–	–	–	86,212	24.6%
Joycelyn Morton	59,633	–	–	–	5,367	–	–	–	65,000	–
Executive Directors										
David Kindl[a][b]	193,206	10,000	35,255	42,877	14,461	–	13,731	–	309,530	14.6%
James Kindl[a]	176,498	10,000	35,255	57,570	14,461	–	3,534	–	297,318	15.2%
Other key management personnel										
Rhonda Kilpatrick	139,574	10,000	–	27,145	31,637	–	2,483	59,629	270,468	3.7%
Phillip Fikkers	167,995	10,000	–	5,413	15,300	–	2,681	45,778	247,167	4.0%
Ann Phillips[c]	154,997	10,000	–	2,748	15,360	–	2,583	33,937	219,625	4.6%
Total	1,011,066	50,000	91,722	135,753	172,423	–	25,012	139,344	1,625,320	

(a) Long term cash bonuses paid arose from payout of balances of long term incentives. Remuneration reports in prior years have included accruals under a now terminated scheme whereby bonuses were sacrificed in return for notional shares. Entitlements also included the value of notional dividends associated with the notional shares. No further amounts are payable under this scheme.

(b) Long service leave for David Kindl includes impact of restatement of liability arising from a change of mix between cash and non cash components of remuneration package

(c) Appointed CFO and Company Secretary 17 August 2010, previously GM Finance and Administration

(d) Cash bonuses accrued were not based on group performance, but are an acknowledgement of the effort contributed by the senior management team over the prior 2 years, during which there have been no increases in fixed remuneration.

Remuneration Report (continued)

Remuneration Policy

Non-executive directors

Non-executive director remuneration is set by the Board's Remuneration Committee and determined by comparison with the market, based on independent external advice with regard to market practice, relativities, and director duties and accountability. Company policy is designed to attract and retain competent and suitably qualified non-executive directors, to motivate these non-executive directors to achieve Noni B's long term strategic objectives and to protect the long term interests of shareholders.

Fee Pool

Non-executive directors' fees are determined within an aggregate non-executive directors' fee pool limit, which is periodically approved by shareholders. At the date of this report the pool limit was set at $350,000. During the financial year ended 26 June 2011, $286,000 of the fee pool (81.8%) was utilised.

Fees

The non-executive directors' base fee has been set at $68,250 per annum. The chairman's base fee has been set at $148,500 per annum. During the financial year ended 26 June 2011 the company held a total of 18 formal meetings, including committee, board and shareholder meetings.

Equity participation

Non-executive directors may receive options or shares as part of their remuneration, subject only to shareholder approval. No options have been issued to a non-executive director this year and none are held by a non-executive director at the date of this Report. Further, subject to shareholder approval, non-executive directors may opt each year to receive a percentage of their fees in Noni B shares, which are acquired on-market at market price.

Retiring Allowance

No retiring allowances are paid to non-executive directors.

Superannuation

Noni B pays the statutory superannuation guarantee charge in relation to its eligible non-executive directors out of total fees paid (i.e. fees quoted are inclusive of superannuation).

Executive directors and senior executives

Noni B's overall group remuneration policy is set by the Board's Remuneration Committee. The policy is reviewed on a regular basis to ensure it remains contemporary and competitive.

For the specified executives, the policy is intended to be consistent with the remuneration recommendations and guidelines set down in Principle 8 of the Australian Security Exchange's "best practice" corporate governance guidelines. Broadly, Noni B policy is intended to ensure:

- for each role, that the balance between fixed and variable (performance) components is appropriate having regard to both internal and external factors;
- that individual objectives set will result in sustainable beneficial outcomes;
- that all performance remuneration components are appropriately linked to measurable personal, business unit or group performance; and
- that total remuneration (that is the sum of fixed plus variable components of the remuneration) for each executive is fair, reasonable and market competitive.

Noni B's achievement of these objectives is checked on a regular basis using independent external remuneration consultants.

Components of executive remuneration

Generally, Noni B provides selected senior executives with three components of remuneration, as follows:

- fixed remuneration which is made up of basic salary, benefits (such as a company car), superannuation and other salary sacrifices;
- short term incentives (STI) – paid in cash, directly earned upon the successful achievement of specific financial and operational targets. A portion of this STI may be provided in Noni B shares subject to service and/or performance conditions. All STI awards are based on performance hurdles which are set and reviewed by the Remuneration Committee annually; and
- long term incentives (LTI) – provides selected and invited senior executives with the right to acquire shares, only where specific future service requirements and future financial and operational targets that improve shareholder returns have been exceeded. Performance hurdles are set and reviewed by the Remuneration Committee annually.

Fixed Annual Remuneration

Senior executives are offered market competitive base salary (including benefits). Base salary is reviewed on a regular basis against market data for comparable positions provided by independent remuneration consultants and selected survey data. Company performance is also taken into account.

Adjustments to base salary are made based on promotion or significant role responsibility changes, pay relativities to market and relative performance in the role. There are annual reviews of the base salary and contractual guarantees that it will not be reduced.

Short Term Incentives

Company policy on short term incentives is that each year a bonus scheme is determined that focuses on the Company objectives for that year. For the current year, a bonus is payable up to 20% of Total Fixed Remuneration on achievement of Company objectives.

The objective of the reward scheme is to both reinforce the key financial goals of the Company and to provide a common interest between management and shareholders.

Long Term Incentives

Noni B's long-term executive incentive policy focuses on corporate performance and the retention of key senior executives. Details of Noni B's various long term incentive schemes, including EOP, ESP, DESP (for executives) are set out in Note 29 of the Annual Report.

Under the DESP selected and invited senior executives have been offered Noni B shares subject to a range of service and performance conditions.

Under the NDEIP, executive directors may be entitled to cash payments under conditions similar to the DESP for executives.

During the years ended 26 June 2011 and 27 June 2010, no offers were made for additional participation in the DESP or NDEIP.

Details of NDEIP and DESP are set out below.

Notional Deferred Executive Incentive Plan (NDEIP)
Executive directors may be entitled to payments under a long term incentive scheme, the Notional Deferred Executive Incentive Plan.

The NDEIP provides for cash payments for each executive director of up to $875,000 in instalments on meeting service and performance conditions as described per tables below.

Service
Subject to the performance conditions below being achieved, each instalment will be payable, subject to continuing employment by the company at the First Available Date for each instalment.

Instalment	% of total payable	First Available Date	Last Available Date
1	33.3%	1 September 2011	1 September 2013
2	33.3%	1 September 2012	1 September 2013
3	33.3%	1 September 2013	1 September 2013

Performance
Each instalment will be payable, subject to the company meeting performance hurdles in terms of Earnings per Share (EPS) Compound Annual Growth Rate (CAGR).

Tranche	% of total payable	EPS CAGR % Threshold 5% per annum (20% vesting) % of Total payable	EPS CAGR% Target 20% per annum (100% vesting) % of Total Payable	Measurement Period (Base Year: EPS for FY 2007/08)
1	33.3%	6.67%	33.3%	1 July 2008 to 30 June 2011
2	33.3%	6.67%	33.3%	1 July 2008 to 30 June 2012
3	33.3%	6.67%	33.3%	1 July2008 to 30 June 2013

The Measurement Period for:

- Tranche 1, is three financial years commencing July 2008 and ending June 2011
- Tranche 2, is four financial years commencing July 2008 and ending June 2012 and
- Tranche 3, is the five financial years commencing July 2008 and ending June 2013

EPS CAGR growth over the relevant periods shall be calculated from the EPS for the base year from 1 July 2007 to 30 June 2008 for the continuing business (22.0 cents per share) as follows:

- If EPS CAGR is below 5% per annum over the Measurement Period for each tranche, then none of the instalments for each tranche will vest.
- If EPS CAGR is 5% per annum over the Measurement Period for each tranche, then the value of the amount payable will be 20% of the total payable for each tranche.
- If EPS CAGR is greater than 5% per annum, but less than 20% per annum over the Measurement Period for each tranche, then the value of the amount payable for each tranche will be 20% plus an additional 5.33% for every complete percentage point above 5%.
- If EPS CAGR is greater than 20% per annum over the Measurement Period for each tranche, then the amount payable will be the total amount payable for each tranche.

Unpaid instalments from Tranche 1 or Tranche 2 will be added to the next instalment, where the payment will be subject to the performance hurdles for that tranche.

Any instalments unpaid as at the performance hurdle testing for Tranche 3 shall be subjected to immediate forfeiture.

Executive directors also receive a cash bonus under NDEIP. This bonus is calculated as the equivalent to dividends earned on 250,000 shares.

Deferred Employee Share Plan (DESP)
The Deferred Employee Share Plan (DESP) is a scheme where employees become entitled to shares subject to a range of service and performance conditions.

The fair value at grant date is independently determined using a Binominal Approximation Option Valuation Model that takes into account the exercise price, the term of the rights over shares, 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 rights over shares.

No rights over ordinary shares in the company were provided as remuneration to any of the key management personnel of the company during the years ended 26 June 2011 or 27 June 2010.

There are three grants of rights over shares for key management personnel which remain operative at 26 June 2011 as follows:

- Offer dated 23 April 2008 and subsequent offer dated 22 June 2009 (Service and performance conditions apply)
- Offer dated 23 September 2008 (Service conditions only apply)
- Offer dated 22 June 2009 (Service conditions only apply)

Details of these offers are set out below.

Remuneration Report (continued)

Remuneration Policy (continued)

Offer dated 23 April 2008 and subsequent offer dated 22 June 2009

Service and performance conditions apply to this offer as noted below.

Details of rights over ordinary shares in the company provided as remuneration to each of the key management personnel of the company and the consolidated group are set out below.

Name	Held at the start of the period	Granted as compensation during the period	Exercised during the period	Held at the end of the period	Vested at the end of the period
Rhonda Kilpatrick	100,000	–	–	100,000	–
Phillip Fikkers	100,000	–	–	100,000	–
Ann Phillips	100,000	–	–	100,000	–
Total	300,000	–	–	300,000	–

Date of grant	23 April 2008	22 June 2009
The assessed fair value at date of grant for each offer was	246 cents	92.3 cents
The model inputs for rights over shares granted at 23 April and 22 June 2009 included:		
a. exercise price	Nil	Nil
b. grant date	23 April 2008	22 June 2009
c. expiry date	1 September 2013	1 September 2013
d. share price at grant date	251 cents	90 cents
e. expected volatility of the company's shares	25.76%	36.96%
f. expected dividend yield	5.963%	7.26%
g. risk free interest rate	6.54%	5.32%

Under the plan, participants are granted rights over shares which only vest if certain service and performance standards are met and the employees are still employed by the Group at the end of the vesting period for each tranche.

The terms and conditions of grant of rights over shares affecting remuneration in this or future reporting periods are as follows:

Service
Each tranche of shares will vest, subject to continuing employment by the company at the First Available Date for each tranche.

Tranche	% of Grant	First Available Date	Last Available Date
1	33.3%	1 September 2011	1 September 2013
2	33.3%	1 September 2012	1 September 2013
3	33.3%	1 September 2013	1 September 2013

Performance
Each tranche of shares will vest, subject to the company meeting performance hurdles in terms of Earnings per Share (EPS) Compound Annual Growth Rate (CAGR).

Tranche	% of Grant	EPS CAGR % Threshold 5% per annum (20% vesting) % of Total Grant to vest	EPS CAGR% Target 20% per annum (100% vesting) % of Total Grant to vest	Measurement Period (Base Year: EPS for FY 2007/08)
1	33.3%	6.67%	33.3%	1 July 2008 to 30 June 2011
2	33.3%	6.67%	33.3%	1 July 2008 to 30 June 2012
3	33.3%	6.67%	33.3%	1 July2008 to 30 June 2013

The Measurement Period for:

- Tranche 1, is three financial years commencing July 2008 and ending June 2011
- Tranche 2, is four financial years commencing July 2008 and ending June 2012 and
- Tranche 3, is the five financial years commencing July 2008 and ending June 2013

EPS CAGR growth over the relevant periods shall be calculated from the EPS for the base year from 1 July 2007 to 30 June 2008 for the continuing business (22.0 cents per share) as follows:

- If EPS CAGR is below 5% per annum over the Measurement Period for each tranche, then none of the shares for each tranche will vest.
- If EPS CAGR is 5% per annum over the Measurement Period for each tranche, then the number of shares vested for each tranche will be 20%.
- If EPS CAGR is greater than 5% per annum, but less than 20% per annum over the Measurement Period for each tranche, then the number of shares vested for each tranche will be 20% plus an additional 5.33% for every complete percentage point above 5%.
- If EPS CAGR is greater than 20% per annum over the Measurement Period for each tranche, then all of the shares for each tranche will vest.

Unvested shares from Tranche 1 or Tranche 2 will be added to the next tranche, where they will be subject to the performance hurdles for that tranche.

Any shares which are unvested as at the performance hurdle testing for Tranche 3 shall be subjected to immediate forfeiture.

Any dividends paid on the shares are payable to the members of the Plan, whether shares are vested or not.

Once the Service and Performance vesting conditions have been met, the members may elect to leave the shares in the plan, withdraw or sell any of them.

Offer dated 23 September 2008

Service conditions only apply to these grants as follows:

Tranche	% of Grant	Available Date
1	50%	5 September 2009
2	25%	5 September 2010
3	25%	5 September 2011

Details of rights over ordinary shares in the company provided as remuneration to each of the key management personnel of the company and the consolidated group are set out below.

Name	Held at the start of the period	Granted as compensation during the period	Exercised during the period	Held at the end of the period	Vested at the end of the period
Rhonda Kilpatrick	15,000	–	(7,500)	7,500	22,500
Phillip Fikkers	5,000	–	(2,500)	2,500	7,500
Total	20,000	–	(10,000)	10,000	30,000

Date of grant	23 September 2008
The assessed fair value at date of grant was	192 cents

The model inputs for rights over shares granted at 23 September 2008 included:	
a. exercise price	Nil
b. grant date	23 September 2008
c. expiry date	5 September 2011
d. share price at grant date	190 cents
e. expected volatility of the company’s shares	30.88%
f. expected dividend yield	8.87%
g. risk free interest rate	5.51%

Remuneration Report (continued)

Remuneration Policy (continued)

Offer dated 22 June 2009

Service conditions only apply to these grants. All of the shares subject of the offer will vest based on continuous service until 1 July 2012.

Details of rights over ordinary shares in the company provided as remuneration to each of the key management personnel of the company and the consolidated group are set out below.

Name	Held at the start of the period	Granted as compensation during the period	Exercised during the period	Held at the end of the period	Vested at the end of the period
Rhonda Kilpatrick	40,000	–	–	40,000	–
Phillip Fikkers	35,446	–	–	35,446	–
Ann Phillips	10,000	–	–	10,000	–
Total	85,446	–	–	85,446	–

Date of grant	22 June 2009
The assessed fair value at date of grant was	90.5 cents
The model inputs for rights over shares granted at 22 June 2009 included:	
a. exercise price	Nil
b. grant date	22 June 2009
c. expiry date	1 July 2012
d. share price at grant date	90 cents
e. expected volatility of the company's shares	36.96%
f. expected dividend yield	7.26%
g. risk free interest rate	5.32%

Company performance, Shareholder Wealth and Directors' and Executive Remuneration

The following table has been prepared to give Noni B Limited shareholders a clear view of the alignment of key organisational performance measures compared to changes in director's and the Senior Executive's remuneration.

	2007	% Change	2008	% Change	2009	% Change	2010	% Change	2011	% Change
Company Performance										
NPAT ($'000's)	8,264	0.6%	2,501	(69.7)%	2,296	(8.2)%	3,867	68.4%	231	(94.0)%
EPS Undiluted (cents)	25.8	0.6%	7.8	(69.9)%	7.1	(8.0)%	12.1	68.6%	0.7	(94.0)%
Total dividends (cents)	29	20.8%	20	(31.0)%	12	(40.0)%	6	(50.0)%	4	(33.3)%
Share Price at year end (cents)	420	15.1%	187	(55.5)%	95	(49.2)%	105	10.5%	65	(38.1)%
Director remuneration ($'000)										
Lynn Wood[(a)]	25		65	160.0%	108	66.7%	130	20.0%	146	12.5%
Alan Kindl	498	(21.7)%	726	45.8%	73	(90.0)%	86	18.9%	67	(22.4)%
Joycelyn Morton					33		65	100.0%	73	12.7%
James Kindl[(b)]	227	(30.4)%	248	9.3%	281	13.3%	297	5.9%	288	(3.3)%
David Kindl[(b)]	220	(32.5)%	246	11.8%	304	23.8%	310	1.7%	275	(11.2)%
Executive remuneration										
Rhonda Kilpatrick			102		266	161.2%	270	1.5%	299	10.6%
Phillip Fikkers			66		248	275.8%	247	(0.3)%	244	(1.1)%
Ann Phillips[(c)]					117		220	87.1%	236	7.7%

(a) Chairman
(b) Joint Managing Directors
(c) CFO and Company Secretary (previously financial controller from 27 October 2008 to 20 July 2009, GM Finance and Admin to 17 August 2010)

The short term incentive opportunities for the executive directors and the senior executives for the financial year commencing 28 June 2010 were determined by the Board, based on a number of key performance criteria in addition to NPAT.

The current remuneration for non-executive directors is set by resolution of shareholders at $350,000 per annum in aggregate. This amount of remuneration includes all monetary and non-monetary components. There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

Employment contracts

Executive	David Kindl, James Kindl	Phillip Fikkers, Ann Phillips, Rhonda Kilpatrick
Duration of Agreement	Employment agreement for Joint Managing Directors operative until terminated by either party.	Employment agreement for General Manager roles operative until terminated by either party.
Termination payment	Maximum payment to be made to Executives on termination is 18 months' Total Remuneration (being Total Fixed Remuneration plus Short Term Incentives, Long Term Incentives and benefits). To be paid in the following circumstances: 1. Redundancy; or 2. Fundamental Change.	Maximum payment to be made to the General Managers on termination is 15 months' Total Remuneration (being Total Fixed Remuneration plus Short Term Incentives, Long Term Incentives and benefits). To be paid in the following circumstances: 1. Redundancy; or 2. Fundamental Change.
Notice of termination	On termination by Noni B – one year's notice On termination by Executive (in circumstances other than fundamental change) 6 months notice Payment in lieu of notice can be made by Noni B in all circumstances, if Noni B chooses	On termination by Noni B or the Executive – 3 month's notice. Payment in lieu of notice can be made by Noni B in all circumstances, if Noni B so chooses.
Restraint Conditions	Payment equivalent to 12 months Total Fixed Remuneration for 12 months restraint	Payment equivalent to 6 months Total Fixed Remuneration for 6 months restraint

Options held by directors and key management personnel

There are no options outstanding at end of the financial year ended 26 June 2011 and no options were granted during the year or prior year.

Relevant interest in shares by directors

	Balance at 27 June 2010	Received as remuneration	Options Exercised	Net change other*	Balance at 26 June 2011
Directors					
Lynn Wood	48,500	–	–	–	48,500
Alan Kindl	12,910,205[1]	–	–	–	12,910,205[1]
David Kindl	12,910,205[2]	–	–	154,000	13,064,205[2]
James Kindl	12,910,205[3]	–	–	–	12,910,205[3]
Joycelyn Morton	15,797	–	–	–	15,797

* "Net change-other" refers to shares purchased or sold during the financial year ended 26 June 2011.

1. Alan Kindl has a relevant interest in 12,910,205 shares in the company, comprising:
   (a) a direct interest in 3,606,926 shares in the company;
   (b) a relevant interest in 9,113,617 shares in the company, being shares held by Betty Kindl, James Kindl and David Kindl due to pre-emptive rights under a shareholders' deed dated 29 February 2000 between the parties; and
   (c) a relevant interest in 189,662 shares in the company, being shares held by Kindl Holdings Pty Ltd, which is an entity controlled by Alan Kindl.
2. David Kindl has a relevant interest in 13,064,205 shares in the company, comprising:
   (a) a direct interest in 3,500,000 shares in the company;
   (b) a relevant interest in 9,220,543 shares in the company, being shares held by Betty Kindl, Alan Kindl and James Kindl due to pre-emptive rights under a shareholders' deed dated 29 February 2000 between the parties;
   (c) a relevant interest in 189,662 shares in the company, being shares held by Kindl Holdings Pty Ltd; and
   (d) a relevant interest in 154,000 shares in the company, being shares held by Margaret Lorna Kindl.
3. James Kindl has a relevant interest in 12,910,205 shares in the company, comprising:
   (a) a direct interest in 3,500,000 shares in the company;
   (b) a relevant interest in 9,220,543 shares in the company, being shares held by Betty Kindl, Alan Kindl and David Kindl due to pre-emptive rights under a shareholders' deed dated 29 February 2000 between the parties; and
   (c) a relevant interest in 189,662 shares in the company, being shares held by Kindl Holdings Pty Ltd.

Remuneration Report (continued)

Remuneration Policy (continued)

Alan Kindl, Betty Kindl, James Kindl and David Kindl entered into an agreement prior to listing of the company's shares on the ASX, which regulates their sale of shares in the company. If any one of them wishes to sell any of their shares in the company, they must offer those shares to the others before they sell those shares to any third parties.

Retiring Executive Director Benefits

No retiring allowances are paid to executive directors outside of statutory retirement benefits.

Directors' Meetings

The number of meetings of directors and of each board committee held during the financial year ended 26 June 2011 and the numbers of meetings attended by each director were as follows:

	Board Meetings		Audit and Risk Management Committee		Remuneration Committee		Strategy Committee	
	A	B	A	B	A	B	A	B
Lynn Wood	9	9	3	3	3	3	2	2
Alan Kindl	9	9	3	3	3	3	2	2
Joycelyn Morton	9	9	3	3	3	3	2	2
David Kindl	9	9	–	–	–	–	2	2
James Kindl	9	9	–	–	–	–	2	2

A = Number of meetings eligible to attend
B = Number of meetings attended

Indemnification and Insurance of Directors and Officers

The Company has entered into deeds with each of the directors under which the Company has agreed to indemnify the directors and the company secretary on a full indemnity basis and to the full extent permitted by law for losses or liabilities incurred as an officer of the Company.

During the financial year ended 26 June 2011, the company has paid an insurance premium in respect of a contract insuring each of the directors of the company named in this report, the company secretary, executive officers and directors of controlled entities, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

The amount of premium paid for each director and the company secretary was $4,010 in the financial year ended 26 June 2011.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceeding to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the financial year ended 26 June 2011.

Share Options

No options have been granted to any individual since September 2001 and there are no outstanding option balances.

Non-Audit Services

The details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided by PKF means that the auditor's independence requirements under the Corporations Act 2001 were not compromised, for the following reasons:

- All non-audit services have been received and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for the Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration in relation to the audit for the financial year is provided on Page 18 of this report as required under section 307C of the Corporations Act 2001.

Rounding Off of Amounts to the Nearest Thousand Dollar

The parent entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the board of directors.

Lynn Wood
Chairman

James Kindl
Joint Managing Director

David Kindl
Joint Managing Director

Sydney 24 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

PKF

Chartered Accountants
& Business Advisers

To: The Directors
Noni B Limited

As lead auditor for the audit of Noni B Limited for the year ended 26 June 2011, I declare that to the best of my knowledge and belief there have been:

a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Noni B Limited and the entities it controlled during the year.

PKF

John Bresolin
Partner

Sydney

24 August 2011

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CORPORATE GOVERNANCE STATEMENT

1. Introduction

The Board of Directors of Noni B Limited is committed to high standards of corporate governance and supports the ASX Group Corporate Governance Council's Corporate Governance Principles and Recommendations for Australian listed companies issued originally in March 2003 and revised in August 2007.

This Corporate Governance Statement was originally adopted by the Board on 23 June 2004 and was updated by the Board on 24 June 2009, and was reviewed and updated as appropriate for the relevant reporting period to 26 June 2011. It will be reviewed at least annually and further revised by the Board as required.

Companies are allowed the flexibility not to implement all of the Recommendations, provided they explain why they have not done so and what alternate approaches have been adopted. This is known as the 'if not, why not' approach.

The Board has determined whether, and to what extent, the Company may benefit from adopting the Recommendations and has, where appropriate, applied the principles of the Recommendations to the Company. The Board considers that some Recommendations are not appropriate for the Company and would not improve the efficiency or integrity of the Company's business.

This Corporate Governance Statement, referencing the Recommendations, is accessible from the Company's website www.nonib.com.au/governance.

In this Corporate Governance Statement, references to the "Managing Director" includes any Joint Managing Directors of the Company, references to "Directors" include any director of the Company and references to "Senior Executives" means the senior management team as distinct from the Board, being those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance and includes, as the context requires, the executive directors, the Chief Financial Officer/Company Secretary and the General Managers of the Company.

2. Principle 1: Lay solid foundations for management and oversight

The Board is responsible for seeking to increase shareholder value by establishing a reputation for consistent and sustained long-term profit growth.

The Board has adopted a Board Charter which formally sets out the functions and responsibilities of the Board and Senior Executives, and enables them to perform their role more effectively. The Board Charter creates a system of checks and balances to provide a balance of authority.

The four main responsibilities of the Board are:

1. setting the Company's strategy;
2. recruiting, appointing and monitoring the performance of the Managing Director;
3. ensuring that appropriate corporate governance and risk management policies are established and performance against those policies is monitored and assessed; and
4. ensuring that appropriate resources are available to Senior Executives to execute the Company's strategy and monitor performance.

More specifically, these responsibilities are set out in the Board Charter available on the Company's website www.nonib.com.au.

Performance evaluations for the Senior Executives have taken place in the reporting period in accordance with the process disclosed in the Board Charter.

3. Principle 2: Structure the board to add value

The Board currently consists of five directors. The five directors comprise an independent Chairman, one other independent director, a non executive director and two Joint Managing Directors. "Independent" means a non executive director who is independent of management and who is free of any business or other relationship that could materially interfere with the exercise of independent judgement. The specific criteria used to assess independence are set out in the Board Charter under the heading "Independent Director".

The independent directors are Lynn Wood and Joycelyn Morton.

None of the current independent directors have any of the relationships affecting independence referred to in the Board Charter (available on the Company website.)

Recommendation 2.1 of the Recommendations recommends a majority of the Board should be independent directors. The Board does not currently have a majority of independent directors. The Board is of the view that Recommendation 2.1 is not appropriate for the Company at this time. The Board considers that the current directors of the Company possess the appropriate range of skills, experience and expertise to fulfill their responsibilities to the Company and its shareholders. The Board will continue to consider the need for the appointment of qualified independent applicants who possess the appropriate qualifications to serve as directors on the Board.

Details of the Directors in office at the date of this annual report, the period of office held by each director and the skills, experience and expertise relevant to the position of Director held by each of them as set out in page 6 of the Directors Report.

To assist directors in carrying out their duties effectively, any director may seek independent professional advice at the Company's expense. Prior written approval by the Chairman is required, but approval will not be unreasonably withheld. All directors are made aware of the professional advice sought and obtained.

Recommendation 2.4 is that a nomination committee be established. Given the size of the Company, a formal nomination committee has not been established. However, the objectives of such a committee are addressed in clause 7 of the Board Charter and the functions that would otherwise be undertaken by a nomination committee are undertaken by the Board.

Evaluation of performance

The processes for evaluating the performance of the Board, its committees and individual directors are set out in section 7 of the Board Charter.

A performance evaluation of the board, its committees and its members was conducted in accordance with clause 7 of the Board Charter. This evaluation was conducted on an internal basis in October 2010.

Regular assessments

The Board regularly assesses whether each non executive director is an independent director. Each non executive is required to provide to the Board all information that may be relevant to this assessment.

Independent Chairman

The Chairman of the Board is an independent, non-executive director of the Company.

Separate Chairman and Managing Director

The Chairman is currently an independent director and the roles of the Chairman and the Managing Director are not exercised by the same person.

Board Committees

To assist in the execution of the Board's corporate governance responsibilities, the Board has established two committees:

1. the Audit & Risk Management Committee – to help protect the integrity of financial reports; and
2. the Remuneration Committee – to help ensure that the Company remunerates fairly and responsibly.

Both of these Committees have an independent director as Chairman.

The current membership of the Board and the Audit & Risk Management Committee and the Remuneration Committee is set out in the table below:

Board Director	Board Member Type	Audit and Risk Management Committee	Remuneration Committee
Lynn Wood	Independent Chairman	Member	Independent Chairman
Joycelyn Morton	Independent Director	Independent Chairman	Member
Alan Kindl	Non Executive Director	Member	Member
James Kindl	Joint Managing Director		
David Kindl	Joint Managing Director		

For information concerning the Board's policy and procedure regarding nomination and appointment of directors, further details are available on the company website.

4. Principle 3: Promote ethical and responsible decision-making

The Board seeks to ensure that all directors, Senior Executives and employees of the Company act honestly, transparently, diligently and with integrity, striving to enhance the reputation and performance of the Company.

The Board seeks to ensure that the Company has regard to the reasonable expectations of its stakeholders, including shareholders, employees, customers, suppliers, creditors and the community in which the Company operates.

The Board has established a Code of Conduct setting out the Company's obligations to its stakeholders.

The Company's Policy & Procedures manual includes a range of documented policies and standards, including privacy, confidentiality, recruitment and equal employment opportunity. Together with the Code of Conduct, these policies and standards are reinforced by regular training programmes and monitoring of compliance and are equally applicable to the Company's directors and Senior Executives.

Dealings in the Company's Securities and associated products

The Company has adopted a securities trading policy for the Company's directors and Senior Executives. Details of the Securities Trading Policy are included at as a separate section below.

Consistent with the law, directors, Senior Executives and employees must not trade directly or indirectly or procure others to trade in the Company's securities or associated products whilst in possession of unpublished price sensitive information.

Directors, Senior Executives and employees must not use inside information for personal gain.

Price sensitive information is information, usually about the Company or its intentions, which a reasonable person would expect to have a material effect on the price or value of Company securities.

Directors, Senior Executives and certain other employees are generally permitted to deal in the Company's securities in the six weeks following the announcement of the half yearly and annual results.

Permission to trade in the Company's securities outside these periods must be obtained from the Chairman.

A director must notify the Chairman, outside prescribe periods, of any proposed dealing in the Company's securities prior to transacting, followed with written and verbal confirmation of the trading detail to the Company Secretary, including any change in the director's (or related entities) legal or beneficial interest in the Company's securities so as to ensure compliance with the disclosure requirements of the ASX Listing Rules and the Corporations Act 2001.

More details are included on the company's website.

Diversity Policy

This Diversity Policy has been developed by Noni B's Board which is responsible for identifying nominees for directorships and other key executive appointments.

In relation to Board composition the Board is responsible for ensuring that it is of a size and composition that allows for:

1. Decisions to be made appropriately and expediently;
2. A range of different perspectives to be put forward regarding issues before the Board;
3. A range of different skills to be brought to Board deliberations; and
4. Board decisions to be made in the best interests of the Company as a whole rather than of individual shareholders or interest groups.

The Noni B Board Charter states "the composition of the Board reflects diversity in skills, experience, age and gender".

With regard to gender, the Board's objectives are set out below:

Measurable objectives:

1. Board – to maintain the representation of each gender on the Board at a minimum of 40% and
2. Senior Management – to maintain the representation of each gender in Senior Management roles at a minimum of 40%

The Board composition at all times during the year was 40% female and 60% male.

The Senior Management team comprised 40% female and 60% male at all times during the year.

Accordingly, the Company achieved both of the above objectives at all times during the year.

During the FY2011 the Company's workforce comprised 99% female employees.

The Diversity Policy is accessible from the Company's website www.nonib.com.au/governance.

5. Principle 4: Safeguard integrity in financial reporting

The Board has established an Audit and Risk Management Committee. The roles and responsibilities of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Charter.

The Audit and Risk Management Committee comprises three members, the majority of whom are independent directors. All of the members of the Audit and Risk Management Committee are non executive directors. The Chairman of the Audit and Risk Management Committee is an independent director and a qualified accountant and therefore satisfies Recommendation 4.2 for independence and appropriate technical expertise. Recommendation 4.2 also recommends that the Chairman of the Audit and Risk Management Committee not be the Chairman of the Board. The current structure complies with this recommendation.

During the Reporting Period the Audit and Risk Management Committee consisted of the following members, whose attendance at meetings of the committee is listed below.

Committee member	Number eligible to attend	Number attended
Joycelyn Morton (chairman)	3	3
Alan Kindl	3	3
Lynn Wood	3	3

As part of the Company's structure of financial review and authorisation, in accordance with the Corporations Act, both the Managing Director and Chief Financial Officer are required to provide a written statement to the Board that to the best of their knowledge and belief, the Company's financial records have been properly maintained, and its financial statements and notes present a true and fair view, in all material respects, of the Company's financial position and performance and are in accordance with relevant accounting standards.

This statement to the Board is underpinned by the requirement for appropriate Senior Executives to provide a signed letter of representation addressed to the Managing Director and Chief Financial Officer verifying material issues relating to the executive's area of responsibility and disclosing factors that may have a material effect on the financial results or operations of the Company.

External auditors

The Board seeks to ensure that audit quality and effective audit service is provided by a suitably qualified competent and independent audit firm and the Audit and Risk Management Committee regularly assesses this company's performance and independence. The Board ensures that the External Auditor is fairly rewarded for the agreed scope of the statutory audit and audit-related services.

The recommendation for the appointment of the external auditor is made by the Audit and Risk Management Committee after evaluation by that Committee taking into account expertise, experience, resources and reputation of proposed external auditors.

The rotation of the external auditor engagement partner every five years in accordance with the Corporations Act 2001 is monitored by the Audit and Risk Management Committee.

6. Principle 5: Make timely and balanced disclosure

The Company has implemented a Continuous Disclosure Policy to ensure timely and continuous disclosure to the market of material information relating to the Company and to ensure that all stakeholders have an equal opportunity to access information.

The policy and practice of the Company reflects the ASX Listing Rules requirements and the requirements of the Corporations Act 2001 regarding continuous disclosure requirements and the process of notifying the market.

Details of the Continuous Disclosure Policy are included on the company's website.

7. Principle 6: Respect the rights of shareholders

The Company's communication policy is designed to empower shareholders by communicating effectively with them and by giving them access to balanced and understandable information on the Company. The Company is required under the Corporations Act 2001 and the Listing Rules of the ASX to keep the market fully informed of all information that could materially affect the value of its securities.

The Company is committed to ongoing communication across its entire shareholder base consisting of institutional investors, private and employee shareholders. This is achieved principally by the distribution of regular information updates to shareholders which consist of the following:

- the annual and half yearly financial results and report;
- relevant announcements released to the ASX;
- notice of meeting and explanatory material for the annual general meeting;
- the Chairman's and Managing Director's address to shareholders;
- occasional letters from the Managing Director and Chairman informing shareholders of key matters of interest;
- any presentation to analysts; and
- an invitation to attend the annual general meeting, to ask questions of the Board and the External Auditor who is available to answer questions about the conduct of the audit, as well as the preparation and content of the External Auditor's report.

The Company currently uses its website via the "Investor Centre" page on the website to provide information to the Company's shareholders.

8. Principle 7: Recognise and manage risk

Risk Management and Oversight

The responsibility of risk management and oversight is co-ordinated through the Audit and Risk Management Committee, with Senior Executives.

The Senior Executives are responsible for designing, implementing and reporting to the Board on the adequacy of the Company's risk management and internal control system to manage the Company's material business risks. The Senior Executives report to the Audit and Risk Management Committee on the key risks faced by the Company and the extent to which they believe those risks are being managed. The Board requires management to report to it through the Audit and Risk Management Committee on whether the Company's material business risks are being managed effectively. Ordinarily this is done on a half yearly basis but it can be more frequently if required by the Audit and Risk Management Committee or the Board.

Although the Board has ultimate responsibility to satisfy itself each year, or more frequently where required, that the Senior Executives have developed and implemented for the Company a sound system of risk management and internal control, the Board delegates to the Audit and Risk Management Committee the detailed work required for this review. The Board reviews the detailed work done by and the recommendations of the Audit and Risk Management Committee.

Assurance

To encourage management accountability in this area, both the Managing Director and the Chief Financial Officer are required to provide a written statement to the Board that to the best of their knowledge and belief the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board acknowledges that due to its nature, this assurance cannot be absolute because of factors such as the need for the exercise of judgment, the use of sample based testing and inherent limitations in internal controls.

Sign off letters in relation to the material business risks identified in respect of the Company (including responses to all questions asked as part of such letters) are completed by all relevant general managers and key finance personnel on a half yearly basis. The letters are then reviewed by the Chief Financial Officer and the Company's external auditors as part of the Company's half-yearly reporting to the ASX and as part of the compliance with section 295A of the Corporations Act and Recommendations 7.2 and 7.3.

The key elements of the Company's policy on risk management are summarised as follows:

- Financial reporting – there is a comprehensive budget process with annual budgets approved and actual performance to budget monitored on a monthly basis.
- Departmental control – financial controls and procedures including information systems controls are set out in the Company's Procedure Manual and are built in to the key financial systems. Weekly financial results and cash flow reports help recognise and manage risks. Senior Executives report to the Board regularly on material business issues including financial results.
- Investment and Capital expenditure – Senior Executives are provided with levels of delegated authority to incur day to day operational expenditure. All expenditure decisions exceeding such levels are approved by the Board. Major projects (legal and tax) are reviewed by external advisers, as required.

Internal Audit Function

The Board has determined, having regard to the size of the Company and its business model that the types of risks involved in the Company's business do not justify having a separate internal audit function.

The external auditor function is separate and independent of the above processes.

9. Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee which comprises of three members, two of whom are independent directors. The remuneration committee is chaired by an independent director. The roles and responsibilities of the Remuneration Committee are outlined in the Company's Charter of the Remuneration Committee. The Remuneration Committee reviews the remuneration of the Directors and Senior Executives as well as the Company's human resources policies and makes recommendations to the Board.

Committee member	Number eligible to attend	Number attended
Lynn Wood (chairman)	1	1
Joycelyn Morton	1	1
Alan Kindl	1	1

Details about the Company's remuneration policy are discussed in the Remuneration Report set out on pages 8 to 16 of the Company's Annual Report.

The Directors Report discloses the Directors, Non-Executive Directors and executives remuneration, benefits, incentives and allowances where relevant.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 26 June 2011

		Consolidated	
	Note	2011 $'000	2010 $'000
Continuing Operations			
Revenue	3	117,286	117,368
Other revenues	3	2,918	2,308
Expenses, excluding finance costs	4	(119,149)	(113,991)
Finance costs	5	(29)	(71)
Impairment of goodwill	11	(438)	–
Profit before income tax expense		588	5,614
Income tax expense	6	(357)	(1,747)
Profit for the year		231	3,867
Profit attributed to members of the parent entity		231	3,867
Other comprehensive income		–	–
Total comprehensive income attributable to members of the parent entity		231	3,867
Earnings per share			
Basic earnings per share (cents per share)	23	0.7	12.1
Diluted earnings per share (cents per share)	23	0.7	12.1
Dividend per share (cents per share)	19	4.0	6.0

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
as at 26 June 2011

	Note	Consolidated 2011 $'000	2010 $'000
Current Assets			
Cash and cash equivalents	18	5,484	4,420
Trade and other receivables	7	1,453	1,074
Inventories	9	14,281	15,914
Total Current Assets		21,218	21,408
Non-Current Assets			
Trade and other receivables	7	6	6
Property, plant and equipment	10	9,188	10,270
Intangible assets	11	10,610	11,048
Deferred tax assets	6	2,384	2,188
Total Non-Current Assets		22,188	23,512
Total Assets		43,406	44,920
Current Liabilities			
Trade and other payables	12	12,833	13,235
Tax Liabilities	6	157	579
Short term borrowings	13	176	139
Short term provisions	14	3,374	2,995
Total Current Liabilities		16,540	16,948
Non-Current Liabilities			
Trade and other payables	12	1,321	1,469
Long term borrowings	13	170	197
Long term provisions	14	505	505
Deferred tax liabilities	6	131	159
Total Non-Current Liabilities		2,127	2,330
Total Liabilities		18,667	19,278
Net Assets		24,739	25,642
Equity			
Issued capital	15	22,105	22,105
Reserves		440	289
Retained earnings		2,194	3,248
Total Equity		24,739	25,642

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
for the year ended 26 June 2011

	Note	Issued capital $'000	Retained earnings $'000	Equity Reserve $'000	Total $'000
Balance at 28 June 2009		22,105	1,307	122	23,534
Comprehensive income attributed to members of the parent entity		–	3,867	–	3,867
Total recognised income and expense for the year		–	3,867	–	3,867
Share based payments	29	–	–	167	167
Dividends paid or provided for	19	–	(1,926)	–	(1,926)
Balance at 27 June 2010	15	22,105	3,248	289	25,642
Comprehensive income attributed to members of the parent entity		–	231	–	231
Total recognised income and expense for the year		–	231	–	231
Share based payments	29	–	–	151	151
Dividends paid or provided for	19	–	(1,285)	–	(1,285)
Balance at 26 June 2011	15	22,105	2,194	440	24,739

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

CASH FLOW STATEMENT
for the year ended 26 June 2011

	Note	Consolidated 2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		134,631	133,288
Payments to suppliers and employees		(128,592)	(123,790)
Interest received		200	162
Finance costs		(29)	(71)
Income tax refund received		-	963
Income taxes paid		(1,003)	(1,425)
Net cash provided by operating activities	18(b)	5,207	9,127
Cash flows from investing activities			
Payments for property, plant and equipment		(2,743)	(2,655)
Proceeds from sale of property, plant and equipment		49	74
Net cash used in investing activities		(2,694)	(2,581)
Cash flows from financing activities			
Repayment of borrowings		-	(3,000)
Payments of finance lease principal		(106)	(135)
Commercial hire purchase repayments		(58)	(29)
Dividends paid		(1,285)	(1,926)
Net cash used in financing activities		(1,449)	(5,090)
Net increase in cash and cash equivalents		1,064	1,456
Cash and cash equivalents at the beginning of the financial year		4,420	2,964
Cash and cash equivalents at the end of the financial year	18(a)	5,484	4,420

The above statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. Introduction

The financial report covers the consolidated entity of Noni B Limited the company and controlled entities. Noni B limited is a listed public company incorporated and domiciled in Australia and is the ultimate parent entity of the group.

a. Operations and principal activities

The principal activities of the consolidated entity constituted by the company and the entities it controlled during the financial year were the retailing of the women's apparel and accessories.

b. Scope of financial statements

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, other authoritative announcements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report of Noni B Limited and its controlled entities comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety ensuring that the financial statements and notes also comply with the International Financial Reporting Standards.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

c. Currency

The financial report is presented in Australian currency.

d. Reporting Period

The financial report is presented for the year ended 26 June 2011. The comparative reporting period ended at 27 June 2010.

e. Registered Office and Principal place of business

10 Garling Road, Kings Park
NSW 2148, Australia.

f. Authorisation of financial report

The financial report was authorised for issue by the Directors on 24 August 2011.

Note 2. Summary of Significant Accounting Policies

a. Overall Policy

The principal accounting policies adopted by Noni B Limited and its subsidiaries are stated in order to assist in the general understanding of the financial report.

b. Significant Judgement and Key Assumptions

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates

Impairment
The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Details of the impairment disclosures and key estimates are set out in Note 11(a) of the Financial Report.

Impairment of goodwill has been recognised for the year ended 26 June 2011, refer to note 11 for details.

No impairment has been recognised in respect of brand names for the year ended 26 June 2011.

Customer Loyalty
The group provides for a customer loyalty provision for its loyalty events based on an estimate of the loyalty redemption by the loyalty customers. The estimate is based on historical experience and other factors relevant to customer spending.

The group's customer loyalty provision is calculated on 5% of loyalty sales is and based on a redemption rate of 30%.

c. Financial Assets and Financial Liabilities

Financial assets and financial liabilities are initially recognised at cost on the statement of financial position when the Company becomes party to the contractual provisions of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The investments in subsidiaries that are not classified as held for sale or included in a disposal group classified as held for sale are accounted for at cost.

Financial liabilities comprising trade and other payables, provisions and borrowings are measured at amortised cost using the effective interest method.

Trade accounts payable represent the principal amounts outstanding at reporting date plus, where applicable, any accrued interest.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectability.

Note 2. Summary of Significant Accounting Policies (continued)

d. Consolidation Policy

The consolidated financial report comprises the accounts of Noni B Limited and all of its controlled entities. A controlled entity is any entity controlled by Noni B Limited. Control exists where Noni B Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Noni B Limited to achieve the objectives of Noni B Limited. A list of controlled entities is disclosed in Note 8 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

e. Recognition Revenue

i. Sale of goods

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer and when the other contractual obligations of the entity are performed.

ii. Revenue from rendering of services

Revenue from rendering of services is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably and when the other contractual obligations of the entity are performed.

iii. Interest revenue

Interest revenue is recognised using the effective interest method. It includes the amortisation of any discounts or premium.

f. Leases

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefits are diminished.

Lease incentives under operating leases are recognised as liabilities. The incentives are recognised as a reduction of expenses on a straight line basis unless another systematic basis is more representative of the time pattern in which benefits are diminished.

g. Income taxes

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Tax Consolidation

The Company and its wholly owned Australian subsidiaries are part of a tax consolidated group under Australian taxation law. The Company is the head entity.

Effective 1 July 2005, the tax consolidated group has entered into a tax sharing and funding agreement whereby each company in the group contributes to the income tax payable based on each company's notional stand alone net income tax position for each year. The Company as head entity is responsible for recognising only the current tax assets and liabilities and related franking credits of the tax consolidated group whilst deferred tax assets and liabilities are recognised by each company member.

In addition, the tax funding agreement allows for the allocation of income tax liabilities between the member companies should the Company as head entity default on its tax obligations. However, any additional contribution made by each subsidiary will be, firstly, deducted against other funding obligations owed by the subsidiary, and secondly, to the extent that it is not so deducted, it will be treated as a funding obligation owed by the Company to the subsidiary.

h. Inventories

Finished goods

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis. Cost comprises all costs of purchase and conversion and an appropriate proportion of fixed and variable overheads, net of settlement discounts. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

i. Receivables

Trade accounts receivables and other receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and provision for doubtful accounts.

j. Borrowings

Bill facilities and bank overdrafts are recognised in the financial statements on the basis of the nominal amounts outstanding at the reporting date plus accrued interest. Borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

Note 2. Summary of Significant Accounting Policies (continued)

k. Property, Plant and Equipment

Property, plant and equipment are included as cost less where applicable any accumulated depreciation and impairment loss. Assets in plant and equipment (except for capitalised leased assets) are depreciated on a straight line basis over their estimated useful lives covering a period of three to six years.

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss.

l. Intangibles

i. Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the statement of comprehensive income.

ii. Brand Names

Brand names are recognised as an asset and are tested for impairment annually. Whenever there is an indication that the brand names may be impaired any impairment is recognised immediately in the statement of comprehensive income.

In assessing the useful life of Noni B brand names, due consideration is given to the existing longevity of Noni B brands, the indefinite life cycle of the industry in which Noni B operates and the expected usage of the brand names in the future. In light of these considerations no factor could be identified that would result in the brand names having a finite life and therefore Noni B brand names have been assessed as having an indefinite useful life.

m. Impairment Of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

n. Contingent Liabilities

A contingent loss is recognised as an expense and a liability if it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred and, a reasonable estimate of the amount of the resulting loss can be made.

o. Short Term Employee Benefits

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered. They comprise wages, salaries, social security obligations, short-term compensation absences, profit-sharing and bonuses payables within 12 months and non-mandatory benefits such as medical care, housing, car and service goods.

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Group has a present obligation to pay resulting from employee services provided up to reporting date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

p. Long Term Employee Benefits

Long term employee benefits include long-service leave, long-term disability benefits, deferred compensation and profit sharing and bonuses payable 12 months or more after the end of the period in which employee service are rendered.

During the financial year ended 28 June 2009 and in prior years, selected executives were offered participation in the Deferred Employee Share Plan ("DESP"). Details of the DESP are set out in Note 29 to the financial statements. These benefits are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date and are recognised as an expense.

q. Events after the Reporting Date

Assets and liabilities are adjusted for events occurring after the reporting date that provide evidence of conditions existing at the reporting date.

r. Cash and Cash Equivalents

Cash and cash equivalents comprise:

i. cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;

ii. investments in money market instruments; and

iii. cash in transit.

s. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Note 2. Summary of Significant Accounting Policies (continued)

t. Customer loyalty programs

The company and the group operate a customer loyalty scheme. The scheme provides for rebate vouchers to be issued to customers twice yearly, based on customer's purchases during the loyalty period. The vouchers have expiry dates six weeks after issue. The company and the group allocate a portion of sales revenue to the liability for customer loyalty based on the historical redemption rate. The deferred portion is recognised as revenue only after all the rebate obligations have been fulfilled.

u. Issued capital

Issued capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

v. Share-based payment arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share based payment transaction.

For equity-settled share based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

Refer to Note 29 for information about share-based payment arrangements, how the fair value of goods or services received and the fair value of equity instruments granted were determined and the effect of the transactions on statement of comprehensive income and statement of financial position.

w. Adoption of new and revised accounting standards

i. New accounting standards applicable in the current period

No new accounting standards were applicable to the company during the current year.

ii. New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The applicable standards and their impact in Noni B are as follows;

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]
This Standard makes amendments to Australian Accounting Standard AASB 124 *Related Party Disclosures*.

These amendments arise from a decision of the AASB to remove the individual key management personnel (KMP) disclosures from AASB 124 on the basis they:

- are not part of International Financial Reporting Standards (IFRSs), which include requirements to disclose aggregate (rather than individual) amounts of KMP compensation;
- are not included in New Zealand accounting standards and, accordingly, their removal is consistent with meeting the 2010 Outcome Proposal of the Australian and New Zealand governments that for-profit entities are able to use a single set of accounting standards and prepare only one set of financial statements;
- are considered by the AASB to be more in the nature of governance disclosures that are better dealt with as part of the Corporations Act 2001;
- were originally included in AASB 124 when fewer similar disclosure requirements were included in the Corporations Act and, in many respects, relate to similar disclosure requirements currently in that Act and therefore detract from the clarity of the requirements applying in this area; and
- could be considered (during the transition period for this Amending Standard) for inclusion in the Corporations Act or other legislation to the extent they presently go beyond the requirements in legislation and are considered appropriate in light of government policy.

x. Rounding of Amounts

The parent entity has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

y. Comparative Figures

Where required by accounting standards, the reclassification of comparatives has been performed in order to conform to the changes in presentation for the current financial year.

Note 3. Revenue

	Consolidated 2011 $'000	2010 $'000
Sales of goods	117,286	117,368
Other revenue		
Jewellery commission	2,299	1,431
Other Income	376	691
Interest	200	162
Profit on sale of non-current assets	43	24
Total other revenue	2,918	2,308
Total revenue	120,204	119,676

Note 4. Expenses

Cost of sales	49,275	47,309
Marketing and selling expenses	31,655	30,704
Occupancy expenses	29,392	28,047
Administrative expenses	8,557	7,682
Other expenses	270	249
Total expenses excluding finance costs	119,149	113,991

Note 5. Profit for the Year

Profit before income tax includes:		
Finance costs comprising interest attributed to:		
– finance lease charges	29	28
– bank	–	43
Total finance costs	29	71
Amortisation of non-current assets:		
– capitalised leased assets and CHP assets	155	133
Total amortisation	155	133
Depreciation of non-current assets	3,625	3,831
Bad and doubtful debts write-back	–	(31)
Aggregate inventory write downs and other losses	818	767
Impairment of goodwill	438	–
Impairment/write-down of non-current assets to recoverable amount	213	216
Net expenses resulting in deductions from the carrying amounts of assets	5,094	4,783
Operating lease rental expenses	23,964	22,538
Net gains on disposals of property, plant and equipment	(43)	(24)
Employee benefits expense	32,800	31,360

Note 6. Income Tax

	Consolidated 2011 $'000	Consolidated 2010 $'000
Major components of income tax expense		
Current income tax expense	515	1,767
Adjustment of prior year tax expense	(5)	(2)
Deferred tax	(153)	(18)
Income tax expense	357	1,747
Reconciliation between income tax expense and prima facie tax on accounting profit		
Accounting profit	588	5,614
Tax at 30% (2010-30%)	176	1,684
Tax effect on non deductible expenses		
Impairment of goodwill	132	-
Non deductible entertainment costs	9	12
Other non deductible items	45	53
Over provision from prior year	(5)	(2)
Income tax expense	357	1,747
Tax Liabilities		
Current tax liabilities / (assets)	157	579
Applicable tax rate		
The applicable tax rate is the national tax rate in Australia of 30%		
Analysis of deferred tax assets:		
Employee entitlements	1,164	1,039
Lessors fit out contribution	555	584
Accruals	47	43
Provision for shrinkage/obsolescence/absorption costs	292	302
Provision for customer loyalty	184	147
Other	142	73
Total deferred tax assets	2,384	2,188
Analysis of deferred tax liabilities:		
Income receivable from lay-by sales	107	148
Other	24	11
Total deferred tax liabilities	131	159

The movement in above analysis in deferred tax assets and liabilities for each temporary difference during the year is debited/credited to the statement of comprehensive income.

No amount has been recognised for the period as tax-consolidation contribution by or distribution to equity participants.

Note 7. Trade and Other Receivables

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Trade accounts receivable	449	488
Allowance for impairment loss	–	–
Total trade receivables	449	488
Other receivables and prepayments	1,004	586
Total current receivables	1,453	1,074
Non-current		
Loans to employees	1	1
Other receivables and prepayments	5	5
Total non-current receivables	6	6

Current trade accounts receivables comprise lay by sale balances and are generally on 45 day terms.

Only an insignificant amount of trade receivables at reporting date is past due, and based on a review of these receivables the company has made no provision for impairment loss for past due balances.

Note 8. Other Financial Assets/ Controlled Entities

Parent entity

	Country of incorporation	Proportion of ordinary ownership interest 2011	Proportion of ordinary ownership interest 2010
Investments in subsidiaries			
Hapago Pty Ltd	Australia	100%	100%
Stellvine Pty Ltd	Australia	100%	100%
La Voca Pty Ltd	Australia	100%	100%

For each subsidiary, there were 2 fully paid ordinary shares at $1 each on issue at reporting date. The parent entity's total investment in subsidiaries was $6.

Consolidated

The parent entity within the group is Noni B Limited.

Note 9. Inventories

	Consolidated 2011 $'000	Consolidated 2010 $'000
Current		
Finished goods at cost	14,357	15,980
Provision for shrinkage	(76)	(66)
Total inventories	14,281	15,914

Note 10. Property, Plant and Equipment

	Consolidated 2011 $'000	2010 $'000
Plant and Equipment		
a. Plant and equipment – at cost	32,825	32,990
Less accumulated depreciation	(23,856)	(22,942)
	8,969	10,048
b. Leased plant and equipment		
Capitalised lease assets – at cost	155	240
Less accumulated amortisation	(145)	(167)
	10	73
c. Commercial hire purchase – plant and equipment		
Plant and equipment under commercial hire purchase	346	188
Less accumulated amortisation	(137)	(39)
	209	149
Total property, plant and equipment	9,188	10,270
d. Movements in Carrying Amounts		
i. Plant and Equipment		
Movements during the year:		
Opening net book value	10,048	11,440
Additions	2,759	2,655
Disposals	–	–
Recoverable amount write-downs	(213)	(216)
Depreciation expense	(3,625)	(3,831)
Closing net book value	8,969	10,048
ii. Leased Assets		
Movements during the year:		
Opening net book value	73	217
Additions	–	–
Disposals	(6)	(50)
Amortisation expense	(57)	(94)
Closing net book value	10	73
iii. Plant and equipment under commercial hire purchase		
Movements during the year:		
Opening net book value	149	115
Additions	158	73
Amortisation expense	(98)	(39)
Closing net book value	209	149

Note 11. Intangible Assets

	Consolidated 2011 $'000	2010 $'000
Brand Names – at cost	5,583	5,583
Less: accumulated amortisation and impairment losses	–	–
Net carrying value	5,583	5,583
Goodwill	5,465	5,465
Less: accumulated impairment losses	(438)	–
Net carrying value	5,027	5,465
Total intangibles	10,610	11,048

a. Impairment Disclosures

The recoverable amount of the cash-generating unit's goodwill has been determined by a value in use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady growth rate, together with a terminal value.

The key assumptions used in the models are those to which the recoverable amount of an asset is most sensitive.

The following key assumptions were used in the discounted cash flow model for the company:

a. 16.97% (2010:15%) pre tax discount rate

b. 1-3% (2010: 3%) per annum projected short term growth rate

The discount rate of 16.97% pre tax reflects management's estimate of the time value of money and the entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 3% long term growth rate is reasonable and justified based on the general slowing in the market.

There were no other key assumptions.

An impairment loss based upon a value in use calculation of $438,000 (2010: nil) relating to goodwill was recognised for continuing operations in the 2011 financial year. The impairment loss has been recognised in the statement of comprehensive income.

Sensitivity

As discussed above, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in the carrying amount. The sensitivities are as follows:

i. If the short term growth rate were to decrease by more than 1% the goodwill would need to be further impaired by $730,826, with all other assumptions remaining constant.

ii. If the discount rate were to increase by more than 1% the goodwill would need to be further impaired by $1,948,760, with all other assumptions remaining constant.

iii. If the long term growth rate were to decrease by more than 1% the goodwill would need to be further impaired by $1,201,168, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the entity's goodwill is based would not cause the entity's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment of goodwill.

Brand names have indefinite useful lives. Directors believe that the life of the assets is of such duration and the residual value of the assets to the group would be such that the amortisation charges, if any would not be material.

Note 12. Trade and Other Payables

	Consolidated 2011 $'000	2010 $'000
Current		
Trade accounts payable	9,439	10,008
Other payables	2,801	2,675
Lease incentives and fit-out contributions	593	552
Total current	12,833	13,235
Non-Current		
Lease incentives and fit-out contributions	1,321	1,469
Total non-current	1,321	1,469

Note 13. Borrowings

Short term		
Secured borrowings:		
Finance lease liabilities	37	94
Commercial hire purchase liabilities	139	45
Total short term secured borrowings	176	139
Long term		
Finance lease liabilities	–	49
Commercial hire purchase liabilities	170	148
Market rate facility	–	–
Total long term secured borrowings	170	197

Finance lease liabilities and commercial hire purchase liabilities are secured by the assets subject of the finance leases and commercial hire purchase agreements.

Note 14. Provisions

Current		
Employee benefits	3,374	2,995
Total current provisions	3,374	2,995
Non-current		
Employee benefits	505	469
Provision for NDEIP	–	36
Total non-current provisions	505	505
Aggregate employee entitlements	3,879	3,464

	Number	Number
Number of employees	1,041	1,048

Provisions movement	NDEIP $'000
Carrying amount at start of year	36
Charged/credited to Statement of Comprehensive Income during the year	
– Unused amounts reversed	(36)
Carrying amount at end of year	–

Note 15. Issued Capital

	Consolidated 2011 $'000	2010 $'000
32,090,136 authorised ordinary shares fully paid of no par value (2010: 32,090,136 shares of no par value)	22,105	22,105

Ordinary shares participate in dividends and the proceeds of winding up of the parent entity in proportion to the numbers of shares held.

At Shareholder meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

There were no movements in issued capital during the year:

	$'000	$'000
Balance at beginning and end of financial year	22,105	22,105

There were no movements in number of fully paid ordinary shares during the year:

	Number	Number
Balance at end of financial year	32,090,136	32,090,136

a. Capital risk management

The group debt and capital includes shareholders funds and financial liabilities, supported by financial assets.

Directors effectively manage the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

For information on the company's financing and debt facilities, refer to Note 27.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains below 25%. The gearing ratios for the years ended 26 June 2011 and 27 June 2010 for the consolidated group and company are as follows:

	Note	26 June 2011 $'000	27 June 2010 $'000
Total debt	13	346	336
Total equity		24,739	25,642
Total capital		25,085	25,978
Gearing ratio		1.4%	1.3%

Note 16. Financial Instruments

a. Financial and capital risk management

Financial Risk Management Policies

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits and short term borrowings. These activities expose the Group to a variety of financial risks: market risk, i.e. (interest rate risk, currency risks and price risk), credit risk and liquidity and cash flow risk.

The Board fulfils its corporate governance and oversight responsibilities by monitoring and reviewing the integrity of financial statements, the effectiveness of internal financial control and the policies on risk oversight and management. The Board manages the different types of risks to which the Group is exposed by considering risk and monitoring levels of exposure to interest risk and by being aware of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through general business budgets and forecasts.

The Board's overall risk management strategy seeks to assist the group in meeting its financial targets whilst minimising potential adverse effects on financial performance.

Management operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis.

The consolidated entity does not engage in any significant transactions that are speculative in nature.

Note 16. Financial Instruments (continued)

b. Market Risk

i. Interest Rate Risk

The majority of Noni B's assets and liabilities are non-interest bearing and as a result, fluctuations in the prevailing levels of market interest rates would have minimal effect.

Exposure to interest rate risks on financial assets and liabilities are summarised as follows:

Interest rates on finance leases and commercial hire purchase agreements are fixed for the terms of the contracts and are not subject to changes in market interest rates. All borrowings were fully repaid during the previous financial year. Currently the group has no bank borrowing therefore there is no exposure (2010: nil) for any increase/decrease in market interest rate.

At 26 June 2011 if interest rates had changed by 100 basis points from the year end rates with all other variable held constant post tax profit would have been $20,000 lower/higher.

ii. Foreign Exchange risk

The group has no direct exposure to foreign currency risk.

iii. Price risk

The group has no direct exposure to any material equity securities or commodity price risk.

c. Credit Risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date for recognised financial assets is the carrying amount, net of any provisions for impairment loss, as disclosed in the statement of financial position and notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

Current trade account receivables are non-interest bearing loans and are generally on 45 day terms.

Only an insignificant amount of trade receivables at reporting date is past due. The Group has made no provision for impairment loss for past due balances.

d. Liquidity and cash flow risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The tables below analyse the Group's financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated $'000	Weighted Average Interest Rate	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Total
2011						
Financial liabilities:						
Trade and other payables	–	6,830	5,407	–	–	12,237
Bank borrowings	–	–	–	–	–	–
Finance leases	8.77%	2	3	33	–	38
Commercial hire purchase	8.17%	9	19	133	183	344
		6,841	5,429	166	183	12,619
2010						
Financial liabilities:						
Trade and other payables	–	4,880	7,803	–	–	12,683
Bank borrowings	–	–	–	–	–	–
Finance leases	8.93%	5	10	89	50	154
Commercial hire purchase	7.82%	5	10	44	160	219
		4,890	7,823	133	210	13,056

Note 16. Financial Instruments (continued)

e. Net Fair Values

The carrying amounts of financial assets and liabilities as shown in the statement of financial position approximate their fair value.

Note 17. Commitments for Expenditure

a. Finance leases

Present value of minimum lease payments contracted for at the end of the year:

	Consolidated	
	2011 $'000	2010 $'000
Payable within 1 year	38	103
Payable within 1-5 years	–	50
Total minimum lease payments	38	153
Less: future finance charges	(1)	(10)
Total lease liability	37	143
Reflected in financial statements		
Current liability (Note 13)	37	94
Non-current liability (Note 13)	–	49
	37	143

Finance leases on motor vehicles are generally over a three year period with a 40% residual on completion.

b. Commercial hire purchase

Present value of minimum commitments under hire purchase arrangements:

Payable within 1 year	161	58
Payable within 1-5 years	183	160
Total minimum payments under hire purchase liability	344	218
Less: future finance charges	(35)	(25)
Total hire purchase liability	309	193

Commercial hire purchase on motor vehicles are generally over a three year period with a residual of 30-40% on completion.

Reflected in financial statements		
Current liability (Note 13)	139	45
Non-current liability (Note 13)	170	148
	309	193

c. Operating leases contracted for at the end of the year but not provided for in the financial statements

Total future minimum lease payments under non-cancellable operating leases:

Payable within 1 year	20,383	19,931
Payable within 1-5 years	44,969	44,768
Payable in more than 5 years	1,386	3,141
	66,738	67,840

Property leases on retail stores are mostly non-cancellable with rent payable monthly in advance. Contingent rental provisions within lease agreements generally require minimum lease payments be increased by CPI or a percentage factor. Certain agreements have option arrangements to renew the lease for an additional term.

d. Capital expenditure contracted for but not provided for in the financial statements

Plant and equipment expenditure payable within 1 year	475	947
Total capital expenditure commitments	475	947

Note 18. Cash Flow Information

a. Cash and cash equivalents

	Consolidated 2011 $'000	2010 $'000
Cash and cash equivalents include the following:		
Cash at bank	662	2,398
Cash on hand	54	53
Cash in transit	684	762
Short term deposits	4,084	1,207
Total cash and cash equivalents at end of period	5,484	4,420

b. Reconciliation of net cash provided by operating activities to profit after income tax

	2011 $'000	2010 $'000
Profit after income tax	231	3,867
Aggregate inventory write downs and other losses	818	767
Depreciation	3,625	3,831
Amortisation	156	133
Write-down of assets to recoverable amount	213	216
Impairment of goodwill	438	–
Gain on disposal of property, plant and equipment	(43)	(24)
Share based payments	151	167
Bad debts write back	–	(31)
Change in assets and liabilities:		
(Increase) in trade and other receivables	(379)	(266)
(Increase)/decrease in inventories	814	(2,136)
(Increase)/decrease in deferred tax assets	(196)	631
Increase/(decrease) in deferred tax liabilities	(27)	75
Increase/(decrease) in trade and other payables	(552)	1,061
Increase/(decrease) in income tax liability	(422)	579
Increase/(decrease) in provisions	380	257
Net cash flow from operating activities	5,207	9,127

c. Non cash financing and investing activities

During the year the company acquired $158,000 (2010: $73,000) of motor vehicles by commercial hire purchase.

d. Financing arrangements

The consolidated entity has access to the credit line facilities per Note 27.

Note 19. Dividends Paid

a. Ordinary dividends

	2011 $'000	2010 $'000
Fully franked final ordinary dividend of 3 cents per share (2010: nil cents per share)	964	–
Fully franked interim ordinary dividend of 1 cent per share (2010: 6 cents per share)	321	1,926
Total dividends paid	1,285	1,926

b. Dividends not recognised at the end of the reporting period

The directors have not recommended the payment of any final dividend since the end of the year-end. For the year ended 27 June 2010, in addition to the above dividends, the directors recommended the payment of a final dividend of 3 cents per ordinary share (fully franked at the tax rate of 30%), which was paid on 20 October 2010 out of retained earnings at 27 June 2010, but not recognised as a liability at year end.

No proposed final ordinary dividend (2010: 3 cents fully franked at the tax rate of 30%)	-	964

Note 20. Dividend Franking Credits

Amount of franking credits adjusted for franking credits that will arise from the payment of the amount of the provision for income tax:

	Consolidated	
	2011 $'000	2010 $'000
Balance at end of the year	5,271	4,861

Note 21. Segment Information

Noni B Limited operates wholly within one geographic region – Australia. The principal activity is the retail of women's apparel and accessories.

Note 22. Related Party Disclosure

Other than disclosed in this report, transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Parent and Ultimate Controlling entity

Noni B Limited is the parent and ultimate controlling entity.

Key Management Personnel

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

- Lynn Wood, Chairman
- Alan Kindl, Non-executive director
- Joycelyn Morton, Non-executive director

Executive directors

- James Kindl, Joint Managing Director
- David Kindl, Joint Managing Director

Senior Executives

- Rhonda Kilpatrick, General Manager, Buying & Marketing
- Phillip Fikkers, General Manager, Human Resources Services
- Ann Phillips, CFO and Company Secretary (Appointed 17 August 2010)

Note 22. Related Party Disclosure (continued)

All of the above were also key management personnel during the year ended 28 June 2010.

The aggregate compensation to directors and other members of the key management personnel of the company and the Group is set out below:

	Consolidated	
	2011 $	2010 $
Short-term employee benefits	1,283,352	1,196,819
Post Employment benefits	181,373	172,423
Other long term benefits	40,614	116,734
Termination benefits	–	–
Share based payments	123,535	139,344
	1,628,874	1,625,320

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report on pages 8 to 16.

	Consolidated	
	2011 $	2010 $
Directors		
a. Rent paid on head office premises to Kindl Holdings Pty Limited (a related party to Alan Kindl, David Kindl and James Kindl as directors).	374,000	363,000
b. Directors fees for Alan Kindl were paid to Kindl Holdings Pty Limited, a related party to Alan Kindl, David Kindl and James Kindl as follows	66,896	65,000
c. Directors fees for Lynn Wood were paid to Bergwood Superannuation Fund, a related party to Lynn Wood as follows	12,206	10,837

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Note 23. Earnings Per Share

a. Reconciliations of earnings per share

	2011 $'000	2010 $'000
Continuing operations		
Profit used in calculating basic and diluted earnings per share ordinary share	231	3,867

b. Reconciliations of weighted average number of ordinary share

	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of Basic EPS	32,090,136	32,090,136
Weighted average number of ordinary shares outstanding during the year used in the calculation of Diluted EPS	32,090,136	32,090,136
Basic earnings per share (cents per share)	0.7	12.1
Diluted earnings per share (cents per share)	0.7	12.1

Note 24. Superannuation Commitments

Noni B Limited contributes to industry based retirement plans and other funds which provide accumulated benefits to permanent employees. The level of contribution is determined by the Superannuation Guarantee Legislation. Noni B Limited has no responsibility for the administration or performance of these industry based funds.

Note 25. Auditors' Remuneration

	Consolidated	
	2011 $	2010 $
Remuneration of the auditor of the parent entity for:		
– Audit and review of the financial reports	128,000	142,000
– Tax compliance services	67,960	51,623
Total auditor remuneration	195,960	193,623

Note 26. Contingent Assets and Contingent Liabilities

The company and the group are not aware of any contingent assets and liabilities at reporting date.

The company and the group currently have the following bank guarantees and facilities in place. The guarantees are held by lessors as security against non performance in relation to store leases.

	2011 $'000	2010 $'000
Bank guarantees – limit	260	75
Current exposure	260	75

Note 27. Credit Standby Arrangement and Loan Facilities

The consolidated entity has access to the following credit facilities:

Amount of credit facilities available		
Business Card	550	150
Market Rate Facility	5,000	5,000
Bank Guarantees	260	75
Bank overdraft	2,000	2,000
Total	7,810	7,225
Amount of credit facilities unused		
Business Card	550	150
Market Rate Facility	5,000	5,000
Bank Guarantees	–	–
Bank overdraft	2,000	2,000
Total	7,550	7,150

Note 28. Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Noni B Limited, to affect significantly the operation of Noni B, the results of those operations, or the state of affairs of Noni B Limited in future financial years.

Note 29. Employee Equity-Based Benefit Arrangements

Employee Option Plan ("EOP")

No share options were granted to senior management during the years ended 26 June 2011 or 27 June 2010.

Employee Share Plan ("ESP")

The Company has an Employee Share Plan and the following is a summary of its principal terms:

- Any employee of the Company with at least twelve months service (or a lesser period) at the Board's discretion, is eligible to participate in the Employee Share Plan and may do so at the invitation of the Board.
- Shares may not be issued under the Employee Share Plan if the sum of planned shares to be issued added to the total of issued shares on hand in the previous year, including options issued under an employee option plan exceeds 5% of the total number of ordinary shares issued by the Company at that time.
- The issue price for Plan Shares is determined by the board but will be set at least as high as the market value of the Shares in the Company at the date of offer.
- The Company may offer to provide loans (or such other financial assistance as the Board may from time to time determine) to Eligible Share Plan Employees to enable them to acquire Plan Shares.
- All Plan Shares will rank equally with all other Shares for the time being on issue.
- The repayment date for the loans is ten years from the date of the loan being made subject to continued employment with the Company.

At 26 June 2011, 30,000 ordinary shares were held under the scheme (2010: 30,000).

	Year Ended 2011				Year Ended 2010			
Date shares granted	Number of shares granted	Fair value at issue date: per share $	Aggregate proceeds received $	Fair value at issue date: aggregate $	Number of shares granted	Fair value at issue date: per share $	Aggregate proceeds received $	Fair value at issue date: aggregate $
3 May 2000	30,000	1.00	30,000	30,000	30,000	1.00	30,000	30,000

Deferred Employee Share Plan ("DESP")

The Board considers the motivation, retention and performance of executives of Noni B and its subsidiaries to be important to the achievement of the Company's long term objectives.

Accordingly the Company has a plan for employee incentives in the form of a Deferred Employee Share Plan ("DESP") for senior executives.

DESP

The following is a summary of the principal terms of the plans since inception on 22 July 2005:

- The Plan is facilitated by a Trust under which the Plan Trustee holds ordinary shares on trust for the participants on the terms of the Plan.
- Executives and other employees including non-executive Directors of the Company will be eligible to participate in the Plan as determined by the Board in its absolute discretion.
- Senior executives can sacrifice a portion of their current year cash bonus entitlement.
- Shares may be allocated to eligible employees as part of their annual bonus or remuneration package.
- Shares can be offered by way of grants to executives based on a range of service and/or performance conditions as specified by the Board.
- Directors can participate only by way of sacrificing Directors' fees.
- Shares will be acquired on-market by the Trustee via trading on the ASX, other purchases or from a new issue of shares.
- The shares acquired under the Plan will normally be held on trust by the Trustee until the shares have vested with the particular participant subsequent to satisfaction of any performance and/or criteria and an application for withdrawal has been accepted by the Company.
- Participants are entitled to receive any dividends or other distributions or entitlements made in respect of shares held by the Plan Trustee for the participant's benefit.
- Participants are also entitled to participate in any rights and bonus issues but not in any dividend reinvestment plans.
- Participants may also direct the Plan Trustee to vote shares held on trust for the participant but the Plan Trustee is not entitled to vote on any resolution where voting is by show of hands.

Note 29. Employee Equity-Based Benefit Arrangements (continued)

The fair value at grant date is independently determined using a Binominal Approximation Option Valuation Model that takes into account the exercise price, the term of the rights over shares, 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 rights over shares.

The assessed fair value and model inputs for rights over shares grants which remain operative at 26 June 2011 were as follows:

Offer dated 23 April 2008 and subsequent offer dated 22 June 2009 (Service and performance conditions apply)

Offer dated	23 April 2008	22 June 2009
Number of rights available	200,000	100,000
The assessed fair value at date of grant for each offer was	246 cents	92.3 cents

The model inputs for rights over shares granted at 23 April and 22 June 2009 included:

a. exercise price	Nil	Nil
b. grant date	23 April 2008	22 June 2009
c. expiry date	1 September 2013	1 September 2013
d. share price at grant date	251 cents	90 cents
e. expected volatility of the company's shares	25.76%	36.96%
f. expected dividend yield	5.963%	7.26%
g. risk free interest rate	6.54%	5.32%

Offer dated 23 September 2008 (Service conditions only apply)

Offer dated	23 September 2008
Number of rights available	40,000
The assessed fair value at date of grant was	192 cents

The model inputs for rights over shares granted at 23 September 2008 included:

a. exercise price	Nil
b. grant date	23 September 2008
c. expiry date	5 September 2011
d. share price at grant date	190 cents
e. expected volatility of the company's shares	30.88%
f. expected dividend yield	8.87%
g. risk free interest rate	5.51%

Offer dated 22 June 2009 (Service conditions only apply)

Offer dated	22 June 2009
Number of rights available	175,446
The assessed fair value at date of grant was	90.5 cents

The model inputs for rights over shares granted at 22 June 2009 included:

a. exercise price	Nil
b. grant date	22 June 2009
c. expiry date	1 July 2012
d. share price at grant date	90 cents
e. expected volatility of the company's shares	36.96%
f. expected dividend yield	7.26%
g. risk free interest rate	5.32%

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense was $151,000 (2010:$167,000)

Note 30. Parent Entity Information

	Consolidated	
	2011 $'000	2010 $'000
Information relating to Noni B Limited:		
Current Assets	21,218	21,408
Total Assets	43,406	44,920
Current Liabilities	16,540	16,948
Total Liabilities	18,667	19,278
Issued Capital	22,105	22,105
Retained Earnings	2,194	3,248
Equity Reserve	440	289
Total Shareholders' Equity	24,739	25,642
Profit after tax	231	3,867
Total Comprehensive Income	231	3,867

The commitments and contingent liabilities are the same for the parent as for the group as disclosed in Notes 17 and 26.
Refer to Note 15 for a reconciliation of issued share capital.

DIRECTORS' DECLARATION

The directors declare that:

a. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

b. in the directors' opinion, the attached financial statements and notes are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, and the Corporations Regulations and giving a true and fair view of the financial position and performance of the consolidated entity;

c. the remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

d. the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standard Board (IASB) as disclosed in note 1; and

e. the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

Lynn Wood
Chairman

James Kindl
Joint Managing Director

David Kindl
Joint Managing Director

Declaration made 24 August 2011

INDEPENDENT AUDITOR'S REPORT
to the Members of Noni B Limited

PKF

Chartered Accountants
& Business Advisers

Report on the Financial Report

We have audited the accompanying financial report of Noni B Limited, which comprises the statements of financial position as at 26 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Noni B Limited ("the company") and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

a. the financial report of Noni B Ltd and the consolidated entity is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the company's and consolidated entity's financial position as at 26 June 2011 and of their performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

c. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the Directors' Report for the year ended 26 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Noni B Limited for the year ended 26 June 2011, complies with section 300A of the Corporations Act 2001.

PKF

John Bresolin
Partner

24 August 2011

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PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

ADDITIONAL INFORMATION

Shareholding

The shareholder information set out in the tables below was applicable as at 10 August 2011. The company presently has one class of equity securities on issue, being fully paid ordinary shares.

At a general meeting, every member present in person or proxy, attorney or representative has one vote on a show of hands. On a poll, every member present has one vote for each fully paid share held.

a. Distribution of Shares

	Ordinary Shares '000
Size of Holding	
1–1,000	172
1,001–5,000	1,906
5,000–10,000	1,723
10,000–100,000	5,521
100,001 and over	22,768
Total Number of Shares	32,090

There were 284 holders of less than a marketable parcel of ordinary shares.

b. Twenty Largest Shareholders

	Ordinary Shares Held	% of Issued Shares
Alan Kindl	3,606,926	11.24
David A. Kindl	3,500,000	10.91
James A. Kindl	3,500,000	10.91
Betty Kindl	2,113,617	6.59
RBC Dexia Investor Services Australia	2,040,057	6.36
Citicorp Nominees Pty Limited	1,505,565	4.69
Australian Executor Trustees NSW	1,433,175	4.47
Milton Corporation Limited	867,396	2.70
JP Morgan Nominees Australia	675,614	2.11
HSBC Custody Nominees (Australia) Limited	559,533	1.74
NBL ESP Managers	555,408	1.73
Divopu Pty Limited	287,080	0.89
Chiatta Pty Ltd	195,000	0.61
Kindl Holding Pty Limited	189,662	0.59
Zetingo & Associates Pty Limited	180,596	0.56
Mrs Alison Rita Andrews	176,000	0.55
J P Morgan Nominees Australia Limited	166,064	0.52
Murray Fuel Services Pty Limited	165,000	0.51
Mrs Margaret Lorna Kindl	154,000	0.48
Howard Securities	150,000	0.47
Total Twenty Largest Shareholders	22,020,693	68.62

Alan, Betty, James and David Kindl entered into an agreement prior to listing of the Company's shares on the ASX, which regulates the sale of shares in the company by them. If any one of them wishes to sell any of their shares in the company, they must offer those shares to the others before they sell those shares to any third parties.

c. Substantial Shareholders

	Number of Shares Held
Alan Kindl	3,606,926
David A. Kindl	3,500,000
James A. Kindl	3,500,000
Betty Kindl	2,113,617
RBC Dexia Investor Services Australia	2,040,057

CORPORATE DIRECTORY

Directors

Lynn Wood	Non-Executive Chairman
Alan Kindl	Non-Executive Director
Joycelyn Morton	Non-Executive Director
David Kindl	Joint Managing Director
James Kindl	Joint Managing Director

Company Secretary

Ann Phillips

Registered Office

10 Garling Road
Kings Park NSW 2148

Telephone: (02) 8822 5333
Facsimile: (02) 8822 5300

ABN: 96 003 321 579

Share Registry

Computershare Registry Services Pty Limited

Level 5, 115 Grenfell Street
Adelaide SA 5000

Telephone: (08) 8236 2300
Facsimile: (08) 8236 2305

Auditors

PKF
1 Margaret Street
Sydney NSW 2000

Bankers

National Australia Bank
255 George Street
Sydney NSW 2000

Stock Exchange Listing

Noni B Limited shares are quoted
on the Australian Securities Exchange

ASX code: NBL

Annual General Meeting

The Annual General Meeting will be held at;

PKF Chartered Accountants
Level 10
1 Margaret Street
Sydney NSW 2000
on Tuesday 1st November 2011 at 10am.

For full details of the meeting and proxy form
see separately enclosed documents.

LISTENING TO 'YOUR VOICE'

The 'Your Voice' section **nonib.com.au** continues to offer refreshing insights into the points that matter most to our customers.

"The webshop looks great. Very easy to use. It also has all the features I'm used to with online shopping. I also like the policy on postage. Congratulations."

ANTHEA, SYDNEY

"Nicki and her team at Leichhardt are marvellous! When they ran out of stock on the Liz Jordan dress in small, she rang around until she found two (I buy two of my favourite things). She's done this a lot for me. I really enjoy going into the store."

ISABEL, SYDNEY

"Just wanted to thank Katie from the Canberra Centre Store for her brilliant customer service. I had my third baby a few months ago and haven't been game to shop since! I'm a different size from what I'm used to, and found the idea of buying new clothes daunting. Katie was sensitive, friendly and extremely helpful. I'd love it if you could pass this feedback on to her manager and to her. Her service was much appreciated."

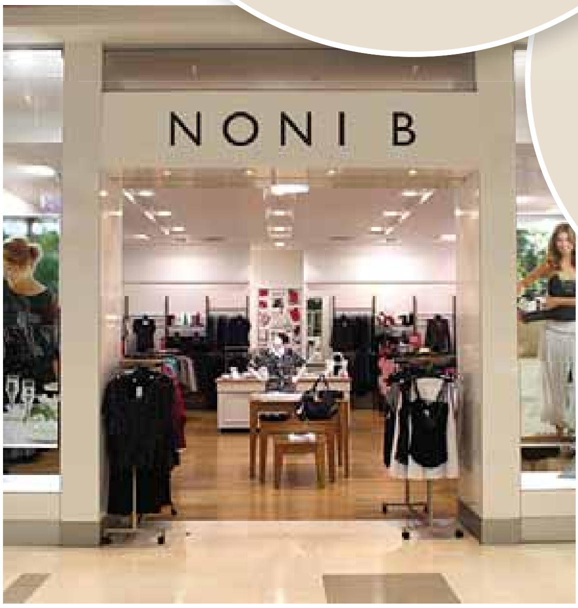
EMMA, CANBERRA

"I needed a new corporate wardrobe but had a limited budget. A friend suggested I try Noni B and I went to the St Ives store. What a success - I got two suits, a jacket and three tops for a very reasonable $700 and I have had many compliments on the suits which are stylish and wearing very well. Great service too! NoniB is now at the top of my list for future shopping expeditions."

REBECCA, SYDNEY

"I had the most wonderful experience at your Bateau Bay Store this morning. The sales lady was beautifully mannered and sincere, and the dress I found was just gorgeous. Many thanks for a most wonderfully easy shopping experience!"

BRIE, THE ENTRANCE



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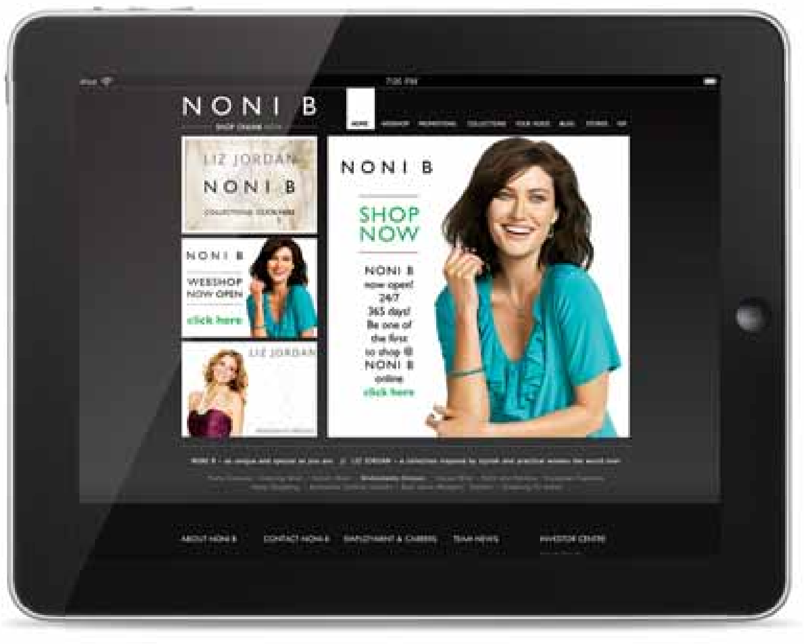

To buy Noni B and Liz Jordan online, visit
nonib.com.au/webshop