corporate governance report

The Board of Directors (the "Board") of F J Benjamin Holdings Ltd (the "Company") is committed to high standards of corporate governance and fully supports and upholds the principles in the Code of Corporate Governance (the "Code"). For effective corporate governance, the Company has put in place various self-regulatory and monitoring mechanisms as described below.

BOARD OF DIRECTORS

The Board's Conduct of its Affairs – Principle 1

Apart from its statutory responsibilities, the Board sets the overall strategy of the Company and its subsidiaries (the "Group") as well as policies on various matters including major investments, key operational initiatives and financial controls, reviews the Group's financial performance and establishes risk management procedures. These functions are carried out either directly or through the various Board Committees that have been set up, namely the Executive Committee, the Nominating Committee, the Remuneration Committee and the Audit Committee.

The Board meets regularly on a quarterly basis and as required. Important and critical matters concerning the Group are also tabled for the Board's decision by way of written resolutions, faxes, electronic mails and tele-conferencing. The Board has adopted a set of internal controls which lists out the approval limits for capital expenditure, investments and divestments and bank borrowings at Board level. Approval of sub-limits are also provided at management level to facilitate operational efficiency.

The attendance of the Directors at these meetings during the financial year is as follows:

	Board		Executive Committee		Nominating Committee		Remuneration Committee		Audit Committee	
	No. of meetings									
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Frank Benjamin	5	5	4	4	1	1	NA	NA	NA	NA
Keith Tay Ah Kee	5	5	4	4	NA	NA	1	1	NA	NA
Eli Manasseh Benjamin	5	5	4	4	NA	NA	NA	NA	NA	NA
Douglas Jackie Benjamin	5	5	4	4	NA	NA	NA	NA	NA	NA
Karen Chong	5	5	4	4	NA	NA	NA	NA	NA	NA
Joseph Grimberg	5	4	NA	NA	1	1	1	0	4	3
Reggie Thein	5	4	NA	NA	1	1	1	1	4	4
Wong Ai Fong	5	3	NA	NA	NA	NA	NA	NA	4	3
Timothy Chia Chee Ming	5	5	NA	NA	NA	NA	NA	NA	NA	NA
Chew Gek Khim*	1	1	NA	NA	NA	NA	NA	NA	NA	NA

** Appointed as Director on 14 March 2007.*

Although certain Directors were not present at the Board, Remuneration Committee and Audit Committee meetings held during the financial year due to overseas and other work commitments, all matters and issues discussed at such meetings had been communicated to them by Management through informal meetings, and their views and comments had been noted by the Board and Committees.

Newly appointed Directors are briefed on the Group's business activities, strategic direction, corporate governance and the regulatory environment in which the Group operates as well as relevant laws and regulations.

Board Composition and Balance – Principle 2

As at the end of the financial year, the Board comprises ten Directors, four of whom are Independent Directors. The Board adopts the Code's definition of what constitutes an independent director. Accordingly, Mr Keith Tay who relinquished his executive position on 30 June 2004, is considered independent with effect from 1 July 2007.

Based on its composition, the Board is able to exercise objective judgement on corporate affairs. The composition of the Board is reviewed annually by the Nominating Committee to ensure that the Board has an appropriate mix of expertise, experience and independence needed to discharge its duties effectively. The diversity of the Directors' experience allows for the useful exchange of ideas and views. The Board is satisfied that no individual member of the Board dominates the Board's decision making and that there is sufficient accountability and capacity for independent decision-making.

The Board, taking into account the nature of operations of the Group, considers its current size to be adequate for effective decision-making.

Chairman and Chief Executive Officer – Principle 3

The Chairman and Chief Executive Officer ("CEO") functions are assumed by different individuals, thus ensuring an appropriate balance of power and authority.

The Chairman, Mr Frank Benjamin, is an Executive Director. Besides giving guidance on the corporate direction of the Group, his role includes the scheduling and chairing of Board meetings and the controlling of the quality, quantity and timeliness of information supplied to the Board and assists in ensuring compliance with the Company's corporate governance guidelines.

The CEO, Mr Eli Manasseh Benjamin, brother of Mr Frank Benjamin, is also an Executive Director. He supervises the day-to-day business operations with the support of the Executive Directors and Management, as well as formulating long-term corporate strategies and policies of the Group.

Access to Information – Principle 6

The Board members are provided with board papers a few days in advance of meetings so that sufficient time is given to the Board members. The board papers set out the relevant financial information that review the Group's performance in the most recent quarter and other information which includes background or explanatory information relating to the matters to be brought before the Board. The Directors make enquiries and request for additional information, if needed, during the presentations.

The Board also has access to minutes and documents concerning all Board and Board Committee meetings. In addition, the Board members also have access to all minutes of Executive Committee meetings.

The Board also has separate and independent access to the Management and Company Secretaries. The Company Secretaries attend all Board meetings and are responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with. The Board also has access to independent professional advice, if necessary, at the Company's expense.

corporate governance report

NOMINATING COMMITTEE (NC)

The NC is chaired by Mr Joseph Grimberg and its members are Mr Reggie Thein and Mr Frank Benjamin. With the exception of Mr Frank Benjamin, the other two are Independent Directors.

Board Membership – Principle 4

In accordance with the Articles of Association, the Directors are required to submit themselves for re-election and re-nomination at regular intervals of at least once every three years. Under its written terms of reference approved by the Board, the NC has the following main responsibilities:

(a) to make recommendations to the Board on all Board appointments and re-appointments, including making recommendations on the composition of the Board;

(b) to review the Board structure, size, composition and independence;

(c) to develop the criteria for the selection of Directors and identify candidates for approval by the Board, to fill Board vacancies as and when they arise as well as put in place plans for succession;

(d) to determine independence of each Director; and

(e) to determine whether a Director, who has multiple board representations, is able to and has been adequately carrying out his duties as Director of the Company.

To address the time commitments of Directors who sit on multiple boards, the Board and Board Committees meeting dates are scheduled in advance at the beginning of each calendar year.

The profile and information of the Directors as at the date of this report are set out on pages 12 to 15 of the Annual Report.

Board Performance – Principle 5

The NC is responsible for reviewing and evaluating the effectiveness of the Board as a whole and the contribution by each Director.

The NC carries out assessments of the performance of and the contribution by each Director with inputs of the Chairman and CEO. The assessment of the Directors includes qualitative and quantitative criteria such as attendance, participation at meetings and contributions to the Group outside the Board setting. The performance measurement ensures that the mix of skills and experience of Directors continue to meet the needs of the Group.

REMUNERATION COMMITTEE (RC)

Procedures for Developing Remuneration Policies – Principle 7

Level and Mix of Remuneration – Principle 8

The RC is chaired by Mr Reggie Thein and its members are Mr Joseph Grimberg and Mr Keith Tay. With the exception of Mr Keith Tay, the other two are Independent Directors during the financial year.

Under its written terms of reference approved by the Board, the RC has the following main responsibilities:

(a) to ensure that remuneration policies and systems that support the Company's objectives and strategies are in place and being adhered to;

(b) to co-ordinate annual reviews of the Company's remuneration policies and practice to ensure they are comparable with the pay and employment conditions within the industry and in similar companies;

(c) to recommend the remuneration of Executive Directors and key executives to the Board for endorsement in accordance with the approved remuneration policies and processes;

(d) to provide advice as necessary to Management on remuneration policy for employee categories other than those covered in paragraph (c) above;

(e) to review the remuneration, terms of employment and promotion of all employees of the Group who are related to any of the Directors; and

(f) to recommend the Directors' fees of Non-executive Directors to the Board. Directors' fees are only paid to Non-executive Directors and are approved by Shareholders at the Annual General Meeting; and

The RC adopts a transparent procedure for fixing the compensation packages of individual Directors. No Director is involved in deciding his or her own compensation.

The RC assists the Board in ensuring that Directors and key executives of the Group are fairly remunerated for their performance and individual contribution to the overall performance of the Group, taking into account the performance of the Group and the individual Directors respectively. The performance-related elements of compensation are designed to align the interests of the Executive Directors with those of the Shareholders and are determined using appropriate and meaningful measures to assess the performance of the Executive Directors. In discharging its functions, the RC may obtain independent external legal and other professional advice as it deems necessary, at the expense of the Company.

Currently, directors' fees for each financial year are paid in the following financial year after obtaining approval from the Shareholders at the Annual General Meeting. It is proposed that with effect from financial year ending 30 June 2008, directors' fees are to be paid quarterly in arrears. This proposal is subject to the approval by Shareholders at the forthcoming Annual General Meeting.

The Board has considered that there was no circumstance that required the remuneration policy to be submitted to the Annual General Meeting for approval.

corporate governance report

Disclosure of Remuneration – Principle 9

The following table tabulates the composition of the Directors' compensation:

Directors	Directors' Fee	Basic Salary	Variable Performance Bonus	Benefit-in-Kind And Others	Total
<u>$500,000 and above</u>					
Mr Frank Benjamin	–	25%	70%	5%	100%
Mr Eli Manasseh Benjamin	–	26%	70%	4%	100%
Mr Douglas Jackie Benjamin	–	41%	53%	6%	100%
<u>$250,000 to $499,999</u>					
Ms Karen Chong	–	73%	21%	6%	100%
<u>Below $250,000</u>					
Mr Keith Tay	100%	–	–	–	100%
Mr Reggie Thein	100%	–	–	–	100%
Mr Joseph Grimberg	100%	–	–	–	100%
Ms Wong Ai Fong	100%	–	–	–	100%
Mr Timothy Chia	100%	–	–	–	100%
Ms Chew Gek Khim	–	–	–	–	–

The top five key executives of the Group who are not Directors of the Company and whose remunerations fall within the following bands are as follows:

Range of Remuneration	No. of Executives
Above $500,000	1
$250,000 to $499,999	2
Below $250,000	2

Their names are not disclosed as the Company believes that disclosure may be prejudicial to its business interests, given that it is operating in a highly competitive and niche industry.

The following indicates the composition (in percentage terms) of the annual remuneration of employees who are immediate family members of the Directors.

Relationship	Basic Salary	Variable Performance Bonus	Total
<u>$250,000 to $499,999</u>			
Relating to the Chairman	82%	18%	100%
<u>$150,000 to $249,999</u>			
Relating to the Chairman	84%	16%	100%
Relating to an Executive Director	78%	22%	100%
<u>Below $150,000</u>			
Relating to the Chairman	84%	16%	100%

AUDIT COMMITTEE (AC)

Accountability and Audit – Principles 10 and 11

The Board is accountable to the Shareholders while the Management is accountable to the Board. The Board approves the quarterly financial statements and authorises the release of the results to the Shareholders. From time to time, the Board also provides its Shareholders with updates of new business developments, material contracts entered into and other material information via SGXNET announcements.

The AC is chaired by Mr Reggie Thein and its members are Mr Joseph Grimberg and Ms Wong Ai Fong. All of them are Independent Directors.

The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities, with two of the members, including the Chairman, having accounting or related financial management expertise and experience.

Under its written terms of reference approved by the Board, the AC has the following main responsibilities:

(a) to review the financial and other information to be presented to Shareholders, the system of internal control and risk management, and the audit process;

(b) to maintain an appropriate relationship with the Company's External and Internal Auditors, and to review the scope, results, effectiveness and objectivity of the audit process;

(c) to review and evaluate the adequacy of the system of internal control, including accounting controls, taking input from external audit, internal audit, risk management and compliance functions;

(d) to review the audit plan and audit report with the External Auditor;

(e) to review the scope of the internal audit plan with the Internal Auditor and approve it;

(f) to review the quarterly and annual financial statements, including announcements to Shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") prior to submission to the Board;

(g) to review and approve interested person transactions to ensure that these transactions are carried out at arm's length and on normal commercial terms and in the best interest of the Company and its minority shareholders; and

(h) to review the independence of the External Auditor and to make recommendations to the Board regarding the nomination of the External Auditor for appointment or re-appointment.

The AC has explicit authority to investigate any matter within its terms of reference. The Committee has full access to, and the co-operation of the Management, as well as the External and Internal Auditors respectively. The Committee also has full discretion to invite any Director or any member of Management to attend its meetings.

The AC meets with the External Auditor and the Internal Auditor at least four times a year and without the presence of the Management at least once a year.

The AC having reviewed the non-audit services provided to the Group and the Company by the External Auditor, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditor, is pleased to recommend their re-appointment.

corporate governance report

Internal Controls – Principle 12

The Board has instituted a system of internal controls for the companies in the Group to reasonably safeguard against material loss and misstatements. While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information used within the business and for publication is reliable. In designing these controls, the Board has had regard to the risks which the business is exposed to and the costs of protecting against such risks.

The Directors regularly review the effectiveness of all internal controls, including operational controls.

The Board believes that the system of internal controls that has been maintained by the Group's Management throughout the financial year is adequate to meet the needs of the Group in its current business environment.

Risk Management

The Board, through its Executive and Audit Committees, manages the risk profile of the Group. In line with this, it has developed a risk management framework that highlights the risk areas of the Group's various businesses and reviews this on a regular basis.

Business Risk

The Group is primarily engaged in retailing, licensing and wholesale distribution of middle to high-end fashion apparel and accessories, timepieces and home furnishings. Its revenues are therefore affected by consumer sentiment and purchasing power, changing fashion and lifestyle trends and competition from other/new brands. In light of this, SWOT analysis is used to regularly review the ongoing viability of its brands and how market share may be maintained/maximised.

Financial Risk

The Group is committed to a low gearing ratio and maintains sufficient cash reserves to meet any unforeseen circumstances.

Most of the Group's overseas purchases are denominated in Swiss Franc, US Dollar and the Euro. In order to minimise the Group's exposure to foreign currency fluctuations, it engages in foreign currency hedging based on purchase commitments for periods ranging from three to six months forward.

Internal Audit – Principle 13

The Company has an internal audit function that is independent of the activities its audits. The Internal Auditor reports directly to the Chairman of the AC on audit matters, and the CEO on administrative matters. His responsibilities include the review of the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management.

The AC is satisfied that the internal audit function has adequate resources and has appropriate standing within the Group and meets the standards set by the Institute of Internal Auditors.

EXECUTIVE COMMITTEE (EC)

The EC comprising of five Board members, namely Mr Frank Benjamin, Mr Keith Tay, Mr Eli Manasseh Benjamin, Mr Douglas Jackie Benjamin and Ms Karen Chong, meets regularly with senior management of the Group to review operations, investment opportunities and strategic planning.

SHAREHOLDERS

Communication With Shareholders – Principle 14

The Company endeavours to provide material information to its Shareholders in a timely and adequate manner. When inadvertent disclosure has been made to a selected group of people, the Company will make the same disclosure publicly as soon as practicable. The Company also has an Investor Relations section on its website for Shareholders to express their views. In addition, the website provides Shareholders and investors with access to all publicly-disclosed information, annual reports, new public releases and announcements.

Encourage Greater Shareholders' Participation – Principle 15

At Annual General Meetings, Shareholders are given the opportunity to air their views and direct questions regarding the Group and its businesses to the Board. To encourage greater Shareholders' participation, the Company's Articles of Association permit a member entitled to attend and vote to appoint a proxy to attend and vote on his or her behalf. The Company's Articles of Association also provides that a proxy need not be a member of the Company. Separate resolutions are proposed as individual agenda items. Members of the Board and various Board committees together with the External Auditor are present and available to address questions at General Meetings.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has adopted the SGX-ST Best Practices Guide with respect to dealings in securities. All employees of the Group who may be in possession of unpublished and/or material price-sensitive information are prohibited from dealing in securities of the Company during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year or one month before the announcement of the Company's full year results and ending on the date of the announcement of the results, in accordance with the guidelines set out in the Best Practices Guide. Officers are also prohibited to deal in securities of the Company on short-term consideration.

Material Contracts

No material contracts of the Company and its subsidiaries involving the interest of the CEO or any Director or controlling Shareholder subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

Interested Person Transactions

Transactions with the Company's interested persons (a term that is defined in the listing manual of the SGX-ST) are subjected to review and approval by the Board comprising those Directors who do not have an interest in the transaction. Where required by the relevant listing rules of the SGX-ST, the AC reviews the transaction to determine that it is on normal commercial terms and hence, not prejudicial to the interest of the Company and Shareholders, before making recommendations to the Board for endorsement. For the financial year ended 30 June 2007, there were no material interested person transactions entered into.

ANNUAL FINANCIAL STATEMENTS

F J Benjamin Holdings Ltd
and its subsidiaries
Co. Reg. No. 197301125N
30 June 2007

directors' report

The Directors of F J Benjamin Holdings Ltd (the "Company") are pleased to present their report to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2007.

DIRECTORS

The Directors of the Company in office at the date of this report are: -

Mr Frank Benjamin	–	Executive Chairman
Mr Keith Tay Ah Kee	–	Non-executive Deputy Chairman
Mr Eli Manasseh Benjamin	–	Chief Executive Officer
Mr Douglas Jackie Benjamin	–	Executive Director
Ms Karen Chong Mee Keng	–	Executive Director
Mr Joseph Grimberg	–	Independent Director
Mr Reggie Thein	–	Independent Director
Ms Wong Ai Fong	–	Independent Director
Mr Timothy Chia Chee Ming	–	Independent Director
Ms Chew Gek Khim	–	Non-executive Director (appointed on 14 March 2007)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), an interest in the shares of the Company as stated below: -

Name of director	Direct interest At 1.7.2006	Direct interest At 30.6.2007	Direct interest At 21.7.2007	Deemed interest At 1.7.2006	Deemed interest At 30.6.2007	Deemed interest 21.7.2007
Ordinary shares						
Mr Frank Benjamin	68,444,950	68,444,950	68,445,900	52,500,000	52,500,000	52,500,000
Mr Keith Tay Ah Kee	228,000	256,000	256,000	–	–	–
Mr Eli Manasseh Benjamin	23,487,050	23,487,050	23,487,050	300,000	300,000	300,000
Mr Douglas Jackie Benjamin	120,000	120,000	120,000	10,000	10,000	10,000
Mr Joseph Grimberg	50,000	500,000	500,000	–	–	–
Ms Wong Ai Fong	35,000	35,000	35,000	–	–	–
Warrants						
Mr Frank Benjamin	1,818,950	950	–	1,114,000	–	–
Mr Keith Tay Ah Kee	28,000	–	–	–	–	–
Mr Eli Manasseh Benjamin	449,050	–	–	300,000	–	–
Mr Douglas Jackie Benjamin	120,000	–	–	10,000	–	–
Mr Joseph Grimberg	300,000	–	–	–	–	–

directors' report

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

By virtue of Section 7 of the Act, Mr Frank Benjamin is deemed to have interests in the shares of all the subsidiaries of the Company in proportion to the Company's interests in the subsidiaries.

Except as disclosed in this report, no other Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

OPTIONS

There were no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries during the financial year.

AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the date of this report are:

Mr Reggie Thein (Chairman)
Mr Joseph Grimberg
Ms Wong Ai Fong

The AC carried out its functions in accordance with section 201B(5) of the Act, including the following:

(a) to review the financial and other information to be presented to Shareholders, the system of internal control and risk management, and the audit process;

(b) to maintain an appropriate relationship with the Company's External and Internal Auditors, and to review the scope, results, effectiveness and objectivity of the audit process;

(c) to review and evaluate the adequacy of the system of internal control, including accounting controls, taking input from external audit, internal audit, risk management and compliance functions;

(d) to review the audit plan and audit report with the External Auditor;

(e) to review the scope of the internal audit plan with the Internal Auditor and approve it;

(f) to review the quarterly and annual financial statements, including announcements to Shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") prior to submission to the Board;

(g) to review and approve interested person transactions to ensure that these transactions are carried out at arm's length and on normal commercial terms and in the best interest of the Company and its minority shareholders; and

AUDIT COMMITTEE (continued)

(h) to review the independence of the External Auditor and to make recommendations to the Board regarding the nomination of the External Auditor for appointment or re-appointment.

The AC having reviewed the non-audit services provided to the Group and the Company by the External Auditor, and is being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the financial year. The AC has also met with the Internal and External Auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

AUDITORS

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Eli Manasseh Benjamin
Director

Karen Chong Mee Keng
Director

Singapore
11 September 2007

statement by directors

We, Eli Manasseh Benjamin and Karen Chong Mee Keng, being two of the Directors of F J Benjamin Holdings Ltd, do hereby state that, in the opinion of the Directors:-

(i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 and the results of the business, changes in equity and cash flow of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Eli Manasseh Benjamin
Director

Karen Chong Mee Keng
Director

Singapore
11 September 2007

independent auditors' report

to the Members of F J Benjamin Holdings Ltd

We have audited the accompanying financial statements of F J Benjamin Holdings Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 59 to 104, which comprise the balance sheets of the Group and the Company as at 30 June 2007, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, 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 statements 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 Directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2007 and the results, changes in equity and cash flow of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
11 September 2007

consolidated profit and loss account

for the financial year ended 30 June 2007

	Note	Group 2007 $'000	Group 2006 Restated $'000
Revenue	4	257,618	187,235
Other income	5	14,027	5,251
		271,645	192,486
Costs and expenses			
Cost of goods sold		(152,556)	(110,471)
Staff costs		(36,427)	(27,200)
Rental of premises		(24,021)	(15,246)
Advertising and promotion		(9,293)	(7,300)
Depreciation of property, furniture, fixtures and equipment	10	(5,212)	(3,869)
Other operating expenses		(22,497)	(15,298)
Total costs and expenses		(250,006)	(179,384)
Operating profit		21,639	13,102
Exceptional items	6	3,839	1,221
Interest expense		(1,893)	(1,908)
Share of results of associates, net of tax		2,500	740
Profit before taxation	7	26,085	13,155
Taxation	8	(4,617)	(2,984)
Net profit for the financial year		21,468	10,171
Earnings per share	9		
Basic (cents)		5.69	3.53
Diluted (cents)		5.07	3.53

The accompanying policies and explanatory notes form an integral part of the financial statements.

balance sheets

as at 30 June 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Non-current assets					
Property, furniture, fixtures and equipment	10	45,325	69,370	5,839	35,857
Subsidiaries	11	–	–	111,980	75,537
Investment in joint ventures	12	–	–	–	–
Investment in associates	13	4,059	9,551	–	–
Other investments	14	322	332	322	332
Other receivables	15	1,954	4,672	–	–
Deferred tax assets	23	1,011	601	–	–
		52,671	84,526	118,141	111,726
Current assets					
Inventories	16	74,984	43,708	–	–
Trade debtors	17	52,717	29,074	–	–
Tax recoverable		1,314	1,579	–	241
Other debtors	18	25,905	7,961	21,817	190
Cash on hand and at banks		96,130	24,929	91,196	19,893
		251,050	107,251	113,013	20,324
Current liabilities					
Trade and other creditors	19	62,348	52,023	12,491	2,676
Finance lease creditors	20	89	115	36	79
Bank borrowings	21	34,714	19,910	–	–
Provision for taxation		4,852	2,679	25	69
		102,003	74,727	12,552	2,824
Net current assets		149,047	32,524	100,461	17,500
Non-current liabilities					
Finance lease creditors	20	481	238	366	135
Bank borrowings	21	–	17,949	–	11,200
Other liabilities	22	2,583	2,583	–	–
Deferred tax liabilities	23	40	440	–	400
		3,104	21,210	366	11,735
Net assets		198,614	95,840	218,236	117,491
Equity attributable to equity holders of the Company					
Share capital	24	215,134	99,360	215,134	99,360
Warrant reserve	25	4,125	25,175	4,125	25,175
Exchange translation reserve	26	(10,548)	(9,109)	–	–
Accumulated losses		(10,221)	(19,710)	(1,023)	(7,044)
		198,490	95,716	218,236	117,491
Preference shares issued by a subsidiary	27	124	124	–	–
		198,614	95,840	218,236	117,491

The accompanying policies and explanatory notes form an integral part of the financial statements.

statements of changes in equity

for the financial year ended 30 June 2007

	Note	Attributable to equity holders of the Company						
	Note	Share capital $'000	Share premium $'000	Warrant reserve $'000	Exchange translation reserve $'000	Accumulated losses $'000	Preference shares issued by a subsidiary $'000	Total equity $'000
Group								
At 1 July 2006		99,360	–	25,175	(9,109)	(19,710)	124	95,840
Net profit for the financial year		–	–	–	–	21,468	–	21,468
Exchange differences arising from consolidation recognised in equity		–	–	–	(1,439)	–	–	(1,439)
Total recognised income and expenses for the year		–	–	–	(1,439)	21,468	–	20,029
Dividends paid	35	–	–	–	–	(11,979)	–	(11,979)
Exercise of warrants		115,774	–	(21,050)	–	–	–	94,724
At 30 June 2007		215,134	–	4,125	(10,548)	(10,221)	124	198,614
At 1 July 2005		57,000	26,685	28,025	(7,204)	(27,373)	–	77,133
Net profit for the financial year		–	–	–	–	10,171	–	10,171
Exchange differences arising from consolidation recognised in equity		–	–	–	(1,905)	–	–	(1,905)
Total recognised income and expenses for the year		–	–	–	(1,905)	10,171	–	8,266
Dividend paid	35	–	–	–	–	(2,508)	–	(2,508)
Transfer of share premium to share capital account		26,685	(26,685)	–	–	–	–	–
Exercise of warrants		15,675	–	(2,850)	–	–	–	12,825
Preference shares issued by a subsidiary	27	–	–	–	–	–	124	124
At 30 June 2006		99,360	–	25,175	(9,109)	(19,710)	124	95,840

The accompanying policies and explanatory notes form an integral part of the financial statements.

statements of changes in equity

for the financial year ended 30 June 2007

	Note	Share capital $'000	Share premium $'000	Warrant reserve $'000	Accumulated losses $'000	Total equity $'000
Company						
At 1 July 2006		99,360	–	25,175	(7,044)	117,491
Net profit for the financial year		–	–	–	18,000	18,000
Dividends paid	35	–	–	–	(11,979)	(11,979)
Exercise of warrants		115,774	–	(21,050)	–	94,724
At 30 June 2007		215,134	–	4,125	(1,023)	218,236
At 1 July 2005		57,000	26,685	28,025	(10,816)	100,894
Net profit for the financial year		–	–	–	6,280	6,280
Dividend paid	35	–	–	–	(2,508)	(2,508)
Transfer of share premium to share capital account		26,685	(26,685)	–	–	–
Exercise of warrants		15,675	–	(2,850)	–	12,825
At 30 June 2006		99,360	–	25,175	(7,044)	117,491

The accompanying policies and explanatory notes form an integral part of the financial statements.

consolidated cash flow statement

for the financial year ended 30 June 2007

	Group	
	2007	2006 restated
	$'000	$'000
Cash flow from operating activities:		
Profit before taxation	26,085	13,155
Adjustments for:		
Depreciation of property, furniture, fixtures and equipment	5,212	3,869
Share of results of associates, net of tax	(2,500)	(740)
Currency realignment	(621)	75
(Gain)/loss on disposal of property, furniture, fixtures and equipment	(5,929)	66
Amortised interest on loan to an associate	(112)	(160)
Gain on early settlement of loan to an associate	(415)	–
Interest income	(1,161)	(278)
Dividend income	–	(30)
Interest expense	1,893	1,908
Impairment loss on investment in associates	2,445	–
Net write-back of impairment loss on property, furniture, fixtures and equipment	(1,212)	(2,071)
Impairment loss / (write-back of impairment loss) on other investments	10	(48)
Gain on disposal of other investment	–	(258)
Operating profit before reinvestment in working capital	23,695	15,488
Increase in debtors	(30,677)	(12,164)
Increase in inventories	(31,276)	(11,636)
Increase in creditors	10,325	17,095
Cash (used in) / from operations	(27,933)	8,783
Income tax paid	(3,015)	(1,089)
Net cash (used in) / from operating activities	(30,948)	7,694
Cash flow from investing activities:		
Purchase of furniture, fixtures and equipment	(11,945)	(4,107)
Proceeds from disposal of property, furniture, fixtures and equipment	37,030	8
Loan to associates	(8,415)	(802)
Dividend received from an associate	6,338	–
Disposal of joint venture entity, net of cash disposed (Note A)	–	(289)
Proceeds from disposal of other investment	–	258
Dividend received	–	30
Interest received	1,161	278
Net cash from / (used in) investing activities	24,169	(4,624)
Cash flow from financing activities:		
Proceeds from issuance of ordinary shares	94,724	12,825
Proceeds from issuance of preference shares by a subsidiary	–	124
Repayment of bank borrowings	(5,000)	(2,288)
Increase/(decrease) in finance lease	217	(119)
Interest paid	(1,893)	(1,908)
Dividends paid to shareholders	(11,979)	(2,508)
Net cash from financing activities	76,069	6,126

The accompanying policies and explanatory notes form an integral part of the financial statements.

consolidated cash flow statement

for the financial year ended 30 June 2007

	Group	
	2007	2006
	$'000	$'000
Net increase in cash and cash equivalents	69,290	9,196
Cash and cash equivalents at beginning of financial year	22,224	12,952
Net effect of exchange rate changes on opening cash and cash equivalents	56	76
Cash and cash equivalents at end of financial year (Note 28)	91,570	22,224

Note A

During the financial year 2006, the Group disposed of V.B. Fashions Pte Ltd, a joint venture entity. The value of the assets disposed of and the cash flow effect of the disposal were as follow:

	$'000
Property, furniture, fixtures and equipment	44
Inventories	545
Debtors	281
Creditors	(1,159)
Cash on hand and at bank	36
Fair value of net tangible assets disposed of	(253)
Settlement	(253)
Cash and cash equivalent of joint venture entity	(36)
Net cash outflow on disposal of joint venture entity	(289)

The accompanying policies and explanatory notes form an integral part of the financial statements.

notes to the financial statements

30 June 2007

1. CORPORATE INFORMATION

F J Benjamin Holdings Ltd (the "Company") is a public limited company incorporated and domiciled in Singapore.

The registered address and the principal place of business of the Company is 6B Orange Grove Road, Singapore 258332.

The principal activities of the Company are those of investment holding and the provision of management services to its subsidiaries. The subsidiaries are primarily importers, exporters, licensees, distributors and retailers of consumer fashion wear and accessories, home furnishings and timepieces.

There has been no significant change in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements of the Company and of the Group, which are expressed in Singapore dollars and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

The financial statements are prepared under the historical cost convention modified by the revaluation of one of the freehold land and buildings and the accounting of derivative financial instruments at fair value.

2.2 Changes in accounting policies

The accounting policies have been consistently applied and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new and revised FRS

(i) FRS 39 – Financial Instruments: Recognition and Measurement

Previously, financial guarantees issued by the Company to banks in relation to borrowings by subsidiaries are accounted for as contingent liabilities of the Company and are not recognised in the financial statements until the Company has an obligation to make payment under the guarantees in accordance with FRS 37.

In accordance with the amendments to FRS 39, financial guarantees are required to be accounted for initially at fair value and subsequently at the higher of :

i) the amount initially recognised, less accumulated amortisation; and
ii) the amount of obligation that arises under the guarantee.

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. The adoption of this revised standard on 1 July 2006 did not result in any significant effect on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in accounting policies (continued)

(b) FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

			Effective date (annual period beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

<u>FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)</u>

FRS 107 introduces new disclosures to improve the information on financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 July 2007.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment of property, furniture, fixtures and equipment

The Group determines the impairment of property, furniture, fixtures and equipment on an annual basis. This requires an estimation of the value in use of the assets. Estimating the value in use requires the Group to make an estimate of the future cash flow from assets and also to determine appropriate discount rates to calculate the present value of this cash flow. The growth rate used in the estimation does not exceed the long-term average growth rate for the industry. The discount rate applied to the cash flow projections ranged from 5.46% to 7.00% (2006: 4.28% to 7.00%). The carrying amounts of the Group's and Company's property, furniture, fixtures and equipment at 30 June 2007 were $45,325,000 (2006: $69,370,000) and $5,839,000 (2006: $35,857,000).

notes to the financial statements

30 June 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Significant accounting estimates and judgements (continued)

(ii) Income tax

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the income tax items in the financial statements are:

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Deferred tax assets	1,011	601	–	–
Tax recoverable	1,314	1,579	–	241
Provision for taxation	4,852	2,679	25	69
Deferred tax liabilities	40	440	–	400

(iii) Inventories

Inventories are stated at the lower of cost and net realisable value. The net realisable value is estimated based on the estimated average realisable value of each type of inventories. The carrying amount of the Group's inventories at 30 June 2007 was $74,984,000 (2006: $43,708,000).

(iv) Operating lease commitments - As lessor

The Group has entered into commercial property leases on its freehold and leasehold properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(v) Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings granted to its subsidiaries with a total facilities of $88,083,000 (2006: $76,516,000). The fair value of these corporate guarantees is estimated based on the actual rates charged by the banks while these guarantees are made available, compared to the estimated rates that the banks would have charged had these guarantees not been available. The fair value of these corporate guarantees has no material financial impact to the results and accumulated losses of the Company for the financial year ended 30 June 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Functional and foreign currency

a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Revenue and major costs of providing the services including major operating expenses are primarily influenced by fluctuations in SGD.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

c) Foreign currency translation

The results and financial position of foreign operations are translated into SGD using the following procedures:

– assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and

– income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.5 Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

notes to the financial statements

30 June 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Principles of consolidation (continued)

Acquisitions of subsidiaries are accounted for using the purchase method. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.6 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less any impairment losses. This requires an estimation of the recoverability of the carrying cost using a cash flow projection based on financial budgets approved by management. The discount rate applied to the cash flow projections ranged from 8.0% to 11.5% (2006: 7.0% to 14.0%) and cash flow beyond the 5-year period is extrapolated using growth rate ranging from 1.0% to 4.0% (2006: 2.0% to 5.0%) that does not exceed the long-term average growth rate for the industry.

2.7 Joint ventures

The Group has interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint ventures are prepared for the same reporting year as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

In the Company's separate financial statements, interest in joint ventures is accounted for at cost less impairment losses.

2.8 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investment in associates are accounted for using the equity method. Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The Group's share of the profit or loss of the associates is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Associates (continued)

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements, if not available, the unaudited management financial statements of the associates, are used by the Group in applying the equity method. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Company's separate financial statements, investment in associates is accounted for at cost less impairment losses.

2.9 Property, furniture, fixtures and equipment

All items of property, furniture, fixtures and equipment are initially recorded at cost. Subsequent to recognition, property, furniture, fixtures and equipment are stated at cost less accumulated depreciation and impairment loss, except for one of the freehold land and buildings which is stated at valuation. The Group will revalue its freehold land and buildings on a need-to basis.

The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to working condition for its intended use and costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of installing the item.

Investment properties are investment in properties that are not occupied substantially for use by or in the operations of the Group. They are accounted for as property, furniture, fixtures and equipment and are carried in the balance sheet at cost less accumulated depreciation and impairment loss.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation begins when it is available for use and is calculated on the straight-line method over the estimated useful life of the asset as follows:

Freehold buildings	- 50 years
Leasehold buildings	- Over the lease terms
Furniture and fittings	- 10 years
Electrical installation and office equipment	- 6 to 7 years
Motor vehicles	- 5 years
Data processing equipment	- 3 years
Leasehold improvements	- 3 to 5 years

The carrying values of property, furniture, fixtures and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

notes to the financial statements

30 June 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Property, furniture, fixtures and equipment (continued)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, furniture, fixtures and equipment.

An item of property, furniture, fixtures and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.10 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

a) Financial assets at fair value through profit or loss

Derivative financial instruments whose fair value is positive are classified as financial assets at fair value through profit or loss. The accounting policy for derivative financial instruments is included in Note 2.26.

b) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

c) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest rate method, less impairment losses. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

2.11 Other investments

Other investments comprising quoted and unquoted equity investments are classified as available-for-sale financial assets.

The accounting policy for this category of financial assets is stated in Note 2.10.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

2.13 Receivables

Trade and other receivables, including amounts due from subsidiaries, associates, related companies and loans to subsidiaries, associates, related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.10.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.14 below.

notes to the financial statements

30 June 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

b) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment loss in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the invoiced value of goods on a weighted average basis together with the related charges incurred in importing such goods. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Payables

Financial liabilities include trade and other amounts payable, which are normally settled on 30-120 day terms, and payables to related parties, are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.18 Borrowing costs

Borrowing costs are recognised as interest expense in the financial year in which they are incurred.

2.19 Financial guarantees

Financial guarantees are initially recognized at their fair values and subsequently at the higher of:

i) the amount initially recognised, less accumulated amortisation; and
ii) the amount of obligation that arises under the guarantee.

2.20 Derecognition of financial assets and liabilities

a) Financial assets

A financial asset is derecognised where the contractual rights to receive cash flow from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.22 Employee benefits

a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases

a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income (Note 2.24).

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

a) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

b) Interest income

Interest income is recognised as interest accrues (using the effective interest method), unless collectibility is in doubt.

c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

d) Rental income

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

e) Market support and administrative service income

Market support and administrative service income is recognised upon rendering of services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Income taxes

a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

b) Deferred tax

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with its investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unabsorbed capital allowances and unutilised tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

notes to the financial statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Derivative financial instruments

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the profit and loss account for the year.

2.27 Related parties

Related parties in the financial statements refer to related companies, Directors and entities in which the Directors have significant influence or control. Related companies in the financial statements refer to members of the F J Benjamin Group of companies. Related company transactions are carried out based on terms agreed upon between the parties.

2.28 Segment reporting

The Group's businesses are generally segmented by its channel of distribution and geographical location. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise bank borrowings, finance lease, taxation, corporate assets and corporate expenses. The turnover by geographical segments are based on the location of the customers regardless of where the goods are produced. The assets and capital expenditure are based on the location of those assets.

Segment accounting policies are the same as the policies of the Group. Intersegment transactions are carried out based on terms agreed upon between the management of the respective segment.

3. GROUP COMPANIES

The subsidiaries as at 30 June are:-

Name of company [country of incorporation]	Principal activities	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity interest 2007 %	Percentage of equity interest 2006 %
Held by the Company					
~ Benmark (Pte) Ltd [Singapore]	Inactive	3,000	3,000	100	100
~ F. J. B. Investment Pte Ltd [Singapore]	Investment holding company	^	^	100	100
~ F J Benjamin Concepts Pte Ltd [Singapore]	Investment holding company	60	60	100	100
~ F J Benjamin (Indochina) Pte Ltd [Singapore]	Inactive	50	50	100	100
~ Manchester United (S.E.A.) Pte Ltd [Singapore]	Inactive	3,000	3,000	100	100
# F J Benjamin (M) Sdn. Bhd. [Malaysia]	Importers, distributors and retailers of consumer fashion wear, accessories and timepieces	3,964	859	100	100
# F J Benjamin (H.K.) Limited [Hong Kong]	Importers, exporters, distributors and retailers of timepieces	58,612	58,612	100	100
+ BMI (Hong Kong) Limited [Hong Kong]	Inactive	1,119	1,119	100	100
# Ferro Designs Limited [Hong Kong]	Investment holding company	19	19	100	100
# F J Benjamin (Taiwan) Ltd [Taiwan]	Importers, distributors and retailers of timepieces	3,909	3,909	100	100
+ FJ Benjamin (Aust) Pty Ltd [Australia]	Importers and distributors of consumer fashion wear and accessories	21,434	21,434	100	100
#* F J Benjamin Concepts (Thailand) Ltd [Thailand]	Importers and retailers of consumer fashion wear and accessories	119	119	49	49
+ F. J. Benjamin Fashions (U.S.) Inc. [United States]	Inactive	289	289	100	100
		95,575	92,470		

notes to the financial statements

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3. GROUP COMPANIES (continued)

Name of company [country of incorporation]	Principal activities	Percentage of equity interest 2007 %	2006 %
Held through subsidiaries			
~ B.M.I. (Pte.) Ltd. [Singapore]	Inactive	100	100
~ F J Benjamin Lifestyle Pte. Ltd. [Singapore]	Importers, exporters, distributors and retailers of consumer fashion wear and accessories	100	100
~ F J Benjamin (Singapore) Pte Ltd [Singapore]	Importers, exporters, licensees, distributors and retailers of consumer fashion wear, accessories, timepieces and home furnishings	100	100
# F J Benjamin Lifestyle Sdn. Bhd. [Malaysia]	Importers, exporters, distributors and retailers of consumer fashion wear and accessories	100	100
# F J Benjamin Luxury Timepieces Sdn. Bhd. (formerly known as Manchester United (Malaysia) Sdn. Bhd.) [Malaysia]	Inactive	100	100
+ PT Meteor Prima Sejati [Indonesia]	Investment holding company	100	100

~ Audited by Ernst & Young, Singapore.
# Audited by member firms of Ernst & Young Global in the respective countries.
+ Not required to be audited by the laws of its country of incorporation. These foreign subsidiaries are not considered significant as defined under Clause 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.
* Considered a subsidiary with the Group holding 79% of voting rights (Note 27).
^ Cost of investment is two Singapore dollars.

4. REVENUE

Revenue of the Group represents the invoiced value of products supplied to external customers.

5. OTHER INCOME

	Group 2007 $'000	Group 2006 $'000
Market support and administrative service income	3,333	3,334
Foreign exchange gain	5,019	630
Interest income	1,161	278
Rental income	632	693
Amortised interest on loan to an associate	112	160
Gain on early settlement of loan to an associate	415	–
Gain/(loss) on disposal of furniture, fixtures and equipment	125	(66)
Miscellaneous credits written-back	2,930	–
Dividend income	–	30
Gain on disposal of other investment	–	258
Others	300	(66)
	14,027	5,251

6. EXCEPTIONAL ITEMS

	Group 2007 $'000	Group 2006 $'000
Gain on disposal of freehold property, net	5,804	–
Net write-back of impairment loss on property, furniture, fixtures and equipment	1,212	2,071
Impairment loss on investment in associates	(2,445)	–
Amount paid for early termination of franchise agreement	(404)	–
Store closure cost	(328)	–
Allowance for foreseeable losses	–	(850)
	3,839	1,221

7. PROFIT BEFORE TAXATION

	Group 2007 $'000	Group 2006 $'000
Profit before taxation is stated after charging/(crediting):-		
Non-audit fees paid to		
- Auditors of the Company	106	85
- Other auditors	40	51
Rental of equipment	185	138
Impairment loss / (write-back of impairment loss) on other investments	10	(48)
Provident fund contributions	2,563	1,887

notes to the financial statements

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8. TAXATION

	Group	
	2007	2006
	$'000	$'000
The major components of income tax expense for financial year ended 30 June were:		
Current tax	5,437	2,853
(Over)/under provision in respect of prior years	(10)	180
Deferred tax:-		
Movements in temporary differences	(351)	(49)
Benefits from previously unrecognised tax losses	(459)	–
Tax expense for the year	4,617	2,984

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2007 and 2006 is as follows:

	Group	
	2007	2006
	$'000	$'000
Profit before share of results of associates and before taxation	23,585	12,415
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,592	2,629
Income not subjected to tax	(1,977)	(1,022)
Expenses not deductible for tax purposes	1,827	800
Utilisation of tax losses and capital allowances brought forward	(844)	(659)
Deferred tax assets not recognised	1,453	1,025
Benefits from previously unrecognised tax losses	(459)	–
(Over)/under provision in respect of prior years	(10)	180
Others	35	31
Income tax expense recognised in the profit and loss account	4,617	2,984

The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

As at 30 June 2007, certain subsidiaries had unutilised tax losses and unabsorbed capital allowances of approximately $48.0 million (2006: $54.9 million) and $1.0 million (2006: $681,000) respectively, available for offset against future taxable profits of the companies in which the losses and allowances arose, for which no deferred tax assets are recognised due to uncertainty of their recoverability. The use of unutilised tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

9. EARNINGS PER SHARE

The basic earnings per share amounts are calculated by dividing the profit for the financial year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the financial year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and loss account and share data used in the computation for basic and diluted earnings per share for the financial years ended 30 June:

	Group	
	2007	2006
	$'000	$'000
Net profit for the financial year attributable to ordinary equity holders of the Company used in the computations of basic and diluted earnings per share	21,468	10,171
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	377,276	288,045
Dilutive effect of warrants (a)	46,002	–
Weighted average number of ordinary shares adjusted for the effect of dilution	423,278	288,045

(a) The cost of exercising the warrants was higher than the average share price (out of the money) and hence, the warrants were anti-dilutive in the financial year 2006.

notes to the financial statements

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10. PROPERTY, FURNITURE, FIXTURES AND EQUIPMENT

Group	Furniture and Fittings	Electrical Installation and Office Equipment	Motor Vehicles	Data Processing Equipment	Leasehold Improvements	Leasehold Building	Freehold Building	Freehold Building	Freehold Land	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	At cost							At valuation		
Cost or Valuation										
At 1 Jul 2005	2,017	1,689	1,629	7,249	14,859	39,082	9,507	9,358	23,642	109,032
Currency realignment	(14)	(29)	(11)	(198)	(226)	(2,252)	–	–	–	(2,730)
Additions	80	189	184	334	3,320	–	–	–	–	4,107
Disposals	–	(13)	(75)	(2)	(140)	–	–	–	–	(230)
Deconsolidation of joint venture entity	–	(3)	–	(2)	(226)	–	–	–	–	(231)
At 30 Jun 2006 and 1 Jul 2006	2,083	1,833	1,727	7,381	17,587	36,830	9,507	9,358	23,642	109,948
Currency realignment	14	21	20	156	202	(1,440)	–	–	–	(1,027)
Additions	146	466	527	719	10,081	–	6	–	–	11,945
Disposals	(446)	(76)	(475)	(113)	(5,012)	–	(29)	(9,358)	(23,642)	(39,151)
At 30 Jun 2007	1,797	2,244	1,799	8,143	22,858	35,390	9,484	–	–	81,715

10. PROPERTY, FURNITURE, FIXTURES AND EQUIPMENT (continued)

Group	Furniture and Fittings $'000	Electrical Installation and Office Equipment $'000	Motor Vehicles $'000	Data Processing Equipment $'000	Leasehold Improvements $'000	Leasehold Building $'000	Freehold Building $'000	Freehold Building $'000	Freehold Land $'000	Total $'000
	At cost							At valuation		
Accumulated depreciation and impairment loss										
At 1 Jul 2005	1,682	1,484	1,096	6,775	11,322	8,969	4,573	2,068	2,044	40,013
Currency realignment	(8)	(20)	(7)	(190)	(128)	(537)	–	–	–	(890)
Charge for the financial year	58	77	185	295	2,185	690	191	188	–	3,869
Impairment loss	–	–	–	2	59	–	74	–	–	135
Reversal of impairment loss	–	–	–	–	–	(162)	–	–	(2,044)	(2,206)
Disposals	–	(7)	(75)	(1)	(73)	–	–	–	–	(156)
Deconsolidation of joint venture entity	–	(1)	–	(1)	(185)	–	–	–	–	(187)
At 30 Jun 2006 and 1 Jul 2006	1,732	1,533	1,199	6,880	13,180	8,960	4,838	2,256	–	40,578
Currency realignment	–	5	12	149	52	(356)	–	–	–	(138)
Charge for the financial year	50	111	283	381	3,497	653	191	46	–	5,212
Reversal of impairment loss	–	–	–	–	–	(287)	(925)	–	–	(1,212)
Disposals	(319)	(76)	(417)	(103)	(4,824)	–	(9)	(2,302)	–	(8,050)
At 30 Jun 2007	1,463	1,573	1,077	7,307	11,905	8,970	4,095	–	–	36,390
Net book value										
At 30 Jun 2007	334	671	722	836	10,953	26,420	5,389	–	–	45,325
At 30 Jun 2006	351	300	528	501	4,407	27,870	4,669	7,102	23,642	69,370

notes to the financial statements

30 June 2007

10. PROPERTY, FURNITURE, FIXTURES AND EQUIPMENT (continued)

Company	Furniture and Fittings $'000	Electrical Installation and Office Equipment $'000	Motor Vehicles $'000	Data Processing Equipment $'000	Leasehold Improvements $'000	Freehold Building $'000	Freehold Building $'000	Freehold Land $'000	Total $'000
	At cost						At valuation		
Cost or Valuation									
At 1 Jul 2005	449	471	682	552	1,854	9,507	9,358	23,642	46,515
Additions	–	–	–	2	–	–	–	–	2
At 30 Jun 2006 and 1 Jul 2006	449	471	682	554	1,854	9,507	9,358	23,642	46,517
Additions	–	1	434	13	–	6	–	–	454
Disposals	(258)	–	(410)	–	(1,833)	(29)	(9,358)	(23,642)	(35,530)
At 30 Jun 2007	191	472	706	567	21	9,484	–	–	11,441
Accumulated depreciation and impairment loss									
At 1 Jul 2005	320	471	471	545	1,643	4,573	2,068	2,044	12,135
Charge for the financial year	–	–	66	7	43	191	188	–	495
Impairment loss	–	–	–	–	–	74	–	–	74
Reversal of impairment loss	–	–	–	–	–	–	–	(2,044)	(2,044)
At 30 Jun 2006 and 1 Jul 2006	320	471	537	552	1,686	4,838	2,256	–	10,660
Charge for the financial year	–	–	146	1	18	191	46	–	402
Reversal of impairment loss	–	–	–	–	–	(925)	–	–	(925)
Disposals	(131)	–	(410)	–	(1,683)	(9)	(2,302)	–	(4,535)
At 30 Jun 2007	189	471	273	553	21	4,095	–	–	5,602
Net book value									
At 30 Jun 2007	2	1	433	14	–	5,389	–	–	5,839
At 30 Jun 2006	129	–	145	2	168	4,669	7,102	23,642	35,857

10. PROPERTY, FURNITURE, FIXTURES AND EQUIPMENT (continued)

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Net book value includes furniture, fixtures and equipment under finance leases: -				
Motor vehicles	495	293	433	138
Data processing equipment	47	–	–	–
	542	293	433	138

The impairment loss adjustments on the freehold building and leasehold building were due to the changes in their open market values and expected future cash flow.

During the financial year, the Company disposed of the freehold land and building which was stated at valuation of $33,000,000. It was revalued based on a professional valuation done on an existing use basis by the Directors in 1994. If the freehold land and building was measured using the cost model, the carrying amount would be $37,085,000 as at 30 June 2006.

The property, furniture, fixtures and equipment were pledged as security for bank borrowings in financial year 2006. The securities over these assets have been released by the banks as at 30 June 2007.

11. SUBSIDIARIES

	Company	
	2007	2006
	$'000	$'000
Investment in subsidiaries:		
Unquoted shares, at cost	95,575	92,470
Impairment losses	(29,854)	(31,402)
	65,721	61,068
Receivables from subsidiaries:		
Loans receivable, unsecured	18,102	9,084
Other receivables	62,880	31,104
Accrual for financial undertakings	(2,501)	(489)
	78,481	39,699
Allowance for doubtful debts	(32,222)	(25,230)
	46,259	14,469
	111,980	75,537

Details of the subsidiaries are set out in Note 3.

The loans receivable have no fixed terms of repayment and are not expected to be repaid within one year. The loans receivable bear interest at 4.5% (2006: 3.8%) per annum. The other receivables are non-trade related, unsecured, interest-free, with no fixed terms of repayment and repayable only when the cash flow of the subsidiaries permit.

Accrual for financial undertakings relates to the financial support given to certain subsidiaries.

notes to the financial statements

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11. SUBSIDIARIES (continued)

Included in loans receivable and other receivables are the following balances that are not denominated in the functional currency.

	Company	
	2007	2006
	$'000	$'000
Australian dollar	2,553	1,413
Thai baht	3,678	790
US dollar	281	292
Euro	73	71
Hong Kong dollar	(121)	(118)

The Company has undertaken not to recall the loans receivable and amounts receivable from certain subsidiaries amounting to $1,650,000 (2006: $2,915,000) and $30,278,000 (2006: $24,077,000) respectively, until such time the subsidiaries are in the position to repay the amounts without impairing their respective liquidity positions.

12. INVESTMENT IN JOINT VENTURES

The joint venture entities held by the Group as at 30 June were:

	Name of entity [Country of incorporation]	Principal activities	Percentage of equity interest	
			2007	2006
			%	%
+	F J Benjamin Concepts (Aust) Pty Ltd [Australia]	Manager of partnership	51	51
+	FJ Benjamin (Aust) Pty Ltd and Partners [Australia]	Importers, distributors and retailers of consumer fashion wear and accessories	51	51

+ Not required to be audited by the laws of its country of incorporation.

The joint venture entities are jointly controlled and managed by the Group and the joint venture partners.

12. INVESTMENT IN JOINT VENTURES (continued)

The Group's share of the assets, liabilities and results of the joint venture entities are as follows:

	2007 $'000	2006 $'000
Furniture, fixtures and equipment	609	510
Current assets	995	485
Current liabilities	(829)	(798)
Net assets	775	197
Revenue	1,158	497
Operating costs and expenses	(1,572)	(915)
Loss before taxation	(414)	(418)

13. INVESTMENT IN ASSOCIATES

	Group	
	2007 $'000	2006 $'000
Unquoted shares, at cost	5,153	5,153
Loan	3,750	3,000
Total investment	8,903	8,153
Impairment losses	(2,445)	–
Share of post-acquisition reserves	(1,956)	1,882
Share of exchange translation reserve	(443)	(484)
	4,059	9,551

The loan is part of the capital contribution and is interest-free, has no fixed terms of repayment and is not expected to be repaid within one year.

The principal activities and related details of the Group's significant associates are as follows:

(a) a 50% (2006: 50%) interest in a Singapore-incorporated company whose principal activities comprise the operating of cafes and entertainment outlets. It has ceased operations during the financial year. The entity is audited by Ernst & Young, Singapore;

(b) a 50% (2006: 50%) interest in a Singapore-incorporated company whose principal activities comprise the operating of cafes. The associate has a franchise agreement entered into with Manchester United PLC ("MUPLC"), granting MUPLC a call option to subscribe up to 8% stake in the associate's enlarged issued share capital at terms provided for in the agreement, subject to the realisation of certain conditions. The entity is audited by Kong, Lim & Partners;

(c) a 48% (2006: 48%) interest in a Singapore-incorporated company whose principal activities comprise investment holding. The entity is audited by Ernst & Young, Singapore; and

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13. INVESTMENT IN ASSOCIATES (CONTINUED)

(d) a 50% (2006: 50%) interest in an Indonesia-incorporated company whose principal activities comprise the distribution of consumer fashion wear, accessories and timepieces and other sales related activities. The entity is audited by an associated firm of Moore Stephens International Limited.

The Group's interests in these associates are held through various subsidiaries. The operations of these associates are not managed by the Group.

The summarised aggregated financial information of the associates are as follows:

	2007	2006
	$'000	$'000
Assets and liabilities:		
Non-current assets	29,783	9,254
Current assets	54,799	48,879
Total assets	84,582	58,133
Current liabilities	55,131	30,591
Non-current liabilities	22,154	13,838
Total liabilities	77,285	44,429
Results:		
Revenue	64,266	57,745
Profit for the year	3,930	1,872

14. OTHER INVESTMENTS

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
At cost: -				
Unquoted equity investments	2,246	2,246	2,760	2,760
Quoted equity investments	527	527	527	527
	2,773	2,773	3,287	3,287
Impairment loss in investments	(2,451)	(2,441)	(2,965)	(2,955)
	322	332	322	332
Market value: -				
Quoted equity investments	322	332	322	332

15. OTHER RECEIVABLES

	Group	
	2007	2006
	$'000	$'000
Loan receivable from associate, secured	–	3,638
Loan receivable from associate, unsecured	1,954	1,034
	1,954	4,672

The secured loan receivable from associate in financial year 2006 was secured by a fixed and floating charge on all the assets of the associate, is non-trade related, interest-free and had no fixed terms of repayment. The loan was repaid during the financial year. The secured loan receivable from associate was denominated in Indonesian Rupiah.

The unsecured loan receivable from associate is interest-free, has no fixed terms of repayment and is not expected to be repaid within one year.

16. INVENTORIES

	Group	
	2007	2006
	$'000	$'000
Trading stocks: -		
On hand	55,629	29,920
On consignment	4,449	2,343
In transit	12,312	9,533
Work-in-progress	2,594	1,912
Total inventories at lower of cost and net realisable value	74,984	43,708
Inventories written down charged to the profit and loss account	3,400	2,053

During the financial year, the Group reversed $64,000 (2006: $375,000) of inventories written down of a discontinued brand, due to a higher than expected realisation on disposal.

notes to the financial statements

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17. TRADE DEBTORS

	Group	
	2007	2006
	$'000	$'000
External trade debtors	22,363	18,711
Allowance for doubtful debts	(1,248)	(1,237)
	21,115	17,474
Trade debts due from an associate	31,602	11,600
	52,717	29,074
Allowance for doubtful debts charged to the profit and loss account	39	65
Bad debts written off to the profit and loss account	1	–

Trade debtors are non-interest bearing and are generally on 30 to 90 day terms. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

Included in the above balance are $2,248,000 (2006: $1,700,000) and $53,000 (2006: nil) denominated in US dollar and Euro respectively.

18. OTHER DEBTORS

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Other receivables and prepayments	7,216	3,314	34	55
Allowance for doubtful debts	(25)	(25)	–	–
	7,191	3,289	34	55
Deposits	6,679	3,798	1,322	100
Advances	10	13	3	8
Due from subsidiaries	–	–	20,431	–
Due from joint venture	519	493	–	–
Due from associates	11,506	368	27	27
	25,905	7,961	21,817	190

Other receivables, amounts due from joint venture and associates are non-interest bearing and are generally on 60 to 90 day terms.

The amounts due from subsidiaries are non-trade related, unsecured, interest-free and are repayable on demand.

18. OTHER DEBTORS (continued)

Included in other debtors are the following balances that are not denominated in the functional currency of the respective entities.

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
US dollar	1,858	1,692	–	–
Euro	34	–	–	–
Hong Kong dollar	20	–	–	–
Singapore dollar	–	47	–	–

19. TRADE AND OTHER CREDITORS

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Trade creditors	38,039	35,924	–	–
Accruals	17,552	12,678	4,003	2,622
Sundry creditors	6,757	3,274	157	54
Due to subsidiaries	–	–	8,331	–
Advance from joint venture partner	–	147	–	–
	62,348	52,023	12,491	2,676

Trade creditors and sundry creditors are non-interest bearing and are generally on 30 to 120 day terms.

The amounts due to subsidiaries are non-trade related, unsecured, interest-free and are repayable on demand.

Included in trade creditors and sundry creditors are the following balances that are not denominated in the functional currency of the respective entities.

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
US dollar	32,176	24,233	–	–
Swiss franc	5,909	5,830	–	–
Euro	1,398	778	–	–
Chinese reminbi	91	11	–	–
Singapore dollar	58	9	–	–
Thai baht	16	19	–	–
Sterling pound	12	179	–	–
Hong Kong dollar	11	–	–	–
Japanese yen	–	7	–	–

notes to the financial statements

30 June 2007

20. FINANCE LEASE CREDITORS

The Group has various finance lease facilities for its motor vehicles and data processing equipment. These leases expire over the next six years. The average discount rates implicit in the leases range from 4.3% to 6.2% (2006: 3.3% to 5.0%) per annum. Lease terms do not contain restrictions concerning payments of dividends, additional debt or further leasing.

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Present value of minimum lease payments are as follow:-				
Not later than one year	89	115	36	79
Later than one year but not later than five years	455	238	340	135
Later than five years	26	–	26	–
Total present value of minimum lease payments	570	353	402	214
Future minimum lease repayments are as follow: -				
Not later than one year	105	123	48	82
Later than one year but not later than five years	514	264	389	149
Later than five years	29	–	29	–
Total future minimum lease payments	648	387	466	231
Amount representing interest	(78)	(34)	(64)	(17)
	570	353	402	214

21. BANK BORROWINGS

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Current				
Bank overdrafts (Note 28)	4,560	2,705	–	–
Trust receipts and bills payable	19,829	6,806	–	–
Short term loans	10,325	10,399	–	–
	34,714	19,910	–	–
Non-current				
Repayment within one to five years:				
Term loan	–	11,200	–	11,200
Mortgage loan	–	6,749	–	–
	–	17,949	–	11,200

21. BANK BORROWINGS (continued)

Bank overdrafts, trust receipts, bills payable and short term loan facilities for subsidiaries were secured by a second mortgage over the freehold land and buildings and the leasehold building of the Group. These securities were released by the banks during the financial year. Corporate guarantees are given by the Company amounting to $88,083,000 (2006: $76,516,000) for facilities granted to certain subsidiaries. The short term loans bear interest at rates that ranged from 4.01% to 6.61% (2006: 4.10% to 6.61%) per annum during the financial year.

The Group and the Company had made an early settlement of a HK$33.0 million (2006: HK$33.0 million) term loan and a $11.2 million (2006: $11.2 million) Revolving Credit Facility ("RCF") during the financial year. The HK$33.0 million term loan was secured by a mortgage over a leasehold property in Hong Kong with interest rates ranging from 5.85% to 6.45% (2006: 3.89% to 6.45%) per annum during the financial year. The $11.2 million (2006: $11.2 million) RCF was secured by a mortgage over one of the freehold land and buildings and the leasehold building of the Group with interest rates ranging from 4.75% to 5.00% (2006: 4.00% to 4.75%) per annum during the financial year.

In financial year 2005, the Company had a $549,000 ten year term loan secured by a mortgage over one of the Group's freehold land and buildings in Singapore with the last instalment paid in January 2006. Interest rates ranged from 4.35% to 4.95% per annum during the financial year 2006.

In financial year 2004, one of the subsidiaries of the Company issued $30 million of deferred consideration notes (the "notes") to the Company as consideration for the acquisition of F J Benjamin (Singapore) Pte Ltd and B.M.I. (Pte.) Ltd. The Company, in turn, sold the notes to one of its wholly-owned subsidiaries, via a bank. The notes are unsecured, bear interest at 9.90% (2006: 9.90%) per annum and mature in 2018.

Included in the bank borrowings are the following balances that are not denominated in the functional currency of the respective entities.

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
US dollar	7,108	3,331	–	–
Euro	913	1,100	–	–
Swiss franc	–	1,622	–	–

22. OTHER LIABILITIES

Other liabilities consist of an advance from an associate. The advance is interest-free, has no fixed terms of repayment and is not expected to be repaid within one year.

notes to the financial statements

30 June 2007

23. DEFERRED TAXATION

	Group				Company	
	Consolidated balance sheet		Consolidated profit and loss account		Balance sheet	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Deferred tax liabilities						
Unremitted foreign income	(461)	(431)	30	10	(461)	(431)
Depreciation	(157)	3	160	(30)	(3)	(26)
Provisions	167	(12)	(179)	60	83	57
Tax value of unutilised losses	352	–	(352)	–	352	–
Other	59	–	(59)	–	29	–
	(40)	(440)			–	(400)
Deferred tax assets						
Provisions	375	489	114	(190)	–	–
Depreciation	12	112	100	(119)	–	–
Tax value of unutilised losses	624	–	(624)	220	–	–
	1,011	601	(810)	(49)	–	–

24. SHARE CAPITAL

	Group and Company			
	2007 No. of shares '000	2007 $'000	2006 No. of shares '000	2006 $'000
Ordinary shares issued and fully paid				
Opening balance	313,500	99,360	285,000	57,000
Transfer of share premium reserve to share capital	–	–	–	26,685
Exercise of warrants	210,498	115,774	28,500	15,675
Closing balance	523,998	215,134	313,500	99,360

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

As at 30 June 2007, there were 46,002,000 (2006: 256,500,000) outstanding warrants. Each warrant carries the right to subscribe for one new ordinary share in the Company at an exercise price of $0.45 per share. The warrants issued expire on 16 July 2007. A further 44,711,857 warrants were exercised between the financial year end and the warrants expiry date.

25. WARRANT RESERVE

The warrant reserve account comprises the proceeds from the warrants issued net of warrant issue expense. As and when the warrants are exercised, the net proceeds relating to the warrants exercised will be transferred to the share capital account. Upon expiry of the warrants, it may be converted to a distributable reserve.

26. EXCHANGE TRANSLATION RESERVE

The exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group, and the translation of monetary items that in substance forms part of the Company's net investment in a foreign subsidiary.

27. PREFERENCE SHARES ISSUED BY A SUBSIDIARY

During the financial year 2006, a subsidiary issued non-convertible preference shares to a third party which accounted for 51% equity interest in the subsidiary. However, these shares only accounted for 21% voting rights in the subsidiary. The preference shareholder is entitled to 20% of the dividend declared by the subsidiary and does not share in the profit and loss or net assets of the subsidiary.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:

	Group	
	2007	2006
	$'000	$'000
Fixed deposits	88,779	19,621
Cash on hand and at banks	7,351	5,308
	96,130	24,929
Bank overdrafts (Note 21)	(4,560)	(2,705)
	91,570	22,224

Fixed deposits earned interest at floating rates ranging from 1.53% to 3.08% (2006: 1.80% to 3.31%) per annum.

Included in the cash on hand and at banks are the following balances that are not denominated in the functional currency of the respective entities.

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
US dollar	469	222	–	–
Australian dollar	62	131	–	–
Swiss franc	243	62	–	–
Other	16	2	–	–

notes to the financial statements

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29. FINANCIAL INSTRUMENTS

The Group is mainly exposed to interest rate risk, currency exchange rate risk, credit risk and liquidity risk. The Group's risk management policies and guidelines are set to monitor and control the potential material adverse impact of these exposures.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its debt obligations.

The following tables show the interest rate risk on the earlier of contracted re-pricing date and maturity of the Group or Company's financial instruments. Actual re-pricing dates may differ from contractual date due to prepayment.

		Group		Company	
		2007	2006	2007	2006
		$'000	$'000	$'000	$'000
Floating rate					
Bank overdrafts		4,560	2,705	–	–
Trust receipts and bills payable		19,829	6,806	–	–
Short term loans		10,325	10,399	–	–
Term loan		–	11,200	–	11,200
Mortgage loan		–	6,749	–	–
Fixed deposits		88,779	19,621	88,763	19,621
Fixed rate					
Finance leases	Within 1 year	–	11	–	–
	1-2 years	–	51	–	51
	2-3 years	55	–	–	–
	3-4 years	245	–	132	–
	More than 5 years	270	291	270	163
		570	353	402	214
Loan to subsidiaries	1-2 years	–	–	18,102	9,084

Interest on financial instruments subject to floating interest rates are repriced at intervals of less than one year.

29. FINANCIAL INSTRUMENTS (continued)

Currency exchange risk

The Group is exposed to movements in foreign currency exchange rates through its overseas trading activities. The Group seeks to maintain a natural hedge through the matching of liabilities against assets in the same currency or against the entity's functional currency. Transactional exposure in currencies other than the entity's functional currency is kept to a minimal level. Where appropriate, the Group engages in foreign currency forward contracts to reduce exposure from currency fluctuations.

The Group is also exposed to foreign exchange movements in its investments in foreign subsidiaries and associates. This currency translation risk is regularly monitored.

Credit risk

Credit risk arising from the inability of a customer to meet the terms of the Group's financial instrument contracts is generally limited to amounts, if any, by which the customer's obligations exceed the obligations of the Group. The Group's policy is to manage its credit risk through application of credit approvals, credit limits and monitoring procedures. The Group has no significant concentration of credit risk.

Liquidity risk

The Group monitors and maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Fair value

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

<u>Financial instruments carried at fair value</u>
Secured loan receivable from associate is carried at fair value which is determined using discounted cash flow. The cash flow is based on management best estimates. The discounted rates used are the current market incremental lending rates for similar types of lending. The Group and Company carry other investments that are classified as available for sale financial assets at their fair values as required by FRS 39.

<u>Financial instruments whose carrying amount approximate fair value</u>
Management has determined that the carrying amounts of all current financial assets, financial liabilities and all bank borrowings reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

<u>Financial instruments whose fair value not determinable</u>
The loans receivable and other receivables from subsidiaries and the unsecured loan receivable from associate have no fixed terms of repayment and are repayable only when the cash flow of the subsidiaries and the associate permit. Accordingly, the fair value of the loans and other receivables are not determinable as the timing of the future cash flow arising from them cannot be estimated reliably.

The advance from an associate has no fixed terms of repayment. Accordingly, the fair value of the advance is not determinable as the timing of the future cash flow arising from the advance cannot be estimated reliably.

notes to the financial statements

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30. SEGMENT INFORMATION

The following tables present revenue and profit information regarding the business segments for the financial years ended 30 June 2006 and 2007 and certain asset and liability information regarding the business segments as at 30 June 2006 and 2007.

Business segments

	Ongoing Retail $'000	Distribution $'000	Export $'000	MU Retail $'000	Corporate and Others $'000	Group $'000
2007						
Sales to external consumers	111,768	95,376	50,461	13	–	257,618
Intersegment sales	–	24,572	8,446	–	–	33,018
Segment revenue	111,768	119,948	58,907	13	–	290,636
Segment results	4,990	18,080	5,709	(478)	(8,350)	19,951
Exceptional items, net						3,839
Amortised interest on loan to an associate						112
Gain on early settlement of loan to an associate						415
Interest income						1,161
Interest expense						(1,893)
Share of results of associates, net of tax						2,500
Profit before taxation						26,085
Taxation						(4,617)
Net profit for the financial year						21,468
2006						
Sales to external consumers	67,195	81,298	38,209	533	–	187,235
Intersegment sales	–	17,138	16,419	–	–	33,557
Segment revenue	67,195	98,436	54,628	533	–	220,792
Segment results	3,589	12,459	2,868	(772)	(5,510)	12,634
Exceptional items, net						1,221
Amortised interest on loan to an associate						160
Interest income						278
Investment income						30
Interest expense						(1,908)
Share of results of associates, net of tax						740
Profit before taxation						13,155
Taxation						(2,984)
Net profit for the financial year						10,171

30. SEGMENT INFORMATION (continued)

Business segments (continued)

	Ongoing Retail $'000	Distribution $'000	Export $'000	MU Retail $'000	Corporate and Others $'000	Group $'000
2007						
Segment assets	77,307	52,793	27,908	1,104	135,949	295,061
Unallocated assets						8,660
Total assets						303,721
Segment liabilities	31,373	18,304	11,952	1,056	4,222	66,907
Unallocated liabilities						38,200
Total liabilities						105,107
Capital expenditure	9,605	1,147	739	–	454	11,945
Depreciation	2,661	984	512	–	1,055	5,212
Impairment loss adjustments on property, furniture, fixtures and equipment, net	–	–	–	–	(1,212)	(1,212)
2006						
Segment assets	31,060	41,153	17,980	539	84,016	174,748
Unallocated assets						17,029
Total assets						191,777
Segment liabilities	17,230	21,221	11,701	1,755	2,821	54,728
Unallocated liabilities						41,209
Total liabilities						95,937
Capital expenditure	2,717	1,075	313	–	2	4,107
Depreciation	1,319	848	405	–	1,297	3,869
Impairment loss adjustments on property, furniture, fixtures and equipment, net	61	–	–	–	(2,132)	(2,071)

notes to the financial statements

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30. SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue information regarding geographical segments for the financial years ended 30 June 2006 and 2007 and certain asset information regarding geographical segments as at 30 June 2006 and 2007.

	Southeast Asia $'000	North Asia $'000	Other $'000	Group $'000
2007				
Turnover	215,961	37,514	4,143	257,618
Other geographical information:				
Assets	251,103	48,669	3,949	303,721
Capital expenditure	11,592	153	200	11,945
2006				
Turnover	146,606	37,117	3,512	187,235
Other geographical information:				
Assets	139,230	48,824	3,723	191,777
Capital expenditure	3,360	158	589	4,107

31. OPERATING LEASES

The Group has various operating lease agreements for retail outlets, office premises and office equipment. The leases expire at various dates till 2017 and contain provisions for rental adjustments. Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows: -

	Group	
	2007 $'000	2006 $'000
Within one year	24,306	14,270
Between one year to five years	48,009	26,159
Later than five years	7,046	1,585
	79,361	42,014

The Group had a sub-lease arrangement with one of its associates for one of its retail outlets with a term of three years but was terminated during the financial year. The future minimum lease receivables under this non-cancellable operating lease as at 30 June are as follows:

	Group	
	2007 $'000	2006 $'000
Within one year	–	708
Between one year to five years	–	679
	–	1,387

31. OPERATING LEASES (continued)

The Group leases part of its freehold and leasehold buildings under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The future minimum lease receivables under non-cancellable operating leases as at 30 June are as follows:

	Group	
	2007	2006
	$'000	$'000
Within one year	582	449
Between one year to five years	260	280
	842	729

32. CONTINGENT LIABILITIES, UNSECURED

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Contingent liabilities not provided for in the financial statements: -				
Banker guarantees in lieu of rental deposits	5,559	1,574	–	–

The Company has undertaken to provide financial support to certain subsidiaries and associates for deficiencies in their shareholders' funds and to extend adequate funding to meet their operational needs.

33. COMMITMENTS

As at 30 June 2007, the Group has entered into several licensing and distribution agreements with its principals. Under the agreements, the Group is committed to certain levels of purchases and advertising expenditure in accordance with the agreed terms and conditions. The Group has substantially met these purchase and advertising commitments.

As at 30 June 2007, the Group has no outstanding forward contracts with settlement dates within the next one year (2006: Swiss franc 471,000).

notes to the financial statements

30 June 2007

34. RELATED PARTY DISCLOSURE

During the financial year, the Group has entered into transactions with related parties on terms agreed between the parties, as shown below:

	2007 $'000	2006 $'000
Sale of goods to an associate	42,792	28,172
Market support and administrative service income from an associate	3,333	3,334
Rental income from an associate	531	708
Royalty received from an associate	66	229
Directors' remuneration:		
- Directors of the Company	4,736	3,514
- Other directors of subsidiaries	2,535	2,273
Directors' fees		
- Directors of the Company	250	210
- Other directors of subsidiaries	20	21
Remuneration of key management personnel:		
- Directors of the Company	4,736	3,514
- Other directors of subsidiaries	2,535	2,273
- Non directors	299	62
	7,570	5,849

Provident fund contributions of $183,000 (2006: $167,000) are included in remuneration of key management personnel.

35. DIVIDENDS

	Group and Company	
	2007 $'000	2006 $'000
Paid during the financial year:		
First and final dividend for financial year 2006: 2.40 cents less tax of 20% (2005: 1.10 cents less tax of 20%) per ordinary share	6,588	2,508
Interim dividend of 1.50 cents less tax of 18% (2006: nil) per ordinary share	5,391	–
	11,979	2,508
Proposed but not recognised as a liability as at 30 June:		
Final dividend for financial year 2007: 1.00 cent less tax of 18% (2006: 2.40 cents less tax of 20%) per ordinary share	4,663	6,019
Special dividend for financial year 2007: 1.00 cent less tax of 18% (2006: nil) per ordinary share	4,663	–
	9,326	6,019

The final dividend proposed of $6,019,000 for financial year 2006 was based on 313,500,000 ordinary shares as at 30 June 2006. The exercise of warrants by the warrants holders from 1 July 2006 to 8 November 2006, resulted in an increase of 29,597,000 ordinary shares issued. Dividend paid based on 343,097,000 ordinary shares was $6,588,000, out of which $308,000 was paid out from the Company's net profit for the year ended 30 June 2007.

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified for consistency in presentation:-

	As currently reported $'000	As previously reported $'000
Share of results of associates	740	1,964
Taxation	2,984	4,208

37. EVENTS AFTER THE BALANCE SHEET DATE

Upon the expiry of the warrants as at 16 July 2007, 44,711,857 warrants were exercised after the financial year end, with total proceeds of $20,120,000.

The Board of Directors has proposed a capital distribution exercise to effect a cash distribution of 13.00 cents for each ordinary share in the capital of the Company held as at books closure date to be determined. The capital reduction will involve reducing the share capital of the Company by the sum of up to $74 million and will not result in a cancellation of shares. The capital reduction is subject to the approval of the shareholders at the forthcoming Extraordinary General Meeting, the approval of the High Court of Singapore and other relevant approvals and consents.

38. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 30 June 2007 were authorised for issue in accordance with a resolution of the Directors dated 11 September 2007.

statistics of shareholdings

as at 11 September 2007

Class of shares : Ordinary shares
Voting rights : One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	65	1.61	5,211	0.00
1,000 – 10,000	3,187	79.14	13,104,119	2.30
10,001 – 1,000,000	748	18.58	36,831,337	6.48
1,000,001 and above	27	0.67	518,769,190	91.22
Total	4,027	100.00	568,709,857	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	Frank Benjamin	68,445,900	12.04
2	Raffles Investments Limited	57,000,000	10.02
3	HSBC (Singapore) Nominees Pte Ltd	51,439,500	9.04
4	Citibank Nominees Singapore Pte Ltd	45,353,500	7.97
5	Raffles Nominees Pte Ltd	41,777,000	7.35
6	Hong Leong Finance Nominees Pte Ltd	40,140,000	7.06
7	Morgan Stanley Asia (Singapore) Securities Pte Ltd	31,350,000	5.51
8	Estate Of Jacob Ballas, Deceased	30,000,000	5.28
9	DBS Nominees Pte Ltd	28,622,000	5.03
10	Mayban Nominees (S) Pte Ltd	25,010,000	4.40
11	Mavis Benjamin, Mrs	22,500,000	3.96
12	United Overseas Bank Nominees Pte Ltd	19,935,040	3.51
13	Eli Manasseh Benjamin *	11,487,050	2.02
14	UOB Kay Hian Pte Ltd	7,870,000	1.38
15	DB Nominees (S) Pte Ltd	6,719,000	1.18
16	DBS Vickers Securities (S) Pte Ltd	5,195,000	0.91
17	DBSN Services Pte Ltd	5,115,000	0.90
18	Phillip Securities Pte Ltd	3,775,000	0.66
19	Kim Eng Securities Pte. Ltd.	2,745,120	0.48
20	Seah Kee Khoo	2,659,000	0.47
	Total	**507,138,110**	**89.17**

* *Excludes 12,000,000 shares held by nominees*

statistics of shareholdings

as at 11 September 2007

SUBSTANTIAL SHAREHOLDERS AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

		Direct Interest	%	Deemed Interest	%
1	Frank Benjamin	68,445,900	12.04	52,500,000	9.23
2	Lim Eng Hock*	65,000,000	11.43	–	0.00
3	Estate of Jacob Ballas, Deceased	30,000,000	5.28	–	0.00
4	Raffles Investments Limited #	57,000,000	10.02	–	0.00
5	Mavis Benjamin, Mrs	22,500,000	3.96	68,445,900	12.04
6	Aequitas Pte Ltd #	–	–	57,000,000	10.02
7	Kambau Pte Ltd #	–	–	57,000,000	10.02
8	Siong Lim Private Limited #	–	–	57,000,000	10.02
9	Tecity Pte Ltd #	–	–	57,000,000	10.02
10	Dr Tan Kheng Lian #	–	–	57,000,000	10.02
11	Lloyd George Investment (Bermuda) Ltd	–	–	30,750,000	5.41

Aequitas Pte Ltd, Kambau Pte Ltd, Siong Lim Private Limited, Tecity Pte Ltd and Dr Tan Kheng Lian are deemed to be interested in the shares held by Raffles Investments Limited.

* *Held in the name of depository agents.*

Percentage of Shareholdings in Public's hands

Based on the information available to the Company, as at 11 September 2007, approximately 47% of the Company's shares were held in the hands of the public. Hence, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of F J BENJAMIN HOLDINGS LTD ("the Company") will be held at Lavender Room, Level 3 Orchard Hotel, 442 Orchard Road, Singapore 238879 on Monday, 29 October 2007 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 1.00 cent per ordinary share less income tax and a special dividend of 1.00 cent per ordinary share less income tax for the year ended 30 June 2007 (2006: final dividend of 2.40 cents per ordinary share). **(Resolution 2)**

3. To re-elect the following Directors retiring by rotation pursuant to Articles 102 and 106 of the Company's Articles of Association:

   Mr Eli Manasseh Benjamin (Retiring under Article 102) **(Resolution 3)**
   Ms Chew Gek Khim (Retiring under Article 106) **(Resolution 4)**

4. To pass the following Ordinary Resolutions pursuant to Section 153(6) of the Companies Act, Chapter 50:

   a) To appoint Mr Joseph Grimberg, a director retiring under Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 5)**
   [See Explanatory Note (i)]

   Mr Joseph Grimberg will, upon re-appointment as a Director of the Company, remain Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent.

   b) To appoint Mr Frank Benjamin, a director retiring under Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 6)**
   [See Explanatory Note (i)]

   Mr Frank Benjamin will, upon re-appointment as a Director of the Company, remain a member of the Nominating Committee and will be considered non-independent.

5. To approve the payment of Directors' Fees of S$250,000 for the year ended 30 June 2007 (2006: S$210,000). **(Resolution 7)**

6. To approve the payment of Directors' Fees of S$280,000 for the year ending 30 June 2008 to be paid quarterly in arrears. **(Resolution 8)**

7. To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 9)**

8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

9. **Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

notice of annual general meeting

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (ii)] **(Resolution 10)**

By Order of the Board

Karen Chong Mee Keng
Dilhan Pillay Sandrasegara
Joint Company Secretaries

Singapore, 5 October 2007

EXPLANATORY NOTES:

(i) The effect of the Ordinary Resolutions 5 and 6 proposed in item 4 above, is to appoint directors who are over 70 years of age.

(ii) The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

NOTES:

1. A Member entitled to attend and vote at the Annual General Meeting (the “Meeting”) is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 6B Orange Grove Road, Singapore 258332 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

F J BENJAMIN HOLDINGS LTD

Co. Reg. No. 197301125N
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy F J BENJAMIN HOLDINGS LTD's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____

of ____

being a member/members of F J BENJAMIN HOLDINGS LTD (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Monday, 29 October 2007 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 30 June 2007		
2	Payment of proposed final and special dividends		
3	Re-election of Mr Eli Manasseh Benjamin as a Director (retiring under Article 102)		
4	Re-election of Ms Chew Gek Khim as a Director (retiring under Article 106)		
5	Re-appointment of Mr Joseph Grimberg as a Director		
6	Re-appointment of Mr Frank Benjamin as a Director		
7	Approval of Directors' Fees amounting to S$250,000 for financial year ended 30 June 2007		
8	Approval of Directors' Fees amounting to S$280,000 for financial year ending 30 June 2008		
9	Re-appointment of Messrs Ernst & Young as Auditors		
10	Authority to allot and issue new shares		

Dated this ______________ day of ______________ 2007

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

NOTES :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 6B Orange Grove Road, Singapore 258332 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.