26 September 2014

Markets Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir/Madam,

The PAS Group Limited 2014 Notice of Meeting

Please find attached documents to be released to our shareholders and/or on our website:

- Invitation letter from the Chairman
- 2014 Notice of Meeting
- 2014 Proxy Form
- 2014 Shareholder Question Form
- 2014 Annual Report

Yours faithfully,

Derrick Krowitz
Company Secretary
The PAS Group Limited

17 Hardner Road, Mt Waverley Vic 3149 AUSTRALIA Tel +61 3 9902 5555 Fax +61 3 9902 5500 www.thepasgroup.com.au ACN 169 477 463

25 September 2014

Dear Shareholder,

On behalf of the Board I am pleased to invite you to attend the first Annual General Meeting ("AGM") of The PAS Group Limited. The following documentation is enclosed:

- the Notice of Annual General Meeting ("Notice");
- an Explanatory Memorandum;
- a proxy form;
- a shareholder question form; and
- a reply paid envelope for lodging your proxy form and/or shareholder question form to The PAS Group before the AGM.

AGM

The AGM will be held on Thursday, 30 October 2014 commencing at 11.00am (AEST) at the offices of Deloitte Touche Tohmatsu, Level 10, 550 Bourke Street, Melbourne, Victoria 3000.

Business of the AGM

The business of the AGM is set out in the Notice. The Notice and Explanatory Memorandum set out important information in relation to the matters to be considered by shareholders at the meeting, and I encourage you to read these materials carefully.

Attendance

If you are attending the AGM, please bring your personalised proxy form to allow the Share Registry to promptly register your attendance at the meeting. The registration desk will be open from 10:00am.

If you are unable to attend in person, you may wish to appoint a proxy to attend and vote at the meeting in your place. Please refer to the Notice and proxy form regarding the appointment of a proxy.

Shareholder Questions

Shareholders attending the AGM will have the opportunity to ask questions at the AGM. If you have an issue or question that you would like to be discussed at the meeting, please complete the enclosed shareholder question form.

Written shareholder queries submitted before the AGM must be received by 11:00am (AEST) on Thursday, 23 October 2014.

I look forward to seeing you at the AGM.

Yours sincerely,

Rod Walker
Chairman
The PAS Group Limited

THE PAS GROUP LIMITED

ACN 169 477 463

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting ("AGM") of shareholders of The PAS Group Limited ("The PAS Group" or the "Company") will be held:

Date:	Thursday, 30 October 2014
Time:	11.00am (AEDT)
Venue:	Deloitte Touche Tohmatsu, Level 10, 550 Bourke Street, Melbourne, Victoria 3000

The Explanatory Statement accompanying this Notice of Meeting ("Notice") provides additional information on the matters to be considered at the AGM. The Explanatory Statement and the proxy form are part of this Notice.

A. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the financial year ended 30 June 2014.

Unless the Company's Share Registry has been notified otherwise, shareholders have not been sent a hard copy of the Annual Report. All shareholders can view the Annual Report which contains the Financial Report for the year ended 30 June 2014 on the Company's website at http://www.thepasgroup.com.au.

B. QUESTIONS AND COMMENTS

Following consideration of the Reports, the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give shareholders a reasonable opportunity to ask the Auditor questions relevant to:

a. the conduct of the audit;

b. the preparation and content of the Independent Auditor's Report;

c. the accounting policies adopted by the Company in relation to the preparation of the financial statements; and

d. the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders that are relevant to the content of the Independent Auditor's Report or the conduct of the audit. A list of written questions submitted by shareholders will be made available at the start of the AGM and any written answer tabled by the Auditor at the AGM will be made available as soon as practicable after the meeting.

C. ITEMS FOR APPROVAL

1. Election of Directors – David Fenlon, Jon Brett and Jacquie Naylor

To consider and, if thought fit, pass the following as ordinary resolutions of shareholders of the Company:

(a) *"That, David Fenlon, who retires in accordance with clause 59 of the Company's Constitution, having offered himself for election and being eligible, is elected as a Director of the Company."*

(b) *"That, Jon Brett, whose term as a Director ends in accordance with clause 58 of the Company's Constitution, having offered himself for election and being eligible, is elected as a Director of the Company."*

(c) *"That, Jacquie Naylor, whose terms as a Director ends in accordance with clause 58 of the Company's Constitution, having offered herself for election and being eligible, is elected as a Director of the Company."*

2. Remuneration Report

To consider and, if thought fit, to pass the following as an advisory resolution of shareholders of the Company:

"That, the Company's Remuneration Report for the financial year ended 30 June 2014 (set out in the Directors' Report) is adopted."

The Remuneration Report is set out in the 2014 Annual Report. Please note that, in accordance with section 250R(3) of the Corporations Act 2001 (Cth) (the Act), the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement

A vote on Resolution 2 must not be cast (in any capacity) by or on behalf of:

a. a member of the Key Management Personnel (KMP) whose remuneration is included in the 2014 Remuneration Report; and

b. a closely related party (such as close family members and any controlled companies) (Closely Related Party) of such a KMP.

However, the Company will not disregard a vote cast on Resolution 2 as a proxy for a person who is entitled to vote and:

a. The proxy appointment is in writing and specifies how the proxy is to vote (for, against, abstain); or

b. The vote is cast by the person chairing the AGM and;

    i. The appointment does not specify how the proxy is to vote; and

ii. the appointment expressly authorises the Chair of the AGM to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

3. Appointment of Auditor

To consider and, if thought fit, pass the following as an ordinary resolution of shareholders of the Company:

"That, in accordance with section 327B of the Corporations Act 2001 (Cth) and for all other purposes, Deloitte Touche Tohmatsu, who have been nominated by a shareholder and consented in writing to act in the capacity of Auditor, be appointed as Auditor of the Company."

The Chair intends to vote all undirected proxies in favour of Resolutions 1(a), 1(b), 1(c), 2 and 3. If a Shareholder wishes to appoint the Chair of the meeting as their proxy with a direction to vote against, or to abstain from voting on the Resolutions, the Shareholder should specify this by completing the 'Against' or 'Abstain' box on the proxy appointment.

By order of the Board

Mr Derrick Krowitz
Company Secretary
25 September 2014

ENTITLEMENT TO ATTEND AND VOTE

In accordance with Reg 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7:00pm (AEDT) on Tuesday, 28 October 2014 will be entitled to attend and vote at the AGM as a shareholder.

If more than one joint holder of shares is present at the AGM (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Voting by Proxy

If you are a shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Act to exercise its powers as proxy at the AGM.

A proxy need not be a shareholder of the Company.

A shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 11.00 am (AEDT) on Tuesday, 28 October 2014. Proxies must be received before that time by one of the following methods:

By post:	The PAS Group Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia
Online:	www.linkmarketservices.com.au
By delivery:	Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138
By facsimile:	In Australia (02) 9287 0309 From outside Australia +61 2 9287 0309

To be valid, a proxy must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Voting by Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later 11.00 am (AEDT) on Tuesday, 28 October 2014 being 48 hours before the AGM.

Corporate Representatives

A body corporate which is a shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the AGM. The appointment of the representative must comply with the requirements under section 250D of the Act. The representative should bring to the AGM a properly executed letter or other document confirming its authority to act as the company's representative.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of the Company in relation to the business to be conducted at the Company's AGM to be held on Thursday, 30 October 2014.

The purpose of this Explanatory Memorandum is to provide shareholders with information that is reasonably required by shareholders to decide how to vote upon the Resolutions.

The Directors unanimously recommend shareholders vote in favour of all Resolutions; for reasons of good governance, each Director respectively abstains where that Director has an interest in the outcome of a particular resolution and these interests are identified throughout this Explanatory Memorandum.

Resolutions 1(a), 1(b), 1(c) and 3 to be voted on are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by shareholders entitled to vote on the resolution. Resolution 2 is an advisory resolution and does not bind the Company or the Directors.

Resolutions 1(a), 1(b) and 1(c): Election of Directors

Clause 59 of the Constitution states that one third of the Directors must retire at the annual general meeting. The only directors that may retire are David Fenlon or Rodney Walker. Eric Morris is exempt because he is the Managing Director.

Jon Brett and Jacquie Naylor were appointed as Directors by the Board under clause 58 of the Constitution and are therefore not counted for retirement purposes. However, they can only hold office until the end of the AGM and may be re-elected.

Resolution 1(a) David Fenlon

David Fenlon was appointed as a Non-Executive Director on 9 May 2014 upon the registration of the Company with ASIC. He is also a member of the Finance and Audit Committee. In accordance with clause 59 of the Constitution, one third of the directors must retire at the annual general meeting. David Fenlon retires and, being eligible, offers himself for election as a Director.

David has held a number of managing director and senior executive positions across the retail industry and is currently CEO of Blackmore's Australia and New Zealand. Prior to this David established and operated Simple Retail Consulting as the Managing Partner.

From 2006 to 2010, David operated REDGroup Retail as the Managing Director. David has also held senior international positions in companies such as Tesco and Safeway Stores PLC.

Direct/Indirect interest in shares: Nil

With David Fenlon abstaining, the Directors, following a peer review, unanimously recommend that shareholders vote in favour of this Resolution.

Resolution 1(b) Jon Brett

Jon Brett was appointed by the Board of Directors as a Non-Executive Director on 22 May 2014 and is the Chairman of the Finance and Audit Committee. In accordance with clause 58 of the Constitution, Jon Brett's term as Director is to expire and, being eligible, offers himself for election as a Director.

Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as managing director of a number of publicly listed companies. Jon is currently on the board of Vocus Communications Limited, where he is the chairman of the Audit and Risk committee, Jon is also a director of several unlisted companies and was formerly an executive director of Investec Wentworth Private Equity Limited and the non-executive deputy president of the National Roads and Motoring Association.

Indirect interest in shares: 130,000 ordinary shares

With Jon Brett abstaining, the Directors, following a peer review, unanimously recommend that shareholders vote in favour of this Resolution.

Resolution 1(c) Jacquie Naylor

Jacquie Naylor was appointed by the Board of Directors as a Non-Executive Director on 22 May 2014 and is a member of the Nomination and Remuneration Committee. In accordance with clause 58 of the Constitution, Jacquie Naylor's term as Director is to expire and, being eligible, offers herself for election as a Director.

Jacquie has over thirty years of experience in the consumer and retail industry, with a significant track record of Board and executive positions.

Between 2007 and 2012 Jacquie acquired Husk Corporation lifestyle stores and successfully implemented a turnaround strategy, increasing the company's turnover and returning it to profitability.

In 2006, Jacquie formed a private retail advisory company, which focuses on strategic repositioning of underperforming brands. The company continues to consult to key industry retailers within the textile and clothing sector.

Between 2001 and 2006 Jacquie held senior management positions as group merchandising director and executive director and board member of The Just Group. Jacquie was responsible for a portfolio of brands including Just Jeans, Jay Jay's, Dotti, Jacqui E & Portmans.

Since 2006, Jacquie has held the position of non- executive director on the board of the Virgin Australia Melbourne Fashion Festival.

Indirect interest in shares: 53,043 ordinary shares

With Jacquie Naylor abstaining, the Directors, following a peer review, unanimously recommend that shareholders vote in favour of this Resolution.

Resolution 2: Remuneration Report

Section 250R(2) of the Act requires that the section of the Directors' Report dealing with the remuneration of director and key management personnel (Remuneration Report) be put to the vote of shareholders for adoption by way of a non-binding vote.

If there is a vote of 25% or more against the Remuneration Report at the 2014 AGM, and another vote of 25% or more at the 2015 AGM, then a resolution will be put at the 2015 AGM to put the Board (other than the Managing Director) up for re-election ("Spill Resolution"). If the Spill Resolution passes, then the Company must hold a spill meeting within 90 days at which all Directors (other than the Managing Director) who were Directors at the time the Remuneration Report that received the second strike will retire and may resubmit themselves for re-election.

The Remuneration Report details the remuneration policy for the Company and:

- reports the remuneration arrangements for Key Management Personnel of the Company (KMP);
- explains Board policies in relation to the nature and value of remuneration paid to KMP; and
- discusses the relationship between the policy and Company performance.

The Report is available in the Company's 2014 Annual Report (available on the Company's website, http://www.thepasgroup.com.au).

The Chairman will give shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report.

Resolution 2 is an advisory resolution only (as stipulated by section 250R(3) of the Act) and does not bind the Directors or the Company.

A voting exclusion statement is set out under Resolution 2 in the Notice of Meeting.

The Directors abstain, in the interests of corporate governance, from making a recommendation in relation to this Resolution.

Resolution 3: Appointment of Auditor

Deloitte Touche Tohmatsu has held the office of auditor since 22 May 2014. Under section 327A(2) of the Act, Deloitte Touche Tohmatsu holds office until the Company's first AGM. Thereafter, section 327B(1)(a) requires the Company to appoint an auditor at its first AGM. Deloitte Touche Tohmatsu has given, and has not withdrawn, its consent to act as external auditor of the Company.

In accordance with section 328B(1) of the Act, notice in writing nominating Deloitte Touche Tohmatsu as auditor has been given to the Company by a Shareholder. A copy of this notice is contained in Attachment A to this Notice.

The Directors recommend that shareholders vote in favour of this Resolution.

Attachment A

Notice of Nomination of Auditor of The PAS Group Limited

12 September 2014

The Company Secretary
The PAS Group Limited

Dear Mr Krowitz,

NOMINATION OF DELOITTE TOUCHE TOHMATSU AS AUDITOR OF THE PAS GROUP LIMITED (ACN 169 477 463)

Dalesam Pty Ltd, being a shareholder of The PAS Group Limited, nominates Deloitte Touche Tohmatsu of Level 10, 550 Bourke Street, Melbourne, Victoria 3000 for the appointment as auditor of The PAS Group Limited at its 2014 Annual General Meeting.

Dalesam Pty Ltd consents to the distribution of a copy of this notice of nomination as an attachment to the Notice of Meeting and Explanatory Statement for the 2014 Annual General Meeting of The PAS Group Limited as required by section 328B(3) of the Corporations Act 2001 (Cth).

Yours faithfully

Executed by **Dalesam Pty Ltd** in accordance with Section 127 of the *Corporations Act 2001:*

DBrett ←	JKBrett ←
Signature of director	Signature of director
DALE BRETT	JON BRETT
Name of director	Name of director

ABN 25 169 477 463

LODGE YOUR VOTE

ONLINE www.linkmarketservices.com.au

By mail:
The PAS Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax: (02) 9287 0309

All enquiries to: Telephone: 1300 554 474

X99999999999

PROXY FORM

I/We being a member(s) of The PAS Group Limited and entitled to attend and vote hereby appoint:

STEP 1 APPOINT A PROXY

☐ **the Chairman of the Meeting** ***(mark box)***

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at **11:00am on Thursday, 30 October 2014 at the offices of Deloitte Touche Tohmatsu, 550 Bourke Street, Melbourne** (the Meeting) and at any postponement or adjournment of the Meeting.

I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2 VOTING DIRECTIONS

	For	Against	Abstain*
Resolution 1a Re-election of Mr David Fenlon as a Director	☐	☐	☐
Resolution 1b Re-election of Mr Jon Brett as a Director	☐	☐	☐
Resolution 1c Re-election of Ms Jacquie Naylor as a Director	☐	☐	☐
Resolution 2 Adoption of the Remuneration Report (Advisory Only)	☐	☐	☐
Resolution 3 Appointment of Auditor	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

PGR PRX401R

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Tuesday, 28 October 2014,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

by mail:

The PAS Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

by fax:

(02) 9287 0309

by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.

THE PAS GROUP LIMITED

ABN 25 169 477 463

LODGE YOUR QUESTIONS

ONLINE www.linkmarketservices.com.au

By mail:
The PAS Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

By fax: (02) 9287 0309

All enquiries to: Telephone: 1300 554 474

X99999999999

SHAREHOLDER QUESTION FORM

Please use this form to submit any questions about The PAS Group Limited ("the Company") that you would like us to respond to at the Company's 2014 Annual General Meeting. Your questions should relate to matters that are relevant to the business of the meeting, as outlined in the accompanying Notice of Meeting and Explanatory Memorandum. If your question is for the Company's auditor it should be relevant to the content of the auditor's report, or the conduct of the audit of the financial report.

This form must be received by the Company's share registrar, Link Market Services Limited, by **Friday, 24 October 2014.**

Questions will be collated. During the course of the Annual General Meeting, the Chairman of the Meeting will endeavour to address as many of the more frequently raised shareholder topics as possible and, where appropriate, will give a representative of the Company's auditor, the opportunity to answer written questions submitted to the auditor. However, there may not be sufficient time available at the meeting to address all topics raised. Please note that individual responses will not be sent to shareholders.

Question(s)

My question relates to *(please mark the most appropriate box)*

- ☐ Performance or financial reports
- ☐ Remuneration Report
- ☐ My question is for the auditor
- ☐ A resolution being put to the AGM
- ☐ Sustainability/Environment
- ☐ Future direction
- ☐ General suggestion
- ☐ Other

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- ☐ Remuneration Report
- ☐ My question is for the auditor
- ☐ A resolution being put to the AGM
- ☐ Sustainability/Environment
- ☐ Future direction
- ☐ General suggestion
- ☐ Other

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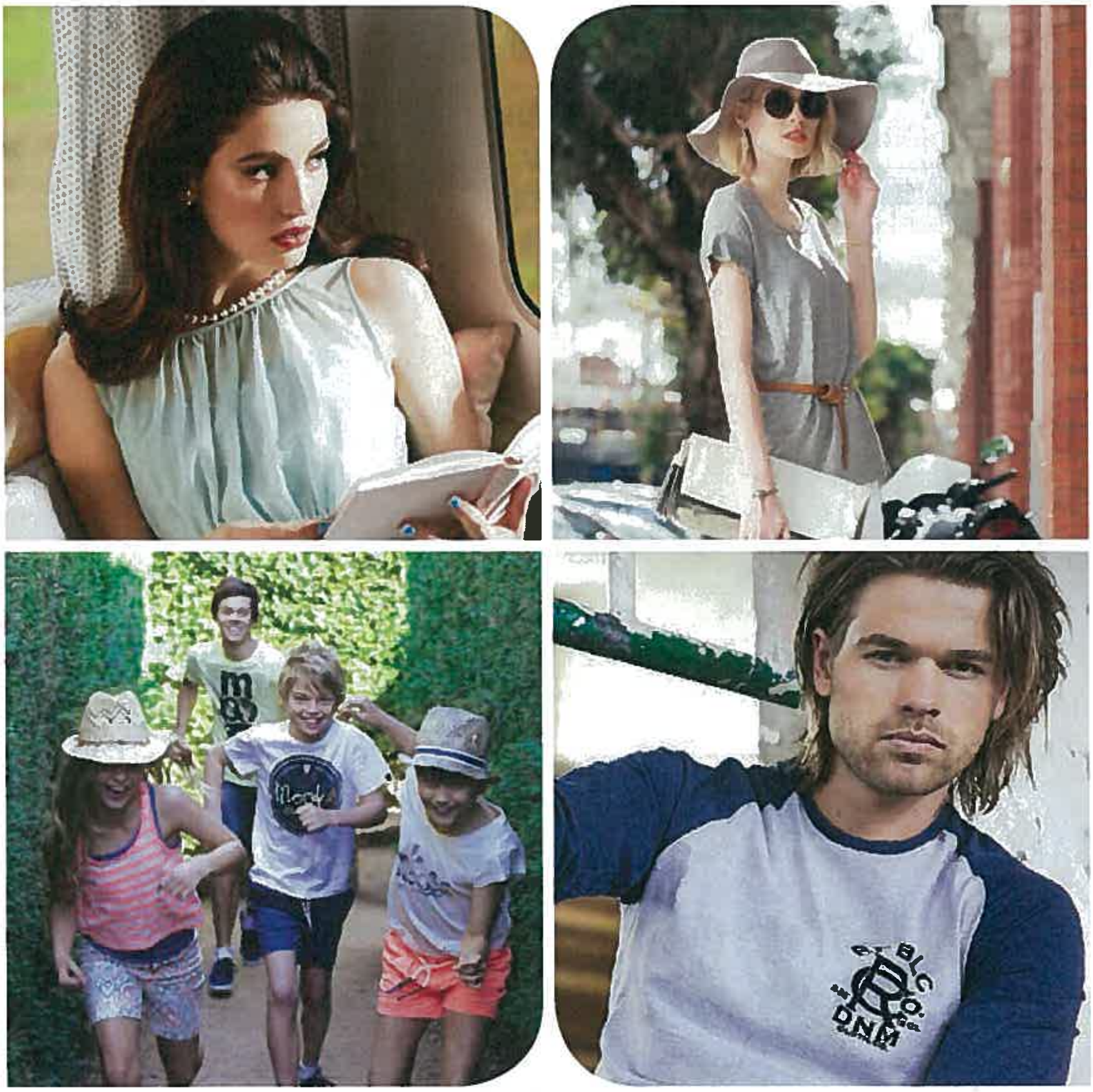

Annual Report 2014

The PAS Group Limited ACN 169 477 463

Company Overview

The PAS Group is a leading Australian apparel business with a diverse portfolio of brands. PAS has a multi-channel sales offering through its owned, branded retail stores and concessions, online channels, and on a wholesale basis through a range of retailers including department stores, discount department stores and independent stores.

The Group operates 235 retail sites across the Black Pepper, Review and Metalicus brands. The wholesale division includes the Designworks operation which sells branded and licensed product and is one of Australia's largest in-house design and production businesses. Additionally, the Black Pepper, Metalicus, Yarra Trail and Marco Polo brands are also sold on a wholesale basis.

Owned brands

Breakaway, Republic, Review, Fiorelli, Black Pepper, Equus, yarra trail, Marco Polo, annapelle, Metalicus, Chino kids, yvonne black

Licensed brands

World Industries, Mooks Clothing Co., Fred Bare, paul frank, Marvel Comics, Thomas, Crusty Demons, Hello Kitty, Firetrap, Everlast, Barbie, marie claire Paris, travisty, Slazenger, AFL, Fisher-Price, karrimor, Sesame Street, sista, The World of Beatrix Potter Peter Rabbit

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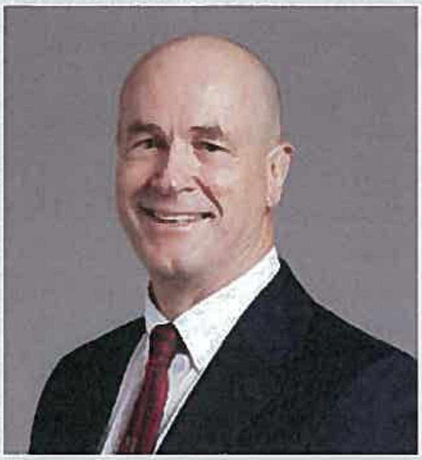
The PAS Group Annual General Meeting

Date	Thursday, 30 October 2014
Time	11.00am (AEDT)
Venue	Deloitte Touche Tohmatsu Level 10, 550 Bourke Street Melbourne, Victoria 3000

Download your annual report here:
www.thepasgroup.com.au

Chairman's Report



It gives me great pleasure as Chairman of the now publicly listed The PAS Group Limited (PAS) to be writing to you for the first time. Not only has management risen to the challenges of listing PAS, more importantly they have concurrently driven the performance of the company.

PAS have produced an excellent result in a challenging retail environment that included out-performing the Prospectus on both pro-forma underlying NPAT and EBITDA.

The listing has provided several benefits, not least of which is providing the Group with a strong Balance Sheet through the repayment of debt. The public listing has also provided greater market visibility of our portfolio of diverse retail brands that despite their success have had little market exposure until now.

A large contributor to the success of the Company in recent times has been the revenue growth driven by a clear and well executed new store roll out strategy. With no Balance Sheet debt, PAS now has the flexibility to pursue other growth opportunities including possible acquisitions in line with a disciplined acquisition criterion.

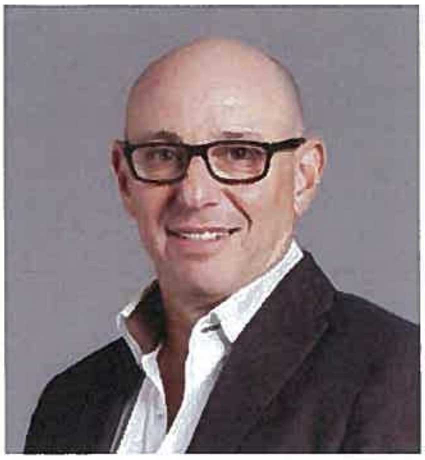
The Directors intend to issue fully franked dividends in the range of 70%-80% of statutory NPAT, with the first dividend payment following the first half FY2015 result.

Jacquie Naylor and Jon Brett were appointed to the Board in May 2014. Jacquie has over 30 years of experience in the consumer and retail industry having held several board and executive management positions including several years at The Just Group. Jon, who chairs the risk and audit committee, has extensive publicly listed company experience in the areas of management, operations, finance and corporate advisory. Their addition to the Board enhances the board's broad range of skills and experience and both have already made significant contributions to the company.

I would like to thank all PAS employees for their hard work and dedication over the past year. Being a publicly listed company brings many advantages but also a new set of challenges. The Board has every confidence that the right teams are in place to meet these challenges and deliver value for shareholders. I look forward to reporting on further progress over the coming months.

Rod Walker
Chairman, The PAS Group Limited

Chief Executive's Report



2014 was an extremely busy year for PAS, with further growth in our portfolio of owned stores, department store concessions and licensed brands. It culminated in our listing on the ASX in June, with support from both institutional and retail investors.

Our new store roll out program is on track with 36 new stores opened during the year, taking the total to 235 retail stores in Australia and New Zealand. This is a continuation of the consistent growth trend we have achieved over the past few years, with a further 41 new stores planned for the current year.

The majority of these new stores are in our Black Pepper business which services a growing, older demographic in regional locations and neighbourhood shopping centres. This is a relatively underserviced segment of the market and will continue to underpin revenue and earnings growth in the competitive Australian retail landscape.

Overall revenue grew by 5.6% to $245.5 million during the year ended 30 June 2014. Retail sales were up 13.0% to $129.6 million and wholesale sales decreased by 1.5% to $115.9 million. Retail sales benefited from the impact of the new store portfolio as well as the full year impact of new stores opened during the previous year. The slight reduction in wholesale sales, which was partially offset by the growth in licensed brands in Designworks, was primarily due to the planned migration towards our own vertically integrated stores in the Black Pepper brand. Like-for-like retail sales increased by 3.1%. This was below the 4.2% growth set out in the Prospectus due to the impact of diminished consumer confidence following the Federal Budget and unseasonably warm weather in the May/June period.

On a pro forma underlying basis, EBITDA increased by 4.8% to $30.7 million and NPAT increased by 0.6% to $16.8 million, both ahead of the forecasts set out in the Prospectus. PAS has no debt and continues to generate strong cash flows.

Online retail sales grew significantly in both the Review and Metalicus brands with sales up 60.6% on the prior year. The online channel now accounts for 5.1% of retail sales for these brands. This not only generates additional revenue for PAS, but also drives traffic to our bricks and mortar stores. A new Black Pepper online store is scheduled for launch in October 2014. There are also a number of new digital initiatives planned for the FY2015 year including "click and collect".

A high percentage of retail sales are driven by our loyalty programs. Review and Metalicus saw strong growth in their customer loyalty programs, demonstrating their growing brand value. A new loyalty program for Black Pepper will be introduced during FY2015.

PAS is continuing its new store roll out program with an additional 41 stores to be opened during FY2015. There is good progress being made in securing these stores with 32 of these new stores either already signed or under negotiation as at September 2014. In addition, 31 stores are due to be refurbished in FY2015, which is expected to support like-for-like sales growth.

During the FY2014 year PAS obtained the Slazenger, Everlast, Fred Bare, DKNY Mens and Karrimor licensed brands, which will be launched during the FY2015 year. There are also a number of additional opportunities in the pipeline with brand owners being attracted to Designworks' design capability and efficient supply chain. Designworks was also appointed as the designer and supplier for the Peter Morrissey children's brand at BIG W.

Chief Executive's Report (continued)

PAS continues to experience a migration away from the Target house branded product at a higher rate than forecasted. The sales shortfall is expected to be replaced with licensed brands as these brands ramp up in the second half of FY2015.

During the year, the final stage of the IT integration project was completed with all brands now operating within a single enterprise system environment with a common point of sale across all retail brands. A new merchandise planning system will be introduced across the Group in FY2015.

While the operating environment remains challenging, we continue to focus on elements within our control. The key strategic initiatives for FY 2015 are:

- The continuation of the new store opening program as well as the refurbishment of a number of key stores.
- The further development of our multi-channel and digital strategy driving traffic to both our online and retail stores.
- Further growth of the loyalty programs through a variety of initiatives to drive retail revenue growth.
- The acquisition of new brand licenses in Designworks reducing the reliance on house branded product.

PAS is in a strong financial position with good Balance Sheet flexibility, providing the option to pursue acquisitions that meet our clearly defined criteria. Meanwhile, we remain firmly focused on maintaining disciplined cost management across the business.

The great progress we made during the year would not have been possible without the commitment and exceptional effort of all of our people. On behalf of the Board and executive management team I would like to thank everyone for their significant and valued contribution to the Group's ongoing success.

I am confident in the Group's future prospects and look forward to reporting on further progress.

Eric Morris
Chief Executive Officer
The PAS Group Limited

Metalicus store in Melbourne's Chadstone Shopping Centre

Review store in Indooroopilly Shopping Centre, Brisbane

Corporate Governance Statement

The Directors of The PAS Group Limited ('Company') and its controlled entities ('PAS' or the 'Group') are committed to conducting the business of PAS in accordance with high standards of corporate governance.

The Board

Role

The board is accountable to shareholders for overseeing the management and performance of PAS and is responsible for developing overall strategy and good governance practices. To ensure the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board. Responsibility for the day-to-day operation and administration of the Group is delegated by the board to the Chief Executive Officer ('CEO').

The board ensures that the CEO and executives are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the board, the CEO and other executives periodically. Whilst at all times the board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship, it makes use of committees as described below.

The board is responsible for ensuring that the executive management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved across the Group, including:

- Monitoring the effectiveness of risk management and compliance processes;
- Reviewing and approving strategic plans and performance objectives;
- Approval of annual plans and budgets and monitoring progress against budget and the strategic plan;
- Appointment and removal of the CEO, including succession planning;
- Monitoring the performance of executives and their implementation of approved strategic initiatives;
- Approval of the Code of Conduct to which all Directors, officers and employees must subscribe;
- Ensuring that continuous disclosure requirements of the ASX are met;
- Ensuring that policies and processes are implemented which are designed to ensure that the Group conducts itself in an ethical manner having regard to principles of good corporate governance;
- Approval and monitoring of major capital expenditure projects, store expansion and capital management;
- Approval of half-yearly and annual financial reports; and
- Monitoring the timeliness and effectiveness of reporting to shareholders.

The Board Charter is available in the Corporate Governance section of the Group's website at www.thepasgroup.com.au and may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

Composition/selection and appointment of directors

The board seeks to maintain a board composition which has an appropriate mix of skills, experience, expertise and diversity. The board considers that its current composition, together with that of its committees, enables it and those committees to add value to PAS and to operate effectively.

Details of the directors as at the date of this report, including their experience and term of office are set out in the Directors' Report.

PAS maintains a majority of non-executive directors on its board. The structure of the board complies with the ASX Corporate Governance Council's principles and recommendations with respect to independence. Directors are considered to be independent where they are independent of management and free from any other business or relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered judgement.

In selecting and appointing new directors and considering whether to recommend re-election of incumbents the board will consider the most appropriate search process for identifying and evaluating likely additional directors, which may include using external search organisations where appropriate.

Access to information and independent advice

Each director has the right to access all relevant information and access to the Group's executives. Subject to prior consultation with the Chairman, each director may seek independent professional advice at the expense of PAS.

Conflict of interest

Each director has an ongoing responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any material matter which comes before the board. The Company Secretary maintains a register of directors' interests. In such situations, the conflicted director will not be present for board deliberations on the matter and will not vote on any related board resolutions. These procedures will be recorded in the minutes of the applicable board meeting. The same procedures apply in the event of any conflict which may arise relating to any matter to be considered by any Committee of the board. Directors are expected to inform the Chairman of the board of any proposed appointment to the board or executive of another company as soon as practicable.

The Group's Code of Conduct provides guidelines for dealing with conflicts of interest, particularly for executives and other employees.

Corporate Governance Statement (Continued)

Board Committees

Details of the committees established by the board are set out below.

Audit and Risk Committee

The board has established an Audit and Risk Committee that operates under a formal charter approved by the board.

The Audit and Risk Committee is charged primarily with assisting the board in its:

- Oversight of the reliability and integrity of PAS financial management, financial reporting and disclosure practices;
- Oversight of the independence, performance, appointment and removal of the external auditor; and
- Review of the Group's policies on risk oversight and management, and in discharging its responsibility to satisfy itself that a sound system of risk management and internal control has been implemented to manage the material risks affecting PAS, including compliance with all applicable laws.

The members of the Audit and Risk Committee are independent, non-executive directors. Particulars of each of the members are contained within the Directors' Report. The members of the Audit and Risk Committee from the date of establishment were:

- Mr Brett (Chairman);
- Mr Walker; and
- Mr Fenlon.

Details on the number of meetings and attendees of each meeting of the Audit and Risk Committee are contained in the Directors' Report.

The Audit and Risk Committee's Charter is available in the Corporate Governance section of the Group's website at: www.thepasgroup.com.au and may be obtained at request from the Company Secretary at companysecretary@pasco.com.au.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee's charter is to promote the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team. It is responsible for ensuring the remuneration strategy for all executives and directors is fair and appropriate with reference to relevant employment market conditions, as well as ensuring appropriate succession planning strategies are in place.

To assist it in achieving its objectives, the Nomination and Remuneration Committee links the nature and amount of executive director and executive remuneration to the Group's financial and operational performance. The performance of executives is reviewed regularly with respect to achievement of specific operating performance targets as set out by the Group's individual performance management framework, and aligned with the financial and non-financial strategic objectives of the Group.

Further information on how the performance of Executives is linked to the Group's operating performance is described in the Remuneration Report within the Directors' Report.

The Nomination and Remuneration Committee is comprised of two non-executive Directors:

- Mr Walker (Chairman); and
- Ms Naylor.

The particulars of each member are contained within the Directors' Report.

Details on the number of meetings held during the year and member attendance are contained in the Directors' Report.

The board is responsible for determining and reviewing compensation arrangements for non-executive directors within limits previously approved by shareholders. There is no scheme to provide retirement benefits to non-executive directors.

Board & Committee performance

Each year, the board reviews its Charter and the Charter of its committees to ensure good governance and practices. Where appropriate, those Charters are updated.

The board and its committees review their performance annually.

The performance of individual directors is assessed on an ongoing basis by the Chairman. Given the composition of the board and its Committees, a formal periodic individual assessment is not undertaken.

Risk identification and management

The board determines the Group's risk profile and is responsible for overseeing risk management strategies and policies, internal compliance and internal control.

The Group's business risk assessment process includes:

- Establishing the Group's goals and objectives and implementing and monitoring strategies to achieve these goals and objectives;
- Continuously identifying and managing risks that might impact upon the achievement of the Group's goals and objectives, and monitoring the external environment for emerging factors and trends that affect these risks;
- Formulating risk management strategies to manage identified risks, and designing and implementing risk management policies, internal controls and measures to analyse effectiveness of implementation and mitigation; and
- Monitoring the performance of, and continuously improving the effectiveness of, risk management systems and measures that manage the material business risks identified.

Areas of focus include, but are not limited to, increased competition in the market, integration change management, success of merchandise, human capital, brand protection and management, business continuity, regulatory and legal compliance and economic impacts.
In addition to maximising business opportunities and mitigating risk, important key outcomes of the Group's business risk assessment process are the effective and efficient use of the Group's resources, compliance with applicable laws, and reliable published financial information.

The Group's external auditors are invited to participate in the Group's ongoing business risk assessment process to provide expertise on risk-related matters as well as an external and independent expert view on the risks identified and the processes in place.

Chief Executive Officer and Chief Financial Officer's statements

The CEO and CFO have provided written statements to the board that:

- Their view on the financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- The risk management and internal compliance and control system is operating effectively in all material respects of the Group.

Code of conduct

The Code of Conduct is based on the principle that all business affairs shall be conducted legally, ethically and with strict observance of the highest standards of honesty and integrity. The Code forms the foundation of behaviour for the Group, for individual performance and for sustainable business practice.

Further information on the Code of Conduct is available in the Investor Relations section of the Group's website at: www.thepasgroup.com.au and may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

Securities trading policy

The Securities Trading Policy applies to directors, officers and employees who may engage in dealings in securities. The policy encourages directors, officers and employees who hold securities in PAS to be long term holders of those securities and prohibits dealing in securities for short term gain. The policy states that directors, officers and employees must not trade in securities in the period four weeks prior to the public announcement of the half-year and full-year results and ending 24 hours after each release, and in the two weeks prior to the Annual General Meeting ('AGM'), and ending 24 hours after the AGM. In exceptional circumstances, the Chairman may grant directors, officers and employees prior clearance to dispose of (but not acquire) securities outside those trading windows.

Details of securities held by directors at the date of this report are contained in the Directors' Report.

A copy of the Securities Trading Policy is available in the Corporate Governance section of the Group's website at www.thepasgroup.com.au and may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

Diversity

The board is committed to creating a workplace that is fair and inclusive and to foster a corporate culture that embraces and values diversity. The board supports a workplace where employee differences in areas such as gender, age, disability, sexual orientation, family responsibilities, ethnicity, religion and cultural background are valued. This support is demonstrated by, amongst other things, providing flexible work options to encourage employees to balance work and family needs.

The board has adopted the Diversity Policy to provide guidance for the development and implementation of relevant plans, programs and initiatives to recognise and promote workforce diversity.

The Group has a high proportion of women represented in the workforce. This table illustrates the proportions of women at the various levels in the integrated organisation.

Level in the Organisation	Proportion of Women
Board	20%
Senior Executive	62.5%
Whole Organisation	97%

A copy of the Diversity Policy is available in the Corporate Governance section of the Group's website at www.thepasgroup.com.au and may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

Continuous disclosure

The Group maintains a level of disclosure that provides all shareholders with timely, balanced and meaningful information. In accordance with the continuous disclosure requirements of the ASX Listing Rules, information that a reasonable person would expect to have a material effect on the price or value of our securities must be disclosed via the ASX unless an allowable exception applies.

The board is responsible for determining what information should be disclosed publicly and the executives together with the CFO and General Counsel assist in presenting information to the board that may require disclosure to the market on the basis that it is price sensitive.

Once relevant information is disclosed to the ASX and available to shareholders, it is also published on our website.

Shareholder communication and participation

The board is committed to keeping shareholders informed through a variety of communication mediums. These include:

- ASX Announcements
- media releases and investor analysis briefings
- the AGM
- direct communications with shareholders via email or mail
- the Annual Report
- the publication of all relevant Group information in the Investor Relations section of the Group's website.

The board regards the AGM as an important opportunity for engaging and communicating with shareholders. Shareholders are encouraged to attend and actively participate in our AGM. Shareholders who are unable to attend the AGM are able to lodge their proxies with our registrar through a number of channels, including electronically via the internet.

Directors' Report

The directors of The PAS Group Limited ('PAS' or the 'Group') submit herewith the annual report for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows.

Corporate reorganisation and comparative information

On 16 June 2014 the shareholders of the Company and PASCO Group Pty Limited (formerly The PAS Group Pty Limited) undertook a corporate reorganisation, through which The PAS Group Limited acquired PASCO Group Pty Limited. Under the principles of corporate reorganisations in accordance with Australian Accounting Standards, this financial report includes the financial results for the consolidated group under The PAS Group Limited for the period from the date of its reorganisation on 16 June 2014 to 30 June 2014 as well as the financial results of the consolidated group under PASCO Group Pty Limited for the period 1 July 2013 to 30 June 2014.

The comparative information presented in the financial report represents the financial position of PASCO Group Pty Limited and its controlled entities as at 30 June 2013, and the financial performance of PASCO Group Pty Limited and its controlled entities for the year ended 30 June 2013.

Information about the directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name	Particulars
Rod Walker	Non-Executive Chairman Rod Walker was appointed to the board on 9 May 2014. Rod was appointed chairman of the former PAS group in October 2011. Rod sits on several boards as both a Chairman and Non-Executive Director. He is Chairman of the Nomination and Remuneration Committee and a member of the Audit & Risk Committee. Other listed entity directorships: None
Eric Morris	Managing Director and CEO Eric Morris was appointed to the board on 9 May 2014. Eric has been CEO since the inception of PAS group in 2005 and has led six of the Group's acquisitions and the successful integration of the Group's eight businesses. Eric has 35 years industry experience having held senior executive positions in both major international and national companies. Other listed entity directorships: None
Jacquie Naylor	Non-Executive Director Jacquie Naylor was appointed to the board on 22 May 2014. Jacquie has over 30 years of experience in the consumer and retail industry, with a significant track record in board and executive positions. She is a member of the Nomination and Remuneration Committee. Other listed entity directorships: None
David Fenlon	Non-Executive Director David Fenlon was appointed to the board on 9 May 2014. David has been a director of the former PAS group since April 2013. David has held a number of managing director and senior executive positions across the retail industry and is currently managing director for Blackmores in Australia and New Zealand. Prior to this, David established and operated Simple Retail Consulting as the Managing Partner. He is a member of the Audit & Risk Committee. Other listed entity directorships: None
Jon Brett	Non-Executive Director Jon Brett was appointed to the board on 22 May 2014. Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as Managing Director of a number of publicly listed companies. Jon is currently on the board of Vocus Communications Limited, where he is the Chairman of the Audit and Risk Committee. Jon is also a director of several unlisted companies and was formerly an executive director of Investec Wentworth Private Equity Limited and the non-executive deputy president of the National Roads and Motoring Association. He is Chairman of the Audit & Risk Committee. Other listed entity directorships: Vocus Communications Limited, since 1998

Company secretary

Derrick Krowitz was appointed on registration of The PAS Group Limited on 9 May 2014. Derrick has been Chief Financial Officer of the former PAS group since joining in 2005. Previously, Derrick held the positions of Chief Financial Officer of the retail chains Lincraft and The Reject Shop. Derrick, a qualified Chartered Accountant, has significant industry experience gained over 30 years, having held senior executive positions in the financial, wholesale/supply and retail sectors.

Principal activities

The Group's principal activities in the course of the financial year were that of an apparel and accessories wholesaler and retailer.

Operating and financial review

Analysis of results

Statutory consolidated net profit after tax attributable to the owners of PAS ('Statutory Profit') for the year ended 30 June 2014 was a profit of $13.0 million.

PAS' underlying performance during the year is summarised on an underlying pro forma basis, reflecting the ongoing consolidated operations for the year ended 30 June 2014. Refer below for comparison between the underlying result, the prospectus and FY2013.

	Underlying FY2013 $'000(i)	Underlying FY2014 $'000(i)	FY2014 Prospectus Forecast $'000	FY2014 % of Prospectus Forecast
Net sales	232,411	245,486	249,300	98.5%
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	30,264	31,700	30,300	104.6%
Earnings Before Interest and Tax (EBIT)	25,433	25,550	24,300	105.1%

(i) Refer to the section 'Reconciliation of underlying results to statutory results' for the reconciliation of statutory to underlying results.

PAS benefited from a strong focus on driving profitable sales, gross margin management and improving costs of doing business, with Underlying EBITDA and Underlying EBIT 104.6% and 105.1% of Prospectus forecast respectively.

Net sales for the year were $245.5 million, up 5.6% on the previous corresponding period. The focus on the new store roll-out program and positive like-for-like sales growth assisted sales revenue performance.

Earnings per share ('EPS')

	Year ended 30 June 2014	Year ended 30 June 2013
Basic earnings per share (cents per share)	**43.5**	31.6
Diluted earnings per share (cents per share)	**43.5**	31.6
Underlying earnings per share (cents per share)	**6.2**	n/a

Basic and diluted earnings per share are calculated as set out in Note 5 to the financial statements. The basic earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using PASCO Group Pty Limited's historical weighted average number of shares outstanding multiplied by the exchange ratio established in the reorganisation agreement.

Underlying EPS has been calculated based on an underlying net profit after tax of $8.4 million divided by the number of shares on issue following the IPO (136,690,860), to reflect the post IPO equity structure.

Reconciliation of underlying results to statutory results

The underlying results represent the statutory profit adjusted for items that are material items of revenue or expense that are unrelated to the underlying performance of the business ('significant items'). PAS believes that presenting underlying profit provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods.

Given the date of incorporation of PAS and subsequent listing on the ASX and the significant difference to the underlying operating performance for the year ended 30 June 2014, the underlying results exclude the significant items shown in the table below.

The underlying results are presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

The following table reconciles the statutory to underlying results for the year ended 30 June 2014:

		Sales		EBITDA		EBIT		NPAT	
Financial year ended		**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Statutory results		**245,486**	232,411	**28,612**	30,264	**22,462**	25,433	**12,973**	8,333
Add back/(deduct) significant items:									
– IPO costs	(i)	**–**	–	**2,627**	–	**2,627**	–	**1,839**	–
– Bonus payments relating to the IPO	(ii)	**–**	–	**461**	–	**461**	–	**323**	–
– Write off of borrowing costs on repayment of borrowings via IPO proceeds	(iii)	**–**	–	**–**	–	**–**	–	**882**	–
– Tax consolidation benefit	(iv)	**–**	–	**–**	–	**–**	–	**(7,595)**	–
Underlying results		**245,486**	232,411	**31,700**	30,264	**25,550**	25,433	**8,422**	8,333
Adjustment to apply annualised public company costs to actual expense incurred in FY2014	(v)	**–**		**(1,000)**		**(1,000)**			
Pro forma underlying results				**30,700**		**24,550**			
FY2014 Prospectus forecast		**249,300**		**30,300**		**24,300**			

(i) $2.6 million of IPO costs recognised as an expense. Total IPO costs were $7.2 million, with $4.6 million (net of tax) recognised in equity and $2.6 million ($1.8 million after tax) expensed in the profit or loss.

(ii) Payment of $0.5 million ($0.3 million after tax) under the Group's previous long term incentive plan triggered upon the IPO.

(iii) Write off of unamortised borrowing costs $1.3 million ($0.9 million after tax) in connection with the repayment of shareholder loans and other borrowings at IPO.

(iv) $5.9 million tax benefit recognised on formation of an Australian tax consolidation group upon IPO and $1.7 million in respect of tax losses not previously brought to account. These tax losses now meet the test for recoverability under AASB 112 *"Income Taxes"*.

(v) Additional expense of $1.0 million added to the actual costs incurred of $0.3 million in FY2014 to reflect the impact of a full year's cost, given the IPO took place on 16 June 2014. Annualised incremental public company costs per the Prospectus forecast for FY2014 were $1.3 million.

The following review of performance focuses on underlying EBITDA ('Underlying EBITDA') defined as EBITDA before significant items and underlying EBIT ('Underlying EBIT') defined as EBIT before significant items.

PAS believes that Underlying EBITDA and Underlying EBIT provide a better understanding of its financial performance by removing significant items, thereby facilitating a more relevant comparison of financial performance between financial periods.

Financial performance highlights

Underlying results	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Total sales	**245,486**	232,411
Gross profit	**141,847**	134,101
Cost of doing business ('CODB')	**(110,147)**	(103,837)
Underlying EBITDA(i)	**31,700**	30,264
Depreciation and amortisation	**(6,150)**	(4,831)
Underlying EBIT(i)	**25,550**	25,433

(i) Refer to the reconciliation of the Statutory EBITDA and Statutory EBIT to Underlying EBITDA and Underlying EBIT in the table above.

Underlying EBITDA for the year ended 30 June 2014 was $31.7 million compared with $30.3 million for the prior corresponding period.

The Statutory and Underlying EBITDA and Underlying EBIT by segment are presented in the following table:

	EBITDA/EBIT (Statutory)		EBITDA/EBIT (Underlying)	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Retail	**18,472**	16,702	**18,472**	16,702
Wholesale	**17,955**	18,514	**18,286**	18,514
Unallocated	**(7,815)**	(4,952)	**(5,058)**	(4,952)
EBITDA	**28,612**	30,264	**31,700**	30,264
Depreciation and amortisation	**(6,150)**	(4,831)	**(6,150)**	(4,831)
EBIT	**22,462**	25,433	**25,550**	25,433

Analysis of segments

Retail segment

Retail	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Total sales	**129,608**	114,743
Gross profit	**91,651**	81,877
Cost of doing business ('CODB')	**(73,179)**	(65,175)
Underlying EBITDA(i)	**18,472**	16,702
Depreciation and amortisation	**(4,368)**	(3,546)
Underlying EBIT(i)	**14,104**	13,156

(i) Refer to the reconciliation of the Statutory EBITDA and Statutory EBIT to Underlying EBITDA and Underlying EBIT in the table above.

Directors' Report (Continued)

Net sales revenue

Retail sales increased by $14.9 million or 13.0% on the prior year, largely driven by the impact of new store openings in FY2014 and the full year impact of stores opened during FY2013. During FY2014, 36 new retail sites were opened. The total number of retail sites as at 30 June 2014 was 235.

Like for like retail sales increased by 3.1%, affected by consumer weakness following the Federal Budget and unseasonably warm weather in January/February and again in May/June. In addition, Concession sales in June were affected by the delayed end of financial year sale in the major department store.

Online retail sales saw a significant increase on the previous year, up 60.6%. Online sales for FY2014 totalled $5.0 million, representing 3.9% of overall retail sales. This was up from 2.7% in FY2013.

Gross Profit

Retail gross profit for the year was $91.7 million, an increase of $9.8 million from the prior year. This resulted in a gross profit percentage of 70.7% (FY2013, 71.4%). This reduction in retail gross profit % reflects additional sales from outlet stores and promotional activity.

Cost of doing business

The overall cost of doing business ('CODB') increased by $8.0 million to $73.2 million (FY2013 $65.2 million) for the FY2014 financial year due to the growth in retail sites during the year. This resulted in a CODB to Sales ratio of 56.5% below the 56.8% in FY2013 due to lower employment and occupancy costs affected by the mix of stores in FY2014 compared to FY2013.

Underlying EBITDA and Underlying EBIT

FY2014 EBITDA was $18.5 million, up $1.8 million on prior year (FY2013 $16.7 million). EBIT was $14.1 million, up $0.9 million on prior year (FY2013 $13.2 million).

Wholesale segment

Wholesale	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Total sales	**115,878**	117,668
Gross profit	**50,196**	51,950
Cost of doing business ('CODB')	**(31,910)**	(33,436)
Underlying EBITDA(i)	**18,286**	18,514
Depreciation and amortisation	**(339)**	(283)
Underlying EBIT(i)	**17,947**	18,231

(i) Refer to the reconciliation of the Statutory EBITDA and Statutory EBIT to Underlying EBITDA and Underlying EBIT in the table above.

Net sales revenue

Wholesale sales were $115.9 million, a decrease of $1.8 million on the prior year (FY2013 $117.7 million). This reduction primarily reflects the anticipated impact on Wholesale sales of the continued Retail store roll out, partially offset by the growth in licensed products.

Gross Profit

Wholesale gross profit for the year was $50.2 million, a decrease of $1.8 million from the prior year (FY2013 $52.0 million). This resulted in a gross profit percentage of 43.3%, below the 44.1% achieved in FY2013 due to the mix of product sold.

Cost of Doing Business

The CODB decreased by $1.5 million to $31.9 million for the FY2014 financial year (FY2013 $33.4 million). This resulted in a CODB to Sales ratio of 27.5% (FY2013 28.4%) due to savings in employment costs and strong cost control at divisional level.

Underlying EBITDA and Underlying EBIT

FY2014 EBITDA was $18.3 million, down $0.2 million on prior year (FY2013 $18.5 million). EBIT was $17.9 million, down $0.3 million on prior year (FY2013 $18.2 million).

Unallocated

PAS manages a number of expense items centrally, including information technology, leasing and store development, legal and treasury to maximise operational efficiencies, minimise costs and optimise service levels across business divisions. While these costs would not be incurred but for the existence of the business units, they have not been formally reallocated because the management of these costs is the responsibility of the corporate office.

Unallocated	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Underlying EBITDA	**(5,058)**	(4,952)
Depreciation and amortisation	**(1,443)**	(1,002)
Underlying EBIT	**(6,501)**	(5,594)

Corporate expenses have increased slightly year on year due to additional listed entity costs incurred, the centralisation of IT expenditure and software maintenance and some IT staff costs.

Net finance costs

Net finance costs of $13.9 million were incurred in FY2014. This represents a reduction of $0.5 million on the prior year due to the change in debt structure following the IPO on 16 June 2014.

Income tax expense

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Statutory income tax benefit/(expense)	**4,376**	(2,750)
Income tax benefit from significant items	**(7,595)**	–
Underlying tax expense	**(3,219)**	(2,750)
Effective tax rate	**37.4%**	24.8%

The effective tax rate for FY2014 differs to the statutory corporate tax rate of 30% due to the recognition of $0.6 million in respect of adjustments relating to current tax of prior years. Excluding this amount the effective tax rate for FY2014 would be 30.4%. The effective tax rate for FY2013 reflects the recognition of tax losses not previously recognised in that year of $0.7 million. Excluding this item the effective tax rate in FY2013 would have been 30.8%.

Financial position highlights

Property, plant and equipment reflects the roll out of additional retail stores during the year.

Working capital has increased, impacted by the timing of deliveries to customers, creditor payments and higher inventory.

Using the proceeds from the IPO, the Group repaid all external debt. The Group has access to undrawn working capital and long-term debt facilities, which were undrawn at 30 June 2014.

Outlook

The Group expects to deliver further operational improvements in FY2015 resulting from the following key growth drivers:

- Plans to open an additional 41 sites in FY2015, 275 retail sites operating by June 2015.
- Deliver online sales growth with Review and Metalicus online sales channels being equivalent to the number one and number two Retail sites for the Group and introducing a Black Pepper online site.
- Obtaining and growing licenced brands (e.g. Slazenger, Fred Bare, Everlast and Mooks).
- Using the debt free balance sheet to continue the acquisition trail, by identifying, acquiring and integrating complementary businesses and strategic "bolt-on" acquisitions, subject to strict evaluation criteria.
- Continuing to develop a successful loyalty program with plans to launch Black Pepper in 1H in FY2015.

The Group remains cautious about the year ahead given the ongoing lack of consumer confidence in Australia.

Material business risks

There are a number of factors, both internal and external which may impact the Group in future periods. Macro-economic influences such as inflation rates, interest rates, government policies, consumer spending levels and exchange rates may all influence the operating and financial performance of the Group. Specific material business risks that the Group is facing are below:

Retail environment and general economic condition

The Group's performance is sensitive to changes in economic and retail conditions in Australia, and the cyclical patterns of consumer spending. The apparel market is also becoming an increasingly global market through the impact of overseas retailers. The Group has a diversified business model and a clear strategy which ensures it remains highly competitive and attractive to customers in this changing landscape.

Prevailing fashions and consumer preferences

The Group's revenues are entirely generated from the retail and wholesale of clothing and accessories, which are sometimes subject to unpredictable changes in prevailing fashions and consumer preferences. The Group has a strong understanding of consumer preferences and its diversified offering allows the Group to adapt to changes in consumer demands.

Product sourcing, supply chain and foreign exchange rates

The Group's products are sourced and manufactured by a network of third parties, primarily in Asia. As a result, the Group is exposed to risks including, among others, political instability, costs and delays in international shipping arrangements and exchange rate risks. The Group is primarily exposed to movements in the AUD/USD exchange rates which it mitigates by utilising forward exchange cover.

Retail Sites

The Group had 235 Retail sites across Australia and New Zealand at 30 June 2014. The leases and concession agreements have a range of terms and option periods, although they are generally leases which the Group cannot readily terminate. The Group employs a dedicated resource to manage relationships with landlords, negotiate terms and seek new and profitable opportunities.

Dividends

On 22 May 2014 the Directors declared a fully franked pre IPO dividend of $22.0 million to the holders of fully paid ordinary shares at that date, paid on 18 June 2014. (2013: Nil)

Changes in state of affairs

There have been no significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

Subsequent events

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

Future developments

Certain likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the period ended 30 June 2014 are referred to in the preceding Operating and Financial Review. No additional information is included on the likely developments in the operations of the Group and the expected results of those operations as the directors reasonably believe that the disclosure of such information would be likely to result in unreasonable prejudice to the Group if included in this report and it has therefore been excluded in accordance with section 299(3) of the Corporations Act 2001.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial period from registration of the Company on 9 May 2014 to 30 June 2014 and the number of meetings attended by each director (while they were a director or committee member).

	Board of directors		Nomination & remuneration committee		Audit and Risk committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Rod Walker	**3**	3	–	–	–	–
Eric Morris	**3**	3	–	–	–	–
Jacquie Naylor	**3**	3	–	–	–	–
David Fenlon	**3**	3	–	–	–	–
Jon Brett	**3**	3	–	–	–	–

Directors' shareholdings

The following table sets out each director's relevant direct and indirect interests in shares and options over shares of the Company as at the date of this report:

	The PAS Group Limited	
Directors	Fully paid ordinary shares Number	Share options Number
Rod Walker	97,217	–
Eric Morris	1,598,134	2,623,688
Jacquie Naylor	53,043	–
David Fenlon	–	–
Jon Brett	130,000	–

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report section of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for the overall planning, directing and controlling of the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Details of unissued shares or interests under option at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
The PAS Group Limited	4,872,563	Ordinary	$1.15	30 June 2018

Share options granted to directors and senior management

During and since the end of the financial year, an aggregate 4,122,938 share options were granted by PAS to the following directors and officers as part of their remuneration:

Directors and senior management	Number of option granted & number of ordinary shares under option
Rod Walker	–
Eric Morris	2,623,688
Derrick Krowitz	1,499,250
Jacquie Naylor	–
David Fenlon	–
Jon Brett	–

Environmental regulations

The Group's operations are not subject to any significant environmental obligations or regulations.

Indemnification of officers and auditors

During the financial period, the Group paid a premium in respect of a contract insuring the directors of the Group (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a director, secretary or Executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 36 to the financial statements. The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 36 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

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

Remuneration Report (Audited)

This report outlines the remuneration arrangements for Directors and Executives of the Group and its controlled entities in accordance with the Corporations Act 2001 and its Regulations ('Remuneration Report'). Share based payments have been recognised and disclosed in accordance with AASB 2 '*Share Based Payments*'. The Remuneration Report has been audited by the Group's external auditors, Deloitte Touche Tohmatsu.

During the year ended 30 June 2014 and in anticipation of the initial public offering ('IPO') that took place on 16 June 2014 the board reviewed the Group's executive remuneration framework and established a Nomination and Remuneration Committee. The board benchmarked the framework against industry best practice, analysed remuneration trends and considered proposed Government legislative changes. The board met with its external advisor to discuss remuneration and governance issues. Following this review the board resolved to make a number of changes to provide greater alignment with the interests of shareholders.

The details of remuneration schemes in place in 2013 and 2014, as well as the revised schemes from 22 May 2014 are set out below.

Comparative information

In connection with the IPO on 16 June 2014 the shareholders of the Company and PASCO Group Pty Limited (formerly The PAS Group Pty Limited) undertook a corporate reorganisation through which The PAS Group Limited acquired PASCO Group Pty Limited as referred to above. As the financial report of The PAS Group Limited for the year ended 30 June 2014 includes the financial results for the consolidated group under The PAS Group Limited for the period from acquisition to 30 June 2014 and the consolidated group under PASCO Group Pty Limited for the period 1 July 2013 to 30 June 2014 the information disclosed in the Remuneration Report also includes information relating to PASCO Group Pty Ltd for the comparative period and for the current year up to the date of the corporate reorganisation.

Key management personnel

Key management personnel ('KMP') comprises the directors and executives of the Group. For the purposes of the Remuneration Report, the term 'Executive' is defined to mean the Chief Executive Officer ('CEO'), Mr Eric Morris, and the Chief Financial Officer ('CFO') and Company Secretary, Mr Derrick Krowitz. The CFO and Company Secretary report directly to the CEO, who then reports to the board. The Executives are responsible for the implementation of the Group's vision, values, corporate strategies and risk management systems, as well as the day-to-day management of the business.

Remuneration policy

The performance of the Group depends upon the quality of its directors and executives. To be successful, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Group adopts the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to the performance of the Group and the creation of shareholder value
- Establish appropriate and demanding performance hurdles for variable executive remuneration
- Meet PAS's commitment to a diverse and inclusive workplace
- Promote PAS as an employer of choice
- Comply with relevant legislation and corporate governance principles.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for directors and executives. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant market conditions, as well as whether performance targets have been met, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board and executives.

Use of Remuneration Consultants

To ensure the Nomination and Remuneration Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. Remuneration consultants are engaged by, and report directly to, the committee. In selecting remuneration consultants, the committee considers potential conflicts of interest and requires independence from the Company's key management personnel and other executives as part of their terms of engagement.

During the year, the Nomination and Remuneration Committee engaged Egan Associates Pty Limited ('Egan Associates') to provide recommendations regarding:

- Insights on remuneration trends, regulatory developments and shareholder views;
- Market, industry and role data in relation to key management personnel; and
- Executive incentive schemes.

The fees paid to Egan Associates for remuneration advisory services amounted to $39,847. The Nomination and Remuneration Committee is satisfied the advice received from Egan Associates is free from undue influence from key management personnel to whom the remuneration recommendations apply, as the consultants were engaged by, and reported directly to, the Chairman.

Non-Executive Director Remuneration

Objective

The board aims to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Group's Constitution and the ASX Listing Rules specify the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. In connection with the Group's review of remuneration structures the aggregate annual remuneration has been set at $1.2 million. This is subject to approval by shareholders at the Group's first Annual General Meeting scheduled for October 2014. The previous level of the cap on aggregate annual remuneration reflected the fact that the majority of non-executive directors prior to the IPO were representing the various private equity shareholders' interests and did not receive remuneration for their services to PAS.

The cap on aggregate non-executive directors remuneration (which requires shareholder approval), and the manner in which it is apportioned amongst non-executive directors, is reviewed annually. The board will consider advice from external consultants as well as fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Superannuation contributions are made by the Group on behalf of non-executive directors in line with statutory requirements and are included in the remuneration package amount allocated to individual directors.

The remuneration of non-executive directors for the period ended 30 June 2014 is detailed in the table titled Remuneration of key management personnel on page 24 (the 'Remuneration Table').

Executive Director Remuneration

Executive directors are paid for their services as part of their employment contracts. Each Executive director appointment to the board is conditional on them being employed by the Group.

Executive Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group. This involves:

- Rewarding executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Aligning the interest of executives with those of shareholders;
- Linking reward with the strategic goals and performance of the Group; and
- Ensuring total remuneration is competitive by market standards.

Structure

In determining the level and make-up of Executive remuneration, the Nomination and Remuneration Committee engages external consultants on market levels of remuneration for comparable roles. Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration, comprising the Short Term Incentive Plan ('STIP') and the Long Term Incentive Plan ('LTIP').

The proportion of fixed remuneration and variable remuneration is established for each Executive by the Nomination and Remuneration Committee. The variable portion consists of cash bonuses and options over shares in the Group, which are performance-based and are disclosed separately in the Remuneration Tables.

The Nomination and Remuneration Committee also considers current market conventions with regards to the splits between fixed, short-term and long-term incentive elements.

Fixed Remuneration

Objective

The level of fixed remuneration is set to provide an appropriate and market-competitive base level of remuneration. Fixed remuneration is reviewed annually by the Remuneration Committee consisting of a review of Group, business and individual performance, relevant comparative remuneration in the market and internal and external advice on policies and practices where necessary.

Structure

Fixed remuneration is the non-variable component of an Executive's annual remuneration. It consists of the base salary plus any superannuation contributions paid to a complying super fund on the Executive's behalf, and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments. The amount of fixed remuneration is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual Executive's performance, expertise, skills and experience.

Linking remuneration to performance – variable remuneration

Remuneration is linked to performance to retain high calibre executives by motivating them to achieve performance goals which are aligned to PAS's interests. The two remaining elements of executive remuneration, STIP and LTIP, are directly linked to the performance of both the Executive and the Group.

Executive Short Term Incentive Program ('STIP')

Objective

The objective of the STIP is to link Executive remuneration to the achievement of the Group's annual operational and financial targets through a combination of both company and individual performance targets. STIP payments align individual performance with business outcomes in the areas of financial performance, customers, people management and strategic growth.

Scheme Structure

STIP entitlements are expressed as a percentage of a participant's total fixed remuneration ('TFR') comprising base salary, superannuation contributions and any other non-cash benefits, and are based on a scale of predetermined and approved budgeted core business Key Performance Indicator ('KPI') targets (Revenue, EBITDA, Return on Capital Employed ('ROCE')) ('Core Business KPIs') derived from the Group's board-approved annual financial budget and Business Health KPI targets (Customer Satisfaction, Staff Satisfaction, Project Achievement) ('Business Health KPIs') that are based on a range of qualitative measures applicable to the role of the individual Executive.

Under the current scheme, EBITDA is the primary performance target, representing up to 50% of the total STIP entitlement at the maximum award. The award of any STI relating to Business Health KPIs is subject to achievement of the Group's EBITDA level for the financial year. STIP entitlements are activated only when minimum performance targets are satisfied. Core Business KPIs are measured on exceeding target thresholds for Revenue, EBITDA, and ROCE performance for the year. Business Health KPIs are assessed based on performance against a range of qualitative measures relating to Customer Satisfaction, Staff Satisfaction, and Project Achievement as measured via the Group's performance management system.

The STIP entitlement for meeting targeted performance ('Budget') is 70% of TFR, increasing to 125% of TFR for achieving Budget + 5%, 170% of TFR for Budget + 10% up to a maximum STIP entitlement of 200% of TFR upon achieving Budget + 20%. This year, the Group's financial performance exceeded the minimum thresholds and STIP entitlements were achieved. Details of STIP entitlements at the end of the 2014 financial year are disclosed in the Remuneration Table.

Scheme structure going forward – 2015

A revised STIP was implemented on 22 May 2014. The new STIP adopts the STIP assessment framework ('STIP Assessment Framework') detailed below to assess the Executives STIP award. The key changes from the current STIP are that:

- The STIP Assessment Framework requires two performance gateways to be met, (i) the achievement of the Group's EBITDA level for the immediate prior financial year and (ii) the individual Executive 'meeting expectations' as assessed through the Group's performance management system, before the Executive is assessed against the Core Business KPIs and Business Health KPI targets; and
- The STIP entitlements as a percentage of TFR have been revised to those shown in the tables below:

STIP Assessment Framework

Performance Gateway	Scorecard – percentage weighting of KPI components						
Achievement of Group EBITDA target		Financial KPI			Non-financial KPI		
		Quantitative KPI				Qualitative KPI	
		Company KPI				Individual KPI	
Individual Executive 'meeting expectations'	Executive	EBITDA	Revenue	ROCE	Project Success	Customer Satisfaction	Staff Satisfaction
	CEO	35%	17.5%	17.5%	10%	10%	10%
	CFO	35%	17.5%	17.5%	10%	10%	10%

KPI	Threshold(i)	Target	Maximum
EBITDA	Prior year result	100% of Budget	105% of Budget
Revenue	Prior year result	100% of Budget	105% of Budget
ROCE	Prior year result	100% of Budget	105% of Budget
Project Success	Effective	Superior	Outstanding
Customer Satisfaction	Effective	Superior	Outstanding
Staff Satisfaction	Effective	Superior	Outstanding
% TFR(ii)	12.5%	30%	40%

(i) Entitlements are activated only when minimum performance targets are satisfied.
(ii) STI vests on a pro rata, straight line basis for performance between Threshold and Maximum.

Executive Long Term Incentive Scheme ('LTIP')

The Group has not previously had a long term incentive plan in place. In anticipation of the IPO the board engaged Egan Associates to assist the Nomination and Remuneration Committee in establishing a long term incentive plan. The LTIP was approved by the board and implemented on 22 May 2014. Effective 1 July 2014 the LTIP will operate as set out below.

Objective

The objective of the LTIP is to reward Executives through aligning this element of remuneration with accretion in long term shareholder wealth. It aims to also support the retention of Executives through the issuance of unlisted options over ordinary shares in the Group an exercise price equal to the then market value of the shares ('Performance Options').

Scheme Structure

Awards under the LTIP scheme are issued annually based on a 3 year performance period. 50% of the available LTIP awards are based on a total shareholder return ('TSR') performance hurdle relative to the S&P/ASX 300 Consumer Discretionary Index over the 3-year performance period ('TSR Options') and 50% are based on growth in underlying earnings per share ('EPS') achieved in year 3 against referenced against EPS achieved in the base year prior to the scheme's performance period ('EPS Options').

Participants must be employed by the Group at the date of payment for an entitlement to vest. All entitlements are forfeited should a participant resign from their position prior to the payment date.

Total shareholder return ('TSR')

The TSR performance targets and corresponding percentage of the maximum number of TSR Options that would vest under the LTIP are as follows:

Group's TSR percentile ranking relative to S&P/ASX 300 Consumer Discretionary Index over performance period	Percentage of TSR Options vesting
< 50th percentile	Nil
50th percentile	25%
> 50th percentile but < 80th percentile	Pro rata straight line between 25% and 100%
Greater than or equal to 80th percentile	100%

Earnings per share ('EPS')

EPS for the purposes of the LTIP is defined as reported EPS per the statutory financial statements adjusted for significant items for the purposes of determining the underlying results of the Group. Specifically for FY14 EPS is the statutory net profit after tax adjusted for significant items plus annualised public company costs, post IPO financing costs and effective tax rate calculated at the corporate tax rate of 30% divided by the number of shares on issue following the IPO (136,690,860). The board has determined an annual EPS compound growth requirement ('Forecast EPS Growth') for each of the 2015, 2016 and 2017 financial years. The number of EPS Options that may vest over the 3 year performance period from 1 July 2014 to 30 June 2017 is determined via reference to the Group's actual EPS performance relative to the Forecast EPS Growth requirement for the relevant year in respect of each year in the performance period. The maximum number of EPS Options that can vest in any one year during the 3 year performance period is capped at 25%, 35% and 40% in respect of the 2015, 2016 and 2017 financial years respectively ('Maximum EPS Options').

The EPS performance targets and corresponding percentage of the Maximum EPS Options that would vest under the LTIP are shown below:

Compound annual growth in EPS	% of Maximum EPS Options that can vest each year
Less than Forecast EPS Growth	Nil
Equal to Forecast EPS Growth	60%
Above Forecast EPS Growth but less than Forecast EPS Growth + 5%	Between 60% and 100%, as determined on a pro rata, straight line basis
At or above Forecast EPS Growth + 5%	100%

Performance Options granted as compensation

The 3 year performance period under the new LTIP plan is from 1 July 2014 to 30 June 2017. Prior to this time, as there was no LTIP in place no Performance Options have been granted as compensation to key management personnel in respect of 2013 and 2014 financial years.

Options vest over a 3 year period based on the achievement of total shareholder return and earnings per share performance targets, provided that the eligible recipient is employed by the company on that date.

Other terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

Option series	Grant date	Grant date fair value	Exercise price	Expiry date
Series 1	20/06/2014	$0.27	$1.15	30/06/2017

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Performance Options were granted as compensation to key management personnel as shown in the table below. The grant for each Executive was based on the maximum value of the LTIP award of 92% of TFR.

Name	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited	Value of Performance Options granted at the grant date ($)(i)	% of compensation for the year consisting of options
Eric Morris	2015	2,623,688	–	–	–	697,901	< 1%
Derrick Krowitz	2015	1,499,250	–	–	–	398,801	< 1%

(i) The value of options granted during the financial year is calculated as at the grant date using the Black-Scholes pricing model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.

During the period, no key management personnel exercised options that were granted to them as part of their compensation.

The above entitlements under the LTIP at the end of the 2014 financial year are disclosed in the Remuneration Table.

Board policy with regards to Executives limiting their exposure to risk in relation to equity options

The Group's Securities Trading Policy prohibits Executives from altering the economic benefit or risk derived by the Executives in relation to their unvested Performance Options.

Employment Arrangements

Chief Executive Officer and Managing Director

Mr Eric Morris is the 'Chief Executive Officer and Managing Director' of the Company. Mr Morris was the Chief Executive Officer and Managing Director of PASCO Group Pty Limited (formerly The PAS Group Pty Limited).

Mr Morris is employed under a standard employment contract with no defined length of tenure. Under the terms of his employment contract:

- Mr Morris may resign from his position by providing the Group with twelve months written notice;
- The Group may terminate this agreement by providing twelve months written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period, based on Mr Morris' total remuneration;
- The Group may terminate at any time without notice if serious misconduct has occurred; and
- Mr Morris is a participant in the STIP and the LTIP.

Details of Mr Morris' salary are detailed in the Remuneration Table.

Executives

All other Executives are employed on standard employment contracts. The terms of employment are:

- The Executive may resign from their position by providing the Group with six months' written notice depending on their specific contract;
- The Group may terminate the employment of the executive by providing six months' written notice or payment in lieu of the notice period, based on the fixed component of the Executive's remuneration;
- The Group may terminate at any time without notice if serious misconduct has occurred; and
- Participation in the STIP and the LTIP.

Details of all Executive remuneration for KMP are disclosed in the Remuneration Table.

Group Performance

The relation of rewards to performance of directors and Executives is discussed above. The Group's profit before tax and EPS for the last two financial years is presented in the table below:

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenue	**245,486**	232,411
EBITDA	**28,612**	30,264
Net profit/(loss) before tax	**8,597**	11,083
Net profit/(loss) after tax	**12,973**	8,333
Share price at end of year[(i)]	**$1.01**	n/a
Pre IPO dividend[(ii)]	**224.5 cps**	–
Basic earnings per share	**43.5 cps**	31.6 cps
Diluted earnings per share	**43.5 cps**	31.6 cps
Underlying earnings per share[(iii)]	**6.2 cps**	n/a

(i) As the Company was listed on the Australian Securities Exchange during the current year, no comparative share price is shown for 30 June 2013.
(ii) Franked to 100% at 30% corporate income tax rate. Payable to the holders of fully paid ordinary shares on 22 May 2014.
(iii) Refer to the basis of underlying earnings per share in the Operating and Financial Review section entitled 'Earnings per share'.

Remuneration of key management personnel

The Remuneration Table below displays remuneration as determined in accordance with Australian Accounting Standards and the Corporations Act.

The information disclosed below includes the information relating to PASCO Group Pty Ltd for the comparative period and for the current year up to the date of the corporate reorganisation as described in the section of the Remuneration Report entitled 'Comparative information'.

		Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Share-based payments			
		Salary & fees $	Cash Bonus $	Other $	Superannuation $	Long service leave $	Options $	Total $	Performance related (%)	% as options (%)
Rod Walker[1]	**2014**	**140,836**	**139,099**[ii]	**–**	**3,978**	**–**	**–**	**283,913**	**–**	**–**
Chairman, Non-executive director	2013	126,545	–	–	894	–	–	127,439	–	–
Jacquie Naylor[2]	**2014**	**21,999**			**2,035**		**–**	**24,034**	**–**	**–**
Non-executive director	2013	–	–	–	–	–	–	–	–	–
David Fenlon[1]	**2014**	**76,562**	**–**	**–**	**867**	**–**	**–**	**77,429**	**–**	**–**
Non-executive director	2013	18,750	–	–	–	–	–	18,750	–	–
Jon Brett[2]	**2014**	**10,545**			**975**	**–**		**11,520**	**–**	**–**
Non-executive director	2013	–	–	–	–	–	–	–	–	–
Albin Kurti[3](i)	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-executive director	2013	–	–	–	–	–	–	–	–	–
Andrew Savage[4](i)	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-executive director	2013	–	–	–	–	–	–	–	–	–
Peter Dowding[5](i)	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-executive director	2013	–	–	–	–	–	–	–	–	–
Jennifer Weinstock[5](i)	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-executive director	2013	–	–	–	–	–	–	–	–	–
Michael Lukin[3](i)	**2014**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-executive director	2013	–	–	–	–	–	–	–	–	–
Eric Morris[1]	**2014**	**539,491**	**301,084**	**54,252**	**25,000**	**36,493**	**6,310**	**962,630**	**32%**	**0.7%**
Executive Director, Chief Executive Officer	2013	435,609	495,000	27,963	25,000	21,573	–	1,005,145	49%	–
Derrick Krowitz[6]	**2014**	**341,019**	**193,523**	**32,755**	**25,000**	**8,948**	**3,606**	**604,851**	**33%**	**0.6%**
Chief Financial Officer and Company Secretary	2013	259,535	335,000	48,097	25,000	14,833	–	682,465	49%	–
Total Remuneration	**2014**	**1,130,452**	**633,706**	**87,007**	**57,855**	**45,441**	**9,916**	**1,964,377**		
	2013	840,439	830,000	76,060	50,894	36,406	–	1,833,799		

(i) Prior to the IPO, these non-executive directors were representing the various private equity shareholders' interests and did not receive remuneration for their services.
(ii) Incentive payment under incentive plan triggered upon the IPO.

(1) Appointed to The PAS Group Limited 9 May 2014, previously a director of PASCO Group Pty Ltd.
(2) Appointed to The PAS Group Limited 22 May 2014.
(3) Resigned from PASCO Group Pty Ltd 22 May 2014.
(4) Resigned from PASCO Group Pty Ltd 18 May 2014.
(5) Resigned from PASCO Group Pty Ltd 20 May 2014.
(6) Appointed to The PAS Group Limited 9 May 2014, previously company secretary of PASCO Group Pty Ltd.

Key management personnel equity holdings

Fully paid ordinary shares of The PAS Group Limited

	Balance at 1 July 2013 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.(i)	Balance at 30 June 2014 No.
Eric Morris	–	–	–	1,598,134	1,598,134
Derrick Krowitz	–	–	–	717,112	717,112

(i) Acquired as part of the corporate reorganisation at the time of the IPO whereby existing shareholdings in PASCO Group Pty Ltd were transferred to shares held in The PAS Group Limited.

Share options of The PAS Group Limited

	Balance at 1 July 2013 No.	Granted as compen-sation No.	Exercised No.	Net other change No.	Bal at 30 June No.	Bal vested at 30 June 2014 No.	Vested but not exer-cisable No.	Vested and exer-cisable No.	Options vested during year No.
Eric Morris	–	2,623,688	–	–	2,623,688	–	–	–	–
Derrick Krowitz	–	1,499,250	–	–	1,499,250	–	–	–	–

All share options issued to key management personnel were made in accordance with the provisions of the LTIP.

During the period, no options (2013: nil) were exercised by key management personnel. No amounts remain unpaid on the options exercised during the financial year at year end.

Auditor's independence declaration

The auditor's independence declaration is included at page 31.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr Rod Walker
Chairman
Melbourne, 28 August 2014

Directors' Declaration

The directors declare that:

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

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

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

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 27 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Rod H Walker

Mr Rod Walker
Chairman

Melbourne, 28 August 2014

Financial Statements

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Independent Auditor's Report

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Independent Auditor's Report to the Members of The PAS Group Limited

Report on the Financial Report

We have audited the accompanying financial report of The PAS Group Limited, which comprises the statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 32 to 77.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The PAS Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Independent Auditor's Report (Continued)

Auditor's Opinion

In our opinion:

(a) the financial report of The PAS Group Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 25 of the Directors' Report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of The PAS Group Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock
Partner
Chartered Accountants

Melbourne, 28 August 2014

Auditor's Independence Declaration

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The Board of Directors
The PAS Group Limited
17 Hardner Road
Mount Waverley VIC 3149

28 August 2014

Dear Board Members

The PAS Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The PAS Group Limited.

As lead audit partner for the audit of the financial statements of The PAS Group Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock
Partner
Chartered Accountants

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenue	2	**245,486**	232,411
Cost of sales		**(103,639)**	(98,311)
Gross profit		**141,847**	134,100
Other revenue	2	**505**	642
Other gains and losses		**(18)**	177
Employee benefit expenses	2	**(57,111)**	(52,863)
Selling and distribution expenses		**(13,547)**	(12,846)
Occupancy expenses	2	**(28,651)**	(26,038)
Marketing expenses		**(4,648)**	(5,474)
Administration expenses		**(7,138)**	(7,434)
Depreciation and amortisation expense	2	**(6,150)**	(4,831)
Net finance costs	2	**(13,865)**	(14,350)
IPO transaction costs	2	**(2,627)**	–
Profit before income tax expense		**8,597**	11,083
Income tax benefit/(expense)	4	**4,376**	(2,750)
Profit after income tax attributable to equity holders of the parent entity		**12,973**	8,333
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**75**	55
Net (loss)/gain on cash flow hedges		**(1,502)**	1,988
Other comprehensive income/(loss) for the year, net of income tax		**(1,427)**	2,043
Total comprehensive income for the year		**11,546**	10,376
Profit for the year attributable to:			
Owners of the Company		**11,965**	7,205
Non-controlling interests		**1,008**	1,128
		12,973	8,333
Total comprehensive income attributable to:			
Owners of the Company		**11,546**	9,133
Non-controlling interests		–	1,243
		11,546	10,376
Earnings per share for profit attributable to the equity holders of the parent entity			
Basic (cents per share)	5	**43.5**	31.6
Diluted (cents per share)	5	**43.5**	31.6

Consolidated Statement of Financial Position

	Note	2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents	32	**492**	19,905
Trade and other receivables	6	**24,619**	26,874
Other financial assets	7	**–**	2,332
Inventories	8	**22,754**	20,110
Current tax assets	4	**131**	462
Other current assets	9	**6,559**	4,650
Total current assets		**54,555**	74,333
Non-current assets			
Trade and other receivables	10	**187**	63
Property, plant and equipment	11	**11,991**	11,602
Deferred tax assets	4	**13,301**	5,153
Goodwill	12	**78,539**	78,539
Intangible assets	13	**24,955**	23,869
Total non-current assets		**128,973**	119,226
Total assets		**183,528**	193,559
Liabilities			
Current liabilities			
Trade and other payables	14	**11,865**	14,796
Borrowings	15	**–**	14,299
Other financial liabilities	16	**1,478**	1,926
Current tax liabilities	4	**813**	939
Provisions	17	**5,281**	4,830
Other liabilities	19	**1,587**	1,764
Total current liabilities		**21,024**	38,554
Non-current liabilities			
Borrowings	15	**–**	80,846
Deferred tax liabilities	4	**1,225**	1,990
Provisions	18	**584**	563
Other liabilities	20	**3,105**	1,797
Total non-current liabilities		**4,914**	85,196
Total liabilities		**25,938**	123,750
Net assets		**157,590**	69,809
Equity			
Issued capital	21	**153,963**	31,786
Reserves	22	**(4,819)**	9,102
Retained earnings	23	**8,446**	17,941
Equity attributable to owners of the Company		**157,590**	58,829
Non-controlling interests	24	**–**	10,980
Total equity		**157,590**	69,809

Consolidated Statement of Changes in Equity

Consolidated	Share capital $'000	Retained earnings $'000	Foreign Currency Translation Reserve $'000	Non-controlling Interest Purchase Reserve $'000	Cash Flow Hedge Reserve $'000	Attributable to owners of the parent $'000	Non-controlling Interests $'000	Total equity $'000
Balance at 1 July 2012	31,786	10,736	(93)	8,681	(1,414)	49,696	9,737	59,433
Profit for the year	–	7,205	–	–	–	7,205	1,128	8,333
Other comprehensive income for the year, net of income tax	–	–	46	–	1,882	1,928	115	2,043
Total comprehensive income for the year	–	7,205	46	–	1,882	9,133	1,243	10,376
Transaction with owners recorded directly in equity:								
Dividends paid	–	–	–	–	–	–	–	–
Balance at 30 June 2013	**31,786**	**17,941**	**(47)**	**8,681**	**468**	**58,829**	**10,980**	**69,809**

Consolidated	Share capital $'000	Retained earnings $'000	Foreign Currency Trans-lation Reserve $'000	Share based payment reserve $000	Non-con-trolling Interest Purchase Reserve $'000	Corporate reorgan-isation reserve $'000	Cash Flow Hedge Reserve $'000	Attribut-able to owners of the parent $'000	Non-con-trolling Interests $'000	Total equity $'000
Balance at 1 July 2013	31,786	17,941	(47)	–	8,681	–	468	58,829	10,980	69,809
Profit for the year	–	11,965	–	–	–	–	–	11,965	1,008	12,973
Other comprehensive income for the year, net of income tax	–	–	75	–	–	–	(1,502)	(1,427)	–	(1,427)
Total comprehensive income for the year	–	11,965	75	–	–	–	(1,502)	10,538	1,008	11,546
Transaction with owners recorded directly in equity:										
Payment of dividends	–	(22,000)	–	–	–	–	–	(22,000)	–	(22,000)
Issue of shares for purchase of non-controlling interest	10,421	–	–	–	–	–	–	10,421	–	10,421
Recognition of share based payments	–	–	–	12	–	–	–	12	–	12
Non-controlling interests acquired during the year	–	–	–	–	(8,141)	–	–	(8,141)	(11,988)	(20,129)
Transfer to retained earnings	–	540	–	–	(540)	–	–	–	–	–
Adjustment to issued capital on corporate reorganisation	3,825	–	–	–	–	(3,825)	–	–	–	–
Capital return on corporate reorganisation	(9,370)	–	–	–	–	–	–	(9,370)	–	(9,370)
Issue of ordinary shares on IPO	120,532	–	–	–	–	–	–	120,532	–	120,532
Share issue costs	(4,603)	–	–	–	–	–	–	(4,603)	–	(4,603)
Income tax	1,372	–	–	–	–	–	–	1,372	–	1,372
Balance at 30 June 2014	**153,963**	**8,446**	**28**	**12**	**–**	**(3,825)**	**(1,034)**	**157,590**	**–**	**157,590**

Consolidated Statement of Cash Flows

	Note	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Cash flows from operating activities			
Receipts from customers		**272,896**	256,411
Payments to suppliers and employees		**(245,113)**	(224,007)
Cash flows from operations		**27,783**	32,404
Interest received		**260**	383
Interest and other costs of finance paid		**(17,388)**	(16,088)
Income tax paid		**(2,779)**	(2,226)
Net cash flows from operating activities	32	**7,876**	14,473
Cash flows from investing activities			
Payment for non-controlling interests		**(10,015)**	–
Payment for property, plant and equipment		**(3,569)**	(3,585)
Payment for intangible assets		**(2,298)**	(2,439)
Net cash flows used in investing activities		**(15,882)**	(6,024)
Cash flows from financing activities			
Proceeds from issue of shares on IPO		**120,532**	–
Capital return on corporate reorganisation		**(9,370)**	–
Payment for share issue costs		**(7,217)**	–
Dividends paid on ordinary shares		**(22,000)**	–
Repayment of borrowings		**(64,273)**	(9,052)
Repayment of shareholder loans		**(25,750)**	–
Repayment of other related party loans		**(3,404)**	–
Net cash flows used in financing activities		**(11,482)**	(9,052)
Net decrease in cash and cash equivalents		**(19,488)**	(603)
Cash and cash equivalents at the beginning of the year		**19,905**	20,453
Effect of exchange rate changes on the balance of cash held in foreign currencies		**75**	55
Cash and cash equivalents at the end of the year	32	**492**	19,905

Notes to the Financial Statements

1. Significant accounting policies

The PAS Group Limited (the 'Company') is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX').

The consolidated financial statements comprise the Company and its controlled entities, (together referred to as 'PAS' or the 'Group').

The financial report of PAS for the period ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 28 August 2014.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 August 2014.

(a) Basis of preparation

Corporate reorganisation

The PAS Group Limited was incorporated on 9 May 2014. On 16 June 2014 the shareholders of the Company and PASCO Group Pty Limited (formerly The PAS Group Pty Ltd) undertook a corporate reorganisation process, through which The PAS Group Limited acquired PASCO Group Pty Limited. The accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation.

The consolidated financial statements of The PAS Group Limited and its controlled entities are considered to be a continuation of PASCO Group Pty Ltd and as such:

- The assets and liabilities recognised and measured in the consolidated financial statements are at the carrying amounts of PASCO Group Pty Ltd rather than at fair value;
- The retained earnings and other equity balances recognised in the consolidated financial statements shall be the existing retained earnings and other equity balances of PASCO Group Pty Ltd; and
- The amount recognised as issued equity instruments in the consolidated financial statements has been determined by adding the additional equity retained by the Group to the issued equity recorded in the PASCO Group Pty Ltd's financial statements immediately before the acquisition.

Accordingly, this financial report for the year ended 30 June 2014 includes the financial results for the consolidated group under The PAS Group Limited for the period from acquisition to 30 June 2014 and the consolidated group under PASCO Group Pty Limited for the period 1 July 2013 to 30 June 2014. The comparative information presented in the financial report represents the financial position of PASCO Group Pty Limited and its controlled entities as at 30 June 2013, and the financial performance of PASCO Group Pty Limited and its controlled entities for the year ended 30 June 2013.

The Directors note that the accounting for transactions such as the internal restructure referred to above is currently being reviewed by international accounting standard setters and may be subject to change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in these financial statements.

In the event that the transactions were required to be recorded at fair value:

- The net assets of the Group would be equal to the market capitalisation of $157.2 million at IPO date;
- The reserves and retained profits would be reset to nil as a result of the transactions; and
- The directors anticipate that the excess of the fair value compared to the book value of net assets of $4.5 million at IPO date would primarily be allocated to inventory and intangible assets such as brand names, licences and trademarks, with any residual value to goodwill. Some of these intangibles would have limited useful lives and would require amortisation over their useful life.

First time adoption of International Financial Reporting Standards (IFRS)

As a non-reporting entity PASCO Group Pty Limited has historically prepared a 'special purpose financial report' for the purposes of satisfying the directors' reporting requirements under the Corporations Act 2001. As a disclosing entity, PAS is now required to prepare an IFRS compliant general purpose financial report for the first time for the year ended 30 June 2014. In accordance with AASB 1 First time adoption of Australian Accounting Standards ('AASB 1'). PAS has adopted all relevant IFRS standards with effect from beginning of the comparative period, 1 July 2012. The adoption of AASB 1 has not resulted in any changes in recognition or measurement of amounts in the financial report.

(a) Basis of preparation (continued)

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period as listed below.

- AASB 10 Consolidated Financial Statements and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 11 Joint Arrangements and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 Disclosure of Interests in Other Entities and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 127 Separate Financial Statements (2011)
- AASB 128 Investments in Associates and Joint Ventures (2011)
- AASB 13 Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 and AASB 2011-8 'Amendments to Australian Standards arising from AASB 13'
- AASB 119 Employee Benefits (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle
- AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures
- AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039'
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments
- AASB CF 2013-1 'Amendments to the Australian Conceptual Framework' and AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' (Part A Conceptual Framework)

The adoption of the above Accounting Standards and Interpretations has not had any material impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Refer note 1(aa).

Historical cost convention

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(z).

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(b) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 "Consolidated Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of non-controlling shareholders is stated at the non-controlling proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity, are eliminated in full.

(c) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers, being the Chief Executive Officer, Chief Financial Officer and the board of directors, in assessing business performance.

PAS aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products sold;
- nature of the production processes;
- type or class of customer for the products;
- methods used to distribute the products; and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 "*Operating Segments*" are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets or liabilities related to employee benefit arrangements are recognised at their value, except that:

(i) deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "*Income Taxes*" and AASB 119 "*Employee Benefits*" respectively;

(ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 "Share-based Payment" at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at then on-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

(d) Business combinations (continued)

Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 "*Financial Instruments: Recognition and Measurement*", or AASB 137 "*Provisions, Contingent Liabilities and Contingent Assets*", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash which are subjected to an insignificant risk of change in value and have maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in the current liabilities section of the consolidated statement of financial position.

(f) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

Finished goods are measured at either a standard cost or their weighted-average cost paid for the goods. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to the purchase of inventories. Indirect costs incurred in the handling and distribution of finished goods are included in the measurement of inventories.

(h) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The useful lives are as follows:

- Fixtures, fittings and equipment – 1 to 20 years; and
- Leasehold improvements – 3 to 5 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. An item of plant and equipment is derecognised upon disposal or where no further future economic benefits are expected from its use or disposal.

Refer Note 1(i) for policy on assessing impairment of plant & equipment.

(i) Impairment of assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Recoverable amount is the greater of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Non-financial assets other than goodwill that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate the impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(j) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash generating units or groups of cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash generating unit (or groups of cash generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(k) Other intangible assets

Brand names and trademarks

PAS' brands are considered to have indefinite lives. These brands are not considered to have foreseeable brand maturity dates, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised. Instead, the brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Capitalised IT system development costs

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Direct costs may include internal payroll and on-costs for employees directly associated with the project. Costs incurred on computer software maintenance or during the planning phase are expensed as incurred. Computer software is amortised over the period of time during which the benefits are expected to arise, being four years.

(l) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the shorter of the useful life of the asset or the lease term where such leases contain annual fixed escalation rates, and the value of the future lease payments can be determined.

Lease incentives

Lessor contributions to the construction and fit-out of premises where the lessor retains ownership of the assets are accounted for as a reduction of the cost of the construction and fit-out. Where ownership of the assets is retained by the Group, lessor contributions are accounted for as a lease incentive liability and are reduced on a straight line basis over the remaining term of the lease.

(m) Trade and other payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing and are netted off against the borrowings.

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

(o) Provisions

Provisions are recognised when PAS has a present obligation (legal or constructive) 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

(p) Employee benefits (continued)

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(q) Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on PAS' estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, PAS revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to the equity settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(r) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise except when exchange differences, which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; or exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Foreign operations

The assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(s) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received. Transaction costs arising on the issue of equity instruments are recognised directly in equity, net of tax as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

(t) Earnings per share

Basic EPS is calculated as net profit for the period, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is the figure used for Basic EPS adjusted to take into account dilutive potential ordinary shares assumed to be issued for no consideration.

(u) Revenue

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

- Sale of goods in retail stores – recognised at the point of sale at the price sold to the customer.
- Sale of goods to wholesale customers – at time of delivery less an allowance for estimated customer returns, rebates and other similar allowances.
- Interest – from the time the right to receive interest revenue has been attained, using the effective interest method.
- Royalties and licence fees – from the time a right to receive consideration for the provision of, or investment in, assets or the use of a trademark, has been attained. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying agreement.
- Dividends – from the time the right to receive the payment is established.
- Disposal of Other Assets – when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

(v) Income tax

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The PAS Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the "separate taxpayer within group" approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the head entity level of the group.

Deferred tax

Deferred tax is accounted for using the comprehensive Statement of Financial Position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the head entity level of the group.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(w) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

a. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
b. for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(x) Derivative financial instruments

PAS uses derivative financial instruments (including forward currency contracts and interest rate swap instruments) to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive, and as liabilities when their fair value is negative.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company and the group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Company and the Group designates certain hedging instruments in respect of foreign currency and interest rate risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange and interest rate risk are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(y) Comparatives

Where current period balances have been classified differently within current period disclosures when compared to the prior period, comparative disclosures have been restated to ensure consistency of presentation between periods.

(z) Critical accounting adjustments and key sources of estimation uncertainty

In the application of the PAS' accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Income taxes

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

(ii) Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at the balance date: future increases in wages and salaries; future on costs and rates; and experience of employee departures and periods of service.

(iii) Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

(iv) Impairment of intangible assets with indefinite lives (goodwill and brand names)

Determining whether intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash generating units to which the asset has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit, and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets with indefinite lives at the balance date was $99.6 million (2013: $99.6 million) (consolidated). The directors have assessed that no impairment charge is required for the year ended 30 June 2014.

(v) Useful lives of property, plant and equipment

As described in the Note 1(i), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors determined that there should be no changes to the useful life of the property, plant and equipment.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(aa) New accounting standards and interpretations not yet mandatory or early adopted

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations listed below have recently been issued or amended but are not yet mandatory and have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015

The directors' anticipate that the above amendments and Interpretations will not have a material impact on the financial report of the Group in the year of initial application.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Narrow-scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014	30 June 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014	30 June 2015
IRFS 15 Revenue from contracts with customers	1 January 2017	30 June 2018

Notes to the Financial Statements (Continued)

2. Revenues and expenses

(a) Revenue

	Consolidated Year ended 30 June 2014 $'000	Consolidated Year ended 30 June 2013 $'000
Sales revenue		
Sale of goods	**245,486**	232,411
Other revenue		
Royalty income	**343**	360
Other	**162**	282
	505	642
Total revenue	**245,991**	233,053

(b) Expenses

Profit before income tax includes the following items:

Occupancy expense:		
Minimum lease payments on operating leases	**27,617**	24,957
Other occupancy expenses	**1,034**	1,081
Total occupancy expense	**28,651**	26,038
Employee benefits expense:		
Post-employment benefits – Defined contribution plans	**4,014**	3,639
Termination benefits	**–**	911
Equity settled share based payments	**12**	–
Other employee benefits	**53,085**	48,313
Total employee benefits expense	**57,111**	52,863
Depreciation and amortisation:		
Depreciation	**4,934**	4,457
Amortisation	**1,216**	374
Total depreciation and amortisation	**6,150**	4,831
Net finance costs:		
Interest paid to related parties	**6,245**	5,816
Interest and finance charges paid to banks and other financial institutions	**5,325**	7,441
Amortisation of deferred borrowing costs	**2,555**	1,510
Interest revenue	**(260)**	(417)
Total net finance costs	**13,865**	14,350
Other items:		
Costs associated with the IPO expensed	**2,627**	–

3. Segment information

PAS' operating segments are identified with reference to the information regularly reviewed by the Chief Executive Officer, Chief Financial Officer and board of directors (the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The reportable segments are based on aggregated operating segments determined by the similarity of the goods sold and the method used to distribute the goods. PAS operates in two reportable segments, being Retail and Wholesale reflecting its primary distribution channels. Discrete financial information about these operating businesses is reported to the CODM on a monthly basis. The segments are described below.

Retail

The Retail segment includes revenues and profits generated by PAS' retail and online footprint associated with women's, men's and children's apparel, which included 235 retail sites as of 30 June 2014. The number of retail sites excludes the online channel.

Wholesale

The Wholesale segment includes revenues and profits associated with the wholesaling of women's, men's and children's apparel. The Wholesale segment includes revenues and profits generated by Designworks, Black Pepper, Metalicus, Marco Polo and Yarra Trail.

Unallocated

Corporate overheads, interest revenue and interest expenses are not allocated to operating segments as they are not considered part of the core operations of a specific segment.

The accounting policies used by PAS in reporting segments are the same as those contained in Note 1 to the financial statements and in the prior period. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and tax as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The following is an analysis of PAS' revenue, EBITDA and results from continuing operations by reportable segment.

	Consolidated			
2014	Retail $'000	Wholesale $'000	Unallocated $'000	Total $'000
Revenue from sale of goods	129,608	115,878	–	245,486
Other revenue	6	69	430	505
Total revenue	**129,614**	**115,947**	**430**	**245,991**
Reportable segment EBITDA	**18,472**	**17,955**	**(7,815)**	**28,612**
Depreciation and amortisation	(4,368)	(339)	(1,443)	(6,150)
Reportable segment EBIT	**14,104**	**17,616**	**(9,258)**	**22,462**
Net financing costs	–	–	(13,865)	(13,865)
Statutory profit before tax	**14,104**	**17,616**	**(23,123)**	**8,597**
Segment assets	102,688	62,336	18,504	183,528
Segment liabilities	13,116	8,810	4,012	25,938
Capital expenditure	5,084	185	84	5,353

3. Segment information (continued)

2013	Consolidated Retail $'000	Wholesale $'000	Unallocated $'000	Total $'000
Revenue from sale of goods	114,743	117,668	–	232,411
Other revenue	39	83	520	642
Total revenue	**114,782**	**117,751**	**520**	**233,053**
Reportable segment EBITDA	**16,702**	**18,514**	**(4,952)**	**30,264**
Depreciation and amortisation	(3,546)	(283)	(1,002)	(4,831)
Reportable segment EBIT	**13,156**	**18,231**	**(5,954)**	**25,433**
Net financing costs	–	–	(14,350)	(14,350)
Statutory profit before tax	**13,156**	**18,231**	**(20,304)**	**11,083**
Segment assets	84,458	80,248	28,853	193,559
Segment liabilities	10,125	15,385	98,240	123,750
Capital expenditure	4,028	302	1,622	5,952

Segment revenue reported above represents revenue generated from external customers. Inter-segment sales are immaterial.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than other financial assets and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than borrowings, other financial liabilities and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Major customers

Included in revenues arising from Wholesale Segment sales of $115.9 million (2013: $117.7 million) are revenues of approximately $47.0 million (2013: $53.0 million) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2014 and 2013.

4. Income taxes

Income tax recognised in profit or loss:

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Current tax		
In respect of the current year	**2,125**	3,185
In respect of prior years	**599**	70
	2,724	3,255
Deferred tax		
In respect of the current year	**(5,367)**	164
Recognition of tax losses not previously recognised	**(1,733)**	(669)
	(7,100)	(505)
Total income tax (benefit)/expense recognised in the current year relating to continuing operations	**(4,376)**	**2,750**
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit before tax from continuing operations	**8,597**	11,083
Income tax expense calculated at 30% (2013: 30%)	**2,579**	3,325
Effect of expenses that are not deductible in determining taxable profit	**41**	24
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	**(1,733)**	(669)
Tax benefit on formation of tax consolidation group	**(5,862)**	–
Adjustments recognised in the current year in relation to the current tax of prior years	**599**	70
Income tax (benefit)/expense recognised in profit or loss	**(4,376)**	2,750
Income tax recognised directly in equity:		
Current tax		
Share issue costs	272	–
	272	–
Deferred tax		
Cash flow hedge reserve:	444	(135)
Arising on transactions with owners:		
Share issue and buy-back expenses deductible over 5 years	1,100	–
	1,544	(135)
Total income tax recognised directly in equity	1,816	(135)

4. Income taxes (continued)

	Consolidated	
	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Current tax assets and liabilities		
Current tax assets		
Tax refund receivable	**131**	462
Current tax liabilities		
Income tax payable	**813**	939
Deferred tax balances		
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax assets	**13,301**	5,153
Deferred tax liabilities	**1,225**	1,990
	12,076	3,163

2014	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehen-sive income $'000	Recognised directly in equity $'000	Closing balance $'000
Temporary differences					
Cash flow hedges	(25)	25	–	444	444
Property, plant & equipment	250	(246)	–	–	4
Intangible assets	(1,200)	–	–	–	(1,200)
Provisions	1,487	(186)	–	–	1,301
Doubtful debts	38	(15)	–	–	23
Accruals	733	(148)	–	–	585
Lease Incentives	814	473	–	–	1,287
Inventory	354	4,968	–	–	5,322
Share issue and buy-back costs	9	252	–	1,372	1,633
Rebates and allowances	346	(51)	–	–	295
Other	(312)	292	–	–	(20)
	2,494	5,367	–	1,816	9,674
Unused tax losses					
Tax losses	669	1,733	–	–	2,402
Total	3,163	7,100	–	1,816	12,076

2013	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Recognised directly in equity $'000	Closing balance $'000
Temporary differences					
Cash flow hedges	729	(619)	–	(135)	(25)
Property, plant & equipment	393	(143)	–	–	250
Intangible assets	(1,200)	–	–	–	(1,200)
Provisions	1,179	308	–	–	1,487
Doubtful debts	41	(3)	–	–	38
Accruals	960	(227)	–	–	733
Lease Incentives	651	163	–	–	814
Inventory	194	160	–	–	354
Share issue and buy-back costs	–	9	–	–	9
Rebates and allowances	–	346	–	–	346
Other	(157)	(155)	–	–	(312)
	2,790	(161)	–	(135)	2,494
Unused tax losses					
Tax losses	–	669	–	–	669
Total	2,790	508	–	(135)	3,163

Unrecognised deferred tax assets	Consolidated 2014 $'000	2013 $'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
– tax losses (revenue in nature)	–	1,733
	–	1,733

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 16 June 2014 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is The PAS Group Limited. The members of the tax-consolidated group are identified in note 26. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, The PAS Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

5. Earnings per share

	Year ended 30 June 2014	Year ended 30 June 2013
Basic earnings per share (cents per share)	**43.5**	31.6
Diluted earnings per share (cents per share)	**43.5**	31.6
Net profit after tax ($'000)	**11,965**	7,205
The weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
– Basic earnings per share (no. shares)	**27,498,553**	22,818,677
– Diluted earnings per share (no. shares)	**27,498,553**	22,818,677

Weighted average number of ordinary shares outstanding during the current period has been calculated using:

(i) the number of ordinary shares outstanding from the beginning of the current period to the acquisition date computed on the basis of the weighted average number of ordinary shares of PASCO Group Pty Limited (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the reorganisation agreement; and

(ii) the number of ordinary shares outstanding from the acquisition date to the end of the period being the actual number of ordinary shares of The PAS Group Limited (the accounting acquiree) outstanding during that period.

The basic and diluted earnings per share for the comparative period before the acquisition date presented in the consolidated financial statements has been calculated using PASCO Group Pty Limited's historical weighted average number of shares outstanding multiplied by the exchange ratio established in the reorganisation agreement.

Potential ordinary shares from options are not dilutive as the exercise price exceeds the current market price.

6. Trade and other receivables

	Consolidated	
	2014 $'000	2013 $'000
Trade receivables	**24,423**	27,595
Allowance for doubtful debts	**(83)**	(125)
	24,340	27,470
Trade discounts and rebates	**(655)**	(1,169)
Other receivables	**934**	573
Total trade and other receivables	**24,619**	26,874

The average credit period on sales of goods ranges from 14 to 60 days. No interest is charged on trade receivables. The provision in respect of trade receivables is determined with regard to historical write-offs and specifically identified customers. Before accepting any new customer, PAS uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, $9.3 million (30 June 2013: $10.9 million) is due from the Group's largest customer.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are considered recoverable.

	Consolidated 2014 $'000	2013 $'000
Age of receivables that are past due but not impaired:		
60-90 days	**5,271**	6,662
90-120 days	**2,002**	1,855
Total	**7,273**	8,517
Average age (days)	**86**	83
Movement in the allowance for doubtful debts:		
Balance at beginning of the year	**(125)**	(139)
Impairment losses recognised on receivables	**(136)**	(81)
Amounts written off during the year as uncollectible	**129**	54
Impairment losses reversed	**49**	41
Balance at end of the year	**(83)**	(125)
Age of impaired trade receivables:		
60-90 days	**28**	–
90-120 days	**1**	–
120+ days	**54**	125
Total	**83**	125

7. Other financial assets

Derivatives designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	**–**	2,332
	–	2,332

8. Inventories

At lower of cost and net realisable value:		
Raw materials	**1,540**	1,885
Stock in transit	**3,395**	2,460
Work in progress	**1,137**	944
Finished goods	**16,682**	14,821
	22,754	20,110

The cost of inventories recognised as an expense during the year in respect of continuing operations was $103.6 million (2013: $98.3 million). The cost of inventories recognised as an expense includes $0.3 million (2013: $0.3 million) in respect of write-downs of inventory to net realisable value.

9. Other current assets

Prepayments	**4,599**	3,633
Other	**1,960**	1,017
	6,559	4,650

10. Non-current trade and other receivables

	Consolidated 2014 $'000	2013 $'000
Other receivables	**187**	63
	187	63

11. Property, plant and equipment

Plant and equipment	**4,951**	5,788
Leasehold Improvements	**7,040**	5,814
	11,991	11,602

	Plant and equipment at cost $'000	Leasehold improve-ments cost $'000	Total $'000
Cost			
Balance at 1 July 2012	12,441	15,519	27,960
Additions	4,142	1,211	5,353
Disposals	(1,206)	(1,570)	(2,776)
Balance at 30 June 2013	**15,377**	**15,160**	**30,537**
Additions	**844**	**4,513**	**5,357**
Disposals	**(1,113)**	**(789)**	**(1,902)**
Balance at 30 June 2014	**15,108**	**18,884**	**33,992**
Accumulated depreciation and impairment			
Balance at 1 July 2012	(8,867)	(8,302)	(17,169)
Eliminated on disposals of assets	1,205	1,527	2,732
Depreciation expense	(1,927)	(2,571)	(4,498)
Balance at 30 June 2013	**(9,589)**	**(9,346)**	**(18,935)**
Eliminated on disposals of assets	**1,080**	**788**	**1,868**
Depreciation expense	**(1,648)**	**(3,286)**	**(4,934)**
Balance at 30 June 2014	**(10,157)**	**(11,844)**	**(22,001)**
Net book value 2013	5,788	5,814	11,602
Net book value 2014	**4,951**	**7,040**	**11,991**

12. Goodwill

	Consolidated 2014 $'000	2013 $'000
Cost		
Balance at beginning of year	**111,067**	111,048
Additional amounts recognised from business combinations occurring during the year	**–**	19
Balance at end of year	**111,067**	111,067
Accumulated impairment losses		
Balance at beginning of year	**(32,528)**	(32,528)
Impairment losses recognised in the year	**–**	–
Balance at end of year	**(32,528)**	(32,528)
Net book value	**78,539**	78,539

Allocation of goodwill to cash-generating units
Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

	2014 $'000	2013 $'000
Wholesale – Metalicus	**7,916**	7,916
Wholesale – Designworks	**21,008**	21,008
Wholesale – Breakaway	**6,295**	6,295
Retail – Metalicus	**24,089**	24,089
Retail – Breakaway	**14,688**	14,688
Retail – Review	**4,543**	4,543
	78,539	78,539

Wholesale cash-generating units

The recoverable amount of the Wholesale cash-generating units ('CGUs') are determined based on value in use calculations in respect of each separate CGU which use cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre-tax discount rate of 14% per annum (2013: 14% per annum). Cash flow projections during the budget period are based on the same expected gross profit margins and raw materials price inflation throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a 2.5% per annum growth rate.

Retail cash-generating units

The recoverable amount of the Retail CGUs has been determined based on a value in use calculations in respect of each separate CGU which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre-tax discount rate of 14% per annum (2013: 14% per annum). Cash flows beyond that five-year period have been extrapolated using a 2.5% per annum growth rate.

12. Goodwill (continued)

Sensitivity analysis

Other than Metalicus, increasing the discount rate by 0.5% would not result in impairment in any CGU. The impact on Metalicus would be impairment of $1.2 million and $0.3 million for Metalicus Retail and Metalicus Wholesale respectively. Similarly, reducing the long term growth rate to 2% would not result in impairment in any CGU, other than Metalicus. The impact on Metalicus would be impairment of $0.8 million and $0.2 million for Metalicus Retail and Metalicus Wholesale respectively.

The directors believe that any reasonably possible further change in the key assumptions on which recoverable amounts are based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Each of the sensitivities above assumes that the specific assumption moves in isolation, while all other assumptions are held constant. In reality, a change in one assumption could be accompanied by a change in another assumption, which may increase or decrease the net impact of the recoverable amount of the CGU.

13. Intangible assets

	Consolidated	
	2014 $'000	2013 $'000
Trademarks	**380**	380
Brand names	**21,080**	21,080
Software	**3,061**	1,675
Website development costs	**434**	734
	24,955	23,869

	Trademarks $'000	Brand names $'000	Software $'000	Website development costs $'000	Total $'000
Cost					
Balance at 1 July 2012	380	21,080	624	735	22,819
Additions	–	–	1,674	283	1,957
Disposals	–	–	–	–	–
Balance at 30 June 2013	**380**	**21,080**	**2,298**	**1,018**	**24,776**
Additions	**–**	**–**	**2,217**	**85**	**2,302**
Disposals	**–**	**–**	**(1)**	**–**	**(1)**
Balance at 30 June 2014	**380**	**21,080**	**4,514**	**1,103**	**27,077**
Accumulated amortisation and impairment					
Balance at 1 July 2012	–	–	(276)	(264)	(540)
Amortisation expense	–	–	(347)	(20)	(367)
Balance at 30 June 2013	**–**	**–**	**(623)**	**(284)**	**(907)**
Amortisation expense	**–**	**–**	**(831)**	**(385)**	**(1,216)**
Disposals	**–**	**–**	**1**	**–**	**1**
Balance at 30 June 2014	**–**	**–**	**(1,453)**	**(669)**	**(2,122)**
Net book value 2013	380	21,080	1,675	734	23,869
Net book value 2014	**380**	**21,080**	**3,061**	**434**	**24,955**

Significant intangible assets

During the prior and current financial year, PAS has implemented a common software platform across its divisions which include software costs of $2.1 million (2013: $1.1 million) These costs are being amortised over a 4 year period.

Indefinite life intangible assets

Brands acquired and separately identified as part of business combinations. The brand names were valued at relevant acquisition dates by Pitcher Partners using the relief from royalty method. PAS intends to continue use of the brands for an indefinite period and are therefore not amortised but are subject to an annual test for impairment.

Allocation of Brand names to cash-generating units

Brand names have been allocated for impairment testing purposes to the following cash-generating units:

	2014 $'000	2013 $'000
Wholesale – Metalicus	**1,216**	1,216
Wholesale – Designworks	**–**	–
Wholesale – Breakaway	**600**	600
Retail – Metalicus	**4,864**	4,864
Retail – Breakaway	**3,400**	3,400
Retail – Review	**11,000**	11,000
	21,080	21,080

14. Trade and other payables

	Consolidated	
	2014 $'000	**2013 $'000**
Trade payables	**2,446**	3,530
Accruals	**7,472**	9,472
Goods and services tax payable	**1,049**	1,380
Other payables and accruals	**898**	414
	11,865	14,796

The average credit period on purchases of certain goods is 30 days.

15. Borrowings

Current borrowings:		
Secured – at amortised cost		
Loans	–	14,299
Total current borrowings	–	14,299
Non-current borrowings:		
Unsecured – at amortised cost		
Loans from related parties:		
Shareholder loan[i]	–	28,120
Less: Deferred borrowing costs	–	(338)
	–	27,782
Loan from non-controlling shareholder of controlled entity[ii]	–	3,615
	–	31,397
Secured – at amortised cost		
Loans[iii]	–	50,894
Less: Deferred borrowing costs	–	(1,445)
	–	49,449
Total non-current borrowings	–	80,846

(i) Shareholder loans owing to certain shareholders of PASCO Group Pty Ltd ($28.1 million) at the date of the IPO were repaid using the proceeds of the IPO. Unamortised borrowing costs of $0.1 million at this date were written off.
(ii) The loan owing to a non-controlling shareholder of a controlled entity of $3.6 million at the date of the IPO was repaid using the proceeds of the IPO.
(iii) Secured by a first ranking fixed and floating charge over the assets and undertakings of the Company and its controlled entities. Loans of $58.9 million at the date of the IPO were repaid using the proceeds of the IPO and the facility was replaced by a 3 year facility with Commonwealth Bank of Australia ('CBA') entered into on 13 June 2014.

16. Other current financial liabilities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Forward foreign exchange contracts	**1,478**	–
Interest rate swaps	**–**	1,511
Deferred consideration[i]	**–**	415
	1,478	1,926

(i) Other financial liabilities included $0.4 million representing the deferred consideration for the acquisition of a non-controlling interest in the Capelle Group Pty Ltd and Fiorelli Licensing Pty Limited which was settled during the 2014 year.

17. Provisions – current

	2014	2013
Employee benefits	**5,281**	4,830
	5,281	4,830

18. Provisions – non-current

	2014	2013
Employee benefits	**584**	563
	584	563

Movements in provisions

	Employee Benefits $'000
Balance at 1 July 2012	3,508
Additional provisions recognised	4,326
Reductions arising from payments/other sacrifices of future economic benefits	(2,441)
Balance at 30 June 2013	**5,393**
Additional provisions recognised	**4,099**
Reductions arising from payments	**(3,627)**
Balance at 30 June 2014	**5,865**

The provision for employee benefits represents annual leave and long service leave entitlements accrued and compensation claims made by employees.

19. Other current liabilities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Lease incentives	**1,587**	1,764
	1,587	1,764

20. Other non-current liabilities

Lease incentives	**3,105**	1,797
	3,105	1,797

21. Issued capital

	Consolidated 2014 $'000	Consolidated 2013 $'000
136,690,860 fully paid ordinary shares (30 June 2013: 9,799,354)	**153,963**	31,786

Movements in ordinary share capital

	2014		2013	
	Number of shares	Share capital $'000	Number of shares	Share capital $'000
Balance at beginning of the year	**9,799,354**	**31,786**	9,799,354	31,786
Adjustment to issued capital on corporate reorganisation	**–**	**3,825**	–	–
Share split on corporate reorganisation	**13,019,323**	**–**	–	–
Capital return on corporate reorganisation	**–**	**(9,370)**	–	–
Share issue costs(i)	**–**	**(4,603)**	–	–
Related income tax	**–**	**1,372**	–	–
Issue of shares under IPO(i)	**104,810,748**	**120,532**	–	–
Issue of shares for non-controlling interest buy-back(ii)	**9,061,435**	**10,421**	–	–
Balance at the end of the year	**136,690,860**	**153,963**	9,799,354	31,786

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Share issues during the period

(i) 104.9 million shares were issued at $1.15 per share in connection with the IPO on 16 June 2014, equating to $120.5 million. Transaction costs directly attributable to the new equity raised of $4.6 million ($3.2 million tax effected) have been offset against the equity raised.

(ii) 9.1 million shares were issued at $1.15 per share in connection with the buy-back of the non-controlling interests in certain controlled entities of The PAS Group in connection with the IPO under the terms of the 'Deed Relating To A Proposed Exit Event' between Family Black Pty Ltd, Richard Gordon Black, The PAS Group Pty Ltd, PAS Finance Pty Ltd and Breakaway Apparel Pty Ltd ('Breakaway Exit Deed') and the Deed relating to a proposed Exit Event between Christopher Switzer, The PAS Group Limited, PASCO Operations Pty Limited (formerly PAS Finance Pty Limited) and The Hopkins Group Aust Pty Limited ('Hopkins Exit Deed').

22. Reserves

	Consolidated 2014 $'000	Consolidated 2013 $'000
Non-controlling interest purchase reserve	–	8,681
Share based payments reserve	12	–
Cash flow hedge reserve	(1,034)	468
Foreign currency translation reserve	28	(47)
Corporate reorganisation reserve	(3,825)	–
	(4,819)	9,102

Non-controlling interest purchase reserve		
Balance at beginning of year	8,681	8,681
Non-controlling interest purchases	(8,141)	–
Transfer to retained earnings	(540)	–
Balance at the end of the year	–	8,681

The non-controlling interest purchase reserve represents the difference between the consideration paid for the non-controlling interest and the sum of the issued capital and retained earnings relating to the acquired issued capital. On completion of the purchase of non-controlling interests the balance of this reserve was transferred to retained earnings.

Share based payments reserve		
Balance at beginning of year	–	–
Arising on share based payments – management bonuses	12	–
Balance at the end of the year	12	–

The reserve is used to recognise the value of equity benefits provided to senior employees as part of their remuneration, and other parties as part of their compensation for services.

Cash flow hedge reserve		
Balance at beginning of year	468	(1,414)
Gain/(loss) recognised on cash flow hedges		
Forward foreign exchange contracts	(1,478)	2,179
Interest rate swaps	–	(1,510)
Income tax related to gains/losses recognised in other comprehensive income	445	(200)
Reclassified to profit or loss		
Forward foreign exchange contracts	(2,179)	–
Interest rate swaps	1,510	2,019
Income tax related to amounts reclassified to profit or loss	200	(606)
Balance at the end of the year	(1,034)	468

22. Reserves (continued)

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

	Consolidated	
	2014 $'000	2013 $'000
Foreign currency translation reserve		
Balance at beginning of year	(47)	(93)
Translation of foreign operations	75	46
Balance at the end of the year	28	(47)

The reserve is used to recognise exchange differences arising from translation of the financial statements of Breakaway Apparel Pty Limited's New Zealand branch operation to Australian dollars.

	Consolidated	
	2014 $'000	2013 $'000
Corporation reorganisation reserve		
Balance at beginning of year	–	–
Proceeds from issue of shares in legal acquirer	(3,825)	–
Balance at the end of the year	(3,825)	–

Under corporate reorganisation principles, share capital is recognised at the number of shares at IPO price less applicable transaction costs. Any difference following the capital reconstruction as part of the corporate reorganisation and the equity retained by the shareholders of the accounting acquirer (PASCO Group Pty Limited), is recognised in the acquisition reserve. See Note 1 for further information regarding the corporate reorganisation.

23. Retained earnings

	Consolidated	
	2014 $'000	2013 $'000
Balance at beginning of year	**17,941**	10,736
Profit attributable to owners of the Company	**11,965**	7,205
Transfer from non-controlling interest purchase reserve	**540**	–
Payment of dividends	**(22,000)**	–
Balance at end of year	**8,446**	17,941

24. Non-controlling interests

	Consolidated 2014 $'000	2013 $'000
Non-controlling interest in controlled entities comprises:		
Issued capital	–	6,852
Reserves	–	109
Retained profits	–	4,019
	–	10,980
Balance at beginning of year	**10,980**	9,737
Share of profit for the year	**1,008**	1,128
Share of reserves	–	115
Reduction from buy back of non-controlling interests (see notes 21,22)	**(11,988)**	–
Balance at end of year	–	10,980

25. Dividends on equity

	Year ended 30 June 2014		Year ended 30 June 2013	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised amounts				
Pre IPO dividend	**224.5**	**22,000**	–	–

On 22 May 2014, the directors declared and paid a fully franked pre IPO dividend of $22.0 million to the holders of fully paid ordinary shares at that date, paid to shareholders on 18 June 2014.

	Consolidated 2014 $'000	2013 $'000
Franking credits available at corporate tax rate of 30%	46,938	54,454

Notes to the Financial Statements (Continued)

26. Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by PAS 2014	2013
Parent entity				
The PAS Group Limited[(a)]	Holding company	Australia	**100%**	–
Subsidiaries				
PASCO Group Pty Ltd[(b)(f)]	Holding company	Australia	**100%**	100%
Chestnut Apparel Pty Ltd[(f)]	Holding company	Australia	**100%**	100%
PASCO Operations Pty Ltd[(c)(f)]	Holding company	Australia	**100%**	100%
PAS Finance Pty Ltd[(d)]	Holding company	Australia	**100%**	–
Yarra Trail Holdings Pty Ltd	Holding company	Australia	**100%**	100%
Yarra Trail Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Breakaway Apparel Pty Ltd[(e)(f)]	Apparel; retail/wholesale	Australia	**100%**	83%
Breakaway NZ Clothing Ltd	Apparel; retail/wholesale	New Zealand	**100%**	83%
Designworks Holdings Pty Ltd[(f)]	Holding company	Australia	**100%**	100%
Designworks Clothing Company Pty Ltd[(f)]	Apparel; retail/wholesale	Australia	**100%**	100%
World Brands Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Designworks Clothing Hong Kong Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Designworks Management Consulting (Shanghai) Co Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
The Hopkins Group Aust Pty Ltd[(e)(f)]	Apparel; retail/wholesale	Australia	**100%**	75%
Review Australia Pty Ltd[(f)]	Apparel; retail/wholesale	Australia	**100%**	100%
Fiorelli Licensing Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
The Capelle Group Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Metalicus Pty Ltd[(f)]	Apparel; retail/wholesale	Australia	**100%**	100%

(a) The PAS Group Limited is the head entity within the tax consolidated group. The Company incorporated on 9 May 2014.
(b) Formerly The PAS Group Pty Ltd. The name change occurred on 29 May 2014.
(c) Formerly PAS Finance Pty Ltd. The name change occurred on 29 May 2014.
(d) Incorporated on 9 May 2014.
(e) Member of the tax consolidated group from date of becoming wholly owned.
(f) These wholly-owned subsidiaries have entered into a deed of cross guarantee during the current financial year with The PAS Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

Details of previously non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 30 June 2014 %	30 June 2013 %	Profit (loss) allocated to non-controlling interests 30 June 2014 $'000	30 June 2013 $'000	Accumulated non-controlling interests 30 June 2014 $'000	30 June 2013 $'000
Breakaway Australia Pty Ltd	Australia	**100**	83	**852**	965	**–**	7,343
The Hopkins Group Australia Pty Ltd	Australia	**100**	75	**156**	163	**–**	3,637
Total				**1,008**	1,128	**–**	10,980

Change in the Group's ownership interest in a subsidiary

The non-controlling interests in Breakaway Australia Pty Ltd and The Hopkins Group Aust Pty Ltd were acquired from the non-controlling shareholders using proceeds from the IPO on 16 June 2014.

27. Cross guarantee group

The PAS Group Limited and the entities noted detailed in Note 26 formed a cross guarantee group on the 24 June 2014 and therefore no movement in retained earnings and no comparative information is shown in respect to the cross guarantee group.

The consolidated income statement and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

Statement of comprehensive income	Year ended 30 June 2014 $'000
Revenue	**230,124**
Cost of sales	**(94,914)**
Gross Profit	**135,210**
Other gains and losses	**158**
Employee benefit expenses	**(55,074)**
Selling and distribution expenses	**(12,466)**
Occupancy expenses	**(27,902)**
Marketing expenses	**(4,348)**
Administration expenses	**(9,073)**
Earnings before interest, tax, depreciation and amortisation	**26,505**
Depreciation and amortisation expense	**(5,888)**
Net finance costs	**(14,945)**
Profit before tax expense	**5,672**
Income tax benefit	**5,127**
Profit for the year from continuing operations	**10,799**
Profit for the year	**10,799**
Other comprehensive Income	
Exchange differences on translating foreign operations	**79**
Net gain/(loss) on cash flow hedges	**1,252**
Other comprehensive income for the year, net of tax	**1,331**
Total comprehensive Income for the year	**12,130**

27. Cross guarantee group (continued)

Statement of financial position	Year ended 30 June 2014 $'000
Cash and cash equivalents	87
Trade and other receivables	15,653
Other financial assets	–
Inventories	21,850
Current tax assets	131
Other current assets	6,130
Total current assets	**43,851**
Non-current assets	
Trade and other receivables	33
Property, plant and equipment	11,533
Deferred tax assets	12,908
Goodwill	78,539
Other intangible assets	24,947
Other assets	143
Other financial assets	41,576
Total non-current assets	**169,679**
Total assets	**213,530**
Current liabilities	
Trade and other payables	10,876
Borrowings	–
Other financial liabilities	1,344
Current tax payables	713
Provisions	5,018
Other liabilities	1,528
Total current liabilities	**19,479**
Non-current liabilities	
Borrowings	–
Other financial liabilities	19,119
Deferred tax liabilities	1,214
Provisions	534
Other liabilities	3,014
Total non-current liabilities	**23,881**
Total liabilities	**43,360**
Net assets	**170,170**
Equity	
Issued capital	153,963
Reserves	(4,137)
Retained earnings	20,344
Total equity	**170,170**

28. Financial instruments

Capital management

PAS manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. PAS' overall strategy remains unchanged from 2013. The capital structure of PAS consists of net debt, if any (borrowings offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings). PAS is not subject to any externally imposed capital requirements. The board reviews the capital structure of PAS on an annual basis.

	Consolidated	
	2014 $'000	2013 $'000
Categories of financial instruments		
Financial assets		
Cash and bank balances	**492**	19,905
Derivative instruments in designated hedge accounting relationships	**–**	2,332
Trade and other receivables	**24,806**	26,937
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**1,478**	1,511
Trade and other payables	**11,865**	14,796
Borrowings	**–**	95,145
Other financial liabilities	**–**	415

Financial risk management objectives

PAS' treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's treasury function reports monthly to the Group's board.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory in US Dollars and interest rate swaps to mitigate the risk of rising interest rates.

Foreign currency risk management

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
US Dollars (USD)	**1,001**	869	**2,535**	1,501
New Zealand Dollars (NZD)	**5**	4	**305**	393

28. Financial instruments (continued)

Forward foreign exchange contracts
It is the policy of the Group to enter into forward foreign exchange contracts to cover 100% of specific foreign currency known orders up to 6 months. The Group has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to purchase USD to hedge the exchange rate risk arising from anticipated future purchases, which are designated as cash flow hedges.

At 30 June 2014, the aggregate amount of losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is $1.5 million (2013: gains of $2.2 million). It is anticipated that the purchases will take place during the first 6 months of the next financial year, at which time the amount deferred in equity will be included in the carrying amount of inventory. It is anticipated that the inventory will be sold within 6 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

	Average exchange rate		Foreign currency		Notional value		Fair value	
Outstanding contracts	**2014**	**2013**	**2014 USD'000**	**2013 USD'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Cash flow hedges								
Buy US Dollars								
Less than 3 months	**0.894**	0.992	**26,660**	23,129	**29,822**	22,942	**(1,370)**	2,259
3 to 6 months	**0.919**	1.074	**7,340**	3,660	**7,984**	3,931	**(108)**	73
							(1,478)	2,332

Foreign currency sensitivity analysis
As shown in the table above the Group is mainly exposed to the currency of United States. The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the USD. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	USD movement impact (+/-)	
	2014 $'000	**2013 $'000**
Profit or loss[(i)]	**153**	63
Equity[(ii)]	**3,512**	2,576

(i) This is mainly due to the exposure outstanding on USD receivables and payables at the end of the reporting period.
(ii) This is mainly due to changes in the fair value of derivative instruments designated as hedging instruments in cash flow hedges.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. USD denominated purchases are seasonal. In addition, the impact of fluctuations in exchange rates can to some extent be recouped from suppliers and or passed through to customers.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate swap contracts

Under interest rate swap contracts, PAS agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2014 would decrease/increase by $0.5 million (2013: decrease/increase by $0.5 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and other comprehensive income for the year ended 30 June 2014 would decrease/increase by nil (2013: decrease/increase by $0.3 million).

The Group's sensitivity to interest rates has decreased during the current year following the repayment of all long term variable rate debt.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the end of the reporting period.

Cash flow hedges

	Average contracted fixed interest rate		Notional principal value		Fair value	
Outstanding receive floating pay fixed contracts	**2014 %**	**2013 %**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Less than 1 year	–	4.86%	–	60,568	–	(1,511)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the local interbank rate of Australia. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

28. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to PAS. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Concentration of credit risk related to the Group largest customer did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Collateral held as security and other credit exposures

PAS does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The finance facility note below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail PAS' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the group may be required to pay. The following table also details the group's expected maturity for its non-derivative financial assets. based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
30 June 2014							
Financial assets							
Non-interest bearing	**0%**	**24,619**	**–**	**–**	**187**	**–**	**24,808**
Variable interest rate instruments	**2.4%**	**492**	**–**	**–**	**–**	**–**	**492**
Financial liabilities							
Non-interest bearing	**0%**	**11,865**	**–**	**–**	**–**	**–**	**11,865**
30 June 2013							
Financial assets							
Non-interest bearing	0%	26,973	–	–	–	–	26,973
Variable interest rate instruments	3.25%	19,905	–	–	–	–	19,905
Financial liabilities							
Non-interest bearing	0%	14,796	–	–	–	–	14,796
Variable interest rate instruments	7.5%	–	–	14,299	52,726	–	67,025
Fixed interest rate instruments	20%	–	–	–	28,120	–	28,120

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Group has access to financing facilities as described below, of which $55.0 million were unused at the end of the reporting period (2013: nil). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

28. Financial instruments (continued)

	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000
30 June 2014					
Gross settled:					
– foreign exchange forward contracts	**8,150**	**13,181**	**16,475**	**–**	**–**
	8,150	**13,181**	**16,475**	**–**	**–**
30 June 2013					
Net settled:					
– interest rate swaps	98	209	1,034	–	–
Gross settled:					
– foreign exchange forward contracts	9,294	13,961	3,931	–	–
	9,392	14,170	4,965	–	–

Finance facilities	2014 $'000	2013 $'000
Secured working capital facility:[i]		
– amount used	**–**	–
– amount unused	**25,000**	20,000
	25,000	20,000
Secured bank loan facility[i]		
– amount used	**–**	64,272
– amount unused	**30,000**	–
	30,000	64,272
Shareholder loan facility		
– amount used	**–**	28,120
– amount unused	**–**	–
	–	28,120

(i) Secured by a first ranking fixed and floating charge over the assets and undertakings of Group.

Fair value of financial instruments

This note provides information about how PAS determines fair values of various financial assets and financial liabilities.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The fair value of foreign exchange forward contracts is determined using a Level 2 fair value hierarchy method, being a discounted cash flow method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The fair value of interest rate swaps is determined using a Level 2 fair value hierarchy method, being a discounted cash flow method. Future cash flows are estimated based on forward interest rates from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

29. Shared-based payments

The Company has not previously had in place a long term incentive plan. In anticipation of the IPO the board established a long term incentive plan. The LTIP was approved by the board and implemented on 22 May 2014. Awards under the LTIP scheme are issued annually based on a 3 year performance period. 50% of the available LTIP awards are based on a total shareholder return ('TSR') performance hurdle relative to the S&P/ASX 300 Consumer Discretionary Index over the 3-year performance period ('TSR Options') and 50% are based on growth in earnings per share ('EPS') achieved in year 3 against referenced against EPS achieved in the base year prior to the scheme's performance period ('EPS Options'). Options vest over a 3 year period based on the achievement of total shareholder return and earnings per share performance targets, provided that the eligible recipient is employed by the company on that date.

Participants must be employed by the Company at the date of payment for an entitlement to vest. All entitlements are forfeited should a participant resign from their position prior to the payment date.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $0.27. Options were priced using the Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on projected volatility incorporating historical average 4 year volatility for S&P/ASX300 CS&CD.

Inputs into the model	Option series 2015
Grant date (20 June 2014) share price	$1.15
Exercise price	$1.15
Expected volatility	50%
Option life	4 years
Expiry date	30 June 2017
Dividend yield	8.45%
Risk-free interest rate	3.03%
Fair value at grant date	$0.2659

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year

	2014	
	Number of options	Weighted average exercise price $
Balance at beginning of year	–	–
Granted during the year	**4,872,563**	**1.15**
Forfeited during the year	–	–
Exercised during the year	–	–
Expired during the year	–	–
Balance at end of year	**4,872,563**	**1.15**
Exercisable at end of year	–	–

Share options exercised during the year

No share options were exercised during the year (2013: Nil).

There were no vested share options outstanding at the end of the year (2013: Nil).

30. Key management personnel compensation

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

	Year ended 30 June 2014 $	Year ended 30 June 2013 $
Short-term employee benefits	**1,851,165**	1,601,204
Post-employment benefits	**57,855**	86,406
Other long-term benefits	**45,441**	–
Termination benefits	**–**	–
Share-based payment	**9,916**	–
	1,964,377	1,687,610

31. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Loans from related parties

	2014 $	2013 $
Loans from shareholders of PASCO Group Pty Ltd	–	28,120,431
Loans from non-controlling interest shareholders in Breakaway Apparel Pty Ltd	–	3,615,201
	–	31,735,632

The loans from the shareholders of PASCO Group Pty Ltd were provided at an interest rate of 22% (2013: 20%). The loans from non-controlling interest shareholders in Breakaway Apparel Pty Ltd were provided at an interest rate of 12%. Both loans were unsecured.

32. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2014 $'000	2013 $'000
Cash and bank balances	**492**	19,905
Bank overdraft	**–**	–
	492	19,905

Reconciliation of profit for the year to net cash flows from operating activities

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Cash flows from operating activities		
Profit for the year	**12,973**	8,333
Depreciation and amortisation	**6,150**	4,831
Lease incentives	**(626)**	(137)
Share issue expenses	**2,627**	–
Unrealised foreign exchange losses/(gains)	**19**	(180)
Expenses recognised in respect of equity-settled share-based payments	**12**	–
Interest accrued not paid	**(2,583)**	(2,353)
Capitalised borrowing costs paid	**863**	601
(Increase)/decrease in assets:		
Trade and other receivables	**2,131**	66
Current tax assets	**331**	813
Deferred tax assets	**(7,705)**	(1,767)
Inventory	**(2,644)**	(4,026)
Other assets	**(1,909)**	2,765
Other non-current assets		(31)
Other financial assets	**2,332**	–
Increase/(decrease) in liabilities:		
Trade and other payables	**(3,643)**	2,194
Provisions	**472**	1,884
Deferred tax liability	**(765)**	542
Other liabilities	**(33)**	–
Current tax liability	**(126)**	938
Net cash generated by operating activities	**7,876**	14,473

Non-cash transactions

During the current year, PAS entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.

Purchase of non-controlling shareholder interest

The purchase of the non-controlling shareholders interest during the year included consideration settled by the issue of $10.4 million of ordinary shares.

33. Operating lease arrangements

Leasing arrangements

Operating leases relate to leases of retail premises, office space and office equipment with lease terms of between 1 to 8 years. All retail store operating lease contracts contain clauses for market rental reviews.

Payments recognised as an expense

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Minimum lease payments	**27,617**	24,958

Non-cancellable operating lease commitments

	30 June 2014 $'000	30 June 2013 $'000
Not later than 1 year	**9,912**	16,512
Later than 1 year and not later than 5 years	**32,339**	31,260
Later than 5 years	**50**	26
	42,301	47,798

Liabilities recognised in respect of non-cancellable operating leases

Lease incentives (note 19 and 20)		
Current	**1,587**	1,764
Non-current	**3,105**	1,797
	4,692	3,561

34. Commitments for expenditure

Capital expenditure commitments

Plant and equipment – store fit outs	**2,971**	1,822

35. Contingent liabilities

Certain entities in the Group are party to various other legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on the Group.

The Group has provided bank guarantees in respect to retail premises operating leases of $0.6 million.

36. Remuneration of auditors

	Year ended 30 June 2014 $	Year ended 30 June 2013 $
Audit or review of the financial statements	**324,000**	257,725
Other non-audit services	**12,125**	6,500
Taxation compliance services	**71,991**	60,400
Investigating accountants report in connection with IPO	**450,000**	–
Taxation advice in relation to IPO	**170,000**	–
	1,028,116	324,625

The auditor of The PAS Group Limited is Deloitte Touche Tohmatsu.

37. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of the significant accounting policies relating to the Group.

Financial position

	30 June 2014 $'000	30 June 2013 $'000
Assets		
Current assets	**212**	470
Non-current assets	**157,134**	59,117
Total assets	**157,346**	59,587
Liabilities		
Current liabilities	**21**	–
Non-current liabilities	**2,225**	35,675
Total liabilities	**2,246**	35,675
Equity		
Issued capital	**153,965**	31,786
Retained earnings/(accumulated losses)	**1,148**	(7,873)
Reserves	**–**	–
Total equity	**155,113**	23,913

Financial performance

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Profit/(loss) for the year	**1,148**	(3,928)
Other comprehensive income	**–**	–
Total comprehensive income	**1,148**	(3,928)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The PAS Group Limited has entered into a deed of cross guarantee with certain wholly-owned subsidiaries, refer note 27.

38. Subsequent events

Other than these events there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Additional securities exchange information as at 1 August 2014

Number of holders of equity securities

Ordinary share capital

136,690,860 fully paid ordinary shares are held by 836 individual shareholders.

All issued ordinary shares carry one vote per share and the rights to dividends.

Options

4,872,663 options are held by three individual option holders.

Options do not carry a right to vote.

Distribution of holders of equity securities

	Fully paid ordinary shares	Options
1 – 1,000	25,682	–
1,001 – 5,000	273,912	–
5,001 – 10,000	1,388,475	–
10,001 – 100,000	17,143,791	–
100,001 and over	117,859,000	4,872,563
	136,690,860	4,872,563
Holding less than a marketable parcel	–	–

Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares Number
J P Morgan Nominees Australia Limited	**19,071,027**
Grahger Capital securities Pty Ltd	**14,250,000**
National Nominees Limited	**10,683,675**
Citicorp Nominees Pty Ltd	**10,271,187**
Family Black Pty Ltd (ACN 006 399 659)	**6,906,770**
	61,182,659

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares Number	Percentage
J P Morgan Nominees Australia Limited	**19,071,027**	13.95%
Grahger Capital securities Pty Ltd	**14,250,000**	10.42%
National Nominees Limited	**10,683,675**	7.82%
Citicorp Nominees Pty Ltd	**10,271,187**	7.51%
Family Black Pty Ltd (ACN 006 399 659)	**6,906,770**	5.05%
Propel Private Equity Fund II LP	**6,434,515**	4.71%
BNP Paribas Noms Pty Ltd	**5,430,331**	3.97%
HSBC Custody Nominees (Australia) Limited	**5,302,462**	3.88%
Brispot Nominees Pty Ltd	**4,874,527**	3.57%
Macquarie Investment Management Limited (ACN 002 867 003)	**3,913,516**	2.86%
RBC Investor Services Australia Nominees Pty Ltd	**3,337,692**	2.44%
HSBC Custody Nominees (Australia) Limited - A/C 2	**3,124,829**	2.29%
Cannes Management Pty Ltd	**2,608,696**	1.91%
HSBC Custody Nominees (Australia) Limited - A/C 3	**2,167,391**	1.59%
Mr Christopher Switzer	**2,163,265**	1.58%
Eric Morris as Trustee for the Morris Family Trust	**1,598,134**	1.17%
Investec Australia Ltd	**1,217,391**	0.89%
Morgan Stanley Australia Securities (nominee) Pty Ltd	**1,124,946**	0.82%
Debuscey Pty Ltd	**1,000,000**	0.73%
UBS Nominees Pty Ltd	**914,759**	0.67%
	106,395,113	77.83%

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Corporate Directory

Registered office and principal place of business

The PAS Group Limited
17 Hardner Road
Mount Waverley VIC 3149
Tel: (03) 9902 5555

Directors

Mr. R. Walker
Mr. E. Morris
Ms. J. Naylor
Mr. D Fenlon
Mr. J Brett

Company secretary

Mr D. Krowitz

Auditors

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000
Tel: (03) 9671 7000

Bankers

Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000
Tel: (02) 9378 2000

Share registry

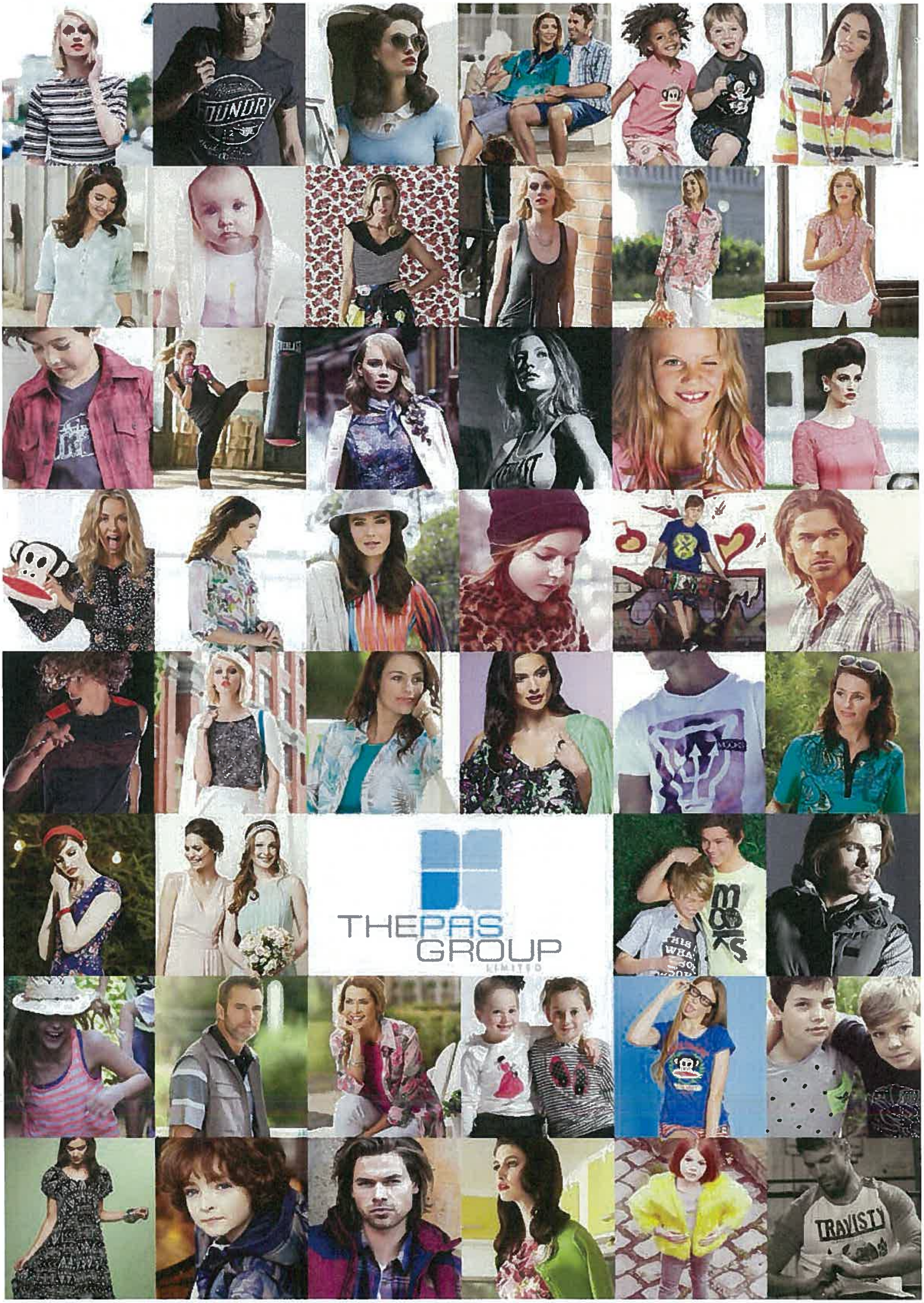
Link Market Services
Level 1, 333 Collins Street
Melbourne VIC 3000
Tel: (03) 9615 9800

Solicitors

Minter Ellison Lawyers
Level 19, Aurora Place
88 Phillip Street
Sydney NSW 2000
Tel: (02) 9921 8888

www.thepasgroup.com.au

The PAS Group Limited is listed on the Australian Securities Exchange ('ASX') under ASX code 'PGR'.


FOUNDRY
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GROUP
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