



Annual Report 2015

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 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 275 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.

The Group recently acquired White Runway, a unique online occasion-wear business.

Owned brands



Licensed brands



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The PAS Group Annual General Meeting

Date	Thursday, 22 October 2015
Time	11.00am (AEDT)
Venue	The PAS Group 17 Hardner Road Mount Waverley, Victoria 3149

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www.thepasgroup.com.au

Chairman's and CEO's Report



Rod Walker
(Chairman)



Eric Morris
(CEO and Managing Director)

Dear Shareholders,

At the outset, we would like to thank you for your continued support as PAS Group shareholders.

In what has been a challenging year for Australian discretionary retailers, PAS Group faced a number of setbacks – starting with the slowdown in consumer confidence following the May 2014 Federal Budget which severely affected consumer confidence. In addition to the tough market environment, Target's decision to insource private label had a major impact on the first-half performance of the Designworks division. The result was also affected by the disappointing performance of Metalicus, which has now been fully written down in the Company's accounts.

Despite these challenges, the business has made good progress in delivering against its longer-term growth strategy and in implementing efficiency enhancements across the business.

Retail

Success was achieved on the planned new store roll-out, opening 44 new stores with an additional 40 sites refurbished. This contributed to the retail sales growth in the second half.

A strong second-half performance was also achieved in both the Review and Black Pepper brands, with both brands well set heading into FY2016.

The online business grew by 57%, on top of the 60% growth achieved in the prior year with a number of new initiatives such as "click and collect" and "store to door" being implemented.

Customer loyalty remains a key focus for PAS Group, as evidenced by the expansion of the highly successful customer loyalty programs with loyalty sales now representing 69% of total retail sales.

Wholesale

In response to the previously reported loss of the Target private label business, we have reconfigured the Designworks division by adding several new licensed brands into the portfolio. Following on the success of the Everlast and Slazenger branded apparel, a new sports division was created – adding sports equipment for Everlast, Slazenger and Dunlop. The addition of sports equipment provides a comprehensive brand solution as well as an increase in distribution channels. A number of new character licences have also been added to the Designworks portfolio, including Hello Kitty and Star Wars.

People

PAS Group increased its pool of talent with a number of new hires. In November 2014, Matthew Durbin was appointed as Chief Operating Officer and in February 2015 he assumed the role of Chief Financial and Operations Officer. Matthew has 26 years' experience in the retail sector, having held senior roles at David Jones across its merchandise, finance and strategy functions.

A number of other key hires have recently been made, adding considerable depth and strength to the management team.

Results

PAS Group delivered a net profit after tax (NPAT) of \$8.8 million for the full year, and underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of \$20.2 million. This result was in line with the trading update released to the market on 15 May 2015.

Total retail sales grew by 10.6% to \$143.1 million with like-for-like ("LFL") sales improving in the second half, particularly for Review and Black Pepper. Total wholesale sales were down 5% to \$110.1 million for the year, although sales in the second half were up 8.1% over the prior year.

Dividends

The Board has declared a final dividend of 3.1 cents per share, fully franked and payable on 9 October 2015. This takes the total fully franked dividend for the year to 5 cents per share, in line with the committed 70% to 80% payout ratio provided at the time of listing.

Outlook and Conclusion

PAS Group remains firmly focused on delivering its growth strategy, including the new store roll-out program, driving online sales growth, expanding its digital capability and loyalty programs, introducing new brand and character licences, growing the sports division and continuing to improve operating efficiencies.

PAS Group has a strong balance sheet with no debt and good cash flows. Part of the Company's stated strategy has been to assess suitable acquisition opportunities. In an exciting move since the year end, PAS Group acquired White Runway, an occasion wear business which will broaden its offering in a growing retail segment as well as its online business.

With the benefits of these initiatives already contributing to an improved second-half performance in 2015 and White Runway projected to continue its strong growth, shareholders can expect delivery of a solid performance improvement in FY2016.

Finally, many thanks go to the Management Team for the considerable progress they have made, particularly in the second half of the year, in what has been a difficult operating environment. With the positive momentum achieved in the second half, the Board is confident in the outlook for the business in the year ahead.



Rod Walker

Chairman
The PAS Group Limited



Eric Morris

Chief Executive Officer
The PAS Group Limited



New Black Pepper store in Canberra's Woden Shopping Centre



Review store in Westfield Sydney

Corporate Governance Statement

This statement outlines the Corporate Governance framework and practices adopted by the Board of The PAS Group Limited and its controlled entities ('PAS' or 'Company') and in place for the financial year ended 30 June 2015, by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) ('the Recommendations'). This Statement was approved by the Board on 20 August 2015.

The Board of the Company and Senior Management are committed to acting responsibly, ethically and with high standards of integrity. The Company is committed to implementing the highest standards of corporate governance appropriate to it, taking into account the Company's size, structure and nature of its operations.

The Board considers and applies the Recommendations taking into account the circumstances of the Company. Where the Company's practices depart from a Recommendation, this Statement identifies the area of divergence and the reasons for divergence and any alternative practices adopted by the Company.

The Board has established a number of Corporate Governance Documents consistent with the Recommendations, which form the basis of the Company's Corporate Governance Framework. These documents are referenced in this Corporate Governance Statement where appropriate, and are as follows:

- Board Charter
- Audit and Risk Committee Charter
- Nomination and Remuneration Committee Charter
- Continuous Disclosure Policy
- Securities Trading Policy
- Shareholder Communications Policy
- Risk Management Policy
- Diversity Policy
- Code of Conduct

These documents are available on the PAS website in the "Investor Relations" section and "Corporate Governance" subsection at <http://www.thepasgroup.com.au/corporate-governance/>

Principle 1: Lay solid foundations for management and oversight

The Board has primary responsibility for monitoring the business and affairs of the Company, including compliance with the Company's Corporate Governance Framework, and in conjunction with Senior Management, setting the strategic direction of the Company.

It is the role of Senior Management to manage the Company in accordance with the direction and delegation of the Board and the responsibility of the Board to provide leadership to, and oversee the activities of, Management in carrying out those delegated duties.

The Board Charter sets out the roles and responsibilities of the Board, including those matters specifically reserved for the Board. The Charter also sets out the roles and responsibilities of the Managing Director/Chief Executive Officer and executive team, which is primarily the day-to-day management and administration of the Company in accordance with the strategy, plans and policies approved by the Board.

Prior to the appointment of a new Director, and before a candidate is put forward as a candidate for election as a Director, appropriate checks are undertaken including the person's experience, education, disqualification from holding certain offices, criminal record and bankruptcy history. At any AGM the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director. The Nomination and Remuneration Committee is responsible under its Charter for ensuring that appropriate checks are undertaken, and requisite information is provided to shareholders in respect of election or re-election of a Director.

Non-Executive Directors are provided with a formal letter of appointment which sets out the key terms, conditions, responsibilities and expectations of their appointment. The letter of appointment also provides that Directors are expected to provide the time required to perform their duties and in relation to any additional matters that may arise. Senior Management personnel are employed under individual service contracts which set out the terms of their employment including details of their duties, responsibilities, rights and remuneration entitlements.

The Board Charter provides that Directors may seek independent professional advice necessary to fulfil their responsibilities, at the expense of the Company, subject to the consent of the Chairman which will not be unreasonably withheld. Any such advice will be provided to the whole Board.

The Board Charter provides that the Company Secretary is directly accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board.

The Company is committed to achieving the goals of:

- Providing access to equal opportunity at all levels of work based on merit; and
- Fostering a corporate culture that embraces and values diversity.

The Board has adopted a Diversity Policy which provides guidance for the development and implementation of relevant plans, programs and initiatives to recognise and promote workforce diversity.

The Diversity Policy provides that the Company will establish measurable objectives for achieving gender diversity and require Senior Management to measure and report in this regard. The Policy also provides that the Company will consider and, where relevant, implement policies and programs that address impediments to gender diversity in the workplace.

To date, the Company has not established measurable objectives for achieving gender diversity. It is noted that the Company has a high proportion of women in its workforce, which is likely to be attributable, at least in part, to the nature of the Company's business.

The proportion of women represented in the Company's workforce is set out in the following table. Senior Executives are the CEO, the Chief Financial and Operations Officer ('CFOO') and the CEO's direct reports.

Level in the Organisation	Proportion of Women
Board	20.0%
Senior Executives	61.5%
Whole Organisation	96.1%

Being relatively newly listed, the Company does not have a formal review process for the periodic evaluation of the performance of the Board, its committees and each individual member of the Board. However, the Company is currently considering the establishment of a formal review process to be undertaken annually.

There is currently an informal evaluation process in place by which the Board assesses Senior Management, including the Chief Executive Officer. During the reporting period, an evaluation of the CEO's performance was carried out by the Board. The CEO conducts an evaluation of the CFOO's performance on an annual basis and the outcome of that evaluation is provided to the Nomination and Remuneration Committee to assist it in consideration of the CFOO's remuneration. The CEO also conducts performance evaluations of his direct reports annually in accordance with established performance appraisal criteria. The performance evaluations for the reporting period have been conducted and reviewed by the Board.

Principle 2: Structure the Board to add value

The current Board has five Directors, comprising four Non-Executive Directors,

Rod Walker (Chairman), Jacquie Naylor, David Fenlon, Jon Brett and the Managing Director and CEO Eric Morris. The Board Charter provides that an independent Director is determined by reference to criteria for independence set out in the Recommendations. The Board considers that all of the Non-Executive Directors, including the Chairman Rod Walker, are independent.

Further details about the Directors, including their tenure, skills, experience and expertise relevant to the position of Director, their Non-Executive and independent status, and attendance at Board and Committee meetings, are set out in the Directors' Report under the heading 'Directors Meetings'.

The roles of Chairman and Chief Executive Officer are not held by the same individual.

Clause 3 of the Board Charter sets out the Board Skills Matrix, which the Board considers are the specific key skills and experience that the Board seeks to achieve in its composition, in addition to more general attributes such as leadership and experience as a chief executive or Director of a large organisation. The following table sets out the Board Skills Matrix and the current mix of skills and experience of the Board.

Skills and Experience	Number of Directors
Retail and apparel industry experience	4
Business acquisition and integration skills	5
Financial literacy, legal and regulatory knowledge	4
Diversity	5
Policy, regulatory development and reform	5
Health, safety, environment and social responsibility	4
Organisational development and human resources	5

New Directors are required to participate in an induction program in which they are given a full briefing on the Company, its strategy and operations, and policies and procedures. The program includes meeting members of the Board, the Company Secretary and Senior Management. The Nomination and Remuneration Committee Charter provides that the Committee is responsible for the induction program and for providing appropriate professional development opportunities for Directors to enable them to develop and maintain the necessary skills and knowledge to perform their roles effectively.

Principle 3: Promote ethical and responsible decision making

The Board is committed to ensuring that the Company maintains the highest standards of integrity, honesty and fairness in its dealings with all stakeholders, and that the Company complies with all legal and other obligations. The Company has established a Code of Conduct ('the Code') which applies to all Directors, Senior Management and staff, including contractors and consultants ('Employees'). The Code promotes practices that aim to foster the Company's key values, which include encouraging employees to act with fairness, honesty and integrity, awareness of and abiding by relevant laws and regulations, respect for the community and environment and maintaining high standards of professional behaviour. The Code also sets out the requirements that apply to Directors and employees respectively in relation to conflicts of interest.

The Company's Securities Trading Policy applies to all Directors, officers and employees of PAS. The Policy sets out the prohibitions against insider trading, and prescribes certain requirements for dealing in PAS securities. All personnel of the Company are prohibited from trading in PAS securities while in possession of material non-public information, which is information a reasonable person would expect to have a material effect

Corporate Governance Statement (Continued)

on the price or value of PAS securities. The Policy provides for certain closed periods when Designated Officers or their associates may not deal in the Company's securities.

Principle 4: Safeguard integrity in corporate reporting

The Board has established an Audit and Risk Committee comprising Jon Brett, Rod Walker and David Fenlon, all of whom are independent Non-Executive Directors. The Chair of the Committee is Jon Brett, who is an independent Non-Executive Director who is not Chairman of the Board.

The Audit and Risk Committee Charter available on the Company's website sets out the composition, functions, roles and responsibilities of the Committee. The relevant qualifications and experience of each of the Committee members, and their attendance at Committee meetings, are set out in the Directors' Report under the heading 'Directors' Meetings'.

Prior to Board approval of the annual and half-year financial statements, the Managing Director and Chief Financial and Operations Officer are required to provide the Board with written assurances in accordance with section 295A of the *Corporations Act 2001* (Cth) and the statement under Recommendation 4.2 of the Recommendations, as applicable.

For the financial year ended 30 June 2015, the Managing Director and Chief Financial and Operations Officer provided the Board with declarations that, in their opinion, the financial records of Company had been properly maintained and that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the Company and that the opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

The external auditor attends the Company's Annual General Meeting and is available to answer shareholder

questions about the conduct of the audit and preparation and conduct of the Independent Auditor's Report. Shareholders are also given the opportunity to submit written questions prior to the meeting. The Company considers that this is important in promoting and encouraging shareholder participation and reflects and supports the roles of the auditor and the auditor's accountability to shareholders.

Principle 5: Make timely and balanced disclosure

The Company's Continuous Disclosure Policy sets out the policies and procedures relating to:

- The Company's continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001* (Cth); and
- How PAS staff are required to deal with potentially price-sensitive information, and communications with external stakeholders such as the media, security holders and the community to ensure that the Company meets its continuous disclosure obligations.

It is the Company's policy to ensure that all market participants have an equal opportunity to review and access material information made available by the Company, and that the Company complies with both the letter and spirit of its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act*. The Continuous Disclosure Policy sets out the procedures that apply to the collection, control, assessment and where required, release to the ASX of material information. The Chief Executive Officer is the sole authorised spokesperson under the Policy.

Principle 6: Respect the rights of shareholders

The Board has established a Shareholder Communications Policy to support the Company's commitment to providing shareholders with the necessary information and facilities to allow them to exercise their rights effectively, including:

- Providing shareholders with ready access to information about PAS and its governance;
- Communicating openly and honestly with shareholders; and
- Encouraging and facilitating participation in shareholder meetings.

The Company's website www.pasgroup.com.au provides detailed information about its business and operations. The Investor Relations section of the website provides helpful information to shareholders and a link to the Company's share registrar, Link Market Services. The Investor Relations section also provides information about the Company's current share price and dividend information, financial reports and presentations and an events calendar including dates of annual general meetings.

Shareholders can find information about the Company's corporate governance practices in the Corporate Governance section of the Investor Relations section. This includes the Company's Constitution, Board and Committee Charters and Corporate Governance Policies.

The Company provides shareholders with the option of receiving communications from, and sending communications to, the Company and Share Registry electronically. The Company only provides a printed copy of the Annual Report to those shareholders who have specifically elected to receive a printed copy. All other shareholders are advised that the Annual Report is available on the Company's website.

The Company's share register is managed and maintained by Link Market Services. Shareholders can access their shareholding details or make enquiries about their shareholding electronically through the link provided on the PAS website in the Investor Relations section, or through the Link Market Services Investor Centre at <https://investorcentre.linkmarketservices.com.au>.

While the Company has not established a formal investor relations program

it has implemented a number of measures to facilitate effective two-way communication with investors in addition to the measures outlined above. Senior Executives meet with key institutional investors on a regular basis, while ensuring no material information is disclosed at those meetings. The Company has also engaged external investor relations consultants to assist with its communications to shareholders and other stakeholders. The contact details of the Company's Senior Executives and external investor relations consultants are set out in each ASX announcement for easy reference by investors.

Principle 7: Recognise and manage risk

The Company views effective risk management as being integral to achieving and maintaining its operational and strategic objectives. The Board has established a Risk Management Policy. The policy provides a framework for the oversight and management of material business risks associated with the Company's activities.

The Board is primarily responsible for oversight of the Risk Management Policy, review and ratification of the risk management system, and consideration of any specific issues reported to it. The Audit and Risk Committee has been established to assist the Board in monitoring risk and implementing the Risk Management Policy. The Committee has three members – Jon Brett (Committee Chair), David Fenlon and Rod Walker, all of whom are independent Non-Executive Directors with considerable experience and expertise in financial matters and risk management.

The Board reviews the Company's risk profile and Risk Management Framework on a regular basis, and at least annually, by reference to the Company's Risk Management Policy. The Board has reviewed the Company's Risk Management Framework and is satisfied that it continues to be sound and that the Company is operating within the risk appetite parameters set by the Board.

The Company does not have an internal audit function. The Board believes this is appropriate, taking into account the Company's size, structure and nature of its operations.

Senior Management fulfils the internal audit function within the Company and is responsible for identifying relevant business risks, designing controls to manage those risks and ensuring the relevant controls are appropriately implemented. Senior Management monitors the adequacy of the risk management system and the Risk Management Policy requires that Senior Management report to the Audit and Risk Committee and the Board in this regard. The reporting must identify the Company's material risks and the extent to which:

- the Company's ongoing risk management program effectively identifies all areas of potential risk, including with respect to licensing and regulatory issues;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

The Company also obtains assurances from the external auditor in relation to the internal audit processes as part of the external auditor's half-year and annual audit reviews.

The Board does not consider that the Company has any specific material exposure to economic, environmental or social sustainability risks.

Principle 8: Remunerate fairly and responsibly

The Board has established a Nomination and Remuneration Committee, the members of which are Rod Walker (Committee Chair) and Jacquie Naylor, both of whom are independent Non-

Executive Directors. The Committee Charter sets out the role, composition, functions and responsibilities of the Committee.

The Company's remuneration structure distinguishes between Non-Executive Directors and that of Senior Management. Non-Executive Directors are paid a fixed fee based on time, commitment and responsibilities, within the maximum aggregate amount of fees (including superannuation payments) approved by shareholders from time to time. No termination or retirement benefits are payable to Non-Executive Directors other than superannuation entitlements.

Senior Management are paid a salary in accordance with their employment contract and may be granted a short-term incentive (in cash or equity) and long-term incentives in the form of equity-based products designed to recognise and reward effort and to provide additional incentives to continue that effort for the benefit of the Company and shareholders as a whole. Any such incentives are subject to the successful completion of performance hurdles. Executive remuneration is reviewed at least annually to ensure market competitiveness.

More detailed information regarding remuneration, including the Company's policy on remuneration, is set out in the Remuneration Report required by section 300A of the *Corporations Act 2001* (Cth) in the Annual Report.

The Company's Securities Trading Policy specifically prohibits Directors and Senior Management from entering into transactions which would limit the economic risk of any unvested entitlements under any equity-based remuneration scheme. Further, Directors and Senior Management are prohibited from entering into margin loans or other arrangements whereby their securities in the Company may be used as collateral. Breaches of this policy are regarded as serious misconduct.

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 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

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 Chairman of the former PAS Group in October 2011 and was appointed Chairman of the Board of The PAS Group Limited on 9 May 2014. Rod serves on the boards of several companies as either a Chairman or Non-Executive Director. Rod is Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee. Other listed entity Directorships: Godfreys Group Limited, since 2009
Eric Morris	CEO and Managing Director Eric Morris has been CEO and Managing Director since the inception of PAS in 2005 and has led six of the Group's acquisitions and the successful integration of the Group's eight businesses. Eric was appointed to the Board of The PAS Group Limited on 9 May 2014. Eric has over 35 years of 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. Jacquie is a member of the Nomination and Remuneration Committee. Other listed entity Directorships: None
David Fenlon	Non-Executive Director David Fenlon was a Director of the former PAS Group since April 2014 and he was appointed to the Board of The PAS Group Limited on 9 May 2014. David has held a number of Managing Director and senior executive positions across the retail industry and is currently Managing Director of Blackmores in Australia and New Zealand. Prior to this, David established and operated Simple Retail Consulting as the Managing Partner. David is a member of the Audit and 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 and Godfreys Group 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. Jon is Chairman of the Audit and Risk Committee. Other listed entity Directorships: Vocus Communications Limited, since 1998 and Godfreys Group Limited, since 2013.

Company Secretary

Kwong Yap was appointed as Company Secretary of The PAS Group Limited and its subsidiaries on 10 August 2015. Kwong joins the Group with extensive experience gained in General Counsel and Company Secretarial roles.

Steven Milicevic was appointed as Company Secretary of the Group on 13 February 2015 and resigned on 10 August 2015. An experienced commercial lawyer, Steven joined the Group on 16 January 2012 and served as General Counsel.

Derrick Krowitz was appointed as Company Secretary upon registration of The PAS Group Limited on 9 May 2014. Derrick had been Chief Financial Officer of the former PAS Group since joining in 2005, having held senior executive positions in the financial, wholesale/supply and retail sectors. Derrick Krowitz resigned on 2 March 2015.

Chief Financial and Operations Officer

Matthew Durbin joined the Group on 8 December 2014 as Chief Operations Officer and was appointed Chief Financial and Operations Officer on 5 February 2015. Matthew has over 26 years, retail industry experience having worked across strategy and finance, merchandise, financial services and stores at David Jones and Myer. Before joining PAS, Matthew held the position of Executive: Strategic Planning at David Jones where he was responsible for overall group strategy and business planning. Other senior roles held at David Jones include Group Executive: Financial Services, General Manager: Strategic Planning and General Manager: Merchandise Planning. At Myer, Matthew worked in various roles with a store operations focus. Matthew is a qualified accountant (FCPA) and holds an MBA from the Australian Graduate School of Management.

Principal activities

The Group's principal activities are that of an apparel, accessories and equipment 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 2015 was a loss of \$31.9 million. This was impacted by a one-off, non-cash impairment of the carrying value of the Metalicus goodwill, brand name, property, plant and equipment and website of \$40.7 million.

PAS' underlying performance during the year is summarised on an underlying basis, reflecting the ongoing consolidated operations for the year ended 30 June 2015. Refer below for comparison between the underlying result for FY2015 and FY2014.

	FY2015 \$,000 ⁽ⁱ⁾	FY2014 \$,000 ⁽ⁱ⁾
Net sales	253,213	245,486
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	20,203	31,700
Underlying Earnings Before Interest and Tax (EBIT)	13,551	25,550

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

Net sales for the year were \$253.2 million, up 3.1% on the previous corresponding period. The focus on the new store roll-out program, online sales growth and H2 FY2015 improvement in wholesale sales assisted sales revenue performance.

EBITDA was impacted by the challenging retail trading conditions, the impact on wholesale sales of the reduction in Target private label business in H1 FY2015 and the performance of Metalicus.

Earnings per share ('EPS')

	Year ended 30 June 2015	Year ended 30 June 2014
Basic earnings per share (cents per share)	(23.4)	43.5
Diluted earnings per share (cents per share)	(23.4)	43.5
Underlying earnings per share (cents per share)	6.4	12.6

Basic and diluted earnings per share are calculated as set out in Note 5 to the financial statements based on the weighted average number of ordinary shares in FY2015 of 136,690,860 shares (FY2014 27,498,553 shares).

Underlying EPS has been calculated based on an underlying net profit after tax of \$8.8 million (2014 \$17.2 million) divided by the number of shares on issue (136,690,860 shares). The prior year Underlying EPS was based on the number of shares at IPO.

Directors' Report (Continued)

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.

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 Results to Underlying Results for the year ended 30 June 2015:

Financial year ended	Sales		EBITDA		EBIT		NPAT	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Statutory results	253,213	245,486	20,203	28,612	(27,149)	22,462	(31,934)	12,973
Add back/(deduct) significant items:								
– IPO costs (i)	–	–	–	2,627	–	2,627	–	1,839
– Bonus payments relating to the IPO (ii)	–	–	–	461	–	461	–	323
– Impairment of Metalicus goodwill, brand name, property, plant and equipment and website (iii)	–	–	–	–	40,700	–	40,700	–
Tax consolidation benefit (iv)	–	–	–	–	–	–	–	(7,595)
– Financing costs of pre-IPO debt structure (v)	–	–	–	–	–	–	–	9,618
Underlying results	253,213	245,486	20,203	31,700	13,551	25,550	8,766	17,158

- (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) Included in the statutory results is a one-off non-cash impairment charge in respect of the carrying value of Metalicus goodwill (\$32.0 million), Metalicus brand name (\$6.1 million) and Metalicus property, plant and equipment and website (\$2.6 million) following a review of the recoverable amount of these assets during the current period.
- (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.
- (v) Add back of interest on shareholder loans \$6.2 million, interest on senior debt \$4.6 million and amortisation of borrowing costs \$1.6 million and write-off of unamortised borrowing costs \$1.3 million (\$9.6 million after tax) in connection with the repayment of shareholder loans and other borrowings at IPO. This provides a comparable post-IPO debt structure.

Financial performance highlights

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.

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Underlying results		
Total sales	253,213	245,486
Gross profit	143,663	141,847
Cost of doing business ('CODB')	(123,460)	(110,147)
Underlying EBITDA⁽ⁱ⁾	20,203	31,700
Depreciation and amortisation	(6,652)	(6,150)
Underlying EBIT⁽ⁱ⁾	13,551	25,550

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

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 2015 \$'000	Year ended 30 June 2014 \$'000	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Retail	17,556	18,472	17,556	18,472
Wholesale	9,964	17,955	9,964	18,286
Unallocated	(7,317)	(7,815)	(7,317)	(5,058)
EBITDA	20,203	28,612	20,203	31,700
Depreciation and amortisation	(6,652)	(6,150)	(6,652)	(6,150)
Impairment of Metalicus goodwill, brand name, property, plant and equipment and website	(40,700)	–	–	–
EBIT	(27,149)	22,462	13,551	25,550

Analysis of segments

Retail segment

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Retail		
Total sales	143,109	129,608
Gross profit	99,916	91,651
Cost of doing business ('CODB')	(82,360)	(73,179)
Underlying EBITDA⁽ⁱ⁾	17,556	18,472
Depreciation and amortisation	(4,774)	(4,368)
Underlying EBIT⁽ⁱ⁾	12,782	14,104

(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 \$13.5 million or 10.4% on the prior year, largely driven by the impact of new store openings in FY2015 and the full-year impact of stores opened during FY2014. During FY2015, 44 new retail sites were opened. The total number of retail sites as at 30 June 2015 was 275.

Online retail sales saw a significant increase on the previous year, up 57.1%. Online sales for FY2015 totalled \$7.9 million, representing 5.5% of overall retail sales. This was up from 3.9% in FY2014.

Gross profit

Retail gross profit for the year was \$99.9 million, an increase of \$8.3 million from the prior year. This resulted in a gross profit percentage of 69.8% (FY2014 70.7%). This reduction in retail gross profit percentage reflects additional promotional activity.

Cost of doing business

The overall cost of doing business ('CODB') increased by \$9.2 million to \$82.4 million (FY2014 \$73.2 million) for the FY2015 financial year due to the growth in retail sites during the year. This resulted in a CODB to Sales ratio of 57.6% (FY2014 56.5%) due to higher employment and occupancy costs affected by the mix of stores in FY2015 compared to FY2014.

Underlying EBITDA and Underlying EBIT

FY2015 EBITDA was \$17.6 million, down \$0.9 million on prior year (FY2014 \$18.5 million). EBIT was \$12.8 million, down \$1.3 million on prior year (FY2014 \$14.1 million).

Wholesale segment

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Wholesale		
Total sales	110,104	115,878
Gross profit	43,747	50,196
Cost of doing business ('CODB')	(33,783)	(31,910)
Underlying EBITDA⁽ⁱ⁾	9,964	18,286
Depreciation and amortisation	(128)	(339)
Underlying EBIT⁽ⁱ⁾	9,836	17,947

(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 \$110.1 million, a decrease of \$5.8 million on the prior year (FY2014 \$115.9 million). This reduction primarily reflects the loss of the Target private label business.

Gross profit

Wholesale gross profit for the year was \$43.7 million, a decrease of \$6.5 million from the prior year (FY2014 \$50.2 million). This resulted in a gross profit percentage of 39.7%, below the 43.3% achieved in FY2014 due to the mix of product sold.

Cost of doing business

The CODB increased by \$1.9 million to \$33.8 million for the FY2015 financial year (FY2014 \$31.9 million). This resulted in a CODB to Sales ratio of 30.7% (FY2014 27.5%) due to costs associated with licensed sales and reduced wholesale sales.

Underlying EBITDA and Underlying EBIT

FY2015 EBITDA was \$10.0 million, down \$8.3 million on prior year (FY2014 \$18.3 million). EBIT was \$9.8 million, down \$8.1 million on prior year (FY2014 \$17.9 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.

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Unallocated		
Underlying EBITDA⁽ⁱ⁾	(7,317)	(5,058)
Depreciation and amortisation	(1,750)	(1,443)
Underlying EBIT⁽ⁱ⁾	(9,067)	(6,501)

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

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

Net finance costs

Net finance costs of \$0.9 million were incurred in FY2015. This represents a reduction of \$13.0 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 2015 \$'000	Year ended 30 June 2014 \$'000
Statutory income tax benefit/(expense)	(3,927)	4,376
Income tax benefit from significant items	–	(7,595)
Underlying tax expense	(3,927)	(3,219)
Effective tax rate	30.9%	37.4%

The effective tax rate for FY2014 reflects the recognition \$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 FY2015 marginally increased from 30.4% to 30.9%.

Financial position highlights

Property, plant and equipment, goodwill, brand names and websites reduced by \$40.7 million due to the impairment in Metalicus.

Working capital has decreased by \$4.2 million, impacted by the timing of deliveries to customers, creditor payments and higher inventory.

The Group has access to working capital and long-term debt facilities of \$25.0 million and \$30.0 million respectively, both of which were undrawn at 30 June 2015.

Directors' Report (Continued)

Outlook

The Group is well placed to deliver growth in FY2016 due to the following key growth drivers:

- Retail sales growth driven by 33 new stores opening, the annualisation of stores opened in FY2015 and underlying growth of the targeted store improvement program and online initiatives;
- Wholesale sales growth in H1 FY2016, broadly in line with the run rate achieved in H2 FY2015; and
- The recently acquired White Runway business is forecast to contribute additional sales to the retail segment.

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, exchange 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 275 Retail sites across Australia and New Zealand at 30 June 2015. 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

A final dividend of 3.1 cents per share, fully franked amounting to \$4.2 million was declared on 28 August 2015. An interim dividend of 1.9 cents per share, fully franked amounting to \$2.6 million was paid on 10 April 2015.

The dividends are paid out of retained earnings from the beginning of the year and represent a payout ratio of approximately 78% and are fully funded from available cash flow.

Changes in state of affairs

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

Subsequent events

On 29 July 2015 The PAS Group Limited acquired 100% of the ordinary shares in White Runway Pty Limited. The total purchase price for the ordinary shares comprises three tranches, the first of which was paid at completion and was funded from the Company's existing cash resources. The subsequent two earnout payments are linked to the performance of White Runway and are payable in FY2017 and FY2019 respectively. The media release can be found in the Investor Relations section of the Group's website at www.thepasgroup.com.au or may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

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 2015 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 1 July 2014 to 30 June 2015 and the number of meetings attended by each Director (while they were a Director or committee member).

Directors	Board of Directors		Nomination and Remuneration Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Rod Walker	11	11	3	3	3	3
Eric Morris	11	11	3	3	–	–
Jacque Naylor	11	11	3	3	–	–
David Fenlon	11	11	–	–	3	3
Jon Brett	11	11	–	–	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:

Directors	The PAS Group Limited	
	Fully paid ordinary shares Number	Share options Number
Rod Walker	160,853	–
Eric Morris	1,598,134	2,623,688
Jacque Naylor	53,043	–
David Fenlon	–	–
Jon Brett	150,000	–

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

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
The PAS Group Limited	2,969,356	Ordinary	\$1.15	30 June 2018

Directors' Report (Continued)

Share options granted to Directors and senior management

During and since the end of the financial year, no share options (2014: 4,122,938) were granted by PAS to the Directors and officers as part of their remuneration.

Directors and senior management	Number of options granted and number of ordinary shares under option	
	2015	2014
Eric Morris	2,623,688	2,623,688
Derrick Krowitz ⁽ⁱ⁾	345,668	1,499,250

(i) Unvested share options granted to Derrick Krowitz (2014) were proportionally forfeited upon his resignation on 2 March 2015.

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 32 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 32 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 and 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.

The details of the remuneration scheme in place in 2015 are set out below.

Key management personnel

Key management personnel ('KMP') comprise the following Directors and executives of the Group:

- All Non-Executive Directors;
- Chief Executive Officer ('CEO'), Mr Eric Morris;
- Chief Financial and Operations Officer ('CFOO'), Mr Matthew Durbin (appointed 5 February 2015); and
- Chief Financial Officer and Company Secretary ('CFO'), Mr Derrick Krowitz (resigned 2 March 2015).

The CFOO and CFO 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' commitment to a diverse and inclusive workplace;
- Promote PAS as an employer of choice; and
- 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 2014 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.

No remuneration consultants were engaged in FY2015.

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 of \$1.2 million was approved by shareholders at the Group's Annual General Meeting in October 2014.

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 as appropriate.

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 2015 is detailed in the table titled Remuneration of key management personnel on page 23 (the 'Remuneration Table').

Directors' Report (Continued)

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 interests 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.

The objectives of the Executive remuneration is linked to the principles of the remuneration framework.

Structure

In determining the level and make-up of executive remuneration, the Nomination and Remuneration Committee may engage 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 Nomination and 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 superannuation 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' 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.

The STIP assessment framework ('STIP Assessment Framework') detailed below is used to assess the Executives' STIP award.

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

The STIP threshold was not achieved in 2015 (2014: \$633,706).

Executive Long Term Incentive Scheme ('LTIP')

Objective

The LTIP commenced on 1 July 2014. 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 at an exercise price equal to the then market value of the shares ('Performance Options').

Scheme Structure

Awards under the LTIP scheme are measured annually over a three-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 three-year performance period ('TSR Options') and 50% are based on compound growth in underlying earnings per share ('EPS') achieved in year three referenced against EPS achieved in the base year prior to the scheme's performance period ('EPS Options').

Options can be exercised at \$1.15 per share based on achievement of the plan objectives. Options are required to be exercised within 12 months of the vesting date.

Participants must be employed by the Group at the date of payment for all of the options to vest. Entitlements are forfeited on a pro-rata basis should a participant resign from their position prior to the payment date.

Directors' Report (Continued)

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 FY2014, EPS was 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 three-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 three-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 three-year performance period under the new LTIP plan is from 1 July 2014 to 30 June 2017. Prior to this time, there was no LTIP in place.

Options vest over a three-year period based on the achievement of total shareholder return and earnings per share performance targets, provided that the recipient is eligible.

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
2014	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.

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	2014	2,623,688	–	–	–	697,901	< 1%
Derrick Krowitz ⁽ⁱⁱ⁾	2014	1,499,250	–	–	77%	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.

(ii) 1,153,582 unvested share options to Derrick Krowitz were forfeited upon his resignation on 2 March 2015.

Executive entitlements under the LTIP at the end of the 2015 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 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 12 months' written notice;
- The Group may terminate this agreement by providing 12 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.

Directors' Report (Continued)

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 2015 \$'000	Year ended 30 June 2014 \$'000
Revenue	253,213	245,486
Underlying EBITDA	20,203	31,700
Underlying net profit/(loss) after tax	8,766	17,158
Share price at end of year	\$0.48	\$1.01
Pre-IPO dividend ⁽ⁱ⁾	–	224.5 cps
Interim dividend ⁽ⁱⁱ⁾	1.9 cps	–
Basic earnings per share	(23.4 cps)	43.5 cps
Diluted earnings per share	(23.4 cps)	43.5 cps
Underlying earnings per share ⁽ⁱⁱⁱ⁾	6.4 cps	12.6 cps

(i) Franked to 100% at 30% corporate income tax rate. Paid to the holders of fully paid ordinary shares on 22 May 2014.

(ii) Franked to 100% at 30% corporate income tax rate. Paid to the holders of fully paid ordinary shares on 10 April 2015.

(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.

		Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Share-based payments			
		Salary and Fees \$	Cash Bonus \$	Other \$	Superannuation \$	Long service leave \$	Options \$	Total \$	Performance related (%)	% as Options (%)
Directors										
Rod Walker⁽¹⁾ Chairman, Non-Executive Director	2015	197,548	–	–	18,767	–	–	216,315	–	–
	2014	140,836	139,099 ⁽⁵⁾	–	3,978	–	–	283,913	–	–
Jacquie Naylor⁽²⁾ Non-Executive Director	2015	87,799	–	–	8,341	–	–	96,140	–	–
	2014	21,999	–	–	2,035	–	–	24,034	–	–
David Fenlon⁽¹⁾ Non-Executive Director	2015	89,795	–	–	8,530	–	–	98,325	–	–
	2014	76,562	–	–	867	–	–	77,429	–	–
Jon Brett⁽²⁾ Non-Executive Director	2015	95,781	–	–	9,099	–	–	104,880	–	–
	2014	10,545	–	–	975	–	–	11,520	–	–
Senior Executives										
Eric Morris⁽¹⁾ Executive Director, Chief Executive Officer	2015	720,000	–	24,901	35,000	11,588	112,005	903,494	0.0%	12.4%
	2014	539,491	301,084	54,252	25,000	36,493	6,310	962,630	32.0%	0.7%
Matthew Durbin⁽³⁾ Chief Financial and Operations Officer	2015	205,088	–	–	19,483	–	–	224,571	–	–
	2014	–	–	–	–	–	–	–	–	–
Former Senior Executive										
Derrick Krowitz⁽⁴⁾ Chief Financial Officer and Company Secretary	2015	519,490	–	30,256	23,466	(1,176)	42,368	614,404	0.0%	6.9%
	2014	341,019	193,523	32,755	25,000	8,948	3,606	604,851	33.0%	0.6%
Total Remuneration	2015	1,915,501	–	55,157	122,686	10,412	154,373	2,258,129		
	2014	1,130,452	633,706	87,007	57,855	45,441	9,916	1,964,377		

(1) Previously a Director of PASCO Group Pty Ltd, appointed to The PAS Group Limited 9 May 2014.

(2) Appointed to The PAS Group Limited 22 May 2014.

(3) Commenced employment with the Company 8 December 2014.

(4) Resigned from The PAS Group Limited 2 March 2015. Long service leave was paid out in 2015.

(5) Incentive payment under incentive plan triggered upon the IPO.

Prior to the IPO, the following Non-Executive Directors were representing the various private equity shareholders' interests and did not receive remuneration for their services:

- Albin Kurti (Resigned from PASCO Group Pty Ltd 22 May 2014)
- Andrew Savage (Resigned from PASCO Group Pty Ltd 18 May 2014)
- Peter Dowding (Resigned from PASCO Group Pty Ltd 20 May 2014)
- Jennifer Weinstock (Resigned from PASCO Group Pty Ltd 20 May 2014)
- Michael Lukin (Resigned from PASCO Group Pty Ltd 22 May 2014)

Directors' Report (Continued)

Key management personnel equity holdings

Fully paid ordinary shares of The PAS Group Limited

	Balance at 1 July 2014 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No. ⁽ⁱ⁾	Balance at 30 June 2015 No.
Current Senior Executives					
Eric Morris	1,598,134	–	–	–	1,598,134
Matthew Durbin	–	–	–	120,000	120,000
Former Senior Executive					
Derrick Krowitz ⁽ⁱ⁾	717,112	–	–	–	717,112

(i) Derrick Krowitz resigned 2 March 2015.

Share options of The PAS Group Limited

	Balance at 1 July 2014 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30 June 2015 No.	Balance vested at 30 June 2015 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Current Senior Executive									
Eric Morris	2,623,688	–	–	–	2,623,688	–	–	–	–
Former Senior Executive									
Derrick Krowitz ⁽ⁱ⁾	1,499,250	–	–	(1,153,582)	345,668	–	–	–	–

(i) Derrick Krowitz resigned 2 March 2015.

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

Auditor's independence declaration

The auditor's independence declaration is included at page 30.

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 2015

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 22 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

A handwritten signature in black ink, appearing to read 'Rod Walker', with a horizontal line drawn underneath the name.

Mr Rod Walker

Chairman

Melbourne, 28 August 2015



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 2015, 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 25 to 70.

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.

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 2015 and of its 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 24 of the Directors' Report for the year ended 30 June 2015. 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 2015 complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

BJ Pollock

BJ Pollock

Partner

Chartered Accountants

Melbourne, 28 August 2015

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 2015

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 2015, 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

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "BJ Pollock".

BJ Pollock
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2015

	Note	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Revenue	2	253,213	245,486
Cost of sales		(109,550)	(103,639)
Gross profit		143,663	141,847
Other revenue	2	509	505
Other gains and losses		275	(18)
Employee benefit expenses	2	(62,815)	(57,111)
Selling and distribution expenses		(17,593)	(13,547)
Occupancy expenses	2	(31,425)	(28,651)
Marketing expenses		(4,805)	(4,648)
Administration expenses		(7,606)	(7,138)
Depreciation and amortisation expense	2	(6,652)	(6,150)
Impairment of Metalicus goodwill, brand name, property, plant and equipment and website		(40,700)	–
Net finance costs	2	(858)	(13,865)
IPO transaction costs	2	–	(2,627)
Loss/profit before income tax expense		(28,007)	8,597
Income tax (expense)/benefit	4	(3,927)	4,376
(Loss)/profit after income tax attributable to equity holders of the parent entity		(31,934)	12,973
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(367)	75
Net gain/(loss) on cash flow hedges		2,328	(1,502)
Other comprehensive income/(loss) for the year, net of income tax		1,961	(1,427)
Total comprehensive income for the year		(29,973)	11,546
(Loss)/profit for the year attributable to:			
Owners of the Company		(31,934)	11,965
Non-controlling interests		–	1,008
Total Attributable (Loss)/Profit for the Year		(31,934)	12,973
Total comprehensive income attributable to Owners of the Company:		(29,973)	11,546
(Loss)/earnings per share or (loss)/profit attributable to the equity holders of the parent entity			
Basic (cents per share)	5	(23.4)	43.5
Diluted (cents per share)	5	(23.4)	43.5

Consolidated Statement of Financial Position as at 30 June 2015

	Note	2015 \$'000	2014 \$'000
Assets			
Current assets			
Cash and cash equivalents	28	12,525	492
Trade and other receivables	6	20,605	24,619
Other financial assets	7	1,848	–
Inventories	8	26,607	22,754
Current tax assets	4	1,596	131
Other current assets	9	5,064	6,559
Total current assets		68,245	54,555
Non-current assets			
Trade and other receivables	6	116	187
Property, plant and equipment	10	10,999	11,991
Deferred tax assets	4	9,099	13,301
Goodwill	11	46,534	78,539
Intangible assets	12	18,776	24,955
Total non-current assets		85,524	128,973
Total assets		153,769	183,528
Liabilities			
Current liabilities			
Trade and other payables	14	16,335	11,865
Other financial liabilities	15	–	1,478
Current tax liabilities	4	18	813
Provisions	16	4,683	5,281
Other liabilities	17	1,779	1,587
Total current liabilities		22,815	21,024
Non-current liabilities			
Deferred tax liabilities	4	1,776	1,225
Provisions	16	678	584
Other liabilities	17	3,180	3,105
Total non-current liabilities		5,634	4,914
Total liabilities		28,449	25,938
Net assets		125,320	157,590
Equity			
Issued capital	18	153,963	153,963
Reserves	19	(2,558)	(4,819)
Retained earnings	20	(26,085)	8,446
Total equity		125,320	157,590

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2015

	Share capital \$'000	Retained earnings \$'000	Foreign Currency Translation Reserve \$'000	Share based payment reserve \$'000	Non-controlling Interest Purchase Reserve \$'000	Corporate reorganisation reserve \$'000	Cash Flow Hedge Reserve \$'000	Attributable to owners of the parent \$'000	Non-controlling Interests \$'000	Total equity \$'000
Consolidated										
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
<i>Transactions with owners recorded directly in equity:</i>										
Dividends paid	-	(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)	(21,129)
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
Balance at 1 July 2014	153,963	8,446	28	12	-	(3,825)	(1,034)	157,590	-	157,590
Loss for the year	-	(31,934)	-	-	-	-	-	(31,934)	-	(31,934)
Other comprehensive income for the year, net of income tax	-	-	(367)	-	-	-	2,328	1,961	-	1,961
Total comprehensive income for the year	-	(31,934)	(367)	-	-	-	2,328	(29,973)	-	(29,973)
Dividends paid	-	(2,597)	-	-	-	-	-	(2,597)	-	(2,597)
Recognition of share-based payments	-	-	-	300	-	-	-	300	-	300
Balance at 30 June 2015	153,963	(26,085)	(339)	312	-	(3,825)	1,294	125,320	-	125,320

Consolidated Statement of Cash Flows for the Year Ended 30 June 2015

	Note	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Cash flows from operating activities			
Receipts from customers		283,108	272,896
Payments to suppliers and employees		(258,983)	(245,113)
Cash flows from operations		24,125	27,783
Interest received		61	260
Interest and other costs of finance paid		(869)	(17,388)
Income tax paid		(2,433)	(2,779)
Net cash flows from operating activities	28	20,884	7,876
Cash flows from investing activities			
Payment for non-controlling interests		–	(10,015)
Payment for property, plant and equipment		(4,318)	(3,569)
Payment for intangible assets		(1,936)	(2,298)
Net cash flows used in investing activities		(6,254)	(15,882)
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		(2,597)	(22,000)
Repayment of borrowings		–	(64,273)
Repayment of shareholder loans		–	(25,750)
Repayment of other related party loans		–	(3,404)
Net cash flows used in financing activities		(2,597)	(11,482)
Net increase/(decrease) in cash and cash equivalents		12,033	(19,488)
Cash and cash equivalents at the beginning of the year		492	19,905
Effect of exchange rate changes on the balance of cash held in foreign currencies		–	75
Cash and cash equivalents at the end of the year	28	12,525	492

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 2015 was authorised for issue in accordance with a resolution of the Directors on 28 August 2015.

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 2015.

(a) Basis of preparation

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, the comparative financial information in this 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 and the financial report represents the financial position of The PAS Group Limited and its controlled entities as at 30 June 2014.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the relevant 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 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality).

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(ab).

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.

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(aa).

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 exceed 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

Notes to the Financial Statements (Continued)

(c) Operating segments (continued)

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 and Operations 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.

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 as a net amount within cash and cash equivalents in 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 standard cost in the reporting period or at either standard cost or their weighted-average cost paid for the goods in the comparative period. 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 and equipment.

(i) Impairment of assets excluding goodwill

At each reporting date, PAS 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, PAS 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

Notes to the Financial Statements (Continued)

(j) Goodwill (continued)

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.

Software and websites

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 Statement of Profit or Loss 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 PAS 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) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

(p) 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.

(q) 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.

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 PAS in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(r) 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.

(s) 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 PAS' 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.

(t) 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.

(u) 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.

(v) 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 plant and equipment – when PAS has transferred to the buyer the significant risks and rewards of ownership of the goods.

(w) 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-

Notes to the Financial Statements (Continued)

(w) Income tax (continued)

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 PAS 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.

(x) Goods and services tax

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

- 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
- 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.

(y) 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 designate 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 PAS designate 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, PAS 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 the statement of profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when PAS 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 the statement of 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 PAS 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 the statement of profit or loss.

(z) 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.

(aa) 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 and tax losses 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.

(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.

Notes to the Financial Statements (Continued)

(aa) Critical accounting adjustments and key sources of estimation uncertainty (continued)

(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.

(v) Useful lives of property, plant and equipment

As described in the Note 1(h), PAS 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.

(vi) Share-based payments expense

At each reporting date the Company estimates the number of equity instruments expected to vest in accordance with the accounting policy stated at Note 1(r). The number of equity instruments expected to vest is based on management's assessment of the likelihood of the vesting conditions attached to the equity instruments being satisfied. The key vesting conditions that are assessed are the earnings per share targets and required service periods. The impact of any revision in the number of equity instruments that are expected to vest is recognised as an adjustment to the share-based payments expense in the reporting period that the revision is made.

(ab) 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 relevant to PAS 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 2015.

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 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	30 June 2019
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

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

At the date of authorisation of the financial statements, no IASB Standards and IFRIC Interpretations relevant to PAS were in issue but not yet effective.

2. Revenues and expenses

(a) Revenue

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Sales revenue		
Sale of goods	253,213	245,486
Other revenue		
Royalty income	361	343
Other	148	162
Total revenue	253,722	245,991

(b) Expenses

Profit before income tax includes the following items:

Occupancy expense:		
Minimum lease payments on operating leases	31,034	27,617
Other occupancy expenses	391	1,034
Total occupancy expense	31,425	28,651
Employee benefits expense:		
Post-employment benefits – Defined contribution plans	4,654	4,014
Equity-settled share-based payments	300	12
Other employee benefits	57,861	53,085
Total employee benefits expense	62,815	57,111
Depreciation and amortisation:		
Depreciation	5,156	4,934
Amortisation	1,496	1,216
Total depreciation and amortisation	6,652	6,150
Net finance costs:		
Interest paid to related parties	–	6,245
Interest and finance charges paid to banks and other financial institutions	883	5,325
Amortisation of deferred borrowing costs	36	2,555
Interest revenue	(61)	(260)
Total net finance costs	858	13,865
Other items:		
Costs associated with the IPO expensed	–	2,627

Notes to the Financial Statements (Continued)

3. Segment information

PAS' operating segments are identified with reference to the information regularly reviewed by the Chief Executive Officer, Chief Financial and Operations 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 275 retail sites as of 30 June 2015. 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.

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.

2015	Retail \$'000	Wholesale \$'000	Unallocated \$'000	Total \$'000
Revenue from sale of goods	143,109	110,104	–	253,213
Other revenue	85	64	360	509
Total revenue	143,194	110,168	360	253,722
Reportable segment EBITDA	17,556	9,964	(7,317)	20,203
Depreciation and amortisation	(4,774)	(128)	(1,750)	(6,652)
Impairment of Metalicus goodwill, brand name, property, plant and equipment and website	(33,845)	(9,133)	(336)	(40,700)
Reportable segment EBIT	(21,063)	703	(9,403)	(27,149)
Net financing costs	–	–	(858)	(858)
Statutory profit before tax	(21,063)	703	(10,261)	(28,007)
Segment assets	62,535	57,753	33,481	153,769
Segment liabilities	10,251	9,960	8,238	28,449
Capital expenditure	5,708	78	774	6,560

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 ⁽ⁱ⁾	95,112	62,336	26,080	183,528
Segment liabilities	13,116	8,810	4,012	25,938
Capital expenditure	5,084	185	88	5,357

(i) The comparative information has been restated for certain items previously classified as “unallocated” now allocated to the Retail Segment, on the same basis as in the current period to ensure comparability.

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 \$110.1 million (2014: \$115.9 million) are revenues of approximately \$30.3 million (2014: \$47.0 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 2015 and 2014.

Notes to the Financial Statements (Continued)

4. Income taxes

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Income tax recognised in profit or loss:		
Current tax		
In respect of the current year	3,725	2,125
In respect of prior years	202	599
Total current tax	3,927	2,724
Deferred tax		
In respect of the current year	–	(5,367)
Recognition of tax losses not previously recognised	–	(1,733)
Total income tax (benefit)/expense recognised in the current year relating to continuing operations	3,927	(4,376)
The income tax expense for the year can be reconciled to the accounting profit as follows:		
(Loss)/Profit before tax from continuing operations	(28,007)	8,597
Income tax (benefit)/expense calculated at 30% (2014: 30%)	(8,402)	2,579
Effect of expenses that are not deductible in determining taxable profit	(71)	41
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	–	(1,733)
Impairment losses on property, plant and equipment and intangible assets that are not deductible	12,210	–
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	202	599
Effect of different tax rates of subsidiaries operating in other jurisdictions	(12)	–
Income tax expense/(benefit) recognised in profit or loss	3,927	(4,376)
Income tax recognised directly in equity:		
Current tax		
Share issue costs	–	272
Deferred tax		
Cash flow hedge reserve	(555)	444
Arising on transactions with owners:		
Share issue and buy-back expenses deductible over five years	–	1,100
Total income tax recognised directly in equity	(555)	1,816
Current tax assets and liabilities		
<i>Current tax assets</i>		
Tax refund receivable	1,596	131
<i>Current tax liabilities</i>		
Income tax payable	18	813
<i>Deferred tax balances</i>		
Deferred tax balances are presented in the statement of financial position as follows:		
Deferred tax assets	9,099	13,301
Deferred tax liabilities	(1,776)	(1,225)
	7,323	12,076

	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Recognised directly in equity \$'000	Closing balance \$'000
2015					
Temporary differences					
Cash flow hedges	444		–	(999)	(555)
Property, plant and equipment	4	(4)	–	–	–
Intangible assets	(1,200)	–	–	–	(1,200)
Provisions	1,301	357	–	–	1,658
Doubtful debts	23	4	–	–	27
Accruals	585	66	–	–	651
Lease incentives	1,287	142	–	–	1,429
Inventory	5,322	(4,967)	–	–	355
Share issue costs	1,633	(410)	–	–	1,223
Rebates and allowances	295	(214)	–	–	81
Other	(20)	(1)	–	–	(21)
Total temporary differences	9,674	(5,027)	–	(999)	3,648
Total unused tax losses	2,402	1,273	–	–	3,675
Total	12,076	(3,754)	–	(999)	7,323

	Opening balance \$'000	Recognised in profit or loss \$'000	Recognised in other comprehen- sive income \$'000	Recognised directly in equity \$'000	Closing balance \$'000
2014					
Temporary differences					
Cash flow hedges	(25)	25	–	444	444
Property, plant and 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 costs	9	252	–	1,372	1,633
Rebates and allowances	346	(51)	–	–	295
Other	(312)	292	–	–	(20)
Total temporary differences	2,494	5,364	–	1,816	9,674
Total unused tax losses	669	1,733	–	–	2,402
Total	3,163	7,097	–	1,816	12,076

Notes to the Financial Statements (Continued)

4. Income taxes (continued)

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 22. 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 2015	Year ended 30 June 2014
Basic (loss)/earnings per share (cents per share)	(23.4)	43.5
Diluted (loss)/earnings per share (cents per share)	(23.4)	43.5
Net (loss)/profit after tax (\$'000)	(31,934)	11,965

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)	136,690,860	27,498,553
– Diluted earnings per share (no. shares)	136,690,860	27,498,553

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

- 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
- 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

	2015 \$'000	2014 \$'000
Current trade and other receivables:		
Trade receivables	20,989	24,423
Allowance for doubtful debts	(92)	(83)
Trade discounts and rebates	(729)	(655)
Other receivables	437	934
Total current trade and other receivables	20,605	24,619
Non-current trade and other receivables	116	187
Total trade and other receivables	20,721	24,806

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, \$3.3 million (30 June 2014: \$9.3 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.

	2015 \$'000	2014 \$'000
Age of receivables that are past due but not impaired:		
60-90 days	4,033	5,271
90-120 days	1,122	2,002
Total	5,155	7,273
Average age (days)	82	86

Movement in the allowance for doubtful debts:

Balance at beginning of the year	(83)	(125)
Impairment losses recognised on receivables	(167)	(136)
Amounts written off during the year as uncollectible	146	129
Impairment losses reversed	12	49
Balance at end of the year	(92)	(83)

Age of impaired trade receivables:

60-90 days	–	28
90-120 days	22	1
120+ days	70	54
Total	92	83

Notes to the Financial Statements (Continued)

7. Other financial assets

	2015 \$'000	2014 \$'000
Derivatives designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	1,848	–

8. Inventories

At lower of cost and net realisable value:

Raw materials	1,373	1,540
Stock in transit	4,984	3,395
Work in progress	111	1,137
Finished goods	20,139	16,682
Total inventories	26,607	22,754

The cost of inventories recognised as an expense during the year was \$109.6 million (2014: \$103.6 million). The cost of inventories recognised as an expense includes \$0.1 million (2014: \$0.3 million) in respect of write-downs of inventory to net realisable value.

9. Other current assets

Prepayments	4,250	4,599
Other	814	1,960
Total other current assets	5,064	6,559

10. Property, plant and equipment

	2015 \$'000	2014 \$'000
Plant and equipment	3,722	4,951
Leasehold Improvements	7,277	7,040
Total property, plant and equipment	10,999	11,991

	Plant and equipment at cost \$'000	Leasehold improve- ments at cost \$'000	Total \$'000
Cost			
Balance at 1 July 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
Additions	1,271	5,289	6,560
Disposals	(192)	(1,014)	(1,206)
Impairment ⁽ⁱ⁾	–	(7,857)	(7,857)
Reclassification ⁽ⁱⁱ⁾	(3,907)	2,708	(1,199)
Balance at 30 June 2015	12,280	18,010	30,290
Accumulated depreciation and impairment			
Balance at 1 July 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)
Eliminated on disposals of assets	186	979	1,165
Depreciation expense	(858)	(4,298)	(5,156)
Impairment ⁽ⁱ⁾	–	5,518	5,518
Reclassification ⁽ⁱⁱ⁾	2,271	(1,088)	1,183
Balance at 30 June 2015	(8,558)	(10,733)	(19,291)
Net book value 2014	4,951	7,040	11,991
Net book value 2015	3,722	7,277	10,999

(i) Refer to Note 13 regarding impairment of assets.

(ii) Reclassification of plant and equipment to leasehold improvements and intangible assets.

Notes to the Financial Statements (Continued)

11. Goodwill

	2015 \$'000	2014 \$'000
Cost		
Balance at beginning of year	111,067	111,067
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 ⁽ⁱ⁾	(32,005)	–
Balance at end of year	(64,533)	(32,528)
Net book value	46,534	78,539

(i) Refer to Note 13 regarding impairment of assets.

12. Intangible assets

	2015 \$'000	2014 \$'000
Trademarks	380	380
Brand names	15,000	21,080
Software	3,230	3,061
Website development costs	166	434
Total intangible assets	18,776	24,955

	Trademarks \$'000	Brand names \$'000	Software \$'000	Website development costs \$'000	Total \$'000
Cost					
Balance at 1 July 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
Additions	–	–	1,299	268	1,567
Disposals	–	–	–	(180)	(180)
Reclassification ⁽ⁱ⁾	–	–	1,060	66	1,126
Balance at 30 June 2015	380	21,080	6,873	1,257	29,590
Accumulated amortisation and impairment					
Balance at 1 July 2013	–	–	(623)	(284)	(907)
Amortisation expense	–	–	(831)	(385)	(1,216)
Disposals	–	–	1	–	1
Balance at 30 June 2014	–	–	(1,453)	(669)	(2,122)
Amortisation expense	–	–	(1,189)	(302)	(1,491)
Disposals	–	–	–	180	180
Impairment ⁽ⁱⁱ⁾	–	(6,080)	(8)	(267)	(6,355)
Reclassification ⁽ⁱ⁾	–	–	(993)	(33)	(1,026)
Balance at 30 June 2015	–	(6,080)	(3,643)	(1,091)	(10,814)
Net book value 2014	380	21,080	3,061	434	24,955
Net book value 2015	380	15,000	3,230	166	18,776

(i) Reclassification of intangible assets from plant and equipment.

(ii) Refer to Note 13 regarding impairment of assets.

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 \$2.6 million (2014: \$2.1 million). These costs are being amortised over a four-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 using the relief from royalty method. PAS intends to continue use of the brands for an indefinite period and they are therefore not amortised but are subject to an annual test for impairment.

Notes to the Financial Statements (Continued)

13. Impairment testing of goodwill and non-current assets

Allocation of goodwill and brand names to cash-generating units

Goodwill and brand names have been allocated for impairment testing purposes to the following cash-generating units ('CGUs'):

	Goodwill 2015 \$'000	Brand names 2015 \$'000	Goodwill 2014 \$'000	Brand names 2014 \$'000
Wholesale – Metalicus	–	–	7,916	1,216
Wholesale – Designworks	21,008	–	21,008	–
Wholesale – Breakaway	6,295	600	6,295	600
Retail – Metalicus	–	–	24,089	4,864
Retail – Breakaway	14,688	3,400	14,688	3,400
Retail – Review	4,543	11,000	4,543	11,000
	46,534	15,000	78,539	21,080

Impairment testing

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually at 30 June for intangible assets with indefinite useful lives. More frequent reviews are performed for indications of impairment of all of the Group's assets including operating assets. Where an indication of impairment is identified a formal impairment assessment is performed.

The Group identified indicators of impairment at 30 June 2015 in respect of all CGUs in light of current trading conditions. As a result, the Group assessed the recoverable amounts of each of the CGUs. In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amount of a CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value-in-use.

Key assumptions

Wholesale cash-generating units

The recoverable amount of the Wholesale 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 post-tax discount rate of 14% per annum (2014: 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.

In respect of the Wholesale Designworks CGU the revenue growth assumption from FY2015 to FY2016 is 38% reflecting an increase in the distribution of sports equipment and footwear. The revenue growth rate for the remainder of the budget period is 3%.

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 (2014: 14% per annum). Cash flows beyond that five-year period have been extrapolated using a 2.5% per annum growth rate.

Impairment of Metalicus Wholesale and Metalicus Retail

Following the above review of the recoverable amount, the carrying value of the Metalicus goodwill was fully impaired by \$32.0 million and the carrying value of the Metalicus brand name was fully impaired by \$6.1 million in the current period (2014: nil). In addition Metalicus Retail leasehold plant and equipment and the website was impaired by \$2.6 million in the current year to nil (2014: nil).

Sensitivity analysis

The recoverable amount of the Wholesale – Designworks CGU exceeds the carrying amount. However, this conclusion is sensitive to the revenue growth assumption from FY2015 to FY2016 in respect of the distribution of sports equipment and footwear. Reducing the FY2016 forecast revenue by 20% would result in an impairment charge of \$7.5 million at 30 June 2015.

This analysis 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.

The recoverable amounts of the remaining CGUs materially exceed their carrying amounts. The Directors believe that any reasonably expected changes in the key assumptions on which the recoverable amount is based would be unlikely to cause the aggregate carrying amount to exceed the aggregate recoverable amount of these CGUs.

14. Trade and other payables

	2015 \$'000	2014 \$'000
Trade payables	7,192	2,446
Accruals	7,775	7,472
Goods and services tax payable	1,165	1,049
Other payables and accruals	203	898
Total trade and other payables	16,335	11,865

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

15. Other financial liabilities

Derivatives that are designated and effective as hedging instruments carried at fair value:

Forward foreign exchange contracts	–	1,478
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16. Provisions

Current employee benefits	4,683	5,281
Non-current employee benefits	678	584
Total provisions	5,361	5,865

17. Other liabilities

Current lease incentives	1,779	1,587
Non-current lease incentives	3,180	3,105
Total other current liabilities	4,959	4,692

Notes to the Financial Statements (Continued)

18. Issued capital

136,690,860 fully paid ordinary shares	153,963	153,963
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Movements in ordinary share capital

	2015		2014	
	Number of shares	Share capital \$'000	Number of shares	Share capital \$'000
Balance at beginning of the year	136,690,860	153,963	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
Issued shares	–	–	–	–
Balance at the end of the year	136,690,860	153,963	136,690,860	153,963

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 were nil and in 2014 were as follows:

- (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').

19. Reserves

	2015 \$'000	2014 \$'000
Share-based payments reserve	312	12
Cash flow hedge reserve	1,294	(1,034)
Foreign currency translation reserve	(339)	28
Corporate reorganisation reserve	(3,825)	(3,825)
Total reserves	(2,558)	(4,819)

Share-based payments reserve

Balance at beginning of year	12	–
Arising on share-based payments (LTIP)	300	12
Balance at the end of the year	312	12

The reserve is used to recognise the value of equity benefits provided to senior employees as part of their remuneration.

Cash flow hedge reserve

Balance at beginning of year	(1,034)	468
Gain/(loss) recognised on cash flow hedges		
Forward foreign exchange contracts	1,849	(1,478)
Income tax related to gains/losses recognised in other comprehensive income	(554)	445
Reclassified to profit or loss		
Forward foreign exchange contracts	1,478	(2,179)
Income tax related to gains/losses recognised in other comprehensive income	(445)	1,510
Income tax related to amounts reclassified to profit or loss	–	200
Balance at the end of the year	1,294	(1,034)

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

Foreign currency translation reserve

Balance at beginning of year	28	(47)
Translation of foreign operations	(367)	75
Balance at the end of the year	(339)	28

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.

Corporation reorganisation reserve

Balance at beginning of year	(3,825)	–
Proceeds from issue of shares in legal acquirer	–	(3,825)
Balance at the end of the year	(3,825)	(3,825)

Under corporate reorganisation principles, share capital is recognised as 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.

Notes to the Financial Statements (Continued)

20. Retained earnings

	2015 \$'000	2014 \$'000
Balance at beginning of year	8,446	17,941
(Loss)/profit attributable to owners of the Company	(31,934)	11,965
Transfer from non-controlling interest purchase reserve	–	540
Payment of dividends	(2,597)	(22,000)
Balance at end of year	(26,085)	8,446

21. Dividends on equity

	Year ended 30 June 2015		Year ended 30 June 2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Recognised amounts				
Pre-IPO dividend	–	–	224.5	22,000
Interim Dividend	1.9	2,597	–	–
Unrecognised amounts				
Final Dividend	3.1	4,237	–	–

On 28 August 2015, the Directors declared a fully franked final dividend of 3.1 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2015, to be paid to shareholders on 9 October 2015.

On 27 February 2015, the Directors declared a fully franked interim dividend of 1.9 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2015, paid to shareholders on 10 April 2015.

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.

	2015 \$'000	2014 \$'000
Franking credits available at corporate tax rate of 30%	47,358	46,938

22. Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by PAS	
			2015	2014
Parent entity				
The PAS Group Limited ^(a)	Holding company	Australia	100%	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%	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%	100%
Breakaway NZ Clothing Ltd	Apparel; retail/wholesale	New Zealand	100%	100%
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%	100%
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 was 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 2014 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.

Notes to the Financial Statements (Continued)

23. Cross guarantee group

The PAS Group Limited, and the entities noted detailed in Note 22, 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:

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Statement of Profit or Loss and Other Comprehensive Income		
Revenue	235,233	230,124
Cost of sales	(99,086)	(94,914)
Gross Profit	136,147	135,210
Other gains and losses	85	158
Employee benefit expenses	(60,144)	(55,074)
Selling and distribution expenses	(16,224)	(12,466)
Occupancy expenses	(30,588)	(27,902)
Marketing expenses	(4,513)	(4,348)
Administration expenses	(6,997)	(9,073)
Earnings before interest, tax, depreciation and amortisation	17,766	26,505
Depreciation and amortisation expense	(6,457)	(5,888)
Impairment expense	(40,700)	–
Net finance costs	(831)	(14,945)
(Loss)/profit before tax expense	(30,222)	5,672
Income tax expense	(3,398)	5,127
(Loss)/profit for the year from continuing operations	(33,620)	10,799
(Loss)/profit for the year	(33,620)	10,799
Other comprehensive Income		
Exchange differences on translating foreign operations	–	79
Net gain/(loss) on cash flow hedges	2,062	1,252
Other comprehensive income for the year, net of tax	2,062	1,331
Total comprehensive income for the year	(31,558)	12,130

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Statement of financial position		
Cash and cash equivalents	10,619	87
Trade and other receivables	18,445	15,653
Inventories	24,015	21,850
Current tax assets	1,596	131
Other current assets	6,082	6,130
Total current assets	60,757	43,851
Non-current assets		
Trade and other receivables	4	33
Property, plant and equipment	10,660	11,533
Deferred tax assets	8,896	12,908
Goodwill	46,534	78,539
Other intangible assets	18,768	24,947
Other assets	112	143
Other financial assets	41,576	41,576
Total non-current assets	126,550	169,679
Total assets	187,307	213,530
Current liabilities		
Trade and other payables	14,159	10,876
Other financial liabilities	–	1,344
Current tax payables	–	713
Provisions	4,329	5,018
Other liabilities	1,739	1,528
Total current liabilities	20,227	19,479
Non-current liabilities		
Other financial liabilities	17,835	19,119
Deferred tax liabilities	1,707	1,214
Provisions	632	534
Other liabilities	3,123	3,014
Total non-current liabilities	23,297	23,881
Total liabilities	43,524	43,360
Net assets	143,783	170,170
Equity		
Issued capital	153,963	153,963
Reserves	(3,329)	(4,137)
Retained earnings	(6,851)	20,344
Total equity	143,783	170,170

Notes to the Financial Statements (Continued)

24. Financial risk management

(a) 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 2014. 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.

	2015 \$'000	2014 \$'000
Categories of financial instruments		
<i>Financial assets</i>		
Cash and bank balances	12,525	492
Derivative instruments in designated hedge accounting relationships	1,848	–
Trade and other receivables	20,721	24,806
<i>Financial liabilities</i>		
Derivative instruments in designated hedge accounting relationships	–	1,478
Trade and other payables	16,335	11,865

(b) Financial risk management objectives

PAS' treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and 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.

(c) 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
US Dollars (USD)	862	1,001	2,137	2,535
New Zealand Dollars (NZD)	182	5	366	305

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 nine months. The Group has entered into forward foreign exchange contracts (for terms not exceeding nine 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 2015, the aggregate amount of gains 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 \$1.8 million (2014: loss of \$1.5 million). It is anticipated that the purchases will take place during the first six 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 six 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	
	2015	2014	2015 USD'000	2014 USD'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Outstanding contracts								
Cash flow hedges								
<i>Buy US Dollars</i>								
Less than 3 months	0.794	0.894	29,628	26,660	37,302	29,822	1,375	(1,370)
3 to 6 months	0.791	0.919	7,556	7,340	9,554	7,984	348	(108)
6 to 9 months	0.775	–	5,000	–	6,452	–	125	–
							1,848	(1,478)

Foreign currency sensitivity analysis

As shown in the table above the Group is mainly exposed to the currency of the 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 (+/-)	
	2015 \$'000	2014 \$'000
Profit or loss ⁽ⁱ⁾	145	153
Equity ⁽ⁱⁱ⁾	4,205	3,512

(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.

Notes to the Financial Statements (Continued)

24. Financial risk management (continued)

Interest rate risk management

The Group is exposed to interest rate risk when 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 had no debt as at 30 June 2015 (2014: nil).

(d) 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's 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.

(e) 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-term, medium-term 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 2015							
<i>Financial assets</i>							
Non-interest bearing	–	20,605	–	–	116	–	20,721
Variable interest rate instruments	2.0%	12,525	–	–	–	–	12,525
<i>Financial liabilities</i>							
Non-interest bearing	–	16,335	–	–	–	–	16,335
30 June 2014							
<i>Financial assets</i>							
Non-interest bearing	–	24,619	–	–	187	–	24,808
Variable interest rate instruments	2.4%	492	–	–	–	–	492
<i>Financial liabilities</i>							
Non-interest bearing	–	11,865	–	–	–	–	11,865

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 (2014: \$55.0 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Notes to the Financial Statements (Continued)

24. Financial risk management (continued)

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.

	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000
30 June 2015					
Gross settled:					
– foreign exchange forward contracts	17,995	19,306	16,006	–	–
	17,995	19,306	16,006	–	–
30 June 2014					
Gross settled:					
– foreign exchange forward contracts	8,150	13,181	16,475	–	–
	8,150	13,181	16,475	–	–

	2015 \$'000	2014 \$'000
Finance facilities		
Secured working capital facility: ⁽ⁱ⁾		
– amount used	–	–
– amount unused	25,000	25,000
	25,000	25,000
Secured bank loan facility ⁽ⁱ⁾		
– amount used	–	–
– amount unused	30,000	30,000
	30,000	30,000

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

(f) 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.

25. Shared-based payments

Awards under the LTIP scheme are issued annually based on a three-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 three-year performance period ('TSR Options') and 50% are based on growth in underlying earnings per share ('EPS') achieved in year three against referenced against EPS achieved in the base year prior to the scheme's performance period ('EPS Options'). Options vest over a three-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.

If a participant ceases to be employed by the Company then a proportion of the participant's unvested options will lapse with effect from the resignation date.

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

No share options were granted in 2015.

Movements in share options during the year

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

	2015 Number of options	Weighted average exercise price \$
Balance at beginning of year	4,872,563	1.15
Forfeited during the year ⁽ⁱ⁾	(1,153,582)	1.15
Balance at end of year	3,718,981	1.15

(i) Unvested share options granted to Derrick Krowitz (1,153,582) were proportionally forfeited upon resignation on 2 March 2015.

Share options exercised during the year

No share options were exercised during the year (2014: Nil). There were no vested share options outstanding at the end of the year (2014: Nil).

26. 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:

	2015 \$'000	2014 \$'000
Short-term employee benefits	1,970,658	1,851,165
Post-employment benefits	122,686	57,855
Other long-term benefits	10,412	45,441
Share-based payments	154,373	9,916
Total key management personnel compensation	2,258,129	1,964,377

27. 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.

Notes to the Financial Statements (Continued)

28. 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:

	Year ended 30 June 2015 \$'000	Year ended 30 June 2014 \$'000
Cash and bank balances	12,525	492

Reconciliation of (loss)/profit for the year to net cash flows from operating activities

Cash flows from operating activities		
(Loss)/profit for the year	(31,934)	12,973
Depreciation and amortisation	6,688	6,150
Lease incentives	(1,248)	(626)
Share issue expenses	–	2,627
Unrealised foreign exchange (gains)/losses	(367)	19
Expenses recognised in respect of equity-settled share-based payments	300	12
Impairment of assets	40,700	–
Loss on disposal of property, plant and equipment	35	–
Interest accrued not paid	13	(2,583)
Capitalised borrowing costs paid	–	863
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	4,053	2,131
Current tax assets	(1,466)	331
Deferred tax assets	3,728	(7,705)
Inventory	(3,852)	(2,644)
Other assets	1,495	(1,909)
Other non-current assets	(5)	–
Other financial assets	–	2,332
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	4,015	(3,643)
Provisions	(503)	472
Deferred tax liability	27	(765)
Other liabilities	–	(33)
Current tax liability	(795)	(126)
Net cash generated by operating activities	20,884	7,876

Purchase of non-controlling shareholder interest

The purchase of the non-controlling shareholders interest during the 2014 year included consideration settled by the issue of \$10.4 million of ordinary shares.

29. Operating lease arrangements

Leasing arrangements

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

Payments recognised as an expense

	2015 \$'000	2014 \$'000
Minimum lease payments	31,034	27,617

Non-cancellable operating lease commitments

Not later than 1 year	18,395	9,912
Later than 1 year and not later than 5 years	31,681	32,339
Later than 5 years	48	50
Total non-cancellable operating lease commitments	50,124	42,301

Liabilities recognised in respect of non-cancellable operating leases

Lease incentives (Note 17)		
Current	1,779	1,587
Non-current	3,180	3,105
Total liabilities recognised in respect of non-cancellable operating leases	4,959	4,692

30. Commitments for expenditure

Capital expenditure commitments

Plant and equipment – store fit-outs	1,642	2,971
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31. 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.

32. Remuneration of auditors

	2015 \$	2014 \$
Audit or review of the financial statements	324,000	324,000
Other non-audit services – due diligence, accounting advice	140,000	12,125
Taxation compliance services	180,323	71,991
Investigating accountant's report in connection with IPO	–	450,000
Taxation advice in relation to IPO	–	170,000
Total remuneration of auditors	644,323	1,028,116

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

Notes to the Financial Statements (Continued)

33. 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 1 for a summary of the significant accounting policies relating to the Group.

Financial position

	30 June 2015 \$'000	30 June 2014 \$'000
Assets		
Current assets	8,131	212
Non-current assets	156,336	157,134
Total assets	164,467	157,346
Liabilities		
Current liabilities	787	21
Non-current liabilities	21	2,225
Total liabilities	808	2,246
Equity		
Issued capital	153,963	153,965
Retained earnings/(accumulated losses)	9,696	1,148
Total equity	163,659	155,113

Financial performance

Profit/(loss) for the year	11,145	1,148
Other comprehensive income	–	–
Total comprehensive income	11,145	1,148

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 22.

34. Subsequent events

On 29 July 2015, The PAS Group Limited acquired 100% of the ordinary shares in White Runway Pty Limited. The total purchase price for the ordinary shares comprises three tranches, the first of which was paid at completion and was funded from the Company's existing cash resources. The subsequent two earnout payments are linked to the performance of White Runway and are payable in FY2017 and FY2019 respectively. The media release can be found in the Investor Relations section of the Group's website at www.thepasgroup.com.au or may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

Other than this event 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 6 August 2015

Number of holders of equity securities

Ordinary share capital

136,690,860 fully paid ordinary shares are held by 789 individual shareholders.

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

At the time of the Company's listing in June 2014, 31,880,112 ordinary shares were held in escrow under various escrow deeds. Under the terms of the escrow deeds, these ordinary shares would be released from escrow on the day the Company announced its full-year results for the year ended 30 June 2015.

Options

3,718,981 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	34,122	–
1,001 – 5,000	324,032	–
5,001 – 10,000	1,341,518	–
10,001 – 100,000	14,524,948	–
100,001 and over	120,466,240	3,718,981
	136,690,860	3,718,981
Holding less than a marketable parcel	–	–

Substantial shareholders

	Fully paid ordinary shares Number
Ordinary shareholders	
HSBC Custody Nominees (Australia) Limited – GSCO ECA	26,082,651
Cannes Management Pty Ltd	13,805,777
J P Morgan Nominees Australia Limited	9,774,983
Citicorp Nominees Pty Ltd	9,417,803
Family Black Pty Ltd (ACN 006 399 659)	6,906,770
Propel Private Equity Fund II LP	6,434,515
National Nominees Limited	5,786,301
	78,208,800

Additional securities exchange information as at 6 August 2015 (Continued)

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
HSBC Custody Nominees (Australia) Limited – GSCO ECA	26,082,651	19.08%
Cannes Management Pty Ltd	13,805,777	10.10%
J P Morgan Nominees Australia Limited	9,774,983	7.15%
Citicorp Nominees Pty Ltd	9,417,803	6.89%
Family Black Pty Ltd (ACN 006 399 659)	6,906,770	5.05%
Propel Private Equity Fund II LP	6,434,515	4.71%
National Nominees Limited	5,786,301	4.23%
HSBC Custody Nominees (Australia) Limited	5,579,107	4.08%
Macquarie Investment Management Limited (ACN 002 867 003)	3,913,516	2.86%
Sandhurst Trustees Ltd	3,704,136	2.71%
BNP Paribas Noms Pty Ltd	3,221,989	2.36%
JP Morgan Nominees Australia Limited	2,968,785	2.17%
Mr Christopher Switzer	2,154,665	1.58%
HSBC Custody Nominees (Australia) Limited – A/C 2	2,121,002	1.55%
RBC Investor Services Australia Nominees Pty Ltd	2,009,201	1.47%
Eric Morris as Trustee for the Morris Family Trust	1,598,134	1.17%
Derrick Krowitz	717,112	0.52%
Mr Robert Thomas and Mrs Kyrenia Thomas	650,000	0.48%
Pakasoluto Pty Limited	600,000	0.44%
W A Andrews Medical Pty Ltd	589,850	0.43%
	108,036,297	79.03%

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 K Yap

Auditors

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

Bankers

Commonwealth Bank of Australia
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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'.



Monza Recycled Digital contains 55% recycled fibre and FSC® Certified pulp, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It is manufactured by an ISO 14001 certified mill. Monza Recycled is an FSC® Mix certified paper.

