

**Australian Securities & Investments Commission**

Electronic Lodgement  
Document No. **7E4816847**  
Lodgement date/time: 31-10-2012 09:19:40  
Reference Id: 85422823

**Form 388**  
Corporations Act 2001  
**294, 295, 298-300, 307, 308, 319, 321, 322**  
Corporations Regulations  
**1.0.08**

# Copy of financial statements and reports

## Company details

Company name

**THE PAS GROUP PTY LTD**

ACN

**117 244 943**

## Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date

**30-06-2012**

## Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

**223187093**

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

**188619498**

How many employees are employed by the large proprietary company and the entities that it controls?

**751**

How many members does the large proprietary company have?

**6**

## Auditor's report

Were the financial statements audited?

**Yes**

Form 388 - Copy of financial statements and reports  
THE PAS GROUP PTY LTD ACN 117 244 943

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### Details of current auditor or auditors

#### Current auditor

Date of appointment **15-11-2006**  
Name of auditor  
**DELOITTE TOUCHE TOHMATSU**  
Address  
**550 BOURKE STREET  
MELBOURNE VIC 3000**

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### Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.  
**Yes**

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### Signature

Select the capacity in which you are lodging the form  
Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.  
**Yes**

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### Authentication

This form has been submitted by  
Name **Derrick KROWITZ**  
Date **31-10-2012**

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**The PAS Group Pty Ltd**

**ACN 117 244 943**

**Special Purpose financial report for the  
financial year ended 30 June 2012**

**Annual financial report  
for the financial year ended 30 June 2012**

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## Directors' report

The directors of The PAS Group Pty Ltd (company) submit herewith the annual financial report of the company for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the financial year are:

### Name

- Albin Kurti
- Eric Morris
- Robert Dalziel (resigned 5 October 2011)
- Fraser Henderson
- Rodney Walker (appointed 19 October 2011)
- Peter Dowding (appointed 25 October 2011)

The above named directors held office during and since the end of the financial year.

### Principal activities

The consolidated entity's principal activity in the course of the financial year was that of an apparel and accessories wholesaler and retailer. In addition, The Capelle Group and Fiorelli Licensing collect royalties from licensees of the Annapelle and Fiorelli brands. During the financial year the consolidated entity acquired the remainder of the shareholding in The Capelle Group and Fiorelli Licensing.

During the financial year a subsidiary, The Capelle Group Pty Limited, discontinued its principal activity of design and wholesale of women's and men's accessories.

### Review of operations

In the 12 months under review the company has delivered EBITDA of \$29,492,333 (2011: \$14,937,731) and profit after tax of \$7,026,201 (2011: loss \$53,252,758).

### Changes in state of affairs

On 28 July 2011, a wholly owned subsidiary of the company refinanced its debt with its existing financiers. The debt facility has a 3 year tenure.

On 28 July 2011 the company received a \$25,000,000 cash injection from its shareholders in the form of a shareholder loan. \$20,000,000 of this amount was used to subscribe for new ordinary shares in Chestnut Apparel Pty Limited which in turn acquired \$20,000,000 of ordinary shares in PAS Finance Pty Limited.

In addition participating shareholders received 1 warrant at an exercise price of \$0.01 for each \$17.0092 loaned to the company. The amount of warrants issued constituted approximately 15% of the fully diluted share capital of the company. The warrants were converted to 1,469,904 ordinary shares on 1 May 2012.

There were no other significant changes in the state of affairs of the company during the financial year.

### Subsequent events

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

### Future developments

Disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

### **Environmental regulations**

The company's operations are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

### **Dividends**

In respect of the financial years ended 30 June 2012 and 30 June 2011, no dividends were declared or paid.

### **Indemnification of officers and auditors**

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), and all executive officers of the company and of any related body corporate against a liability incurred as such a director 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 company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

### **Auditor's independence declaration**

The auditor's independence declaration is included on page 4.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Eric Morris  
Director  
Melbourne, 22 October 2012



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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The Board of Directors  
The PAS Group Pty Ltd  
17 Hardner Road  
MOUNT WAVERLEY VIC 3149

22 October 2012

Dear Board Members

**The PAS Group Pty Ltd**

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 Pty Ltd.

As the lead audit partner for the audit of the financial statements of The PAS Group Pty Ltd for the financial year ended 30 June 2012, I declare to the best of my knowledge and belief that there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

  
DELOITTE TOUCHE TOHMATSU



G J McLean  
Partner  
Chartered Accountants



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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## Independent Auditor's Report to the members of The PAS Group Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of The PAS Group Pty Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 7 to 36.

### *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 and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the Members. The directors' responsibility also includes 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 of the financial report that gives a true and fair view, 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 Pty Ltd would be in the same terms if given to the directors as at the time of this auditor's report.



# Deloitte.

## *Opinion*


In our opinion, the financial report of The PAS Group Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 3, and the *Corporations Regulations 2001*.

## *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

  
DELOITTE TOUCHE TOHMATSU

  
G J McLean  
Partner  
Chartered Accountants  
Melbourne, 22 October 2012

### **Directors' declaration**

As detailed in Note 3 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

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; and
- (b) 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 company and the consolidated entity.

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



Eric Morris  
Director  
Melbourne, 22 October 2012

**The PAS Group Pty Ltd**  
Statement of comprehensive income

**Statement of comprehensive income  
for the financial year ended 30 June 2012**

Note	Consolidated		Company		
	2012 \$	2011 \$	2012 \$	2011 \$	
<b>Continuing operations</b>					
Revenue	4	223,187,093	224,109,038	-	-
Cost of sales		(97,189,523)	(110,358,657)	-	-
Gross profit		125,997,570	113,750,381	-	-
Other gains and losses	4	869,226	(4,487,830)	-	-
Employee benefit expenses		(48,014,954)	(45,427,184)	-	-
Selling and distribution expenses		(12,290,587)	(13,637,116)	-	-
Occupancy expenses		(24,351,290)	(20,423,407)	-	-
Marketing expenses		(5,054,437)	(6,184,102)	-	-
Administration expenses		(7,663,195)	(8,653,011)	(20,161)	(23,186)
<b>Earnings before interest, tax, depreciation, amortization and impairment</b>		29,492,333	14,937,731	(20,161)	(23,186)
Depreciation and amortisation expense	4	(4,404,412)	(3,417,883)	-	-
Impairment expense	4	-	(42,188,452)	-	-
Net finance costs	4	(13,854,872)	(9,428,867)	(4,600,912)	(167,956)
<b>Profit / (Loss) before tax</b>		11,233,049	(40,097,471)	(4,621,073)	(191,142)
Income tax benefit / (expense)		(3,643,494)	929,380	1,386,322	57,343
<b>Profit / (Loss) for the year from continuing operations</b>		7,589,555	(39,168,091)	(3,234,751)	(133,799)
<b>Discontinued operations</b>					
Loss for the year from discontinuing operations	27	(563,354)	(14,084,667)	-	-
<b>Profit / (Loss) for the year</b>		7,026,201	(53,252,758)	(3,234,751)	(133,799)
<b>Other comprehensive income</b>					
Exchange differences arising on translation of foreign operations		(21,755)	(87,178)	-	-
Net loss on cash flow hedges		(785,461)	(689,436)	-	-
Other comprehensive income for the year (net of tax)		(807,216)	(776,614)	-	-
<b>Total comprehensive income for the year</b>		6,218,985	(54,029,372)	(3,234,751)	(133,799)
<b>Profit / (Loss) Attributable to:</b>					
Non-controlling interests		639,319	(10,265,527)	-	-
Owners of the company	19	6,386,882	(42,987,231)	(3,234,751)	(133,799)
		7,026,201	(53,252,758)	(3,234,751)	(133,799)
<b>Total comprehensive income Attributable to:</b>					
Non-controlling interests		716,890	(10,440,273)	-	-
Owners of the company		5,502,095	(43,589,099)	(3,234,751)	(133,799)
		6,218,985	(54,029,372)	(3,234,751)	(133,799)

Notes to the financial statements are included on pages 12 to 35

**The PAS Group Pty Ltd**  
Statement of financial position

**Statement of financial position  
as at 30 June 2012**

	Note	Consolidated			Company	
		2012 \$	2011 \$	01/07/2010 \$	2012 \$	2011 \$
<b>Current assets</b>						
Cash and cash equivalents	23(a)	20,981,560	7,331,295	8,647,180	7,322,524	2,775,050
Trade and other receivables	5	26,925,900	22,788,396	26,059,432	-	206
Inventories	6	16,084,168	29,292,906	27,898,545	-	-
Current tax assets		309,353	504,958	-	-	-
Other current assets	7	7,559,114	5,375,461	4,117,948	-	-
<b>Total current assets</b>		<b>71,860,095</b>	<b>65,293,016</b>	<b>66,732,105</b>	<b>7,322,524</b>	<b>2,775,256</b>
<b>Non-current assets</b>						
Trade and other receivables	5	75,380	75,212	-	-	-
Property, plant and equipment	8	10,793,362	10,433,506	8,956,037	-	-
Deferred tax assets		5,203,849	5,708,350	4,197,158	968,593	-
Goodwill	9	78,520,225	77,666,974	109,882,282	-	-
Other intangible assets	10	22,166,587	21,576,871	41,084,375	-	-
Other financial assets	11	-	-	-	56,785,468	35,306,405
<b>Total non-current assets</b>		<b>116,759,403</b>	<b>115,460,913</b>	<b>164,119,852</b>	<b>57,754,061</b>	<b>35,306,405</b>
<b>Total assets</b>		<b>188,619,498</b>	<b>180,753,929</b>	<b>230,842,957</b>	<b>65,076,585</b>	<b>38,081,661</b>
<b>Current liabilities</b>						
Trade and other payables	12	12,774,174	16,688,558	14,009,534	10,080	-
Borrowings	13	9,582,493	88,697,614	90,733,850	-	-
Current tax liabilities		-	1,888,464	461,844	-	970,015
Provisions	14	3,138,251	3,016,748	3,002,854	-	-
Other liabilities	15	1,451,032	650,787	350,517	-	-
Other financial liabilities	16	2,376,019	11,689,868	4,787,396	-	-
<b>Total current liabilities</b>		<b>29,321,969</b>	<b>122,632,039</b>	<b>113,345,995</b>	<b>10,080</b>	<b>970,015</b>
<b>Non-current liabilities</b>						
Borrowings	13	95,966,256	-	3,436,579	37,225,510	6,050,599
Deferred tax liabilities		1,448,432	1,272,188	3,792,901	-	-
Provisions	14	369,750	353,608	237,065	-	-
Other liabilities	15	1,664,670	2,466,360	1,657,215	-	-
Other financial liabilities	16	415,000	-	-	-	-
<b>Total non-current liabilities</b>		<b>99,864,108</b>	<b>4,092,156</b>	<b>9,123,760</b>	<b>37,225,510</b>	<b>6,050,599</b>
<b>Total liabilities</b>		<b>129,186,077</b>	<b>126,724,195</b>	<b>122,469,755</b>	<b>37,235,590</b>	<b>7,020,614</b>
<b>Net assets</b>		<b>59,433,421</b>	<b>54,029,734</b>	<b>108,373,202</b>	<b>27,840,995</b>	<b>31,061,047</b>
<b>Equity</b>						
Issued capital	17	31,785,504	31,770,805	31,770,805	31,785,504	31,770,805
Reserves	18	7,174,191	6,241,293	3,406,526	-	-
Retained earnings / (Accumulated losses)	19	10,736,359	4,349,477	47,401,796	(3,944,509)	(709,758)
Equity attributable to equity holders of the parent		49,696,054	42,361,575	82,579,127	27,840,995	31,061,047
Non-controlling interest	20	9,737,367	11,668,159	25,794,075	-	-
<b>Total equity</b>		<b>59,433,421</b>	<b>54,029,734</b>	<b>108,373,202</b>	<b>27,840,995</b>	<b>31,061,047</b>

Notes to the financial statements are included on pages 12 to 35

The PAS Group Pty Ltd  
Statement of changes in equity

Statement of changes in equity  
for the financial year ended 30 June 2012

Consolidated	Fully paid ordinary shares	Retained earnings	Foreign Currency Translation Reserve	Non-controlling Interest Purchase Reserve	Hedge Reserve	Total attributable to equity holders of the parent	Non-controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	31,770,805	47,336,708	1,972	3,428,565	(22,451)	82,515,599	25,772,378	108,287,977
Loss for the year	-	(42,987,231)	-	-	-	(42,987,231)	(10,265,527)	(53,252,758)
Other comprehensive income	-	-	(83,532)	-	(518,336)	(601,868)	(174,746)	(776,614)
Total comprehensive income	-	(42,987,231)	(83,532)	-	(518,336)	(43,589,099)	(10,440,273)	(54,029,372)
Non-controlling interest acquired during the year	-	-	-	-	-	-	(3,507,979)	(3,507,979)
Non-controlling interest Purchase Reserve	-	-	-	3,435,075	-	3,435,075	-	3,435,075
Dividends paid to non-controlling shareholder	-	-	-	-	-	-	(155,967)	(155,967)
<b>Balance at 30 June 2011</b>	31,770,805	4,349,477	(81,560)	6,863,640	(540,787)	42,361,575	11,668,159	54,029,734
<b>Balance at 1 July 2011</b>	31,770,805	4,349,477	(81,560)	6,863,640	(540,787)	42,361,575	11,668,159	54,029,734
Profit for the year	-	6,386,882	-	-	-	6,386,882	639,319	7,026,201
Other comprehensive income	-	-	(11,453)	-	(873,333)	(884,786)	77,570	(807,216)
Total comprehensive income	-	6,386,882	(11,453)	-	(873,333)	5,502,096	716,889	6,218,985
Non-controlling interest acquired during the year	-	-	-	-	-	-	(2,647,682)	(2,647,682)
Non-controlling interest Purchase Reserve	-	-	-	1,817,684	-	1,817,684	-	1,817,684
Share capital raised	14,699	-	-	-	-	14,699	-	14,699
<b>Balance at 30 June 2012</b>	31,785,504	10,736,359	(93,013)	8,681,324	(1,414,120)	50,308,587	9,737,367	59,433,421

Notes to the financial statements are included on pages 12 to 35

**The PAS Group Pty Ltd**  
Statement of changes in equity

**Statement of changes in equity  
for the financial year ended 30 June 2012**

Company	Fully paid ordinary shares \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2010</b>	31,770,805	(575,959)	31,194,846
Loss for the year	-	(133,799)	(133,799)
Other comprehensive income	-	-	-
Total comprehensive income	-	(133,799)	(133,799)
<b>Balance at 30 June 2011</b>	31,770,805	(709,758)	31,061,047
<b>Balance at 1 July 2011</b>	31,770,805	(709,758)	31,061,047
Loss for the year	-	(3,234,751)	(3,234,751)
Other comprehensive income	-	-	-
Total comprehensive income	-	(3,234,751)	-
Share capital raised	14,699	-	14,699
<b>Balance at 30 June 2012</b>	31,785,504	(3,944,509)	27,840,995

**Statement of cash flows  
for the financial year ended 30 June 2012**

	Note	Consolidated		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		242,502,638	275,876,093	-	-
Payments to suppliers and employees		(221,476,167)	(255,411,145)	(585)	-
Interest received		446,381	170,192	363,356	138,439
Income tax (paid)/refunded		(3,313,804)	(2,208,459)	692,286	(9,927)
Interest and other costs of finance paid		(7,876,491)	(8,176,549)	-	-
Net cash provided by operating activities	23(c)	10,282,557	10,250,132	1,055,057	128,512
<b>Cash flows from investing activities</b>					
Payment for business/investments	23(b)	(4,462,827)	(344,248)	(20,000,000)	-
Payment for property, plant and equipment		(5,021,324)	(4,878,914)	-	-
Payment to acquire intangible assets		(711,907)	(4,266)	-	-
Proceeds from sale of property, plant and equipment		27,498	50,334	-	-
Net cash used in investing activities		(10,168,560)	(5,177,094)	(20,000,000)	-
<b>Cash flows from financing activities</b>					
Repayment of borrowings		(833,300)	(17,336,795)	-	-
Finance lease repayments		(32,830)	-	-	-
Proceeds from borrowings (S/holder loan)		25,000,003	-	25,000,003	-
Repayment of borrowings from related parties		-	-	(1,522,285)	(49,139)
Dividends paid to non-controlling shareholders		-	(155,967)	-	-
Share Capital Issued		14,699	-	14,699	-
Net cash provided by/(used in) financing activities		24,148,572	(17,492,762)	23,492,417	(49,139)
<b>Net (decrease)/increase in cash and cash equivalents</b>					
		24,262,569	(12,419,724)	4,547,474	79,373
Movements due to translation of foreign operations		(37,258)	-	-	-
<b>Cash and cash equivalents at the beginning of the financial year</b>					
		(3,772,544)	8,647,180	2,775,050	2,695,677
<b>Cash and cash equivalents at the end of the financial year</b>					
	23(a)	20,452,767	(3,772,544)	7,322,524	2,775,050

## 1. General information

The PAS Group Pty Ltd (the company) is a proprietary company, incorporated in Australia and operating principally in Australia.

The PAS Group Pty Ltd is owned:

- 89.54% (2011: 87.71%) by Propel Private Equity Fund II L.P., Macquarie Investment Management Ltd, J.P. Morgan Nominees Australia Limited (2011: SAS Trustee Corporation) and Dalziel Superannuation Pty Limited
- 10.46% (2011: 12.29%) by individual members of The PAS Group Pty Ltd management

The companies registered office and its principal place of business is:

17 Hardner Road  
MOUNT WAVERLEY VIC 3149

## 2. Adoption of new and revised Accounting Standards

### 2.1 Standards and Interpretations affecting amounts reported in the current period (and/ or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2

#### Standards affecting presentation and disclosure

Amendments to AASB 101  
'Presentation of Financial  
Statements'

The amendments (part of AASB 2020-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

AASB 1054 'Australian Additional  
Disclosures' and AASB 2011-1  
'Amendments to Australian  
Accounting Standards arising from  
Trans-Tasman Convergence Project'

AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted to IFRSs.

The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Company is a for-profit or not-for-profit entity.



**2. Adoption of new and revised Accounting Standards (cont'd)****2.2 Standards and Interpretations adopted with no effect on financial statements**

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect accounting for future transactions or arrangements.

AASB 2009-12 'Amendments to Australian Accounting Standards'	The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which includes AASB 108. The application of AASB 2009-12 has not had any material effect on amounts reported in the financial statements.
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which includes AASB 101 and AASB 107. The application of AASB 2010-5 has not had any material effect on amounts reported in the financial statements.

**2.3 Standards and Interpretations in issue not yet adopted**

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 'Financial Instruments', AASB-2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010)	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014

**2. Adoption of new and revised Accounting Standards (cont'd)****2.3 Standards and Interpretations in issue not yet adopted (cont'd)**

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 June 2014

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

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

The potential effect of the revised Standards/ Interpretations on the Company's financial statements has not yet been determined.

### 3. Significant accounting policies

#### Financial reporting framework

The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

#### Statement of compliance

The financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements' and AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 1054 'Australian Additional Disclosures'.

#### Basis of preparation

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

#### Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, 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 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. Refer to Note 3(u) for a discussion of critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

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

#### **(a) Borrowing costs**

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate 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.

#### **(b) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash which are subjected to an insignificant risk of change in value and have maturity of three months or less at the date of acquisition.

Bank overdrafts are shown within borrowings in the current liabilities in the Statement of Financial Position.

### 3. Significant accounting policies (cont'd)

#### (c) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

#### (d) Financial assets

##### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

##### Investment

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in associates are accounted for under the equity method.

##### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**3. Significant accounting policies (cont'd)****(d) Financial assets (cont'd)**

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity

Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

**(e) Financial instruments issued by the company**Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity 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.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

**(f) Foreign currency**Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except when exchange differences, which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; or exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Foreign operations

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

### 3. Significant accounting policies (cont'd)

#### (g) 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 company's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group 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.

#### (h) Impairment of long-lived assets excluding goodwill

At each reporting date, the company 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 asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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.

#### (i) 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 Pty Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach.

### 3. Significant accounting policies (cont'd)

#### (i) Income tax (cont'd)

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

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

Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

#### Current tax

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

#### Deferred tax

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the company 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.

**3. Significant accounting policies (cont'd)****(i) Income tax (cont'd)**

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.

**(j) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**(k) Principles 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 127 'Consolidated and Separate Financial Statements'. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

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

**(l) Joint venture arrangements**

Interests in jointly controlled entities are accounted for under the equity method.

**(m) Leased assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



**3. Significant accounting policies (cont'd)****(m) Leased assets**Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(n) Payables**

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

**(o) Property, 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. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis or diminishing value 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 estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

**(p) Provisions**

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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) Revenue**

Sale of goods and Disposal of Other Assets: Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest revenue: Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Rebates and Returns: Revenue is reduced for estimated customer returns, rebates and other similar allowances.

**3. Significant accounting policies (cont'd)****(q) Revenue (cont'd)**

Royalties: Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably) 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.

**(r) Goods and services tax**

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

- i. 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
- ii. 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.

**(s) 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 acquire. 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:

- 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;
- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- 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.

**3. Significant accounting policies (cont'd)****(s) Business combinations (cont'd)**

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 the non-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 that 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, 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 (ie 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.

The policy described above is applied to all business combinations that take place on or after 1 July 2009.

**(t) Derivative financial instruments**

The company and the group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The company and the group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

### 3. Significant accounting policies (cont'd)

#### (t) Derivative financial instruments

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

##### Hedge accounting

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

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company 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 hedge

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

Hedge accounting is discontinued when the company revokes the hedging relationship, 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 hedge

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

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the Statement of Comprehensive Income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

**3. Significant accounting policies (cont'd)****(u) Critical accounting adjustments and key sources of estimation uncertainty****Critical judgements in applying the entity's accounting policies**

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

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.

**Key sources of estimation uncertainty**

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 or elsewhere in the financial statements.

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

Determining whether intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash generating units to which the asset has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit, and a suitable discount rate in order to calculate present value. The carrying amount of intangible assets with indefinite lives at the balance date was \$100,686,812 (2011: \$99,243,845) (consolidated). The directors have assessed that no impairment charge of is required for the year ended 30 June 2012.

Useful lives of property, plant and equipment

As described in the Note 3(o), the company 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.

**(v) Intangible Assets**

Brand names recognised by the company and consolidated entity have an indefinite useful life and are not amortised.

Each period, the useful life of this asset in reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asst. Such assets are tested for impairment in accordance with the policy stated in note 3(h).

**The PAS Group Pty Ltd**  
Notes to the financial statements

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>4. Profit/(Loss) for the year from continuing operations</b>				
Sales revenue	223,187,093	224,109,038	-	-
Other gains and losses				
Royalty income	292,703	223,004	-	-
Other revenue	738,515	1,275,160	-	-
Foreign exchange losses	(177,724)	(5,415,376)	-	-
Hedge ineffectiveness on cash flow hedges – interest rate swaps	-	(569,888)	-	-
Loss on sale of non-current assets	15,732	(730)	-	-
	869,226	(4,487,830)	-	-
Bad and doubtful debts - trade debtors	75,100	313,935	-	-
Depreciation and amortisation of non-current assets	4,404,412	3,417,883	-	-
Impairment :				
Goodwill	-	22,703,469	-	-
Other intangible assets	-	18,447,362	-	-
Property, plant and equipment	-	1,037,621	-	-
	-	42,188,452	-	-
Finance Costs:				
Amortisation of deferred borrowing costs	809,619	900,885	198,045	-
Interest - related parties	5,302,718	764,501	4,706,461	306,396
Interest expense – other	8,165,511	7,924,743	-	-
Interest income - other	(422,976)	(161,262)	(303,594)	(138,440)
	13,854,872	9,428,867	4,600,912	167,956
Rental expense relating to operating leases				
Minimum lease payments	23,302,780	20,278,730	-	-
<b>5. Trade and other receivables</b>				
Current				
Trade receivables	27,240,249	21,729,875	-	-
Allowance for doubtful debts	(139,076)	(93,237)	-	-
	27,101,173	21,636,638	-	-
Trade discounts and rebates	(1,202,356)	(348,864)	-	-
Other receivables	1,027,083	1,500,622	-	206
	26,925,900	22,788,396	-	206
Non-current				
Other receivables	75,380	75,212	-	-
	27,001,280	22,863,608	-	-

**The PAS Group Pty Ltd**  
Notes to the financial statements

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>6. Inventory</b>				
Raw material	1,182,926	1,894,746	-	-
Stock in transit	2,359,897	4,041,312	-	-
Work in progress	823,644	3,181,089	-	-
Finished goods	11,717,701	20,175,759	-	-
	<b>16,084,168</b>	<b>29,292,906</b>	<b>-</b>	<b>-</b>
<b>7. Other current assets</b>				
Prepayments	6,251,994	4,406,114	-	-
Other	1,307,120	969,347	-	-
	<b>7,559,114</b>	<b>5,375,461</b>	<b>-</b>	<b>-</b>

**8. Property, plant and equipment**

Consolidated	Cost \$	Accumulated depreciation \$	Impairment \$ (i)	Total \$
<b>2012</b>				
Plant and equipment	29,325,446	(17,494,464)	(1,037,620)	10,793,362
	<b>29,325,446</b>	<b>(17,494,464)</b>	<b>(1,037,620)</b>	<b>10,793,362</b>
<b>2011</b>				
Plant and equipment	25,191,536	(13,732,327)	(1,037,621)	10,421,588
Motor vehicles	136,716	(136,716)	-	-
Leased assets	63,516	(51,598)	-	11,918
	<b>25,391,768</b>	<b>(13,920,641)</b>	<b>(1,037,621)</b>	<b>10,433,506</b>

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 1 - 20 years
- Motor vehicles 1 - 7 years

(i) During the prior year, as a result of the challenging retail environment in the accessories and classic brands businesses, the consolidated entity carried out a review of the recoverable amount of assets. The review led to the recognition of an impairment loss of \$1,037,621, which has been recognised in profit and loss. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate used in measuring value in use was 14.9% per annum. The impairment losses have been included in the line item impairment expense in the statement of comprehensive income.

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>9. Goodwill</b>				
Cost	111,048,325	110,195,074	-	-
Accumulated impairment (i)	(32,528,100)	(32,528,100)	-	-
	<b>78,520,225</b>	<b>77,666,974</b>	<b>-</b>	<b>-</b>

(i) During the prior year, as a result of the challenging retail environment in the accessories and classic brands businesses, the consolidated entity carried out a review of the recoverable amount of assets. The review led to the recognition of an impairment loss of \$52,075,462 (goodwill of \$32,528,100 and other intangible assets of \$19,547,362 – refer note 10), which has been recognised in profit and loss. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate used in measuring value in use was 14.9% per annum. The impairment losses have been included in the line item impairment expense in the statement of comprehensive income.

**The PAS Group Pty Ltd**  
Notes to the financial statements

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>10. Other intangible assets</b>				
Trademarks				
Cost	501,632	404,619	-	-
Accumulated depreciation	(125,381)	(23,394)	-	-
	376,251	381,225	-	-
Brandnames <sup>(i)</sup>				
Cost	40,627,362	40,627,362	-	-
Accumulated impairment <sup>(ii)</sup>	(19,547,362)	(19,547,362)	-	-
	21,080,000	21,080,000	-	-
Software				
Cost	259,748	-	-	-
Accumulated amortisation	-	-	-	-
	259,748	-	-	-
Web site development costs				
Gross carrying amount	708,465	257,877	-	-
Accumulated depreciation	(257,877)	(142,231)	-	-
	450,588	115,646	-	-
	22,166,587	21,576,871	-	-

<sup>(i)</sup> The brandnames were valued at relevant acquisition dates by Pitcher Partners using the relief from royalty method.

<sup>(ii)</sup> Refer note 9(i)

<b>11. Other financial assets</b>				
Loans to Subsidiaries:				
Designworks Holdings Pty Ltd	-	-	539,462	539,462
Metalicus Pty Ltd	-	-	3,996,944	3,996,944
Chestnut Apparel Pty Ltd	-	-	18,478,256	16,999,192
Shares in controlled entities <sup>(i)</sup>	-	-	33,770,807	13,770,807
	-	-	56,785,469	35,306,405

<sup>(i)</sup> Refer to note 24 for disclosure of controlled entities.

<b>12. Trade and other payables</b>				
Trade payables	2,471,951	7,714,717	-	-
Accruals	8,417,920	5,622,276	10,080	-
Goods and services tax payable	1,258,410	3,225,473	-	-
Other payables and accruals	625,893	126,092	-	-
	12,774,174	16,688,558	10,080	-
<b>13. Borrowings</b>				
<b>Current</b>				
<b>Secured – at amortised cost:</b>				
Finance Lease liability <sup>(i)</sup>	-	32,830	-	-
Bank overdraft <sup>(ii)</sup>	528,793	11,103,839	-	-
Borrowings <sup>(ii) (iii)</sup>	9,053,700	74,157,196	-	-
	9,582,493	85,293,865	-	-



**The PAS Group Pty Ltd**  
Notes to the financial statements

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>13. Borrowings (cont)</b>				
<b>Current</b>				
<b>Unsecured – at amortised cost:</b>				
Loan from non-controlling shareholder of controlled entity	-	3,403,749	-	-
	9,582,493	88,697,614	-	-
<b>Non-current</b>				
<b>Secured – at amortised cost:</b>				
Borrowings <sup>(ii) (iii)</sup>	64,270,196	-	-	-
Capitalised interest	547,940	-	-	-
Deferred borrowing costs	(1,832,219)	-	-	-
	62,985,917	-	-	-
<b>Unsecured – at amortised cost:</b>				
Loans from related parties:				
Shareholder Loan	30,128,546	-	30,128,546	-
Deferred borrowing costs	(551,956)	-	(551,956)	-
PAS Finance Pty Ltd	-	-	7,648,920	6,050,599
Loan from non-controlling shareholder of controlled entity	3,403,749	-	-	-
	32,980,339	-	37,225,510	6,050,599
	95,966,256	-	37,225,510	6,050,599
	105,548,749	88,697,614	37,225,510	6,050,599
(i) Secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.				
(ii) Secured by a first ranking fixed and floating charge over the assets and undertakings of the company and its controlled entities.				
(iii) On 28 July 2011, the company refinanced its debt with its existing financiers. The debt facility has a 3 year tenure.				
<b>14. Provisions</b>				
<b>Current</b>				
Employee benefits	3,138,251	3,016,748	-	-
<b>Non-current</b>				
Employee benefits	369,750	353,608	-	-
<b>15. Other liabilities</b>				
<b>Current</b>				
Lease incentives	1,451,032	650,787	-	-
<b>Non-current</b>				
Lease incentives	1,664,670	2,466,360	-	-
<b>16. Other financial liabilities</b>				
<b>Current</b>				
Interest rate swap contracts	2,020,172	-	-	-
Deferred consideration	-	3,200,000	-	-
Foreign currency forward contracts	355,847	8,489,868	-	-
	2,376,019	11,689,868	-	-
<b>Non Current</b>				
Deferred consideration	415,000	-	-	-

**The PAS Group Pty Ltd**  
Notes to the financial statements

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>17. Issued capital</b>				
9,799,354 fully paid ordinary shares (2011: 8,329,450)	31,785,504	31,770,805	31,785,504	31,770,805

Consolidated & Company Fully paid ordinary shares	2012		2011	
	No.	\$	No.	\$
Balance at beginning of financial year	8,329,450	31,770,805	8,329,450	31,770,805
Issue of shares	1,469,904	14,699	-	-
Share issue costs	-	-	-	-
Balance at end of the financial year	9,799,354	31,785,504	8,329,450	31,770,805

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

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>18. Reserves</b>				
Hedge Reserve	(1,414,120)	(540,787)	-	-
Non-controlling Interest Purchase Reserve	8,681,324	6,863,640	-	-
Foreign Currency Translation Reserve	(93,013)	(81,560)	-	-
	7,174,191	6,241,293	-	-
<b>Hedge Reserve</b>				
Balance at beginning of financial year	(540,787)	(22,451)	-	-
Gain/(loss) recognised on cash flow hedges				
Forward foreign exchange contracts	-	(782,011)	-	-
Interest rate swaps	-	-	-	-
Income tax related to gains/losses recognised in other comprehensive income	-	234,603	-	-
Reclassified to profit or loss				
Forward foreign exchange contracts	782,011	(763,995)	-	-
Interest rate swaps	(2,020,171)	796,027	-	-
Income tax related to amounts reclassified to profit or loss	364,827	(2,960)	-	-
Balance at end of financial year	(1,414,120)	(540,787)	-	-

The hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit and loss, or is included as a basis adjustment to the non financial hedged item, consistent with the applicable accounting policy.

**The PAS Group Pty Ltd**  
Notes to the financial statements

**18. Reserves (cont'd)**

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>Non-controlling Interest Purchase Reserve</b>				
Balance at beginning of financial year	6,863,640	3,428,565	-	-
Non-controlling Interest Purchases	1,817,684	3,435,075	-	-
Balance at end of financial year	8,681,324	6,863,640	-	-

The non-controlling interest purchase reserve represents the difference between the consideration paid for the non-controlling interest and the sum of the issued capital and retained earnings relating to the acquired issued capital.

**Foreign Currency Translation Reserve**

Balance at beginning of financial year	(81,560)	1,972	-	-
Translation of foreign operations	(11,453)	(83,532)	-	-
Balance at end of financial year	(93,013)	(81,560)	-	-

Breakaway's New Zealand wholesale and retail businesses both operate out of a subsidiary and a branch in New Zealand. Breakaway Apparel Pty Limited has determined that both the subsidiary and branch have a functional currency of New Zealand dollars. Exchange differences relating to the translation from the functional currency of the foreign operation into Australian dollars (being the company's functional and presentation currency) are brought to account by entries made directly to the foreign currency translation reserve.

**19. Retained earnings/(Accumulated losses)**

Balance at beginning of financial year	4,349,477	47,336,708	(709,758)	(575,959)
(Loss) / Profit for the year	6,386,882	(42,987,231)	(3,234,751)	(133,799)
Balance at end of financial year	10,736,359	4,349,477	(3,944,509)	(709,758)

**20. Non-controlling interest**

Non-controlling interest in controlled entities comprises:

Issued capital	6,852,407	15,718,421	-	-
Reserves	(6,992)	(84,562)	-	-
Retained profits / (Accumulated losses)	2,891,952	(3,965,700)	-	-
	9,737,367	11,668,159	-	-

**21. Dividends**

No dividends were declared or paid during the financial year (2011: Nil).

Adjusted franking account balance	51,376,927	50,709,088	22,031,553	18,583,633
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**22. Commitments for expenditure****Operating lease expenditure**

Non-cancellable operating lease payments:

Not longer than 1 year	8,716,379	12,324,797	-	-
Longer than 1 year and not longer than 5 years	29,312,683	32,259,043	-	-
Longer than 5 years	1,184,630	2,242,095	-	-
	39,213,692	46,825,935	-	-

**The PAS Group Pty Ltd**  
Notes to the financial statements

**23. Notes to the cash flow statement****(a) Reconciliation of cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Cash and cash equivalents	20,981,560	7,331,295	7,322,524	2,775,050
Bank overdraft	(528,793)	(11,103,839)	-	-
	20,452,767	(3,772,544)	7,322,524	2,775,050

**(b) Businesses acquired**

During the current and prior period there were no new acquisitions. Payments were made for prior acquisitions and the acquisition of non-controlling interests as detailed below.

	Consolidated	
	2012 \$	2011 \$
<b>Consideration</b>		
Deferred Consideration – prior year acquisition <sup>(ii)</sup>	3,200,000	-
Additional interest acquired in subsidiaries <sup>(i)</sup>	415,000	72,907
Acquisition costs - prior year acquisitions <sup>(ii)</sup>	847,827	271,341
<b>Net cash outflow on acquisition</b>	4,462,827	344,248

<sup>(i)</sup> This relates to the non-controlling interest acquisitions of Capelle.

<sup>(ii)</sup> This relates to the acquisition of Metalicus.

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>(c) Reconciliation of profit / (loss) for the year to net cash flows from operating activities</b>				
Profit/(loss) for the year	7,026,201	(53,252,758)	(3,234,751)	(133,799)
Amortisation of deferred borrowing costs	-	900,885	-	-
Depreciation and amortisation	4,473,545	4,108,062	-	-
Lease Incentives	(60,554)	-	-	-
Impairment of intangible assets	-	53,113,083	-	-
Net loss of sale of plant and equipment	(27,495)	1,212	-	-
Decrease in amounts due under the tax-funding arrangement <sup>(i)</sup>	-	-	1,244,571	(642,630)
Unrealised foreign exchange losses / (gains)	(7,438,517)	5,492,812	-	-
Unrealised Interest rate swap loss/(gain)	-	569,888	-	-
Interest accrued not paid	7,639,837	95,949	4,766,224	306,386
<i>(Increase)/decrease in assets:</i>				
Current trade and other receivables	(4,783,642)	2,574,369	9,291	264,255
Current tax assets	(769,963)	(158,904)	(965,569)	-
Deferred tax assets	1,832,937	(1,527,504)	(3,024)	-
Inventory	13,208,738	(1,394,361)	-	-
Other assets	(1,629,523)	(1,257,513)	-	-

**The PAS Group Pty Ltd**  
Notes to the financial statements

**23. Notes to the cash flow statement (cont'd)**

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>(c) Reconciliation of profit / (loss) for the year to net cash flows from operating activities (cont'd)</b>				
Other non-current assets	-	(75,212)	-	-
<i>Increase/(decrease) in liabilities:</i>				
Trade and other payables	(5,981,764)	2,679,236	10,279	-
Provisions	137,645	130,437	-	-
Deferred tax liability	176,245	(2,520,714)	-	-
Current tax liability	(1,886,961)	1,252,750	(970,015)	334,300
Capitalised borrowing costs	(1,634,172)	-	198,051	-
Other liabilities	-	(481,585)	-	-
Other financial liabilities	-	-	-	-
<b>Net cash from operating activities</b>	<b>10,282,557</b>	<b>10,250,132</b>	<b>1,055,057</b>	<b>128,512</b>

<sup>(i)</sup> The PAS Group taxation payments are made by a subsidiary entity

**(d) Financing facilities**

## Secured working capital facility:

• amount used	528,793	11,103,839	-	-
• amount unused	19,471,207	8,896,161	-	-
	20,000,000	20,000,000	-	-

## Secured bank loans

• amount used	73,323,896	74,157,196	-	-
• amount unused	-	3,000,000	-	-
	73,323,896	77,157,196	-	-

## Shareholder loans

• amount used	30,128,546	-	30,128,546	-
• amount unused	-	-	-	-
	30,128,546	-	30,128,546	-

**The PAS Group Pty Ltd**  
Notes to the financial statements

**24. Subsidiaries**

Name of entity	Country of incorporation	Ownership interest	
		2012 %	2011 %
<b>Subsidiaries</b>			
Chestnut Apparel Pty Ltd <sup>(v)</sup>	Australia	100%	100%
PAS Finance Pty Ltd <sup>(iv) (v)</sup>	Australia	100%	100%
Yarra Trail Holdings Pty Ltd <sup>(v)</sup>	Australia	100%	100%
Yarra Trail Pty Ltd <sup>(i) (v)</sup>	Australia	100%	100%
Breakaway Apparel Pty Ltd	Australia	83%	83%
Breakaway NZ Clothing Group Ltd <sup>(i)</sup>	New Zealand	100%	100%
Designworks Holdings Pty Ltd <sup>(v)</sup>	Australia	100%	100%
Designworks Clothing Company Pty Ltd <sup>(i) (v)</sup>	Australia	100%	100%
World Brands Pty Ltd <sup>(i) (v)</sup>	Australia	100%	100%
The Hopkins Group Aust Pty Ltd	Australia	75%	75%
Review Australia Pty Ltd <sup>(v)</sup>	Australia	100%	100%
Fiorelli Licensing Pty Ltd <sup>(iii) (v)</sup>	Australia	100%	51%
The Capelle Group Pty Ltd <sup>(ii) (v)</sup>	Australia	100%	73.5%
Metalicus Pty Ltd <sup>(v)</sup>	Australia	100%	100%

<sup>(i)</sup> Subsidiary of above entity

<sup>(ii)</sup> Additional shares totalling 26.5% were acquired on 30/08/2011.

<sup>(iii)</sup> Additional shares totalling 49% were acquired on 30/08/2011.

<sup>(iv)</sup> The wholly-owned subsidiaries have entered into a deed of cross guarantee during the financial year with PAS Finance Pty Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

<sup>(v)</sup> Member of the tax consolidated group

	Consolidated		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>25. Remuneration of auditors</b>				
<b>Auditor of the parent entity</b>				
Audit or review of the financial report	275,355	384,612	13,520	13,000
Taxation services	63,400	68,000	20,200	900
	338,755	452,612	33,720	13,900

The auditor is Deloitte Touche Tohmatsu.

## 26. Prior Period Restatements

During the financial year errors were discovered in the 30 June 2011 and 30 June 2010 financial statements of a subsidiary, The Hopkins Group Australia Pty Ltd.

The following changes have been made to correct the errors noted in the 30 June 2011 and 1 July 2010 comparative opening balance statement of financial position.

- Trade receivables were overstated at 30 June 2011 by \$953,969, including \$481,792 relating to 1 July 2010.
- Inventory has decreased by \$327,880 at 30 June 2011 and \$271,367 at 1 July 2010.
- Other current assets have decreased at 30 June 2011 by \$283,344 and \$110,059 at 1 July 2010.
- Trade payables have increased by \$306,710 at 30 June 2011.
- The tax impact of the above errors was to increase the current tax asset (tax refund owed) by \$172,182 at 30 June 2011 and deferred tax asset \$258,9653 at 1 July 2010.
- The profit impact of the errors was to decrease 30 June 2011 profit after tax by \$1,008,688.

## 27. Discontinued operations

### (a) Cessation of The Capelle Group Pty Limited principal activities.

During the financial year a subsidiary, The Capelle Group Pty Limited, discontinued its principal activity of design and wholesale of women's and men's accessories.

### (b) Analysis of loss for the year from discontinued operations

	2012 \$	2011 \$
Loss for the year from discontinued operations		
Revenue	12,533,762	22,556,202
Other gains / (losses)	632,657	(469,257)
	13,166,419	22,086,945
Expenses	(14,707,200)	(36,117,158)
Loss before tax	(1,540,781)	(14,030,213)
Attributable income tax benefit/(expense)	977,427	(54,454)
	(563,354)	(14,084,667)
<b>Cash flows from discontinued operations</b>		
Net cash inflow/(outflow) from operating activities	3,718,732	(83,068)
Net cash inflow/(outflow) from investing activities	(57,370)	(383,691)
Net cash inflow/(outflow) from financing activities	(3,310,000)	(514,000)
<b>Net cash inflow/(outflow)</b>	351,362	(980,759)

