Australian Securities & Investments Commission

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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
30-06-2013

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?
232411315

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
193559672

How many employees are employed by the large proprietary company and the entities that it controls?
1192

How many members does the large proprietary company have?
6

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

No

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

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

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

Authentication

This form has been submitted by
Name Derrick KROWITZ
Date 25-10-2013

For more help or information

Web	www.asic.gov.au
Ask a question?	www.asic.gov.au/question
Telephone	1300 300 630

The PAS Group Pty Ltd

ACN 117 244 943

Special Purpose financial report for the financial year ended 30 June 2013

Annual financial report
for the financial year ended 30 June 2013

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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 2013. 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
- Fraser Henderson (resigned 28 February 2013)
- Rodney Walker
- Peter Dowding (resigned 28 February 2013, appointed alternative director on 11 June 2013)
- Andrew Savage (appointed 29 April 2013)
- David Fenlon (appointed 29 April 2013)
- Michael Lukin (appointed 29 April 2013)
- Jennifer Weinstock (alternative director appointed 6 May 2013)

The above named directors held office during and since the end of the financial year, except as noted above.

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.

Review of operations

In the 12 months under review the consolidated entity has delivered EBITDA from continuing operations of $29,789,868 (2012: $29,492,333) and profit after tax of $8,332,491 (2012: $7,026,201).

Changes in state of affairs

There was no significant change 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.

Social Responsibility

The PAS Group of companies are committed to operating their businesses ethically, responsibly and with integrity. The PAS Group values high standards of quality, excellence, human dignity and compliance with the law. Through our brands, employees and business policies we aim to promote socially responsible trade practices which promote business integrity, safe work practices with no use of child labour, as well as fair wages and work conditions.

Dividends

In respect of the financial years ended 30 June 2013 and 30 June 2012, 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 3.

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, 26 September 2013

Deloitte.

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

26 September 2013

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 2013, 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
DELOITTE TOUCHE TOHMATSU

G J McLean

G J McLean
Partner
Chartered Accountants

Deloitte.

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 2013, the statement of profit or loss and other 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 35.

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 2013 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

DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants
Melbourne, 26 September 2013

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, 26 September 2013

Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2013

		Consolidated		Company	
	Note	2013 $	2012 $	2013 $	2012 $
Continuing operations					
Revenue	4	232,411,315	223,187,093	-	-
Cost of sales		(98,310,767)	(97,189,523)	-	-
Gross profit		134,100,548	125,997,570	-	-
Other gains and losses	4	819,438	869,226	-	-
Employee benefit expenses	4	(52,862,972)	(48,014,954)	-	-
Selling and distribution expenses		(12,846,174)	(12,290,587)	-	-
Occupancy expenses		(26,038,025)	(24,351,290)	-	-
Marketing expenses		(5,473,685)	(5,054,437)	-	-
Administration expenses		(7,909,263)	(7,663,195)	(10,337)	(20,161)
Earnings before interest, tax, depreciation and amortization		29,789,868	29,492,333	(10,337)	(20,161)
Depreciation and amortisation expense	4	(4,830,841)	(4,404,412)	-	-
Net finance costs	4	(13,874,899)	(13,854,872)	(5,960,025)	(4,600,912)
Profit / (Loss) before tax		11,084,128	11,233,049	(5,970,362)	(4,621,073)
Income tax (expense)/benefit		(2,751,637)	(3,643,494)	2,041,733	1,386,322
Profit / (Loss) for the year from continuing operations		8,332,491	7,589,555	(3,928,629)	(3,234,751)
Discontinued operations					
Loss for the year from discontinuing operations	26	-	(563,354)	-	-
Profit / (Loss) for the year		8,332,491	7,026,201	(3,928,629)	(3,234,751)
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		54,262	(21,755)	-	-
Net gain/(loss) on cash flow hedges		1,989,309	(785,461)	-	-
Other comprehensive income for the year (net of tax)		2,043,571	(807,216)	-	-
Total comprehensive income for the year		10,376,062	6,218,985	(3,928,629)	(3,234,751)
Profit / (Loss) Attributable to:					
Non-controlling interests		1,127,658	639,319	-	-
Owners of the company	19	7,204,833	6,386,882	(3,928,629)	(3,234,751)
		8,332,491	7,026,202	(3,928,629)	(3,234,751)
Total comprehensive income Attributable to:					
Non-controlling interests		1,242,842	716,890	-	-
Owners of the company		9,133,220	5,502,095	(3,928,629)	(3,234,751)
		10,376,062	6,218,985	(3,928,629)	(3,234,751)

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

Statement of financial position as at 30 June 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Current assets					
Cash and cash equivalents	23(a)	19,905,492	20,981,560	7,838	7,322,524
Trade and other receivables	5	26,873,917	26,925,900	-	-
Inventories	6	20,110,083	16,084,168	-	-
Current tax assets		461,584	309,353	461,584	-
Other current assets	7	6,982,257	7,559,114	92	-
Total current assets		74,333,333	71,860,095	469,514	7,322,524
Non-current assets					
Trade and other receivables	5	62,167	75,380	-	-
Property, plant and equipment	8	11,603,395	10,793,362	-	-
Deferred tax assets		5,152,786	5,203,849	668,727	968,593
Goodwill	9	78,539,225	78,520,225	-	-
Other intangible assets	10	23,868,766	22,166,587	-	-
Other financial assets	11	-	-	58,448,689	56,785,468
Total non-current assets		119,226,339	116,759,403	59,117,416	57,754,061
Total assets		193,559,672	188,619,498	59,586,930	65,076,585
Current liabilities					
Trade and other payables	12	14,796,578	12,774,174	-	10,080
Borrowings	13	14,298,982	9,582,493	-	-
Current tax liabilities		939,193	-	-	-
Provisions	14	4,829,599	3,138,251	-	-
Other liabilities	15	1,763,984	1,451,032	-	-
Other financial liabilities	16	1,925,562	2,376,019	-	-
Total current liabilities		38,553,898	29,321,969	-	10,080
Non-current liabilities					
Borrowings	13	80,846,235	95,966,256	35,674,538	37,225,510
Deferred tax liabilities		1,990,447	1,448,432	26	-
Provisions	14	562,592	369,750	-	-
Other liabilities	15	1,797,017	1,664,670	-	-
Other financial liabilities	16	-	415,000	-	-
Total non-current liabilities		85,196,291	99,864,108	35,674,564	37,225,510
Total liabilities		123,750,189	129,186,077	35,674,564	37,235,590
Net assets		69,809,483	59,433,421	23,912,366	27,840,995
Equity					
Issued capital	17	31,785,504	31,785,504	31,785,504	31,785,504
Reserves	18	9,102,578	7,174,191	-	-
Retained earnings / (Accumulated losses)	19	17,941,192	10,736,359	(7,873,138)	(3,944,509)
Equity attributable to equity holders of the parent		58,829,274	49,696,054	23,912,366	27,840,995
Non-controlling interest	20	10,980,209	9,737,367	-	-
Total equity		69,809,483	59,433,421	23,912,366	27,840,995

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

Statement of changes in equity for the financial year ended 30 June 2013

Consolidated	Share capital $	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 $
Balance at 1 July 2011	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 for the year, net of income tax	-	-	(11,453)	-	(873,333)	(884,786)	77,570	(807,216)
Total comprehensive income for the year	-	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
Balance at 30 June 2012	31,785,504	10,736,359	(93,013)	8,681,324	(1,414,120)	49,696,054	9,737,367	59,433,421
Balance at 1 July 2012	31,785,504	10,736,359	(93,013)	8,681,324	(1,414,120)	49,696,054	9,737,367	59,433,421
Profit for the year	-	7,204,833	-	-	-	7,204,833	1,127,658	8,332,491
Other comprehensive income for the year, net of income tax	-	-	46,173	-	1,882,214	1,928,387	115,184	2,043,571
Total comprehensive income for the year	-	7,204,833	46,173	-	1,882,214	9,133,220	1,242,842	10,376,062
Balance at 30 June 2013	31,785,504	17,941,192	(46,840)	8,681,324	468,094	58,829,274	10,980,209	69,809,483

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

Statement of changes in equity
for the financial year ended 30 June 2013

Company	Fully paid ordinary shares $	Accumulated losses $	Total $
Balance at 1 July 2011	31,770,805	(709,758)	31,061,047
Loss for the year	-	(3,234,751)	(3,234,751)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(3,234,751)	(3,234,751)
Share capital raised	14,699	-	14,699
Balance at 30 June 2012	31,785,504	(3,944,509)	27,840,995
Balance at 1 July 2012	31,785,504	(3,944,509)	27,840,995
Loss for the year	-	(3,928,629)	(3,928,629)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(3,928,629)	(3,928,629)
Balance at 30 June 2013	31,785,504	(7,873,138)	23,912,366

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

Statement of cash flows
for the financial year ended 30 June 2013

		Consolidated		Company	
	Note	2013 $	2012 $	2013 $	2012 $
Cash flows from operating activities					
Receipts from customers		256,411,207	242,502,638	-	-
Payments to suppliers and employees		(224,007,480)	(221,476,167)	(736)	(585)
Interest received		382,746	446,381	131,005	363,356
Income tax (paid)/refunded		(2,225,150)	(3,313,804)	-	692,286
Interest and other costs of finance paid		(16,088,139)	(7,876,491)	(7,444,685)	-
Net cash provided by / (used in) operating activities	23(c)	14,473,184	10,282,557	(7,314,686)	1,055,057
Cash flows from investing activities					
Payment for business/investments	23(b)	-	(4,462,827)	-	(20,000,000)
Payment for property, plant and equipment		(3,584,578)	(5,021,324)	-	-
Payment to acquire intangible assets		(2,439,357)	(711,907)	-	-
Proceeds from sale of property, plant and equipment		-	27,498	-	-
Net cash used in investing activities		(6,023,935)	(10,168,560)	-	(20,000,000)
Cash flows from financing activities					
Repayment of borrowings		(9,051,700)	(833,300)	-	-
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)
Share Capital Issued		-	14,699	-	14,699
Net cash provided by/(used in) financing activities		(9,051,700)	24,148,572	-	23,492,417
Net (decrease)/increase in cash and cash equivalents		(602,451)	24,262,569	(7,314,686)	4,547,474
Movements due to translation of foreign operations		55,176	(37,258)	-	-
Cash and cash equivalents at the beginning of the financial year		20,452,767	(3,772,544)	7,322,524	2,775,050
Cash and cash equivalents at the end of the financial year	23(a)	19,905,492	20,452,767	7,838	7,322,524

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

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% (2012: 89.54%) by Propel Private Equity Fund II L.P., Macquarie Investment Management Ltd, J.P. Morgan Nominees Australia Limited and Dalziel Superannuation Pty Limited

- 10.46% (2012: 10.46%) 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

The entities principal activities are that of an apparel and accessories wholesaler and retailer.

2. Adoption of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current year (and/or prior years)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and incomes statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the come statement is renamed as statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. Adoption of new and revised Accounting Standards (cont'd)

2.1 Standards and Interpretations affecting amounts reported in the current year (and/or prior years) (cont'd)

Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle) requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). When the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

2.2 Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

2.3 Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	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)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
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 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

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.

For the purpose of preparing the financial statements, the company is a for-profit entity.

Statement of compliance

The financial report has been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements 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 equivalent 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 derecognized 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 acquire and the fair value of the acquirer's previously held interest in the acquire (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 acquire 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 acquire 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 $99,619,225 (2012: $99,600,225) (consolidated). The directors have assessed that no impairment charge of is required for the year ended 30 June 2013.

Impairment of other financial assets – shares in controlled entities

Determining whether shares in controlled entities are impaired requires an estimation of the likely cash flows from the investment which has been determined based on value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. The carrying amount of shares in controlled entities at the balance date was $33,770,807 (2012: $33,770,807) (company). The directors have assessed that no impairment charge of is required for the year ended 30 June 2013.

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).

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
4. Profit/(Loss) for the year from continuing operations				
Sales revenue	232,411,315	223,187,093	-	-
Other gains and losses				
Royalty income	359,864	292,703	-	-
Other revenue	282,661	738,515	-	-
Foreign exchange gains/(losses)	176,913	(177,724)	-	-
Loss on sale of non-current assets	-	15,732	-	-
	819,438	869,226	-	-
Bad and doubtful debts - trade debtors	71,149	75,100	-	-
Depreciation and amortisation of non-current assets	4,830,841	4,404,412	-	-
Employee benefit expense				
Post employment – defined contribution plan	3,639,103	3,513,144	-	-
Termination benefits	910,714	713,993	-	-
Other employee benefits	48,313,155	43,787,817	-	-
	52,862,972	48,014,954	-	-
Finance Costs:				
Amortisation of deferred borrowing costs	1,509,770	809,619	213,868	198,045
Interest - related parties	5,815,946	5,302,718	5,877,162	4,706,461
Interest expense – other	6,965,850	8,165,511	-	-
Interest income - other	(416,667)	(422,976)	(131,005)	(303,594)
	13,874,899	13,854,872	5,960,025	4,600,912
Rental expense relating to operating leases				
Minimum lease payments	24,957,805	23,302,780	-	-
5. Trade and other receivables				
Current				
Trade receivables	27,594,959	27,240,249	-	-
Allowance for doubtful debts	(125,325)	(139,076)	-	-
	27,469,634	27,101,173	-	-
Trade discounts and rebates	(1,168,824)	(1,202,356)	-	-
Other receivables	573,107	1,027,083	-	-
	26,873,917	26,925,900	-	-
Non-current				
Other receivables	62,167	75,380	-	-
	26,936,084	27,001,280	-	-

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
6. Inventory				
Raw material	1,885,238	1,182,926	-	-
Stock in transit	2,460,603	2,359,897	-	-
Work in progress	943,538	823,644	-	-
Finished goods	14,820,704	11,717,701	-	-
	20,110,083	16,084,168	-	-
7. Other current assets				
Prepayments	3,632,728	6,251,994	-	-
Other	1,017,271	1,130,782	92	-
Foreign currency forward contracts	2,332,258	176,338	-	-
	6,982,257	7,559,114	92	-

8. Property, plant and equipment

Consolidated	Cost $	Accumulated depreciation $	Impairment $ [i]	Total $
2013				
Plant and equipment	32,902,432	(20,261,417)	(1,037,620)	11,603,395
	32,902,432	(20,261,417)	(1,037,620)	11,603,395
2012				
Plant and equipment	29,325,446	(17,494,464)	(1,037,620)	10,793,362
	29,325,446	(17,494,464)	(1,037,620)	10,793,362

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

- Plant and equipment 1 - 20 years

[i] During the 2010 financial 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 $1,037,620, 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	
	2013 $	2012 $	2013 $	2012 $
9. Goodwill				
Cost	111,067,325	111,048,325	-	-
Accumulated impairment [i]	(32,528,100)	(32,528,100)	-	-
	78,539,225	78,520,225	-	-

[i] During the 2010 financial 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.

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
10. Other intangible assets				
Trademarks				
Cost	380,284	501,632	-	-
Accumulated depreciation	-	(125,381)	-	-
	380,284	376,251	-	-
Brandnames [i]				
Cost	40,627,362	40,627,362	-	-
Accumulated impairment [ii]	(19,547,362)	(19,547,362)	-	-
	21,080,000	21,080,000	-	-
Software				
Cost	2,207,617	259,748	-	-
Accumulated amortisation	(498,933)	-	-	-
	1,708,684	259,748	-	-
Web site development costs				
Gross carrying amount	990,110	708,465	-	-
Accumulated depreciation	(290,302)	(257,877)	-	-
	699,798	450,588	-	-
	23,868,766	22,166,587	-	-

[i] The brandnames were valued at relevant acquisition dates by Pitcher Partners using the relief from royalty method.
[ii] Refer note 9(i)

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
11. Other financial assets				
Loans to Subsidiaries:				
Designworks Holdings Pty Ltd	-	-	539,462	539,462
Metalicus Pty Ltd	-	-	3,996,944	3,996,944
Chestnut Apparel Pty Ltd	-	-	20,141,476	18,478,256
Shares in controlled entities [i]	-	-	33,770,807	33,770,807
	-	-	58,448,689	56,785,468

[i] Refer to note 24 for disclosure of controlled entities.

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
12. Trade and other payables				
Trade payables	3,531,184	2,471,951	-	-
Accruals	9,472,107	8,417,920	-	10,080
Goods and services tax payable	1,380,469	1,258,410	-	-
Other payables and accruals	412,818	625,893	-	-
	14,796,578	12,774,174	-	10,080
13. Borrowings				
Current				
Secured – at amortised cost:				
Borrowings [ii] [iii]	13,378,600	9,053,700	-	-
Capitalised interest	920,382	-	-	-
Bank overdraft [ii]	-	528,793	-	-
	14,298,982	9,582,493	-	-

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
13. Borrowings (cont)				
Non-current				
Secured – at amortised cost:				
Borrowings (ii) (iii)	50,893,596	64,270,196	-	-
Capitalised interest	-	547,940	-	-
Deferred borrowing costs	(1,444,905)	(1,832,219)	-	-
	49,448,691	62,985,917	-	-
Unsecured – at amortised cost:				
Loans from related parties:				
Shareholder Loan	28,120,431	30,128,546	28,120,431	30,128,546
Deferred borrowing costs	(338,087)	(551,956)	(338,087)	(551,956)
PAS Finance Pty Ltd	-	-	7,892,194	7,648,920
Loan from non-controlling shareholder of controlled entity	3,615,201	3,403,749	-	-
	31,397,545	32,980,339	35,674,538	37,225,510
	80,846,235	95,966,256	35,674,538	37,225,510

(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.

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
14. Provisions				
Current				
Employee benefits	4,829,599	3,138,251	-	-
Non-current				
Employee benefits	562,592	369,750	-	-
15. Other liabilities				
Current				
Lease incentives	1,763,984	1,451,032	-	-
Non-current				
Lease incentives	1,797,017	1,664,670	-	-
16. Other financial liabilities				
Current				
Interest rate swap contracts	1,510,562	2,020,172	-	-
Foreign currency forward contracts	-	355,847	-	-
Deferred consideration	415,000	-	-	-
	1,925,562	2,376,019	-	-
Non Current				
Deferred consideration	-	415,000	-	-

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
17. Issued capital				
9,799,354 fully paid ordinary shares (2012: 9,799,354)	31,785,504	31,785,504	31,785,504	31,785,504

Consolidated & Company	2013		2012	
Fully paid ordinary shares	No.	$	No.	$
Balance at beginning of financial year	9,799,354	31,785,504	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	9,799,354	31,785,504

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	
	2013 $	2012 $	2013 $	2012 $
18. Reserves				
Hedge Reserve	468,094	(1,414,120)	-	-
Non-controlling Interest Purchase Reserve	8,681,324	8,681,324	-	-
Foreign Currency Translation Reserve	(46,840)	(93,013)	-	-
	9,102,578	7,174,191	-	-
Hedge reserve				
Balance at beginning of financial year	(1,141,120)	(540,787)	-	-
Gain/(loss) recognised on cash flow hedges				
Forward foreign exchange contracts	2,179,267	-	-	-
Interest rate swaps	(1,510,561)	(2,020,171)	-	-
Income tax related to gains/losses recognised in other comprehensive income	(200,612)	606,051	-	-
Reclassified to profit or loss				
Forward foreign exchange contracts	-	782,011	-	-
Interest rate swaps	2,020,172	-	-	-
Income tax related to amounts reclassified to profit or loss	(606,051)	(241,224)	-	-
Balance at end of financial year	468,094	(1,414,120)	-	-

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.

18. Reserves (cont'd)

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
Non-controlling Interest Purchase Reserve				
Balance at beginning of financial year	8,681,324	6,863,640	-	-
Non-controlling Interest Purchases	-	1,817,684	-	-
Balance at end of financial year	8,681,324	8,681,324	-	-

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.

	2013 $	2012 $	2013 $	2012 $
Foreign Currency Translation Reserve				
Balance at beginning of financial year	(93,013)	(81,560)	-	-
Translation of foreign operations	46,173	(11,453)	-	-
Balance at end of financial year	(46,840)	(93,013)	-	-

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)

	2013 $	2012 $	2013 $	2012 $
Balance at beginning of financial year	10,736,359	4,349,477	(3,944,509)	(709,758)
Profit / (loss) for the year	7,204,832	6,386,882	(3,928,629)	(3,234,751)
Balance at end of financial year	17,941,191	10,736,359	(7,873,138)	(3,944,509)

20. Non-controlling interest

Non-controlling interest in controlled entities comprises:

	2013 $	2012 $	2013 $	2012 $
Issued capital	6,852,407	6,852,407	-	-
Reserves	108,193	(6,992)	-	-
Retained profits	4,019,609	2,891,952	-	-
	10,980,209	9,737,367	-	-

21. Dividends on equity instruments

No dividends were declared or paid during the financial year (2012: Nil).

	2013 $	2012 $	2013 $	2012 $
Adjusted franking account balance	54,454,379	51,376,927	22,439,441	22,031,553

22. Commitments for expenditure

Operating lease expenditure

Non-cancellable operating lease payments, property and office equipment:

	2013 $	2012 $	2013 $	2012 $
Not longer than 1 year	16,511,600	8,716,379	-	-
Longer than 1 year and not longer than 5 years	31,260,340	29,312,683	-	-
Longer than 5 years	25,840	1,184,630	-	-
	47,797,780	39,213,692	-	-

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	
	2013 $	2012 $	2013 $	2012 $
Cash and cash equivalents	19,905,492	20,981,560	7,838	7,322,524
Bank overdraft	-	(528,793)	-	-
	19,905,492	20,452,767	7,838	7,322,524

(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	
Consideration	2013 $	2012 $
Deferred Consideration – prior year acquisition (ii)	-	3,200,000
Additional interest acquired in subsidiaries (i)	-	415,000
Acquisition costs - prior year acquisitions (ii)	-	847,827
Net cash outflow on acquisition	-	4,462,827

(i) This relates to the non-controlling interest acquisitions of Capelle.

(ii) This relates to the acquisition of Metalicus.

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
(c) Reconciliation of profit / (loss) for the year to net cash flows from operating activities				
Profit/(loss) for the year	8,332,491	7,026,201	(3,928,629)	(3,234,751)
Depreciation and amortisation	4,830,841	4,473,545	-	-
Lease Incentives	(137,020)	(60,554)	-	-
Net loss of sale of plant and equipment	-	(27,495)	-	-
Decrease in amounts due under the tax-funding arrangement (i)	-	-	(1,880,041)	1,244,571
Unrealised foreign exchange losses / (gains)	(179,508)	(7,438,517)	-	-
Interest accrued not paid	(2,352,796)	7,639,837	(1,567,794)	4,766,224
(Increase)/decrease in assets:				
Current trade and other receivables	65,196	(4,783,642)	19,773	9,291
Current tax assets	813,338	(769,963)	503,985	(965,569)
Deferred tax assets	(1,767,067)	1,832,937	(665,703)	(3,024)
Inventory	(4,025,915)	13,208,738	-	-
Other assets	2,765,263	(1,629,523)	-	-

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

	Consolidated		Company	
	2013 $	2012 $	2013 $	2012 $
(c) Reconciliation of profit / (loss) for the year to net cash flows from operating activities (cont'd)				
Other non-current assets	(32,486)	-	-	-
Increase/(decrease) in liabilities:				
Trade and other payables	2,195,262	(5,981,764)	(10,172)	10,279
Provisions	1,884,186	137,645	-	-
Deferred tax liability	542,018	176,245	27	-
Current tax liability	938,198	(1,886,961)	-	(970,015)
Capitalised borrowing costs	601,182	(1,634,172)	213,868	198,051
Net cash provided by / (used in) operating activities	14,473,184	10,282,557	(7,314,685)	1,055,057

(i) The PAS Group taxation payments are made by a subsidiary entity

(d) Financing facilities				
Secured working capital facility:				
• amount used	-	528,793	-	-
• amount unused	20,000,000	19,471,207	-	-
	20,000,000	20,000,000	-	-
Secured bank loans				
• amount used	64,272,196	73,323,896	-	-
• amount unused	-	-	-	-
	64,272,196	73,323,896	-	-
Shareholder loans				
• amount used	28,120,431	30,128,546	28,120,431	30,128,546
• amount unused	-	-	-	-
	28,120,431	30,128,546	28,120,431	30,128,546

24. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2013 %	Ownership interest 2012 %
Subsidiaries			
Chestnut Apparel Pty Ltd (iii)	Australia	100%	100%
PAS Finance Pty Ltd (ii) (iii)	Australia	100%	100%
Yarra Trail Holdings Pty Ltd (iii)	Australia	100%	100%
Yarra Trail Pty Ltd (i) (iii)	Australia	100%	100%
Breakaway Apparel Pty Ltd	Australia	83%	83%
Breakaway NZ Clothing Group Ltd (i)	New Zealand	100%	100%
Designworks Holdings Pty Ltd (ii) (iii)	Australia	100%	100%
Designworks Clothing Company Pty Ltd (i) (iii)	Australia	100%	100%
World Brands Pty Ltd (i) (iii)	Australia	100%	100%
The Hopkins Group Aust Pty Ltd	Australia	75%	75%
Review Australia Pty Ltd (ii) (iii)	Australia	100%	100%
Fiorelli Licensing Pty Ltd (iii)	Australia	100%	100%
The Capelle Group Pty Ltd (iii)	Australia	100%	100%
Metalicus Pty Ltd (ii) (iii)	Australia	100%	100%

(i) Subsidiary of above entity

(ii) The wholly-owned subsidiaries have entered into a deed of cross guarantee during the prior 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.

(iii) Member of the tax consolidated group

25. Remuneration of auditors

	Consolidated 2013 $	Consolidated 2012 $	Company 2013 $	Company 2012 $
Auditor of the parent entity				
Audit or review of the financial statements	257,725	275,355	13,920	13,520
Other non-audit services	6,500	-	-	-
Taxation services	60,400	63,400	-	20,200
	324,625	338,755	13,920	33,720

The auditor of the PAS Group Pty Ltd is Deloitte Touche Tohmatsu.

26. Discontinued operations

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

During the prior 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**	**2013 $**	**2012 $**
Loss for the year from discontinued operations		
Revenue	-	12,533,762
Other gains	-	632,657
	-	13,166,419
Expenses	-	(14,707,200)
Loss before tax	-	(1,540,781)
Attributable income tax benefit	-	977,427
Loss from discontinued operation	-	(563,354)
Cash flows from discontinued operations		
Net cash inflow from operating activities	-	3,718,732
Net cash outflow from investing activities	-	(57,370)
Net cash outflow from financing activities	-	(3,310,000)
Net cash inflow	-	351,362

The PAS Group Pty Ltd

ACN 117 244 943

Half Year report for the half-year ended 31 December 2013