The PAS Group Pty Ltd

ACN 117 244 943

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

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

Directors' report

The directors of The PAS Group Pty Ltd submit herewith the financial report of The PAS Group Pty Ltd and its subsidiaries (the Group) for the half-year ended 31 December 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 half-year are:

Name

- Albin Kurti
- Eric Morris
- Rodney Walker
- Andrew Savage
- David Fenlon
- Michael Lukin
- Peter Dowding (alternative director)
- Jennifer Weinstock (alternative director)

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

Review of operations

In the 6 months under review the company has delivered EBITDA of $16,080,978 (6 months to 31 Dec 2012: $15,780,639) and profit after tax of $4,973,985 (2012: $5,398,308).

The Group's core business activities are centred around Winter and Summer product ranges, however as the seasonal selling periods are similar, the trading results for the first and second half are not materially affected by seasonality.

Auditor's independence declaration

The auditor's independence declaration is included on page 2 of the half year report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Eric Morris
Director
Melbourne, 30 April 2014

Deloitte.

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

30 April 2014

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 review of the financial statements of The PAS Group Pty Ltd for the half-year ended 31 December 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

G J McLean
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the Members of The PAS Group Pty Ltd

We have reviewed the accompanying half-year financial report of The PAS Group Pty Ltd which comprises the condensed consolidated statement of financial position as at 31 December 2013, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The PAS Group Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Deloitte.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of The PAS Group Pty Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G J Mclean

G J Mclean
Partner
Chartered Accountants
Melbourne, 30 April 2014

Directors' declaration

The directors declare that:

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

Eric Morris
Director
Melbourne, 30 April 2014

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2013

	Consolidated	
	31 Dec 2013 $	31 Dec 2012 $
Continuing operations		
Revenue	121,810,659	116,305,207
Cost of sales	(51,055,350)	(49,918,778)
Gross profit	70,755,309	66,386,429
Other gains and losses	288,353	441,731
Employee benefit expenses	(27,961,990)	(25,690,862)
Selling and distribution expenses	(6,509,921)	(5,990,614)
Occupancy expenses	(14,050,686)	(12,573,488)
Marketing expenses	(2,604,700)	(2,966,942)
Administration expenses	(3,835,387)	(3,825,615)
Earnings before interest, tax, depreciation and amortization	16,080,978	15,780,639
Depreciation and amortisation expense	(2,936,573)	(2,005,894)
Net finance costs	(6,221,380)	(7,237,636)
Profit before tax	**6,923,025**	**6,537,109**
Income tax expense	(1,949,040)	(1,138,801)
Profit for the period from continuing operations	**4,973,985**	**5,398,308**
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	62,492	10,545
Net loss on cash flow hedges	(295,922)	(326,039)
Other comprehensive loss for the period (net of tax)	(233,430)	(315,494)
Total comprehensive income for the period	**4,740,555**	**5,082,814**
Profit Attributable to:		
Non-controlling interests	600,705	587,558
Owners of the company	4,373,280	4,810,750
	4,973,985	5,398,308
Total comprehensive income Attributable to:		
Non-controlling interests	549,615	545,858
Owners of the company	4,190,940	4,536,956
	4,740,555	**5,082,814**

Notes to the condensed consolidated financial statements are included on pages 10 to 12

Condensed consolidated statement of financial position as at 31 December 2013

	Note	Consolidated 31 Dec 2013 $	Consolidated 30 June 2013 $
Current assets			
Cash and cash equivalents		21,305,842	19,905,492
Trade and other receivables		26,747,122	26,873,917
Inventories		20,433,379	20,110,083
Current tax assets		461,584	461,584
Other current assets		7,714,917	6,982,257
Total current assets		**76,662,844**	**74,333,333**
Non-current assets			
Trade and other receivables		53,830	62,167
Property, plant and equipment		10,240,703	11,603,395
Deferred tax assets		4,747,685	5,152,786
Goodwill		78,539,225	78,539,225
Other intangible assets		25,068,921	23,868,766
Total non-current assets		**118,650,364**	**119,226,339**
Total assets		**195,313,208**	**193,559,672**
Current liabilities			
Trade and other payables		13,222,615	14,796,578
Borrowings	2	64,251,185	14,298,982
Current tax liabilities		1,230,467	939,193
Provisions		3,928,328	4,829,599
Other liabilities		1,354,082	1,763,984
Other financial liabilities		1,436,318	1,925,562
Total current liabilities		**85,422,995**	**38,553,898**
Non-current liabilities			
Borrowings	2	30,991,554	80,846,235
Deferred tax liabilities		1,616,591	1,990,447
Provisions		486,390	562,592
Other liabilities		2,245,640	1,797,017
Total non-current liabilities		**35,340,175**	**85,196,291**
Total liabilities		**120,763,170**	**123,750,189**
Net assets		**74,550,038**	**69,809,483**
Equity			
Issued capital		31,785,504	31,785,504
Reserves		8,920,238	9,102,578
Retained earnings		22,314,472	17,941,192
Equity attributable to equity holders of the parent		63,020,214	58,829,274
Non-controlling interests		11,529,824	10,980,209
Total equity		**74,550,038**	**69,809,483**

Notes to the condensed consolidated financial statements are included on pages 10 to 12

Condensed consolidated statement of changes in equity for the half-year ended 31 December 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 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 period	-	4,810,750	-	-	-	4,810,750	587,558	5,398,308
Other comprehensive income for the period, net of income tax	-	-	9,016	-	(282,810)	(273,794)	(41,700)	(315,494)
Total comprehensive income for the period	-	4,810,750	9,016	-	(282,810)	4,536,956	545,858	5,082,814
Balance at 31 December 2012	**31,785,504**	**15,547,109**	**(83,997)**	**8,681,324**	**(1,696,930)**	**54,233,010**	**10,283,225**	**64,516,235**
Balance at 1 July 2013	31,785,504	17,941,192	(46,840)	8,681,324	468,094	58,829,274	10,980,209	69,809,483
Profit for the period	-	4,373,280	-	-	-	4,373,280	600,705	4,973,985
Other comprehensive income for the period, net of income tax	-	-	52,610	-	(234,950)	(182,340)	(51,090)	(233,430)
Total comprehensive income for the period	-	4,373,280	52,610	-	(234,950)	4,190,940	549,615	4,740,555
Balance at 31 December 2013	**31,785,504**	**22,314,472**	**5,770**	**8,681,324**	**233,144**	**63,020,214**	**11,529,824**	**74,550,038**

Notes to the condensed consolidated financial statements are included on pages 10 to 12

Condensed consolidated statement of cash flows for the half-year ended 31 December 2013

	Note	Consolidated 31 Dec 2013 $	31 Dec 2012 $
Cash flows from operating activities			
Receipts from customers		134,422,265	127,486,043
Payments to suppliers and employees		(121,342,946)	(110,309,373)
Interest received		154,405	206,785
Income tax paid		(1,497,200)	(1,017,616)
Interest and other costs of finance paid		(4,458,364)	(10,515,502)
Net cash provided by operating activities		**7,278,160**	**5,850,337**
Cash flows from investing activities			
Payment for business		-	(14,500)
Payment for property, plant and equipment		(1,162,649)	(2,242,346)
Payment to acquire intangible assets		(1,941,287)	(1,434,787)
Proceeds from sale of property, plant and equipment		1,514	-
Net cash used in investing activities		**(3,102,422)**	**(3,691,633)**
Cash flows from financing activities			
Repayment of borrowings		(2,861,600)	(1,916,700)
Net cash used in financing activities		**(2,861,600)**	**(1,916,700)**
Net increase in cash and cash equivalents		1,314,138	242,004
Movements due to translation of foreign operations		86,212	12,368
Cash and cash equivalents at the beginning of the period		19,905,492	20,452,767
Cash and cash equivalents at the end of the period		**21,305,842**	**20,707,139**

Notes to the condensed consolidated financial statements are included on pages 10 to 12

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2013 annual financial report for the year ended 30 June 2013. Where required by accounting standards, comparative figures have been adjusted to conform with changes in presentation for the current half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- 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'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian
- Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'

1. Significant accounting policies (continued)

- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

The adoption of these new and revised Standards and interpretations has not resulted in any changes to the Group's accounting policies and has not had any material effect on the amounts reported for the current or prior periods.

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has applied the suite of Standards including AASB 10, AASB 11 and AASB 12 along with associated amendments relating to consolidation and joint arrangements in the current period. The Standards identify the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, along with considerations relating to associates and joint arrangements. No changes to the classification of the Group's investments in subsidiaries have been noted as a result of the application of these new and amended Standards.

The Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time. The standard amends the measurement and disclosure requirements for employee entitlement, primarily relating to defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The Group has no defined benefits plans and the implementation of the Standards has had no material impact on the measurement of other employee entitlements. Additional disclosures will be provided in the annual financial statements as required by the revised standard.

	Consolidated	
	31 Dec 2013 $	**30 June 2013 $**
2. Borrowings		
Current		
Secured – at amortised cost:		
Borrowings [(i) (ii)]	61,410,596	13,378,600
Capitalised interest	-	920,382
Loan from non-controlling shareholder of controlled entity	3,618,615	-
Deferred borrowing costs	(778,026)	-
	64,251,185	14,298,982
Non-current		
Secured – at amortised cost:		
Borrowings [(i) (ii)]	-	50,893,596
Deferred borrowing costs	-	(1,444,905)
	-	49,448,691
Unsecured – at amortised cost:		
Loans from related parties:		
Shareholder Loan	31,221,828	28,120,430
Deferred borrowing costs	(230,274)	(338,087)
Loan from non-controlling shareholder of controlled entity	-	3,615,201
	30,991,554	31,397,544
	30,991,554	80,846,235

(i) Secured by a first ranking fixed and floating charge over the assets and undertakings of the finance subsidiary company and its controlled entities.
(ii) On 28 February 2014, the company refinanced its debt. The debt facility has a 3 year tenure.

3. Dividends

In respect of the half-year ended 31 December 2013 and 31 December 2012, no dividends were declared or paid.

4. Subsequent events

There has not been any matter or circumstance since 31 December 2013 that has significantly affected, or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity.