OrotonGroup Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	OrotonGroup Limited
ABN:	14 000 038 675
Reporting period:	For the year ended 30 July 2016
Previous period:	For the year ended 25 July 2015

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	3.3%	to	136,439
Earnings Before Interest, Tax, Depreciation, Amortisation and Impairment (EBITDA)	up	18.6%	to	12,917
Earnings Before Interest and Tax (EBIT)	up	10.5%	to	6,214
Profit from ordinary activities after tax attributable to the owners of OrotonGroup Limited	up	31.4%	to	3,443
Profit for the year attributable to the owners of OrotonGroup Limited	up	31.4%	to	3,443
Underlying Earnings Before Interest and Tax (Underlying EBIT)*	up	15.2%	to	7,857

Dividends	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 25 July 2015 paid on 21 October 2015	2.0	2.0
Interim dividend for the year ended 30 July 2016 paid on 20 April 2016	6.0	6.0

On 21 September 2016 the directors declared a fully franked final dividend of 3 cents per ordinary share with a record date of 12 October 2016 to be paid on 26 October 2016.

Comments
For an explanation of the results refer to the Full Year Results Announcement and Investor Presentation dated 22 September 2016 and the 'Operating and Financial Review' on pages 3 to 9 of the Annual Report

* Underlying EBIT is disclosed to assist the users of the financial statements understand the performance of the Group on a comparable basis. Underlying EBIT is reconciled to IFRS audited measurements through the add back of store asset impairments totalling $1,643,000. Underlying comparatives are reconciled to IFRS audited measurements through the add back of the onerous Hong Kong Store lease after exit ($832,000), the closure of the Singapore office ($189,000) and the trading losses ($1,827,000) and gain on exit ($1,655,000) from Brooks Brothers Australia. Underlying comparative add backs total $1,193,000.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	85.10	108.13

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 25 July 2015 paid on 21 October 2015	2.0	2.0
Interim dividend for the year ended 30 July 2016 paid on 20 April 2016	6.0	6.0

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 26 July 2014 paid on 22 October 2014	8.0	8.0
Interim dividend for the year ended 25 July 2015 paid on 15 April 2015	4.5	4.5

5. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	**Reporting period %**	**Previous period %**	**Reporting period $'000**	**Previous period $'000**
Share of losses of Brooks Brothers Australia joint venture	-	-	-	(1,827)
Gain on exit of Brooks Brothers Australia joint venture	-	-	-	1,655
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	(172)
Income tax on operating activities			-	-

6. Foreign entities

Details of origin of accounting standards used in compiling the report:

All foreign subsidiaries financial information was prepared under the International Financial Reporting Standards ('IFRS').

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

8. Attachments

Details of attachments (if any):

The Annual Report of OrotonGroup Limited for the year ended 30 July 2016 is attached.

9. Signed

Signed ______________________________ Date: 21 September 2016

John P Schmoll
Non-Executive Chairman
Sydney

OrotonGroup Limited

ABN 14 000 038 675

Annual Report - 30 July 2016

Directors	Mr John P Schmoll (Non-Executive Chairman) Mr Mark Newman (Managing Director and CEO) Mr Ross B Lane (Non-Executive Director) Ms Maria Martin (Non-Executive Director) Mr J Will Vicars (Non-Executive Director)
Company secretary	Ms Vanessa De Bono
Notice of annual general meeting	The details of the annual general meeting of OrotonGroup Limited are: Hilton Sydney Level 1, 488 George St Sydney, NSW 2000 Australia 11:00am on Thursday 1 December 2016
Registered office	Level 2 409 George Street Waterloo NSW 2017 Australia
Principal place of business	Level 2 409 George Street Waterloo NSW 2017 Australia
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Australia Phone: + 61 2 8280 7100
Auditor	PricewaterhouseCoopers Chartered Accountants PO Box 2650 201 Sussex Street Sydney NSW 1171Australia
Solicitors	Watson Mangioni Level 23 85 Castlereagh Street Sydney NSW 2000 Australia
Stock exchange listing	OrotonGroup Limited shares are listed on the Australian Securities Exchange (ASX code: ORL)
Website	Corporate address: www.orotongroup.com Oroton online: www.oroton.com

General information

The financial statements cover OrotonGroup Limited as a consolidated entity consisting of OrotonGroup Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is OrotonGroup Limited's functional and presentation currency.

OrotonGroup Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2
409 George Street
Waterloo NSW 2017
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 September 2016. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.orotongroup.com.

The purpose of the operating and financial review is to enhance the periodic financial reporting and provide shareholders with additional information regarding the Group's operations, financial position, business strategies and prospects. The review complements the Financial Report on pages 27 to 68; and the Full Year Results Announcement and Investor Presentation dated 22 September 2016.

Company overview and principal activities

The Group's underlying strategy is to design, procure and distribute premium owned or licenced brands products through retail and wholesale channels with the objective of driving growth in sales and profit.

In line with this strategy, the Group has:

- An Oroton design and production team that develops men's and women's accessories from the Sydney Head Office;
- Developed a strong presence as a multi channel retailer including online, first retail stores, concessions, factory outlets and wholesale for both owned brand and licenced partnerships;
- Invested in international markets to drive growth;
- Licensed the Oroton brand for the design, production and distribution of sunglasses / optical;
- A strong shared service team and Group Leadership Team to support growth initiatives

During the year, the principal activities of the Group were the design, development, marketing and distribution of leather goods, and related accessories under the Oroton brand name in Australia, New Zealand and Asia. The Group commenced operating the GAP brand in Australia in November 2013 under a 10 year Franchise Agreement with a further 10 year option. The Group continued to provide shared service support and brand services to Brooks Brothers Australia for a service fee, following the sale of their joint venture interest in July 2015.

Strategic Initiatives

The Group continues to pursue a number of strategic growth initiatives in what has been the second year of transformational investment as the core Oroton brand is repositioned and strengthened, and we invest in the future growth of both brands.

During the current year, the Group:

- Continued the brand elevation strategy for the core brand Oroton with the internationally acclaimed Australian actress Rose Byrne as the celebrity face, continued to roll out the new store concept to cover almost half of the First Retail stores footprint, increased the average selling price through the introduction of higher average price points and limited edition products, exited non-core categories such as apparel, footwear and lingerie, and invested in technology and marketing focused on digital and social content creation and e-commerce user experience;
- Rationalised the Oroton International portfolio of stores by closing 7 stores or concessions taking the International store portfolio to 8 at year end;
- Continued to accelerate trading performance and build brand awareness in GAP in Australia, with the full year impact of 3 stores opened in the prior year, a new temporary outlet store opened in the current year, and investment in outdoor advertising and effective tactical promotions such as the GAP Casting Call.

Group Operating Results

Year to 30 July 2016 - Reported	2016 $'000	2015 $'000	% change
Revenue	136,439	132,017	+3.3%
EBITDA[1]	12,917	10,889	+18.6%
EBIT[2]	6,214	5,625	+10.5%
Net profit after taxation	3,443	2,620	+31.4%
Earnings per share (EPS) (cents)	8.43	6.41	+31.5%
Dividend per share (cents)	9.00	6.50	+38.5%
Net (debt) / cash	2,816	(5,819)	

(1) Earnings before Interest, Tax, Depreciation, Amortisation and Impairment
(2) Earnings before Interest Received, Finance costs and Income Tax Expense

Revenue for the consolidated entity for the year was $136,439,000 which was 3.3% higher than revenue from the prior period of $132,017,000, primarily due to the impact of a full year trading of the 3 new GAP stores opened between October and December 2014 and the strong sales growth of the Oroton online store.

EBIT increased to $6,214,000, a growth of 10.5% from the prior period driven by:

- Increase in constant currency Group gross margin dollars of 4.5%, higher than revenue growth at 3.3%, due to an increase in retail prices and supply chain efficiencies. The constant currency gross margin improved approximately 60bps to 61.3% (FY15: 60.7%)
- Management of the impact of higher United States dollar (USD) denominated purchasing costs through a conservative hedging policy which covers 85% of forecast purchases over two years. This resulted in the gross margin only decreasing by 60bps to 60.1% (FY15: 60.7%). Refer to note 26 for more details on hedging instruments in place as at 30 July 2016
- Vigilant cost control with savings in warehouse and distribution costs and administration costs, whilst selling costs were contained and investment in marketing continued. Excluding the impact of finance costs, impairments in 2016 and one-time expenses in 2015, expenses increased 1.1% compared to the prior period and improved 120bps as a percentage to revenue (FY16: 54.4% FY15: 55.6%)
- In 2016 non-cash store asset impairments of $1,643,000 were accounted for across Oroton and GAP due to lower than expected traffic as a result of the stores location or due to the exit of non-core product categories, whilst in 2015 one-time expenses of $1,021,000 were booked in Oroton associated with the closure of the Hong Kong Store and regional office in Singapore both before lease expiry. In order to assist users understand the impact of the aforementioned items the Group Underlying Operating Results are shown in the next section

The Group's profit after income tax was $3,443,000 compared to the prior year result of $2,620,000, which was 31.4% higher than the prior period. The increase in profit after tax was higher than EBIT growth due to the current effective tax rate improving with less non-deductible international losses and net financing charges reducing by 40% with an improved cash position.

The basic earnings per share for the consolidated entity was 8.43 cents per share (2015: 6.41 cents per share) which was 31.5% higher than basic earnings per share from the prior period.

The Board has declared an increased final fully franked dividend of 3 cents per share (FY15: 2.0 cents per share) taking the full year dividend to 9 cents per share (FY15: 6.5 cents per share).

Group Underlying Operating Results

The directors are of the opinion that underlying results provides useful information about the financial performance of the Group[2]. For comparable basis purposes the underlying results[1] are shown below excluding:

- 2016: Non-cash store asset impairments
- 2015: Brooks Brothers Australia trading losses and gain on exit following the sale of the Group's entire 51% shareholding in July 2015, and the one-time costs associated with the closure of the Hong Kong Store and the regional office in Singapore, both before lease expiry.

Year to 30 July 2016 – Underlying[1], [2]	2016 $'000	2015 $'000	% change
EBITDA[1]	12,917	12,082	+6.9%
EBIT[1]	7,857	6,818	+15.2%
Net profit after taxation[1]	4,641	3,813	+21.7%
Earnings per share (EPS) (cents)[1]	11.36	9.33	+21.8%

(1) Underlying results are reconciled to IFRS audited measurements through the add back of non-cash store asset impairments totalling $1,643,000. Underlying comparatives are reconciled to IFRS audited measurements through the add back of the onerous Hong Kong Store lease after exit ($832,000), the closure of the Singapore office ($189,000) and the trading losses ($1,827,000) and gain on exit ($1,655,000) from Brooks Brothers Australia. Underlying comparatives add backs total $1,193,000.

(2) This information should be considered as supplements to the Statement of Profit and Loss and Other Comprehensive Income that has been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non IFRS measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way OrotonGroup has calculated these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

Oroton

The strategy to elevate the Oroton brand to a true accessible luxury positioning, to be better able to compete with the international entrants, continues to gain traction:

- the long term partnership with the Australian actress Rose Byrne as the celebrity face of the brand since August 2014 has clarified the brand positioning and strengthened the consistency of communication across all channels as Rose epitomises the essence of what Oroton is about: relaxed glamour and effortless style
- the focus on limited edition products and core women's handbag/wallets and men's accessories has enhanced the Oroton product offer
- the continued rollout of the new store concept that has now been rolled out to cover almost half of the First Retail Stores and together with the impact of upgraded visual merchandising standards has created a more luxury shopping environment, is attracting new customers to the brand, is achieving higher like for like sales, higher average selling prices and higher average transaction values compared to stores in the old concept
- the investment in both paid and organic search & affiliate programs, the optimisation of on-site search functionality, product page redesigns and updates to checkout have all resulted in an increase in conversion of visitors to the Oroton online store and an increased mix of Online sales from ~10% in 2015 to ~12% in 2016

These long term strategic decisions to invest in the elevation and repositioning of the core Oroton brand led to strong sales performance in the first half of the year, which continued into the third quarter, but lower like for like sales in the fourth quarter occurred due to due to a soft retail environment and lower inventory levels of categories being exited such as apparel and shoes. Like for like sales for the period ended 30 July 2016 was +1% compared to -6% in the prior period.

The above results were achieved in a heavily promotion driven and competitive retail environment where consumers remained cautious with their spending as well as increased international competition.

Together with improved margin generation from increased retail prices and higher average selling price products, the downward pressure on gross margin due to the weakening of the AUD was minimised with a conservative hedging policy.

Oroton online is a significant channel for the brand and represents approximately 12% of brand sales. The business continues to invest in marketing and other website enhancements to drive online traffic to the site and increase page views and time on site. Live chat which was launched towards the end of 2015 continues to result in higher conversion rates and average transaction values when utilised by customers. The brand has a good engagement with its online customers with 48% of those customers preferring to shop both online and instore.

The Group rationalised the international store portfolio with the closure of 1 Malaysia store in August 2015, 1 China store in May 2016 and exited nearly all the Malaysia / Singapore department store concessions. These closed stores were either loss making or marginally positive. The International store portfolio was 8 at year end (2015: 15).

Net international losses were halved to ~$1,900,000 for the year (FY15: ~$3,700,000) with the closure of loss making or marginal stores and the Singapore office over the last 2 years. Underlying International losses reduced to ~$1,700,000 (FY15: ~$2,700,000) after removing the impact of non cash asset write-downs in 2016 and onetime costs in 2015 associated with the closure of the HK store and Singapore office.

There were 63 Oroton stores trading at year end (FY15: 71 stores). 1 new domestic First Retail store was opened in the current year while 9 stores or department store concessions were closed due to marginal performance. The Group will continue to review stores at lease expiry across the portfolio to rationalise the “bricks” store network as traffic continues to shift towards online.

GAP

Growth in total GAP sales of +19% was achieved thanks to the full year impact of 3 new stores opened in NSW at the Macquarie, Miranda and Parramatta shopping centres in the first half of the prior year and a temporary outlet store opened in the first half of the current year (FY16: 7 stores FY15: 6 stores). The like for like sales for the brand was +6% with increased brand awareness, strong sell through of core ranges such as logo and denim, seasonally appropriate inventory and effective tactical promotions. The above results were achieved in a heavily promotion driven and competitive retail environment where consumers remained cautious with their spending as well as increased international competition in all locations.

A significant reduction in losses was achieved compared to the prior period thanks to the accelerated trading performance of the network, supply chain efficiencies and strict retail cost control.

The focus in FY17 continues on strategic marketing to drive traffic to stores, building brand awareness with innovative activations, further cost savings and cost control.

Brooks Brothers

Shared service support and Brand management services were provided to Brooks Brothers Australia during the current financial year following the end of the joint venture between OrotonGroup and Brooks Brothers in July 2015. These services are expected to continue for the next 12 months and are charged to Brooks Brothers Australia.

The Group had $3,250,000 of outstanding loans to Brooks Brothers International LLC at the end of the prior period. In July 2016 Brooks Brothers International LLC repaid $1,000,000 of these loans in accordance with the agreed timing for repayment and is due to repay the remaining $2,250,000 in July 2017.

Financial Position

Net cash at year end was $2,816,000, compared to net debt of $5,819,000 in the prior year end.

The Group’s operating cash flow before interest and tax for the year was $17,006,000 (FY15: $2,433,000) due to an increase in EBITDA and a decrease in working capital across Oroton and GAP driven mainly by a decrease in inventory with improved stock turns in both brands. Additional investment was required in the prior year in working capital to set-up the 3 new GAP stores and to improve stock replenishment of Oroton Factory stores.

In the prior year there had also been strong capital investment by the Group in the new Oroton store concept, 3 new GAP stores and a new Point of Sale and Customer Relationship Management platform. This reflected in the investment of $9,796,000 in capital expenditure in FY15 compared to $2,686,000 in FY16.

In the current year Brooks Brothers International LLC repaid $1,000,000 of outstanding loans. Also in the current year the Company initiated a share buy-back resulting in $348,000 of shares being purchased on market (refer to note 22 for further details).

The Group has a $40,000,000 bank facility in place at the date of this report to support continued investment and growth in the Group in FY17. At 30 July 2016 $32,940,000 remained unused.

Capital Expenditure

During the year the Group spent $2,686,000 on upgrading Oroton stores to the new store concept and on improving functionality of the Oroton website with a focus on growth.

During 2017 further key strategic refurbishments will continue in the Oroton brand as the new store concept is rolled out to existing and new key First Retail and Concession locations. The Group will invest in IT infrastructure and integration to support the planned growth by leveraging off the existing platforms to offer full omni-channel shopping experiences and will invest in Supply Chain transformation.

Business Risks

There are a number of factors, both specific to the Group and of a general nature, which may threaten both the future operating and financial performance of the Group and the outcome of an investment in the Group. The specific material business risks faced by the Group, and how the Group manages these risks, are set out below:

- *Consumer Discretionary Spending and Trends*

  Operating in the retail industry, the Group relies on consumer discretionary spend and consumer sentiment. Adverse change to the general economic and retail environment can impact financial results. The Group mitigates this risk by keeping abreast of global economic and consumer data and industry trends and managing inventory and expenses in line with changes in the environment. Oroton's flexible business model as a multi channel retailer is adaptive depending on changes in the market.

- *Competition and Margin Risk*

  The highly competitive nature of the retail market combined with new entrants to the market, manufacturing cost and raw material price increases, do have an impact on the financial results of the Group. This is mitigated by carefully managing intake margins, working with key long term suppliers, and managing the Group's intellectual property and brand development. The Group closely monitors price and quality against a range of retailers and brand owners to ensure it maintains its competitive stance within its sector.

- *Foreign Exchange Exposure*

  The Group relies significantly on imported products which are paid for primarily in US dollars and as a result has *transactional* exposure. A stronger US dollar will generally have a negative effect on the Group's reported earnings.

  Depending on the timing of expected cashflows, the group enters into forward exchange contracts to mitigate certain foreign exchange exposures and to introduce some cost certainty for planning purposes.

  The Group also has a *translational* exposure as its international earnings are translated into Australian dollars for reporting purposes. This is not a material part of the business as international sales represent only approximately 3% of Group sales.

- *Increased Cost of Doing Business and Property Portfolio Management*

  The Group operates under the Modern Retail Award for store based staff in Australia and also has lease agreements – all of which have inbuilt annual cost escalations. The Group is focussed on improving operating efficiencies including rigorous rent negotiations on lease expiry and effective store rostering which can to some extent offset some of these cost increases.

  The Group's stores are leased and therefore subject to negotiation at the end of each lease term. The Group actively manages its portfolio against financial and operational criteria which must be met for both new and existing stores. There is no guarantee that stores will be renewed at the end of each lease on terms acceptable to the Group. The potential impact of a single store closure is mitigated by the number of stores the group now operates and a strong online presence in the Oroton brand.

Risk management

The company's risk management is further discussed in the Corporate Governance Statement which can be viewed at www.orotongroup.com.au/investor-relations/corporate-governance.

Group strategies and prospects

During 2014 the Group launched a long term repositioning strategy to elevate the core Oroton brand which has been gaining traction over the last 2 years.

The Group will continue its innovation and focus on the transformation strategy underway in the Oroton brand to build a true accessible luxury positioning by investing in the new store concept, launching new product categories like fragrance, and extending current ranges like watches and jewellery, refocusing seasonal handbags on a younger audience and also strengthening core classic ranges. In addition it will continue to enhance the customer experience at all touch points and develop strong brand alliances.

In addition, the Group plans to continue to invest in strategic marketing and customer engagement initiatives to build brand awareness of the GAP brand in Australia.

Although the economic environment remains uncertain, the Group's product development and brand management strengths (including operating licences), net cash position and a strong balance sheet means the Group is well positioned for future growth and new opportunities.

Dividends

The following fully franked dividends have been paid, declared or recommended since the end of the preceding year:

	Cents per ordinary share	$'000
Final dividend recommended:	**3.0**	**1,221**
Dividends paid in the year:	**8.0**	**3,270**
Interim FY16 dividend paid	6.0	2,453
Final FY15 dividend paid	2.0	817

Directors Interests

As at the date of this report, the interest of the directors in shares or other instruments of OrotonGroup Limited were:

	Ordinary shares	Performance Rights	Retention Rights
John P Schmoll	60,000		
Maria Martin	10,000		
Ross B Lane	8,931,166 *		
J Will Vicars	7,229,920		
Mark Newman	48,092	635,983	43,735

* Mr Robert Lane, Mr Ross Lane, Mr Tom Lane and Mrs Anna Hookway (nee Lane) entered into a Deed dated 21 October 2008 which requires them to act co-operatively with each other in relation to the consolidated entity's affairs. Under this deed as at 30 July 2016, 8,931,166 ordinary shares are beneficially owned by Mr Robert Lane, Mr Ross Lane, Mr Tom Lane and Mrs Anna Hookway (nee Lane), or persons or entities associated with or controlled by them. See directors' report page 12 for further information on the Lane Deed.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of OrotonGroup Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 July 2016.

Directors
The following persons were directors of OrotonGroup Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

John P Schmoll
Mark Newman
Ross B Lane
Maria Martin
J Will Vicars
Samuel S Weiss (resigned 27 November 2015)

Principal activities
During the financial year the principal activities of the consolidated entity consisted of:
- Retailing and wholesaling of leather goods, fashion apparel and related accessories under the OROTON label.
- Retailing of fashion apparel under the GAP label.
- Licensing of the OROTON brand name.

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Final dividend for the year ended 25 July 2015 (2015: 26 July 2014) of 2.0 cents (2015: 8.0 cents) per fully paid ordinary share fully franked based on a tax rate of 30%	817	3,271
Interim dividend for the year ended 30 July 2016 (2015: 25 July 2015) of 6.0 cents (2015: 4.5 cents) per fully paid ordinary share fully franked based on a tax rate of 30%	2,453	1,839
	3,270	5,110

Review of operations
Refer to the 'operating and financial review' on pages 3 to 9 for further information on the Group's operations, financial position, business strategies and prospects

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 July 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
The consolidated entity’s primary focus is the development of premium lifestyle retail fashion brands. The consolidated entity’s philosophy is to maximise shareholder returns and sustainable profit growth within a framework of an appropriate capital management strategy, ethical organisational culture and support of the OrotonGroup and wider community. Further information as to likely developments in the operations of the consolidated entity have not been included in this report as the directors believe that to include such information would be likely to prejudice the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Social contribution

OrotonGroup recognises the importance of social purpose and our overall responsibility to our shareholders, employees, customers and the communities in which we operate. The Group has provided support in many ways, both financial and non-financial including product donations, cash pledges, fund-raising activities and volunteering.

Our Leadership team represented the Group by participating in the CEO Sleepout in June 2016. Funds were raised for St Vincent de Paul Society to support people experiencing homelessness and in the process, raised awareness amongst the people in our business and networks. OrotonGroup provided financial support and mentorship during the financial year to Sweet Society Apparel, a non-profit organisation whose mission is to empower women who have been enslaved within the human and sex trafficking industry in Australia.

We continued to support Cancer Council and Smith Family as well as many other charities including Red Kite, Sids and Kids and Aids Trust Australia. The Group recognises that there is always more that every individual and organisation can and should do to support community well being and advancement and remain committed to our efforts in this area.

Information on directors

Name:	John P Schmoll
Title:	Independent Non-Executive Chairman
Qualifications:	B.Com, FCA, FAICD
Experience and expertise:	John Schmoll completed his executive career on his retirement as Chief Financial Officer of Coles Myer Ltd. Prior to this he held senior corporate and professional roles in Australia and South Africa including Arthur Young and Edgars Stores Ltd (South Africa's largest apparel and homewares retailer). Since his retirement he has accepted various non-executive public company director positions (either as chairman or chairman of audit/risk committee) and undertaken some executive coaching roles. Accordingly, he brings to OrotonGroup over 40 years of experience in finance, investor relations, information technology and corporate governance, primarily in the distribution and financial sectors.
Other current directorships:	Non-Executive Director Patties Foods Ltd.
Former directorships (last 3 years):	Non-Executive Chairman of Breville Group Ltd. Prior to this John was also a Non-Executive Director of Australian Leisure and Hospitality Limited, AWB Ltd, Chandler Macleod Ltd and Golden Circle Ltd.
Special responsibilities:	Member of the Audit Committee and People and Organisation Committee
Interests in shares:	John has an interest as a trustee and member of the Earlswood Superannuation Fund which holds 60,000 (2015: 60,000) ordinary shares.
Interests in rights:	None

Name:	Mark Newman
Title:	Managing Director and CEO
Qualifications:	BA International Marketing; FAICD
Experience and expertise:	Mark was appointed as Chief Executive Officer and Managing Director in August 2013. Mark has over 30 years experience in the International luxury apparel and accessories markets with leading European brands in the UK and Asia. He joined OrotonGroup in April 2010 as Vice President of Ralph Lauren Australia and New Zealand. Prior to joining OrotonGroup, Mark spent 15 years with the Richemont Group in a variety of senior brand management and marketing roles in Europe, Japan and Hong Kong, culminating in the role of Regional Managing Director, Asia Pacific for Alfred Dunhill. Mark has also held senior positions in product development, buying and merchandising with English apparel brand Hackett in the UK.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Mark holds a relevant interest in 48,092 (2015: 48,092) ordinary shares.
Interests in rights:	Mark has 635,983 (2015: 634,136) performance rights over ordinary shares and 43,735 (2015: 43,735) retention rights over ordinary shares in his own name.

Name:	Ross B Lane
Title:	Non-Executive Director
Experience and expertise:	Ross Lane has held various positions within the consolidated entity over the past 26 years, including holding the position of Managing Director of OrotonGroup Limited from 1996 to 2006.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the People and Organisation Committee
Interests in shares:	Mr Robert Lane, Mr Ross Lane, Mr Tom Lane and Mrs Anna Hookway (nee Lane) entered into a Deed dated 21 October 2008 which requires them to act co-operatively with each other in relation to the consolidated entity's affairs. Under this deed, as at 30 July 2016, 8,931,166 (2015: 8,931,166) ordinary shares representing 21.94% (2015: 21.85%) of the issued share capital of OrotonGroup Limited are beneficially owned by Mr Robert Lane, Mr Ross Lane, Mr Tom Lane and Mrs Anna Hookway (nee Lane), or persons or entities associated with or controlled by them.
Interests in rights:	None

Name:	Maria Martin
Title:	Independent Non-Executive Director
Qualifications:	BCom, FCA, GAICD
Experience and expertise:	Maria Martin is an experienced businessperson and Chartered Accountant, and was previously a partner at PricewaterhouseCoopers for 15 years. Maria has worked with a variety of clients and industries including retail and consumer goods, and brings with her significant audit, advisory and transactional experience.
Other current directorships:	Non- Executive Director and Chair of Board Audit and Risk Management Committee of amaysim Australia Limited, the fourth largest independent mobile services provider in Australia.
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit Committee and the People and Organisation Committee.
Interests in shares:	Maria has a relevant interest in 10,000 (2015: 10,000) ordinary shares.
Interests in rights:	None

Name:	J Will Vicars
Title:	Non-Executive Director
Qualifications:	BA Eco
Experience and expertise:	Will Vicars was a Senior Portfolio Manager at NRMA Investments and later a Portfolio Manager at BT Australia. He has more than 25 years experience in a variety of financial markets. He currently holds the position of Director and Chief Investment Officer of Caledonia (Private) Investments Pty Limited and is a Director of The Caledonia Foundation Pty Limited. He is also Non-Executive Vice Chairman and Non-Executive Director of St Luke's Hospital Foundation.
Other current directorships:	Non-Executive Director of Grays eCommerce Group Limited and Non-Executive Director of Oneview Healthcare plc.
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee.
Interests in shares:	Will has a relevant interest in 7,229,920 (2015: 7,229,920) ordinary shares.
Interests in rights:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Vanessa De Bono was appointed company secretary in May 2015. She is a Chartered Accountant with over 19 years experience in senior financial positions in the luxury apparel and accessories industry. Vanessa started her career with Pricewaterhouse in Australia, held senior finance roles at L'Oreal Luxury Group Australia and prior to joining OrotonGroup she spent 11 years with Louis Vuitton, initially as Finance Director of Louis Vuitton Oceania and most recently as Chief Financial Officer of Louis Vuitton China.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 July 2016, and the number of meetings attended by each director were:

	Full Board		Audit Committee		People and Organisation Committee	
	Attended	Held	Attended	Held	Attended	Held
John P Schmoll	8	8	4	4	3	4
Mark Newman	8	8	-	-	-	-
Maria Martin	8	8	4	4	4	4
Ross B Lane	8	8	2	2	4	4
J Will Vicars	8	8	2	2	4	4
Samuel S Weiss	3	4	-	2	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Retirement, election and continuation in office of directors

In accordance with the constitution, John P Schmoll and Ross B Lane retire as Directors at the Annual General Meeting and, being eligible, offers themselves for re-election.

Loans to directors and executives

There have not been any loans made to directors of OrotonGroup Limited or any other key management personnel of the consolidated entity, including their personally related parties, for the 2016 and 2015 years.

Shares under performance rights

Unissued ordinary shares of OrotonGroup Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
3 December 2014	19 September 2019	$0.00	200,000
3 December 2014	17 September 2021	$0.00	300,000
9 October 2015	18 September 2020	$0.00	168,347
27 November 2015	18 September 2020	$0.00	135,983
			804,330

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

Shares under retention rights

Unissued ordinary shares of OrotonGroup Limited under retention rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
9 January 2015	19 September 2019	$0.00	83,842
9 October 2015	19 September 2019	$0.00	60,000
			143,842

No person entitled to exercise the retention rights had or has any right by virtue of the retention right to participate in any share issue of the company or of any other body corporate.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

Auditor
PricewaterhouseCoopers Australia continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

John P Schmoll
Non-Executive Chairman

21 September 2016
Sydney

Letter from the Chair of the People and Organisation Committee

Dear Shareholders

On behalf of the Board, I am pleased to present OrotonGroup Ltd's 2016 remuneration report.

As demonstrated by the improvements in the Group's financial results, the Company has continued to make progress in repositioning the Oroton brand, reducing losses in the Oroton international business and improving the profitability of GAP. Consequently Executive management earned 43% of their target STI for the year ended 30 July 2016. As all targets were not met, Executives did not realise the full STI opportunity and missed earning their potential long term performance rights opportunity in the current period. Actual "take home" pay and statutory remuneration are both included in the remuneration report.

We have responded to feedback and streamlined the remuneration report to improve clarity and comparability. The Board is committed to the alignment of our executive remuneration with the creation of long term value for our shareholders. We hope that this Remuneration Report sets out clearly both how and why we incentivise the Executives of our Company. Please contact us directly if you have suggestions for improvements in how we do so.

Yours sincerely,

Maria Martin
Chair of the People and Organisation Committee

The Directors of OrotonGroup present the Remuneration Report for the company and its controlled entities for the year ended 30 July 2016 (FY16). The report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001* except where otherwise stated.

The report is set out under the following sections:

Remuneration

1. Who this report covers

The report sets out the remuneration information for the company's Executive Key Management Personnel (KMP) and Non-Executive Directors, all of whom are accountable for planning, directing and managing the affairs of the company and its controlled entities. The Directors and KMP in office during the financial year were as follows:

Non-Executive Directors
John P Schmoll - Chairman
Ross B Lane
Maria Martin
J Will Vicars
Samuel S Weiss (resigned 27 November 2015)

Executive Director
Mark Newman - Managing Director and CEO

Other Key Management Personnel
Vanessa De Bono - Company Secretary and CFO

In this Report, Executive Directors and other Key Management Personnel are collectively referred to as "Executives".

2. Remuneration Strategy, Governance and Policy

The Board is responsible for determining remuneration for Executives of the Group and Non-Executive Directors, and is advised by the People and Organisation Committee. This committee provides independent advice on remuneration, incentive policies and practices and specific recommendations on remuneration packages for Directors and senior Executives. Further information on the role of the People and Organisation Committee can be found in the Corporate Governance Statement which can be viewed at www.orotongroup.com.au/investor-relations/corporate-governance.

During the financial year ended 30 July 2016, the People and Organisation Committee engaged in periodic discussions with external advisors on remuneration strategy and issues, however it did not receive any formal remuneration recommendations from remuneration consultants.

The objective of the Group's reward strategy is to ensure competitive compensation levels that attract and retain skilled and relevant talent to the Group and align remuneration with OrotonGroup's strategy.

OrotonGroup is committed to an Executive remuneration framework that is focused on:

- Driving a performance culture
- Linking executive pay to the achievement of the Group's strategy and business objectives.

The overriding objective is to provide satisfactory returns to shareholders and the remuneration principles are focussed on driving the leadership performance and behaviours consistent with achieving this objective.

2.1 Non-Executive Director Remuneration

Fees and payments to Non-Executive Directors and the Chairman are fixed and reflect the responsibilities and demands of their roles. There are no performance-related elements. These fees and payments are reviewed annually by the Board.

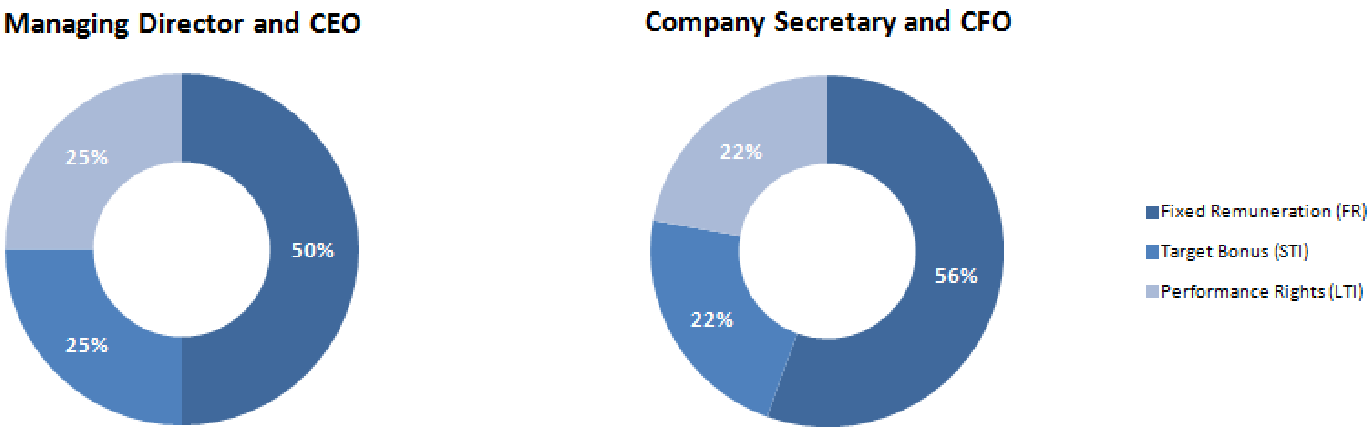
The pool for Non-Executive Directors' fees is capped at $700,000, as approved by shareholders at the 2010 Annual General Meeting. Non-Executive Directors with duties of chairing a committee receive additional fees.

Non-executive Directors and Chairman Fees were last reviewed during FY14 and the aggregate directors remuneration reduced by $100,000 per annum. The table below shows the annual fees (including superannuation and excluding non-monetary benefits) for the past 2 years:

	2016 $	2015 $
Base fee for Non-Executive Chairman	160,000	160,000
Base fee for Non-Executive Director	84,000	84,000
Additional fees for Audit Committee Chair	12,000	12,000
Additional fees for People and Organisation Committee Chair	12,000	12,000

2.2 Executive Remuneration

Our Executive remuneration framework comprises fixed annual remuneration, short-term incentives and long-term incentives. The graphs below show the mix of these components as a percentage of total target annual remuneration for the 2016 financial year. The actual results are included in Section 4



2.2.1 Fixed Remuneration (FR)

Base pay and benefits

Base pay is structured as a total employment cost package including superannuation which may be delivered as a combination of cash and prescribed non-financial benefits.

Base pay for Executives is reviewed annually, and on promotion, to ensure the pay is competitive with the market. Fixed remuneration increases are based on merit or where there has been a material change in role or responsibility or the market rate for comparable roles. A summary of actual fixed versus at risk pay for each Executive appears in section 4.

Superannuation

Retirement benefits are delivered to the employee's choice of Superannuation Fund. The company has no interest or ongoing liability to the fund or the employee in respect of retirement benefits.

2.2.2 At Risk Remuneration

Short-term incentives (STI)

OrotonGroup operates short-term cash incentive (STI) programs that reward Executives for the achievement of predetermined key performance indicators (KPIs) established for each financial year, according to the accountabilities of his/her role and its impact on the organisation's performance. The Chair of the Board in conjunction with the People and Organisation Committee is responsible for assessing whether the KPIs are met. In exceptional circumstances, discretionary bonuses may be recommended for Executives to the Board by the People and Organisation Committee.

The table below provides a snapshot of the Group's Executive STI framework and key KPIs. The target and maximum STI have remained unchanged from the prior period, however the STI framework was revised during the current period with an increased weighting towards the achievement of earnings before interest and tax (EBIT) targets to ensure variable reward is paid only when value is created for shareholders. Other strategic KPI's drive leadership performance and behaviours consistent with achievement of the Group's strategy and creation of short to medium term benefits for shareholders. This ensures that the total STI is a variable annual incentive, where challenging performance measures are set to incentivise superior performance. In FY16, a minimum FY16 EBIT achievement of 80% of target EBIT was also introduced before management was entitled to receive any STI. Achievement of EBIT targets is assessed based on comparison of targets to audited accounts of the Company.

Executive	Profit KPI – 70% weighting	Other Strategic KPI – 30% weighting	At risk Weight*
Mark Newman	Group EBIT	• Continue Oroton Brand transformation • Like for like sales growth in stores • Online sales growth	*Target* 50% of FR *Maximum:* 68% of FR
Vanessa De Bono	Group EBIT	• Supply Chain and Logistics • Omni-channel shopping readiness • Inventory management	*Target* 40% of FR *Maximum:* 54% of FR

- "Target" relates to the available STI on achievement of the Profit KPI and Other Strategic KPI; this could be increased to the "Maximum" STI if the EBIT target in the Profit KPI is overachieved

Long-term incentives (LTI)

The purpose of the long-term incentive plan is to reward Executives for the creation of shareholder value. The plan provides rewards to Executives who have a direct impact on the company's performance against long-term performance hurdles. Under the plan, incentives are delivered as performance rights, issued for nil consideration to participants. The primary hurdle for the performance rights is earnings per share ("EPS"). EPS was chosen as a performance hurdle because it ensures a strong link with the creation of shareholder value. LTIs generally have a three year term and are most commonly issued as performance rights.

Performance rights awards are based on 40-50% percent of the participant's fixed annual remuneration. The number of performance rights granted is calculated based on the face value of the shares, which is calculated as the company's volume weighted average share price (VWAP) for a 7 day period prior to the grant of the award.

Performance Rights based on EPS hurdles
EPS represents the earnings per share from operations as reported in the audited accounts of OrotonGroup Limited. EPS hurdles are set by the Board based on the Group's strategic financial plans.

Performance rights will vest and become exercisable if the EPS hurdles are satisfied for the relevant period. If the performance hurdle is not met or if the participant ceases to be employed by the company, any unvested performance rights will lapse unless otherwise determined by the Board. Board discretion is only applied in exceptional circumstances.

Retention rights
Retention rights are occasionally granted to Executives entitling them to a certain number of fully paid ordinary shares in the company provided they are still employed at a date predetermined by the Board. Retention rights will vest and become exercisable at the end of the vesting period if the participant remains employed and has not provided notice of resignation.

Other information relating to performance and retention rights

OrotonGroup operates the Oroton Performance Based Incentive Scheme ("Principle LTI Plan") Under these plan's, performance rights (excluding those awarded to the Managing Director) are recommended by the People and Organisation Committee and put to the Board for approval. Under the Principle LTI Plan, performance rights awarded to the Managing Director are recommended by the People and Organisation Committee to the Board and put to the shareholders of OrotonGroup Limited for approval at the Annual General Meeting.

OrotonGroup also operates the Oroton Performance Based Incentive Plan ("Other LTI Plan") which was established during FY15 with reference to new ASIC guidelines released in November 2014. Under the Other LTI Plan, grants may be awarded to the Managing Director without shareholder approval, provided that they fall within the ASX listing rule requirement that should those performance rights under the Other LTI Plan vest, any shares transferred to a participant are purchased on market and not issued directly by OrotonGroup. No grants were made under the Other LTI plan during FY16.

Shares provided to participants under performance and retention right grants are purchased on market by the OrotonGroup Share Plan Company. These shares are held in the OrotonGroup Trust when purchased until they are transferred to participants on the vesting of their performance and retention rights.

There are no cash alternatives to performance and retention rights. The rights cannot be transferred and are not quoted on the Australian Stock Exchange. Holders of rights are not entitled to notice of, or attend, a meeting of shareholders of the company, or receive any dividends declared by the company, until the rights have vested and are then converted into shares.

More information on the Oroton Long Term Incentive Schemes is set out in note 40 to the financial statements.

Details of the last five years earnings and total shareholders return appear in section 7 of this report.

3. Executive Remuneration outcomes FY16

This section provides a summary of the key financial results for OrotonGroup and also how these results have been reflected in the Executive remuneration.

OrotonGroup Financial Performance
The table below sets out OrotonGroup's financial performance

	2016 $'000	2015 $'000	% Change
EBIT	6,214	5,625	10%
EBITDA*	12,917	10,889	19%
NPAT	3,443	2,620	31%
EPS (cents)	8.43	6.41	32%
Underlying EBIT*	7,857	6,818	15%
Underlying EPS (cents)*	11.36	9.33	22%

* Refer to Group and Underlying Results Section of the Operating and Financial Review for definition

Fixed Remuneration

Fixed remuneration did not increase for Executives during the 2016 financial year, as the current levels of remuneration were considered appropriate.

STI outcomes
The performance of each Executive against their FY16 KPI's is set out below. The total target STI for Executives is unchanged from the prior year, and the FY16 STI outcomes reflect the fact that the minimum EBIT target was achieved in FY16. Refer Section 2 for details of STI strategy including changes in the STI framework.

Executive	FY16 KPI's	Target STI as a % of fixed remuneration	Awarded STI as a % of target STI	Forfeited STI as a % of target STI	Actual STI
Mark Newman	EBIT (70%) and other strategic objectives (30%)	50%	40%	60%	$130,000
Vanessa De Bono	EBIT (70%) and other strategic objectives (30%)	40%	50%	50%	$80,000

LTI outcomes

Details of the framework for LTI schemes are included in Section 2.

Rights granted, lapsed and or assigned a zero probability in the current period which have impacted statutory remuneration included in Section 4, are as follows:

- A total of 202,929 performance rights were granted to Executives with a performance condition based on FY16 EPS and a three year retention period to FY18. (Of these rights, 135,983 were for the CEO and were approved at the AGM.) These rights were partially expensed during the period however since they have been assigned a vesting probability of zero, the associated expense was reversed. (ref PR13, PR14)
- In October 2015, 60,000 retention rights were granted to CFO and Company Secretary Vanessa De Bono with a retention period to September 2017. These rights were issued to ensure stability of the CFO function during the period of transition of the OrotonGroup and rebuilding of shareholder value. The accounting cost of the rights has been partially expensed in the current period and the balance will be recognised over the service period.
- 500,000 performance rights granted to CEO Mark Newman in FY15 have been assigned a vesting probability of zero in the current year as the performance conditions are not expected to be met and the associated expense previously recognised reversed. These rights had EPS and revenue performance conditions for FY17 (200,000 rights) and FY19 (300,000 rights) based on the groups previous strategic plans. (ref PR 9 & PR10)

Performance rights PR7 and PR12 which were issued to Executives in FY14 and FY15 have lapsed as the EPS hurdles of 45c/48c and 39c/44c respectively were not met. The lapsing of these rights had no impact on statutory remuneration in FY16 as they were previously assigned a zero probability of vesting.

References are to the relevant performance rights scheme, and further details are included in a summary table of all schemes outstanding in Section 6.

4. Details of remuneration

Executive take-home pay

The following table summarises the take-home pay that has been realised by executives based on performance criteria being met. The amounts disclosed below are not the same as the remuneration expensed in relation to each executive in accordance with the accounting standards ($1,123,221 for 2016), see 'Statutory Remuneration" section below) and do not comply with accounting standards. The directors believe that the remuneration included in this table may provide useful information because when calculating the statutory remuneration expense:

- Long Term Incentive (LTI) awards are expensed over the vesting period, based on their assessed value when originally granted. This expense may be significantly different to the LTI value if and when they vest to the executive.
- LTI amounts are included before they are actually received by the executives
- In some circumstances, LTI amounts are recorded as statutory remuneration when no rights vest to the executive and in other cases there can be negative remuneration from LTI's in a given year due to non-vesting.

Executive	Fixed Pay: Salary and Super (a) $	Cash Bonus (a) $	Long-term Incentives (b) $	Total $
Mark Newman				
2016	658,737	130,000	-	788,737
2015	648,295	115,000	-	763,295
Vanessa De Bono				
2016	405,377	80,000	-	485,377
2015*	107,364	19,265	-	126,629

*Vanessa de Bono was appointed on 13 April 2015

(a) Fixed pay: Salary and Super and Cash bonus are as per the statutory remuneration table below
(b) Long Term Incentive figures represent the actual value of performance and retention rights realised in relation to the 2015 and 2016 financial years. These values are nil as no performance conditions were completely satisfied in relation to performance or retention rights during these financial years. Details of LTI awards expense calculated in accordance with accounting standards is included below and described as 'Statutory Remuneration'.

Statutory Remuneration

The following table shows the accounting expense of remuneration received by the Directors and executives of OrotonGroup Limited. This information has been prepared in accordance with Australian Accounting Standards (which has the benefit of being readily comparable with other companies) rather than a take-home pay basis.

2016 Name	Short term benefits		Post employment benefits		Long term benefits	Share-based payments	
	Cash Salary and Fees $	Bonus $	Super-annuation $	Termination benefits $	Long service leave $	Rights $	Total $
Non-Executive Directors							
John P Schmoll (Chairman)	148,083	—	14,068	—	—	—	162,151
Ross B Lane	77,743	—	7,386	—	—	—	85,129
Maria Martin **(a)**	96,256	—	9,144	—	—	—	105.400
J Will Vicars	77,743	—	7,386	—	—	—	85,129
Samuel S Weiss **(a)**	30,638	—	2,911	—	—	—	33,549
Executive Directors							
Mark Newman (MD and CEO) **(b)**	639,144	130,000	19,593	—	10,652	(228,977)	570,412
Other Executives							
Vanessa De Bono **(c)**	385,784	80,000	19,593	—	6,462	60,970	552,809
	1,455,391	**210,000**	**80,081**	—	**17,114**	**(168,007)**	**1,594,579**

(a) Maria Martin was appointed chair of the People and Organisation Committee on 27 November 2015, following the retirement of Samuel S Weiss as Non-Executive Director and Chair of the People and Organisation Committee on this date.
(b) Share-based payments remuneration includes the expense for rights granted in the current or prior period ($177,150) and the reversal of the expense on rights that have lapsed or where vesting probability is zero ($406,127)
(c) Share-based payments remuneration includes the expense for rights granted in the current or prior period ($76,231) and the reversal of the expense on rights that have lapsed or where vesting probability is zero ($15,261)

2015 Name	Short term benefits		Post employment benefits		Long term benefits	Share-based payments	
	Cash Salary and Fees $	Bonus $	Super-annuation $	Termination benefits $	Long service leave $	Rights $	Total $
Non-Executive Directors							
John P Schmoll (Chairman)	145,768	—	13,844	—	—	—	159,612
Eddy Chieng **(a)**	59,668	—	5,664	—	—	—	65,332
Ross B Lane	76,548	—	7,268	—	—	—	83,816
Maria Martin **(b)**	30,932	—	2,939	—	—	—	33,871
J Will Vicars	76,548	—	7,268	—	—	—	83,816
Samuel S Weiss	87,477	—	8,306	—	—	—	95,783
Executive Directors							
Mark Newman (MD and CEO) **(c)**	629,526	115,000	18,769	—	10,445	254,995	1,028,735
Other Executives							
Vanessa De Bono **(d)**	101,978	19,265	5,386	—	1,771	—	128,400
Kevin Fine **(e)**	180,854	—	8,758	177,370	(44,486)	(23,920)	298,576
	1,389,299	**134,265**	**78,202**	**177,370**	**(32,270)**	**231,075**	**1,977,941**

(a) Eddy Chieng resigned as Non-Executive Director and Chair of the Audit committee on 19 March 2015
(b) Maria Martin was appointed Non-Executive Director and Chair of the Audit committee on 19 March 2015
(c) Share-based payments remuneration includes the expense for rights granted in the current or prior period ($330,649) and the reversal of the expense on rights that have lapsed or where the vesting probability is zero ($75,654)
(d) Vanessa De Bono was appointed Chief Financial Officer on 13 April 2015
(e) Kevin Fine resigned as Chief Financial Officer on 5 December 2014. His termination benefits includes cash of $140,000 and shares with a value of $37,370. Included in his share-based payments remuneration is the reversal of the expense on rights that have lapsed ($23,920)

Other Information

5. Service agreements

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises Board policies and terms, including compensation, relevant to the office of Director.

Remuneration and other terms of employment for all Executives are also formalised in service agreements. All contracts with Executives may be terminated early by either party subject to notice periods and termination payments as detailed below.

Name	Term of agreement	Base salary including superannuation (a)	Termination benefit (b)
Mark Newman *Managing Director and CEO*	Ongoing commencing 14 August 2013, 6 month notice period	$650,000	6 months base salary
Vanessa De Bono *Company Secretary and CFO*	Ongoing commencing 13 April 2015, 3 month notice period	$400,000	3 months base salary

(a) Base salaries quoted are for the year ended 30 July 2016; they are reviewed annually by the People and Organisation Committee
(b) Termination benefits are payable on early termination by the company, other than for gross misconduct, unless otherwise indicated

6. Share-based compensation

Issue of shares

No shares were issued to directors or Executives during the financial year

Performance rights

The following table summarises the performance based Executive LTI awards in place during the financial year. All awards in this table are performance rights based on EPS targets and have a nil exercise price:

Ref	Grant date (a)	Vesting and exercisable date	Expiry date	Grant recipient	Performance period (b)	Fair value per right at grant date	Status
PR07	28 Nov 2013	30 July 2016	30 July 2018	Mark Newman	FY14 - FY16	$4.07	Lapsed in FY16, FY15 vesting probability zero
PR09	3 Dec 2014	19 Sept 2017	19 Sept 2019	Mark Newman	FY15 - FY17	$3.24	FY16 vesting probability zero
PR10	3 Dec 2014	17 Sept 2019	17 Sept 2021	Mark Newman	FY15 - FY19	$3.11	FY16 vesting probability zero
PR12	9 Jan 2015	20 Sept 2016	20 Sept 2018	Mark Newman	FY14 - FY16	$3.44	Lapsed in FY16, FY15 vesting probability zero
PR13	9 Oct 2015	18 Sept 2018	18 Sept 2020	Vanessa De Bono	FY16 - FY18	$2.20	FY16 vesting probability zero
PR14	27 Nov 2015	18 Sept 2018	18 Sept 2020	Mark Newman	FY16 - FY18	$2.63	FY16 vesting probability zero

(a) In some instances the grant date will not correlate to the beginning of the performance period. This includes additional rights granted for a performance period where the initial grant for the period has been assigned a vesting probability of zero
(b) The performance period shows the year of grant followed by the year the LTI is assessed in. For example FY14-FY16 denotes an LTI granted during financial year 2014 that will vest after finalisation of FY16 results.

Performance rights granted carry no dividend or voting rights. For information relating to vesting hurdles, please refer to share-based payments note 40.

Further details of performance rights granted, vested, assigned a vesting probability of zero, or lapsed for Executives during the year ended 30 July 2016 are set out below:

Name	Ref	Grant date	Vesting and exercisable date	Number of rights granted	Value of rights granted during the year* $	Number of rights vested during the year	Number of rights lapsed during the year	Value of rights lapsed during the year* $
Mark Newman	PR07	28 November 2013		56,122	—	—	56,122	127,958
	PR09	3 December 2014	19 September 2017**	200,000	—	—	—	—
	PR10	3 December 2014	17 September 2019**	300,000	—	—	—	—
	PR12	9 January 2015		78,014	—	—	78,014	177,872
	PR14	27 November 2015	18 September 2018**	135,983	357,635	—	—	—
Vanessa De Bono	PR13	9 October 2015	18 September 2018**	66,946	147,281	—	—	—

* Value of rights granted during the year is based on the fair value at the time of grant. Value of rights lapsed during the year is based on the share price on the date the rights lapsed
** Rights have a vesting probability of zero as at 30 July 2016, but will lapse in the future.

Retention rights

The following table summarises the retention rights in place during the financial year. All awards have a nil exercise price

Name	Grant date	Vesting and exercisable date	Fair value per right at grant date	Number of rights granted	Value of rights granted during the year $	Number of rights vested during the year	Number of rights lapsed during the year	Value of rights lapsed during the year $
Mark Newman	9 January 2015	19 September 2017	$3.30	43,735	—	—	—	—
Vanessa De Bono	9 October 2015	19 September 2017	$2.27	60,000	136,200	—	—	—

Retention rights granted carry no dividend or voting rights. For information relating to vesting hurdles, please refer to share-based payments note 40.

Shares and rights held by key management personnel

The table below shows the number of OrotonGroup shares owned and outstanding rights held by each Executive at 30 July 2016:

Name	Shares	Rights
Mark Newman*	48,092	679,718
Vanessa De Bono**	—	126,946

*Outstanding rights of 679,718 include 635,983 rights (PR09, PR10, PR14) which have been assigned a vesting probability of zero
**Outstanding rights of 126,946 include 66,946 rights (PR13) which have been assigned a vesting probability of zero

7. Additional Information

The earnings of the consolidated entity for the five years to 30 July 2016 are summarised below:

	2012 $'000	Total Business 2013 $'000	Continuing Business* 2013 $'000	2014 $'000	2015 $'000	2016 $'000
Sales revenue	183,471	185,104	99,421	123,911	130,785	135,493
EBITDA	46,179	47,930	16,846	18,756	10,889	12,917
EBIT	37,829	40,230	11,870	13,257	5,625	6,214
Profit after income tax	24,917	27,453	7,141	8,258	2,620	3,443
STI cash bonus paid at % of available target**	67%	79%	79%	38%	36%	43%
LTI achieved	—	—	—	35%	—	—

*Continuing business shows the results of continuing operations only and excludes the Ralph Lauren discontinued business
**Short-term incentive targets include non-financial objectives; see section 4.2.2 for further details

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2012	2013	2014	2015	2016
Share price at financial year end ($A)	7.59	7.19	4.72	1.91	2.28
Total dividends declared (cents per share)	50.00	50.00	16.00	6.50	9.00
Basic earnings per share (cents per share)	60.99	67.15	20.20	6.41	8.43

OrotonGroup Limited
Corporate Governance Statement
30 July 2016

Corporate Governance

OrotonGroup Limited (the "Consolidated Entity") and the Board are committed to achieving and demonstrating the highest standard of corporate governance. The Consolidated Entity has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 corporate governance statement is dated as at 30 July 2016 and reflects the corporate governance practices in place throughout the 2016 financial year. The 2016 corporate governance statement was approved by the board on 21 September 2016. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at www.orotongroup.com.au/investor-relations/corporate-governance.

Auditor's Independence Declaration

As lead auditor for the audit of OrotonGroup Limited for the year ended 30 July 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of OrotonGroup Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
21 September 2016

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OrotonGroup Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 July 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue	4	136,439	132,017
Share of losses of joint ventures accounted for using the equity method	33	-	(1,827)
Other income		106	211
Gain on exit of joint venture	33	-	1,655
Expenses			
Cost of sales		(54,408)	(51,909)
Warehouse and distribution		(3,723)	(4,316)
Marketing		(3,522)	(2,658)
Selling		(56,613)	(54,309)
Administration		(11,954)	(13,107)
Finance costs	5	(453)	(706)
Profit before income tax expense		5,872	5,051
Income tax expense	6	(2,429)	(2,431)
Profit after income tax expense for the year attributable to the owners of OrotonGroup Limited	24	3,443	2,620
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax	23	(8,624)	9,674
Foreign currency translation	23	(157)	471
Share of joint venture's hedging reserve	23	-	417
Other comprehensive income/(loss) for the year, net of tax		(8,781)	10,562
Total comprehensive income/(loss) for the year attributable to the owners of OrotonGroup Limited		(5,338)	13,182
		Cents	**Cents**
Basic earnings per share	39	8.43	6.41
Diluted earnings per share	39	8.41	6.33

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

OrotonGroup Limited
Statement of financial position
As at 30 July 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Assets			
Current assets			
Cash and cash equivalents	7	2,816	2,181
Trade and other receivables	8	5,446	7,482
Inventories	9	30,656	37,713
Derivative financial instruments	10	989	8,877
Tax receivable	11	381	140
Total current assets		40,288	56,393
Non-current assets			
Receivables	12	-	2,072
Derivative financial instruments	13	-	3,686
Property, plant and equipment	14	10,814	15,328
Intangibles	15	1,070	671
Deferred tax	16	3,542	-
Total non-current assets		15,426	21,757
Total assets		55,714	78,150
Liabilities			
Current liabilities			
Trade and other payables	17	12,334	18,750
Provisions	18	1,007	943
Total current liabilities		13,341	19,693
Non-current liabilities			
Deferred tax	16	-	214
Borrowings	19	-	8,000
Derivative financial instruments	20	1,398	-
Provisions	21	5,259	5,367
Total non-current liabilities		6,657	13,581
Total liabilities		19,998	33,274
Net assets		35,716	44,876
Equity			
Issued capital	22	22,175	22,523
Reserves	23	(2,565)	6,420
Retained profits	24	16,106	15,933
Total equity		35,716	44,876

The above statement of financial position should be read in conjunction with the accompanying notes

OrotonGroup Limited
Statement of changes in equity
For the year ended 30 July 2016

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 27 July 2014	22,523	(4,063)	18,423	36,883
Profit after income tax expense for the year	-	-	2,620	2,620
Other comprehensive income for the year, net of tax	-	10,562	-	10,562
Total comprehensive income for the year	-	10,562	2,620	13,182
Transactions with owners in their capacity as owners:				
Net movement in share-based payments reserve	-	(79)	-	(79)
Dividends paid (note 25)	-	-	(5,110)	(5,110)
Balance at 25 July 2015	22,523	6,420	15,933	44,876

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 26 July 2015	22,523	6,420	15,933	44,876
Profit after income tax expense for the year	-	-	3,443	3,443
Other comprehensive income for the year, net of tax	-	(8,781)	-	(8,781)
Total comprehensive income for the year	-	(8,781)	3,443	(5,338)
Transactions with owners in their capacity as owners:				
Share buy-back	(348)	-	-	(348)
Net movement in share-based payments reserve	-	(204)	-	(204)
Dividends paid (note 25)	-	-	(3,270)	(3,270)
Balance at 30 July 2016	22,175	(2,565)	16,106	35,716

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		151,873	141,038
Payments to suppliers and employees (inclusive of GST)		(134,867)	(138,605)
		17,006	2,433
Interest received		4	26
Interest and other finance costs paid		(453)	(706)
Income taxes paid		(2,732)	(4,186)
Net cash from/(used in) operating activities	38	13,825	(2,433)
Cash flows from investing activities			
Loans advanced to joint venture	33	-	(2,040)
Repayment of loan from Brooks Brothers International, LLC		1,000	-
Payments for property, plant and equipment	14	(1,859)	(9,610)
Payments for software	15	(827)	(338)
Proceeds from disposal of joint venture	33	-	3,742
Proceeds from disposal of property, plant and equipment		-	80
Proceeds from release of security deposits		145	64
Net cash used in investing activities		(1,541)	(8,102)
Cash flows from financing activities			
Proceeds from borrowings		11,000	27,000
Payments for share buy-backs		(348)	-
Dividends paid	25	(3,270)	(5,110)
Repayment of borrowings		(19,000)	(19,000)
Shares purchased through employee share trust	23	(31)	(302)
Net cash from/(used in) financing activities		(11,649)	2,588
Net increase/(decrease) in cash and cash equivalents		635	(7,947)
Cash and cash equivalents at the beginning of the financial year		2,181	10,128
Cash and cash equivalents at the end of the financial year	7	2,816	2,181

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

Certain new and amended Australian Accounting Standards and Interpretations have been published that are not mandatory for the period ended 30 July 2016. The Groups assessment of the net impact of these new standards and interpretations is outlined below:

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The new hedging rules align hedge accounting more closely with the consolidated entity’s risk management practices. As a general rule it will be easier to apply hedge accounting going forward.

AASB 9 must be applied for financial years commencing on or after 1 January 2018. The consolidated entity has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules, and it has not yet decided whether to adopt any parts of AASB 9 early. In order to apply the new hedging rules, the consolidated entity would have to adopt AASB 9 and the consequential amendments to AASB 7 and AASB 139 in their entirety.

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue expected to be effective for periods beginning on or after 1 January 2018. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Based on preliminary assessments made by management the impact is expected to be minimal for the consolidated entity. Management will continue to assess this over the next twelve months.

AASB 16 Leases

The AASB has issued a new standard for the accounting of leases expected to be effective for periods beginning on or after 1 January 2019. The new standard will predominantly affect lessees, with almost all leases brought onto the statement of financial position. The Group is still assessing the impact of the new standard on the financial statements when applied to the future period

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Accounting Period

The current accounting period is for the 53 weeks ended 30 July 2016 and the comparative accounting period is for the 52 weeks ended 25 July 2015.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Note 1. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OrotonGroup Limited ('company' or 'parent entity') as at 30 July 2016 and the results of all subsidiaries for the year then ended. OrotonGroup Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The consolidated entity utilises a trust to administer the consolidated entity's employee share scheme. The trust is consolidated into the consolidated entity.

Treasury shares acquired by the trust are recorded in the share-based payment trust reserve. Information relating to these shares is disclosed in note 23.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is OrotonGroup Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 1. Significant accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the consolidated entity's activities as described below.

Sale of goods

The consolidated entity operates retail stores and a premium wholesaling business. Revenue from the sale of goods is recognised when a group entity sells a product to the customer. Retail sales are usually paid via credit card or cash. Revenue from licence fees, franchise fees and commissions are recognised and accrued in the period in which the fees are earned.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the consolidated entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

OrotonGroup Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Note 1. Significant accounting policies (continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Finished goods are stated at the lower of cost and net realisable value on a 'weighted average cost' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 1. Significant accounting policies (continued)

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 1. Significant accounting policies (continued)

Plant and equipment is depreciated on a straight line basis over their estimated useful lives commencing from the time the asset is held ready for use. Items of plant and equipment are depreciated at rates ranging from 12.5% to 33.3% per annum.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the lease term or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 1. Significant accounting policies (continued)

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments, if material, are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities when the related employee benefit liability is incurred.

Bonuses

The consolidated entity recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The consolidated entity recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or rights over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 1. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Monte Carlo or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 1. Significant accounting policies (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction, net of tax, from the proceeds.

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

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of OrotonGroup Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Note 1. Significant accounting policies (continued)

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

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

Impairment of property, plant and equipment
The consolidated entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions, including future cash flows.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 3. Operating segments

Identification of reportable operating segments
Management has determined the operating segments, the Oroton and Gap brands, based on internal reports that are reviewed and used by the Board of Directors (collectively referred to as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. The operating segments have been aggregated in accordance with AASB 8 on the basis that they share similar economic characteristics, including long term average gross margins, and the similar nature of the operating segments production, supply chain, customers, regulatory environment and operating risks.

The CODM reviews Revenue, EBIT (earnings before interest and tax), EBITDA (earnings before interest, tax, depreciation, amortisation and impairment) and Underlying EBIT (underlying earnings before interest and tax) on a monthly basis.

	Consolidated	
	2016 $'000	2015 $'000
Profit after income tax expense	3,443	2,620
Interest received	(111)	(132)
Finance costs	453	706
Income tax expense	2,429	2,431
EBIT	6,214	5,625
Depreciation, amortisation and impairment expense	6,703	5,264
EBITDA	12,917	10,889
Underlying EBIT*	7,857	6,818

*Underlying EBIT is reconciled to IFRS audited measurements through the add back of store asset impairments totalling $1,643,000. Underlying comparatives are reconciled to IFRS audited measurements through the add back of the onerous Hong Kong Store lease after exit ($832,000), the closure of the Singapore office ($189,000) and the trading losses ($1,827,000) and gain on exit ($1,655,000) from Brooks Brothers Australia. Underlying comparative add backs total $1,193,000.

Types of products and services
The reportable segment operates principally in the retailing and wholesaling of fashion apparel and accessories.

Note 4. Revenue

	Consolidated 2016 $'000	Consolidated 2015 $'000
Sales revenue		
Sale of goods	134,200	129,492
Licence and franchise fees	1,293	1,293
	135,493	130,785
Other revenue		
Management fees	835	1,100
Interest received	111	132
	946	1,232
Revenue	136,439	132,017

Note 5. Expenses

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit before income tax includes the following specific expenses:		
Depreciation and amortisation of assets		
Depreciation of plant and equipment	4,639	4,888
Impairment of plant and equipment	1,643	-
Amortisation of software	421	376
Total depreciation, amortisation and impairment of assets	6,703	5,264
Finance costs		
Interest and finance charges paid/payable	453	706
Net foreign exchange loss/(gain)		
Net foreign exchange loss/(gain)	(36)	(90)
Net loss on disposal		
Net loss on disposal of property, plant and equipment and intangibles	98	371
Rental expense relating to operating leases		
Minimum lease payments	24,384	23,654
Amortisation of deferred lease incentives	(1,004)	(698)
Total rental expense relating to operating leases	23,380	22,956
Superannuation expense		
Defined contribution superannuation expense	2,095	1,959
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	25,752	25,380
Other charges against assets		
Inventories	982	1,274

Note 6. Income tax expense

	Consolidated 2016 $'000	Consolidated 2015 $'000
Income tax expense		
Current tax	2,429	3,006
Deferred tax - origination and reversal of temporary differences	(60)	(571)
Adjustment recognised for prior periods	60	(4)
Aggregate income tax expense	2,429	2,431
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 16)	(60)	(571)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	5,872	5,051
Tax at the statutory tax rate of 30%	1,762	1,515
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Net impact of share of loss and gain on exit of joint venture	-	52
Sundry items	86	21
	1,848	1,588
Adjustment recognised for prior periods	60	(4)
Current year tax losses not recognised	332	643
Difference in overseas tax rates	189	204
Income tax expense	2,429	2,431

	Consolidated 2016 $'000	Consolidated 2015 $'000
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 16)	(3,696)	4,146
Tax losses not recognised		
Unused tax capital losses for which no deferred tax asset has been recognised	18,938	18,938
Potential tax benefit @ 30%	5,681	5,681
Unused tax losses for which no deferred tax asset has been recognised	11,591	9,865
Potential tax benefit at statutory tax rates	2,167	1,835

The above potential tax benefit for capital losses has not been recognised in the statement of financial position. The tax capital losses can only be utilised against capital gains in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The consolidated entity has recognised deferred tax losses to the extent that short term tax forecasts support their utilisation. The unrecorded overseas tax losses of $11,591,000 are available for utilisation, however the Directors consider it prudent not to recognise these as their utilisation is not expected in the short term. However they will remain available indefinitely for offset against future taxable profits, subject to continuing to meet the statutory tax tests.

Note 6. Income tax expense (continued)

Tax consolidation legislation
OrotonGroup Limited and its wholly owned Australian subsidiaries implemented the tax consolidation legislation as of 3 August 2003.

OrotonGroup Limited, as the head entity in the tax consolidated group, recognises current tax amounts relating to transactions, events and balances of the wholly owned Australian Controlled Entities in this group in its financial statements as if those transactions, events and balances were its own transactions, events and balances. There is no formal tax sharing agreement in place.

Note 7. Current assets - cash and cash equivalents

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash at bank	2,816	2,181

As at 30 July 2016, the portion of cash at bank that was interest bearing bore a rate of 0.98% (2015: 2.15%). Refer to note 26 for further information on cash and cash equivalents.

Note 8. Current assets - trade and other receivables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade receivables	966	3,020
Other receivables	7	102
Receivable from Brooks Brothers International, LLC	2,193	960
	2,200	1,062
Prepayments	1,842	2,817
Security deposits	438	583
	5,446	7,482

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $76,000 as at 30 July 2016 ($421,000 as at 25 July 2015).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
0 to 3 months overdue	21	267
3 to 6 months overdue	5	36
Over 6 months overdue	50	118
	76	421

Note 8. Current assets - trade and other receivables (continued)

Foreign exchange and interest rate risk
Information about the consolidated entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 26.

Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The fair value of securities held for certain trade receivables is insignificant. Refer to note 26 for more information on the risk management policy of the consolidated entity.

Note 9. Current assets - inventories

	Consolidated	
	2016	2015
	$'000	$'000
Finished goods - at cost	30,928	38,337
Less: Provision	(272)	(624)
	30,656	37,713

Note 10. Current assets - derivative financial instruments

	Consolidated	
	2016	2015
	$'000	$'000
Forward foreign exchange contracts - cash flow hedges	989	8,877

Refer to note 27 for further information on fair value measurement.

Note 11. Current assets - tax receivable

	Consolidated	
	2016	2015
	$'000	$'000
Income tax refund due	381	140

Note 12. Non-current assets - receivables

	Consolidated	
	2016	2015
	$'000	$'000
Receivable from Brooks Brothers International, LLC	-	2,072

Note 13. Non-current assets - derivative financial instruments

	Consolidated	
	2016	2015
	$'000	$'000
Forward foreign exchange contracts - cash flow hedges	-	3,686

Refer to note 27 for further information on fair value measurement.

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Plant and equipment - at cost	41,047	43,018
Less: Accumulated depreciation	(30,233)	(27,690)
	10,814	15,328

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment $'000	Total $'000
Balance at 27 July 2014	11,057	11,057
Additions	9,610	9,610
Disposals	(451)	(451)
Depreciation expense	(4,888)	(4,888)
Balance at 25 July 2015	15,328	15,328
Additions	1,859	1,859
Disposals	(91)	(91)
Impairment of assets	(1,643)	(1,643)
Depreciation expense	(4,639)	(4,639)
Balance at 30 July 2016	10,814	10,814

Note 15. Non-current assets - intangibles

	Consolidated 2016 $'000	Consolidated 2015 $'000
Software - at cost	8,336	7,521
Less: Accumulated amortisation	(7,266)	(6,850)
	1,070	671

Note 15. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Software $'000	Total $'000
Balance at 27 July 2014	709	709
Additions	338	338
Amortisation expense	(376)	(376)
Balance at 25 July 2015	671	671
Additions	827	827
Disposals	(7)	(7)
Amortisation expense	(421)	(421)
Balance at 30 July 2016	1,070	1,070

Note 16. Non-current assets - deferred tax

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax asset/(liability) comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	26	26
Employee benefits	519	818
Provision for bad debts	10	-
Accrued expenses	204	196
Deferred revenue	151	155
Depreciation	19	19
Inventory provision	50	124
Lease incentives and fixed rental increases	1,365	1,383
Inventory valuation	485	512
Store asset impairments	464	-
	3,293	3,233
Amounts recognised in equity:		
Derivative financial instruments	249	(3,447)
Deferred tax asset/(liability)	3,542	(214)
Amount expected to be recovered within 12 months	2,311	(1,478)
Amount expected to be recovered after more than 12 months	1,231	1,264
	3,542	(214)
Movements:		
Opening balance	(214)	3,361
Credited to profit or loss (note 6)	60	571
Credited/(charged) to equity (note 6)	3,696	(4,146)
Closing balance	3,542	(214)

Note 17. Current liabilities - trade and other payables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Trade payables	6,743	11,025
Other payables	5,591	7,725
	12,334	18,750

Refer to note 26 for further information on financial instruments.

Fair value
Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value.

Amounts not expected to be settled within the next 12 months
Other payables include accruals for annual leave. The entire obligation is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Annual leave obligation expected to be settled after 12 months	114	76

Note 18. Current liabilities - provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Employee benefits	200	204
Deferred lease incentives	807	739
	1,007	943

Deferred lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2016	Deferred lease incentives $'000
Carrying amount at the start of the year	739
Additional provisions recognised	263
Amounts transferred from non-current	809
Amounts used	(1,004)
Carrying amount at the end of the year	807

Note 18. Current liabilities - provisions (continued)

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated	
	2016 $'000	2015 $'000
Long service leave obligation expected to be settled after 12 months	176	193

Note 19. Non-current liabilities - borrowings

	Consolidated	
	2016 $'000	2015 $'000
Bank loans	-	8,000

Refer to note 26 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2016 $'000	2015 $'000
Bank loans	-	8,000

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2016 $'000	2015 $'000
Total facilities		
Bank overdraft	8,000	8,000
Working capital facilities	32,000	32,000
	40,000	40,000
Used at the reporting date		
Bank overdraft	-	-
Working capital facilities	7,060	16,291
	7,060	16,291
Unused at the reporting date		
Bank overdraft	8,000	8,000
Working capital facilities*	24,940	15,709
	32,940	23,709

*Working capital facilities used includes bank loans of Nil (2015: $8,000,000) and trade finance facilities, including letters of credit and bank guarantees, of $7,060,000 (2015: $8,291,000).

Note 19. Non-current liabilities - borrowings (continued)

The financing arrangements are secured by a first mortgage over the consolidated entity's assets.

The bank overdraft facilities and working capital facilities may be drawn at any time. In addition to the unused credit facilities disclosed above, the consolidated entity has access to the cash balances as disclosed in note 7. Bank facilities are arranged with the general terms, conditions and covenants being set and agreed from time to time. The $8m bank overdraft facility is repayable and terminable on demand and the $32m working capital facilities are due for renewal on 17 March 2018.

Note 20. Non-current liabilities - derivative financial instruments

	Consolidated	
	2016 $'000	2015 $'000
Forward foreign exchange contracts - cash flow hedges	1,398	-

Refer to note 26 for further information on financial instruments.

Refer to note 27 for further information on fair value measurement.

Note 21. Non-current liabilities - provisions

	Consolidated	
	2016 $'000	2015 $'000
Employee benefits	313	422
Deferred lease incentives	2,100	2,258
Lease make good provision	1,178	1,156
Fixed rental increases	1,668	1,531
	5,259	5,367

Deferred lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Lease make good provision
The provision represents the present value of the estimated costs, based on historical actual costs, to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Fixed rental increases
The consolidated entity is required to straight line fixed rental increases over the lease term resulting in a provision for fixed rental increases.

Note 21. Non-current liabilities - provisions (continued)

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated - 2016	Deferred lease incentives $'000	Lease make good $'000	Fixed rental increases $'000
Carrying amount at the start of the year	2,258	1,156	1,531
Additional provisions recognised	651	71	327
Amounts transferred to current	(809)	-	-
Amounts used	-	(49)	(190)
Carrying amount at the end of the year	2,100	1,178	1,668

Note 22. Equity - issued capital

	Consolidated 2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	40,713,009	40,880,902	22,175	22,523

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	27 July 2014	40,880,902		22,523
Balance	25 July 2015	40,880,902		22,523
Cancelled shares pursuant to on-market share buy-back	23 June 2016	(140,505)	$2.07	(291)
Cancelled shares pursuant to on-market share buy-back	1 July 2016	(161)	$2.05	-
Cancelled shares pursuant to on-market share buy-back	4 July 2016	(12,483)	$2.10	(26)
Cancelled shares pursuant to on-market share buy-back	8 July 2016	(14,744)	$2.11	(31)
Balance	30 July 2016	40,713,009		22,175

Ordinary shares

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

On 11 April 2016 the company announced an on-market share buy-back which will operate over a period of 12 months commencing 26 April 2016

Oroton Performance Based Incentive Scheme and Oroton Performance Based Incentive Plan

Information relating to the Oroton Performance Based Incentive Scheme and Plan, including details of shares provided under the schemes, are set out in note 40.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 22. Equity - issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 25 July 2015 Annual Report.

Note 23. Equity - reserves

	Consolidated	
	2016 $'000	2015 $'000
Foreign currency reserve	594	751
Share-based payments reserve	(2,588)	(2,384)
Hedging reserve - cash flow hedges	(571)	8,053
	(2,565)	6,420

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve
The reserve is used to recognise the fair value of all shares and performance rights both issued and issued but not exercised under the employee share plans.

Hedging reserve - cash flow hedges
The reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Share-based payments $'000	Hedging $'000	Total $'000
Balance at 27 July 2014	280	(2,305)	(2,038)	(4,063)
Foreign currency translation	471	-	-	471
Revaluation of cash flow hedges - gross	-	-	14,102	14,102
Deferred tax effect on revaluation of cash flow hedges	-	-	(4,230)	(4,230)
Transfer to inventory - gross	-	-	(283)	(283)
Deferred tax effect on transfer to inventory	-	-	85	85
Share of joint venture's hedging reserve	-	-	417	417
Share-based payment expense	-	223	-	223
Shares purchased through employee share trust	-	(302)	-	(302)
Balance at 25 July 2015	751	(2,384)	8,053	6,420
Foreign currency translation	(157)	-	-	(157)
Revaluation of cash flow hedges - gross	-	-	(12,320)	(12,320)
Deferred tax effect on revaluation of cash flow hedges	-	-	3,696	3,696
Share-based payment expense/(benefit)	-	(173)	-	(173)
Shares purchased through employee share trust	-	(31)	-	(31)
Balance at 30 July 2016	594	(2,588)	(571)	(2,565)

Note 24. Equity - retained profits

	Consolidated 2016 $'000	Consolidated 2015 $'000
Retained profits at the beginning of the financial year	15,933	18,423
Profit after income tax expense for the year	3,443	2,620
Dividends paid (note 25)	(3,270)	(5,110)
Retained profits at the end of the financial year	16,106	15,933

Note 25. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Final dividend for the year ended 25 July 2015 (2015: 26 July 2014) of 2.0 cents (2015: 8.0 cents) per fully paid ordinary share fully franked based on a tax rate of 30%	817	3,271
Interim dividend for the year ended 30 July 2016 (2015: 25 July 2015) of 6.0 cents (2015: 4.5 cents) per fully paid ordinary share fully franked based on a tax rate of 30%	2,453	1,839
	3,270	5,110

Franking credits

	Consolidated 2016 $'000	Consolidated 2015 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	25,491	24,406

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 26. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

Financial risk management is carried out by the Finance department (Finance) under policies approved by the Board of Directors. Finance identifies and evaluates financial risks in close co-operation with the consolidated entity’s operating units. The Board provides principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risk and use of derivative financial instruments.

Note 26. Financial instruments (continued)

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. This is primarily through the purchase of inventory in United States Dollars.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the consolidated entity has entered into forward exchange contracts to purchase US dollars. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. Management has a risk management policy to hedge 85% of anticipated transactions in US dollars for the subsequent 24 months

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian dollars		Average exchange rates	
	2016 $'000	2015 $'000	2016	2015
Buy US dollars				
Maturity:				
0 - 6 months	25,174	26,572	0.7934	0.8577
6 - 12 months	23,319	18,603	0.7319	0.8819
12 - 24 months	41,265	36,535	0.7154	0.7906

Amounts disclosed above represent currency sold measured at contract rate.

The proportion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the consolidated entity adjusts the initial measurement of the component recognised in the statement of financial position by the related amount deferred in equity.

At the reporting date the fair value of these contracts represented a net liability of $409,000 (2015: asset of $12,563,000).

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2016 $'000	2015 $'000	2016 $'000	2015 $'000
US dollars	221	347	3,267	7,073

The consolidated entity had net liabilities denominated in foreign currency of AUD$3,046,000 (assets AUD$221,000 less liabilities AUD$3,267,000) as at 30 July 2016. Based on this exposure, had the Australian Dollar weakened/strengthened by 10% against the US Dollar with all other variables held constant, the consolidated entity's profit after tax for the year would have been $338,000 lower/$277,000 higher and equity for the year would have been $6,414,000 higher/$5,691,000 lower. The equity adjustment is higher because the consolidated entity uses hedge accounting. The 10% change is the expected overall volatility of the US Dollar. The actual foreign exchange gain for the year ended 30 July 2016 was $36,000 (2015: Gain of $90,000).

Price risk

The consolidated entity is not exposed to any significant price risk.

Note 26. Financial instruments (continued)

Interest rate risk
The consolidated entity's main interest rate risk arises from cash on deposit, with the variable rates exposing the consolidated entity to interest rate risk.

For the consolidated entity the cash and cash equivalents balances, totalling $2,816,000 are subject to variable interest rates. A decrease in interest rates one percentage point (100 basis point) would have an adverse affect on profit after tax of $9,000 per annum.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparts and cash transactions are limited to high credit quality financial institutions. The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the consolidated entity finance department aims at maintaining flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

The consolidated entity maintains relationships with banks with at least an A+ credit rating.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2016 $'000	2015 $'000
Bank overdraft	8,000	8,000
Working capital facilities	24,940	15,709
	32,940	23,709

The bank overdraft facilities may be drawn at any time and may be terminated by the bank under certain conditions. The bank loan facilities may be drawn at any time.

Note 26. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,743	-	-	-	6,743
Other payables	-	5,591	-	-	-	5,591
Total non-derivatives		12,334	-	-	-	12,334
Derivatives						
Forward foreign exchange contracts net settled	-	-	(1,398)	-	-	(1,398)
Total derivatives		-	(1,398)	-	-	(1,398)

Consolidated - 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	11,025	-	-	-	11,025
Other payables	-	7,725	-	-	-	7,725
Interest-bearing - variable						
Bank loans	2.78%	222	222	8,148	-	8,592
Total non-derivatives		18,972	222	8,148	-	27,342

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 27. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Forward foreign exchange contracts	-	409	-	409
Total liabilities	-	409	-	409

Consolidated - 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts	-	12,563	-	12,563
Total assets	-	12,563	-	12,563

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 28. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2016 $	2015 $
Short-term employee benefits	1,665,391	1,523,564
Post-employment benefits	80,081	78,202
Long-term benefits	17,114	(32,270)
Termination benefits	-	177,370
Share-based payments	(168,007)	231,075
	1,594,579	1,977,941

Detailed remuneration disclosures are provided in the Remuneration Report on pages 15 to 24.

Loans to key management personnel

There have not been any loans made to the directors of OrotonGroup Limited or any other key management personnel of the consolidated entity, including their personally related parties for the 2016 and 2015 financial years. There are no other transactions involving key management personnel during the 2016 and 2015 financial years.

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers Australia, the auditor of the company, and its network firms:

	Consolidated 2016 $	Consolidated 2015 $
Audit services - PricewaterhouseCoopers Australia		
Audit or review of the financial statements	279,470	245,500
Other services - PricewaterhouseCoopers Australia		
Other services	79,315	160,406
Tax compliance services, including review of company income tax returns	20,910	20,000
	100,225	180,406
	379,695	425,906
Audit services - network firms of PricewaterhouseCoopers Australia		
Audit or review of the financial statements	54,841	57,500
Other services - network firms of PricewaterhouseCoopers Australia		
Other services	21,473	17,972
Tax compliance services, including review of company income tax returns	34,796	31,000
	56,269	48,972
	111,110	106,472

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignment additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

Note 30. Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Guarantees and letters of responsibility have been given to lending institutions by OrotonGroup Limited and OrotonGroup (Australia) Pty Limited in respect of borrowings and documentary letters of credit of controlled entities in the normal course of business. Entities in the consolidated entity have guaranteed each other in respect of amounts advanced under banking and finance arrangements in the normal course of business.

OrotonGroup Limited has guaranteed OrotonGroup (Australia) Pty Limited, OrotonGroup (Licence Company) Pty Limited and OrotonGroup (New Zealand) Pty Limited in respect of the tenancy of a total of 56 (2015: 58) properties, occupied in the normal course of business. The contingent liability under the leases, covering the period to the lease expiry dates, is assessed at $59,429,000 at 30 July 2016 (2015: $69,718,000).

No material liabilities, not already provided for in the financial statements, are anticipated in respect of the above.

Note 31. Commitments

	Consolidated	
	2016	2015
	$'000	$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	53	190
Intangible assets - software	301	-
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	18,924	19,736
One to five years	37,601	44,397
More than five years	4,674	7,885
	61,199	72,018

Not included in the above operating lease commitments are contingent rental payments which may arise in the event that a pre-determined percentage of sales produced in certain leased shops exceed the basic rent provided for in the lease. The contingent rentals payable are based on varying percentages of sales revenue.

Operating lease commitments includes contracted amounts for various retail outlets and offices under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 32. Related party transactions

Parent entity
OrotonGroup Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 35.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2016	2015
	$	$
Sale of goods and services:		
Management fees received from Brooks Brothers Australia joint venture	-	1,100,000

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 33. Interests in joint ventures

During the prior financial year on 24 July 2015, the consolidated entity executed a binding contract for the sale of it's entire 51% shareholding in Brooks Brothers Australia Pty Limited ("BBA") to Brooks Brothers International, LLC. This contract included the novation of forward foreign exchange contacts from BBA to the consolidated entity with a fair value of $3,742,000, which the consolidated entity realised as a cash gain on the date of sale. In addition, the consolidated entity received a guaranteed commitment to receive a further $3,250,000 in cash over a two year period from Brooks Brothers International, LLC

Investment in BBA up to date of sale

	Consolidated	
	2016 $'000	2015 $'000
Opening carrying amount	-	47
Share of loss after income tax	-	(1,827)
Share of other comprehensive income	-	1,136
Fair value discount on loan	-	1,276
Closing carrying amount	-	632

Loan to BBA up to date of sale

	Consolidated	
	2016 $'000	2015 $'000
Opening loan balance	-	4,336
Loans advanced	-	2,040
Fair value discount on loan	-	(1,276)
Interest income on loan	-	106
Closing loan balance	-	5,206

Gain/(Loss) on Divestment

	Consolidated	
	2016 $'000	2015 $'000
Investment closing balance at date of sale	-	(632)
Loan closing balance at date of sale	-	(5,206)
Fair value of novated hedges	-	3,742
Fair value of loans receivable	-	3,032
Recycling of share of hedging reserve*	-	719
Gain on divestment	-	1,655

*Due to the discontinuation of equity accounting of BBA, the consolidated entity's share of the hedging reserve balance of the joint venture was recycled as a gain on disposal at the date of sale

Additional Information

Prior to the sale of its share of BBA, the consolidated entity had elected 3 out of the 6 joint venture Board members and unanimous agreement for Board decisions was required. Thus, control was shared despite the consolidated entity's 51% ownership interest and equity accounting was applied.

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2016 $'000	Parent 2015 $'000
Profit after income tax	3,269	4,938
Total comprehensive income	3,269	5,355

Statement of financial position

	Parent 2016 $'000	Parent 2015 $'000
Total current assets	2,575	2,925
Total assets	34,742	35,092
Total current liabilities	22	22
Total liabilities	22	22
Equity		
Issued capital	22,175	22,523
Reserves	32	32
Retained profits	12,513	12,515
Total equity	34,720	35,070

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries as at 30 July 2016 and 25 July 2015.

Contingent liabilities
Contingent liabilities are set out in note 30.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 July 2016 and 25 July 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
OrotonGroup (Australia) Pty Limited	Australia	100.00%	100.00%
OrotonGroup (Number One) Pty Limited	Australia	100.00%	100.00%
OrotonGroup (New Zealand) Pty Limited	New Zealand	100.00%	100.00%
Oroton Share Plan Company Pty Limited	Australia	100.00%	100.00%
OrotonGroup (International) Pty Limited	Australia	100.00%	100.00%
OrotonGroup (Malaysia) SDN BHD	Malaysia	100.00%	100.00%
OrotonGroup (Singapore) Pte Ltd	Singapore	100.00%	100.00%
OrotonGroup (Hong Kong) Ltd	Hong Kong	100.00%	100.00%
Oroton (Shanghai) Trading Co., Ltd	China	100.00%	100.00%
OrotonGroup (Licence Company) Pty Limited	Australia	100.00%	100.00%

Note 36. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

OrotonGroup Limited
OrotonGroup (Australia) Pty Limited
OrotonGroup (Number One) Pty Limited
OrotonGroup (New Zealand) Pty Limited
Oroton Share Plan Company Pty Limited
OrotonGroup (Licence Company) Pty Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by OrotonGroup Limited, they also represent the 'Extended Closed Group'.

Note 36. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2016 $'000	2015 $'000
Revenue	132,579	128,728
Share of losses of joint ventures accounted for using the equity method	-	(1,827)
Other income	106	208
Gain on exit of joint venture	-	1,655
Cost of sales	(53,094)	(51,930)
Warehouse and distribution	(3,671)	(4,288)
Marketing	(3,500)	(2,774)
Selling	(52,777)	(48,714)
Administration	(11,987)	(17,012)
Finance costs	(453)	(706)
Profit before income tax expense	7,203	3,340
Income tax expense	(2,429)	(2,431)
Profit after income tax expense	4,774	909
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	(8,624)	10,091
Foreign currency translation	99	65
Other comprehensive income/(loss) for the year, net of tax	(8,525)	10,156
Total comprehensive income/(loss) for the year	(3,751)	11,065

Equity - retained profits	2016 $'000	2015 $'000
Retained profits at the beginning of the financial year	17,173	21,374
Profit after income tax expense	4,774	909
Dividends paid	(3,270)	(5,110)
Retained profits at the end of the financial year	18,677	17,173

Note 36. Deed of cross guarantee (continued)

Statement of financial position	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	2,245	1,523
Trade and other receivables	4,909	6,326
Inventories	29,963	35,764
Derivative financial instruments	989	8,877
Tax receivable	381	140
	38,487	52,630
Non-current assets		
Receivables	4,701	7,747
Derivative financial instruments	-	3,686
Other financial assets	167	167
Property, plant and equipment	10,773	14,789
Intangibles	1,069	669
Deferred tax	3,542	-
	20,252	27,058
Total assets	58,739	79,688
Current liabilities		
Trade and other payables	11,839	17,848
Provisions	1,007	942
	12,846	18,790
Non-current liabilities		
Borrowings	-	8,000
Derivative financial instruments	1,398	-
Deferred tax	-	214
Provisions	5,154	5,220
	6,552	13,434
Total liabilities	19,398	32,224
Net assets	39,341	47,464
Equity		
Issued capital	22,175	22,523
Reserves	(1,511)	7,768
Retained profits	18,677	17,173
Total equity	39,341	47,464

Note 37. Events after the reporting period

No matter or circumstance has arisen since 30 July 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 38. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit after income tax expense for the year	3,443	2,620
Adjustments for:		
Depreciation, amortisation and impairment	6,703	5,264
Net loss on disposal of property, plant and equipment	91	371
Net loss on disposal of intangibles	7	-
Share of loss - joint ventures	-	1,827
Non-cash employee benefits expense/(benefit) share-based payments	(173)	223
Foreign currency differences	(157)	471
Gain on sale of share in joint venture	-	(1,655)
Change in operating assets and liabilities, net of the effect of purchase of business:		
Decrease/(increase) in trade and other receivables	2,964	(1,404)
Decrease/(increase) in inventories	7,057	(10,398)
Increase in income tax refund due	(241)	(122)
Increase in deferred tax assets	(62)	(571)
Increase/(decrease) in trade and other payables	(5,763)	52
Decrease in provision for income tax	-	(1,063)
Increase/(decrease) in other provisions	(44)	1,952
Net cash from/(used in) operating activities	13,825	(2,433)

Note 39. Earnings per share

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit after income tax attributable to the owners of OrotonGroup Limited	3,443	2,620
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	40,864,452	40,879,560
Adjustments for calculation of diluted earnings per share:		
Rights	76,345	531,423
Weighted average number of ordinary shares used in calculating diluted earnings per share	40,940,797	41,410,983
	Cents	**Cents**
Basic earnings per share	8.43	6.41
Diluted earnings per share	8.41	6.33

Note 40. Share-based payments

Oroton Performance Based Incentives

Oroton performance based incentives are designed to provide long and short-term incentives to deliver shareholder returns. Under the scheme, participants are granted rights which only vest if certain performance standards and service periods are met. Participation in the scheme is at the Board’s discretion and no individual has a contractual right to participate in the scheme or to receive any guaranteed benefits.

The amount of performance rights that will vest depends on the achievement of the earnings per share (EPS) performance condition attached.

Note 40. Share-based payments (continued)

Once vested, the performance rights remain exercisable for a period of two years. Performance rights are granted under the scheme for no consideration and carry no dividend or voting rights.

When exercisable, each performance right is convertible into one ordinary share. The performance rights have no exercise price.

In addition to performance rights, in certain circumstances, employees are granted retention rights in order to encourage longevity of employment for key employees.

Set out below are summaries of performance rights granted under the plan:

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
15/10/2013	30/07/2018	$0.00	74,695	-	-	(74,695)	-
28/11/2013	30/07/2018	$0.00	56,122	-	-	(56,122)	-
03/12/2014	19/09/2019	$0.00	200,000	-	-	-	200,000
03/12/2014	17/09/2021	$0.00	300,000	-	-	-	300,000
09/01/2015	20/09/2018	$0.00	181,846	-	-	(181,846)	-
09/10/2015	18/09/2020	$0.00	-	297,891	-	(129,544)	168,347
27/11/2015	18/09/2020	$0.00	-	135,983	-	-	135,983
			812,663	433,874	-	(442,207)	804,330

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/12/2012	25/07/2017	$0.00	100,855	-	-	(100,855)	-
08/05/2013	26/07/2016	$0.00	41,984	-	(41,984)	-	-
15/10/2013	30/07/2018	$0.00	100,205	-	-	(25,510)	74,695
28/11/2013	30/07/2018	$0.00	56,122	-	-	-	56,122
30/10/2014	19/09/2019	$0.00	-	116,536	-	(116,536)	-
03/12/2014	19/09/2019	$0.00	-	76,741	-	(76,741)	-
03/12/2014	19/09/2019	$0.00	-	200,000	-	-	200,000
03/12/2014	17/09/2021	$0.00	-	300,000	-	-	300,000
09/01/2015	15/09/2017	$0.00	-	62,263	-	(62,263)	-
09/01/2015	20/09/2018	$0.00	-	181,846	-	-	181,846
			299,166	937,386	(41,984)	(381,905)	812,663

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 4.26 years (2015: 4.49 years).

Fair value of performance rights granted
The assessed fair value at grant date of performance rights granted during the years ended 30 July 2016 and 25 July 2015 is disclosed in the table below. The fair value at grant date is determined using a Black-Scholes pricing model for grants with an EPS hurdle. These valuations take into account the exercise price, the term of the performance right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the performance right.

Note 40. Share-based payments (continued)

Retention rights
Set out below are summaries of retention rights granted under the plan:

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
04/12/2012	25/07/2017	$0.00	12,519	-	(12,519)	-	-
09/01/2015	19/09/2019	$0.00	161,341	-	-	(77,499)	83,842
09/10/2015	19/09/2019	$0.00	-	60,000	-	-	60,000
			173,860	60,000	(12,519)	(77,499)	143,842

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/10/2011	26/07/2016	$0.00	10,667	-	(10,667)	-	-
04/12/2012	26/07/2016	$0.00	15,000	-	(15,000)	-	-
04/12/2012	25/07/2017	$0.00	12,519	-	-	-	12,519
09/01/2015	19/09/2019	$0.00	-	161,341	-	-	161,341
			38,186	161,341	(25,667)	-	173,860

The weighted average remaining contractual life of retention rights outstanding at the end of the financial year was 3.14 years (2015: 4.00 years).

The model inputs for performance rights granted during the years ended 30 July 2016 and 25 July 2015 are as follows:
- performance rights are granted with no consideration and vest based on OrotonGroup Limited's performance; or based on other pre-determined performance related targets
- all performance rights granted during the year have a nil exercise price.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/10/2014	19/09/2019	$3.68	$0.00	33.00%	4.30%	2.60%	$3.260
03/12/2014	19/09/2019	$3.82	$0.00	33.00%	4.30%	2.60%	$3.390
03/12/2014	19/09/2019	$3.82	$0.00	33.00%	4.30%	2.60%	$3.240
03/12/2014	17/09/2021	$3.82	$0.00	33.00%	4.30%	2.90%	$3.110
09/01/2015	15/09/2017	$3.70	$0.00	33.00%	4.30%	2.50%	$3.590
09/01/2015	20/09/2018	$3.70	$0.00	33.00%	4.30%	2.50%	$3.440
09/10/2015	18/09/2020	$2.38	$0.00	53.00%	2.70%	1.90%	$2.200
27/11/2015	18/09/2020	$2.84	$0.00	53.00%	2.70%	1.90%	$2.630

The model inputs for retention rights granted during the years ended 30 July 2016 and 25 July 2015 are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/01/2015	19/09/2019	$3.70	$0.00	33.00%	4.30%	2.60%	$3.300
09/10/2015	19/09/2019	$2.38	$0.00	53.00%	2.70%	1.90%	$2.270

The expected price volatility is based on the historic volatility (based on the remaining life of the performance rights and retention rights), adjusted for any expected changes to future volatility due to publicly available information.

Performance rights and retention rights granted under the scheme carry no dividend or voting rights. There were 433,874 (2015: 937,386) performance rights and 60,000 (2015: 161,341) retention rights granted in the 2016 financial year.

Note 40. Share-based payments (continued)

Expenses arising from share-based payment transactions
Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was a net recovery of $173,000 in 2016 (2015: $233,000 net expense) for the consolidated entity.

OrotonGroup Limited
Directors' declaration
30 July 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 July 2016 and of its performance for the financial year ended on that date;

- 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

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

John P Schmoll
Non-Executive Chairman

21 September 2016
Sydney

Independent auditor’s report to the members of OrotonGroup Limited

Report on the financial report

We have audited the accompanying financial report of OrotonGroup Limited (the company), which comprises the statement of financial position as at 30 July 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors’ declaration for OrotonGroup Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year’s end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor’s responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

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

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 July 2016 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 15 to 24 of the directors' report for the year ended 30 July 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of OrotonGroup Limited for the year ended 30 July 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
21 September 2016

The shareholder information set out below was applicable as at 19 September 2016.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	1,162
1,001 to 5,000	994
5,001 to 10,000	213
10,001 to 100,000	160
100,001 and over	22
	2,551
Holding less than a marketable parcel	355

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
UBS Nominees Pty Ltd	5,814,551	14.28
J P Morgan Nominees Australia Limited	4,635,427	11.39
HSBC Custody Nominees (Australia) Limited	4,118,012	10.11
Citicorp Nominees Pty Limited	2,789,424	6.85
Hazakson Pty Ltd	2,150,000	5.28
Robert Boyd Lane	2,097,974	5.15
National Nominees Limited	1,556,761	3.82
Velcara Pty Limited	1,504,896	3.70
Hubbas Pty Ltd	1,433,334	3.52
Scanna Bt 2 Pty Limited	937,500	2.30
Scanna Bt 1 Pty Limited	937,500	2.30
Fexary Pty Ltd	716,666	1.76
JW Investments Pty Ltd	621,830	1.53
Manderrah Pty Ltd	569,757	1.40
CJH Holdings Pty Limited	540,729	1.33
Citicorp Nominees Pty Limited	356,065	0.87
Batiha Pty Ltd	302,831	0.74
Blue Onion Capital Pty Ltd	302,166	0.74
Pershing Australia Nominees Pty Ltd	241,468	0.59
RBC Investor Services Australia Nominees Pty Limited	176,091	0.43
	31,802,982	78.09

Unquoted equity securities

	Number on issue	Number of holders
Performance rights over ordinary shares issued	804,330	7
Retention rights over ordinary shares issued	143,842	5

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Robert Lane, Ross Lane, Tom Lane and Anna Hookway under the deed dated 21 October 2008	8,931,166	21.94
J W Vicars	7,229,920	17.76

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.