Appendix 4E

The PAS Group Limited

ACN 169 477 463

Preliminary Final Report

Results for announcement to the market for the year ended 30 June 2016

Current reporting period	**30 June 2016**
Previous corresponding period	30 June 2015

				$'000
Total sales revenue from continuing operations	**Up**	**19.9%**	to	**269,390**
Total revenue from ordinary activities from continuing operations	**Up**	**20.0%**	to	**270,082**
EBITDA from continuing operations	**Up**	**16.6%**	to	**23,885**
EBIT from continuing operations	**Up**	**13.0%**	to	**17,136**
Profit for the year from continuing operations after tax	**Up**	**14.3%**	to	**11,324**
Net profit for the year attributable to members	**Up**	**n.m.***	to	**10,562**

*The statutory net loss attributable to members in the previous corresponding period was $31,934,000 therefore the reported percentage movement is not meaningful (n.m.).

Dividends – Ordinary Shares	Amount per Ordinary Share (cents)	Franked Amount per Ordinary Share (%)
Current Period:		
2016 Final Dividend	2.6	100%
2016 Interim Dividend	2.6	100%
Previous Corresponding Period:		
2015 Final Dividend	3.1	100%
2015 Interim Dividend	1.9	100%
Record date for determining entitlement to the final dividend – Current Period		**16 September 2016**
Record date for determining entitlement to the final dividend – Previous Corresponding Period		18 September 2015

Net Tangible Asset Backing	**30 June 2016**	30 June 2015
Net Tangible Asset Backing per Ordinary Security	**$0.34**	$0.44

Brief Explanation of Results for the Period

Statutory net profit after tax is prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards, which comply with International Financial Reporting Standards. Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA'), Earnings Before Interest and Tax ('EBIT') and Net Profit After Tax are reported in order to give information to shareholders and to provide a greater understanding of the performance of The PAS Group Limited and its controlled entities' operations.

On 28 July 2016 the Group announced that it had signed an agreement for the sale of its Metalicus business with the transaction expected to complete at the end of September 2016. On this basis the Metalicus business has met the criteria to be classified as a discontinued operation. Accordingly, the results of the Metalicus discontinued operation are presented separately in the consolidated statement of profit and loss.

The current reporting period statutory profit after tax from continuing operations was $11.3 million, an increase of $1.4 million on the previous corresponding period. Net profit for the year attributable to members (incorporating both continued and discontinued operations) was $10.6 million, up $42.5 million on the previous corresponding period loss of $31.9 million.

The FY2016 result was driven by:

- Continuation of the strong growth of the Designworks licensed business and sports division;
- Positive like for like retail sales in Review and Black Pepper;
- Growth from new stores; and
- Strong online and loyalty growth.

Refer to the Operating and Financial Review in the attached Directors' Report for further discussion of results. Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the following pages and The PAS Group Limited FY16 Results Presentation.

This report is based on accounts that have been audited.

The PAS Group Limited

ACN 169 477 463

Annual Report for the financial year ended 30 June 2016

Contents

Page

Corporate Governance Statement 3

Directors' Report 4

Directors' Declaration..23

Financial Statements 24

Independent Auditor's Report 25

Auditor's Independence Declaration...27

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2016...29

Consolidated Statement of Financial Position as at 30 June 2016...29

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016...............................30

Consolidated Statement of Cash Flows for the Year Ended 30 June 2016..31

Notes to the Financial Statements 32

Additional securities exchange information as at 5 August 2016 73

Corporate Directory...75

The PAS Group Annual General Meeting
Date Thursday, 17 November 2016
Time 11.00am (AEDT)
Venue The PAS Group Limited, 17 Hardner Road, Mount Waverley, Victoria 3149

Download your annual report here:
www.thepasgroup.com.au

Corporate Governance Statement

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

The Board considers and applies the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) ("the Recommendations") taking into account the circumstances of the Company. Where the Company's practices depart from a Recommendation, the Corporate Governance Statement identifies the area of divergence and the reasons for divergence and any alternative practices adopted by the Company.

The 2016 Corporate Governance Statement and the documents referred to in it are available on the Company's website at http://www.thepasgroup.com.au/corporate-governance.

The Corporate Governance Statement has been approved by the Board and is current as at 26 August 2016.

Directors' Report

The Directors of The PAS Group Limited ('PAS' or the 'Group') submit herewith the annual report for the financial year ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

Information about the Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Current Directors	
Name	**Particulars**
Rod Walker	**Non-Executive Chairman** Rod Walker was appointed Chairman of the former PAS group in October 2011 and was appointed Chairman of the Board of The PAS Group Limited on 9 May 2014. Rod serves on the boards of several companies as either a Chairman or Non-Executive Director. Rod is Chairman of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee. Other listed entity directorships: Godfreys Group Limited, since 2009
Eric Morris	**Managing Director and CEO** Eric Morris has been CEO since the inception of PAS in 2005 and has led eight of the Group's acquisitions and the successful integration of these businesses. Eric was appointed to the Board of The PAS Group Limited on 9 May 2014. Eric has over 35 years of industry experience having held senior executive positions in both major international and national companies. Eric is a member of the Brand Management and Innovation Committee. Other listed entity directorships: None.
Jon Brett	**Non-Executive Director** Jon Brett was appointed to the Board on 22 May 2014. Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as Managing Director of a number of publicly listed companies. Jon is currently on the Board of Vocus Communications Limited. Jon is also a Director of several unlisted companies and was formerly an executive Director of Investec Wentworth Private Equity Limited, the non-executive deputy president of the National Roads and Motoring Association and a Director of Godfreys Group limited where he was the Chairman of the Audit and Risk Committee. Jon is the Chairman of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee. Other listed entity directorship: Vocus Communications Limited, since 1998.
Adam Gray	**Non-Executive Director** Adam Gray was appointed to the Board on 23 February 2016. Adam is a co-founder and Managing Partner of Coliseum Capital Management and has extensive investment, operating and board experience. Adam currently serves on the boards of New Flyer Industries Inc, Blue Bird Corporation, Redflex Holdings Ltd, Rocket Dog Brands and USI Inc. Adam is a member of the Nomination and Remuneration Committee. Other listed entity directorships: Blue Bird Corporation, New Flyer Industries Inc., and Redflex Holdings Limited
Matthew Lavelle	**Non-Executive Director** Matthew Lavelle has substantial investment management experience and is an investment analyst at Coliseum. Matthew is a member of the Audit and Risk Committee and does not hold any other listed Directorships.
Loretta Soffe	**Non-Executive Director** Loretta Soffe was appointed to the Board on 22 August 2016. Loretta spent 24 years at the US retail giant Nordstrom, progressing from the sales floor to National Buyer, Brand Manager and Executive Vice President. Loretta has extensive experience in digital, social and traditional marketing with a history of building brands on and offline. Loretta is the chair of the Brand Management and Innovation Committee. Other listed entity directorships: None.

Board Changes	
Jacquie Naylor	Jacquie Naylor retired from the Board on 23 February 2016 (appointed 22 May 2014) Non-Executive Director Jacquie has over 30 years of experience in the consumer and retail industry, with a significant track record in board and executive positions. Jacquie was a member of the Nomination and Remuneration Committee. Other listed entity directorships: None
David Fenlon	David Fenlon retired from the Board on 23 February 2016 (appointed 9 May 2014) Non-Executive Director David was a Director of the former PAS group since April 2013 and he was appointed to the Board of The PAS Group Limited on 9 May 2014. David has held a number of managing Director and senior executive positions across the retail industry and is currently managing Director of Blackmores in Australia and New Zealand. Prior to this, David established and operated Simple Retail Consulting as the Managing Partner. David was a member of the Audit and Risk Committee. Other listed entity directorships: None

Company secretary

Kwong Yap LLB (Hons), LLM (Merit), FGIA, joined the Group in July 2015 and was appointed Company Secretary of The PAS Group Limited and its related bodies corporate on 10 August 2015. Kwong is a fellow member of the Governance Institute of Australia. He had previously been General Counsel and/or Company Secretary in the banking and manufacturing sectors. He is also the General Counsel of the Group.

Prior to that, Steven Milicevic was the Company Secretary from 13 February 2015 to 10 August 2015. Steven was also General Counsel from 16 January 2012 to 10 August 2015.

Principal activities

The Group's principal activities are that of a brands, apparel, accessories and equipment wholesaler and retailer.

Operating and financial review

On 28 July 2016 the Group announced that it had signed an agreement for the sale of its Metalicus business to the General Pants Group. Subject to the satisfaction of certain conditions precedent, the transaction is expected to complete at the end of September 2016.

On this basis the Metalicus business has met the criteria to be classified as a discontinued operation. As a result, the assets and liabilities incorporated in the sale have been presented separately in the statement of financial position as assets held for sale and the results of the discontinued operation are presented separately in the consolidated statement of profit and loss and other comprehensive income.

All prior year comparatives throughout the financial statements and notes are representative of the continuing business only. Further details concerning the sale of Metalicus are located at note 5.

Analysis of results from continuing operations

	FY2016 $'000	FY2015 $'000
Revenue	**269,390**	224,546
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**23,885**	20,489
Earnings Before Interest and Tax (EBIT)	**17,136**	15,171
Net profit/(loss) after tax (NPAT) from continuing operations	**11,324**	9,908

Net sales for the year were $269.4 million, up 19.9% on the previous corresponding period as a result of the new store roll-out program, online sales growth and strong growth in Designworks sports and licensed business.

The Groups consolidated profit after tax from continuing operations for the year ended 30 June 2016 was a profit of $11.3 million, up 14.3%.

Earnings per share (‘EPS’)

	Year ended 30 June 2016	Year ended 30 June 2015
	cents per share	cents per share
Basic earnings per share continuing business	**8.3**	7.2
Diluted earnings per share continuing business	**8.3**	7.2

Basic and diluted earnings per share are calculated as set out in Note 7 to the financial statements based on the weighted average number of ordinary shares in FY2016 of 136,690,860 shares (FY2015 136,690,860 shares).

Financial performance highlights

Continuing business	**Year ended 30 June 2016 $’000**	Year ended 30 June 2015 $’000
Total sales	**269,390**	224,546
Gross profit	**147,783**	123,944
Cost of doing business (‘CODB’)	**(123,898)**	(103,455)
EBITDA	**23,885**	20,489
Depreciation and amortisation	**(6,749)**	(5,318)
EBIT	**17,136**	15,171

Analysis of segments

Retail segment continuing business

Retail	**Year ended 30 June 2016 $’000**	Year ended 30 June 2015 $’000
Total sales	**135,866**	117,775
Gross profit	**95,523**	82,383
Cost of doing business (‘CODB’)	**(74,876)**	(63,588)
EBITDA	**20,647**	**18,795**
Depreciation and amortisation	**(4,302)**	(3,694)
EBIT	**16,345**	**15,101**

Net sales revenue

Retail sales grew 15.4% to $135.9m. This increase came from online sales growth, the opening of new stores and the full year impact of stores opened during FY2015. During the period 31 new stores were opened taking the total number of stores as at 30 June 2016 to 251 (excluding 38 Metalicus stores that will transfer upon sale completion). Like for like retail sales grew 3.7% in Review and Black Pepper. The online business continued to grow strongly up 149% and now represents over 9% of retail sales.

Gross Profit

Retail gross profit for the year was $95.5 million, an increase of $13.1 million from the prior year. This resulted in a gross profit percentage of 70.3% (FY2015, 69.9%).

Cost of doing business

The overall cost of doing business ('CODB') increased by $11.3 million to $74.9 million (FY2015 $63.6 million) for the FY2016 financial year due to the growth in retail sites and higher employment costs as the company invested in retail people to support the larger store network during the year. This resulted in a CODB to Sales ratio of 55.1% (FY2015 54.0%).

EBITDA and EBIT

EBITDA was $20.6 million, up $1.8 million on prior year (FY2015 $18.8 million). EBIT was $16.3 million, up $1.2 million on prior year (FY2015 $15.1 million).

Wholesale segment continuing business

Wholesale	**Year ended 30 June 2016 $'000**	Year ended 30 June 2015 $'000
Total sales	**133,524**	106,771
Gross profit	**52,260**	41,561
Cost of doing business ('CODB')	**(40,371)**	(32,548)
EBITDA	**11,889**	**9,013**
Depreciation and amortisation	**(581)**	(161)
EBIT	**11,308**	**8,852**

Net sales revenue

Wholesale sales for the year were up 25.1% to $133.5 million, an increase of $26.7 million on the prior year (FY2015 $106.8 million), driven by strong growth in the Designworks sports and licensed business and new sales from JETS. Wholesale growth in H2 FY2016 was 14.3% cycling incremental growth on top of the strong Designworks performance of 17.4% in H2 FY2015.

Gross Profit

Wholesale gross profit for the year was $52.3 million, an increase of $10.7 million from the prior year (FY2015 $41.6 million). This resulted in a gross profit percentage of 39.1% (FY2015 39.0%).

Cost of Doing Business

The CODB increase of $7.8 million to $40.4 million for the FY2016 financial year (FY2015 $32.6 million) was due to the increase in wholesale sales. This resulted in an improved CODB to Sales ratio of 30.2% (FY2015 30.5%).

EBITDA and EBIT

EBITDA was $11.9 million, up $2.9 million on prior year (FY2015 $9.0 million). EBIT was $11.3 million, up $2.4 million on prior year (FY2015 $8.9 million).

Unallocated continuing business

The Group manages a number of expense items centrally, including information technology, leasing and store development, legal and treasury to maximise operational efficiencies, minimise costs and optimise service levels across business divisions. While these costs would not be incurred but for the existence of the business units, they have not been formally reallocated because the management of these costs is the responsibility of the corporate office.

Unallocated	**Year ended 30 June 2016 $'000**	Year ended 30 June 2015 $'000
EBITDA	**(8,651)**	**(7,319)**
Depreciation and amortisation	**(1,866)**	(1,463)
EBIT	**(10,517)**	**(8,782)**

Corporate expenses have increased year on year due to the payment of performance bonuses (2015: $Nil) and one off costs associated with takeover defence, LEK strategy consulting and acquisition costs of White Runway and JETS.

Net finance costs

Net finance costs of $0.9 million were incurred in FY2016, (FY2015 $0.9million).

Income tax expense

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Statutory income tax benefit/(expense)	**(4,891)**	(4,412)
Effective tax rate	**30.2%**	30.8%

Financial position highlights

The Group is in a strong financial position with no debt and strong cash generation, with cash on hand of $7.9 million as at 30 June 2016. Acquisitions during the year of $11.5 million were funded internally. Dividends paid in FY2016 were $7.8 million.

The Group has access to working capital and long-term debt facilities of $25.0 million and $30.0 million respectively, both of which were undrawn at 30 June 2016.

Outlook

The Group is well placed to deliver growth in FY2017 due to the following key growth drivers:

- The opening of a further 11 new stores across the group including the continuation of the successful larger format Black Pepper stores;
- Investment in a new concept and fitout for our Review Myer concession stores which will roll out over the next 18 months;
- The launch of Review online dropship with Myer, enabling Myer customers to shop the entire Review range through the Myer online site;
- Continued investment and growth online including the launch of new websites for Black Pepper, White Runway and JETS, with increased investment in digital marketing; and

- An upgrade to our loyalty platform which will allow us to further target individual customer segments with relevant offers.

The Group remains cautious about the year ahead given the ongoing conservatism of consumer confidence in the market.

Material business risks

There are a number of factors, both internal and external, which may impact the Group in future periods. Macro-economic influences such as inflation rates, interest rates, exchange rates, government policies and consumer spending levels may all influence the operating and financial performance of the Group. Specific material business risks that the Group is facing are below:

Retail environment and general economic condition

The Group's performance is sensitive to changes in economic and retail conditions in Australia and the cyclical patterns of consumer spending. The apparel market is also becoming an increasingly global market through the impact of overseas retailers on domestic trade. The Group has a diversified business model and a clear strategy which ensures it remains highly competitive and attractive to customers in this changing landscape.

Prevailing fashions and consumer preferences

The Group's revenues are entirely generated from the retail and wholesale of clothing and accessories, which are sometimes subject to unpredictable changes in prevailing fashions and consumer preferences. The Group has a strong understanding of consumer preferences and its diversified offering allows the Group to adapt to changes in consumer demands.

Product sourcing, supply chain and foreign exchange rates

The Group's products are sourced and manufactured by a network of third parties, primarily in Asia. As a result, the Group is exposed to risks including, among others, political instability, costs and delays in international shipping arrangements and exchange rate risks. The Group is primarily exposed to movements in the AUD/USD exchange rates which it mitigates by utilising forward exchange cover.

Retail Sites

The Group had 289 Retail sites across Australia and New Zealand at 30 June 2016. The leases and concession agreements have a range of terms and option periods, although they are generally leases which the Group cannot readily terminate. The Group employs a dedicated leasing and store development team to manage relationships with landlords, negotiate terms and seek new and profitable opportunities.

Dividends

A final dividend of 2.6 cents per share, fully franked amounting to $3.6 million was declared on 26 August 2016 and will be paid on 7 October 2016. An interim dividend of 2.6 cents per share, fully franked amounting to $3.6 million was declared on 25 February 2016 and paid on 8 April 2016.

Dividends are deducted from retained earnings, represent a payout ratio of approximately 67.3% of net profit after tax attributable to members of the parent and are fully funded from available cash flow.

Changes in state of affairs

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

Subsequent events

On 28 July 2016 the Group announced that it had signed an agreement for the sale of its Metalicus business to the General Pants Group. Subject to the satisfaction of certain conditions precedent, the transaction is expected to complete at the end of September 2016. The transaction, which is by way of a sale of assets is not expected to result in any material gain or loss on sale and all lease obligations for the Metalicus retail sites are expected to transfer with the business.

The media release can be found in the Investor Relations section of the Group's website at www.thepasgroup.com.au or may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Certain likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the period ended 30 June 2016 are referred to in the preceding Operating and Financial Review. No additional information is included on the likely developments in the operations of the Group and the expected results of those operations as the Directors reasonably believe that the disclosure of such information would be likely to result in unreasonable prejudice to the Group if included in this report and it has therefore been excluded in accordance with section 299(3) of the Corporations Act 2001.

Directors' meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial period 1 July 2015 to 30 June 2016 and the number of meetings attended by each Director (while they were a Director or committee member).

	Board of Directors		**Nomination and Remuneration Committee**		**Audit and Risk Committee**	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Rod Walker	**15**	15	**3**	3	**2**	2
Eric Morris	**15**	15	**N/A**	N/A	**N/A**	N/A
Jon Brett	**15**	15	**2**	2	**2**	2
Adam Gray (appointed 23 February 2016)	**6**	6	**2**	2	**N/A**	N/A
Matthew Lavelle (appointed 23 February 2016)	**6**	6	**N/A**	N/A	**1**	1
Jacquie Naylor (retired 23 February 2016)	**10**	8	**1**	1	**N/A**	N/A
David Fenlon (retired 23 February 2016)	**10**	9	**N/A**	N/A	**1**	1

Directors' shareholdings

The following table sets out each Director's relevant direct and indirect interests in shares and options over shares of the Company as at the date of this report.

Directors	The PAS Group Limited	
	Fully paid Ordinary shares Number	Share options Number
Rod Walker	160,853	–
Eric Morris	1,598,134	2,623,688
Jacquie Naylor (retired)	53,043	–
David Fenlon (retired)	–	–
Jon Brett	150,000	–
Adam Gray[(i)]	62,618,404	–
Matthew Lavelle	–	–

(i) Adam Gray has an indirect interest in 62,618,404 shares through his Directorship and ownership interests in the Coliseum Capital group of entities.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the Remuneration Report section of this Directors' Report. The term 'key management personnel' refers to those persons having authority and responsibility for the overall planning, directing and controlling of the activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

Details of unissued shares or interests under option at the date of this report

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

Details of unissued shares or interests under performance rights at the date of this report

Issuing entity	Number of shares under performance rights	Class of shares	Exercise price of performance rights	Expiry date of performance rights
The PAS Group Limited	1,898,136	Ordinary	Nil	30 September 2018

Share options and performance rights granted to Directors and senior management

During and since the end of the financial year, no share options have been granted.

Directors and senior management	Number of performance rights granted and number of ordinary shares under performance rights	Number of options granted and number of ordinary shares under option		
	2016	2016	2015	2014
Eric Morris	980,000	–	–	2,623,688
Matthew Durbin	549,818	–	–	–

Environmental regulations

The Group's operations are not subject to any significant environmental obligations or regulations.

Indemnification of officers and auditors

During the financial period, the Group paid a premium in respect of a contract insuring the Directors of the Group (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred by such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 34 to the financial statements. The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 34 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Remuneration Report (Audited)

This report outlines the remuneration arrangements for Directors and Executives of the Group and its controlled entities in accordance with the Corporations Act 2001 and its Regulations ('Remuneration Report'). Share based payments have been recognised and disclosed in accordance with AASB 2 'Share Based Payments'. The Remuneration Report has been audited by the Group's external auditors, Deloitte Touche Tohmatsu.

Details of the remuneration scheme in place in 2016 are set out below.

Key management personnel

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

- All Non-Executive Directors,
- Chief Executive Officer ('CEO'), Mr Eric Morris,
- Chief Financial and Operations Officer ('CFOO'), Mr Matthew Durbin

The CFOO reports directly to the CEO, who then reports to the Board. The Executives are responsible for the implementation of the Group's vision, values, corporate strategies and risk management systems, as well as the day-to-day management of the business.

Remuneration policy

The performance of the Group depends upon the quality of its Directors and Executives. To be successful, the Group must attract, motivate and retain highly skilled Directors and executives. To this end, the Group adopts the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to the performance of the Group and the creation of shareholder value;
- Establish appropriate and demanding performance hurdles for variable executive remuneration;
- Meet PAS' commitment to a diverse and inclusive workplace;
- Promote PAS as an employer of choice; and
- Comply with relevant legislation and corporate governance principles.

In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for Directors and executives. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant market conditions, as well as whether performance targets have been met, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality Board and Executives.

Use of Remuneration Consultants

To ensure the Nomination and Remuneration Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. Remuneration consultants are engaged by, and report directly to, the committee. In selecting remuneration consultants, the committee considers potential conflicts of interest and requires independence from the Company's key management personnel and other executives as part of their terms of engagement.

During the 2016 year, the Nomination and Remuneration Committee engaged Guerdon Associates to provide recommendations regarding executive long term incentive schemes for the 2017 financial year and beyond. Such engagement was not in relation to the 2016 financial year.

Non-Executive Director Remuneration

Objective

The Board aims to set aggregate remuneration at a level which provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Group's Constitution and the ASX Listing Rules specify the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. In connection with the Group's review of remuneration structures the aggregate annual remuneration of $1.2 million was approved by shareholders at the Group's Annual General Meeting in October 2014.

The cap on aggregate non-executive Directors remuneration (which requires shareholder approval), and the manner in which it is apportioned amongst non-executive Directors, is reviewed annually. The Board will consider advice from external consultants as well as fees paid to non-executive Directors of comparable companies when undertaking the annual review process as appropriate.

Superannuation contributions are made by the Group on behalf of non-executive Directors based in Australia in line with statutory requirements and are included in the remuneration package amount allocated to the relevant individual Directors.

The remuneration of non-executive Directors for the period ended 30 June 2016 is detailed in the table titled Remuneration of key management personnel on page 20 (the 'Remuneration Table').

Executive Director Remuneration

Executive Directors are paid for their services as part of their employment contracts. Each Executive Director appointment to the Board is conditional on them being employed by the Group.

Executive Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group. This involves:

- Rewarding executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Aligning the interest of executives with those of shareholders;
- Linking reward with the strategic goals and performance of the Group; and
- Ensuring total remuneration is competitive by market standards.

The objectives of the executive remuneration are linked to the principles of the remuneration framework.

Structure

In determining the level and make-up of executive remuneration, the Nomination and Remuneration Committee may engage external consultants on market levels of remuneration for comparable roles. Remuneration consists of the following key elements:

- Fixed remuneration; and
- Variable remuneration, comprising the Short Term Incentive Plan ('STIP') and the Long Term Incentive Plan ('LTIP').

The proportion of fixed remuneration and variable remuneration is established for each Executive by the Nomination and Remuneration Committee. The variable portion consists of cash bonuses and options over shares in the Group, which are performance-based and are disclosed separately in the Remuneration Tables.

The Nomination and Remuneration Committee also considers current market conventions with regards to the splits between fixed, short-term and long-term incentive elements.

Fixed Remuneration
Objective

The level of fixed remuneration is set to provide an appropriate and market-competitive base level of remuneration. Fixed remuneration is reviewed annually by the Nomination and Remuneration Committee consisting of a review of Group, business and individual performance, relevant comparative remuneration in the market and internal and external advice on policies and practices where necessary.

Structure

Fixed remuneration is the non-variable component of an Executive's annual remuneration. It consists of the base salary plus any superannuation contributions paid to a complying superannuation fund on the Executive's behalf, and the cost (including any component for fringe benefits tax) for other items such as novated vehicle lease payments. The amount of fixed remuneration is established based on relevant market analysis, and having regard to the scope and nature of the role and the individual Executive's performance, expertise, skills and experience.

Linking remuneration to performance – variable remuneration

Remuneration is linked to performance to retain high calibre executives by motivating them to achieve performance goals which are aligned to PAS's interests. The two remaining elements of executive remuneration, STIP and LTIP, are directly linked to the performance of both the Executive and the Group.

Executive Short Term Incentive Program ('STIP')

Objective

The objective of the STIP is to link Key Management Personnel remuneration to the achievement of the Group's annual operational and financial targets through a combination of both company and individual performance targets. STIP payments align individual performance with business outcomes in the areas of financial performance, customers, people management and strategic growth.

Scheme Structure

The STIP assessment framework ("STIP Assessment Framework") set out below is used to assess the Executive's STIP award.

STIP Assessment Framework		
Assessment Components	Group EBITDA Performance Component	Individual Performance Component
% of STI Maximum Award	80%	20%

The Group EBITDA Performance Component is achieved if the Group FY16 EBITDA budget is met.

The achievement of the Individual Performance Component is measured against key objectives agreed by the Board.

The % of STI Maximum Award is based on the Group FY16 EBITDA whereby it is between 20% to 30% of the Executive's Total Fixed Remuneration if the Group FY16 EBITDA is at budget and increases according to a sliding scale where overachievement of the Group FY16 EBITDA budget occurs.

Executive Long Term Incentive Scheme ('LTIP')

Objective

The LTIP commenced on 1 July 2014. The objective of the LTIP is to reward Executives through aligning this element of remuneration with accretion in long term shareholder wealth. It aims to also support the retention of key Executives.

The explanation which follows covers the offers made under the LTIP to Executive KMP in each of 2014 and 2016. There was no LTIP in operation prior to the 2014 Offer.

Scheme Structure – 2014 and 2016

2014 LTIP Offer

The 2014 LTIP Offer to Executives was for the issuance of unlisted options over ordinary shares in the Group at an exercise price equal to the then market value of the shares ('Performance Options'). As the 2014 LTIP Offer is subject to a 3 year performance period, measured annually, the Performance Options issued in 2014 continue until the final testing date in 2017. Awards under the 2014 LTIP Offer are measured annually over a 3 year performance period. 50% of the available LTIP awards are based on a total shareholder return ('TSR') performance hurdle relative to the S&P/ASX 300 Consumer Discretionary Index over the 3-year performance period ('TSR Options') and 50% are based on compound growth in underlying earnings per share ('EPS') achieved in year 3 referenced against EPS achieved in the base year prior to the scheme's performance period ('EPS Options').

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

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

Total shareholder return ('TSR')

The TSR performance targets and corresponding percentage of the maximum number of TSR Options that would vest under the LTIP are as follows:

Group's TSR percentile ranking relative to S&P/ASX 300 Consumer Discretionary Index over performance period	**Percentage of TSR Options vesting**
< 50th percentile	Nil
50th percentile	25%
> 50th percentile but < 80th percentile	Pro rata straight line between 25% and 100%
Greater than or equal to 80th percentile	100%

Earnings per share ('EPS')

EPS for the purposes of the LTIP is defined as reported EPS per the statutory financial statements adjusted for significant items for the purposes of determining the underlying results of the Group. The Board determined an annual EPS compound growth requirement ('Forecast EPS Growth') for each of the 2015, 2016 and 2017 financial years. The number of EPS Options that may vest over the 3 year performance period from 1 July 2014 to 30 June 2017 is determined via reference to the Group's actual EPS performance relative to the Forecast EPS Growth requirement for the relevant year in respect of each year in the performance period. The maximum number of EPS Options that can vest in any one year during the 3 year performance period is capped at 25%, 35% and 40% in the 2015, 2016 and 2017 financial years respectively ('Maximum EPS Options').

The EPS performance targets and corresponding percentage of the Maximum EPS Options that would vest under the LTIP are shown below:

Compound annual growth in EPS	**% of Maximum EPS Options that can vest each year**
Less than Forecast EPS Growth	Nil
Equal to Forecast EPS Growth	60%
Above Forecast EPS Growth but less than Forecast EPS Growth + 5%	Between 60% and 100%, as determined on a pro rata, straight line basis
At or above Forecast EPS Growth + 5%	100%

Performance Options granted as compensation

The details of the 2014 LTIP Offer are shown below.

2014 LTIP Offer	Grant date	Grant date fair value	Exercise price	Expiry date
2014	20/06/2014	$0.27	$1.15	30/06/2017

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

Performance Options were granted as compensation to key management personnel as shown in the table below. The grant for each Executive was based on the maximum value of the LTIP award. Note that, as the performance hurdle has not been met for either EPS or TSR, no options have vested.

Name	2014 LTIP Offer	No. granted	No. vested	% of grant vested	% of grant forfeited	($) Value of Performance Options granted at the grant date (i)	% of compensation for the year consisting of options
Eric Morris	2014	2,623,688	0	0%	–	697,901	< 1%

(i) The value of options granted during the financial year is calculated as at the grant date using the Black-Scholes pricing model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.

2016 LTIP Offer

There have been no further awards of Performance Options since the 2014 LTIP Offer. The Board reviewed the structure and determined that the 2016 LTIP Offer would be structured as Performance Rights ('Rights') with a share price hurdle to take into account the current size of the business as well as future objectives of the Group. The details of 2016 LTIP Offer are set out below.

The 2016 LTIP Offer is designed to focus the Executives on driving shareholder value over the next 3 years and recover the share price to the levels at IPO, as a starting point.

The 2016 LTIP Offer to Executives was for the issuance of Rights to acquire ordinary shares in the Group where certain performance, service and other vesting conditions determined by the Board are satisfied. Each Right gives the Executive the right to one fully paid ordinary share in the Company for no consideration upon vesting.

The number of Rights available to vest, testing periods and Performance Condition are set out in the table below.

Tranche	Testing Period	% of Rights available to vest	Performance Condition PGR Share Price hurdle
Tranche 1	September 2016	33.33%	$1.15
Tranche 2	September 2017	33.33%	$1.15
Tranche 3	September 2018	33.33%	$1.15

Performance Condition

The testing period is September in each relevant year, at which time the volume weighted average market price ('VWAMP') for that month must equal or exceed the share price hurdle in order for the Rights to vest. Any vesting of Rights will only occur after 30 September 2018.

In the event that the required share price hurdle is not achieved in any testing period, the Rights available to vest in that tranche carry forward and will be subject to re-testing in the following years. If the Performance Condition is not met at the testing period for Tranche 3, the Rights will lapse.

Upon vesting of any Rights, the Executive will be allocated the number of shares (or the cash equivalent equal to the value of the relevant shares at that time, at the Board's discretion) on a one for one basis.

Disposal restrictions will apply to any shares allocated to the Executive for two years after the testing period from which the referable Rights have achieved the share price hurdle (notwithstanding that no Rights will vest until after 30 September 2018). For example, any issued shares referable to the number of Rights which have achieved the share price hurdle in the September 2016 testing period may be disposed of any time after 30 September 2018. However, any issued shares referable to the number of Rights which have achieved the share price hurdle in the September 2018 testing period may only be disposed of after 30 September 2020.

In addition, the Executive needs to be employed at the date of vesting to receive the Rights, except in certain circumstances where the Board may determine to vest a pro-rata portion of any unvested Rights.

Rights granted as compensation

Rights were granted as compensation to key management personnel as shown in the table below. The number of Rights granted was based on a Share Price of $0.55 and the Black Scholes valuation methodology.

Name	2016 LTIP grant date	No. granted	No. vested	% of grant vested	% of grant forfeited	($) Value of Rights at the grant date[(i)]	% of compensation for the year consisting of rights
Eric Morris	30 Oct 2016	980,000	–	–	–	539,000	< 1%
Matt Durbin	22 Sep 2016	549,818	–	–	–	302,400	< 1%

(i) The value of rights granted during the financial year is calculated as at the grant date using the Black-Scholes pricing model. This grant date value is allocated to remuneration of key management personnel on a straight-line basis over the period from grant date to vesting date.

Executive entitlements under the LTIP at the end of the 2016 financial year are disclosed in the Remuneration Table.

Board policy with regards to Executives limiting their exposure to risk in relation to equity options

The Group's Securities Trading Policy prohibits Executives from altering the economic benefit or risk derived by the Executives in relation to their unvested Performance Options or Performance Rights.

Employment Arrangements

Chief Executive Officer and Managing Director

Mr Eric Morris is the 'Chief Executive Officer and Managing Director' of the Company. Mr Morris is employed under a standard employment contract with no defined length of tenure. Under the terms of his employment contract:

- Mr Morris may resign from his position by providing the Group with twelve months written notice;
- The Group may terminate this agreement by providing twelve months written notice or provide payment in lieu of the notice period, or the unexpired part of any notice period, based on Mr Morris' total remuneration;
- The Group may terminate at any time without notice if serious misconduct has occurred; and
- Mr Morris is a participant in the STIP and the LTIP.

Details of Mr Morris' salary are detailed in the Remuneration Table.

Executives

All other Executives are employed on standard employment contracts. The terms of employment are:

- The Executive may resign from their position by providing the Group with six months written notice depending on their specific contract;
- The Group may terminate the employment of the executive by providing six months written notice or payment in lieu of the notice period, based on the fixed component of the Executive's remuneration;
- The Group may terminate at any time without notice if serious misconduct has occurred; and
- Participation in the STIP and the LTIP.

Details of all Executive remuneration for KMP are disclosed in the Remuneration Table.

Group Performance

The relationship between rewards and performance of Directors and Executives is discussed above. This incorporates the performance of both continuing and discontinued businesses. For the purpose of assessing performance, the Group's reported revenue, EBITDA, profit after tax and EPS incorporating both continuing and discontinued businesses for the last two financial years is presented in the table below:

	Year ended 30 June 2016 $'000	**Year ended 30 June 2015 $'000**
Revenue	**294,760**	253,213
EBITDA	**22,096**	20,202
Net profit/(loss) after tax	**10,562**	(31,934)
Share price at end of year	**$0.59**	$0.48
Interim dividend (i)	**2.6 cps**	1.9 cps
Final dividend (ii)	**2.6 cps**	3.1 cps
Basic earnings per share from continuing and discontinued operations	**7.7 cps**	(23.4) cps
Diluted earnings per share from continuing and discontinued operations	**7.7 cps**	(23.4) cps

(i) Franked to 100% at 30% corporate income tax rate. Paid to the holders of fully paid ordinary shares on 8 April 2016.
(ii) Franked to 100% at 30% corporate income tax rate. Paid to the holders of fully paid ordinary shares on 9 October 2015

Remuneration of key management personnel

The Remuneration Table below displays remuneration as determined in accordance with Australian Accounting Standards and the Corporations Act.

		Short term employee benefits			Post employment benefits	Long term employee benefits	Share-based payments			
		Salary and Fees $	Cash Bonus $	Other $	Superannuation $	Long service leave $	Options $	Performance rights $	Total $	Performance related (%)
Directors										
Rod Walker Chairman, Non-executive Director	**2016**	**197,548**	**–**	**–**	**18,767**	**1,522**	**–**	**–**	**217,837**	**–**
	2015	197,548	–	–	18,767	–	–	–	216,315	–
Jon Brett Non-executive Director	**2016**	**99,006**	**–**	**–**	**9,406**	**709**	**–**	**–**	**109,121**	**–**
	2015	95,781	–	–	9,099	–	–	–	104,880	–
Adam Gray(1) Non-executive Director	**2016**	**29,333**	**–**	**–**	**–**	**–**	**–**	**–**	**29,333**	**–**
	2015	–	–	–	–	–	–	–	-	–
Matthew Lavelle(1) Non-executive Director	**2016**	**30,000**	**–**	**–**	**–**	**–**	**–**	**–**	**30,000**	**–**
	2015	–	–	–	–	–	–	–	-	–
Former Directors										
Jacquie Naylor(2) Non-executive Director	**2016**	**65,849**	**–**	**–**	**6,256**	**–**	**–**	**–**	**72,105**	**–**
	2015	87,799	–	–	8,341	–	–	–	96,140	–
David Fenlon(2) Non-executive Director	**2016**	**67,346**	**–**	**–**	**6,398**	**–**	**–**	**–**	**73,744**	**–**
	2015	89,795	–	–	8,530	–	–	–	98,325	–
Senior Executives										
Eric Morris Executive Director, Chief Executive Officer	**2016**	**720,000**	**–**	**15,000**	**35,000**	**12,875**	**115,475**	**119,996**	**1,018,346**	**22.8%**
	2015	720,000	–	24,901	35,000	11,588	112,005	–	903,494	12.4%
Matthew Durbin Chief Financial and Operations Officer	**2016**	**402,000**	**40,000**	**–**	**30,000**	**170**	**–**	**77,807**	**549,977**	**14.1%**
	2015	205,088	–	–	19,483	–	–	–	224,571	0%
Former Senior Executive										
Derrick Krowitz(3) Chief Financial Officer and Company Secretary	**2016**	-	-	-	-	-	**15,213**	**–**	**15,213**	**N/A**
	2015	519,490	-	30,256	23,466	(1,176)	42,368	–	614,404	6.9%

		Short term employee benefits			Post employment benefits	Long term employee benefits	Share-based payments		Total $	Performance related (%)
Total Remuneration	**2016**	**1,611,082**	**40,000**	**15,000**	**105,827**	**15,276**	**130,688**	**197,803**	**2,115,676**	
	2015	1,915,501	-	55,157	122,686	10,412	154,373	–	2,258,129	

(1) Appointed to The PAS Group Limited 23 February 2016.
(2) Resigned from The PAS Group Limited 23 February 2016.
(3) Resigned from The PAS Group Limited 2 March 2015. Long service leave was paid out in 2015.

Key management personnel equity holdings

Fully paid ordinary shares of The PAS Group Limited

	Balance at 1 July 2015 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2016 No.
Eric Morris	1,598,134	–	–	–	1,598,134
Matthew Durbin	120,000	–	–	6,951	126,951

Share options of The PAS Group Limited

	Balance at 1 July 2015 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30 June 2016 No.	Balance vested at 30 June 2016 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested During year No.
Eric Morris	2,623,688	–	–	–	2,623,688	–	–	–	–

Performance rights of The PAS Group Limited

	Balance at 1 July 2015 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30 June 2016 No.	Bal vested at 30 June 2016 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested During year No.
Eric Morris (i)	–	980,000	–	–	980,000	–	–	–	–
Matthew Durbin (ii)	–	549,818	–	–	549,818	–	–	–	–

(i) Eric Morris's performance rights were issued on 30 October 15.
(ii) Matthew Durbin's performance rights were issued on 22 September 15.

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

Auditor’s independence declaration

The auditor’s independence declaration is included at page 27.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Instrument 2016/191, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors’ report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

This Directors’ report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Mr Rod Walker
Chairman
Melbourne, 26 August 2016

Directors' Declaration

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
b) in the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 24 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Mr Rod Walker
Chairman
Melbourne, 26 August 2016

Financial Statements

Index to the Consolidated Financial Statements

	Page
Independent Auditor's Report	25
Auditor's Independence Declaration	27
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes In Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Financial Statements	32

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of The PAS Group Limited

Report on the Financial Report

We have audited the accompanying financial report of The PAS Group Limited, which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 72.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The PAS Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

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

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

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 22 of the directors' report for the year ended 30 June 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 The PAS Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants
Melbourne, 26 August 2016

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

The Board of Directors
The PAS Group Limited
17 Hardner Road
Mt Waverley VIC 3149

26 August 2016

Dear Board Members

The PAS Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The PAS Group Limited.

As lead audit partner for the audit of the financial statements of The PAS Group Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2016

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Revenue	2	**269,390**	224,546
Cost of sales		**(121,607)**	(100,602)
Gross profit		**147,783**	**123,944**
Other revenue	2	**692**	491
Other gains and losses		**86**	295
Employee benefit expenses	2	**(60,904)**	(52,454)
Selling and distribution expenses		**(22,501)**	(16,691)
Occupancy expenses	2	**(28,080)**	(24,468)
Marketing expenses		**(4,827)**	(3,935)
Administration expenses		**(8,364)**	(6,693)
Profit before finance costs, tax, depreciation and amortisation		**23,885**	**20,489**
Depreciation and amortisation expense	2	**(6,749)**	(5,318)
Net finance costs	2	**(921)**	(851)
Profit before income tax expense		**16,215**	**14,320**
Income tax expense	4	**(4,891)**	(4,412)
Profit for the year after tax from continuing operations		**11,324**	**9,908**
(Loss) for the year after tax from discontinued operations		**(762)**	**(41,842)**
Profit/(loss) for the year attributable to members of the parent		**10,562**	**(31,934)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**180**	(367)
Net gain/(loss) on cash flow hedges		**(2,613)**	2,328
Other comprehensive income/(loss) for the year, net of income tax		**(2,433)**	1,961
Total comprehensive income for the year attributable to members of the parent		**8,129**	**(29,973)**

Earnings/(loss) per share attributable to members of the parent			
From continuing and discontinued operations			
Basic (cents per share)	7	**7.7**	(23.4)
Diluted (cents per share)	7	**7.7**	(23.4)
From continuing operations			
Basic (cents per share)	7	**8.3**	7.2
Diluted (cents per share)	7	**8.3**	7.2

Consolidated Statement of Financial Position as at 30 June 2016

	Note	**2016 $'000**	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	31	**7,863**	12,525
Trade and other receivables	8	**21,067**	20,605
Other financial assets	9	**–**	1,848
Inventories	10	**30,131**	26,607
Current tax assets		**–**	1,596
Other current assets	11	**4,176**	5,064
Assets classified as held for sale	6	**3,646**	–
Total current assets		**66,883**	**68,245**
Non-current assets			
Trade and other receivables		**128**	116
Property, plant and equipment	12	**13,743**	10,999
Deferred tax assets	4	**8,770**	9,099
Goodwill	13	**50,747**	46,534
Intangible assets	14	**28,353**	18,776
Total non-current assets		**101,741**	**85,524**
Total assets		**168,624**	**153,769**
LIABILITIES			
Current liabilities			
Trade and other payables	16	**18,299**	16,335
Other financial liabilities	17	**1,884**	–
Current tax liabilities		**2,168**	18
Provisions	18	**6,344**	4,683
Other liabilities	19	**2,025**	1,779
Liabilities directly associated with assets classified as held for sale	6	**276**	–
Total current liabilities		**30,996**	**22,815**
Non-current liabilities			
Deferred tax liabilities	4	**1,200**	1,776
Provisions	18	**1,040**	678
Other liabilities	19	**9,544**	3,180
Total non-current liabilities		**11,784**	**5,634**
Total liabilities		**42,780**	**28,449**
Net assets		**125,844**	**125,320**
Equity			
Issued capital	20	**153,963**	153,963
Reserves	21	**(4,804)**	(2,558)
Retained earnings	22	**(23,315)**	(26,085)
Total equity		**125,844**	**125,320**

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

	Attributable to members of the parent						
Consolidated	Share capital $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Share based payment reserve $000	Corporate reorganisation reserve $'000	Cash flow hedge reserve $'000	**Total equity $'000**
Balance at 1 July 2014	**153,963**	**8,446**	**28**	**12**	**(3,825)**	**(1,034)**	**157,590**
Loss for the year	–	(31,934)	–	–	–	–	**(31,934)**
Other comprehensive income for the year, net of income tax	–	–	(367)	–	–	2,328	**1,961**
Total comprehensive income for the year	**–**	**(31,934)**	**(367)**	**–**	**–**	**2,328**	**(29,973)**
Dividends paid	–	(2,597)	–	–	–	–	**(2,597)**
Recognition of share based payments	–	–	–	300	–	–	**300**
Balance at 30 June 2015	**153,963**	**(26,085)**	**(339)**	**312**	**(3,825)**	**1,294**	**125,320**
Balance at 1 July 2015	**153,963**	**(26,085)**	**(339)**	**312**	**(3,825)**	**1,294**	**125,320**
Profit for the year	–	10,562	–		–	–	**10,562**
Other comprehensive income for the year, net of income tax	–	–	180	–	–	(2,613)	**(2,433)**
Total comprehensive income for the year	**–**	**10,562**	**180**	**–**	**–**	**(2,613)**	**8,129**
Dividends paid	–	(7,791)	–	–	–	–	**(7,791)**
Recognition of share based payments	–	–	–	186	–	–	**186**
Balance at 30 June 2016	**153,963**	**(23,314)**	**(159)**	**498**	**(3,825)**	**(1,319)**	**125,844**

Consolidated Statement of Cash Flows for the Year Ended 30 June 2016

	Note	**Year ended 30 June 2016 $'000**	Year ended 30 June 2015 $'000
Cash flows from operating activities			
Receipts from customers		**326,157**	283,108
Payments to suppliers and employees		**(305,732)**	(258,983)
Interest received		**72**	61
Interest and other costs of finance paid		**(949)**	(869)
Income tax refund (paid)		**1,020**	(2,433)
Net cash flows from operating activities	31	**20,568**	**20,884**
Cash flows from investing activities			
Payment for property, plant and equipment		**(4,861)**	(4,318)
Payment for intangible assets		**(1,294)**	(1,936)
Net cash outflow on acquisition of subsidiaries		**(11,534)**	–
Proceed from sale of equipment		**7**	–
Net cash flows used in investing activities		**(17,682)**	**(6,254)**
Cash flows from financing activities			
Dividends paid on ordinary shares		**(7,791)**	(2,597)
Net cash flows used in financing activities		**(7,791)**	**(2,597)**
Net increase/(decrease) in cash and cash equivalents		**(4,905)**	12,033
Cash and cash equivalents at the beginning of the year		**12,525**	492
Effect of exchange rate changes on the balance of cash held in foreign currencies		**243**	–
Cash and cash equivalents at the end of the year	31	**7,863**	**12,525**

Notes to the Financial Statements

1. Significant accounting policies

The PAS Group Limited (the 'Company') is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ('ASX').

The consolidated financial statements comprise the Company and its controlled entities, (together referred to as 'PAS' or the 'Group').

The financial report of PAS for the period ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 26 August 2016.

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 26 August 2016.

(a) Basis of preparation

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has mandatorily adopted AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality' as required in the current reporting period.

The adoption of the above Accounting Standard has not had any material impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements.

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(aa).

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

(b) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 10 "Consolidated Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

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

(c) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors. Operating segments have been identified based on the information provided to the CODM's being the Chief Executive Officer, Chief Financial and Operations Officer and the Board of Directors, in assessing business performance.

PAS aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products sold;
- nature of the production processes;
- type or class of customer for the products;
- methods used to distribute the products; and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 "Operating Segments" are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets or liabilities related to employee benefit arrangements are recognised at their value, except that:

(i) deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "Income Taxes" and AASB 119 "Employee Benefits" respectively;

(ii) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 “Share-based Payment” at the acquisition date; and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at then on-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 “Financial Instruments: Recognition and Measurement”, or AASB 137 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Company’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash which are subjected to an insignificant risk of change in value and have maturity of three months or less at the date of acquisition. Bank overdrafts are shown as a net amount within cash and cash equivalents in the consolidated statement of financial position.

(f) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

Finished goods are measured at standard cost in the reporting period or at either standard cost or their weighted-average cost paid for the goods in the comparative period. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to the purchase of inventories. Indirect costs incurred in the handling and distribution of finished goods are included in the measurement of inventories.

(h) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The useful lives are as follows:

- Fixtures, fittings and equipment – 1 to 10 years; and
- Leasehold improvements – 3 to 5 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. An item of plant and equipment is derecognised upon disposal or where no further future economic benefits are expected from its use or disposal.

Refer Note 1(i) for policy on assessing impairment of plant and equipment.

(i) Impairment of assets excluding goodwill

At each reporting date, PAS reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Recoverable amount is the greater of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, PAS estimates the recoverable amount of the cash generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Non-financial assets other than goodwill that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate the impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(j) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash generating units or groups of cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired. If the recoverable amount of the cash generating unit (or groups of cash generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(k) Other intangible assets

Brand names and trademarks

PAS' brands are considered to have indefinite lives. These brands are not considered to have foreseeable brand maturity dates, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised. Instead, the brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Software and websites

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Direct costs may include internal payroll and on-costs for employees directly associated with the project. Costs incurred on computer software maintenance or during the planning phase are expensed as incurred. Computer software is amortised over the period of time during which the benefits are expected to arise, being four years.

(l) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit or Loss on a straight-line basis over the shorter of the useful life of the asset or the lease term where such leases contain annual fixed escalation rates, and the value of the future lease payments can be determined.

Lease incentives

Lessor contributions to the construction and fit-out of premises are accounted for as a lease incentive liability and are reduced on a straight line basis over the remaining term of the lease.

(m) Trade and other payables

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

(n) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing and are netted off against the borrowings.

Borrowings are classified as current liabilities unless PAS has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Onerous contracts

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

(p) Provisions

Provisions are recognised when PAS has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third-party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Employee benefits

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

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by PAS in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(r) Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on PAS' estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, PAS revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with corresponding adjustment to the equity settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(s) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise except when exchange differences, which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; or exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Foreign operations

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

(t) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received. Transaction costs arising on the issue of equity instruments are recognised directly in equity, net of tax as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Dividends are recognised when declared during the financial year.

(u) Earnings per share

Basic EPS is calculated as net profit for the period, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is the figure used for Basic EPS adjusted to take into account dilutive potential ordinary shares assumed to be issued for no consideration.

(v) Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Sale of goods in retail stores – recognised at the point of sale at the price sold to the customer.
- Sale of goods to wholesale customers – at time of delivery less an allowance for estimated customer returns, rebates and other similar allowances.
- Sale of goods online – recognised when the obligation to deliver goods to the customer has been fulfilled.

- Interest – from the time the right to receive interest revenue has been attained, using the effective interest method.
- Royalties and licence fees – from the time a right to receive consideration for the provision of, or investment in, assets or the use of a trademark, has been attained. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying agreement.
- Dividends – from the time the right to receive the payment is established.
- Disposal of plant and equipment – when PAS has transferred to the buyer the significant risks and rewards of ownership of the goods.

(w) Income tax

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The PAS Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the “separate taxpayer within group” approach.

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

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Current tax

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

Deferred tax

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where PAS is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(x) Goods and services tax

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

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(y) Derivative financial instruments

PAS uses derivative financial instruments (including forward currency contracts and interest rate swap instruments) to hedge its risks associated with foreign currency and interest rate fluctuations. Derivatives are carried as assets when their fair value is positive, and as liabilities when their fair value is negative.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company and the group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

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

Hedge accounting

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

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, PAS documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair value hedges

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

Hedge accounting is discontinued when PAS revokes the hedging relationship, or the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

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

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when PAS revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the statement of profit or loss.

(z) Comparatives

Where current period balances have been classified differently within current period disclosures when compared to the prior period, comparative disclosures have been restated to ensure consistency of presentation between periods.

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

In the application of the PAS' accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Income taxes

Deferred tax assets are recognised for deductible temporary differences and tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

(iii) Provision for impairment of inventories

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

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

Determining whether intangible assets with indefinite lives are impaired requires an estimation of the value in use of the cash generating units to which the asset has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit, and a suitable discount rate in order to calculate present value.

(v) Share based payments expense

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

(ab) New accounting standards and interpretations not yet mandatory or early adopted

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations relevant to PAS have recently been issued or amended but are not yet mandatory and have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

With the exception of AASB 16 'Leases', the Directors' anticipate that the above amendments and Interpretations will not have a material impact on the financial report of PAS in the year of initial application. An assessment of the impact of adopting AASB 16 is in progress with the financial and disclosure impact yet to be finalised.

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

2. Revenues and expenses

Profit before income tax includes the following items of revenue and expense:

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Sales revenue		
Sale of goods	**269,390**	224,546
Other revenue		
Royalty income	**261**	361
Other	**431**	130
Total revenue	**270,082**	**225,037**
Occupancy expense:		
Minimum lease payments on operating leases	**27,486**	24,109
Other occupancy expenses	**594**	359
Total occupancy expense	**28,080**	**24,468**
Employee benefits expense:		
Post-employment benefits – Defined contribution plans	**4,508**	3,879
Equity settled share based payments	**186**	300
Other employee benefits	**56,210**	48,275
Total employee benefits expense	**60,904**	**52,454**
Depreciation and amortisation:		
Depreciation	**4,605**	3,960
Amortisation	**2,144**	1,358
Total depreciation and amortisation	**6,749**	**5,318**
Net finance costs:		
Interest and finance charges paid to banks and other financial institutions	**948**	873
Amortisation of deferred borrowing costs	**37**	36
Interest revenue	**(64)**	(58)
Total net finance costs	**921**	**851**

3. Segment information

PAS' operating segments are identified with reference to the information regularly reviewed by the Chief Executive Officer, Chief Financial and Operations Officer and Board of Directors the Chief Operating Decision Makers ('CODM'), in assessing performance and in determining the allocation of resources. The reportable segments are based on aggregated operating segments determined by the similarity of the goods sold and the method used to distribute the goods. PAS operates in two reportable segments, being Retail and Wholesale reflecting its primary distribution channels. Discrete financial information about these operating businesses is reported to the CODM on a monthly basis. The segments are described below.

Retail

The Retail segment includes revenues and profits generated by PAS' retail and online footprint associated with women's, men's and children's apparel, which included 289 retail sites as of 30 June 2016. The number of retail sites excludes the online channel.

Wholesale

The Wholesale segment includes revenues and profits associated with the wholesaling of women's, men's and children's apparel as well as sporting equipment, footwear and accessories.

Unallocated

Corporate overheads, interest revenue and interest expenses are not allocated to operating segments as they are not considered part of the core operations of a specific segment.

The accounting policies used by PAS in reporting segments are the same as those contained in Note 1 to the financial statements and in the prior period. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before interest and tax as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The following is an analysis of PAS' revenue, EBITDA and results from continuing operations by reportable segment.

2016	**Retail $'000**	**Wholesale $'000**	**Unallocated $'000**	**Total $'000**
Revenue from sale of goods	135,866	133,524	-	269,390
Other revenue	13	90	589	692
Total revenue	**135,879**	**133,614**	**589**	**270,082**
Reportable segment EBITDA	**20,647**	**11,889**	**(8,651)**	**23,885**
Depreciation and amortisation	(4,302)	(581)	(1,866)	(6,749)
Reportable segment EBIT	**16,345**	**11,308**	**(10,517)**	**17,136**
Net financing costs	-	-	(921)	(921)
Statutory profit before tax	**16,345**	**11,308**	**(11,438)**	**16,215**
Segment assets	65,155	61,295	38,528	164,978
Segment liabilities	9,704	11,585	21,215	42,504
Capital expenditure	5,823	331	1,458	7,612

2015	Retail $'000	Wholesale $'000	Unallocated $'000	Total $'000
Revenue from sale of goods	117,775	106,771	-	224,546
Other revenue	0	130	361	491
Total revenue	**117,775**	**106,901**	**361**	**225,037**
Reportable segment EBITDA	**18,795**	**9,013**	**(7,319)**	**20,489**
Depreciation and amortisation	(3,694)	(161)	(1,463)	(5,318)
Reportable segment EBIT	**15,101**	**8,852**	**(8,782)**	**15,171**
Net financing costs	-	-	(851)	(851)
Statutory profit before tax	**15,101**	**8,852**	**(9,633)**	**14,320**
Segment assets	62,535	57,753	33,481	153,769
Segment liabilities	10,251	9,960	8,238	28,449
Capital expenditure	5,708	78	774	6,560

Segment revenue reported above represents revenue generated from external customers. Inter-segment sales are immaterial.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than other financial assets and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than borrowings, other financial liabilities and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Major customers

Included in revenues arising from Wholesale Segment sales of $133.5 million (2015: $110.1 million) are revenues of approximately $51.5 million (2015: $30.3 million) which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for both 2016 and 2015.

4. Income taxes

Income tax recognised in profit or loss:

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Current tax		
Current tax on profits for the year	**4,535**	(29)
Adjustments for current tax of prior periods	**(760)**	202
Total current tax expense	**3,775**	**173**
Deferred tax		
Decrease (increase) in deferred tax assets	**(242)**	**3,753**
(Decrease) increase in deferred tax liabilities	**(89)**	**1**
Total deferred tax expense/(benefit)	**(331)**	**3,754**
Total income tax expense	**3,444**	**3,927**

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Income tax is attributable to:		
Profit from continuing operations	**4,891**	4,412
Profit from discontinued operations	**(1,447)**	(485)
	3,444	**3,927**
The income tax expense for the year can be reconciled to the accounting profit as follows:		
Profit/(Loss) before tax from continuing operations	**16,215**	14,320
Profit/(Loss) before tax from discontinuing operations	**(2,209)**	(42,327)
	14,006	**(28,007)**
Income tax (benefit)/expense calculated at 30% (2015: 30%)	**4,202**	(8,402)
Tax effect of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	**26**	(71)
Impairment losses on property plant and equipment and intangible assets	**–**	12,210
Adjustments for current tax of prior periods	**(760)**	202
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(24)**	(12)
Income tax expense	**3,444**	**3,927**
Deferred income tax recognised in other comprehensive income:		
Cash flow hedge reserve	**565**	(555)
Total income tax recognised directly in equity	**565**	**(555)**

Deferred tax balances

2016	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquisitions / disposals $'000	Closing balance $'000
Temporary differences					
Cash flow hedges	**(555)**	–	**1,120**	–	**565**
Property, plant and equipment	–	**612**	–	–	**612**
Intangible assets	**(1,200)**	–	–	–	**(1,200)**
Provisions	**1,658**	**309**	–	**104**	**2,071**
Doubtful debts	**27**	**25**	–	–	**52**
Accruals	**651**	**(260)**	–	–	**391**
Lease Incentives	**1,429**	**526**	–	–	**1,955**
Inventory	**355**	**(134)**	–	–	**221**
Share issue costs	**1,223**	**(407)**	–	–	**816**
Rebates and allowances	**81**	**34**	–	–	**115**
Share based payment reserve	–	**149**	–	–	**149**
Other	**(21)**	**89**	–	–	**68**
Total temporary differences	**3,648**	**943**	**1,120**	**104**	**5,815**
Total unused tax losses	**3,675**	–	–	–	**1,755**
Total	**7,323**	**943**	**1,120**	**104**	**7,570**

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

During the year the Group utilised $1,920,000 of previously recognised tax losses (2015: $1,273,000) to offset income tax payable to the Australian Tax Office.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 16 June 2014 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is The PAS Group Limited. The members of the tax-consolidated group are identified in note 24. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

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

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, The PAS Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

5. Discontinued Operations

5.1 Disposal of the Metalicus business (Metalicus)

On 27 July 2016, the Group entered into a sale agreement to dispose of Metalicus which operates in both the retail and wholesale segments. The proceeds of sale are expected to equal the carrying amounts of the related net assets and accordingly, no impairment losses were recognised on the reclassification of the operation to held for sale. The disposal will be completed on 30 September 2016, on which date control of Metalicus will pass to the acquirer. Details of the assets and liabilities of the operation that were reclassified as held for sale are disclosed in note 6.

5.2 Analysis of loss for the year from discontinued operations

The results of the Metalicus discontinued operation included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Loss for the year from discontinued operations		
Revenue	**25,363**	28,685
Other gains and (losses)	**1**	(20)
	25,364	**28,665**
Expenses	**27,151**	28,958
(Loss) before interest, impairment, tax, depreciation and amortisation	**(1,788)**	**(287)**
Impairment expense	–	40,700
Depreciation and amortisation	**406**	1,334
Net finance costs	**15**	6
(Loss) before tax	**(2,209)**	(42,327)
Attributable income tax benefit	**1,447**	485
(Loss) for the year from discontinued operations attributable to owners of the parent	**(762)**	**(41,842)**

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Cash flows from discontinued operations		
Net cash inflows/(outflows) from operating activities	**(652)**	977
Net cash inflows/(outflows) from investing activities	**(352)**	(1,300)
Net cash inflows/(outflows) from financing activities	**970**	752
Net cash inflow/(outflow)	**(34)**	**429**

The Metalicus business has been classified and accounted for as at 30 June 2016 as a disposal group held for sale (see note 6).

6. Assets classified as held for sale

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Assets held for sale	**3,646**	–
Liabilities associated with assets held for sale	**276**	–
Amounts recognised directly in equity associated with assets held for sale	**–**	–

As described in note 5, the Group has entered into a binding contract of sale for the Metalicus business and anticipates that the disposal will be completed by 30 September 2016. The Group expects that the fair value less costs to sell the business will equal the aggregate carrying amount of the related assets and liabilities, therefore, no impairment loss was recognised on reclassification of the asset and liabilities as held for sale as at 30 June 2016. The fair value of the major classes of assets and liabilities of the Metalicus business to be transferred under the sales agreement at the end of the reporting period are as follows:

	Year ended 30 June 2016 $'000
Inventories	**3,377**
Trade Receivables	**262**
Other current assets	**7**
Assets of Metalicus business classified as held for sale	**3,646**
Current provisions	218
Non-current provisions	58
Liabilities of Metalicus business associated with assets classified as held for sale	**276**
Net assets of Metalicus business classified as held for sale	**3,370**

7. Earnings per share

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
	Cents per share	Cents per share
Basic earnings /(loss) per share		
From continuing operations	**8.3**	7.2
From discontinued operations	**(0.6)**	(30.6)
Total basic earnings/(loss) per share	**7.7**	**(23.4)**
Diluted earnings/(loss) per share		
From continuing operations	**8.3**	7.2
From discontinued operations	**(0.6)**	(30.6)
Total diluted earnings/(loss) per share	**7.7**	**(23.4)**

7.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Profit/(loss) for the year attributable to owners of the Company	**10,562**	**(31,934)**
Earnings used in the calculation of basic earnings per share	**10,562**	(31,934)
Profit/(loss) for the year from discontinued operations used in the calculation of basic earnings per share	**(762)**	(41,842)
Earning used in the calculation of basic earnings per share from continuing operations	**11,324**	**9,908**
The weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
Basic earnings per share (no. shares)	**136,690,860**	136,690,860
Diluted earnings per share (no. shares)	**136,690,860**	136,690,860

Potential ordinary shares from options and performance rights are not dilutive as the exercise price exceeds the current market price.

8. Trade and other receivables

	2016 $'000	2015 $'000
Current trade and other receivables:		
Trade receivables	**20,141**	20,989
Allowance for doubtful debts	**(133)**	(92)
Trade discounts and rebates	**(947)**	(729)
Other receivables	**2,006**	437
Total current trade and other receivables	**21,067**	**20,605**

The average credit period on sales of goods ranges from 14 to 60 days. No interest is charged on trade receivables. The provision in respect of trade receivables is determined with regard to historical write-offs and specifically identified customers. Before accepting any new customer, PAS uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, $5.4 million (30 June 2015: $3.3 million) is due from the Group's largest customer.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are considered recoverable (see below for aged analysis).

	2016 $'000	2015 $'000
Age of receivables that are past due but not impaired:		
60-90 days	**3,304**	4,033
90-120 days	**1,445**	1,122
Total	**4,749**	**5,155**
Average age (days)	**84**	**82**
Movement in the allowance for doubtful debts:		
Balance at beginning of the year	**(92)**	(83)
Impairment losses recognised on receivables	**(144)**	(167)
Amounts written off during the year as uncollectible	**60**	146
Impairment losses reversed	**43**	12
Balance at end of the year	**(133)**	(92)
Age of impaired trade receivables:		
60-90 days	**57**	–
90-120 days	**32**	22
120+ days	**156**	70
Total	**245**	**92**

9. Other financial assets

	2016 $'000	2015 $'000
Derivatives designated and effective as hedging instruments carried at fair value:		
Foreign currency forward contracts	**–**	**1,848**

10. Inventories

	2016 $'000	2015 $'000
At lower of cost and net realisable value:		
Raw materials	**976**	1,373
Stock in transit	**5,868**	4,964
Work in progress	**298**	111
Finished goods	**22,989**	20,139
Total inventories	**30,131**	**26,607**

The cost of inventories recognised as an expense during the year was $121.6 million (2015: $100.6 million). The cost of inventories recognised as an expense includes $0.5 million (2015: $0.1 million) in respect of write-downs of inventory to net realisable value.

11. Other current assets

	2016 $'000	2015 $'000
Prepayments	**3,540**	4,250
Other	**636**	814
Total other current assets	**4,176**	**5,064**

12. Property, plant and equipment

	2016 $'000	2015 $'000
Plant and equipment	**3,310**	2,758
Leasehold Improvements	**10,433**	8,241
Total property, plant and equipment	**13,743**	**10,999**

	Plant and equipment at cost $'000	**Leasehold improvements cost $'000**	**Total $'000**
Cost			
Balance at 1 July 2014	**7,185**	**22,973**	**30,158**
Additions	1,271	5,289	6,560
Disposals	(192)	(1,014)	(1,206)
Transfers	(16)	–	(16)
Balance at 30 June 2015	**8,248**	**27,248**	**35,496**
Additions	1,600	5,915	7,515
Disposals	(471)	(3,355)	(3,826)
Transfers	(323)	307	(16)
Acquisition through business combinations	235	–	235
Balance at 30 June 2016	**9,289**	**30,115**	**39,404**
Accumulated depreciation and impairment			
Balance at 1 July 2014	**(4,818)**	**(13,349)**	**(18,167)**
Eliminated on disposals of assets	186	979	1,165
Depreciation expense	(858)	(4,298)	(5,156)
Impairment (i)	–	(2,339)	(2,339)
Balance at 30 June 2015	**(5,490)**	**(19,007)**	**(24,497)**
Eliminated on disposals of assets	470	3,355	3,825
Depreciation expense	(962)	(3,991)	(4,953)
Transfers	3	(39)	(36)
Balance at 30 June 2016	**(5,979)**	**(19,682)**	**(25,661)**
Net book value 2015	**2,758**	**8,241**	**10,999**
Net book value 2016	**3,310**	**10,433**	**13,743**

(i) Refer to note 15 regarding impairment of assets

13. Goodwill

	2016 $'000	2015 $'000
Cost		
Balance at beginning of year	**111,067**	111,067
Additional amounts recognised from business combinations occurring during the year (note 31)	**4,213**	–
Balance at end of year	**115,280**	**111,067**
Accumulated impairment losses		
Balance at beginning of year	**(64,533)**	(32,528)
Impairment losses recognised in the year [(i)]	**–**	(32,005)
Balance at end of year	**(64,533)**	**(64,533)**
Net book value	**50,747**	**46,534**

(i) Refer to note 15 regarding impairment of assets

14. Intangible assets

	2016 $'000	2015 $'000
Trademarks	**520**	380
Brand names	**24,982**	15,000
Software	**2,582**	3,230
Website development costs	**269**	166
Total intangible assets	**28,353**	**18,776**

	Trademarks $'000	Brand names $'000	Software $'000	Website development costs $'000	Total $'000
Cost					
Balance at 1 July 2014	**380**	**40,628**	**4,996**	**909**	**46,913**
Additions	–	–	1,307	281	1,588
Disposals	–	–	(181)	-	(181)
Reclassification (i)	–	–	754	66	820
Balance at 30 June 2015	**380**	**40,628**	**6,876**	**1,256**	**49,140**
Additions	–	355	857	446	1,658
Acquisitions through business combinations	140	9,982	–	–	10,122
Disposals or classified as held for sale	–	–	(9)	–	(9)
Balance at 30 June 2016	**520**	**50,965**	**7,724**	**1,702**	**60,911**
Accumulated amortisation and impairment					
Balance at 1 July 2014	**–**	**(19,548)**	**(1,890)**	**(491)**	**(21,929)**
Amortisation expense	–	–	(1,189)	(307)	(1,496)
Disposals	–	–	181	–	181
Impairment (ii)	–	(6,080)	(9)	(266)	(6,355)
Reclassification (i)	–	–	(739)	(26)	(765)
Balance at 30 June 2015	**–**	**(25,628)**	**(3,646)**	**(1,090)**	**(30,364)**
Amortisation expense	–	(355)	(1,504)	(343)	(2,202)
Disposals or classified as held for sale	–	–	8	–	8
Balance at 30 June 2016	**–**	**(25,983)**	**(5,142)**	**(1,433)**	**(32,558)**
Net book value 2015	**380**	**15,000**	**3,230**	**166**	**18,776**
Net book value 2016	**520**	**24,982**	**2,582**	**269**	**28,353**

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

(ii) Refer to note 15 regarding impairment of assets

Indefinite life intangible assets

Brands acquired are separately identified as part of business combinations. The brand names were valued at relevant acquisition dates using the relief from royalty method. The Group intends to continue use of the brands for an indefinite period and therefore these are not amortised but are subject to an annual test for impairment.

15. Impairment testing of goodwill and non-current assets

Allocation of goodwill and brand names to cash generating units ('CGUs')

Goodwill and brand names have been allocated for impairment testing purposes to the following CGUs:

	Goodwill 2016 $'000	**Brand names 2016 $'000**	Goodwill 2015 $'000	Brand names 2015 $'000
Metalicus	**–**	**–**	–	–
Designworks	**21,008**	**–**	21,008	–
Breakaway	**20,983**	**4,000**	20,983	4,000
Review	**4,543**	**11,000**	4,543	11,000
White Runway	**4,213**	**–**	–	–
JETS	**–**	**9,982**	–	–
	50,747	**24,982**	**46,534**	**15,000**

Impairment testing

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

In accordance with the Group's accounting policies, the Group assessed the recoverable amount of each of the CGUs and evaluated whether the recoverable amount of a CGU exceeds its carrying amount. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value-in-use.

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

Key assumptions

Cash generating units

The recoverable amount of pre-existing CGUs has been determined based on value in use calculations and the recoverable amount of new CGUs acquired through business combinations (see note 31) has been determined based on fair value less costs to sell. In respect of each separate CGU, cash flow projections covering a five-year period are based on financial budgets approved by the Directors. Cash flow projections during the budget period are based on the same expected gross profit margins and raw materials price inflation throughout the budget period. The Group's pre-tax discount rate applied to the cash flow projections was 15.9% (2015: 15.3%). Cash flows beyond that five-year period have been extrapolated using a 2.9% terminal growth rate.

Prior year impairment

Non-cash impairment charges of $40.7 million were recognised in the income statement line item 'Impairment expense' in the prior year ended 30 June 2015. This impairment charge related to the Metalicus discontinued operation and comprised the full impairment of goodwill ($32.0 million), the Metalicus brand name ($6.1 million) and the Metalicus website and plant and equipment ($2.6 million).

16. Trade and other payables

	2016 $'000	2015 $'000
Trade payables	**10,575**	7,192
Accruals	**6,020**	7,775
Goods and services tax payable	**1,417**	1,165
Other payables and accruals	**287**	203
Total trade and other payables	**18,299**	**16,335**

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

17. Other financial liabilities

	2016 $'000	2015 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Forward foreign exchange contracts	**1,884**	**–**

18. Provisions

	2016 $'000	2015 $'000
Employee benefits	**5,600**	4,683
Other	**744**	–
Provisions – current	**6,344**	**4,683**
Employee benefits	**825**	678
Other	**215**	–
Provisions – non-current	**1,040**	**678**

19. Other liabilities

	2016 $'000	2015 $'000
Deferred revenue	**330**	**–**
Deferred consideration	**77**	–
Lease incentives	**1,618**	1,779
Other liabilities – current	**2,025**	**1,779**
Lease incentives	**5,290**	3,180
Deferred consideration	**500**	–
Contingent consideration [(i)]	**3,754**	–
Other liabilities – non-current	**9,544**	**3,180**

(i) Refer to note 30 for details regarding contingent consideration arrangements.

The Group has provided bank guarantees in respect to retail premises operating leases of $0.6 million.

20. Issued capital

The share capital of The PAS Group Limited consists only of fully paid ordinary shares; the shares do not have a par value and the Company does not have a limited amount of authorised capital. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of The PAS Group Limited.

	2016 Shares	2015 Shares	**2016 $'000**	2015 $'000
Shares issued and fully paid:				
Balance at beginning of the year	**136,690,860**	136,690,860	**153,963**	153,963
Balance at the end of the year	**136,690,860**	**136,690,860**	**153,963**	**153,963**

Share issues during the period were nil and (2015: nil)

21. Reserves

	2016 $'000	2015 $'000
Share based payments reserve	**498**	312
Cash flow hedge reserve	**(1,319)**	1,294
Foreign currency translation reserve	**(158)**	(339)
Corporate reorganisation reserve	**(3,825)**	(3,825)
Total reserves	**(4,804)**	**(2,558)**

Share based payments reserve		
Balance at beginning of year	**312**	12
Arising on share based payments (LTIP)	**186**	300
Balance at the end of the year	**498**	**312**

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

	2016 $'000	2015 $'000
Cash flow hedge reserve		
Balance at beginning of year	**1,294**	(1,034)
(Gain)/loss reclassified to profit or loss		
Forward foreign exchange contracts	**(1,849)**	1,478
Income tax related to gains/losses recognised in other comprehensive income	**554**	(445)
Gain/(loss) recognised on cash flow hedges		
Forward foreign exchange contracts	**(1,884)**	1,849
Income tax related to gains/losses recognised in other comprehensive income	**565**	(554)
Balance at the end of the year	**(1,319)**	**1,294**

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

	2016 $'000	2015 $'000
Foreign currency translation reserve		
Balance at beginning of year	**(339)**	28
Translation of foreign operations	**181**	(367)
Balance at the end of the year	**(158)**	**(339)**
Corporation reorganisation reserve		
Balance at beginning of year	**(3,825)**	(3,825)
Balance at the end of the year	**(3,825)**	**(3,825)**

The reserve is used to recognise exchange differences arising from translation of the financial statements of Breakaway Apparel Pty Limited's New Zealand branch operation to Australian dollars.

Under corporate reorganisation principles, share capital is recognised at the number of shares at IPO price less applicable transaction costs. Any difference following the capital reconstruction as part of the corporate reorganisation and the equity retained by the shareholders of the accounting acquirer (PASCO Group Pty Limited), is recognised in the acquisition reserve.

22. Retained earnings

	2016 $'000	2015 $'000
Balance at beginning of year	(26,085)	8,446
Profit/(loss) attributable to owners of the Company	**10,562**	(31,934)
Payment of dividends	**(7,791)**	(2,597)
Balance at end of year	**(23,314)**	**(26,085)**

23. Dividends on equity

	Year ended 30 June 2016		Year ended 30 June 2015	
	Cents per share	**Total $'000**	Cents per share	Total $'000
Recognised amounts				
Interim Dividend	**2.6**	**3,554**	1.9	2,597
Final Dividend	**3.1**	**4,237**	–	–
Unrecognised amounts				
Final Dividend	**2.6**	**3,554**	3.1	4,237

On 26 August 2016, the directors declared a fully franked final dividend of 2.6 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2016, to be paid to shareholders on 7 October 2016. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. If approved, the dividend will be paid to all shareholders on the Register of Members on 16 September 2016. The total estimated dividend to be paid is $3,554 thousand.

	2016 $'000	2015 $'000
Franking credits available at corporate tax rate of 30%	**42,880**	47,358

24. Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by PAS	
			2016	2015
Parent entity				
The PAS Group Limited[(a)]	Holding company	Australia	**100%**	100%
Subsidiaries				
PASCO Group Pty Ltd [(c)]	Holding company	Australia	**100%**	100%
Chestnut Apparel Pty Ltd [(c)]	Holding company	Australia	**100%**	100%
PASCO Operations Pty Ltd [(c)]	Holding company	Australia	**100%**	100%
PAS Finance Pty Ltd	Holding company	Australia	**100%**	100%
Yarra Trail Holdings Pty Ltd	Holding company	Australia	**100%**	100%
Yarra Trail Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Breakaway Apparel Pty Ltd [(c)]	Apparel; retail/wholesale	Australia	**100%**	100%
Breakaway NZ Clothing Ltd	Apparel; retail/wholesale	New Zealand	**100%**	100%
Designworks Holdings Pty Ltd [(c)]	Holding company	Australia	**100%**	100%
Designworks Clothing Company Pty Ltd [(c)]	Apparel; retail/wholesale	Australia	**100%**	100%
World Brands Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Designworks Clothing Hong Kong Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Designworks Management Consulting (Shanghai) Co Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
The Hopkins Group Aust Pty Ltd [(c)]	Apparel; retail/wholesale	Australia	**100%**	100%
Review Australia Pty Ltd [(c)]	Apparel; retail/wholesale	Australia	**100%**	100%
Fiorelli Licensing Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
The Capelle Group Pty Ltd	Apparel; retail/wholesale	Australia	**100%**	100%
Metalicus Pty Ltd [(c)]	Apparel; retail/wholesale	Australia	**100%**	100%
White Runway Pty Ltd [(b) (d)]	Apparel; retail/wholesale	Australia	**100%**	–
White Runway (Pty) Ltd [(f)]	Apparel; retail/wholesale	South Africa	**100%**	–
JETS Swimwear Pty Ltd (b) (e)	Apparel; retail/wholesale	Australia	**100%**	–
JETS Global Limited [(e)]	Apparel; retail/wholesale	United Kingdom	**100%**	–
AFG Retail Pty Ltd [(b) (e)]	Apparel; retail/wholesale	Australia	**100%**	–
PAS NZ Limited [(g)]	Apparel; retail/wholesale	New Zealand	**100%**	–
PAS US, Inc. [(h)]	Apparel; retail/wholesale	USA	**100%**	–

a. The PAS Group Limited is the head entity within the tax consolidated group. The Company incorporated on 9 May 2014.
b. Member of the tax consolidated group from date of becoming wholly owned.
c. These wholly-owned subsidiaries have entered into a deed of cross guarantee with The PAS Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.
d. Acquired 1 July 2015
e. Acquired 30 November 2015
f. Incorporated on 9 October 2015
g. Incorporated on 27 November 2015
h. Incorporated on 30 November 2015

25. Cross guarantee group

The PAS Group Limited, and the entities noted detailed in Note 24, formed a cross guarantee group on the 24 June 2014.

The consolidated income statement and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

Statement of Profit or Loss and Other Comprehensive Income	**Year ended 30 June 2016 $'000**	Year ended 30 June 2015 $'000
Revenue	**237,768**	206,566
Cost of sales	**(106,253)**	(90,137)
Gross Profit	**131,515**	**116,429**
Other gains and losses	**531**	88
Employee benefit expenses	**(54,691)**	(49,784)
Selling and distribution expenses	**(20,378)**	(15,322)
Occupancy expenses	**(26,355)**	(23,631)
Marketing expenses	**(4,074)**	(3,643)
Administration expenses	**(5,786)**	(5,605)
Earnings before interest, tax, depreciation and amortisation	**20,762**	**18,532**
Depreciation and amortisation expense	**(6,330)**	(5,123)
Net finance costs	**(903)**	(825)
Profit/(loss) before tax expense	**13,529**	**12,584**
Income tax expense	**(4,024)**	(4,026)
Profit/(loss) for the year from continuing operations	**9,505**	**8,558**
Profit/(loss) for the year	**8,743**	(33,284)
Other comprehensive income		
Exchange differences on translating foreign operations	**–**	–
Net gain/(loss) on cash flow hedges	**(2,324)**	2,062
Other comprehensive income for the year, net of tax	**(2,324)**	**2,062**
Total comprehensive income for the year	**6,419**	**(31,222)**

25. Cross guarantee group (continued)

Statement of financial position	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Cash and cash equivalents	**6,351**	10,619
Trade and other receivables	**17,514**	18,445
Inventories	**28,516**	24,015
Current tax assets	**–**	1,596
Other current assets	**3,833**	6,082
Total current assets	**56,214**	**60,757**
Non-current assets		
Trade and other receivables	**90**	4
Property, plant and equipment	**11,355**	10,660
Deferred tax assets	**8,387**	8,896
Goodwill	**50,747**	46,534
Other intangible assets	**28,104**	18,768
Other assets	**37**	112
Other financial assets	**37,275**	41,576
Total non-current assets	**135,995**	**126,550**
Total assets	**192,209**	**187,307**
Current liabilities		
Trade and other payables	**16,198**	14,159
Other financial liabilities	**1,962**	–
Current tax payables	**1,945**	–
Provisions	**6,014**	4,329
Other liabilities	**1,626**	1,739
Total current liabilities	**27,745**	**20,227**
Non-current liabilities		
Trade and other payables	**3,754**	–
Other financial liabilities	**13,728**	17,835
Deferred tax liabilities	**1,191**	1,707
Provisions	**760**	632
Other liabilities	**4,844**	3,123
Total non-current liabilities	**24,275**	**23,297**
Total liabilities	**52,020**	**43,524**
Net assets	**140,189**	**143,783**
Equity		
Issued capital	**153,963**	153,963
Reserves	**(5,531)**	(3,329)
Retained earnings	**(8,243)**	(6,851)
Total equity	**140,189**	**143,783**

26. Financial risk management

(a) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Groups overall strategy remains unchanged from 2015. The capital structure of the Group consists of net debt, if any (borrowings offset by cash and bank balances), and equity of the Group (comprising issued capital, reserves, retained earnings). The Group is not subject to any externally imposed capital requirements. The Board reviews the capital structure of the Group on an annual basis.

	2016 $'000	2015 $'000
Categories of financial instruments		
Financial assets		
Cash and bank balances	**7,863**	12,525
Derivative instruments in designated hedge accounting relationships	**–**	1,848
Trade and other receivables	**21,195**	20,721
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	**1,884**	–
Trade and other payables	**17,904**	16,335
Deferred and contingent consideration arising from business combinations (Note 30)	**4,331**	–

(b) Financial risk management objectives

PAS' treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's treasury function reports monthly to the Group's Board.

(c) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory in US Dollars and interest rate swaps to mitigate the risk of rising interest rates.

Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Liabilities		Assets	
	2016 $'000	2015 $'000	**2016 $'000**	2015 $'000
US Dollars (USD)	**2,734**	862	**4,279**	2,137
New Zealand Dollars (NZD)	**12**	182	**66**	366

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover 100% of foreign currency exposure that is either known with a high level of certainty or probability up to 12 months. The Group has entered into forward foreign exchange contracts (for terms not exceeding 12 months) to purchase USD to hedge the exchange rate risk arising from anticipated future purchases, which are designated as cash flow hedges.

At 30 June 2016, the aggregate amount of losses under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is $1.9 million (2015: gain of $1.8 million). It is anticipated that the purchases will take place during the first 9 months of the next financial year, at which time the amount deferred in equity will be included in the carrying amount of inventory. It is anticipated that the inventory will be sold within 6 months after purchase, at which time the amount deferred in equity will be reclassified to profit or loss.

The following table details the forward foreign currency contracts outstanding at the end of the reporting period:

	Average exchange rate		Foreign currency		Notional value		Fair value	
Outstanding contracts	**2016 $A - $US**	2015 $A - $US	**2016 US $'000**	2015 US $'000	**2016 $'000**	2015 $'000	**2016 $'000**	2015 $'000
Cash flow hedges								
Buy US Dollars								
Less than 3 months	**0.708**	0.794	**21,246**	29,628	**29,989**	37,302	**(1,349)**	1,375
3 to 6 months	**0.725**	0.791	**17,850**	7,556	**24,604**	9,554	**(470)**	348
6 to 9 months	**0.736**	0.775	**20,550**	5,000	**27,935**	6,452	**(65)**	125
							(1,884)	1,848

Foreign currency sensitivity analysis

As shown in the table above the Group is mainly exposed to the currency of the United States. The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the USD. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10% against the relevant currency. For a 10% weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	USD movement impact(+/-)	
	2016 $'000	2015 $'000
Profit or loss(i)	**475**	145
Equity(ii)	**4,907**	4,205

(i) This is mainly due to the exposure outstanding on USD receivables at the end of the reporting period.

(ii) This is mainly due to changes in the fair value of derivative instruments designated as hedging instruments in cash flow hedges.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the year. USD denominated purchases are seasonal. In addition, the impact of fluctuations in exchange rates can to some extent be recouped from suppliers and or passed through to customers.

Interest rate risk management

The Group is exposed to interest rate risk when entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. The Group had no debt as at 30 June 2016 (2015: nil).

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to PAS. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Concentration of credit risk related to the Group largest customer did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Collateral held as security and other credit exposures

PAS does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The finance facility note below sets out details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail PAS' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the group may be required to pay. The following table also details the group's expected maturity for its non-derivative financial assets based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted average effective interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
30 June 2016							
Financial assets							
Non-interest bearing	–	**21,067**	–	–	**128**	–	**21,195**
Variable interest rate instruments	**1.6%**	**7,863**	–	–	–	–	**7,863**
Financial liabilities							
Non-interest bearing	–	**17,904**	–	–	–	–	**17,904**
30 June 2015							
Financial assets							
Non-interest bearing	–	20,605	–	–	116	–	20,721
Variable interest rate instruments	2.0%	12,525	–	–	–	–	12,525
Financial liabilities							
Non-interest bearing	–	16,335	–	–	–	–	16,335

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Group has access to financing facilities as described below, of which $55.0 million were unused at the end of the reporting period (2015: $55.0 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000
30 June 2016					
Gross settled:					
– foreign exchange forward contracts	**13,041**	**20,864**	**48,623**	**–**	**–**
30 June 2015					
Gross settled:					
– foreign exchange forward contracts	17,995	19,306	16,006	–	–

Finance facilities	**2016 $'000**	2015 $'000
Secured working capital facility:(i)		
– amount used	**–**	–
– amount unused	**25,000**	25,000
	25,000	25,000
Secured bank loan facility(i)		
– amount used	**–**	–
– amount unused	**30,000**	30,000
	30,000	30,000

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

(f) Fair value of financial instruments

This note provides information about how PAS determines fair values of various financial assets and financial liabilities.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

The fair value of foreign exchange forward contracts is determined using a Level 2 fair value hierarchy method, being a discounted cash flow method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

27. Share-based payments

Movements in share options and performance rights during the year

The following table reconciles the share options and performance rights outstanding at the beginning and end of the year

	Number of options	Number of performance rights
Balance at beginning of year	3,718,981	–
Granted	–	1,898,136
Exercised	–	–
Forfeited	–	–
Balance at end of year	**3,718,981**	**1,898,136**

Share options exercised during the year

No share options were exercised during the year (2015: Nil). There were no vested share options outstanding at the end of the year (2015: Nil). The weighted average exercise price for both the share options and performance rights is $1.15.

Further details regarding the nature of both share options and performance rights is located in the Remuneration Report.

28. Key management personnel compensation

The aggregate compensation made to Directors and other members of key management personnel of the Company and PAS Group is set out below:

	2016 $	2015 $
Short-term employee benefits	**1,666,082**	1,970,658
Post-employment benefits	**105,827**	122,686
Other long-term benefits	**15,276**	10,412
Share-based payments	**328,491**	154,373
Total key management personnel compensation	**2,115,676**	**2,258,129**

29. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

During the year IT services were provided by The Playtime Group Pty Ltd (Playtime), an entity the Company's Chairman Mr Rod Walker maintained an equity interest in. The total amount paid to Playtime up until the cessation of Mr Walker's equity interest was $127,969 excluding GST.

The Group did not enter into any other related party transactions during the year.

30. Business combinations

30.1 Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred
2016			**%**	**$'000**
White Runway Pty Ltd (White Runway)	Online and showroom retailer of occasional and bridal wear	29 July 2015	100	4,631
Jets Swimwear Pty Ltd, AFG Retail Pty Ltd and Jets Global Limited (collectively referred to as JETS)	Design, production, wholesale and online distribution of swimwear and activewear	30 November 2015	100	12,068

White Runway is a unique online business which has allowed the Group to expand its presence in occasional wear and enter the adjacent category of bridal wear.

JETS was acquired to enhance the Group's presence in the rapidly growing swimwear and activewear markets and provides a platform for significant future growth. There are opportunities to increase JETS retail footprint and expand its online presence.

The Directors Group will also look to broaden its international distribution in both JETS and White Runway.

30.2 Consideration transferred

	White Runway $'000	JETS $'000
Cash	**2,031**	10,337
Contingent consideration arrangement (i) (ii)	**2,600**	1,154
Deferred consideration (ii)	**–**	577
Total	**4,631**	**12,068**

(i) The contract to acquire White Runway incorporates a subsequent earnout payment linked to the 2019 financial performance of the acquired business. The Directors estimate that the fair value of contingent consideration payable following the finalisation of the FY2019 financial result will be $2.6m.

(ii) The JETS acquisition incorporates deferred payments totalling $0.6m. A final earnout payment is linked to the 2017 financial performance of the acquired business. The Directors estimate that the fair value of contingent consideration payable following the finalisation of the FY2017 financial result will be $1.2m.

Acquisition-related costs amounting to $221,568 (White Runway: $45,122; JETS: $176,446) have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

30.3 Assets acquired and liabilities assumed at the date of acquisition

	White Runway $'000	Jets $'000	Total $'000
Current Assets			
Cash and cash equivalents	553	282	835
Trade and other receivables	7	2,205	2,212
Inventories	347	305	652
Other current assets	–	150	150
Non-current assets			
Property plant and equipment	8	226	235
Brand names	–	9,982	9,982
Other intangible assets	8	140	148
Deferred tax asset	12	92	104
Current liabilities			
Trade and other payables	164	771	935
Current tax liabilities	58	202	260
Current provisions	39	333	372
Deferred revenue	256	8	264
Net assets acquired	**418**	**12,068**	**12,486**

30.4 Goodwill arising on acquisition

	White Runway $'000
Consideration transferred	2,031
Contingent consideration arrangement	2,600
Less: fair value of identifiable net assets acquired	(418)
Goodwill arising on acquisition	**4,213**

Goodwill arose on the acquisition of White Runway due to the excess of consideration over net tangible assets and separately identifiable intangible assets acquired.

30.5 Net cash outflow on acquisition of subsidiaries

	White Runway $'000	JETS $'000	Total $'000
Consideration paid in cash	2,031	10,337	12,368
Less: cash and cash equivalent balances acquired	(553)	(282)	(835)
	1,478	**10,055**	**11,533**

30.6 Impact of acquisition on the result of the Group

Included in the full year accounts is revenue of $8.9m and net profit after tax of $0.3m attributable to the acquired companies as follows:

	White Runway $'000	JETS $'000	Total $'000
Revenue	**3,854**	**5,041**	**8,895**
Net profit after tax	**207**	**86**	**293**

Prior to the acquisition of both White Runway and JETS, neither business maintained IFRS compliant financial statements. For this reason it is impracticable to disclose the impact of these acquisitions on the Group's revenue and profit and loss had these business combinations been effected at 1 July 2015.

31. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	Year Ended 30 June 2016 $'000	Year Ended 30 June 2015 $'000
Cash on hand and in bank	**7,863**	12,525

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

Cash flows from operating activities		
Profit/(loss) for the year	**10,562**	(31,934)
Depreciation and amortisation	**7,155**	6,688
Lease incentives	**(1,642)**	(1,248)
Unrealised foreign exchange (gains)/losses	**(72)**	(367)
Expenses recognised in respect of equity-settled share-based payments	**186**	300
Impairment of assets	**–**	40,700
Loss on disposal of property plant and equipment	**–**	35
Interest accrued not paid	**22**	13
Amortisation of borrowing costs	**37**	–
(Increase)/decrease in assets:		
Trade and other receivables	**1,635**	4,053
Current tax assets	**1,596**	(1,466)
Deferred tax assets	**1,583**	3,728
Inventory	**(5,191)**	(3,852)
Other assets	**(31)**	1,495
Other non-current assets	**–**	(5)
Increase/(decrease) in liabilities:		
Trade and other payables	**1,423**	4,015
Provisions	**1,284**	(503)
Deferred tax liability	**(607)**	27
Other liabilities	**737**	–
Current tax liability	**1,891**	(795)
Net cash generated by operating activities	**20,568**	**20,884**

32. Operating lease arrangements

Leasing arrangements

Operating leases relate to leases of retail premises, office space and office equipment with lease terms of between 1 to 8 years. All retail store operating lease contracts contain clauses for market rental reviews.

Payments recognised as an expense

	2016 $'000	2015 $'000
Minimum lease payments	**27,486**	24,109

Non-cancellable operating lease commitments

Not later than 1 year	**14,614**	18,395
Later than 1 year and not later than 5 years	**27,842**	31,681
Later than 5 years	**25**	48
Total non-cancellable operating lease commitments	**42,481**	**50,124**

Liabilities recognised in respect of non-cancellable operating leases

Lease incentives (note 19)		
Current	**1,618**	1,779
Non-current	**5,290**	3,180
Total Liabilities recognised in respect of non-cancellable operating leases	**6,908**	**4,959**

33. Commitments for expenditure

Capital expenditure commitments

	2016 $'000	2015 $'000
Plant and equipment – store fit outs	**1,251**	1,642

34. Remuneration of auditors

	2016 $	2015 $
Audit or review of the financial statements	**258,366**	324,000
Other non-audit services – due diligence, accounting advice	**36,050**	140,000
Taxation compliance services	**152,880**	180,323
Total remuneration of auditors	**447,296**	**644,323**

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

35. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

Financial position

	30 June 2016 $'000	30 June 2015 $'000
Assets		
Current assets	**218**	8,131
Non-current assets	**173,520**	156,336
Total assets	**173,738**	**164,467**
Liabilities		
Current liabilities	**4,836**	787
Non-current liabilities	**14,003**	21
Total liabilities	**18,840**	**808**
Equity		
Issued capital	**153,963**	153,963
Reserves	**1,132**	–
Retained earnings/(accumulated losses)	**2,067**	9,696
Total equity	**154,898**	**163,659**

Financial performance

Profit/(loss) for the year	**163**	11,145
Other comprehensive income	**–**	–
Total comprehensive income	**163**	**11,145**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The PAS Group Limited has entered into a deed of cross guarantee with certain wholly-owned subsidiaries, refer note 25.

36. Subsequent events

On 28 July 2016 the Group announced that it had signed an agreement for the sale of its Metalicus business to the General Pants Group. Subject to the satisfaction of certain conditions precedent, the transaction is expected to complete at the end of September 2016. The transaction, which is by way of a sale of assets is not expected to result in any material gain or loss on sale and all lease obligations for the Metalicus retail sites are expected to transfer with the business.

The media release can be found in the Investor Relations section of the Group's website at www.thepasgroup.com.au or may be obtained on request from the Company Secretary at companysecretary@pasco.com.au.

Other than this event there has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods.

Additional securities exchange information as at 5 August 2016

Number of holders of equity securities

Ordinary share capital

136,690,860 fully paid ordinary shares are held by 550 individual shareholders.

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

Options

3,718,981 options are held by three individual option holders.

Options do not carry a right to vote.

Performance rights

1,898,136 performance rights are held by three individuals.

Performance rights do not carry a right to vote.

Distribution of holders of equity securities

	Fully paid ordinary shares	**Options**	**Performance rights**
1 – 1,000	36,312	–	
1,001 – 5,000	240,396	–	
5,001 – 10,000	929,171	–	
10,001 – 100,000	8,769,007	–	
100,001 and over	126,715,974	3,718,981	1,898,136
	136,690,860	**3,718,981**	**1,898.136**
Holding less than a marketable parcel	7,052	–	–

Substantial shareholders

	Fully paid ordinary shares
Ordinary shareholders	Number
Coliseum Capital Management	62,618,404
Mr Larry Kestelman	13,805,777
Macquarie Asset Management	13,688,499
Greencape Capital	8,729,353
Colonial First State - Growth Australian Equities	6,991,438
	105,833,471

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Coliseum Capital Management	62,618,404	45.81%
Mr Larry Kestelman	13,805,777	10.10%
Macquarie Asset Management	13,688,499	10.01%
Greencape Capital	8,729,353	6.39%
Colonial First State - Growth Australian Equities	6,991,438	5.11%
Endeavor Asset Management	3,922,428	2.87%
Mr Christopher Switzer	2,154,665	1.58%
Mr Eric Morris	1,598,134	1.17%
Norges Bank Investment Management	1,520,000	1.11%
Ms Susanne L Oldham	900,000	0.66%
Mr & Mrs Bruce R Catto	700,000	0.51%
First Samuel	681,475	0.50%
Mr & Mrs Peter J Stirling	680,000	0.50%
Mr & Mrs David C Tulloch	680,000	0.50%
Phoenix Portfolios	643,291	0.47%
Mr & Mrs Peter J Gill	524,832	0.38%
Sigma Funds Management	510,672	0.37%
Mr & Mrs William A Andrews	473,350	0.35%
Mr Mcdonald-Kerr A Kenyon	460,000	0.34%
Mr Derrick Krowitz	417,112	0.31%
	121,699,430	**89.03%**

Corporate Directory

Registered office and principal place of business
The PAS Group Limited
17 Hardner Road
Mount Waverley VIC 3149
Tel: (03) 9902 5555

Directors
Mr. R Walker
Mr. E Morris
Mr. J Brett
Mr. A Gray
Mr. M Lavelle
Ms. L Soffe

Company secretary
Mr. K Yap

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

Bankers
Commonwealth Bank of Australia
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000
Tel: (02) 9378 2000

Share registry
Link Market Services
Level 1, 333 Collins Street
Melbourne VIC 3000
Tel: (03) 9615 9800

Solicitors
Minter Ellison Lawyers
Level 19, Aurora Place
88 Phillip Street
Sydney NSW 2000
Tel: (02) 9921 8888

www.thepasgroup.com.au

The PAS Group Limited is listed on the Australian Securities Exchange ('ASX') under ASX code 'PGR'.