Prospectus

Initial Public Offering of Ordinary Shares

THE PAS GROUP

BLACK PEPPER BREAKAWAY Designworks

MARCO POLO METALICUS REVIEW yarra trail

Financial Advisor

Investec
Specialist Bank

Lead Manager

Morgan Stanley

The PAS Group Limited ACN 169 477 463

Contents

Important Notices

Offer
The Offer contained in this prospectus ("**Prospectus**") is an invitation to apply for fully paid ordinary shares ("**Shares**") in The PAS Group Limited (ACN 169 477 463) ("**Company**"). At the Prospectus Date (as defined below), the Company had 136,690,860 Shares on issue and had not traded. Following settlement of the Offer ("**Settlement**"), the Company will acquire all of the issued capital of PASCO Group Pty Ltd (ACN 117 244 943), formerly known as The PAS Group Pty Ltd ("**PAS Holdings**"). Refer to Section 7 for further information.

In this Prospectus, references to "**The PAS Group**" or "**the Group**" relating to any period prior to Settlement refer to PAS Holdings and its subsidiaries, whilst those relating to any period after Settlement refer to the Company and its subsidiaries (including PAS Holdings).

Lodgement and Listing
This Prospectus is dated 5 June 2014 ("**Prospectus Date**") and was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. This is a replacement prospectus which replaces the prospectus dated 23 May 2014 and lodged with ASIC on that date ("**Original Prospectus**"). Neither ASIC nor the Australian Securities Exchange ("**ASX**") takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The Company applied to the ASX for admission of the Company to the official list of, and quotation of the Shares on, the ASX within seven days after the date of the Original Prospectus.

Expiry Date
This Prospectus expires on 23 June 2015, being the date which is 13 months after the Original Prospectus ("**Expiry Date**") and no Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date.

Note to Applicants
The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any prospective investor. It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company. In particular, in considering the prospects of The PAS Group, you should consider the risks that could affect the financial performance of The PAS Group. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company. Some of the risks that should be considered by prospective investors are set out in Section 5. There may be risks in addition to the risks set out in Section 5 that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, guarantees the performance of The PAS Group, the repayment of capital by the Company or the payment of a return on the Shares. No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or the Company's directors ("**Directors**").

As set out in Section 7, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis.

To the extent permitted by law, each of the Company, Link Market Services Limited (ACN 083 214 537) ("**Share Registry**") and Morgan Stanley Australia Securities Limited (ACN 078 652 276) ("**Lead Manager**") disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

Exposure Period
The Corporations Act prohibits the Company from processing Applications under this Prospectus ("**Applications**") during the seven day period after the date of the Original Prospectus and the extension of that period by ASIC for a further seven days ("**Exposure Period**"). The Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. This examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Forms (as defined below), at the Company's offer website, www.thepasgroup.com.au.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Forward-looking statements
This Prospectus contains forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the assumptions set out in Section 4). Such forward-looking statements are not guarantees of future performance and involve uncertainties, assumptions and known and unknown risks, including the risks set out in Section 5, many of which are beyond the control of the Company and the Directors. The Company and the Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Except where required by law, the Company has no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors in Section 5.

Statements of past performance
This Prospectus includes information regarding the past performance of The PAS Group. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial year periods
All references to FY2012, FY2013, FY2014 and FY2015 appearing in this Prospectus are to the historical financial years ended 30 June 2012 and 30 June 2013 and the forecast financial years ending 30 June 2014 and 30 June 2015, respectively, unless otherwise indicated.

Financial Information
Section 4 sets out the Financial Information. The basis of preparation of the Financial Information is also set out in Section 4. The Pro Forma Historical Financial Information and the Forecast Financial Information should be read in conjunction with, and are qualified by reference to, the information contained in Sections 4 and 5.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

Financial and non-financial data is as at 23 May 2014, unless otherwise stated or implied.

Obtaining a copy of this Prospectus and applying for Shares
A hard copy of this Prospectus is available free of charge to any Retail Offer Applicant in Australia by calling 1800 738 088 (within Australia) or +61 1800 738 088 (outside Australia) from 9:00am to 5:00pm (Sydney Time) during the Retail Offer period from Friday 6 June 2014 to Friday 13 June 2014. The Prospectus is available on The PAS Group's website (www.thepasgroup.com.au).

Applications for Shares may only be made during the Offer Period on the application form included in, or accompanying, this Prospectus in its hard copy form, or in its soft copy form which must be downloaded in its entirety from www.thepasgroup.com.au, together with an electronic copy of this Prospectus ("**Application Form**"). By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

No cooling off rights
Cooling off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application.

Photographs and diagrams
Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents, or that the assets shown in them are owned by the Group. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale.

Defined terms and abbreviations
Defined terms and abbreviations used in this Prospectus have the meanings defined in the Glossary set out in Section 11. Unless otherwise stated or implied, references to dates and times in this Prospectus are to the date or time in Sydney, Australia. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. There may be discrepancies between totals and sums of components in tables contained in this Prospectus due to rounding.

Selling restrictions
This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and any other applicable securities laws is available.

See Section 7.8 for more details of selling restrictions that apply to the offer and sale of Shares in jurisdictions outside of Australia.

Privacy
By filling out the Application Form to apply for Shares you are providing personal information to the Company through its Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by The PAS Group, which it considers may be of interest to you. Your personal information may also be provided to The PAS Group's members, agents and service providers on the basis that they deal with such information in accordance with The PAS Group's privacy policy and applicable laws. The members, agents and service providers of The PAS Group may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows.

Telephone: 1800 128 192 (toll free within Australia)
+61 1800 128 192 (outside Australia)

Address: Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Offer management
The Offer is being arranged, managed and underwritten by the Lead Manager.

Report on Financial Information and Financial Services Guide
The provider of the Investigating Accountant's Report has provided Australian retail clients with a financial services guide in relation to its independent review under the Corporations Act.

The financial services guide is provided in Section 8.

Company website
Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

Questions
If you have any questions about how to apply for Shares, please call your Broker. If you have any questions about whether to invest in the Company you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Company.

Letter from the Chairman

Dear Investor

On behalf of the board of Directors ("**Board**") of The PAS Group Limited, I am delighted to invite you to read this Prospectus and to apply to become a Shareholder of the Company.

The PAS Group is a leading Australian apparel business with a diverse portfolio of brands and products, appealing to a broad customer target market. The PAS Group's portfolio comprises leading owned brands such as Black Pepper, Review and Metalicus and a wholesale portfolio which includes Black Pepper, Metalicus, Yarra Trail and the Designworks operation. Designworks has one of Australia's largest in-house apparel design and development teams designing and producing products for department and discount department stores. The PAS Group has a multi-channel offering, with products sold on a retail basis through Group Retail Sites (being owned branded stores and concessions) and online channels, and on a wholesale basis through a range of retail outlets including department stores, discount department stores and over 1,000 independent retail stores.

The PAS Group has an experienced and committed management team ("**Management**") led by Chief Executive Officer ("**CEO**") Eric Morris, and Chief Financial Officer ("**CFO**") Derrick Krowitz, who have both been with The PAS Group since 2005. Under their leadership, the Group has grown from eight Retail Sites in 2005 to the current network of 223 Retail Sites across Australia and New Zealand. Over that period, The PAS Group also achieved significant revenue growth, increasing margins and strong cash flow generation. The Group is forecasting pro forma EBITDA growth of 9.3% in FY2015, with forecast pro forma NPAT growth of 7.1% in FY2015 as compared, in each case, to FY2014.

The Board and Management continue to be focused on growing the business and view the following areas as key growth drivers:

- **new Retail Sites:** The PAS Group has displayed consistent year-on-year Retail Site growth and plans to open an additional 41 Retail Sites in FY2015 with further plans to have 340 Retail Sites operating by June 2017.
- **online:** The PAS Group has been experiencing strong growth in online sales and will continue to expand this channel.
- **licensed brand opportunities:** The PAS Group will maintain its proactive approach to new brand licensing opportunities, with examples of recently obtained brand licences including Slazenger, Fred Bare, Everlast and Mooks.
- **acquisitions:** The PAS Group is experienced in identifying, acquiring and integrating complementary businesses and will seek to enhance its growth with strategic "bolt-on" acquisitions.

The PAS Group is currently owned by the Existing Shareholders which includes members of Management (or entities associated with them). On Completion of the Offer, the CEO and CFO will hold Shares equating to 80% and 67% respectively of their current interest in The PAS Group and will enter into voluntary escrow agreements in respect of those Shares until at least the release of the Company's FY2015 results. In addition, on Completion of the Offer, Existing Shareholders (other than Management Shareholders) will collectively hold 15% of the Shares on issue and will also be subject to the same voluntary escrow arrangements.

The PAS Group will have a conservative balance sheet position on Completion of the Offer with zero debt and has a history of strong cash generation. The Directors expect to target fully-franked dividends of 70% to 80% of statutory NPAT.

As with any company, there are a number of risks associated with an investment in the Company which investors should consider as part of their investment decision. Key risks associated with an investment in Shares include: changes to the retail environment or economic environment; changes to consumer preferences and prevailing fashion; loss of wholesale customers; damage to brands within The PAS Group's portfolio; and increased competition. These risks are more fully detailed in Section 5 of this Prospectus.

Before deciding whether to invest in the Company, I encourage you to read this Prospectus carefully and in its entirety.

On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder of the Company.

Yours sincerely

Rod Walker
Chairman, The PAS Group Limited

Key Dates

Original Prospectus lodgement Date	Friday, 23 May 2014
Broker Firm Offer, Priority Offer and Employee Offer opens	9:00am, Friday, 6 June 2014
Broker Firm Offer, Priority Offer and Employee Offer closes	5:00pm, Friday, 13 June 2014
Commencement of trading of Shares on ASX on a conditional and deferred settlement basis	Monday, 16 June 2014
Settlement of the Offer	Tuesday, 17 June 2014
Issue of Shares under the Offer	Wednesday, 18 June 2014
Commencement of trading on the ASX on an unconditional and deferred settlement basis	Wednesday, 18 June 2014
Expected dispatch of holding statements	Thursday, 19 June 2014
Commencement of trading on the ASX on a normal settlement basis	Friday, 20 June 2014

How to invest

Applications for Shares can only be made by completing and lodging the Application Form.

Instructions on how to apply for Shares are set out in Sections 1.3, 7.3, 7.4, 7.5 and on the back of the Application Form.

Notes

This timetable is indicative only and may change. The Company, with the prior written consent of the Lead Manager, reserves the right to vary any and all of the above dates and times without notice (including, subject to the official rules of ASX ("**ASX Listing Rules**") and the Corporations Act, to close the Offer early, to extend the closing date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

The admission of the Company to the official list of ASX ("**Official List**") and the quotation and commencement of trading of the Shares is subject to confirmation from ASX.

Key Offer Statistics

Total number of Shares offered under this Prospectus	104.8 million
Number of Shares to be held by Existing Shareholders (including Management Shareholders) on Completion of the Offer[1]	31.9 million
Total number of Shares on issue on Completion of the Offer[2]	136.7 million
Offer price (“Offer Price”)	$1.15 per share
Market capitalisation at the Offer Price[3]	$157.2 million
Enterprise value at the Offer Price[4]	$160.5 million
Enterprise value/pro forma forecast FY2014 EBITDA (times)[5]	5.3x
Enterprise value/pro forma forecast FY2015 EBITDA (times)[5]	4.8x
Offer Price/pro forma forecast FY2014 NPAT per Share (times)[6]	9.5x
Offer Price/pro forma forecast FY2015 NPAT per Share (times)[6]	8.9x
Pro forma net debt/pro forma forecast FY2014 EBITDA[7]	0.1x
Pro forma net debt/pro forma forecast FY2015 EBITDA[7]	0.1x
Indicative annual dividend yield (based on a dividend payout ratio of 70% to 80% and pro forma forecast FY2015 NPAT)[8]	7.9% to 9.0%

Notes

1 The Shares to be held by the Existing Shareholders, including the Management Shareholders, will be subject to voluntary escrow arrangements, as described further in Section 7.7.1. The Existing Shareholders are State Super, Macquarie, Propel, the Management Shareholders and Dalziel. The Management Shareholders are Eric Morris as trustee for the Morris Family Trust, and Derrick Krowitz.

2 Includes 9.1 million Shares to be issued to the Minority Shareholders under the Minority Roll Up Transaction, which is the acquisition by PAS Operations of the minority interests in the Relevant Minority Entities from the Minority Shareholders as described in Section 9.3.2. The Shares held by the Minority Shareholders will be subject to voluntary escrow arrangements, as further described in Section 7.7.1.

3 Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.

4 Enterprise value is calculated as the Company’s indicative market capitalisation, based on the Offer Price, plus pro forma net debt of $3.3 million as at 31 December 2013. Refer to Section 4.6 for details of the components of pro forma net debt.

5 The enterprise value/EBITDA multiple is calculated as the enterprise value divided by pro forma forecast consolidated EBITDA for FY2014 or FY2015 (as applicable). This multiple represents a valuation metric that may enable prospective investors to assess the valuation of comparable businesses before the impact of depreciation, amortisation and different capital and taxation structures. The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 4 and Section 10, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved. Certain financial information in this Prospectus is described in Section 4. Forecasts have been included in this document for FY2014 and FY2015.

6 This ratio is commonly referred to as a forward price to earnings, or forward PE, ratio. A forward PE ratio is a company’s share price divided by its forecast annual earnings per share.

7 The Pro Forma Net Debt/EBITDA multiple is calculated by dividing pro forma net debt of $3.3 million as at 31 December 2013 by pro forma forecast EBITDA for FY2014 or FY2015 (as applicable). Refer to Section 4.6 for details of the components of pro forma net debt.

8 Implied annual dividend yield is calculated as the implied dividend per Share based on the midpoint of the Company’s target dividend payout ratio range of 70% to 80% of pro forma forecast FY2015 NPAT, divided by the Offer Price. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of The PAS Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on the Company’s dividend policy, see Section 4.14.

Section 01 Investment Overview

01 Investment Overview

1.1 Overview of The PAS Group's business and key features of its business model

Table 1: Overview of The PAS Group's business and key features of its business model

Topic	Summary	For more information
Overview of The PAS Group and its business model		
Who is The PAS Group?	The PAS Group has a unique business model and is a growing Australian apparel business with a diversified portfolio of brands. Key retail brands where the Group has vertically integrated Retail Sites include Black Pepper, Review and Metalicus. Key wholesale brands include Black Pepper, Metalicus, Yarra Trail, Marco Polo, and a mixture of owned brands and licensed brands designed and distributed by the Designworks operation including Paul Frank, Mooks, Republic, World Industries, Chino, Everlast, Slazenger, Fred Bare and No Fear.	Section 3
What is The PAS Group's history?	The PAS Group was established in November 2004 to capitalise on the fragmented nature of the apparel industry in Australia. Between 2004 and 2007 the Group acquired eight separate apparel businesses. From 2008 to date, the Group has focused on (i) achieving scale benefits through integration; (ii) a retail roll-out strategy growing from 80 Retail Sites in 2008 to 223 currently, and (iii) obtaining new licensed brands.	Section 3.1
How does The PAS Group generate its income?	The PAS Group's products are distributed via a multi-channel business model, with distribution across: – vertically integrated retail stores; – retail concessions; – online; and – wholesale.	Section 4
A. Key strengths		
Diversified portfolio of brands	The PAS Group has a diversified portfolio of owned and licensed brands. The brands have distinct market positions and limited overlap. No individual brand is expected to exceed 26% of FY2014 and FY2015 forecast net sales. The PAS Group believes that the diversity of the brands provides: – scale benefits across an integrated platform; – opportunities to pursue strategic initiatives (such as store roll-out or new licence introductions) around specific parts of the portfolio where growth opportunities are identified; and – relative insulation against any volatility in a particular component of the business.	Section 3
Multiple growing sales channels	The PAS Group has multiple distribution channels encompassing: – a growing and profitable network of retail stores and department store concessions that benefit from vertical integration; – a growing online presence; and – longstanding wholesale relationships. Retail sales (inclusive of online) have been growing, and are expected to continue to grow as a proportion of total sales from 46% in FY2012 to 55% forecast in FY2015. Both Retail and Wholesale segment sales are forecast to grow in FY2015 by 20% and 10% respectively, as compared to FY2014.	Section 3

01 Investment Overview (continued)

Topic	Summary	For more information
Broad range of customer demographics	The PAS Group's owned and licensed brands address a broad range of customer demographics by age, gender, location and price-point: – the Review brand targets fashion conscious females aged 24 to 40 at a mid to higher price-point providing vintage styles with a modern twist – the Metalicus brand targets females aged 25 to 50 at mid to higher price-points providing predominantly "one size fits most" products and also using two-way stretch fabrications. The stretch nature of the products lends itself to maternity wear and travel wear – the Black Pepper brand targets a growing older demographic with a focus on regional areas – Designworks designs and distributes predominantly lower priced, higher volume product to department stores and discount department stores, weighted towards children and menswear The PAS Group sees strategic value in operating as a diversified portfolio, as it reduces exposure to any one particular demographic.	Section 3
A strong Retail Site roll-out trajectory	As at 31 March 2014 The PAS Group had 223 Retail Sites having grown from 80 Retail Sites in FY2008 and eight Retail Sites in FY2005. The PAS Group has plans to add 41 new Retail Sites in FY2015 and is targeting 340 Retail Sites by the end of FY2017. The PAS Group is forecast to deliver like-for-like ("**LFL**") sales growth of 4.2% in FY2014 and 3.8% in FY2015, with each of the key retail brands achieving positive LFL sales growth.	Section 3
A growing online presence	The Review and Metalicus online channels currently represent the equivalent of The PAS Group's number one and number two Retail Sites by sales, respectively. In FY2014YTD compared to the prior corresponding period: – Review online sales have grown by 49%; and – Metalicus online sales have grown by 46%	Section 3
An engaging customer loyalty program	Existing loyalty programs for Metalicus and Review were enhanced in FY2014. The databases of loyalty program members has reached 110,000 members for Metalicus and 85,000 members for Review and each grew at approximately 500 to 800 members per week in FY2014YTD. The PAS Group's loyalty programs demonstrate a high degree of customer engagement and repeat purchase behaviour: – 51% of Review and 76% of Metalicus FY2014YTD sales were associated with the loyalty programs; and – in FY2014YTD, 33% of Review and 46% of Metalicus loyalty vouchers were redeemed in the month following issue with a repeat purchase	Section 3

Topic	Summary	For more information
Scale benefits from an integrated supply chain and infrastructure	The PAS Group operates its diversified portfolio of brands with integrated infrastructure which allows it to achieve scale benefits in a number of areas across the business. The PAS Group's scale also allows it to leverage relationships with large wholesale customers and access senior decision makers at institutional landlords. The PAS Group has a vertically integrated supply chain model characterised by: – direct control over the design process in Australia – established direct sourcing relationships in Asia with third party manufacturers providing a cost effective manufacturing platform – risk management through diversification and flexibility of sourcing relationships and logistics providers – opportunities for further enhancements including a pilot program for direct delivery from China to the Group's Retail Sites	Section 3
A proven growth strategy	The PAS Group's growth strategy is based on seven key elements: – *new store roll-out*: aiming to grow the network of Retail Sites from the current level of 223 to 340 by the end of FY2017 – *store refurbishment*: continuing to review and refurbish a number of sites across the store portfolio – *product and brand extension*: introducing accessories and additional apparel categories (e.g. Review's enhanced bridesmaid range) as well as footwear and accessories capabilities to a number of Designworks licences (e.g. Mooks, Paul Frank and AFL) – *licensing opportunities*: leveraging the Group's proven model of obtaining and growing licensed brands (e.g. AFL, Mooks and Paul Frank), a strong pipeline of new licensing opportunities including Everlast, Slazenger and Fred Bare. The Designworks operation has a strategic alliance with global brand owner International Brand Management & Licensing ("**IBML**") as well as strong wholesale distribution relationships (e.g. Target, BIG W, Myer, Kmart) – *online growth*: continuing to drive online sales growth, with Review and Metalicus online channels being equivalent to the number one and number two Retail Sites for the Group and both growing by over 45% in FY2014YTD. 3% of the Group's Retail sales in FY2014YTD were from the online channels – *loyalty programs*: continuing to develop a successful loyalty program with plans for an enhanced customer relationship management system. Black Pepper will launch a new loyalty program in FY2015 – *acquisitions*: selectively pursuing value enhancing bolt-on acquisitions subject to strict evaluation criteria	Section 3

01 Investment Overview (continued)

Topic	Summary	For more information
Attractive financial profile	The PAS Group is forecasting FY2015 pro forma EBITDA growth of 9.3% and pro forma NPAT growth of 7.1% in FY2015 as compared to FY2014, as well as strong EBITDA margins of 11.5% in FY2015. The PAS Group achieved Cash Conversion (being pre-tax, pre-interest operating cashflow divided by EBITDA) of 109% in FY2013 and is forecasting 103% in FY2014 and 98% in FY2015. The PAS Group intends to have zero debt on Completion of the Offer. The Directors intend to target fully franked dividends in the range of 70% to 80% of statutory NPAT (although the payment of a dividend by the Company is at the discretion of the Directors and is subject to legal and regulatory restrictions). The Directors intend to frank dividends to the maximum extent possible. For more information on the Company's dividend policy, see Section 4.14.	Section 4
A highly experienced management team	The PAS Group senior management has collective retail and apparel industry experience in excess of 100 years. Eric Morris (CEO) joined the Group in 2005 and has over 35 years of international industry experience including senior roles with Reebok for Asia-Pacific and Africa, Walt Disney for Asia-Pacific and leading the Myer private brand division in Australia. Derrick Krowitz (CFO) also joined the Group in 2005 and has over 30 years of experience in financial roles including prior roles as CFO of Lincraft and The Reject Shop.	Section 6
B. Key risks		
Retail environment and general economic condition may worsen	As a discretionary retailer, The PAS Group is exposed to general economic conditions. The PAS Group's performance is sensitive to the current state of, and future changes in, the retail environment in Australia. Economic conditions may worsen which, among other things, could cause the retail environment to deteriorate, which in turn may have an adverse impact on The PAS Group's future financial performance.	Section 5
Prevailing fashions and consumer preferences may change	The PAS Group's revenues are entirely generated from the retail and wholesale of clothing and accessories, which are subject to sometimes unpredictable changes in prevailing fashions and consumer preferences. Failure by The PAS Group to predict or respond to any such changes could adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5
Wholesale customer relationships	The PAS Group supplies a range of retailers with a large and diversified range of clothing and accessories on a wholesale basis, who are under no obligation to maintain on-going levels of procurement from The PAS Group, or procure in volumes or on terms consistent with historical practice. Any significant change in the procurement practices of wholesale customers could adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5

Topic	Summary	For more information
Damage to certain brands within The PAS Group's portfolio	The PAS Group's portfolio of brand names and related intellectual property rights are key assets of its business. The reputation and value associated with one or more of The PAS Group's brands and related intellectual property rights could be adversely impacted by a number of factors, including failure to provide customers with the quality of product and service standards they expect, disputes or litigation with third parties such as employees, suppliers or customers, failure to adequately protect The PAS Group's intellectual property rights or adverse media (including social media) coverage, all of which could adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5
Licensed brand arrangements	The PAS Group generates a material proportion of its revenue from the sale of licensed branded apparel and accessories, pursuant to formal licence agreements. Any failure to renew a material brand licence (or number of licences) and replace it (or them) with brand licences of similar quality, or a deterioration of the terms on which The PAS Group is able to license a significant number of brands, could adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5
Product sourcing and supply chain	The PAS Group's products are sourced and manufactured by a network of third parties, primarily in Asia. As a result, The PAS Group is exposed to risks including, among others, political instability, costs and delays in international shipping arrangements and exchange rate and hedging risks. Delays in product delivery or failure to receive products ordered may lead to one or more of The PAS Group's brands, or individual stores, being insufficiently stocked. The realisation of any of these risks may adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5
Retail Sites	The PAS Group currently has 223 Retail Sites across Australia and New Zealand. The leases and concession agreements have a range of terms and option periods, although they are generally leases which The PAS Group cannot readily terminate. There is a risk that new stores opened by The PAS Group may be unprofitable. There is a risk that the roll-out of new Black Pepper stores in catchment areas of existing Black Pepper wholesale accounts could result in a decline in total profitability if the loss of wholesale contribution is not offset by an equal or greater contribution from those new retail stores. Any failure to renew existing leases or concession agreements on acceptable terms, or an inability to negotiate alternative arrangements, could materially adversely affect The PAS Group's ability to operate stores in preferred locations. The realisation of any of these risks may have an adverse impact on The PAS Group's future financial performance.	Section 5
Supply chain	The key risks associated with The PAS Group's supply chain include delays in product delivery or complete failure to receive products ordered. This may lead to one or more of The PAS Group's brands or individual stores being insufficiently stocked, which could in turn adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5

01 Investment Overview (continued)

Topic	Summary	For more information
Acquisition and new licence risk	The PAS Group's strategy includes expansion by value-enhancing acquisitions and taking advantage of new brand licensing opportunities. It may not be successful in identifying new acquisition or licensing opportunities, assessing the value, strengths and weaknesses of these opportunities or finalising acquisitions or licences on acceptable terms. Any acquisitions or new licences may fail to meet their strategic objectives, which could adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5
Competition may increase	The PAS Group faces competition from retailers as well as brands and wholesalers. There is a risk that existing competitors or new entrants, directly competing with The PAS Group in one or more of its target markets, aggressively attempt to grow their market share through store roll-out, widespread wholesaling, via online, increased advertising and/or price cutting. Any deterioration in The PAS Group's competitive position could adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5
Loss of key management personnel	The loss of key management personnel and an inability to recruit or retain suitable replacement or additional personnel could adversely impact the future financial performance of one or more of The PAS Group's brands.	Section 5
Documentation of New Banking Facilities	The New Banking Facilities are reflected in a credit-approved term sheet, rather than being agreed to by the Company and New FinCo and fully documented. Any failure to reach final agreement in respect of definitive documentation, or the entry into alternative terms less favourable to the Company, could have a material adverse impact on The PAS Group's future financial performance.	
IT systems	If The PAS Group's IT systems or networks are compromised for any reason, including its retail point of sale and inventory management systems, this could adversely impact The PAS Group's ability to trade and satisfy its obligations to its customers, and could have an adverse impact on The PAS Group's future financial performance.	Section 5
Regulation and litigation	There is a risk that regulation is introduced that restricts, for example, The PAS Group's interactions with consumers, retail trading hours, sales methods or marketing campaign efforts. The PAS Group is exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable consumer protection regimes. While this is not currently a material issue, there is the potential for one or more claims that are material in cumulative quantum to occur, with the result that costs are increased or one or more of The PAS Group's brands are damaged.	Section 5
Foreign exchange rates	The majority of goods that are imported by The PAS Group from Asia are priced in USD. Consequently, The PAS Group is exposed to movements in the AUD/USD exchange rate.	Section 5
Workplace health and safety	The PAS Group's employees are at risk of workplace accidents and incidents. In the event that an employee is injured in the course of their employment, The PAS Group may be liable for penalties or damages.	Section 5

Topic	Summary	For more information
Trading and liquidity in Shares and Existing Shareholders' interests	There can be no guarantee that an active market for the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also impact the prevailing market price at which Shareholders are able to sell their Shares. Following Listing, it is expected that the Existing Shareholders (excluding Management Shareholders) will hold up to 15% of the Shares, which may also impact on liquidity. Following release from escrow, Shares held by the Existing Shareholders will be able to be freely traded on ASX. A significant sale of Shares by the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares.	Section 5

For more detail on the risks referred to above and for information on additional risks which may adversely impact the future operating and financial performance of The PAS Group and the value of the Shares, see Section 5.

C. Financials and dividend policy

What is The PAS Group's historical and forecast financial performance?	A selected summary of The PAS Group's pro forma and statutory financial information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis as well as the key risks set out in Section 5.	Section 4

$ million	Pro forma historical[(a)]		Pro forma forecast[(a)]		Statutory forecast[(a)]	
	FY2012	FY2013	FY2014	FY2015	FY2014	FY2015
Revenue	223.2	232.4	249.3	286.8	249.3	286.8
EBITDA	28.2	29.3	30.3	33.1	28.3	33.1
EBIT	23.8	24.5	24.3	25.9	22.3	25.9
Net Profit After Tax	16.2	16.7	16.6	17.7	9.6	17.7

Notes

(a) A reconciliation of the pro forma and statutory income statements is provided in Section 4.3.2.

Topic	Summary	For more information
What is The PAS Group's dividend policy?	The Board's current intention is to target a payout ratio of between 70% and 80% of statutory NPAT. The level of payout is expected to vary between periods, depending on the factors the Directors may consider and as outlined in Section 4.14. It is the current intention of the Board to pay dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October, following the relevant financial period. It is expected that all future dividends will be franked to the maximum extent possible. No assurances can be given by any person, including the Board, about the payment or the level of future dividends (the payment of which are subject to legal and regulatory restrictions) or the extent to which they may be franked and there may be periods in respect of which dividends are not paid. However, as the majority of The PAS Group's profits are derived in Australia, significant franking credits are generally expected to be generated.	Section 4.14
When will the first dividend be paid?	The first dividend is anticipated to be the FY2015 interim dividend in respect of 1H2015, to be paid in April 2015.	Section 4.14

1.2 Overview of the Offer

Table 2: Overview of the Offer

Topic	Summary	For more information
What is the Offer?	The Offer is an invitation to apply for 104.8 million new Shares that will be issued by the Company, at $1.15 per Share. The Offer is expected to raise approximately $120.5 million. The Shares to be issued under the Offer will represent 77% of the Shares on issue on Completion of the Offer.	Section 7.1
Why is the Offer being conducted?	The Offer is being conducted to: – provide The PAS Group with access to a strengthened balance sheet and to improve capital management flexibility and capacity to fund growth initiatives; – provide The PAS Group with the benefits of an enhanced profile that arises from being a listed entity; – provide a liquid market for Shares; and – facilitate payment of a dividend to the Existing Shareholders ("**Pre-Offer Dividend**"). The Offer also allows Existing Shareholders to realise part of their investment in The PAS Group by funding the cash component of the consideration for the purchase by the Company of all of the PAS Holdings Shares under the Sale Deed. The Offer also funds the cash component of the Minority Roll Up Transaction.	Section 7.1
Who is the Issuer of this Prospectus?	The PAS Group Limited, a company incorporated in Victoria, Australia (ACN 169 477 463). The Company will be the holding company of the Group from Completion of the Offer.	Section 7.1
What is the Minority Roll Up Transaction?	As at the Prospectus Date, the Relevant Minority Entities, Breakaway Apparel Pty Limited and The Hopkins Group Aust Pty Limited (Marco Polo) are not wholly-owned subsidiaries of The PAS Group. The Minority Shareholders hold 17% and 25%, respectively, of the applicable Relevant Minority Entity's issued shares. On Settlement, The PAS Group will acquire the shares in the Relevant Minority Entities held by the Minority Shareholders in consideration for cash and Shares.	Section 9.4.2
What will happen on or around Completion of the Offer?	On or about Completion of the Offer: – the Company will acquire The PAS Group by completing the acquisition of all PAS Holdings Shares under the Sale Deed. This includes applying part of the proceeds of the Offer towards payment to the Existing Shareholders and issuing Shares to them, as described in Section 7.1; – the Company will issue new Shares to investors under the Offer; – the Pre-Offer Dividend will be paid to the Existing Shareholders; – The PAS Group will acquire the shares in the Relevant Minority Entities held by the Minority Shareholders, who will receive cash and Shares; and – The PAS Group will repay indebtedness.	Section 7.1

Topic	Summary	
What are the key Offer statistics?[1]	Total number of Shares offered under this Prospectus	104.8 million
	Number of Shares to be held by Existing Shareholders (including Management Shareholders) on Completion of the Offer[1]	31.9 million
	Total number of Shares on issue on Completion of the Offer[2]	136.7 million
	Offer Price	$1.15 per Share
	Market capitalisation at the Offer Price[3]	$157.2 million
	Enterprise value at the Offer Price[4]	$160.5 million

Notes

1 The Shares to be held by the Existing Shareholders, including the Management Shareholders, will be subject to voluntary escrow arrangements, as described further in Section 7.7.1. The Existing Shareholders are State Super, Macquarie, Propel, the Management Shareholders and Dalziel, being the PAS Holding Shareholders. The Management Shareholders are Eric Morris as trustee for the Morris Family Trust, and Derrick Krowitz.

2 Includes 9.1 million Shares to be issued to the Minority Shareholders under the Minority Roll Up Transaction, which is the acquisition by PAS Operations of the minority interests in the Relevant Minority Entities from the Minority Shareholders as described in Section 9.4.2. The Shares held by the Minority Shareholders will be subject to voluntary escrow arrangements, as further described in Section 7.7.1.

3 Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.

4 Enterprise value is calculated as the Company's indicative market capitalisation, based on the Offer Price, plus pro forma net debt of $3.3 million as at 31 December 2013.

1 The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to the key risks set out in Section 5.

Topic	Summary	
What are the key investment metrics?[1]	Enterprise value/pro forma forecast FY2014 EBITDA (times)[1]	5.3x
	Enterprise value/pro forma forecast FY2015 EBITDA (times)[1]	4.8x
	Offer Price/pro forma forecast FY2014 NPAT per Share (times)[2]	9.5x
	Offer Price/pro forma forecast FY2015 NPAT per Share (times)[2]	8.9x
	Pro forma net debt/pro forma forecast FY2014 EBITDA (times)[3]	0.1x
	Pro forma net debt/pro forma forecast FY2015 EBITDA (times)[3]	0.1x
	Indicative annual dividend yield (based on a dividend payout ratio of 70% to 80% and pro forma forecast FY2015 NPAT)[4]	7.9% to 9.0%

Notes

1 The enterprise value/EBITDA multiple is calculated as the enterprise value divided by pro forma forecast consolidated EBITDA for FY2014 or FY2015 (as applicable). This multiple represents a valuation metric that may enable prospective investors to assess the valuation of comparable businesses before the impact of depreciation, amortisation and different capital and taxation structures. The Forecast Financial Information is based on the assumptions and accounting policies set out in Section 4 and Section 10, and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved. Certain financial information in this Prospectus is described in Section 4. Forecasts have been included in this document for FY2014 and FY2015.

2 This ratio is commonly referred to as a forward price to earnings, or forward PE, ratio. A forward PE ratio is a company's share price divided by its forecast annual earnings per share.

3 The pro forma net debt/EBITDA multiple is calculated by dividing the pro forma net debt of $3.3 million as at 31 December 2013 by pro forma forecast EBITDA for FY2014 or FY2015 (as applicable). Refer to Section 4.6 for details of the components of the pro forma net debt.

4 Implied annual dividend yield is calculated as the implied dividend per Share based on the midpoint of the Company's target dividend payout ratio range of 70% to 80% of pro forma forecast FY2015 NPAT, divided by the Offer Price. The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including general business conditions, the operating results and financial condition of The PAS Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. For more information on the Company's dividend policy, see Section 4.14.

1 The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to the key risks set out in Section 5.

1.3 Proposed use of funds and key terms and conditions of the Offer

Table 3: Proposed use of funds and key terms and conditions of the Offer

Topic	Summary	For more information
What is the proposed use of funds raised pursuant to the Offer?	The proceeds of the Offer will be applied to: – repayment of debt drawn on the Company's debt facilities, including loans from certain Existing Shareholders and Minority Shareholders of $30.1 million in aggregate; – payment to the Existing Shareholders in part consideration for the transfer of their PAS Holdings Shares under the Sale Deed; – payment to the Minority Shareholders in part consideration for the transfer of the minority interests in the Relevant Minority Entities under the Minority Roll Up Transaction; – fund the Pre-Offer Dividend; – increase in cash and cash equivalents; and – payment of the costs associated with the Offer. The uses of the proceeds of the Offer may vary if the level of debt in the Relevant Minority Entities deviates from the parties' good faith estimate or if there are changes to intercompany loan balances. The PAS Group does not expect these variations to be material. Section 7.1.2 sets out the sources and uses relating to the Offer.	Section 7.1
Will the Shares be quoted on the ASX?	Yes. The Company applied within seven days of the Original Prospectus Date to ASX for its admission to the Official List of, and quotation of its Shares by, ASX (which is expected to be under the code "PGR"). Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7
Who can participate in the Offer?	The Broker Firm Offer is open only to Australian resident Retail Investors who are not Institutional Investors and who have received an invitation from their Broker to participate. The Priority Offer is available to selected investors who have received a Priority Invitation. The Employee Offer is available to Eligible Employees to apply for Shares in the Company.	Sections 7.3, 7.4 and 7.5
How is the Offer structured?	The Offer comprises: – the Retail Offer, consisting of the: · Broker Firm Offer, which is open only to Australian resident investors who are not Institutional Investors and who have received an invitation from their Broker to participate; · Priority Offer to selected investors who have received a Priority Invitation; and · the Employee Offer, which is open to Eligible Employees to participate; and – the Institutional Offer, which consisted of an invitation to bid for Shares made to Institutional Investors in Australia and a number of other eligible jurisdictions. No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares.	Section 7.1

Topic	Summary	For more information
Is the Offer underwritten?	The Offer is fully underwritten by the Lead Manager.	Section 9.4.3
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Priority Offer, the Employee Offer and the Institutional Offer was determined by the Company and the Lead Manager. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible retail clients. The allocation of Shares among Applicants in the Priority Offer will be determined at the absolute discretion of the Company, subject to the guaranteed minimum allocations notified to Applicants invited to participate in the Priority Offer. The allocation of Shares among Applicants in the Employee Offer will be determined at the absolute discretion of the Company, subject to a guaranteed minimum allocation of $1,000 worth of Shares per Eligible Employee who validly applies. The allocation of Shares among Applicants in the Institutional Offer was determined by the Company and the Lead Manager. The Company and the Lead Manager reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. In addition, the Company and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregation of Applications) in the Retail Offer which are for more than $100,000 worth of Shares.	Sections 7.3, 7.4, 7.5 and 7.6
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest in the Offer.	Section 7.2
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be mailed to successful Applicants by standard post on or about 19 June 2014.	Section 7.2
What is the minimum Application size under the Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. The minimum Application size under the Priority Offer is $10,000 worth of Shares, and in multiples of $5,000 worth of Shares thereafter. The minimum Application size under the Employee Offer is $1,000 worth of Shares, and in multiples of $1,000 worth of Shares thereafter. There is no maximum value of Shares that may be applied for under the Retail Offer.	Sections 7.3, 7.4 and 7.5

Topic	Summary	For more information
How can I apply?	You may apply by completing a valid Application Form included in or accompanying this Prospectus, or available for download for Applicants in Australia at www.thepasgroup.com.au. Applicants under the Priority Offer may apply by completing the online Application Form accompanying the electronic version of this Prospectus. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.	Sections 7.3, 7.4 and 7.5
What is conditional and deferred settlement trading?	It is expected that trading of the Shares on ASX (on a conditional and deferred settlement basis) will commence on or about Monday, 16 June 2014. The contracts formed on acceptance of Applications and confirmation of allocations will be conditional on the matters set out in Section 7.2, including completion of the acquisition of the PAS Holdings Shares under the Sale Deed and Settlement. It is expected that these conditions will be satisfied by or about Tuesday, 17 June 2014. The period of conditional and deferred settlement trading allows for Shares to trade on ASX prior to (and including) this date. In the event that the acquisition of the PAS Holdings Shares under the Sale Deed does not complete, or that the other conditions described in Section 7.2 are not satisfied, by the end of the conditional and deferred settlement trading period, the Offer would not complete. Under this scenario, all trades conducted during the conditional and deferred settlement trading period would be invalid and will not settle. All Application Monies received would be returned to applicants. No interest will be paid on any Application Monies refunded as a result of the Offer not completing. Trading on ASX is expected to commence on a normal settlement basis on or about Friday, 20 June 2014.	Section 7.2
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	Section 7.2
Where can I find more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to The PAS Group Offer Information Line on: – Within Australia: 1800 738 088 – Outside Australia: +61 1800 738 088 from 9:00am to 5:00pm Sydney Time, Monday to Friday (Business Days only). If you are unclear in relation to any matter, or are uncertain as to whether The PAS Group is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.	Section 7.2

1.4 Significant interests of key people and related party transactions

Table 4: Significant interests of key people and related party transactions

Topic	Summary	For more information
What will be the interests of the Existing Shareholders and the Minority Shareholders in the Group at Completion of the Offer?	(see table below)	Section 7.7.1

	Shares in the Company on Completion of the Offer (million)	Percentage holding (%)	Shares in the Company subject to escrow arrangements (million)
State Super	9.8	7.2	9.8
Propel	6.4	4.7	6.4
Macquarie	3.9	2.9	3.9
Management Shareholders	2.3	1.7	2.3
Dalziel	0.4	0.3	0.4
Minority Shareholders	9.1	6.6	9.1
Total	**31.9**	**23.3**	**31.9**

Topic	Summary	For more information
What significant benefits and interests are payable to Directors and other persons connected with the issuer or the Offer?	(see table below)	Section 6

Key people	Interest or benefit
Existing Shareholders	Sale of PAS Holdings Shares Ownership of Shares Receipt of Pre-Offer Dividend Repayment of shareholder loans
Minority Shareholders	Sale of shares in Relevant Minority Entity Ownership of Shares Repayment of shareholder loans
Management Shareholders	Sale of PAS Holdings Shares Receipt of Pre-Offer Dividend Remuneration Issue of Options under the New LTIP
Non-Executive Directors	Directors' fees
Advisers and other service providers	Fees for services

Topic	Summary	For more information
Will any Shares be subject to restrictions on disposal following Completion?	All of the Shares held at Completion by the Existing Shareholders and the Minority Shareholders ("**Escrowed Shareholders**") ("**Escrowed Shares**") will be subject to voluntary escrow arrangements. The Escrowed Shares will be held in escrow until the date that The PAS Group's audited financial accounts for FY2015 have been released to the ASX. Subject to certain exceptions, the Escrowed Shareholders may not dispose of their Escrowed Shares during the Escrow Period.	Section 7.7.1

1.5 The PAS Group Directors and key management

Table 5: The PAS Group Directors and key management

Topic	Summary	For more information
Who are the Directors of PAS?	– Rod Walker, *Non-Executive Chairman* – Eric Morris, *Managing Director and CEO* – Jacquie Naylor, *Non-Executive Director* – David Fenlon, *Non-Executive Director* – Jon Brett, *Non-Executive Director*	Section 6.1
Who are the key management of PAS?	– Eric Morris, *Managing Director and CEO* – Derrick Krowitz, *CFO and Company Secretary* – Brendan Santamaria, *General Manager, Designworks* – Rachel Digby, *General Manager, Black Pepper* – Karen Hengel, *General Manager, Metalicus* – Sarah Pizzey, *General Manager, Review* – Anthea Phelps, *General Manager, Yarra Trail and Marco Polo* – Aaron White, *Group Leasing Manager*	Section 6.2

Section 02 Industry Overview

02 Industry Overview

2.1 Introduction

The PAS Group is a leading Australian apparel business offering a broad range of products in numerous brand categories targeting various demographic segments of the market and price-points. The PAS Group operates predominantly in the clothing, footwear, watches and jewellery and accessory retailing sector in Australia ("**Australian Apparel Retailing Sector**").

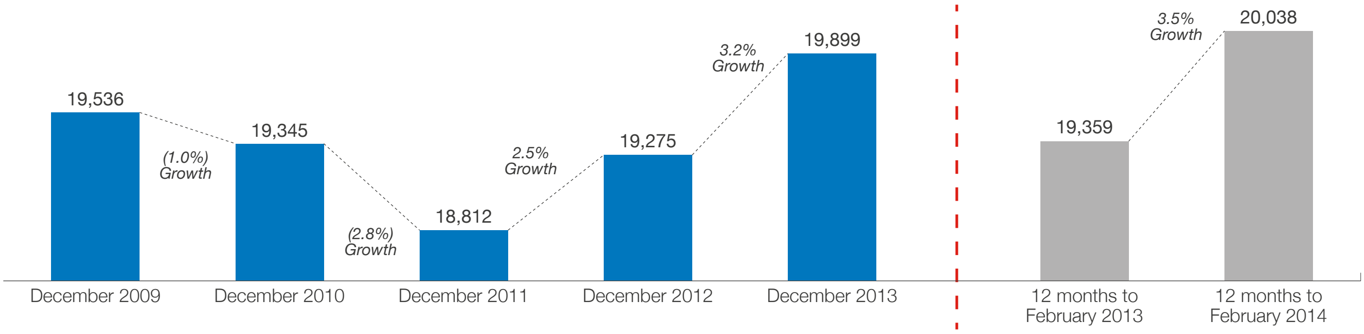
Within the Australian Apparel Retailing Sector, the Group's range primarily focuses on clothing retailing with a smaller focus on accessories and no watches or jewellery offering.

2.2 Australian Apparel Retailing Sector: sector market size and segmentation

The Australian Apparel Retailing Sector had annual turnover of approximately $20 billion for the year ended 31 December 2013. Industry turnover shrank from 2009 to 2011, but has achieved modest and accelerating rates of growth in 2012 and 2013.

Figure 1: Australian Apparel Retailing Sector

Turnover – $ million for the year ending 31 December unless otherwise stated

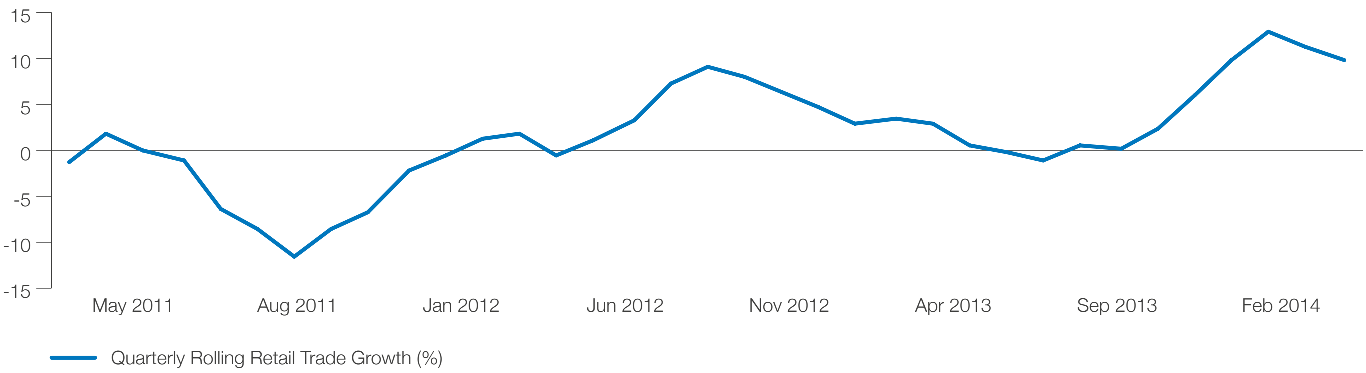


Source: Australian Bureau of Statistics, 8501.0 Retail Trade, Australia – Clothing, Footwear and Personal Accessories

Most recently, trading in the Australian Apparel Retailing Sector has demonstrated positive signs of improvement with growth of 4.6% in the three months to February 2014 (encompassing Christmas), relative to the previous corresponding three months ending February 2013. This is highlighted in Figure 2.

Figure 2: Rolling quarterly growth rate – Australian Apparel Retailing Sector

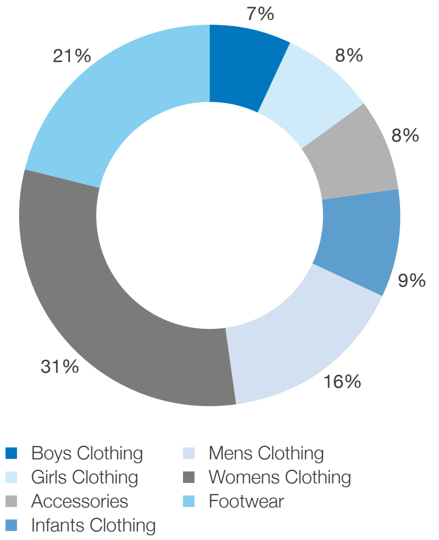
%, rolling quarterly growth on prior corresponding three months



Source: Australian Bureau of Statistics, 8501.0 Retail Trade, Australia – Clothing, Footwear and Personal Accessories

Within the Australian Apparel Retailing Sector, females account for a disproportionately large percentage of industry sales as demonstrated in Figure 3.

Figure 3: Australian apparel retailing industry
Production Segmentation



Source: The PAS Group Management Estimates

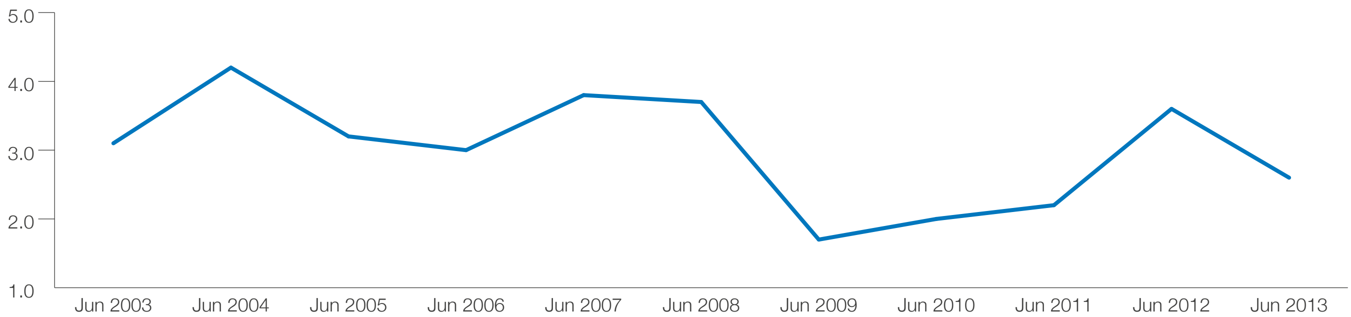
2.3 Consumer demand drivers

The demand for apparel is influenced by a number of factors including disposable income, household wealth, household debt, household savings and consumer sentiment. These drivers are further impacted by general economic conditions including Australian Gross Domestic Product ("**GDP**") growth, the level of employment, wages growth, inflation and interest rates.

2.3.1 General economic conditions

Despite a challenging global macroeconomic environment, the Australian economy continues to show signs of resilience. GDP grew a seasonally adjusted 0.8% in the December 2013 quarter (quarter on quarter growth). GDP grew 2.4% in the year ended 30 June 2013 as compared to the prior corresponding period. The December quarter growth followed a 0.6% rise in GDP for the September 2013 quarter as compared to the prior quarter. In addition, the resilience of the Australian labour market, with unemployment remaining relatively stable at 5.8% as at March 2014, is a further indicator of the health of the Australian economy.

Figure 4: Australian GDP growth
%, GDP growth (annual)



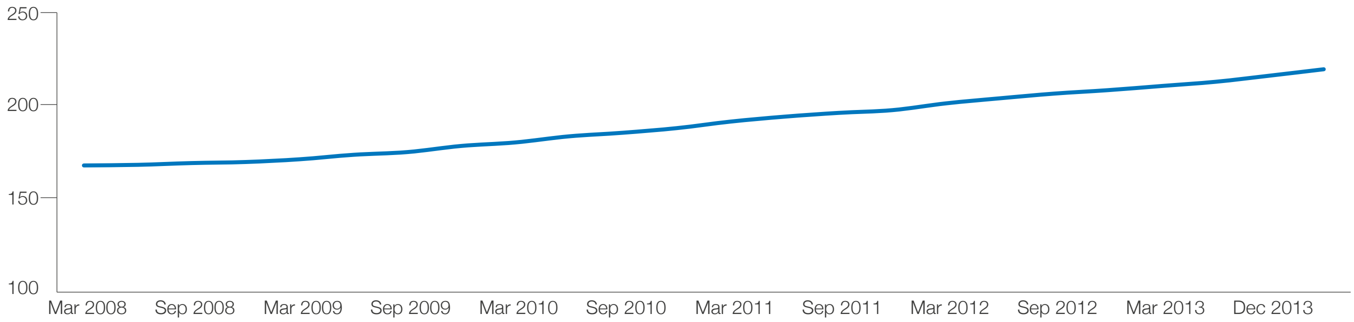
Source: Australian Bureau of Statistics, 5206.0 Australian National Accounts: National Income, Expenditure and Product (Annual)

2.3.2 Consumer demand drivers

Australian household consumption expenditure has increased since June 2008, in an environment of low interest rates, relatively stable unemployment and GDP growth.

The chart below shows household consumption since March 2008.

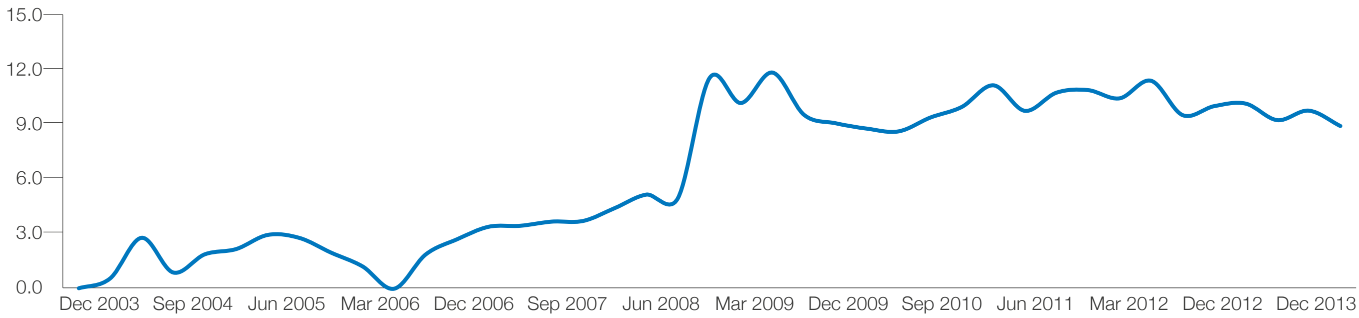
Figure 5: Household consumption (quarterly basis)
$ billion



Source: Reserve Bank of Australia – Gross Domestic Product – Income Components G12 (referencing the Australian Bureau of Statistics)

In addition, the household saving rate in Australia remains at a relatively high level and further underlines the potential capacity for consumers to increase their spending. A shift in behaviour from household savings to consumption may have a positive impact on the level of future demand for retail apparel.

Figure 6: Household saving rate (%)
%, of total disposable income, for the year ending 31 December

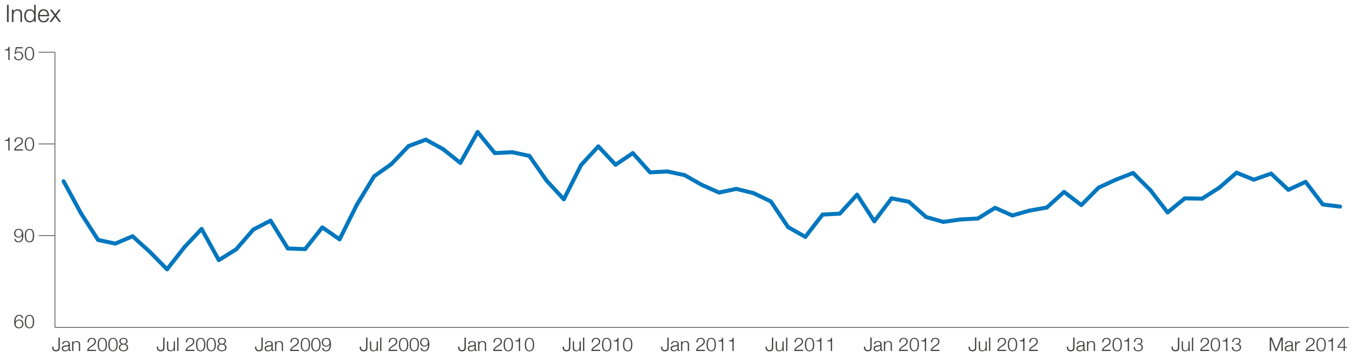


Source: Reserve Bank of Australia – Gross Domestic Product – Income Components G12 (referencing the Australian Bureau of Statistics)

A number of positive domestic data releases, including growing housing construction approvals, improving disposable household income, as well as strength in local and global equity markets, provide positive indicators of the potential for an improvement in consumer sentiment. The Westpac – Melbourne Institute Survey of Consumer Sentiment (shown in Figure 7) shows a 17% increase in consumer sentiment since its July 2008 low.

Consumer sentiment fell in early 2014 against a background of large corporate redundancy announcements, although it still remained resilient and at levels in line with long term averages.

Figure 7: Westpac-Melbourne consumer sentiment index



Source: Westpac Melbourne Institute Index of Consumer Sentiment for Australia

2.4 Competitive dynamics in the Australian Apparel Retailing Sector

The PAS Group competes in a broad spectrum of the market for retail apparel from low to higher priced fashion as well as fashion targeting young to older age groups. In Australia, retail apparel is generally sold through three channels – retail, wholesale and online.

The market for retail apparel in Australia is highly fragmented and comprises a wide range of formats including (but not limited to):

- specialty clothing branded retailers;
- online retail websites;
- general fashion and footwear stores;
- department stores including David Jones and Myer; and
- discount department stores including BIG W, Kmart and Target.

In addition, The PAS Group also competes in the market for distribution with wholesale manufacturers and brand distributors. The PAS Group also competes with a number of brands that sell through general fashion retailers, department stores and general merchandise stores.

Section 03 Business Overview

03 Business Overview

3.1 Overview of the Group

3.1.1 Company overview

The PAS Group is a leading Australian apparel business with a unique and diversified portfolio of brands distributed through retail and wholesale channels targeting a broad range of customer demographics. The Retail segment, including vertically integrated retail stores, concessions and online channels is expected to generate 55% of FY2015 forecast net sales, with the balance from the Wholesale segment. As at 31 March 2014, The PAS Group employed approximately 1,224 personnel (approximately 748 full time equivalents) and operates 223 Retail Sites.

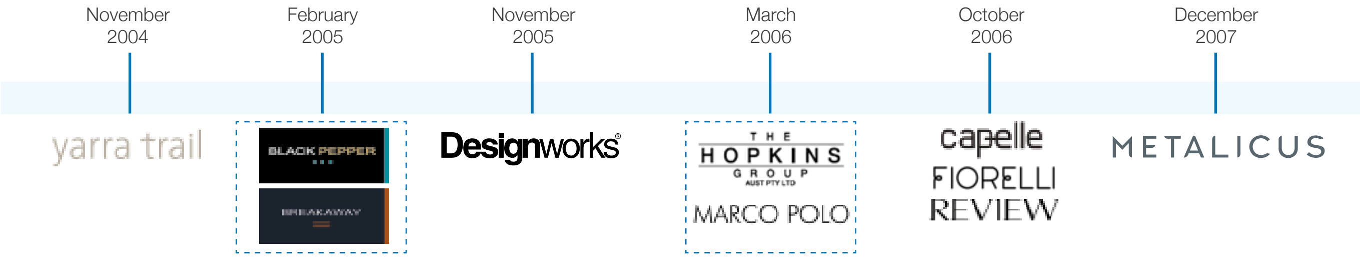
The PAS Group comprises a diversified portfolio of brands, with limited customer overlap across its brands due to the variety of distinct customer demographics targeted. Key owned brands with Retail Sites include Black Pepper, Review and Metalicus. Key owned wholesale brands include Black Pepper, Metalicus, Yarra Trail and Marco Polo, while key licensed and owned wholesale brands designed and distributed to major retailers by the Designworks operation include Paul Frank, Mooks, Republic, World Industries, Chino, Everlast, Slazenger, Fred Bare and No Fear.

The PAS Group operates out of two primary facilities. The Group head office along with the Black Pepper, Review, Metalicus and other brand operations are located in Mount Waverley, Victoria. A second facility housing the Designworks operation is located in Hawthorn East, Victoria.

3.1.2 History and recent investment period

The PAS Group was established in November 2004 to capitalise on the fragmented nature of the apparel industry in Australia. CEO Eric Morris, and CFO Derrick Krowitz have both been with The PAS Group since 2005. The Group has grown and expanded through the acquisition of eight significant apparel businesses between 2004 and 2007. From 2008 to the present, The PAS Group has focused on integrating these businesses into the Group platform, executing a retail growth strategy and growing its portfolio of wholesale brands and licences. Since 2004, The PAS Group has grown its retail presence from eight Retail Sites to 223 Retail Sites as at 31 March 2014.

Figure 8: The PAS Group history



Source: The PAS Group

The PAS Group has invested significant time and capital to grow the Group's capabilities in design and development, infrastructure, operations, sales and brand management, sourcing arrangements, supply chain operations, key customer relationships and a growing Retail Site footprint and online capabilities.

3.1.3 Key characteristics of The PAS Group's business model

Table 6 provides an overview of the key features of The PAS Group's business model, each of which is discussed in more detail in the remainder of this Section.

Table 6: Key features of The PAS Group's business model

Business model component	Comment	For more information
Key brands and target market *A diversified portfolio of brands targeting a broad range of customer demographics*	– The PAS Group has a diversified portfolio of owned and licensed apparel brands with distribution channels encompassing retail stores, concessions, online and wholesale – Key brands with vertically integrated Retail Sites include: · Review, targeting females aged 24 to 40 at mid to higher price-points providing vintage styles with a modern twist · Metalicus, targeting females aged 25 to 50 at mid to higher price-points providing predominantly "one size fits most" product using two-way stretch fabrications; and · Black Pepper, targeting the older demographic with a focus on regional areas – Key wholesale brands include Metalicus, Black Pepper, Yarra Trail and brands licensed and owned by the Designworks wholesale operation include Paul Frank, Mooks, Republic, World Industries, Chino, Everlast, Slazenger, Fred Bare and No Fear – The PAS Group's brands and licences address a broad range of customer demographics by age, gender, distribution channel, price-point and customer base	Section 3.2
Retail stores and concessions *A growing and profitable Group owned network of retail stores*	– The PAS Group's strategy has been to grow its retail presence, with 55% of FY2015 sales expected to come from the Retail segment as compared to 46% in FY2012 – As at 31 March 2014, The PAS Group had 223 Retail Sites having grown from 80 Retail Sites in FY2008 and eight Retail Sites in FY2005 · the overwhelming majority of Retail Sites are profitable with only five stores as at FY2014YTD making a negative contribution (which is less than $115,000 in aggregate) – The PAS Group has plans to add 41 new Retail Sites in FY2015 and is targeting 340 Retail Sites by the end of FY2017 · typical target payback periods for new stores are six to 12 months for Black Pepper stores and 12 to 18 months for Review and Metalicus · typical new store capital expenditure costs are $70,000 to $100,000 for Black Pepper and range from $150,000 to $250,000 for new Review and Metalicus stores – A large proportion of the new Retail Sites forecast in FY2015 will be for the Black Pepper brand – The PAS Group is forecast to achieve LFL sales growth of 4.2% in FY2014 and 3.8% in FY2015, in each case, over the prior comparative period, with Review, Metalicus and Black Pepper Retail Sites all expected to generate positive LFL growth	Sections 3.3 and 3.7

Business model component	Comment	For more information
Online sales *Growing online sales*	– Online sales represented 3% of FY2014YTD retail sales and have been growing strongly: · online sales for Review and Metalicus each grew by over 45%, in FY2014YTD over the prior comparative period; · the Review and Metalicus online channels currently are the equivalent of the Group's number one and number two Retail Sites by sales, respectively; and · The PAS Group has recently piloted a Black Pepper online channel and plans to expand this in FY2015	Section 3.4
Loyalty and marketing *An engaging loyalty program and digital marketing capability*	– The Review and Metalicus brands have engaging and growing loyalty programs · a combined database of over 195,000 members, with approximately 500 to 800 new members having been added weekly for each of the Review and Metalicus brands in FY2014YTD · during FY2014YTD, approximately 76% of Metalicus and 51% of Review sales are associated with the loyalty programs and approximately 46% of Metalicus' and 33% of Review's loyalty vouchers are redeemed in a repeat purchase in the subsequent month	Section 3.5
Supply chain and infrastructure *An integrated platform providing scale benefits*	– The PAS Group has an integrated supply chain and infrastructure which provides scale benefits to the Group in terms of: · supply chain · logistics · group buying power for corporate services and procurement · access to senior decision makers at wholesale customers, landlords and suppliers	Section 3.6
Growth strategy *A clear plan for continued growth*	– Key pillars of The PAS Group's growth strategy include: · new store roll-out with 41 new Retail Sites forecast in FY2015 and a further 66 targeted over FY2016 and FY2017 · a continuous store refurbishment program · product and brand extensions including accessories and new apparel categories · continuing to obtain new brand licences for distribution through existing wholesale relationships · investment in growing the online sales channel · further loyalty program development · bolt-on acquisitions that meet strict criteria	Section 3.7

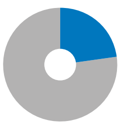
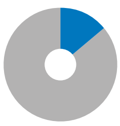
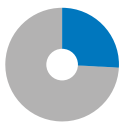
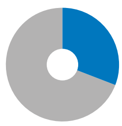
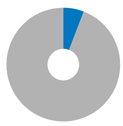
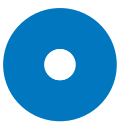
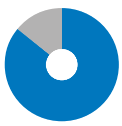
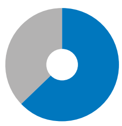
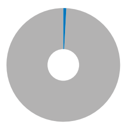
03 Business Overview (continued)

3.2 Key brands and target market

3.2.1 The PAS Group's key brands and operations

Each of The PAS Group's key brands and operations are positioned to reach different customer demographics and are varied in terms of price point and Retail and Wholesale mix providing a high level of diversification for the Group.

Figure 9: Overview of The PAS Group brands and operations[2]

	Review	Metalicus	Black Pepper	Designworks	Other
Gender	Female	Female	Both	Both	Female
Age	25 – 40	25 – 50	50+	All	40+
Indicative Price Point	\$60 – \$300	\$40 – \$300	\$50 – \$150	Various	\$40 – \$300
Products	Dresses, tops, skirts, knitwear, pants, jackets, coats, accessories	Dresses, tops, cardigans, jackets, skirts, pants, legwear, accessories	Shirts, tees, polos, pants, shorts, tops, skirts, jeans, jackets, knitwear, dresses	Men's, women's, kids', all apparel categories, accessories, licensed product	Tops, shirts, knitwear, vests, jackets, pants, skirts, dresses
Range	Daywear, occasional wear, bridesmaid, career	Collections, basic	Various	Various	Daywear, weekend wear, casual and city dressing
# of Stores	87	41	93	N/A	2
Brands	REVIEW	METALICUS	BLACK PEPPER, BREAKAWAY, yvonne black, EQUUS	Various	yarra trail, MARCO POLO, FIORELLI, annapelle
% of Group FY2014 Net Sales	 Review 26%	 Metalicus 14%	 Black Pepper 23%	 Designworks 31%	 Other 6%
FY2014 Net Sales: Retail vs Wholesale	 Retail 100%	 Retail 86%, Wholesale 14%	 Retail 63%, Wholesale 37%	 Wholesale 100%	 Retail 1%, Wholesale 99%
Established	1985	1992	1976	1993	Various

Source: The PAS Group

2 Inclusive of royalties from Fiorelli and Annapelle brands licensed to third parties.

3.2.1.1 Review

Established in 1985, Review has built a strong and loyal customer base. The retail brand offers feminine products inspired by vintage designs with a modern twist, marketed to women aged between 24 and 40. The brand operates 32 stand-alone retail stores and 55 concessions within Myer. The vertically integrated retail model enables the brand to capture a significant share of the value chain. A key aspect of Review's operating strategy is its speed to market and regular store range updates, with up to 15 originally designed new styles provided weekly.

Review consistently performs within the top three concessions in Myer department stores and an agreement has been reached with Myer to open additional concessions. In addition, online sales for the brand have grown rapidly, with the online channel contributing more revenue than any individual physical Retail Site within The PAS Group.

3.2.1.2 Metalicus

Established in 1992, Metalicus is a niche fashion brand which has a loyal customer base built on its distinctive and innovative collection, using two-way stretch fabrications. The brand maintains a broad distribution network with 29 stand-alone retail stores, 12 Myer concessions, a growing online channel and approximately 185 wholesale accounts. The brand also distributes small wholesale volumes to South Africa and Canada. The online channel is the equivalent of the Group's second-largest store from a revenue perspective.

The stretch nature of the fabrications and designs differentiates Metalicus from other brands in the market and enables the majority of product to be sold on a "one size fits most" basis. As a result of this flexibility in sizing, the brand has the ability to operate on a small retail footprint, achieving a higher return per square metre as compared to other brands within the Group. Additionally, the stretch nature of the fabrication has led to the popularity of Metalicus as maternity wear, and the easy-care nature of the fabric enables the product to be suitable for travel. These features have led to the strong performance of Metalicus' Sydney Domestic Airport store which was opened in December 2012. Based on the success of this store, the Group plans to roll-out additional stores at major airports.

3.2.1.3 Black Pepper[1]

Black Pepper was established in 1976 and has a number of brands targeting the older demographic. The Black Pepper brands target a market segment which includes women's and men's leisurewear to a loyal over 50s customer base. By focusing on this segment, Black Pepper is well positioned to leverage shifting demographics anticipated in Australia, with the proportion of Australia's population aged 65 years and above expected to increase substantially over the next 30 years. The ageing population is creating a growing target segment for the apparel industry, which is currently relatively under-served. Black Pepper has developed significant intellectual property operating in this market segment and has specialised expertise in designing clothes specifically targeted to the older demographic.

Black Pepper owns a number of brands including Black Pepper, Breakaway, Yvonne Black, and Equus. 72% of the FY2014 sales forecast for this group of brands comes specifically from the Black Pepper brand.

Black Pepper benefits from a multi-channel distribution network. Black Pepper's products are distributed through 88 stand-alone retail stores, five concessions and 650 wholesale accounts across Australia and New Zealand. The PAS Group has significant retail expansion plans for the Black Pepper brand including 31 new stores forecast to be opened in FY2015.

Core to The PAS Group's growth strategy for Black Pepper is the continued roll-out of new retail stores and a continued migration of sales from wholesale to new vertically integrated retail stores. The PAS Group targets new retail stores in regional and metropolitan areas, choosing relatively low rental "strip" style shop locations and neighbourhood centres, with a strong focus on regional areas.

The PAS Group recently piloted a Black Pepper online channel and plans to expand this in FY2015 through an expanded product range, refreshed layout and upgraded back-end infrastructure.

1 Black Pepper was founded as Breakaway Apparel.

03 Business Overview (continued)

3.2.1.4 Designworks

Established in 1993, Designworks operates as a designer, marketer and supplier of owned and licensed branded apparel and private label apparel across a number of brands. Designworks has one of the largest in-house apparel design and development teams in Australia with a reputation for product design.

Key to the operation's success is its highly efficient supply chain enabling speed to market. The majority of sales are on an Indent Basis (defined as committed customer sales prior to production order) on short product cycles, allowing the operation to be flexible and opportunistic. Designworks operates as a high volume, lower margin business and provides The PAS Group with increased scale and diversification.

Designworks holds a number of brand licences which include Paul Frank, Travisty, No Fear, Crusty Demons, Mooks, Marvel, Barbie and World Industries. Designworks has recently been successful in obtaining several new brand licences, which include Everlast, Fred Bare and Slazenger. In addition to brand licences, Designworks owns the Chino Kids brand and the Republic brand, which are strong performing brands in Myer. Designworks is the Australian representative for IBML which provides opportunities for international brands under licence including No Fear, Firetrap, Hot Tuna and Everlast.

Figure 10: Designworks' brands

Owned brands

IBML brands

Private label brands

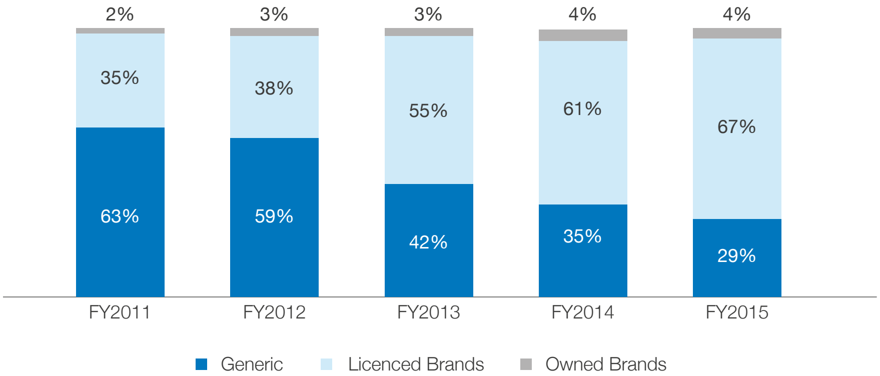
Other brands

Source: The PAS Group

Designworks partners with long established customers Target and Myer to produce branded, licensed and private label products. Other key and growing customers of Designworks are Kmart and BIG W. The Designworks strategy in recent years has been to gradually reduce the portion of Target house brand business and replace this with brands and licences which are not easily adaptable to house brand direct sourcing. Designworks has continued to achieve revenue growth in FY2013 and FY2014 as a result of this strategy.

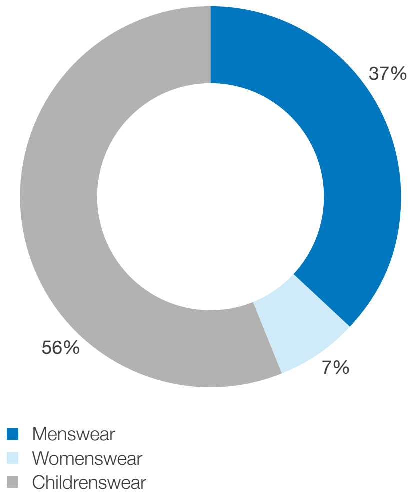
Designworks is also currently growing its footwear and accessories business, with Mooks, World Industries, Paul Frank and AFL introducing branded footwear under their respective license arrangements with The PAS Group. Footwear and accessories will also be expanded to other brands where appropriate.

Figure 11: Designworks sales by brand ownership



Source: The PAS Group

Figure 12: Designworks sales by demographic FY2014



Source: The PAS Group

3.2.1.5 Other brands

Yarra Trail

Established in 1984, Yarra Trail produces high-quality, mid-range fashion products targeting women over 40. The brand is positioned as on-trend weekend leisurewear, matching the brand's mantra "make life one long weekend". Yarra Trail primarily distributes its product through 320 retailers including Myer and David Jones, in addition to operating two stand-alone retail stores.

Marco Polo

Established in 1972, Marco Polo has an emphasis on knitwear and coordinates focused on female customers over 45. The brand has a long heritage and maintains a longstanding wholesale customer base of 200 accounts. Myer has recently introduced Marco Polo into 10 Myer stores and has committed to rolling out the brand to all stores in the 2014/15 summer season.

Fiorelli and Annapelle

Fiorelli and Annapelle, established in 1986 and 1994, respectively, are licensed brands owned by The PAS Group. Both are licensed to third parties who market a range of bags and accessories via department stores and independent retailers. Branded products are designed and distributed by third parties who pay royalties to The PAS Group.

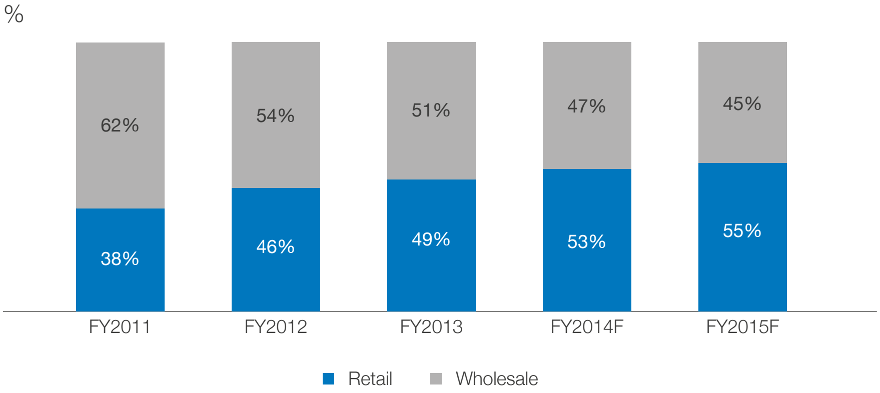
3.2.2 Multi-channel business model

In addition to The PAS Group's diversified customer segmentation, the Group also operates a multi-channel business model, with distribution across:

- vertically integrated retail stores
- retail concessions
- online
- wholesale.

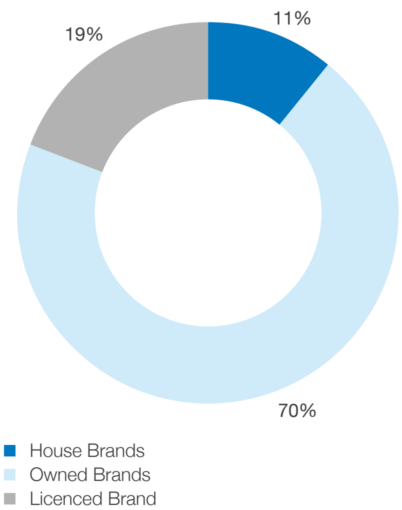
In recent years, The PAS Group has transitioned into an increasingly retail-oriented business, with Retail expected to contribute 55% and Wholesale 45% of total FY2015 sales. Total sales are weighted toward the womenswear category, in line with the overall apparel industry in Australia.

Figure 13: The PAS Group Wholesale and Retail split



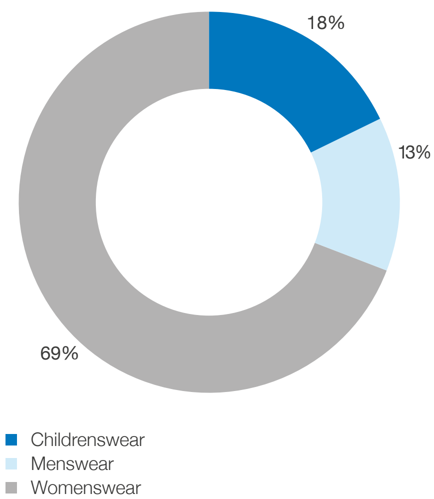
Source: The PAS Group

Figure 14: FY2014 sales by brand ownership



Source: The PAS Group

Figure 15: FY2014 sales by demographic



Source: The PAS Group

Figure 16: The PAS Group store locations as at 31 March 2014

Source: The PAS Group

3.3 Retail stores and concessions

3.3.1 Retail stores and concessions

As at 31 March 2014, The PAS Group had 223 Retail Sites comprising 151 retail stores and 72 concessions. Retail as a proportion of total Group contribution has grown since the Group's establishment in 2004. Retail contribution to sales is expected to continue to grow primarily through the roll-out of new stand-alone stores as well as additional department store concessions.

The PAS Group has 151 retail stores across the Black Pepper, Review, Metalicus and Yarra Trail brands[3].

The PAS Group's Retail Sites are located across a combination of shopping centres and shopping strips:

- Black Pepper specifically targets stores in shopping strips and neighbourhood centres with a focus on regional areas;
- Review specifically targets metropolitan shopping centres; and
- Metalicus specifically targets metropolitan shopping centres and high profile shopping strips and airports.

The PAS Group currently has 72 retail store concessions across the Review, Metalicus and Black Pepper brands. The concession model involves dedicated floor space within the retailer where The PAS Group pays a percentage of turnover in lieu of rent to the retailer. The PAS Group provides staffing and brand fixtures for the concession and retains ownership of the inventory.

Figure 17: The PAS Group store breakdown by state as at 31 March 2014

	NSW	VIC	QLD	SA	WA	ACT	TAS	NZ	Total
Review	32	23	17	4	7	3	1	–	87
Metalicus	11	12	7	5	5	1	–	–	41
Black Pepper	31	25	12	12	5	–	1	7	93
Other	–	2	–	–	–	–	–	–	2
Total	74	62	36	21	17	4	2	7	223

Source: The PAS Group

3 The PAS Group currently operates two Yarra Trail stores.

3.3.2 Like-for-like sales growth

The PAS Group is forecasting year-on-year LFL sales growth in the order of 3% to 4% during FY2014 and FY2015, as set out in Figure 18.

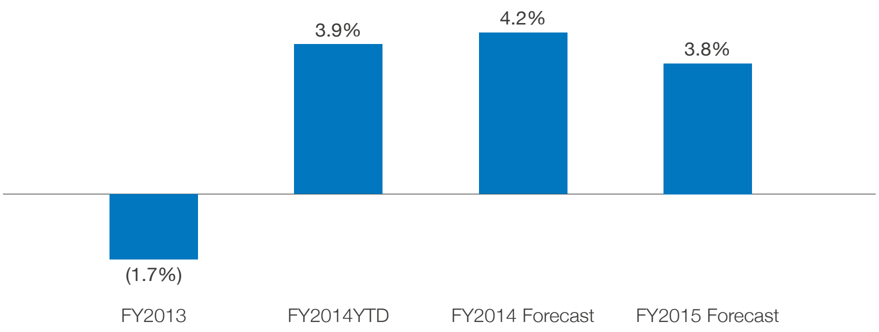
Review and Black Pepper have experienced positive LFL growth in every year since FY2012. Metalicus experienced negative LFL growth in FY2013 due to insufficient design innovation. Metalicus has subsequently recovered and is forecast to experience LFL growth of approximately 10% in FY2014 and continued positive LFL growth in FY2015.

3.4 Online sales

The PAS Group has focused on enhancing its integrated online offering in recent years and operates successful online channels for the Review and Metalicus brands, with the recently piloted Black Pepper online channel set to undergo further improvements and expansion. The Review and Metalicus online channels currently represent the equivalent of The PAS Group's number one and number two Retail Sites by sales, respectively. Online channels represented 3% of total pro forma retail sales in FY2014YTD.

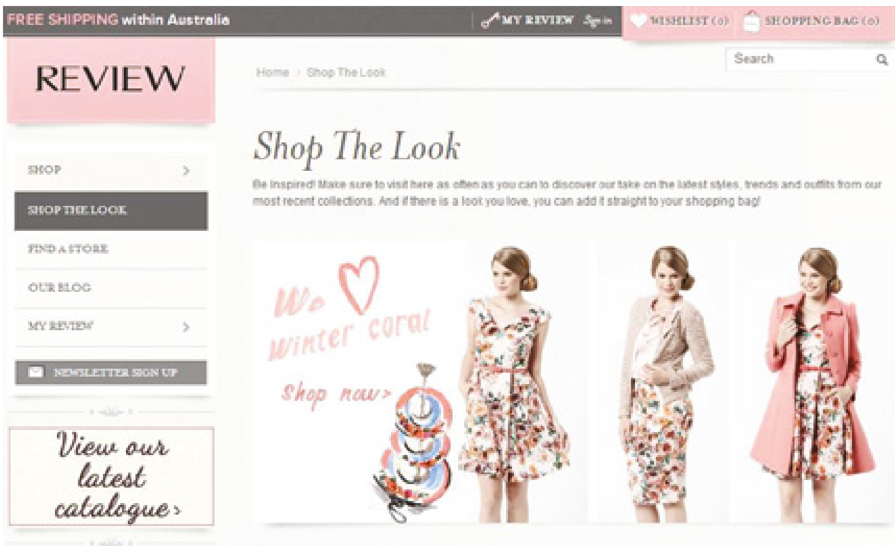
The PAS Group online channels are integrated with the brand retail offer and also drive traffic to Retail Sites as well as being an effective marketing tool.

Figure 18: LFL sales growth



Source: The PAS Group

Figure 19: Review online channel

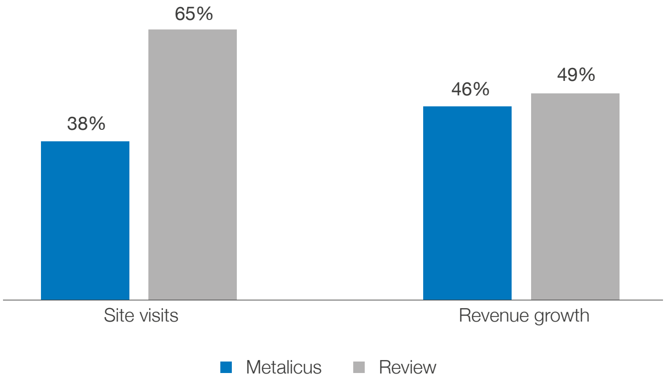


Source: Review online stores

Figure 20: Metalicus online channel

Source: Metalicus online stores

Figure 21: Online growth rates: FY2014YTD vs. FY2013YTD



Source: The PAS Group

3.5 Loyalty and marketing

3.5.1 Customer loyalty

The PAS Group has an established and loyal customer base. The existing loyalty programs for Review and Metalicus were enhanced in FY2014 and are continuing to be further enhanced with additional features. Approximately 500 to 800 new customers have been acquired on a weekly basis for each of Review and Metalicus in FY2014YTD.

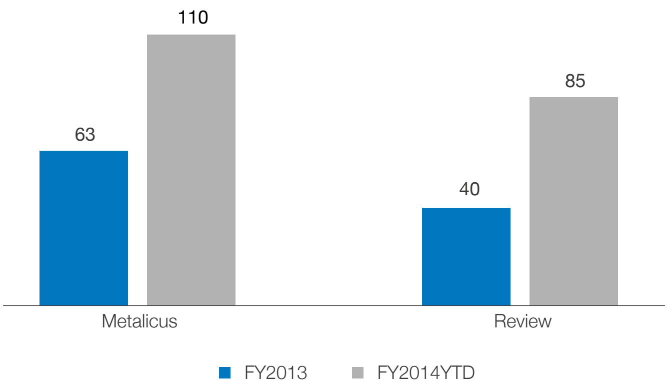
To further enhance The PAS Group's loyalty programs, the Group plans to increase its capability in customer relationship management alongside the Group's pre-existing digital operations, data warehouse platform and loyalty systems. This is intended to deliver a number of benefits including increased customer analytics which enhance the ability to personalise direct marketing.

Figure 22: Loyalty program snap shot

- Member database is currently 110,000 members for Metalicus and 85,000 members for Review and, in FY2014YTD, grew at approximately 500 to 800 members per week for each brand
- 76% of Metalicus and 51% of Review FY2014YTD sales were associated with the loyalty program
- In FY2014YTD, 46% of Metalicus and 33% of Review loyalty vouchers were redeemed in the month following issue with a repeat purchase
- The PAS Group is planning to launch a loyalty program for Black Pepper in FY2015
- The PAS Group also utilises the "Myer One" program to support the Myer concessions as well as the acquisition of new customers

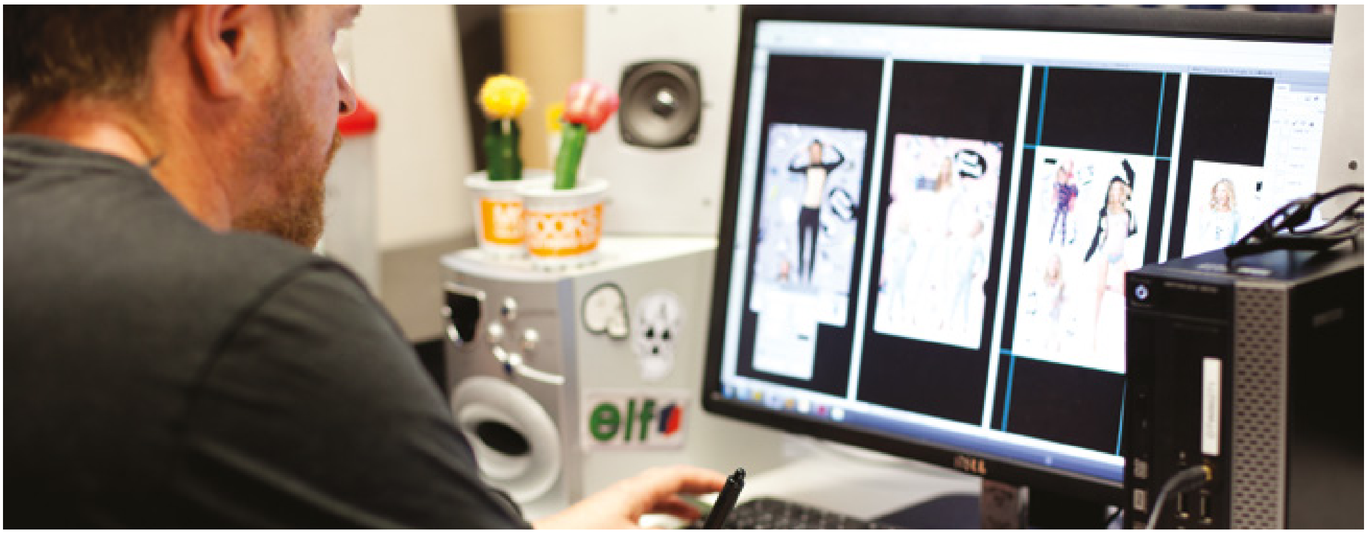
Source: The PAS Group

Figure 23: Loyalty program members (000s)



Source: The PAS Group

Figure 24: Designworks design facilities



Source: The PAS Group

3.5.2 Marketing and product strategy

3.5.2.1 Marketing

The marketing function is performed by each of the individual brands and operations within The PAS Group portfolio, and as such marketing budgets and strategies differ across the Group. Development and implementation of marketing strategies involve branding, customer research, advertising, promotions and store marketing material, digital communications and loyalty programs. The PAS Group's marketing efforts focus on communicating consistent brand messages through all channels to engage loyal customers and acquire new customers.

The PAS Group's retail stores and concessions utilise point-of-sale marketing through the use of merchandising support including concept display units, posters, header cards and light boxes. Print marketing plays a lesser role in the Group's marketing efforts, with the exception being Black Pepper where print catalogues have a higher impact with the targeted older, regional demographic.

The PAS Group's digital strategy plays an integral role in marketing of the brands. The emergence of digital and social media allows The PAS Group to communicate with its customer as well as grow online sales. Social media efforts seek to engage customers through a balance of brand messages, product updates and education and interest items. In FY2014YTD, Review and Metalicus Brands experienced Open Rates of 25% to 30% on their email marketing campaigns which illustrate highly loyal and engaged customers.

In addition, The PAS Group also partners with the Myer One loyalty program given the number of concessions located in Myer.

3.5.2.2 Product strategy

Product design is an important element of The PAS Group's business model and design philosophy, with the Group employing 46 designers. Review, Metalicus, Black Pepper, Yarra Trail and Marco Polo each operate a separate in-house design and product team, which design and develop product ranges relevant to each brand's target market.

Designworks operates out of a separate facility in one of Australia's largest design centres, with over 22 designers currently employed. This design team focuses on Designworks' owned and licensed brands as well as house branded product for both Myer and Target.

3.6 Supply chain and infrastructure

3.6.1 Key suppliers and supply chain

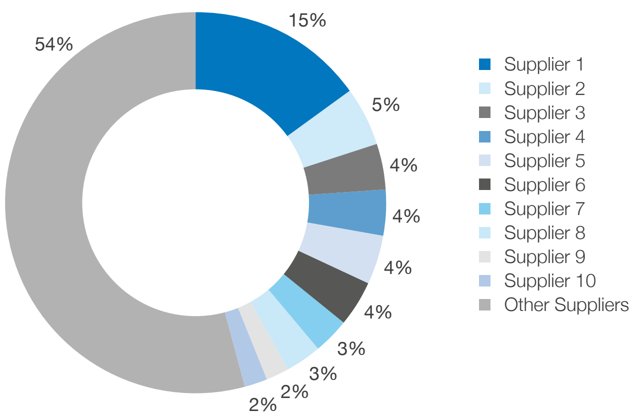
The PAS Group has an integrated design and direct source model across its brands and operations. The majority of retail and wholesale production takes place in Asia, where The PAS Group has longstanding relationships with a wide range of suppliers. The PAS Group's supply sources are diversified across a number of suppliers, the largest proportion of which are based in China, with others based in countries including Vietnam, Bangladesh and India. The PAS Group has predominantly targeted medium sized factories with between 100 to 500 workers, which The PAS Group believes reduces the risk of disruption that can occur in larger factories as a result of orders from large US and European customers with higher volume requirements.

The PAS Group's wholesale customers typically order on an Indent Basis. These Indent orders typically provide The PAS Group with up to six months forward visibility of its pipeline. Designworks orders are generally on a two to four month lead time.

Figure 25: Designworks design facilities

Source: The PAS Group

Figure 26: Top 10 suppliers in FY2013



Source: The PAS Group

Figure 27: Supplier commentary

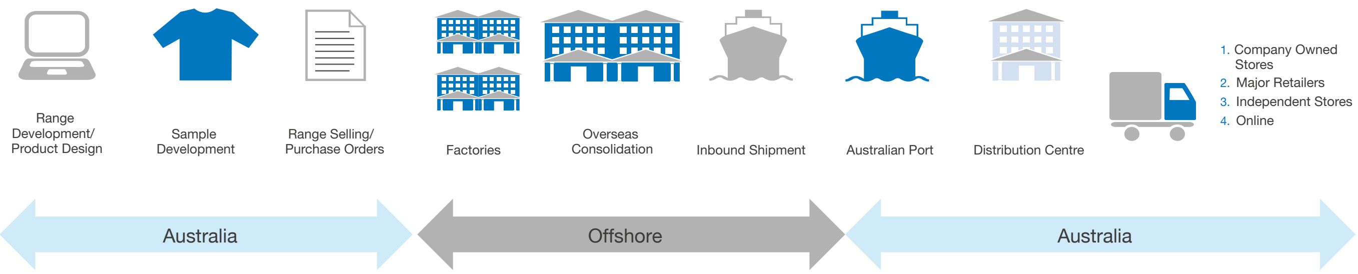
- In FY2013, no single supplier represented greater than 15% of total cost of goods sold
- In FY2013, the top 10 suppliers represented less than 50% of total cost of goods sold

Source: The PAS Group

The majority of goods are shipped to Australia by sea freight and are transferred to one of the two local logistics providers where the goods are prepared for sale. The merchandise is then dispatched to customers, which could be either to a retailers' distribution centre, directly to an independents' store or directly to The PAS Group's Retail Sites.

03 Business Overview (continued)

Figure 28: Supply chain overview



Source: The PAS Group

The PAS Group consistently reviews its supply chain process for potential efficiency gains and is currently planning to trial a direct-to-store delivery methodology.

3.6.2 IT and intellectual property

3.6.2.1 IT

The PAS Group maintains an integrated infrastructure of IT systems, including an Enterprise Resource Planning ("**ERP**") system which interfaces with the supply chain systems, merchandise systems, digital platforms, point of sales systems and finance systems. The IT team has 12 employees and contractors and continues to develop the Group's IT platform and capabilities.

3.6.2.2 Intellectual property

A key element of The PAS Group's success to date has been the actively managed portfolio comprising several key brands including Review, Metalicus, Black Pepper, Yarra Trail as well as Designworks' owned and licensed brands. Within these operations, The PAS Group currently has over 200 registered trademarks in a range of jurisdictions.

3.6.3 Employees

The PAS Group as at 31 March 2014 employed 1,224 personnel which represents approximately 748 FTEs. The PAS Group's head office team employs approximately 266 staff members, with approximately 164 staff members based at the Mount Waverley facility and the remaining 102 members based at the Designworks facility. The majority of the Group's retail employees are employed on a part-time or casual basis, which provides benefits in terms of rostering flexibility and staffing productivity.

3.7 Growth strategy

Figure 29 shows the key areas of the growth strategy that The PAS Group has been executing and summarises The PAS Group's demonstrable achievements and plans.

Figure 29: The PAS Group's growth strategy

Growth Strategy	Demonstrable Achievements	Plans
1. New Store Roll Out	– 223 Retail Sites currently compared to 80 Retail Sites in FY2008 and eight Retail Sites in FY2005 – 28 Retail Sites added in FY2013 and 23 added in FY2014YTD – A majority of The PAS Group's Retail Sites are profitable and the negative contribution from five loss-making stores is, in aggregate, less than $115,000 in FY2014YTD	– Forecast to add 41 new Retail Sites in FY2015 – Target to grow to 340 Retail Sites by the end of FY2017 adding a further 66 Retail Sites in FY2016 and FY2017 combined

Growth Strategy	Demonstrable Achievements	Plans
2. Store improvement	– The Metalicus store at Melbourne's Chadstone shopping centre was recently refurbished with a new retail concept and in the six weeks since re-opening has achieved a strong uplift in LFL sales growth of 13% – A new retail concept has been implemented in the recently opened Review store at Brisbane's Indooroopilly shopping centre – Both new retail concepts will be utilised for new stores as well as store refurbishments	– Plans to refurbish 32 Retail Sites in FY2015 – New store layout concepts being implemented for Metalicus and Review
3. Product and Brand Extension	– Enhanced bridesmaid ranges to Review – Added footwear and accessory capabilities to Designworks licenses (e.g. AFL, Mooks and Paul Frank)	– Researching category expansion opportunities including for Review
4. Licensing Opportunities	– Recently obtained licenses where The PAS Group has generated substantial sales growth include Mooks and Paul Frank – Recently signed licenses include Slazenger, Fred Bare and Everlast – The PAS Group has leveraged its relationships with retailers including Target, BIG W, Myer and Kmart to provide distribution channels for licensed product	– Consistent pipeline of new brand license opportunities through IBML and other local and international licensing houses
5. Online Growth	– The Review and Metalicus online channels are the equivalent of The PAS Group's number one and number two Retail Sites – Review and Metalicus online sales growth in FY2014YTD is 49% and 46% respectively – Currently represents 3% of retail sales in FY2014YTD	– Further growth of online sales is forecast for Metalicus and Review – Plans to enhance the Black Pepper online channel
6. Loyalty Programs	– A majority of Review and Metalicus sales are associated with their loyalty programs – Over a third of Review and Metalicus loyalty vouchers are redeemed through a repeat purchase during the following calendar month in FY2014YTD – Open Rates of 25% to 30% for electronic direct marketing reflect an engaged and loyal consumer in FY2014YTD	– The Metalicus and Review loyalty programs will be upgraded with an enhanced customer relationship management platform – Plans for a Black Pepper loyalty program in FY2015
7. Acquisitions	– Since 2004, The PAS Group has reviewed over 60 acquisition opportunities and integrated eight separate apparel sector acquisitions	– The PAS Group intends to selectively pursue value enhancing "bolt-on" acquisitions subject to strict evaluation criteria

Source: The PAS Group

03 Business Overview (continued)

3.7.1 New site roll-out

The PAS Group has a consistent track record of Retail Site growth, with Retail Sites growing from eight in FY2005 to 223 as at 31 March 2014. The PAS Group believes there is continued opportunity to expand its retail footprint within Australia and New Zealand in order to meet the increasing demand of the target market of each key brand. New Retail Site roll-out is expected to further shift the mix of total Group sales from Wholesale to Retail.

The PAS Group undertakes a rigorous process in identifying new Retail Sites, with a focus on:

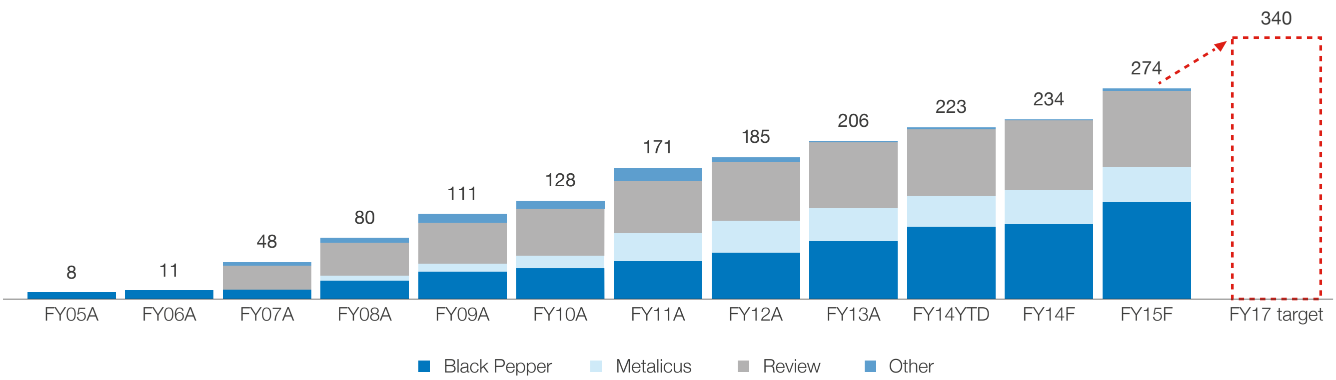
- site location and footprint;
- customer demographics; and
- trading and rental economics.

The PAS Group has identified an additional 41 Retail Sites to open throughout FY2015, with a focus on the strong performing Black Pepper brand. The PAS Group has also developed longer term plans to open a further 66 Retail Sites in FY2016 and FY2017 in identified areas, which is expected to increase the total number of Retail Sites to 340 by June 2017.

The capital expenditure associated with opening an individual retail store is relatively low and ranges from approximately $70,000 to $100,000 for Black Pepper, and from $150,000 to $250,000 for Metalicus and Review. The capital expenditure associated with concessions is typically much lower given the nature of the concession fit-outs and agreements. The actual amount of required capital expenditure per store will depend on factors including brand, store format and store size. A larger percentage of new stores to be opened are with the Black Pepper brand.

All retail stores opened to date have been funded out of internally generated funds. Typical payback periods for Black Pepper retail stores are six to 12 months and for Metalicus and Review are 12 to 18 months. Where possible, The PAS Group negotiates a landlord contribution towards new store fit-outs of stand-alone stores.

Figure 30: Historic, forecast and long term target store growth



Source: The PAS Group

3.7.2 Store refurbishment

The PAS Group continuously undertakes a program of refurbishing existing Retail Sites. Throughout FY2015, 32 Retail Sites are budgeted to be refurbished and refreshed at a cost of $1.9 million, which will include an upgrade to visual merchandising and a new store layout concept. Store refurbishments costs can range from $20,000 to $170,000 per store.

As an example, Metalicus recently refurbished its Melbourne Chadstone shopping centre store with a new layout concept, resulting in LFL sales growth of 13% in the six weeks of trading since re-opening.

Figure 31: Metalicus store in Melbourne's Chadstone Shopping Centre

Source: The PAS Group

Figure 32: Review store in Indooroopilly Shopping Centre, Brisbane

Source: The PAS Group

3.7.3 Product and brand extension

The PAS Group's in-house design philosophy and capability enables the Group to leverage the existing portfolio of brands to extend its product ranges. Recent examples include Review's introduction of accessories and an enhanced bridesmaid dress offer, with additional categories planned to be launched in FY2015. The PAS Group has also added footwear and accessory capabilities to its Designworks licences including for Mooks, Paul Frank and AFL.

3.7.4 Licensing opportunities

In addition to the stable of well-established and successful owned and licensed brands, Designworks maintains a proactive approach to brand and licensing opportunities. Recent examples of newly obtained brand licences include Fred Bare, Slazenger and Everlast. Designworks continues to have a pipeline of new brands and licence opportunities and leverages its partnership with global brand owner IBML, as well as relationships with brand licensing houses in Australia and internationally.

Typically when The PAS Group obtains a new brand licence it does so on the basis of paying royalties to the brand licensor, and does not incur upfront capital costs other than working capital. In certain circumstances, there is an opportunity to acquire the brand once a pre-agreed royalty threshold is achieved.

Figure 33: Case study – Mooks

Designworks obtained the rights to manage Mooks in FY2013. At this time Mooks had a limited Australian retail presence, largely limited to specialty stores. Designworks took the opportunity to reposition Mooks for the mass market and gain large volume distribution in Target's branded space.

Launching nationally in childrenswear in winter 2013, the range continues to achieve positive results. As a result, Designworks expanded into new categories including menswear, accessories and footwear. The PAS Group plans to continue to drive the brand to achieve further growth in FY2014 with the introduction of "Mini Mooks" toddler range. Designworks expects annual turnover to exceed $8 million in FY2015 and for Mooks to become one of Target's key portfolio brands across all ages.

Source: The PAS Group

Figure 34: Case study – Paul Frank

Designworks obtained the Australian rights to global brand Paul Frank in FY2012. Paul Frank had previously been a popular brand in Australia; however Designworks made the decision to reposition the brand for the mass market through BIG W. This strategic decision was made to provide Designworks with a vehicle to gain supplier status to BIG W and assist with Designwork's customer diversification strategy.

Debuting with a spring and summer range of outerwear, sleepwear, accessories and Small Paul for infants, accompanied by a strong public relations and media campaign, Paul Frank is a leading sleepwear and accessories brand in BIG W's portfolio. The brand is forecast to grow sales to over $7 million in FY2014 and has created new opportunities within BIG W. Due to the success of the Paul Frank launch, Designworks was selected to design and distribute the Slazenger brand to BIG W which is expected to add additional sales growth in FY2015, as well as being appointed the supplier and designer for the Peter Morrissey childrenswear brand.

Source: The PAS Group

3.7.5 Online growth

The PAS Group has implemented an online growth strategy designed to drive traffic and sales to online channels as well as to physical Retail Sites through the use of digital and social media initiatives.

The PAS Group expects additional growth through the online channel including the recent pilot of the Black Pepper online channel and plans to further upgrade it as well as further enhancements of the Review and Metalicus online channels. The Group's focus has been on improving traffic and conversion rates, with strategies in place for further search engine optimisation, digital mail-outs and affiliate marketing partnerships.

3.7.5.1 Digital and social media strategy

Digital and social media strategy is central to meeting The PAS Group's online channel objectives. Digital and social media initiatives are designed to drive traffic and sales to both the online channels and Retail Sites. A number of social media platforms are currently being utilised, with further strategies in place to improve customer engagement, including through:

- Instagram
- Pinterest; and
- Facebook.

3.7.6 Acquisitions

The PAS Group has a proven and disciplined acquisition formula and considerable "roll-up" capabilities developed and demonstrated in reviewing over 60 potential business acquisitions and executing eight significant acquisitions over the last 10 years. The PAS Group will continue to evaluate strategic "bolt-on" acquisitions to complement its organic growth strategy and to leverage the Group's infrastructure and systems.
Key evaluation criteria for acquisitions are:

- valuation
- sustainability of earnings
- cash generation
- capital requirements
- depth of management and ability to adapt to The PAS Group's culture
- potential synergy opportunities or savings upon integration to The PAS Group infrastructure
- distinctive market positioning.

Section 04 Financial Information

04 Financial Information

4.1 Introduction

This Section contains a summary of the following financial information:

- Pro forma historical financial information of The PAS Group being the:
  - Pro forma historical consolidated income statements of The PAS Group for the financial years ended 30 June 2012 ("**FY2012**") and 30 June 2013 ("**FY2013**"), and the six months ended 31 December 2012 ("**1H2013**") and 31 December 2013 ("**1H2014**")
  - Pro forma historical consolidated cash flow statements of The PAS Group for FY2012, FY2013, 1H2013 and 1H2014
  - Pro forma historical consolidated balance sheet of The PAS Group as at 31 December 2013

  (together the **Pro Forma Historical Financial Information**).
- Forecast financial information of The PAS Group being the:
  - Pro forma forecast consolidated income statements of The PAS Group for the financial years ending 30 June 2014 ("**FY2014**") and 30 June 2015 ("**FY2015**")
  - Statutory forecast consolidated income statements of The PAS Group for FY2014 and FY2015
  - Pro forma forecast consolidated cash flow statements of The PAS Group for FY2014 and FY2015
  - Statutory forecast consolidated cash flow statements of The PAS Group for FY2014 and FY2015

  (together the **Forecast Financial Information**).

The Pro Forma Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

The Financial Information has been reviewed and reported on by Deloitte Corporate Finance Pty Limited, whose Investigating Accountant's Report is contained in Section 8.

Investors should note the scope and limitations of that report (refer to Section 8).

Also summarised in this Section are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2)
- the Directors' best estimate assumptions underlying the Forecast Financial Information (see Section 4.11)
- an analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.13)
- a summary of the Group's indebtedness before and after the Offer (see Section 4.6)
- a summary of the Group's debt finance facilities (see Section 4.6.2)
- a summary of the Group's lease commitments as at 31 December 2013 and 31 March 2014 (see Section 4.7)
- a summary of the Group's proposed dividend policy (see Section 4.14)

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $100,000. Rounding in the Financial Information may result in some immaterial rounding differences between the components and the total percentage calculations outlined within the tables and commentary.

4.2 Basis of preparation and presentation of the Financial Information

Overview

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board (AASB) and the accounting policies of the Group.

The Financial Information is presented in abbreviated form and does not include all of the disclosures, statements and comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies of The PAS Group relevant to the Financial Information are set out in Section 10.

4.2.1 Preparation of Pro Forma Historical Financial Information

The Statutory Historical Financial Information (incorporating the statutory consolidated revenue and NPAT for FY2012, FY2013, 1H2013 and 1H2014, the statutory consolidated cash flows from operating activities for FY2012, FY2013, 1H2013 and 1H2014 and the statutory historical consolidated balance sheet as at 31 December 2013) has been extracted from The PAS Group's audited consolidated financial statements for FY2012 and FY2013 and from The PAS Group's reviewed financial statements for the half year 1H2014 (including comparatives for 1H2013). The FY2012 and the FY2013 statutory financial statements of The PAS Group have been audited by Deloitte Touche Tohmatsu which issued unqualified audit opinions in respect of these periods. The 1H2014 interim financial report of The PAS Group has been reviewed by Deloitte Touche Tohmatsu which has issued an unqualified review conclusion in respect of that period including comparative information for 1H2013. These financial statements are available on the Offer website (www.thepasgroup.com.au) and relevant Statutory Historical Financial Information is summarised in Table 7 and Table 12.

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus. It has been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to eliminate non-recurring items related to the Offer, to reflect stand-alone public company costs, to reflect the transactions under the Sale Deed and to reflect The PAS Group's operating and capital structure that will be in place following Completion as set out in Section 4.6.

Refer to Section 4.3.2 for a reconciliation between The PAS Group's Statutory Historical Consolidated Income Statement and the Pro Forma Historical Consolidated Income Statement, to Section 4.9.1 for a reconciliation between the Statutory Historical Cash Flow Statements and Pro Forma Historical Cash Flow Statements and to Section 4.5 for a reconciliation between the Statutory Historical Consolidated Balance Sheet and Pro Forma Historical Consolidated Balance Sheet, forming part of the Pro Forma Historical Financial Information.

Investors should note that past results are not a guarantee of future performance.

The PAS Group will report the operating activities and financial results of the business until Settlement when the Company, which was incorporated on 9 May 2014, will become the parent company of the group as a result of a group re-organisation for accounting purposes. The Company will not undertake any trading activities until Completion of the Offer and the acquisition of PAS Holdings. PAS Holdings owns each of the subsidiaries that operate the business of The PAS Group.

The substance of the transactions contemplated under the Offer have been evaluated in accordance with AASB 3 "Business Combinations" and it has been determined that the transactions do not represent a business combination. The transactions will be accounted for as a group re-organisation using the principles of reverse acquisition. Therefore the carrying value of the net assets will continue to be recorded at their book values as per The PAS Group consolidated financial statements and the results of the group will continue to be reported in a manner consistent with that recorded by The PAS Group.

The Directors note that the accounting for transactions such as the group re-organisation referred to above and contemplated in connection with the Offer is currently being reviewed by international accounting standard setters and may be subject to change. The outcome of these deliberations, the timing of any decisions and whether any potential changes are retrospective or only prospective could mean that the financial reporting outcome may be different to that reported in this Prospectus. In the event that the transactions contemplated by the Offer were required to be recorded at fair value:

- The net assets of The PAS Group would be increased to reflect the market capitalisation upon Completion of the Offer (an increase of $4.5 million based on the Offer Price of $1.15 per Share (being the proceeds realised at the Offer Price));
- The retained earnings and reserves would be reset to nil as a result of the transactions; and
- The Directors anticipate that the excess of the fair value compared to the book value of net assets would primarily be allocated to inventory and intangible assets such as brand names, licences and trademarks. Some of these intangibles have limited useful lives and would require amortisation over their useful life, therefore the forecast income statements presented would be impacted by the amount of amortisation determined based on the valuations of those assets.

4.2.2 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors with due care and attention, and having regard to an assessment of present economic and operating conditions, and based on a number of best estimate general and specific assumptions regarding future events and actions. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or negative effect on the Group's actual financial performance or financial position. Accordingly, none of The PAS Group, the Directors, the Group's management, or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

Investors are advised to review the Forecast Financial Information in conjunction with the general and specific assumptions set out in Section 4.10, the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5 and other information set out in this Prospectus.

The Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Forecast Financial Information is presented on both a statutory and pro forma basis. The statutory forecast consolidated income statements and cash flow statements have been prepared on a basis consistent with how the Group's statutory financial statements are expected to be prepared for future financial periods. The Statutory Forecast Consolidated Income Statements for FY2014 and FY2015 are the best estimate of the financial performance that the Directors expect to report in the Group's general purpose consolidated financial reports for FY2014 and FY2015, respectively.

The Pro Forma Forecast Consolidated Income Statements, which are set out in Section 4.3, differ from the Statutory Forecast Consolidated Income Statements as the Pro Forma Forecast Consolidated Income Statements reflect the full year effect of the operating and capital structure that will be in place upon Completion of the Offer but exclude the costs of the Offer, one-off tax effects expected to arise as a result of the Offer and other non-recurring items related to the Offer which are not expected to occur in the future. See Section 4.3.2 for reconciliations between the statutory and pro forma forecast financial information.

The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation of the Pro Forma Historical Financial Information.

4.3 Pro forma historical and forecast consolidated income statements

Set out below in Table 7 and Table 8 is a summary of the Group's pro forma historical consolidated income statements for FY2012, FY2013, 1H2013 and 1H2014, the pro forma forecast consolidated income statements for FY2014 and FY2015 and the statutory forecast consolidated income statements for FY2014 and FY2015.

Table 7: Summary of pro forma historical and forecast consolidated income statements and statutory forecast consolidated income statements

		Pro forma historical[a]		Pro forma forecast[b]		Statutory forecast	
$ millions	Notes	FY2012	FY2013	FY2014	FY2015	FY2014	FY2015
Net sales		**223.2**	**232.4**	**249.3**	**286.8**	**249.3**	**286.8**
Cost of sales		(97.2)	(98.3)	(105.9)	(122.8)	(105.9)	(122.8)
Gross profit		**126.0**	**134.1**	**143.4**	**164.0**	**143.4**	**164.0**
Other gains and losses	(c)	0.9	0.8	0.8	0.4	0.8	0.4
Cost of doing business:							
Employee benefits expense		(48.5)	(52.5)	(57.2)	(64.9)	(57.1)	(64.9)
Selling and distribution expenses		(12.3)	(12.8)	(13.6)	(16.4)	(13.6)	(16.4)
Occupancy expenses		(24.4)	(26.0)	(29.2)	(34.6)	(29.2)	(34.6)
Marketing expenses		(5.1)	(5.5)	(4.9)	(6.1)	(4.9)	(6.1)
Administration expenses		(8.5)	(8.7)	(9.0)	(9.3)	(11.1)	(9.3)
Cost of doing business		(98.7)	(105.6)	(113.9)	(131.2)	(115.9)	(131.2)
EBITDA		**28.2**	**29.3**	**30.3**	**33.1**	**28.3**	**33.1**
Depreciation and amortisation		(4.4)	(4.8)	(6.0)	(7.2)	(6.0)	(7.2)
EBIT		**23.8**	**24.5**	**24.3**	**25.9**	**22.3**	**25.9**
Net finance costs	(d)	(0.6)	(0.6)	(0.6)	(0.6)	(14.3)	(0.6)
Profit before tax		**23.1**	**23.9**	**23.7**	**25.3**	**8.0**	**25.3**
Tax	(e)	(6.9)	(7.2)	(7.1)	(7.6)	1.6	(7.6)
Net profit after tax		**16.2**	**16.7**	**16.6**	**17.7**	**9.6**	**17.7**

Notes

(a) The pro forma historical consolidated income statements for FY2012 and FY2013 are reconciled to the respective statutory historical consolidated income statements for FY2012 and FY2013 in Section 4.3.2.

(b) The pro forma forecast consolidated income statements for FY2014 and FY2015 are reconciled to the respective statutory forecast consolidated income statements for FY2014 and FY2015 in Section 4.3.2.

(c) Other gains and losses includes foreign exchange gains and losses, royalty income and other income.

(d) The pro forma historical net finance costs for FY2012 and FY2013 have been adjusted to reflect the debt profile and interest rates applicable under the terms of The PAS Group's new debt facilities expected to be entered into around Completion of the Offer. See Section 4.6.2 for further details.

(e) Prior to completion of the Offer, the Company will form a new Australian income tax consolidated group with its wholly owned subsidiary, PAS Finance Pty Limited ("**PAS Finance**"). The PAS Holdings income tax consolidated group will join the Company income tax consolidated group upon the Company's acquisition of all of the shares in PAS Holdings. The tax cost base of various underlying assets of the PAS Holdings income tax consolidated group will be reset at this time which is expected to result in the creation of a deferred tax asset with the benefit being recognised in the FY2014 statutory forecast. A full assessment of the income tax consolidation implications will be completed following the Offer. The pro forma forecast assumes a tax rate of 30%.

Table 8: Summary of pro forma historical consolidated income statements for 1H2013 and 1H2014

		Pro forma historical[a]	
$ millions	Notes	1H2013	1H2014
Net sales		**116.3**	**121.8**
Cost of sales		(49.9)	(51.1)
Gross profit		**66.4**	**70.8**
Other gains and losses		0.4	0.3
Cost of doing business:			
Employee benefits expense		(26.0)	(28.2)
Selling and distribution expenses		(6.0)	(6.5)
Occupancy expenses		(12.6)	(14.1)
Marketing expenses		(3.0)	(2.6)
Administration expenses		(4.2)	(4.3)
Cost of doing business		(51.7)	(55.7)
EBITDA		**15.1**	**15.4**
Depreciation and amortisation		(2.0)	(2.9)
EBIT		**13.1**	**12.4**
Net finance costs	(b)	(0.3)	(0.3)
Profit before tax		**12.8**	**12.1**
Tax		(3.8)	(3.6)
Net profit after tax		**8.9**	**8.5**

Notes

(a) The pro forma historical consolidated income statements for 1H2013 and 1H2014 are reconciled to the respective statutory historical consolidated income statements for 1H2013 and 1H2014 in Section 4.3.2.

(b) 1H2013 and 1H2014 pro forma historical net finance costs have been adjusted to reflect the debt profile and interest rates applicable under the terms of The PAS Group's new debt facilities expected to be entered into around Completion of the Offer. See Section 4.6.2 for further details.

4.3.1 Key operating and financial metrics

Set out below in Table 9 and Table 10 is a summary of the Group's key pro forma historical operating and financial metrics for FY2012, FY2013, 1H2013 and 1H2014, and the key pro forma forecast operating and financial metrics for FY2014 and FY2015.

Investors should be aware that certain financial data included in the table below is "non-IFRS financial information" under Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC. The PAS Group believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Group. Investors are cautioned not to place undue reliance on any non-IFRS financial information.

Table 9: Pro forma historical and forecast operating and financial metrics for FY2012 to FY2015

		Actual		Pro forma forecast		Actual (6 months)	
	Notes	FY2012	FY2013	FY2014	FY2015	1H2013	1H2014
Total Retail Sites by brand:							
Black Pepper		60	75	96	125	65	88
Review		77	86	92	99	83	87
Metalicus		42	43	44	48	43	41
Other		6	2	2	2	5	2
Total	(a)	**185**	**206**	**234**	**274**	**196**	**218**
Retail Site openings		–	28	35	41	16	17
Retail Site closures		–	(7)	(7)	(1)	(5)	(5)
Net new Retail Sites		**–**	**21**	**28**	**40**	**11**	**12**

Note

(a) Retail Sites by brand excludes online channel.

	Pro forma historical[c]		Pro forma forecast[c]		Pro forma historical (6 months)[c]	
	FY2012	FY2013	FY2014	FY2015	1H2013	1H2014
Key pro forma financial metrics						
Retail sales growth		11.3%	14.2%	20.0%		13.9%
Wholesale sales growth		(2.0%)	0.6%	9.5%		(3.7%)
Total sales growth		4.1%	7.3%	15.0%		4.7%
LFL growth		(1.7%)[b]	4.2%	3.8%		3.2%
Gross profit growth		6.4%	7.0%	14.3%		6.6%
Gross profit margin	56.5%	57.7%	57.5%	57.2%	57.1%	58.1%
CODB as a percentage of net sales	44.2%	45.4%	45.7%	45.8%	44.5%	45.7%
EBITDA growth		4.2%	3.3%	9.3%		1.7%
EBITDA margin	12.6%	12.6%	12.2%	11.5%	13.0%	12.6%
EBIT growth		3.2%	(0.8%)	6.7%		(5.1%)
EBIT margin	10.6%	10.5%	9.7%	9.0%	11.3%	10.2%
NPAT growth		3.3%	(0.8%)	7.1%		(5.3%)
NPAT margin	7.3%	7.2%	6.6%	6.2%	7.7%	7.0%

Note

(b) The negative LFL growing in FY2013 was primarily driven by a lack of design innovation at Metalicus. Refer to Section 4.10.2.1.

(c) A reconciliation of the pro forma and statutory Income statements is provided in Section 4.3.2.

	Statutory historical		Statutory forecast		Statutory historical (6 months)	
	FY2012	FY2013	FY2014	FY2015	1H2013	1H2014
Key statutory financial metrics						
Retail sales growth		11.3%	14.2%	20.0%		13.9%
Wholesale sales growth		(2.0%)	0.6%	9.5%		(3.7%)
Total sales growth		4.1%	7.3%	15.0%		4.7%
LFL growth		(1.7%)	4.2%	3.8%		3.2%
Gross profit growth		6.4%	7.0%	14.3%		6.6%
Gross profit margin	56.5%	57.7%	57.5%	57.2%	57.1%	58.1%
CODB as a percentage of net sales	43.7%	45.2%	46.5%	45.8%	43.9%	45.2%
EBITDA growth		1.0%	(5.0%)	17.0%		1.9%
EBITDA margin	13.2%	12.8%	11.4%	11.5%	13.6%	13.2%
EBIT growth		(0.4%)	(10.8%)	16.1%		(5.1%)
EBIT margin	11.2%	10.8%	8.9%	9.0%	11.9%	10.8%
NPAT growth		9.2%	15.7%	84.4%		(7.4%)
NPAT margin	3.1%	3.6%	3.8%	6.2%	4.6%	4.1%

4.3.2 Pro forma adjustments to the statutory historical and forecast consolidated income statements

In presenting the pro forma historical consolidated income statements included in this Prospectus, pro forma adjustments have been made for certain transactions, in particular, the full year impact of the operating and capital structure that will be in place following Completion of the Offer as if it was in place as at 1 July 2011. Adjustments have been made to reflect the full year impact of the additional operating costs that will be in place following completion of the Offer, including costs associated with being an ASX listed entity. These adjustments are summarised in Table 10 and Table 11 below.

Table 10: Pro forma adjustments to the statutory historical consolidated income statements for FY2012 and FY2013 and the statutory forecast consolidated income statements for FY2014 and FY2015

		Historical		Forecast	
$ millions	Notes	FY2012	FY2013	FY2014	FY2015
Statutory revenue		**235.7**	**232.4**	**249.3**	**286.8**
Discontinued operations – Capelle	(a)	(12.5)	–	–	–
Pro forma revenue		**223.2**	**232.4**	**249.3**	**286.8**

		Historical		Forecast	
$ millions	Notes	FY2012	FY2013	FY2014	FY2015
Statutory NPAT		**7.0**	**8.3**	**9.6**	**17.7**
Discontinued operations – Capelle	(a)	0.6	–	–	–
New LTIP costs	(b)	(0.1)	(0.1)	(0.1)	–
(Incremental)/decremental executive remuneration costs	(c)	(0.4)	0.5	–	–
Incremental public company costs	(d)	(1.3)	(1.3)	(1.0)	–
Changes in finance costs due to change in capital structure on Completion of the Offer	(e)	13.7	13.7	13.7	–
Existing LTIP payments	(f)	–	–	0.5	–
Offer costs attributable to selldown	(g)	–	–	2.6	–
Tax adjustments	(h)	–	–	(5.0)	–
Impact of applying effective tax rate	(i)	(3.3)	(4.4)	(3.7)	–
Pro forma NPAT		**16.2**	**16.7**	**16.6**	**17.7**

Notes

(a) The Capelle business was discontinued in FY2012 and has therefore been removed in deriving FY2012 pro forma revenue and NPAT.

(b) The adjustment represents the costs of the New LTIP described in Section 6.3.4, which is based on expensing the value of the expected TSR Tranche (as defined in Section 6.3.4) Options and EPS Tranche (as defined in Section 6.3.4) Options (collectively the "**Performance Options**") entitlement for FY2014 in accordance with the requirements of Accounting Standard AASB 2 "Share Based Payments" ("AASB 2"). For the purposes of pro forma NPAT in FY2012 and FY2013, it has been assumed that the New LTIP was in place at the commencement of FY2012.

(c) Two senior executives of the Company (Eric Morris and Derrick Krowitz) will receive remuneration increases following Completion of the Offer which are commensurate with the additional responsibilities relating to the management of an ASX listed entity. A pro forma adjustment has been made to FY2012 and FY2013 to align the total remuneration for the period with costs associated with the fixed remuneration and the variable cash remuneration available under the STIP commencing from Completion of the Offer as approved by the Board. FY2013 contained bonuses higher than the projected variable cash remuneration, therefore the pro forma adjustment represents a net reduction in executive remuneration costs in FY2013.

(d) Pro forma adjustment represents an increase in administration expenses to reflect the incremental costs associated with being an ASX listed public company. The Group forecasts that approximately $0.3 million of the $1.3 million in costs will be incurred by the listed entity in FY2014 relating to ASX listing fees, registry fees, and accruals for other incremental costs.

(e) Net financing costs included in FY2012 and FY2013 have been adjusted to reflect the anticipated debt profile of and interest rates applicable to The PAS Group under the terms of The PAS Group's new debt facilities expected to be entered into around Completion of the Offer.

(f) Payments to two individuals (Brendan Santamaria and Rod Walker) under The PAS Group's existing long term incentive plan ("**Existing LTIP**") have been expensed in the FY2014 statutory forecast income statement and will form part of the statutory cash flows.

(g) Costs relating to the portion of the Offer proceeds being used to acquire PAS Holdings Shares will be expensed in the statutory FY2014 forecast, but have been removed from the pro forma FY2014 forecast.

(h) A one-off credit to income tax expense is expected to be recognised in the statutory 2014 forecast as a result of the PAS Holdings income tax consolidated group joining the Company income tax consolidated group on Completion of the Offer, which has been excluded from the pro forma FY2014 forecast. A full assessment of the income tax consolidation implications will be completed following the Offer.

(i) The adjustment represents the net tax effect of the pro forma adjustments to reflect an effective corporate tax rate of 30%.

Table 11: Pro forma adjustments to the reviewed statutory consolidated half year income statements for 1H2013 and 1H2014

		Historical	
$ millions	Notes	1H2013	1H2014
Statutory NPAT		**5.4**	**5.0**
(Incremental)/decremental executive remuneration costs	(c)	(0.2)	(0.2)
Incremental public company costs	(d)	(0.7)	(0.7)
Changes in finance costs due to change in capital structure on Completion of the Offer	(e)	7.2	6.1
Impact of applying effective tax rate	(i)	(2.7)	(1.7)
Pro forma NPAT		**8.9**	**8.5**

Notes

Refer to the relevant notes in Table 10.

Set out in Table 12 below is the statutory historical consolidated income statements for FY2012, FY2013, 1H2013 and 1H2014.

Table 12: Statutory historical consolidated income statements for FY2012, FY2013, 1H2013 and 1H2014

	Statutory historical			
$ millions	**FY2012**	**FY2013**	**1H2013**	**1H2014**
Net sales	**223.2**	**232.4**	**116.3**	**121.8**
Cost of sales	(97.2)	(98.3)	(49.9)	(51.1)
Gross profit	**126.0**	**134.1**	**66.4**	**70.8**
Other gains and losses	0.9	0.8	0.4	0.3
Cost of doing business:				
Employee benefits expense	(48.0)	(52.9)	(25.7)	(28.0)
Selling and distribution expenses	(12.3)	(12.8)	(6.0)	(6.5)
Occupancy expenses	(24.4)	(26.0)	(12.6)	(14.1)
Marketing expenses	(5.1)	(5.5)	(3.0)	(2.6)
Administration expenses	(7.7)	(7.9)	(3.8)	(3.8)
Cost of doing business	(97.4)	(105.1)	(51.0)	(55.0)
EBITDA	**29.5**	**29.8**	**15.8**	**16.1**
Depreciation and amortisation	(4.4)	(4.8)	(2.0)	(2.9)
EBIT	**25.1**	**25.0**	**13.8**	**13.1**
Net finance costs	(13.9)	(13.9)	(7.2)	(6.2)
Profit before tax	**11.2**	**11.1**	**6.5**	**6.9**
Tax	(3.6)	(2.8)	(1.1)	(1.9)
Net profit after tax from continuing operations	**7.6**	**8.3**	**5.4**	**5.0**
Discontinued operations – Capelle	(0.6)	–	–	–
Statutory net profit after tax	**7.0**	**8.3**	**5.4**	**5.0**

4.4 Segment information

4.4.1 By business segment

In accordance with Australian Accounting Standard AASB 8 "Operating Segments", The PAS Group has determined that its reporting segments comprise Retail and Wholesale activities reflecting its primary distribution channels.

These segments are those in which the chief operating decision maker receives information for the purpose of resource allocation and assessment of segment performance.

4.4.1.1 Retail

The Retail segment includes revenues and profits generated by the Group's retail and online footprint, which included 223 Retail Sites as of 31 March 2014. The number of Retail Sites excludes the online channel.

4.4.1.2 Wholesale

The Wholesale segment includes revenues and profits associated with the wholesaling of women's, men's and children's apparel. The Wholesale segment includes revenues and profits generated by Designworks as well as wholesale sales activities under other Group owned brands including Black Pepper, Metalicus, Marco Polo and Yarra Trail.

Table 13: Pro forma historical and forecast revenue by segment for FY2012 to FY2015

Sales	Pro forma historical		Pro forma forecast	
$ millions	FY2012	FY2013	FY2014	FY2015
Retail				
Black Pepper	21.9	28.7	37.1	50.2
Review	50.7	58.6	64.1	72.6
Metalicus	28.4	26.2	29.1	33.6
Other	2.1	1.3	0.7	0.7
Total Retail	**103.1**	**114.7**	**131.0**	**157.2**
Wholesale				
Black Pepper	22.5	23.3	21.4	18.6
Metalicus	8.5	5.5	4.6	5.0
Designworks	68.1	71.4	76.3	88.7
Other	21.0	17.5	16.1	17.3
Total Wholesale	**120.1**	**117.7**	**118.3**	**129.6**
Total Retail and Wholesale	**223.2**	**232.4**	**249.3**	**286.8**

Table 14: Pro forma historical and forecast EBITDA by segment for FY2012 to FY2015

EBITDA	Pro forma historical		Pro forma forecast	
$ millions	FY2012	FY2013	FY2014	FY2015
EBITDA				
Retail	13.7	16.4	18.6	24.6
Wholesale	19.6	18.8	18.9	16.9
Corporate	(5.2)	(5.9)	(7.2)	(8.4)
Total EBITDA	**28.2**	**29.3**	**30.3**	**33.1**
EBIT				
Retail	10.5	12.8	14.4	19.9
Wholesale	19.4	18.6	18.6	16.7
Corporate	(6.1)	(6.9)	(8.7)	(10.7)
Total EBIT	**23.8**	**24.5**	**24.3**	**25.9**

4.5 Pro forma historical consolidated balance sheet

4.5.1 Pro forma adjustments to the statutory balance sheet

In the Offer, The PAS Group will issue new Shares, the proceeds of which, together with available cash, will be used to:

- provide The PAS Group with access to a strengthened balance sheet and to improve capital management flexibility and capacity to fund growth initiatives;
- provide a liquid market for Shares;
- allow the Existing Shareholders an opportunity to realise part of their investment in The PAS Group;
- fund the cash component of the Minority Roll Up Transaction; and
- fund payment of the Pre-Offer Dividend to the Existing Shareholders.

Details of the pro forma adjustments to the reviewed consolidated balance sheet of The PAS Group as at 31 December 2013 are set out in the notes to Table 15 below. The pro forma historical consolidated balance sheet is provided for illustrative purposes and is not represented as being necessarily indicative of the Group's view on its future financial position. Further information on the sources and uses of funds of the Offer is contained in Section 7.1.2.

The pro forma historical consolidated balance sheet as at 31 December 2013 in Table 15 is based on the reviewed statutory historical consolidated balance sheet as at 31 December 2013, adjusted for certain pro forma adjustments to reflect the impact of the Offer, the impact of the group re-organisation discussed at Section 4.2.1 and the change in capital structure that will take place as part of the Offer, as if it was in place as at 31 December 2013.

Table 15: Pro forma historical consolidated balance sheet as at 31 December 2013

$ millions	Notes	Reviewed 31 December 2013	Pro forma adjustments	Pro forma 31 December 2013
Current assets				
Cash and cash equivalents	(a)	21.3	(16.1)	5.2
Trade and other receivables		26.7	–	26.7
Inventory		20.4	–	20.4
Current tax assets		0.5	–	0.5
Other current assets		7.7	–	7.7
Total current assets		**76.6**	**(16.1)**	**60.5**
Non-current assets				
Trade and other receivables		0.1	–	0.1
Property, plant and equipment		10.2	–	10.2
Deferred tax assets	(b)	4.7	6.6	11.3
Goodwill		78.5	–	78.5
Other intangible assets		25.1	–	25.1
Non-current assets		**118.6**	**6.6**	**125.2**
Total assets		**195.2**	**(9.5)**	**185.7**
Current liabilities				
Trade and other payables		13.2	–	13.2
Borrowings	(c)	64.3	(61.8)	2.5
Current tax liabilities	(d)	1.2	(0.5)	0.7
Provisions		3.9	–	3.9
Other liabilities		1.4	(0.4)	1.0
Other financial liabilities		1.4	–	1.4
Total current liabilities		**85.4**	**(62.7)**	**22.7**
Non-current liabilities				
Borrowings	(c)	31.0	(25.0)	6.0
Deferred tax liabilities		1.6	–	1.6
Provisions		0.5	–	0.5
Other liabilities		2.2	–	2.2
Total non-current liabilities		**35.3**	**(25.0)**	**10.3**
Total liabilities		**120.7**	**(87.7)**	**33.0**
Net assets		**74.5**	**78.2**	**152.7**

Table 15: Pro forma historical consolidated balance sheet as at 31 December 2013 continued

$ millions	Notes	Reviewed 31 December 2013	Pro forma adjustments	Pro forma 31 December 2013
Equity				
Issued capital	(e)	31.8	121.7	153.5
Reserves	(e), (g)	8.9	(11.3)	(2.4)
Retained profits	(f)	22.3	(20.7)	1.6
Minority interests	(g)	11.5	(11.5)	–
Total equity		**74.5**	**78.2**	**152.7**

Notes

(a) **Cash and cash equivalents**: Adjustment to reflect the payment of the Pre-Offer Dividend to Existing Shareholders ($22.0 million), utilisation of proceeds from the Offer ($113.0 million) to repay existing senior debt facilities ($58.9 million) and shareholder loans ($28.8 million), fund the cash component of the Minority Roll Up Transaction and other liabilities ($10.8 million) and other costs of the Offer ($8.5 million).

(b) **Deferred tax**: An additional deferred tax asset is expected to be recognised to reflect the combined income tax impact of certain costs associated with the Offer and as a result of the PAS Holdings income tax consolidated group joining the Company income tax consolidated group on Completion of the Offer. A full assessment of the income tax consolidation implications will be completed following the Offer.

(c) **Borrowings**: Adjustment to current and non-current borrowings ($87.7 million) to reflect the borrowing repayments utilising proceeds from the Offer less the write off of capitalised borrowing costs ($1.0 million). The remaining balance for borrowings in the pro forma balance sheet at 31 December 2013 above has been repaid subsequent to 31 December 2013. Refer to the summary of indebtedness at Table 16 below.

(d) **Income tax**: Adjustments represent the tax effect of the payment of Existing LTIP and write-off of borrowing costs on shareholder loans, which under the Existing LTIP and shareholder agreements, are triggered on Completion of the Offer.

(e) **Issued capital**: Adjustment to reflect the change in the book value of consolidated contributed equity ($2.0 million) occurring as part of the Offer, the value of new shares issued under the Offer ($113.0 million) (based on the Offer Price), the equity component of the Minority Roll Up Transaction ($10.4 million), offset by costs directly attributable to the Offer ($3.8 million (tax effected)). As discussed in Section 4.2.1, the acquisition of PAS Holdings by the Company has been treated as group re-organisation for accounting purposes and no fair value adjustments have been made. Consequently, the difference between equity and net assets recognised is recorded within Reserves.

(f) **Retained profits**: Adjustments reflect the net effect of the after tax expensed portion of costs associated with the Offer ($2.9 million), write off of borrowing costs on shareholder loans triggered on Completion of the Offer ($0.7 million (tax effected)), the Pre-Offer Dividend ($22.0 million), net of a deferred tax asset that is expected to arise as a result of the PAS Holdings income tax consolidated group joining the Company income tax consolidated group on Completion of the Offer ($5.0 million). A full assessment of the income tax consolidation implications will be completed following the Offer.

(g) **Minority interests**: Adjustment to reflect the Minority Roll Up Transaction, which is the buyout of the minority interests in the Relevant Minority Entities, being subsidiaries of The PAS Group. All subsidiaries in The PAS Group will be wholly owned on Completion of the Offer. The difference between the market-based consideration of the Minority Roll-up Transaction and the historical value of the minority interests is reflected in Reserves.

4.6 Indebtedness

4.6.1 Indebtedness

Set out below is a summary of the indebtedness of The PAS Group as at 31 December 2013, before and following Completion of the Offer. The Adjusted Pro Forma Net Cash position of $3.9 million reflects pro forma net debt adjusted for actual debt repayments of shareholder loans (including accrued interest) and senior debt after the 31 December 2013 balance date ("**Adjusted Pro Forma Net Cash**"). No adjustment has been made to reflect the cash generation from operations since this date.

Table 16: Pro forma indebtedness as at 31 December 2013

$ millions	Reviewed 31 December 2013[a]	Pro forma 31 December 2013	Repayments, post 31 December 2013	Adjusted pro forma
Current borrowings				
Senior debt	61.4	2.5	(2.5)	–
Deferred borrowing costs	(0.8)	–	–	–
Other borrowings	3.7	–	–	–
Current borrowings	**64.3**	**2.5**	**(2.5)**	**–**
Non-current borrowings				
Shareholder loans	31.2	6.0	(6.0)	–
Deferred borrowing costs	(0.2)	–	–	–
Non-current borrowings	**31.0**	**6.0**	**(6.0)**	**–**
Total borrowings	**95.3**	**8.5**	**(8.5)**	**–**
Cash and cash equivalents	(21.3)	(5.2)	–[b]	(5.2)
Sub-total	**74.0**	**3.3**	**(8.5)**	**(5.2)**
Repayment of interest accrued post 31 December 2013 on loans from certain Existing Shareholders at Completion of the Offer				1.3
Net debt/(net cash)				**(3.9)[b]**
Pro Forma Net Debt/FY2014 pro forma EBITDA (times)		0.1x		
Pro Forma Net Debt/FY2015 pro forma EBITDA (times)		0.1x		

Notes

(a) Refer to Table 15 in Section 4.5 for details of pro forma adjustments relating to the Company's statutory and pro forma consolidated balance sheet as at 31 December 2013.

(b) Adjusted Pro Forma Net Cash of $3.9 million reflects pro forma net debt adjusted for actual debt repayments of shareholder loans (including accrued interest) and senior debt after the 31 December 2013 balance date, which were funded from cash generated from operations. However, no adjustment has been made to the December 2013 cash balance to reflect the cash generation from operations since this date.

4.6.2 Description of New Banking Facilities

4.6.2.1 Overview

The PAS Group received a credit-approved term sheet from Commonwealth Bank of Australia Limited ("**CBA**") on 12 May 2014 for the provision of a three-year general corporate facility and a three-year working capital facility ("**New Banking Facilities**"). The New Banking Facilities are subject to the satisfaction of certain conditions precedent customary for an initial public offering-related refinancing, including the successful Completion of the Offer and compliance with a specified opening gearing ratio (which the Company expects to be satisfied).

The New Banking Facilities will comprise:

- a $30 million general corporate facility ("**Facility A**"); and
- a $25 million working capital facility ("**Facility B**").

Management expects long-form documentation in respect of the New Banking Facilities to be executed in the period following the Prospectus Date but prior to Listing.

4.6.2.2 Facility A

Facility A will be available for general corporate purposes including capital expenditure and permitted acquisitions. Facility A is expected to be undrawn at the time of and immediately subsequent to Listing. Facility A is repayable in full at maturity, being three years from the date of the first drawdown under the New Banking Facilities. No interim scheduled principal repayments are required during the term of Facility A.

Facility A has a variable interest rate, which is based on the Bank Bill Swap Bid Rate (BBSY). If Facility A is not fully drawn at any stage, Facility A will attract annual commitment fees equal to 50% of the applicable margin on the committed but undrawn funds under the facility.

4.6.2.3 Facility B

Facility B will be available for general corporate purposes, including capital expenditure. Facility B is expected to be undrawn at the time of and immediately subsequent to Listing. Facility B is repayable in full at maturity, being three years from the date of the first drawdown under the New Banking Facilities. Facility B will attract the same interest rate and commitment fees as those for Facility A.

4.6.2.4 Representations and warranties

The New Banking Facilities will contain representations and warranties customary for debt facilities of this nature, the breach of which may lead to the funds borrowed becoming due on an accelerated basis and the New Banking Facilities being cancelled.

4.6.2.5 Undertakings

The New Banking Facilities will contain financial information and reporting undertakings customary for debt facilities of this nature. The financial undertakings include The PAS Group's compliance with certain leverage and interest coverage ratios, which will be tested semi-annually on a rolling 12-monthly basis. The PAS Group's obligations under the New Banking Facilities will be guaranteed by The PAS Group's principal operating Subsidiaries ("**Obligors**"), which at all times must include at least 95% of the aggregate total assets and EBITDA of the Group.

The PAS Group expects to remain in compliance with these undertakings.

4.6.2.6 Security

The New Banking Facilities will be secured by general securities over all assets granted in favour of CBA by New FinCo and the Obligors, and a guarantee from the Company.

4.6.2.7 Events of default

The New Banking Facilities prescribe events of default which are usual for debt facilities of this nature, including failure to pay, breach of financial undertaking, cross-default insolvency and related events and material adverse effect. The occurrence of an event of default, if not cured in a timely fashion, may lead to the funds borrowed becoming due on an accelerated basis and the New Banking Facilities being cancelled.

4.6.2.8 Review events

If a review event occurs, including the Company's de-listing from ASX or its suspension from trading on ASX for more than 10 business days, the Company and the Lender will be required to re-negotiate revised terms for the New Banking Facilities. If agreement cannot be reached within a certain period, then it may lead to some or all of the funds borrowed becoming due and the New Banking Facilities being cancelled.

4.6.3 Liquidity and capital

Following Completion of the Offer, The PAS Group's principal source of funds will be cash flow from operations. The PAS Group expects that it will have sufficient cash flow from operations to meet its operational requirements and business needs during the forecast period. The PAS Group expects that its operating cash flows, together with borrowings, will position The PAS Group to grow its business in accordance with the Forecast Financial Information.

4.7 Commitments

4.7.1 Lease commitments

The PAS Group has a number of lease commitments related to the operation of its Retail Sites, which are shown in the Table 17:

Table 17: Lease commitments as at 31 December 2013 and 31 March 2014

$ millions	As at 31 December 2013	As at 31 March 2014
Within one year	15.6	15.8
Later than one year but not later than five years	35.6	35.9
Later than five years	1.2	1.2
Total	**52.4**	**53.0**

Total lease commitments have increased from $52.4 million as at 31 December 2013 to $53.0 million as at 31 March 2014. This increase during the period is related to the opening of new Retail Sites, as well as the renewal of leases.

4.8 Foreign exchange hedging policy

The PAS Group takes various measures in order to hedge its exposure to foreign exchange movements including a policy of hedging where orders are committed or highly probable. This policy allows the Group, in part, to remove one area of uncertainty.

As at 30 April 2014, The PAS Group is 73% hedged at USD 0.896. This represents 95% of forecast USD requirements excluding the Designworks operation for 1H2015. In the Designworks business, approximately 51% of the business is hedged for 1H2015 and reflects committed or highly probable orders.

4.9 Historical and forecast consolidated cash flow statements

Set out below are the Group's pro forma historical consolidated cash flow statements for FY2012 and FY2013 and the pro forma and statutory forecast consolidated cash flow statements for FY2014 and FY2015.

Table 18: Summary pro forma historical and forecast consolidated statements of cash flows and statutory forecast consolidated statements of cash flows

		Pro forma historical		Pro forma forecast[a]		Statutory forecast	
$ millions	Notes	FY2012	FY2013	FY2014	FY2015	FY2014	FY2015
EBITDA		**28.2**	**29.3**	**30.3**	**33.1**	**28.3**	**33.1**
Movement in working capital		(4.7)	2.8	1.2	(0.2)	1.2	(0.2)
Other operating cash flows	(b)	(7.4)	(0.2)	(0.3)	(0.5)	(0.3)	(0.5)
Share based payments		0.1	0.1	0.1	0.1	–	0.1
Net cash flow from operating activities before financing activities and tax		**16.1**	**32.0**	**31.3**	**32.5**	**29.2**	**32.5**
Acquisitions	(c)	(4.0)	–	–	–	–	–
Capital expenditure	(d)	(5.6)	(6.0)	(6.5)	(8.3)	(6.5)	(8.3)
Net cash flow before financing activities and tax		**6.4**	**26.0**	**24.8**	**24.1**	**22.7**	**24.1**
Income tax payments				(6.7)	(7.1)	(3.3)	(1.2)
Net interest				(0.6)	(0.6)	(14.3)	(0.6)
Proceeds from issue of Shares				–	–	113.0	–
Repayment of borrowings	(e)			–	–	(93.7)	–
Offer costs	(f)			–	–	(5.4)	–
Funding of Minority Roll Up Transaction	(g)			–	–	(10.4)	–
Other				–	–	(0.4)	–
Net cash flow before dividends				**17.5**	**16.5**	**8.2**	**22.4**
Dividends (including Pre-Offer Dividend)	(h)					(22.0)	(5.3)
Net cash flow						**(13.8)**	**17.2**

Notes

(a) A reconciliation of statutory net cash flow for FY2014 and FY2015 to pro forma forecast net cash flow is set out in Table 20.

(b) Other operating cash flows in FY2012 primarily relate to the 2012 settlement of foreign exchange hedging instruments which were entered into in prior periods.

(c) Deferred consideration relating to the Metalicus acquisition.

(d) Increase in capital expenditure in FY2015 is forecast primarily due to higher expenditure relating to the establishment costs of new Retail Sites (after landlord contributions as discussed in Section 4.11.1.9).

(e) Includes scheduled principal repayments of $6.0 million during the period and prior to the IPO.

(f) Offer costs represent costs that are offset against equity on the pro forma historical consolidated balance sheet.

(g) Reflects a payment to Minority Shareholders in part consideration for the transfer of minority interests in the Relevant Minority Entities in the Minority Roll Up Transaction as described in Section 9.4.2.

(h) Statutory FY2015 dividends reflect the calculated interim dividend to be paid, at the discretion of the Board and other factors, in accordance with the dividend policy described in Section 4.14.

4.9.1 Pro forma adjustments to the statutory consolidated cash flow statements

In presenting the pro forma historical consolidated cash flow statements and the pro forma forecast consolidated cash flow statements included in this Prospectus, adjustments to the audited statutory historical consolidated cash flow statements and statutory forecast consolidated income statements have been made for certain pro forma transactions and/or other adjustments to eliminate certain non-recurring items. These adjustments are summarised in Table 19 and Table 20 below.

Table 19: Pro forma adjustments to the statutory historical consolidated statements of cash flows for FY2012 to FY2013

		Historical	
$ millions	Notes	FY2012	FY2013
Statutory net cash flow from operating activities before financing activities and tax		**11.3**	**26.4**
Discontinued operations – Capelle	(a)	(3.7)	–
Incremental executive remuneration costs including existing short term incentive bonuses	(b)	(0.4)	0.5
Incremental public company costs	(c)	(1.3)	(1.3)
Interest and borrowing costs	(d)	0.5	0.5
Pro forma net cash flow before financing activities and taxation		**6.4**	**26.0**

Notes

(a) Removal of net operating and investing cashflows associated with the Capelle business that was discontinued in FY2012.

(b) Two senior executives of the Company (Eric Morris and Derrick Krowitz) will receive remuneration increases following Completion of the Offer which are commensurate with the additional responsibilities relating to the management of an ASX listed entity. A pro forma adjustment has been made to reflect the cash impact of the these incremental costs.

(c) Recognises, on a pro forma basis, the additional expenses as a result of being a listed public company from 1 July 2013 to Completion of the Offer, consistent with the pro forma forecast consolidated statement of profit or loss in FY2014.

(d) Adjustment to remove bank lines fees included in historical operating cash flows as these fees will be classified as part of financing activities following Completion of the Offer.

Table 20: Pro forma adjustments to the statutory forecast consolidated statements of cash flows for FY2014 and FY2015

		Forecast	
$ millions	Notes	FY2014	FY2015
Statutory net cash flow before dividends		**8.2**	**22.4**
Proceeds from issue of Shares		(113.0)	–
Repayment of borrowings		93.7	–
Offer costs		5.4	–
Funding of Minority Roll Up Transaction		10.4	–
Other		0.4	–
Existing LTIP payments	(a)	0.5	–
Incremental public company costs	(b)	(1.0)	–
Changes in finance costs due to change in capital structure on Completion of the Offer	(c)	13.7	–
Offer costs attributable to selldown	(d)	2.6	–
Tax payments	(e)	(3.4)	(5.9)
Pro forma net cash flow		**17.5**	**16.5**

Notes

(a) Payments to two individuals (Brendan Santamaria and Rod Walker) in relation to the Existing LTIP have been expensed in the FY2014 statutory forecast income statement and will form part of the statutory cash flows.

(b) Recognises, on a pro forma basis, the additional expenses as a result of being a listed public company from 1 July 2013 to Completion of the Offer, consistent with the pro forma forecast consolidated statement of profit or loss in FY2014.

(c) The difference in interest recognised on a pro forma basis to statutory presentation reflects the impact of the repayment of debt on Completion of the Offer and the forecast net debt position. The adjustment includes the removal of the existing capital structure's associated interest, borrowing costs and the debt establishment fee incurred during the year, offset by the inclusion of the facility fees and forecast interest expense on the new facilities.

(d) Costs relating to the portion of the Offer proceeds being used to acquire PAS Holdings Shares are expensed in the statutory accounts and included in statutory net cash flows but excluded from pro forma results.

(e) A tax adjustment has been included as a result of the differing debt structures discussed above. In addition, statutory cash flows in FY2015 are forecast at $5.9 million higher than pro forma cash flows, with the difference primarily attributable to the deferred tax asset that is expected to arise as a result of the PAS Holdings income tax consolidated group joining the Company income tax consolidated group on Completion of the Offer. A full assessment of the income tax consolidation implications will be completed following the Offer.

4.10 Management discussion and analysis of the Pro Forma Historical Financial Information

4.10.1 General factors affecting the operating results of The PAS Group

Below is a brief discussion of the main factors which affected the Group's operating and financial performance in FY2012, FY2013 and 1H2014 and which The PAS Group expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected the Group's historical operating and financial performance, or everything that may affect the Group's operating and financial performance in the future. The information in this Section should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.10.1.1 Revenue

Revenue is generated by The PAS Group through the sale of apparel products. Key metrics to understand the revenue performance of The PAS Group include:

- new Retail Site openings and related revenue
- full year impact of new Retail Site openings
- retail LFL sales growth
- Retail Site closures
- Wholesale sales performance based on the introduction of new brands and licences as well as the performance of existing brands and licences

4.10.1.2 Gross profit margin

Cost of sales incorporates the cost of production, inbound freight, quality control of inventory in order to ensure goods are in a saleable condition, as well as other costs such as customer discounts and stock adjustments. The PAS Group actively manages its cost of sales via negotiations with its suppliers.

The following factors can affect gross profit margin:

- selling prices – The PAS Group can adjust the selling price of apparel;
- Australian dollar – The PAS Group sources the majority of its products from overseas manufacturers and is exposed to foreign currency movements which may affect the price the Group pays for inventory. A weakening of the Australian dollar may result in higher costs of inventory for The PAS Group; and
- mix of business – The PAS Group earns different margins on its Retail and Wholesale activities.

4.10.1.3 Cost of doing business

The PAS Group has a relatively fixed cost base that provides it with operating leverage and the ability to grow earnings faster than revenue.

Key costs of doing business ("**CODB**") include:

- employee expenses – including salaries, wages and other employment related costs of staff employed by The PAS Group. Employee costs are primarily fixed in nature in the short term, with the number of employees generally varying depending on the number of stores which The PAS Group operates;
- occupancy expenses – including lease costs for stores and the head office. The majority of leases are on three to five year terms (with options, in certain leases, for The PAS Group to extend) and typically include annual consumer price index-driven price increases or agreed fixed rate increases;
- marketing expenses – including the costs incurred on marketing activities carried out by the different operations; and
- administration expenses – including IT costs, communications costs, printing costs, insurances and other administration expenses.

4.10.1.4 Change in working capital

Working capital includes inventories, trade receivables, other receivables, trade payables, accruals and other provisions.

Inventory can be affected by the range of brands and products The PAS Group offers. Therefore, a greater diversity of brands may require the Group to stock a greater number of products to support the variety and growth of the brands or growth in sales.

Trade payables can be affected by the length of payment terms agreed with suppliers as well as the forecast amount of sales for each brand.

Trade receivables can be affected by the time a wholesale customer takes to pay The PAS Group.

4.10.1.5 Capital expenditure

The PAS Group's capital expenditure relates mainly to three categories:

- expenditure relating to the establishment cost of new stores;
- expenditure relating to store refurbishment and upgrades; and
- expenditure relating to maintenance associated with the general purchase and replacement of operational assets such as IT hardware and other items.

4.10.2 Pro forma historical consolidated income statements: FY2013 compared to FY2012

Table 21: Summary of pro forma historical consolidated income statements for FY2012 and FY2013

	Pro forma historical[a]		% change
$ millions	**FY2012**	**FY2013**	
Net sales	**223.2**	**232.4**	**4.1%**
Cost of sales	(97.2)	(98.3)	1.2%
Gross profit	**126.0**	**134.1**	**6.4%**
Other gains and losses	0.9	0.8	(5.8%)
Cost of doing business	(98.7)	(105.6)	7.0%
EBITDA	**28.2**	**29.3**	**4.2%**
Depreciation and amortisation	(4.4)	(4.8)	9.7%
EBIT	**23.8**	**24.5**	**3.2%**
Net finance costs	(0.6)	(0.6)	0.0%
Profit before tax	**23.1**	**23.9**	**3.3%**
Tax	(6.9)	(7.2)	3.3%
Net profit after tax	**16.2**	**16.7**	**3.3%**

Notes

(a) The pro forma historical consolidated income statements for FY2012 and FY2013 are reconciled to the respective statutory historical consolidated income statements for FY2012 and FY2013 in Section 4.3.2.

04 Financial Information (continued)

Table 22: Summary of operating and financial metrics for FY2012 and FY2013

	FY2012	FY2013	% change
Total Retail Sites by brand:			
Black Pepper	60	75	25.0%
Review	77	86	11.7%
Metalicus	42	43	2.4%
Other	6	2	(66.7%)
Total	**185**	**206**	**11.4%**
Retail Site openings	–	28	N/A
Retail Site closures	–	(7)	N/A
Net new Retail Sites	**–**	**21**	**N/A**

	Pro forma historical		Change in percentage points
Key pro forma financial metrics	FY2012	FY2013	
Retail sales growth		11.3%	
Wholesale sales growth		(2.0%)	
Total sales growth		4.1%	
LFL growth		(1.7%)	
Gross profit margin	56.5%	57.7%	1.2%
CODB as a percentage of net sales	44.2%	45.4%	1.2%
EBITDA margin	12.6%	12.6%	0.0%
EBIT margin	10.6%	10.5%	(0.1%)
NPAT margin	7.3%	7.2%	(0.1%)

4.10.2.1 Net sales revenue

Net sales revenue increased by $9.2 million to $232.4 million in FY2013 (representing 4.1% growth) and was primarily driven by:

- Growth in Retail sales of $11.7 million (11.3% growth rate) primarily as a result of:
  - the opening of 28 new Retail Sites across the Group contributing $9.9 million in revenue in FY2013;
  - a $4.7 million increase in Retail sales resulting from the full year impact of stores opened in FY2012;
  - LFL sales declined 1.7% resulting in a $1.7 million decrease in Retail sales. Metalicus experienced a negative LFL result due to insufficient design innovation. Both Review and Black Pepper had positive LFL results;
  - in addition there was a $0.6 million decrease due to outlets subsequently discontinued; and
  - a $0.5 million sales reduction due to store closures.
- Wholesale sales fell by $2.4 million (2.0% decline) in FY2013 primarily as a result of:
  - Designworks wholesale sales increasing by $3.3 million;
  - Black Pepper wholesale sales increasing by $0.9 million; and
  - Metalicus and Other Wholesale sales falling by $6.7 million due to declining orders from independent customers.

4.10.2.2 Gross profit

Gross profit rose by 6.4% to $134.1 million in FY2013 as a result of the increase in sales. The gross profit margin increased from 56.5% to 57.7%. The increase to gross profit margin was driven by the continuing transition to Retail (with the benefit of vertically integrated Retail margins which are higher than Wholesale margins) and inventory purchases.

4.10.2.3 Cost of doing business

Total CODB grew 7.0%, from $98.7 million in FY2012 to $105.6 million in FY2013. As a percentage of sales, CODB rose 1.2% to 45.4% in FY2013, reflecting the continuing transition from Wholesale to Retail as well as investments in retail infrastructure and marketing to develop and support the online channel.

4.10.2.4 EBITDA and EBIT

Pro forma EBITDA increased by 4.2% in FY2013 to $29.3 million. As a percentage of pro forma sales, pro forma EBITDA remained stable at 12.6%.

Pro forma EBIT increased by 3.2% to $24.5 million in FY2013. Pro forma EBIT as a percentage of sales decreased by 0.1% to 10.3%. Pro forma EBITDA and pro forma EBIT margins remained stable despite the increase in operating costs as a result of the increase in gross profit margin, which was partially offset by a reduction in other gains and losses.

The decline in orders from independent wholesale customers was offset by the increase in retail sales from additional Retail Sites opened in FY2013 and the annualisation effect of Retail Sites opened in FY2012. The new Retail Sites that were opened in FY2013 accounted for $4.0 million of EBITDA contribution and the annualisation of Retail Sites opened in FY2012 accounted for $1.2 million of EBITDA contribution.

4.10.3 Pro forma historical consolidated cash flow statements: FY2013 compared to FY2012

Table 23 sets out the summary pro forma historical consolidated cash flow statements for FY2012 and FY2013.

Table 23: Summary of pro forma historical consolidated cash flow statements for FY2012 and FY2013

		Pro forma historical		% change
$ millions		FY2012	FY2013	
EBITDA		**28.2**	**29.3**	**4.2%**
Movement in working capital		(4.7)	2.8	N/A
Other operating cash flows	(a)	(7.4)	(0.2)	(97.6%)
Share based payments		0.1	0.1	0.0%
Net cash flow from operating activities before financing activities and tax		**16.1**	**32.0**	**99.4%**
Acquisitions		(4.0)	–	(100.0%)
Capital expenditure		(5.6)	(6.0)	6.7%
Net cash flow before financing activities and tax		**6.4**	**26.0**	**308.4%**
Income tax payments				
Net interest				
Proceeds from issue of Shares				
Repayment of borrowings				
Offer costs				
Funding of Minority Roll Up Transaction				
Other				
Net cash flow from financing activities				
Net cash flow		**6.4**	**26.0**	**308.4%**

Notes

(a) Other operating cash flows in FY2012 relate to the settlement of hedging instruments which were entered into in prior periods.

The increase in net cash flow in FY2013 as compared to FY2012 was mainly driven by a lower outflow from changes in working capital as well as a small amount relating to the settlement of hedging instruments of $0.2 million relative to $7.4 million in FY2012.

4.10.3.1 Change in working capital

There was an improvement in working capital in FY2013 due to active working capital management initiatives and timing factors relating to individual wholesale customers.

4.10.3.2 Capital expenditure

The PAS Group continues to invest in its Retail Site roll-out with significant capital investment in opening 28 new stores and concessions in FY2013. This included 18 new stores for Black Pepper, nine new stores and concessions for Review and one Metalicus store. The PAS Group opened 27 Retail Sites in FY2012 including 12 new stores for Black Pepper, 10 stores and concessions for Review and five Metalicus stores.

Besides new Retail Sites, other capital expenditure in FY2013 predominantly related to the refurbishment of existing stores and investments in IT infrastructure and enterprise resource planning systems. These investments are intended to reduce the CODB and provide a platform for future growth.

4.10.4 Pro forma historical consolidated income statements: 1H2014 compared to 1H2013

Table 24 and Table 25 set out the summary pro forma historical consolidated income statements and selected key performance indicators for 1H2013 and 1H2014.

Table 24: Summary of pro forma historical consolidated income statements for 1H2013 and 1H2014

	Pro forma historical[(a)]		% change
$ millions	1H2013	1H2014	
Net sales	**116.3**	**121.8**	**4.7%**
Cost of sales	(49.9)	(51.1)	2.3%
Gross profit	**66.4**	**70.8**	**6.6%**
Other gains and losses	0.4	0.3	(34.8%)
Cost of doing business	(51.7)	(55.7)	7.6%
EBITDA	**15.1**	**15.4**	**1.7%**
Depreciation and amortisation	(2.0)	(2.9)	46.4%
EBIT	**13.1**	**12.4**	**(5.1%)**
Net finance costs	(0.3)	(0.3)	0.2%
Profit before tax	**12.8**	**12.1**	**(5.3%)**
Tax	(3.8)	(3.6)	(5.3%)
Net profit after tax	**8.9**	**8.5**	**(5.3%)**

Notes

(a) The pro forma historical consolidated income statements for 1H2013 and 1H2014 are reconciled to the respective statutory historical consolidated income statements for 1H2013 and 1H2014 in Section 4.3.2.

Table 25: Summary operating and financial metrics for 1H2013 and 1H2014

	1H2013	1H2014	% change
Total Retail Sites by brand:			
Black Pepper	65	88	35.4%
Review	83	87	4.8%
Metalicus	43	41	(4.7%)
Other	5	2	(60.0%)
Total	**196**	**218**	**11.2%**
Retail Site openings	16	17	6.3%
Retail Site closures	(5)	(5)	0.0%
Net new Retail Sites	**11**	**12**	**9.1%**

	Pro forma historical		Change in percentage points
Key pro forma financial metrics	1H2013	1H2014	
Retail sales growth		13.9%	
Wholesale sales growth		(3.7%)	
Total sales growth		4.7%	
LFL growth		3.2%	
Gross profit margin	57.1%	58.1%	1.0%
CODB as a percentage of net sales	44.5%	45.7%	1.2%
EBITDA margin	13.0%	12.6%	(0.4%)
EBIT margin	11.3%	10.2%	(1.1%)
NPAT margin	7.7%	7.0%	(0.7%)

4.10.4.1 Net sales revenue

Net sales revenue increased by $5.5 million to $121.8 million in 1H2014 (representing 4.7% growth over 1H2013) and was primarily driven by:

- Growth in Retail sales of $7.8 million (13.9% growth rate) primarily as a result of:
  - the opening of 17 new Retail Sites across the Group contributing $2.1 million in revenue in 1H2014;
  - a $6.2 million increase in Retail sales resulting from the full year impact of Retail Sites opened in FY2012;
  - LFL sales increased by 3.2% or $1.7 million as a result of an improved product offering driving sales growth at Metalicus. Review and Black Pepper also experienced positive LFL growth for the period; and
  - annualised impact of stores closed resulted in a reduction in revenue of $2.2 million.
- Wholesale sales fell by $2.3 million (3.7% decline) in 1H2014 primarily as a result of:
  - Designworks achieved a modest increase in sales despite a reduction in sales associated with Target house brand which was offset by a growing portfolio of brand licences leading to an overall sales increase of $0.1 million; and
  - other Wholesale brands fell by $2.4 million due to declining orders from independent customers mainly due to the migration of Black Pepper wholesale to retail.

4.10.4.2 Gross Profit

Gross profit rose by 6.6% to $70.8 million in 1H2014 as a result of the increase in sales. The gross profit margin increased by 1.0% to 58.1%. The increase in gross profit margin was due to the continued transition to vertically integrated retail stores generating higher gross margins and a change in sales mix between brands.

4.10.4.3 Cost of doing business

Total CODB grew 7.6%, from $51.7 million in 1H2013 to $55.7 million in 1H2014. As a percentage of sales, CODB rose 1.2% to 45.7% in 1H2014, reflecting the further transition from Wholesale to Retail and the investments in infrastructure.

4.10.4.4 EBITDA and EBIT

Pro forma EBITDA increased by 1.7% in 1H2014 to $15.4 million. As a percentage of pro forma sales, pro forma EBITDA fell marginally at 12.6% relative to 13.0% in 1H2013.

Pro forma EBIT decreased by 5.1% to $12.4 million in 1H2014. Pro forma EBIT as a percentage of sales decreased to 10.2%. The decrease in pro forma EBIT was mainly driven by higher depreciation and amortisation expenses owing to an increase in capital expenditure for the opening of new Retail Sites and a $0.5 million increase in depreciation relating to investments in IT infrastructure.

4.11 Forecast Financial Information

4.11.1 Best estimate assumptions underlying forecasts

4.11.1.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted by the Directors:

- no material change in the competitive environment in which The PAS Group operates
- no significant deviation from current market expectations of global or local Australian economic conditions relevant to The PAS Group
- no material changes in Commonwealth, state or local government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of The PAS Group
- no material changes in applicable Australian Accounting Standards or other mandatory professional reporting requirements or the Corporations Act, which have a material effect on the Group's financial performance, financial position, accounting policies, financial reporting or disclosure
- no material business acquisitions or disposals
- no material industrial strikes or other disturbances, environmental costs or legal claims
- retention of key personnel
- no material changes to the apparel and retail industry that would have a material impact on demand for, or prices of the Group's products
- no change in the Group's capital structure other than as set out in, or contemplated by, this Prospectus
- no material amendment to any material agreement or arrangement relating to the Group's businesses other than as set out in, or contemplated by, this Prospectus
- no material adverse changes to the Group's offshore product sourcing capabilities and costs, including exchange rates
- no material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise)
- none of the risks listed in Section 5 have a material adverse impact on the operations of the Group
- the Offer proceeds to Completion in accordance with the timetable set out in Key Dates on page 4 of this Prospectus

4.11.1.2 Material assumptions affecting the Forecast Financial Information and management discussion

In preparing the Forecast Financial Information, The PAS Group has undertaken an analysis of historical performance and applied assumptions, where appropriate, across the business. The assumptions set out below should be read in conjunction with the general assumptions set out in Section 4.10.1, the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8 and the other information in this Prospectus.

4.11.1.3 Revenue

The Forecast Financial Information is based on the following key revenue assumptions:

- LFL sales growth of 4.2% in FY2014 and 3.8% in FY2015
- new Retail Site openings (35 in FY2014 and 41 in FY2015) are assumed to generate sales and operating profit comparable with similarly sized and located sites that are currently trading, and are assumed to open evenly throughout each period
- sales related to the full year impact of prior period Retail Site openings is comparable to the current trading run rate of each store and seasonal patterns
- online sales forecast to grow by 30.8% in FY2014 and 22.6% in FY2015
- Wholesale sales are forecast to grow by 0.6% in FY2014 and 9.5% in FY2015 with Designworks forecast to continue growing while the retail roll-out of Black Pepper is intended to result in some migration from Black Pepper wholesale sales:
  - Designworks sales growing by 6.9% in FY2014 and 16.3% in FY2015 due to the annualised impact of a new customer acquired in FY2013 and growth of new licensed brands obtained in FY2014
  - Black Pepper wholesale sales are forecast to decline by 8.5% in FY2014 and decline by 13.1% in FY2015 resulting from the ongoing roll-out of new Retail Sites
  - other wholesale brands (including Metalicus wholesale) are expected to decline by 9.8% to $20.7 million in FY2014 and increase by 8.0% in FY2015 to $22.3 million

4.11.1.4 Gross profit margin

The Forecast Financial Information is based on the following gross profit assumptions:

- 57.5% in FY2014
- 57.2% in FY2015

4.11.1.5 Cost of doing business

The Forecast Financial Information is based on the following CODB assumptions:

- employee benefits expenses are based on the current headcount and payroll costs of the business, allowing for increased headcount for new site openings and inflation linked salary increases which results in total employee benefits expenses increasing by 9.0% in FY2014 and 13.5% in FY2015
- selling and distribution expenses are based on the current sales, freight and related costs, adjusted for increased sales volume in FY2014 and FY2015, which results in total selling and distribution expenses increasing by 5.6% in FY2014 and 20.7% in FY2015
- occupancy expenses are based on the current property leases in place and related costs, allowing for contracted increases, where applicable, and new Retail Site openings which results in total occupancy expenses increasing by 12.0% in FY2014 and 18.5% in FY2015
- marketing expenses are based on the current promotional plans of the business, adjusted for an increase in promotional activity in FY2015, which results in total marketing expenses decreasing by 10.2% in FY2014 and increasing by 24.7% in FY2015
- administration costs are based on the current cost profile of the business, allowing for the full year effect of ongoing cost savings initiatives, which results in total administration costs increasing by 3.4% in FY2014 and increasing by 2.5% in FY2015
- As a result of the above, total CODB is forecast to be 45.7% of net sales in FY2014 and 45.8% of net sales in FY2015

4.11.1.6 Net finance costs

The Forecast Financial Information is based on the following net finance costs assumptions:

- pro forma debt of zero and net cash generation through the forecast period
- various fees on the New Banking Facilities
- periodic drawdown of the working capital facility (Facility B)
- interest income earned on cash balances

4.11.1.7 Income tax

The Forecast Financial Information is based on the following income tax assumptions:

- the forecast income tax expense is based on the corporate tax rate of 30%
- FY2015 statutory cash flow forecasts for income tax payments include the deferred tax assets that are expected to arise as a result of the PAS Holdings income tax consolidated group joining the Company income tax consolidated group on Completion of the Offer. A full assessment of the income tax consolidation implications will be completed following the Offer

4.11.1.8 Change in working capital

The Forecast Financial Information is based on the following working capital assumptions:

- trading terms in line with historic trading
- management expectations on timing of orders and payments

4.11.1.9 Capital expenditure and depreciation

The Forecast Financial Information is based on the following capital expenditure assumptions:

- expenditure relating to the establishment cost of new Retail Sites before landlord contributions of $3.5 million in FY2014 and $4.5 million in FY2015
- expenditure relating to store refurbishments of $1.8 million in FY2014 and $1.9 million in FY2015

- expenditure relating to maintenance associated with the general purchase and replacement of operational assets such as IT hardware and other items of $2.7 million in FY2014 and $2.9 million in FY2015
- landlord fitout store contributions of $1.8 million in FY2014 and $1.3 million in FY2015

4.11.1.10 Foreign exchange

The Forecast Financial Information is based on the following foreign exchange assumptions:

- for 1H2015, 1 AUD = 0.8587 USD (budgeted rate)
- for 2H2015, 1 AUD = 0.8245 USD (budgeted rate)

As at 30 April 2014, hedging arrangements have been entered into for the following approximate proportions of forecast USD requirements:

- approximately 73% of 1H2015 US dollar requirements covered at an average rate of 1 AUD = 0.896 USD
- 0% of 2H2015 US dollar requirements covered

The relative benefit of these hedging arrangements compared to the forecast assumptions has not been factored into the Forecast Financial Information. Section 4.13 provides a sensitivity of the forecast NPAT to AUD/USD foreign exchange rates as well as the level of foreign exchange which is passed through to customers.

4.12 Management discussion and analysis of the Forecast Financial Information

4.12.1 Pro forma historical and forecast consolidated income statements: FY2014 compared to FY2013

The Financial Information for two months of actual trading to 28 February 2014 for the year ending 30 June 2014 has been prepared on the basis of the reviewed Pro Forma Historical Financial Information for the six months ended 31 December 2013 and The PAS Group's pro forma consolidated forecast income statement for the four months ending 30 June 2014. The PAS Group's forecast for the six months ending 30 June 2014 also has regard to the current trading performance up until the Original Prospectus Date.

Table 26 below sets out the Pro Forma Forecast Financial Information for FY2014 compared to the Pro Forma Historical Financial Information for FY2013.

Table 26: Pro forma historical results and pro forma forecast results: FY2014 compared to FY2013

$ millions	Pro forma historical[a] FY2013	Pro forma forecast[b] FY2014	% change
Net sales	**232.4**	**249.3**	**7.3%**
Cost of sales	(98.3)	(105.9)	7.7%
Gross profit	**134.1**	**143.4**	**7.0%**
Other gains and losses	0.8	0.8	(7.7%)
Cost of doing business	(105.6)	(113.9)	7.9%
EBITDA	**29.3**	**30.3**	**3.3%**
Depreciation and amortisation	(4.8)	(6.0)	24.2%
EBIT	**24.5**	**24.3**	**(0.8%)**
Net finance costs	(0.6)	(0.6)	(1.5%)
Profit before tax	**23.9**	**23.7**	**(0.8%)**
Tax	(7.2)	(7.1)	(0.8%)
Net profit after tax	**16.7**	**16.6**	**(0.8%)**

Notes

(a) The pro forma historical consolidated income statements for FY2013 are reconciled to the respective statutory historical consolidated income statements for FY2013 in Section 4.3.2.

(b) The pro forma forecast consolidated income statements for FY2014 are reconciled to the respective statutory forecast consolidated income statements for FY2014 in Section 4.3.2.

Table 27: Summary operating and financial metrics for FY2013 and FY2014

	FY2013	FY2014	% change
Total Retail Sites by brand:			
Black Pepper	75	96	28.0%
Review	86	92	7.0%
Metalicus	43	44	2.3%
Other	2	2	0.0%
Total	**206**	**234**	**13.6%**
Retail Site openings	28	35	25.0%
Retail Site closures	(7)	(7)	0.0%
Net new Retail Sites	**21**	**28**	**33.3%**

Key pro forma financial metrics	Pro forma historical FY2013	Pro forma forecast FY2014	Change in percentage points
Retail sales growth	11.3%	14.2%	N/A
Wholesale sales growth	(2.0%)	0.6%	N/A
Total sales growth	4.1%	7.3%	N/A
LFL growth	(1.7%)	4.2%	N/A
Gross profit margin	57.7%	57.5%	(0.2%)
CODB as percentage of net sales	45.4%	45.7%	0.2%
EBITDA margin	12.6%	12.2%	(0.5%)
EBIT margin	10.5%	9.7%	(0.8%)
NPAT margin	7.2%	6.6%	(0.6%)

4.12.1.1 Net sales

Net sales revenue is expected to increase by $16.9 million to $249.3 million in FY2014 (representing 7.3% growth) and is expected to be driven by:

- Growth in Retail sales of $16.3 million (14.2% growth rate) primarily as a result of:
  - the opening of 23 new Retail Sites across the Group in FY2014YTD as well as a further 12 Retail Sites planned to open before the end of FY2014 generating combined revenue of $8.1 million;
  - an $8.0 million increase in Retail sales resulting from the impact of Retail Sites opened in FY2013, prior to those stores generating LFL sales;
  - LFL sales increasing 4.2% resulting in a $4.7 million increase in Retail sales. Metalicus is expected to record a positive LFL result of over 10% due to an increase in the effectiveness of promotional activity and the successful implementation of new product styles. Both Review and Black Pepper are expected to achieve positive LFL results; and
  - annualised impact of Retail Sites closing during FY2013 and site closures in FY2014 resulting in a reduction in revenue of 1.9% or $4.5 million.
- Wholesale sales are expected to grow by $0.7 million (0.6% growth rate) in FY2014 primarily as a result of:
  - Designworks wholesale sales increasing by $4.9 million as a result of licensed brand sales;
  - Metalicus and other wholesale sales falling by $2.2 million due to declining orders from independent customers; and
  - Black Pepper wholesale sales falling by $2.0 million in line with the Group's strategy to migrate Black Pepper sales to the retail channel.

4.12.1.2 Gross profit

Gross profit is forecast to grow 7.0%, from $134.1 million in FY2013 to $143.4 million in FY2014, while gross profit margin is forecast to decrease modestly from 57.7% to 57.5% over the same period. The gross profit increase is expected to be driven by sales growth.

4.12.1.3 Cost of doing business

Total CODB is forecast to grow 7.9%, from $105.6 million in FY2013 to $113.9 million in FY2014 reflecting the increase of 28 Retail Sites in FY2013, 35 Retail Sites in FY2014 and the associated impact of cost increases in employee and occupancy costs. Total CODB as a percentage of net sales is forecast to increase from 45.4% to 45.7% between FY2013 and FY2014.

4.12.1.4 EBITDA and EBIT

Pro forma EBITDA is forecast to grow 3.3%, from $29.3 million in FY2013 to $30.3 million in FY2014, while EBITDA margin is expected to fall from 12.6% to 12.2% over the same period driven by the drop in gross profit margins. Pro forma EBIT is forecast to fall 0.8%, from $24.5 million in FY2013 to $24.3 million in FY2014, while EBIT margin is expected to decrease from 10.5% to 9.7% over the same period. The decrease in pro forma EBIT was mainly driven by higher depreciation and amortisation expenses owing to an increase in capital expenditure for the opening of new Retail Sites and a $0.6 million increase in depreciation relating to investments in IT infrastructure.

4.12.1.5 Pro forma historical and forecast consolidated cash flow statements: FY2014 compared to FY2013

Table 28 sets out the summary pro forma historical and forecast consolidated cash flow statements for FY2013 and FY2014.

Table 28: Pro forma historical and forecast consolidated cash flow statements for FY2013 and FY2014

$ millions	Pro forma historical FY2013	Pro forma forecast FY2014	% change
EBITDA	**29.3**	**30.3**	**3.3%**
Movement in working capital	2.8	1.2	N/A
Other operating cash flows	(0.2)	(0.3)	(41.0%)
Share based payments	0.1	0.1	0.0%
Net cash flow from operating activities before financing activities and tax	**32.0**	**31.3**	**(2.3%)**
Acquisitions	–	–	N/A
Capital expenditure	(6.0)	(6.5)	7.4%
Net cash flow before financing activities and tax	**26.0**	**24.8**	**(4.5%)**
Income tax payments		(6.7)	N/A
Net interest		(0.6)	N/A
Net cash flow		**17.5**	**N/A**

4.12.1.6 Change in working capital

In FY2014, there is a modest improvement in working capital due to active working capital management initiatives.

4.12.1.7 Capital expenditure

The PAS Group continues to invest in its Retail Site roll-out with significant capital investment in the expected opening of 35 new stores and concessions in FY2014. This includes 25 new Retail Sites for Black Pepper, six new stores and concessions for Review and four Metalicus stores. The PAS Group also opened 28 Retail Sites in FY2013 including 18 new stores for Black Pepper, nine stores and concessions for Review and one Metalicus store.

In addition to capital expenditure relating to new Retail Sites, other capital expenditure in FY2014 is expected to predominantly relate to the refurbishment of existing stores and investments in IT infrastructure and enterprise resource planning systems. These investments are intended to reduce the CODB and provide a platform for future growth.

4.12.2 Pro forma forecast consolidated income statements: FY2015 compared to FY2014

Table 29 sets out the summary pro forma forecast consolidated income statements and selected key performance indicators for FY2014 and FY2015.

Table 29: Pro forma forecast consolidated income statements for FY2014 and FY2015

	Pro forma forecast		% change
$ millions	FY2014	FY2015	
Net sales	**249.3**	**286.8**	**15.0%**
Cost of sales	(105.9)	(122.8)	15.9%
Gross profit	**143.4**	**164.0**	**14.3%**
Other gains and losses	0.8	0.4	(51.9%)
Cost of doing business	(113.9)	(131.2)	15.2%
EBITDA	**30.3**	**33.1**	**9.3%**
Depreciation and amortisation	(6.0)	(7.2)	19.6%
EBIT	**24.3**	**25.9**	**6.7%**
Net finance costs	(0.6)	(0.6)	0.1%
Profit before tax	**23.7**	**25.3**	**6.9%**
Tax	(7.1)	(7.6)	6.9%
Net profit after tax	**16.6**	**17.7**	**7.1%**

Table 30: Summary operating and financial metrics for FY2014 and FY2015

	FY2014	FY2015	% change
Total Retail Sites by brand:			
Black Pepper	96	125	30.2%
Review	92	99	7.6%
Metalicus	44	48	9.1%
Other	2	2	0.0%
Total	**234**	**274**	**17.1%**
Retail Site openings	35	41	17.1%
Retail Site closures	(7)	(1)	(85.7%)
Net new Retail Sites	**28**	**40**	**42.9%**

	Pro forma forecast		Change in percentage points
Key pro forma financial metrics	**FY2014**	**FY2015**	
Retail sales growth	14.2%	20.0%	N/A
Wholesale sales growth	0.6%	9.5%	N/A
Total sales growth	7.3%	15.0%	N/A
LFL sales growth	4.2%	3.8%	N/A
Gross profit margin	57.5%	57.2%	(0.3%)
CODB as a percentage of net sales	45.7%	45.8%	0.1%
EBITDA margin	12.2%	11.5%	(0.6%)
EBIT margin	9.7%	9.0%	(0.7%)
NPAT margin	6.6%	6.2%	(0.5%)

4.12.2.1 Net sales revenue

Net sales revenue is forecast to increase by $37.5 million to $286.8 million in FY2015 (representing 15.0% growth) and is expected to be driven by:

- Growth in Retail sales of $26.2 million (20.0% growth rate) primarily as a result of:
  - the opening of 41 new Retail Sites across the Group by the end of June 2015 accounting for 4.9% of revenue growth or $12.2 million;
  - a $10.2 million increase in Retail sales resulting from the impact of Retail Sites opened in FY2014, prior to those stores generating LFL sales;
  - LFL sales increasing 3.8% resulting in a $4.9 million increase in Retail sales. Metalicus, Review and Black Pepper are each expected to achieve positive LFL results; and
  - impact of Retail Sites closing during FY2014 resulting in a reduction in revenue of 0.5% or $1.2 million.
  - Wholesale sales are expected to grow by $11.3 million (9.5% growth rate) in FY2015 primarily as a result of:
  - Designworks wholesale sales increasing by $12.4 million as a result of strong licensed brand sales and introduction of new brand licences products being sold and performance of existing brand licences;
  - Metalicus and Other wholesale sales increasing by $1.6 million due to an expected increase in orders; and
  - Black Pepper wholesale sales falling by $2.8 million primarily due to the expansion of the Black Pepper retail footprint.

4.12.2.2 Gross profit

Gross profit is forecast to grow 14.3% to $164.0 million although there is expected to be a modest decrease in gross profit margin from 57.5% to 57.2%. The reduction in gross profit margin is expected to be driven by a decrease in the relatively higher margin Black Pepper wholesale sales (partially due to the continued roll-out of retail stores) as well as growth in lower margin Designworks sales.

4.12.2.3 Cost of doing business

Total CODB is forecast to grow 15.2%, from $113.9 million in FY2014 to $131.2 million in FY2015 reflecting the increase of 41 Retail Sites in FY2015 and the associated impact of cost increases in employee and occupancy costs as well as an uplift in marketing, selling and distribution expenses. Total CODB as a percentage of net sales in FY2015 is expected to be 45.8% compared to 45.7% in FY2014.

4.12.2.4 EBITDA and EBIT

EBITDA is forecast to grow 9.3% from $30.3 million in FY2014 to $33.1 million in FY2015. EBITDA margin is expected to decrease from 12.2% to 11.5% over the same period. EBIT is forecast to grow 6.7%, from $24.3 million in FY2014 to $25.9 million in FY2015, while EBIT margin is expected to reduce from 9.7% to 9.0% over the same period. The reduction in return is primarily due to the increase in the proportion of lower margin product sold to wholesale customers of Designworks. The uplift in depreciation and amortisation reflects investments in new store and concession roll-out, store refreshments and upgrades as well as investment in IT.

4.12.3 Pro forma forecast consolidated cash flow statements: FY2015 compared to FY2014

Table 31 sets out the summary pro forma forecast consolidated cash flow statements for FY2014 and FY2015. Pro forma forecast consolidated income statements: FY2015 compared to FY2014.

Table 31: Pro forma forecast cash flow statements for FY2014 and FY2015

	Pro forma forecast		% change
$ millions	FY2014	FY2015	
EBITDA	**30.3**	**33.1**	**9.3%**
Movement in working capital	1.2	(0.2)	N/A
Other operating cash flows	(0.3)	(0.5)	107.3%
Share based payments	0.1	0.1	0.0%
Net cash flow from operating activities before financing activities and tax	**31.3**	**32.5**	**3.7%**
Acquisitions	–	–	N/A
Capital expenditure	(6.5)	(8.3)	28.9%
Net cash flow before financing activities and tax	**24.8**	**24.1**	**(2.8%)**
Income tax payments	(6.7)	(7.1)	5.4%
Net interest	(0.6)	(0.6)	(0.0%)
Net cash flow	**17.5**	**16.5**	**(6.1%)**

4.12.3.1 Change in working capital

In FY2015, there is expected to be a modest increase to investment in working capital based on growing revenues.

4.12.3.2 Capital expenditure

The PAS Group continues to invest in its Retail Site roll-out with significant capital investment in the expected opening of 41 new stores and concessions in FY2015. This is anticipated to include 30 new stores for Black Pepper, seven new stores and concessions for Review and four Metalicus stores. The PAS Group is also expected to open 35 Retail Sites in FY2014 including 25 new Retail Sites for Black Pepper, six stores and concessions for Review and four Metalicus Retail Sites.

Non-new store related capital expenditure in FY2015 is expected to predominantly relate to the existing store refurbishment and investments in IT infrastructure and enterprise resource planning systems. These investments are intended to reduce the CODB and provide a platform for future growth.

4.12.3.3 Other

Prior to Completion of the Offer, the Company will form a new Australian income tax consolidated group with its wholly owned subsidiary, PAS Finance. The PAS Holdings income tax consolidated group will join the Company income tax consolidated group upon the Company's acquisition of all of the shares in PAS Holdings. The tax cost base of various underlying assets of the PAS Holdings income tax consolidated group will be reset at this time which is expected to result in the creation of a deferred tax asset. A full assessment of the income tax consolidation implications will be completed following the Offer.

4.13 Sensitivity analysis of Forecast Financial Information

The Forecast Financial Information included above is based on a number of estimates and assumptions as described in Section 4.11. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of the Group, the Directors and management. These estimates are also based on assumptions in relation to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions, set out below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis, each sensitivity is presented in terms of the impact of each on FY2015 pro forma forecast NPAT of $17.7 million and is set out in Table 32 below.

Table 32: Sensitivity analysis for FY2015 pro forma NPAT

Assumption		Increase/Decrease	FY2015 pro forma NPAT Impact ($ million)
LFL sales growth	(a)	+/- 1 percentage point	+0.6 / -0.6
Timing of new store openings	(b)	+/- 1 month	+0.4 / -0.4
Wholesale sales revenue	(c)	+/- 1 percentage point	+0.3 / -0.3
Gross profit margins	(d)	+/- 10 bps	+0.2 / -0.2
Change in AUD/USD exchange rate (0% FX passed through to customers)	(e)	+/- 1 cent	+0.6 / -0.7
Change in AUD/USD exchange rate (50% FX passed through to customers)	(e)	+/- 1 cent	+0.3 / -0.3
Change in AUD/USD exchange rate (100% FX passed through to customers)	(e)	+/- 1 cent	+0.0 / -0.0

Notes

(a) The full year impact of an increase or decrease in LFL sales growth in relation to Retail and online of 1.0 percentage point relative to that assumed in the FY2015 forecast revenue. The sensitivity assumes FY2015 gross profit margin to be constant on change in Sales Revenue.

(b) Impact on FY2015 NPAT of a change in store opening dates by one month, assuming all 41 Retail Sites forecast to be opened in FY2015 open a month early or are delayed by a month. The sensitivity is based on an average monthly site contribution across the entire portfolio of Retail Sites.

(c) Full year impact of an increase or decrease in wholesale sales of 1% relative to that assumed in FY2015, assuming no change to gross profit margins.

(d) Full year impact of an increase or decrease in the Group's gross profit margin by 10 basis points.

(e) The estimated impact takes into account the Group's hedged position as at 8 April 2014. As such, the impact of a change in the AUD/USD foreign exchange rate on FY2015 pro forma forecast EBITDA is based on the forecast purchases for the balance of FY2015 which were unhedged as at 8 April 2014 (see Section 4.8 for an overview of The PAS Group's foreign exchange hedging policy) as well as the FX passed through to customers at various levels.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast.

In practice, changes in variables may offset each other or be additive, and it is likely that the Group's management would respond to any adverse change in one variable by seeking to minimise the net effect on the Group's NPAT.

4.14 Dividends

4.14.1 Dividend policy

The payment of a dividend by The PAS Group is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows and the financial condition of the Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Group, and any other factors the Board may consider relevant.

It is the current intention of the Board to pay dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the relevant financial period. It is expected that all future dividends will be franked to the maximum extent possible.

The Directors are not proposing to pay a dividend for the period between listing and 30 June 2014.

It is the Board's current intention to target a payout ratio of between 70% and 80% of statutory NPAT and to weight dividend payments towards the final dividend in the ratio of approximately 40%/60% (interim/final). However the level of payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Board, about the payment of any dividend and the level of franking on any such dividend.

Section 05 Risks

05 Risks

5.1 Introduction

This Section 5 describes some of the potential risks associated with The PAS Group's business and the industry in which it operates, and the risks associated with an investment in Shares. It does not purport to list every risk that may be associated with The PAS Group's business or the industry in which it operates, or an investment in Shares now or in the future, and the occurrence of consequences of some of the risks described in this Section are partially or completely outside the control of The PAS Group, the Directors and Management. Any or a combination of these risks may have a material adverse impact on The PAS Group's business, financial performance and operations.

The selection of risks included in this Section 5 has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk on The PAS Group's business or an investment in Shares if it did occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.2 Risks specific to an investment in the Company

5.2.1 Retail environment and general economic conditions in The PAS Group's reference markets may worsen

As a discretionary retailer, The PAS Group's performance is sensitive to the current state of, and future changes in, the retail environment and general economic conditions in Australia.

As a consequence, investors in The PAS Group should be aware that the Australian retail environment has recently experienced challenging conditions due to soft consumer sentiment and retail demand, as well as price deflation. This has arisen as a result of factors such as general uncertainty about Australian and international economic conditions, political uncertainty and subdued consumer sentiment in the aftermath of the global financial crisis.

Australian economic conditions may worsen which could cause the retail environment to deteriorate as consumers reduce their level of consumption of discretionary items. In addition, the retail market may experience further periods of price deflation in certain categories and input prices may be impacted by any significant devaluation of the Australian dollar. Should any of these risks occur, they are likely to have an adverse impact on The PAS Group's future financial performance.

5.2.2 Prevailing fashions and consumer preferences may change

The PAS Group's revenues are entirely generated from the retail and wholesale of clothing and accessories, which are subject to sometimes unpredictable changes in prevailing fashions and consumer preferences. As a consequence, while The PAS Group's portfolio of brands is diverse and spread across a range of demographics and market segments, failure by The PAS Group to predict or respond to such changes could adversely impact the future financial performance of one or more of The PAS Group's brands.

Any failure by The PAS Group to correctly judge customer preferences, or to convert market trends into appealing product offerings on a timely basis, may result in lower revenue and margins and could adversely impact the future financial performance of one or more of The PAS Group's brands. In addition, any unexpected change in prevailing fashions or customer preferences may lead to The PAS Group carrying increased obsolete inventory.

5.2.3 Wholesale customer relationships

The PAS Group supplies a range of retailers with a large and diversified range of clothing and accessories on a wholesale basis. Typically, forward wholesale orders cover a period of up to six months. Wholesale customers are under no obligation to maintain on-going levels of procurement from The PAS Group, or procure in volumes or on terms consistent with historical practice. Any significant change in the procurement practices of wholesale customers could adversely impact the future financial performance of one or more of The PAS Group's brands.

5.2.4 Damage to certain brands within The PAS Group's portfolio

The PAS Group's portfolio of brand names and related intellectual property rights are key assets of its business. The reputation and value associated with one or more of The PAS Group's brands and related intellectual property rights could be adversely impacted by a number of factors including failure to provide customers with the quality of product and service standards they expect, disputes or litigation with third parties such as employees, suppliers or customers, failure to adequately protect The PAS Group's intellectual property rights or adverse media (including social media) coverage. Significant erosion in the reputation of, or value associated with, these brands could have an adverse impact on customer loyalty, relationships with key suppliers, employee retention rates and demand for the relevant brand or brands' products, all of which could adversely impact the future financial performance of one or more of The PAS Group's brands.

5.2.5 Licensed brand arrangements

The PAS Group generates a material proportion of its revenue from the sale of licensed branded apparel and accessories, pursuant to formal written licence agreements. In a number of circumstances, the renewal of the relevant brand licence is either at the sole discretion of the licensor, or is not contemplated under the terms of the prevailing agreement. Any failure to renew a material brand licence (or number of licences) and replace it (or them) with brand licences of similar quality, or a deterioration of the terms on which The PAS Group is able to license a significant number of brands, could adversely impact the future financial performance of one or more of The PAS Group's brands.

5.2.6 Product sourcing and supply chain

The PAS Group's products are sourced and manufactured by a network of third parties, primarily in Asia. As a result, The PAS Group is exposed to risks including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, exchange rate and hedging risks. The PAS Group is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers operate. The PAS Group does not typically enter into long term and/or formal written agreements with any of its product suppliers, and therefore does not have the certainty of contractual remedies for breach or non-performance by any of its suppliers.

The key risks associated with The PAS Group's supply chain include delays in product delivery or complete failure to receive products ordered. The PAS Group does not typically enter into long term and/or formal written agreements with any of its apparel manufacturers. The realisation of any of these identified risks may result in increased product sourcing costs for one or more of The PAS Group's brands, a deterioration of the terms on which The PAS Group is able to source its products, a reduction in the available product range or one or more of The PAS Group's brands, or individual stores, being insufficiently stocked. This may in turn adversely impact sales and margins, reduce overall profitability and adversely impact the future financial performance of one or more of The PAS Group's brands.

5.2.7 Retail Sites

The growth prospects of The PAS Group are dependent on, among other things, a combination of increased earnings contributions from existing Retail Sites, and The PAS Group's ability to continue to open and operate new Retail Sites on a timely and profitable basis. The PAS Group's Retail Site roll-out program is dependent on securing Retail Sites in suitable locations on acceptable terms, and may be impacted by factors including delays, cost overruns and disputes with landlords.

There is a risk that new Retail Sites opened by The PAS Group may be unprofitable. Similarly, the inability of The PAS Group to source new Retail Site locations in preferred areas could reduce The PAS Group's ability to continue to expand its Retail Site footprint. There is also a risk that any such new Retail Sites may reduce revenues of existing Retail Sites to a greater extent than predicted, or may incur establishment costs that are greater than budgeted for.

There is a risk that the roll-out of new Black Pepper Retail Sites in catchment areas of existing Black Pepper wholesale accounts could result in a decline in total profitability if the loss of wholesale contribution is not offset by an equal or greater contribution from those new Retail Sites. The PAS Group has, in its forecasts, allowed for the expected impact from new Retail Site openings on existing store and wholesale sales based on its historical experience. It is possible that the impact from new Retail Site roll-outs on existing store and wholesale sales will be greater than anticipated, which could have an adverse impact on The PAS Group's future financial performance.

The PAS Group currently has 223 Retail Sites across Australia and New Zealand. The PAS Group either leases these premises from a number of landlords or is party to concession agreements with relevant department stores. The leases have a range of terms and option periods, although they are generally leases which The PAS Group cannot readily terminate.

Any failure to renew existing leases or concession agreements on acceptable terms, or an inability to negotiate alternative arrangements, could materially adversely affect The PAS Group's ability to operate Retail Sites in preferred locations, which may have an adverse effect on The PAS Group's future financial performance. In addition, there is a risk that The PAS Group may become subject to terms which are less favourable due to unanticipated changes in the property market or if one or more Retail Sites do not achieve the financial performance anticipated at the time of entering into the relevant leases or concession agreements.

5.2.8 Acquisition and new licence risk

The PAS Group's strategy includes expansion by value-enhancing acquisitions and taking advantage of new licensing opportunities. It may not be successful in identifying new acquisition or licensing opportunities, assessing the value, strengths and weaknesses of these opportunities or finalising acquisitions or licences on acceptable terms. In addition, The PAS Group may compete for certain acquisition or licence targets with companies having greater financial resources than it does.

Any acquisitions or new licences may fail to meet the strategic objective of generating the anticipated improvement in financial performance. The PAS Group expects to undertake financial, business and other analysis in respect of any future acquisitions. It is possible that such analyses will draw conclusions and forecasts that may be inaccurate, or which will not be realised in due course, which could adversely impact the future financial performance of one or more of The PAS Group's brands.

5.2.9 Competition may increase

The PAS Group faces competition from retailers as well as brands and wholesalers. There is a risk that existing competitors or new entrants (including international retailers), directly competing with The PAS Group in one or more of the same target markets, aggressively attempt to grow their market share through store roll-out, widespread wholesaling, via online, increased advertising and/or price cutting. Such activities may cause the competitive position of one or more of The PAS Group's brands to deteriorate.

Any deterioration in The PAS Group's competitive position may result in a decline in revenue and margins and a loss of market share which could adversely impact the future financial performance of one or more of The PAS Group's brands.

5.2.10 Loss of key management personnel

The loss of key management personnel and an inability to recruit or retain suitable replacement or additional personnel could adversely impact the future financial performance of one or more of The PAS Group's brands.

5.2.11 Documentation of New Banking Facilities

The New Banking Facilities are reflected in a credit-approved term sheet, rather than being agreed to by the Company and New FinCo and fully documented. Any failure to reach final agreement in respect of definitive documentation, or the entry into alternative terms less favourable to the Company, could have a material adverse impact on The PAS Group's future financial performance. Furthermore, there is a risk that the negotiation of the New Banking Facilities will result in a variation to the terms outlined in this Prospectus.

5.2.12 IT systems

The PAS Group is reliant on the capability and reliability of its IT systems, networks and backup systems, and those of its external service providers, such as communication carriers and data providers, to process transactions, manage inventory, report financial results and manage its business.

If The PAS Group's IT systems or networks are compromised for any reason, including its retail point of sale and inventory management systems, this could adversely impact The PAS Group's ability to trade and satisfy its obligations to its customers, and could have an adverse impact on The PAS Group's future financial performance.

5.2.13 Regulation and litigation

There is risk that regulation is introduced that restricts, for example, The PAS Group's interactions with consumers, retail trading hours, sales methods or marketing campaign efforts. Such changes could impact the operations of The PAS Group and reduce its ability to generate revenue which could have an adverse impact on The PAS Group's future financial performance.

The PAS Group is exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable consumer protection regimes. While this is not currently a material issue, there is the potential for one or more claims that are material in cumulative quantum to occur, with the result that costs are increased or one or more of The PAS Group's brands are damaged.

5.2.14 Foreign exchange rates

The majority of goods that are imported by The PAS Group from Asia are priced in USD. Consequently, The PAS Group is exposed to movements in the AUD/USD exchange rate. Adverse movements could have an adverse impact on The PAS Group's gross profit margin.

5.2.15 Workplace health and safety

The PAS Group's employees are at risk of workplace accidents and incidents. In the event that an employee is injured in the course of their employment, The PAS Group may be liable for penalties or damages.

5.3 General risks of an investment in The PAS Group

5.3.1 Price of Shares

Once the Company becomes a publicly listed company on ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of The PAS Group.

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following the quotation on ASX, even if The PAS Group's earnings increase.

Some of the factors which may adversely impact the price of the Shares include fluctuations in the domestic and international market for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, consumer sentiment, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which The PAS Group operates and general operational and business risks.

5.3.2 Trading and liquidity in Shares and Existing Shareholders' interests

There can be no guarantee that an active market for the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time.

Following Listing, it is expected that the Existing Shareholders (other than Management Shareholders) will hold 15% of the Shares, which may also impact on liquidity. The Existing Shareholders will enter into voluntary escrow arrangements in relation to all of their Shares as described in Section 7.7.1. The absence of any sale of Shares by the Existing Shareholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that, on a disposal, Shareholders may receive a market price for their Shares that is less than the price that they paid under the Offer.

Following release from escrow, Shares held by the Existing Shareholders will be able to be freely traded on ASX. A significant sale of Shares by the Existing Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares. The Existing Shareholders' Shareholdings may also allow them to, collectively, exert significant influence over the outcome of matters relating to the Company, including the election of Directors and the approval of transactions. The interests of the Existing Shareholders may be different from the interests of investors who acquire Shares in the Offer.

5.3.3 Shareholder dilution

In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of such issues of Shares or other securities.

5.3.4 Changes in tax law

Changes in tax law (including the goods and service tax, rules relating to deductible liabilities (refer below) and stamp duty), or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. Any changes to the current rate of company income tax may impact Shareholder returns, and any change in tax rules and tax arrangements could have an adverse impact on the level of dividend franking and Shareholder returns. In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

On 14 May 2013 the Australian Government announced a proposal to amend the tax consolidation rules such that "certain deductible liabilities are not taken into account twice". Broadly, where an entity that has deductible liabilities is acquired by a consolidated group, the head company would be required to include deductible current liabilities in its assessable income over 12 months and deductible non-current liabilities over 48 months. These proposals have not been enacted into law and no Bill or draft legislation has been released, such that the application and timing of the rules is currently uncertain. The Australian Government confirmed its intention to proceed with the changes as part of the 2014-15 Federal Budget. If enacted, the changes are proposed to apply from the date of the original announcement (i.e. 14 March 2013) and could have an impact on the tax forecasts.

5.3.5 Dividends may not be franked

To the extent that the Company pays any dividends, the Company may not have sufficient franking credits in the future to frank dividends, or the franking system may be subject to review or reform. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.6 Accounting standards

Australian Accounting Standards are issued by the Australian Accounting Standards Board and are not within the control of The PAS Group or the Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse impact on the reported financial performance and position of The PAS Group.

5.3.7 General economic and financial market conditions

General economic conditions (both domestically and internationally) may adversely impact the price of Shares as well as The PAS Group's ability to pay dividends. This includes an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, amongst other factors. As a result of the abovementioned factors, The PAS Group is unable to forecast the market price for Shares, and they may trade on ASX at a price that is below their Offer Price.

5.3.8 Interest rate fluctuations

Changes in interest rates will impact borrowings which bear interest at floating rates. Any increase in interest rates will impact The PAS Group's costs of servicing these borrowings which may adversely impact its financial position.

5.3.9 Ability to refinance debt or access debt markets on attractive terms

The PAS Group is subject to the risk that it may not be able to refinance its existing or future bank facilities as and when they fall due, or that the terms available to The PAS Group on refinancing will not be as favourable as the terms of its existing or future bank facilities.

5.3.10 Force majeure events

Events may occur within or outside the markets in which The PAS Group operates that could impact upon the global or APAC economies, the operations of The PAS Group and/or the price of the Shares. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse impact on the demand for The PAS Group's products and its ability to conduct its business.

Section 06 Key People, Interests and Benefits

06 Key People, Interests and Benefits

6.1 Board of Directors

The PAS Board and Management comprise a selection of individuals with experience and expertise relevant to the apparel industry. The Board consists of five members, of which four are non-executive directors and with Eric Morris, The PAS Group CEO, the only executive director. The board members have a range of skills related to the apparel industry, financial management and investment, business operations, consulting and corporate advisory.

6.1.1 Experience and background

	Director	Expertise, experience and qualifications
	**Rod Walker** Non-Executive Chairman *Chairman of the Nomination and Remuneration Committee and Member of the Audit and Risk Committee*	Rod Walker was appointed chairman of The PAS Group in October 2011. Rod has had over 30 years' experience in a variety of businesses, working in Australia, the USA and Canada. Having had success as a CEO, Director and Chairman, particularly in the retail industry, he currently sits on several boards as both a Chairman and Non-Executive Director. He has led several companies through major acquisitions, mergers, record results and in some cases successful exits whilst also working with the CEOs on their personal development. Current roles include serving on the boards of International Cleaning Solutions Holdings (trading as Godfreys), Immune System Therapeutics, Micador Group, Bendalls Group, Master Venture Group and Playtime Group. Former board appointments include serving on the boards of Bras N Things, Rebel and Amart Allsports, Witchery Fashions, RED Group Retail, Steinhoff International Holdings, Amber Group, Endless Rewards, SleepyHead/Beds R Us and Copperart (trading as Homeart). In November 2005 Rod formed a private consulting company, and since then has coached and mentored CEOs and other senior executives whilst also consulting to a range of businesses. Additionally he has presented to a variety of groups and forums on a range of business related topics. Rod is the Chairman of a group within the CEO Circle. Prior to 2005, he was Managing Director of the Freedom Group. At that time Freedom had over 240 stores in the Group with six brands in three countries. Rod led the Group to record results and subsequently oversaw the privatisation of the company.

Eric Morris

Managing Director and CEO

Eric Morris has been CEO since the inception of The PAS Group in 2005 and has led six of the Group's acquisitions and the successful integration of the Group's eight businesses. Eric has 35 years' industry experience having held senior executive positions in both major international and national companies.

Eric was recruited to Australia by Myer where he held the inaugural position of General Manager of the Private Brand Division responsible for the creation and launch of a number of the successful Myer brands in the market today.

Prior to joining Myer, Eric spent 14 months at Walt Disney International as Regional Director, Softlines for Asia Pacific based in Hong Kong. Prior to this, Eric spent eight years with Reebok International where he held the position of Regional Director Asia Pacific (based in Hong Kong), Regional Director Africa Middle East and Director and General Manager Reebok South Africa.

Prior to joining Reebok International, Eric held various senior management positions and obtained significant experience covering retail, wholesale/supply, licensing, manufacturing and distribution.

Jacquie Naylor

Non-Executive Director

Member of the Nomination and Remuneration Committee

Jacquie Naylor was appointed to the Board in May 2014. Jacquie has over 30 years of experience in the consumer and retail industry, with a significant track record of board and executive positions.

Between 2007 and 2012 Jacquie acquired Husk Corporation lifestyle stores and successfully implemented a turnaround strategy, increasing the company's turnover and returning it to profitability.

In 2006, Jacquie formed a private retail advisory company, which focuses on strategic repositioning of underperforming brands. The company continues to consult to key industry retailers within the textile and clothing sector.

Between 2001 and 2006 Jacquie held senior management positions as group merchandising director and executive director and board member of The Just Group. Jacquie was responsible for a portfolio of brands including Just Jeans, Jay Jay's, Dotti, Jacqui E and Portmans.

Since 2006, Jacquie has held the position of non-executive director on the board of the Virgin Australia, Melbourne Fashion Festival.

David Fenlon

Non-Executive Director

Member of the Audit and Risk Committee

David Fenlon was appointed to the Board in April 2013.

David has held a number of Managing Director and senior executive positions across the retail industry and is currently Managing Director of Blackmores Australia and New Zealand. Prior to this David established and operated Simple Retail Consulting as the Managing Partner.

From 2006 to 2010, David operated REDGroup Retail as the Managing Director. David has also held senior international positions in companies such as Tesco and Safeway Stores PLC.

Jon Brett

Non-Executive Director

Chairman of the Audit and Risk Committee

Jon Brett was appointed to the Board in 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, where he is the chairman of the Audit and Risk Committee. Jon is also a director of several unlisted companies and was formerly an executive director of Investec Wentworth Private Equity Limited and the non-executive deputy president of the National Roads and Motoring Association.

6.1.2 Director disclosures

The following is information about:

- any company of which a Director was an officer that entered into a form of external administration because of insolvency during the time the Director was an officer or within the 12 month period afterwards; and
- any legal or disciplinary action against a director that is less than 10 years old.

Rod Walker and David Fenlon were directors of REDgroup Retail Pty Ltd during the 12 month period before its directors placed it into voluntary administration in February 2011.

The other Directors do not believe that the above matter is material to or indicative of the future performance of either Mr Walker or Mr Fenlon of their respective duties as Directors of the Company or the future performance or prospects of The PAS Group.

6.2 Management

6.2.1 Experience and background

	Executive	Expertise, experience and qualifications
	**Eric Morris** Managing Director and CEO	Refer to Section 6.1.1.
	**Derrick Krowitz** CFO and Company Secretary	Derrick has been CFO of The PAS Group since joining in 2005. Before joining The PAS Group in 2005, Derrick held the positions of Chief Financial Officer of the retail chains Lincraft and The Reject Shop. Derrick, a qualified Chartered Accountant, has significant industry experience gained over 30 years having held senior executive positions in the financial, wholesale/supply and retail sectors. Prior to moving to Australia, Derrick was the Finance Director of the listed finance company Sasfin Limited in South Africa.
	**Brendan Santamaria** General Manager, Designworks	Brendan has been General Manager of Designworks since October 2010 and has been responsible for the growth of both the branded and licensed divisions of the business. Brendan's career commenced in the fast moving consumer goods ("**FMCG**") industry with companies such as Goodman Fielder, Don Smallgoods and National Foods. In 1998 Brendan was recruited by The Walt Disney Company to develop a licensing business in FMCG which reached sales of $100 million within two years and Brendan was promoted to Licensing Director. After a 12 month stint as General Manager of infant toy company Playgro, Brendan was appointed CEO of the publicly listed company Mercury Brands (formally The Austin Group).

06 Key People, Interests and Benefits (continued)

Rachel Digby

General Manager, Black Pepper

Rachel Digby joined Black Pepper in 2005 as Design Manager and has since successfully grown the Breakaway, Black Pepper, Yvonne Black and Equus brands and led the expansion of the retail channel for Black Pepper across Australia and New Zealand.

Rachel's early career commenced in South Africa as a Buyer for Edgars and she was then approached to join David Jones in 1998 as Womenswear Buyer across multiple categories where she was instrumental in developing the David Jones house brand program.

Rachel has extensive industry experience across both product and retail as well as a broad understanding of the mainstream Womenswear sector. In September 2013 Rachel was appointed to the role of General Manager of Black Pepper.

Karen Hengel

General Manager, Metalicus

Karen's career spans nearly 20 years and has included roles with a number of iconic Australian retailers. Karen began her career with Country Road during the late 1980s. Post Country Road Karen worked for seven years at Nine West as Retail Operations Manager as well as a stint at Saba during its transformation period in the early 2000s.

In 2006 Karen joined Metalicus where she was a crucial part of the growth and development of the brand; and she continued with the brand after its sale to the Group. Karen left The PAS Group in 2011 and undertook a role as General Manager of Mesop, a creative local brand, where she reinvented the brand and continued to confirm her skill as a dynamic and forward-thinking retailer. Karen rejoined Metalicus as General Manager in January 2014.

Sarah Pizzey

General Manager, Review

Sarah Pizzey has over 20 years of business management experience in the apparel industry. With a background in finance as an analyst at Arthur Andersen, Sarah's first management role was as Managing Director of a corporate clothing business supplying the Defence Force and other government entities.

Subsequent senior management roles have included P&L responsibility for the $200 million apparel division of Coles Supermarkets, Jockey Underwear (a division of Pacific Brands) as well as senior strategic roles at Bonds, Hard Yakka and King Gee. Sarah also holds post graduate degrees from The University of Melbourne and Melbourne Business School. Sarah was appointed General Manager of Review in June 2013.

Anthea Phelps

General Manager, Yarra Trail and Marco Polo

Anthea has over 30 years of industry experience, having begun her career with Myer as a buyer for Sportswear. This was followed by roles at David Jones as a Group Fashion Adviser, Fashion Controller at Georges, and Wholesale Manager (NSW and QLD) for Country Road. In 1996 Anthea was recruited to develop the Womenswear range for Yarra Trail.

After departing from Yarra Trail in 2004, Anthea was recruited as General Manager for Stitches and four years later commenced as General Manager for Sundays Pty Ltd, a subsidiary of the Voyager Group. In 2009 Anthea rejoined Yarra Trail as General Manager. In late 2012 the Marco Polo brand was added to Anthea's portfolio.

Aaron White

Group Leasing Manager

Aaron White joined The PAS Group in July 2010, after having spent over 11 years specialising in retail property across Australia and New Zealand.

Prior to joining the Group, Aaron spent eight years with The Just Group as a leasing executive, helping grow store numbers from 400 to over 850 across Australia and New Zealand through organic growth and acquisitions of several brands.

Following his time at The Just Group Aaron spent three years as the National Property Manager for Specsavers Australia/New Zealand. This role involved formulating the strategy and process for the introduction and opening of over 250 Specsavers stores during his tenure.

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the Offer or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer, holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before the lodgement of this Prospectus with ASIC, an interest in:
- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The nature and extent of the interests and fees of professional advisers engaged by the Company is set out at Section 9.7.

6.3.2 Directors' interests and remuneration

6.3.2.1 Chief Executive Officer

The Company has entered into an employment contract with Eric Morris to govern his employment with The PAS Group. Mr Morris is employed in the position of CEO of The PAS Group. Refer to Section 6.3.3.1 for further details.

6.3.2.2 Non-executive Director remuneration

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed at the Company's general meeting. This amount has been fixed by the Company at $1.2 million per annum. For the remainder of FY2014, from the Original Prospectus Date, it is expected that the fees payable to the current Directors will not exceed $100,000 in aggregate. Annual Directors' fees currently agreed to be paid by the Company are $170,000 to the Chairman and $78,000 each to the other Non-Executive Directors. Superannuation payments are not included in these amounts.

In addition, the chair of the Audit and Risk Committee and the chair of the Nomination and Remuneration Committee will each be paid $18,000 and $16,000 respectively, annually, while other members of those Committees will each be paid $12,000 per annum (in the case of the Audit and Risk Committee) and $10,000 per annum (in the case of the Nomination and Remuneration Committee).

The remuneration of Directors must not include a commission on, or a percentage of, the profits or income of the Company. Superannuation payments are not included in these amounts.

The Non-Executive Directors are not entitled to participate in any employee incentive scheme (including the Company's long term incentive plan ("**New LTIP**")).

6.3.2.3 Deeds of access, insurance and indemnity for Directors

The Company has entered into deeds of indemnity, insurance and access with each Director which confirm each Director's right of access to certain books and records of The PAS Group for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before that seven year period expires.

Pursuant to the Constitution, the Company may indemnify Directors and employees, past and present, against liabilities allowed under law. Under the deeds of indemnity, insurance and access, the Company indemnifies each Director against all liabilities to another person that may arise from their position as a Director of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of indemnity, insurance and access, the Company must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.2.4 Other information and interests

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a Director of the Company or a subsidiary. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions. The interests of Directors and management are set out in this Section 6.3.

6.3.2.5 Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by Directors will be as outlined in the table below:

	PAS Holdings Shares held prior to the Offer (million)	PAS Holdings held prior to the Offer (%)	Shares held at Completion of the Offer (million)[1]	Shares held at Completion of the Offer (%)
Rod Walker	–	0.0%	0.1	0.1%
Eric Morris	0.7	6.8%	1.6	1.2%
David Fenlon	–	0.0%	–	–
Jon Brett	–	0.0%	0.1	0.1%
Jacquie Naylor	–	0.0%	0.0	0.0%

1 Includes any Shares in which Directors may acquire an interest as part of the Offer at the Offer Price. See section 9.4.1 for details of the Sale Deed pursuant to which the Company will acquire all of the PAS Holdings Shares. The following Directors have advised of their intention to apply for Shares as part of the Offer in the following amounts: Rod Walker – 86,956, Jon Brett – 130,434 and Jacquie Naylor – 13,043.

2 The Shares held by Eric Morris on Completion of the Offer will be subject to voluntary escrow arrangements, as described further in Section 7.7.1.

6.3.3 Executive remuneration

6.3.3.1 CEO

PAS Operations, a wholly owned subsidiary of PAS Holdings, has entered into an employment contract with Mr Morris to document his employment with The PAS Group. Mr Morris is the CEO of The PAS Group. Mr Morris will receive an annual fixed remuneration of $770,000 (inclusive of superannuation), representing approximately 43.1% of his maximum total achievable annual remuneration package for FY2015 and onwards. In respect of the period to 30 June 2014, Mr Morris will be eligible to receive an annual cash-based short term incentive of up to $420,000, depending on The PAS Group's performance and Mr Morris' achievement of certain KPIs, as determined by the Board. In FY2015, Mr Morris will be eligible to receive an annual cash-based short term incentive of up to $308,000, representing 40% of his annual fixed remuneration (inclusive of superannuation) and 17.2% of his maximum total achievable annual remuneration package, or such other amount as determined by the Board. Payment of a cash bonus will depend on The PAS Group's performance and Mr Morris' achievement of certain KPIs, as determined by the Board.

Mr Morris will also be eligible to participate in the New LTIP. For further details about the New LTIP, refer to Section 6.3.4. The Company intends to grant up to $708,400 of options over Shares under the New LTIP (Options) to Mr Morris shortly after the Listing. The key terms and conditions (including the exercise price, performance period and vesting conditions) applicable to the Options to be granted to Mr Morris are set out in Section 6.3.4. It is intended that all future grants of Options or rights (Rights) under the New LTIP will be made annually.

Mr Morris may terminate his employment contract by giving 12 months' notice in writing. PAS Operations may terminate Mr Morris' employment by giving 12 months' notice in writing, or may terminate his employment immediately by paying, subject to applicable laws and stock exchange rules, 12 months base salary (or a portion of such amount for any unexpired part of the notice period), less tax in lieu of notice for that period.

If a Material Diminution occurs, Mr Morris may, within one month of the Material Diminution, terminate his employment by giving three month's written notice. In these circumstances, following the termination of Mr Morris' employment he will be paid, subject to applicable laws and stock exchange rules, 12 months base salary less any payment in lieu of notice paid by PAS Operations. "Material Diminution" means where there is a substantial diminution of duties, status, responsibilities and/or authority arising as a result of (i) Mr Morris no longer holding the most senior executive position with the Group; (ii) the removal of either the majority of the duties or responsibilities of the position of CEO or a material duty or responsibility required by the position of CEO; (iii) the assignment to Mr Morris of significant duties or responsibilities which are materially inconsistent with the position of CEO; or (iv) the Board, or its representative, without Mr Morris' approval, directing the majority of staff and consultants who reported to him to no longer report to him.

Upon the termination of Mr Morris' employment contract, he will be subject to a restraint on solicitation of The PAS Group's clients, suppliers and employees for a period of 12 months following the termination of employment. Eric Morris is also subject to a restraint on engagement in any business or activity that is in competition with the business conducted by the PAS Group following termination of employment for a period of 12 months. Enforceability of this restraint is subject to all usual legal requirements.

As at the Prospectus Date, Mr Morris (and his associated entities) held 665,889 PAS Holdings Shares. Under the Sale Deed, the Existing Shareholders (which includes Mr Morris and his associated entities) are entitled to receive consideration for their PAS Holdings Shares in the form of cash, or a combination of cash and Shares. Mr Morris and associated entities accepted the offer from the Company in respect of the purchase of all of PAS Holdings Shares he or his associated entities hold, and has irrevocably elected to receive 20% of the consideration payable to him or his associated entities in the form of cash (equalling a payment of $0.5 million) and the remaining 80% in the form of Shares (equalling 1,598,134 Shares). See Section 9.4.1 for further details.

6.3.3.2 Other key management

Each other member of The PAS Group's management is employed under individual employment agreements. These agreements establish total compensation including a base salary, superannuation contribution and incentive arrangements; variable notice and termination provisions of, in general, three months; confidentiality provisions; and leave entitlements, as a minimum, as per the National Employment Standards.

Either The PAS Group or the executive may terminate the relevant executive's employment by providing between one and six months' notice in writing before the proposed date of termination or in The PAS Group's case, payment in lieu of notice.

6.3.4 Employee incentive arrangements

The PAS Group has established various incentive arrangements to assist in the attraction, motivation and retention of management and employees of The PAS Group as set out below.

Briefly, the Board has determined that to align the interests of The PAS Group's executive team and the goals of The PAS Group, the remuneration packages of the CEO and the senior executives of The PAS Group should comprise the following components:

- fixed annual cash reward (inclusive of superannuation and fringe benefits);
- cash-based short term incentives; and
- equity-based long term incentives.

Payment of cash under the short term incentives and the award of equity under long term incentives will be subject to the achievement of performance criteria or hurdles set by the Board.

The remuneration packages of the executive team other than the CEO are determined by the Nomination and Remuneration Committee and reported to the Board. The CEO's remuneration package is considered by the Nomination and Remuneration Committee and approved by the Board. The remuneration of the executives will be reviewed annually by the Nomination and Remuneration Committee. At the absolute discretion of the Nomination and Remuneration Committee, The PAS Group may seek external advice on the appropriate level and structure of the remuneration packages of the executive team from time to time.

6.3.4.1 Long term incentive plan
The PAS Group has adopted the New LTIP to encourage executives and employees to have a greater involvement in the achievement of The PAS Group's objectives. Under the New LTIP, eligible employees (including executives, officers, employees and executive Directors) selected by the Board may be offered and granted Options or Rights.

The PAS Group may offer additional incentive schemes to management and employees over time.

6.3.4.1.1 Eligibility
Eligibility to participate in the New LTIP and the number of Options or Rights offered to each eligible employee, will be determined by the Board. Non-Executive Directors of The PAS Group are not permitted to participate in the New LTIP.

6.3.4.1.2 Grants
Under the rules of the New LTIP, Options and/or Rights may be offered and granted to eligible employees of The PAS Group from time to time, subject to the absolute discretion of the Board.

The Company currently intends to make offers of Options shortly after Listing only to the CEO and CFO of the Company and the General Manager of Designworks. The Company intends that the maximum notional value of the Options offered to the CEO, CFO and General Manager of Designworks respectively will be 92%, 92% and 53% of their total fixed remuneration ("**TFR**").

6.3.4.1.3 Terms and conditions
The Board has the absolute discretion to set the terms and conditions (including conditions in relation to vesting, cash settlement, disposal restrictions or forfeiture and any applicable exercise price) on which it will offer and grant Options or Rights under the New LTIP and may set different terms and conditions which apply to different participants in the New LTIP. The Board will determine the procedure for offering and granting Options or Rights (including the form, terms and content of any offer or invitation or acceptance procedure) in accordance with the rules of the New LTIP.

6.3.4.1.4 Vesting conditions
Options and Rights will vest (and, in the case of Options, become exercisable) if and to the extent that any applicable performance, service and other vesting conditions specified at the time of the grant are satisfied (collectively the Performance Criteria) and the Options or Rights have not been forfeited.

Performance Criteria may include conditions relating to employment or service, the individual performance of the participant and/or The PAS Group's performance and the exercise price (if any) being less than the current market price of the underlying Share as at vesting. Typically, the Performance Criteria must be satisfied by reference to a predetermined performance period. Both the Performance Criteria and the performance period are set by the Board in its absolute discretion.

The Board has set the performance period for the first grant of Options to the CEO, CFO and General Manager of Designworks as the period from Listing to 30 June 2017.

Thereafter, the Board currently intends that subsequent offers of Options or Rights will have a performance period of three financial years commencing on 1 July of the relevant year in which an offer or grant is made under the New LTIP.

6.3.4.1.5 Ranking of Shares
Shares issued or transferred upon exercise of Options or conversion of Rights granted under the New LTIP will rank equally in all respects with the other issued Shares.

6.3.4.1.6 Voting and dividend rights of Options and Rights
Options and Rights will not carry any voting or dividend rights. Shares issued or transferred to participants on exercise of an Option or conversion of a Right will carry the same rights and entitlements as other issued Shares, including voting and dividend rights.

6.3.4.1.7 Issue or acquisition of Shares
Generally, Shares to be allocated to participants upon the exercise of Options, or the conversion of Rights, may be issued by The PAS Group or acquired on or off market by The PAS Group or its nominee. The PAS Group may appoint a trustee to acquire and hold those Shares on behalf of participants or otherwise for the purposes of the New LTIP.

6.3.4.1.8 Exercise of Options or Rights
A participant may exercise Options in respect of which the Board has given a vesting notice and which have not expired or been forfeited. To exercise an Option, the participant must lodge with The PAS Group a notice of exercise and comply with any requirements under the rules of the New LTIP or as specified by the Board. Vested Rights will be automatically converted to Shares.

6.3.4.1.9 Expiry of Options or Rights
Options or Rights which have not been exercised or converted, respectively, will expire if the applicable vesting conditions and any other conditions are not met during the prescribed performance period or other relevant time or, in the case of Options, if they are not exercised before the applicable last exercise date. The Board currently intends that the last exercise date for Options will be the date that is 12 months after the end of the applicable performance period. In addition, the Board may determine that Options and Rights will lapse if the participant deals with the Options and Rights in breach of the rules of the New LTIP or in the opinion of the Directors, the participant has acted fraudulently or dishonestly or materially breached his or her obligations to the Company.

6.3.4.1.10 Quotation
Options and Rights will not be quoted on ASX. The Company will apply for official quotation of any Shares issued upon exercise of Options or conversion of Rights, in accordance with the ASX Listing Rules.

6.3.4.1.11 Options exercise price
The Board may in its absolute discretion determine that a participant is required to pay an exercise price to exercise the Options offered and granted to that participant. No amount will be payable by a participant to acquire Shares on conversion of vested Rights.

6.3.4.1.12 Approval
Grants of Options or Rights under the New LTIP to an executive Director may be subject to the approval of Shareholders, to the extent required under the ASX Listing Rules.

6.3.4.1.13 No hedging and no transfer
Without the prior approval of the Board, unvested or unexercised Options or Rights which have not been exercised may not be sold, transferred, encumbered or otherwise dealt with. Further, participants may not enter into any transaction, scheme or arrangement which hedges or otherwise affects the participant's economic exposure to the Options or Rights before they vest.

6.3.4.1.14 Capital limit
Subject to the rules of the New LTIP, the Board must not offer Options or Rights if their grant would breach the capital limit set out in ASIC Class Order 03/184 in relation to employee share schemes (Class Order) or contravene the Corporations Act, Listing Rules or instruments of relief issued by ASIC from time to time. To the extent the Class Order is replaced by a new Class Order at a future date, the Company will ensure that any future offers of Options or Rights are in compliance with any capital limit prescribed under the new Class Order.

6.3.4.1.15 Cessation of employment
The New LTIP contains provisions concerning the treatment of vested and unvested Options or Rights in the event a participant ceases employment.

6.3.4.1.16 Takeovers
In relation to takeover bids made for Shares, schemes of arrangement proposed in relation to the Company or other change in control transactions in relation to the Company that occur or are proposed, the Board may in its absolute discretion determine, prior to grant or at the time of the relevant transaction, that all or a part of the participants' unvested Options or Rights will become vested. In such circumstances, the Company must promptly notify each participant in writing that he or she may, within the period specified in the notice, exercise vested Options or Rights.

6.3.4.1.17 Capital reconstruction
If there are certain variations of the share capital of the Company including a capitalisation or rights issue, subdivision, consolidation or reduction in share capital, the Board may make such adjustments (including to matters such as exercise price, number of Options or Rights held or number of Shares received on exercise) as it considers appropriate to ensure participants are not materially advantaged or disadvantaged, in accordance with the provisions of the ASX Listing Rules.

6.3.4.1.18 Costs and administration
Generally, The PAS Group must bear any costs incurred in the administration of the LTIP.

6.3.4.1.19 Other terms
The New LTIP also contains customary and usual terms having regard to Australian law for dealing with administration, variation and termination of the New LTIP.

6.3.4.2 Offer to CEO under the New LTIP
Mr Morris will be granted Options under the New LTIP on the terms generally described above in Section 6.3.3.1 and as follows:

Grant date	Shortly after Listing
Number and exercise price	$708,400 worth of Options, with the value of each Option calculated on or about the grant date by the Board having regard to a valuation prepared by an independent consultant using the Black-Scholes option pricing model Each Option has an exercise price (which will need to be paid by Mr Morris to exercise any vested Options) equal to the Offer Price
Consideration for grant	Nil
Performance period	Listing to 30 June 2017, inclusive
Last exercise date	30 June 2018
Vesting conditions	50% of the Options granted ("**TSR Tranche**") will vest subject to a relative total shareholder return ("**TSR**") performance hurdle over the performance period. The remaining 50% ("**EPS Tranche**") will vest subject to an earnings per Share ("**EPS**") performance hurdle over the performance period. The PAS Group's TSR over the performance period will be assessed against a comparator group comprising companies in the S&P/ASX 300 Consumer Discretionary Index.

Vesting conditions (continued)	The TSR Tranche Option vesting percentages corresponding to the ranking of the Company's TSR performance relative to the comparator group over the performance period are as follows: – below the 50th percentile TSR growth – 0%; – at the 50th percentile TSR growth – 25%; – between the 50th percentile and the 80th percentile TSR growth – pro-rata straight-line between 25% and 100%; or – above the 80th percentile TSR growth – 100%. The Starting Share price for the Company's TSR performance calculation will be the Offer Price. The EPS Tranche Option vesting percentages corresponding to the Company's EPS growth over the performance period (adjusted to take into account one-off items associated with the Offer, if necessary) are as follows: – annual EPS less than prior year EPS – 0%; – annual EPS = forecast budget EPS – 60%; – annual EPS between forecast budget EPS and forecast EPS + 5% – pro-rata straight-line between 60% and 100%; and – annual EPS > forecast EPS + 5% – 100%. The Options will not vest unless, at the time of satisfaction of all other performance criteria or hurdles, the volume weighted average price of Shares traded on ASX calculated over the last 5 trading days on which sales in Shares are recorded is 105% or more of the market value of the underlying shares at grant, or such other percentage as determined by the Board from time to time.
Other terms	If Mr Morris is dismissed with cause, before the Options vest, all unvested Options will be forfeited unless otherwise determined by the Board. If Mr Morris' employment is terminated for any other reason, there will be a pro-rata forfeiture of his Options (unless otherwise determined by the Board) and the balance of his Options will remain on foot and will be vested at the end of the vesting period subject to applicable performance conditions (unless otherwise determined by the Board). If there is a change in control, all of the Options will vest.

The PAS Group has received in-principle confirmation from ASX that Listing Rule 10.14 does not apply to the above-noted Options to be granted to Mr Morris. Any future issues of Shares, Option or Rights under the New LTIP will be the subject of Shareholder approval in accordance with the requirements of Listing Rule 10.14 (to the extent applicable).

6.3.4.3 Short term incentives

The Board has determined that The PAS Group's current remuneration policy for its eligible employees includes an annual incentive program, payments under which are subject to satisfaction of performance criteria set by the Board each year. Payment of short term incentives in any given year is conditional upon achievement of:

– performance criteria tailored to each respective role (if any); and

– The PAS Group's financial performance against criteria set by the Board.

The Board has determined that the short term incentives for the CEO and CFO for the 2015 financial year will be calculated with reference to their respective TFR. The threshold, target and maximum opportunity for the CEO and CFO upon achieving the relevant key performance indicators set by the Board ("**KPIs**") are as follows:

% of TFR	Threshold	Target	Maximum
CEO	12.5%	30%	40%
CFO	12.5%	30%	40%

No award of short term incentive will be payable below the threshold performance. Performance between the threshold and target, and between target and maximum, will be rewarded on a pro-rata straight-line basis. The underlying level of performance required to be achieved for each award level will be assessed against financial and non-financial KPIs determined by the Board. These KPIs will include performance against financial measures (for example, revenue, EBITDA, return on funds employed and/or performance against the Forecast Financial Information in this Prospectus) and non-financial measures (such as performance in relation to strategic initiatives and leadership). In respect of the financial KPIs, threshold performance each year will reflect significant growth from the prior year's corresponding performance target.

6.4 Corporate governance

This Section 6.4 explains how the Board will oversee the management of The PAS Group's business. The Board is responsible for the overall corporate governance of The PAS Group. The Board monitors the operational and financial position and performance of The PAS Group and oversees its business strategy, including approving the strategic goals of The PAS Group and considering and approving a business plan and an annual budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of The PAS Group. In conducting business with these objectives in mind, the Board seeks to ensure that The PAS Group is properly managed to protect and enhance Shareholder interests, and that The PAS Group, and its directors, officers and personnel, operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing The PAS Group, and has adopted or is developing relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for The PAS Group's business and which are designed to promote the responsible management and conduct of The PAS Group.

The main policies adopted by The PAS Group, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. The PAS Group's code of conduct outlines the standards of conduct expected of The PAS Group's business and personnel in a range of circumstances. In particular, the code articulates the high standards of honesty, integrity, ethical and law abiding behaviour expected of Directors, management and employees. Details of The PAS Group's key policies and the charters for the Board and each of its committees will be available from Listing at www.thepasgroup.com.au. The PAS Group's current operational practices include comprehensive occupational health and safety and business continuity protocols, and otherwise reflect its position as an established privately-owned business and having regard to the nature, breadth and geographic reach of its operations. Following Listing, the Group will develop further practices consistent with the policies summarised below.

The ASX Corporate Governance Council has developed and released the third edition of its corporate governance principles and recommendations ("**ASX Recommendations**") for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The principles and recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the principles and recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Except as set out below, the Board does not anticipate that the Company will depart from the recommendations of the ASX Corporate Governance Council; however, it may do so in the future if it considers that such a departure would be reasonable.

6.4.1 Board of directors

The Board considers that each of Rod Walker, Jacquie Naylor, David Fenlon and Jon Brett is an independent director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and each is able to fulfil the role of an independent director for the purposes of the ASX Recommendations. None of these Directors are acting as nominees or representatives of any current or former shareholder of any The PAS Group entity, nor as nominees or representatives of the Lead Manager or suppliers to The PAS Group.

Mr Morris, the CEO, is currently considered by the Board not to be independent. With regard to the indicators of independence set out in Box 2.3 of the ASX Recommendations, Mr Morris is currently the CEO and is therefore not independent.

6.4.2 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to, among other things:

- represent and serve the interests of Shareholders by overseeing and appraising The PAS Group's strategies, policies and performance;
- oversee The PAS Group, including providing leadership and setting its strategic objectives;
- approve and monitor systems of risk management, internal compliance, accountability and control, codes of conduct and legal compliance to ensure appropriate compliance frameworks and controls are in place;

- set the risk appetite within which the Board expects management to operate;
- monitor senior management's performance and approve remuneration policies and practices;
- monitor implementation of strategy and ensure appropriate resources are available;
- approve and monitor the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approve budgets;
- approve and monitor the corporate, financial and other reporting systems of the Group, including external audit, and oversee their integrity;
- adopt appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards, including establishing procedures to ensure information that a reasonable person would expect to have a material effect on the price or value of the Shares is appropriately and accurately disclosed on a timely basis in accordance with all legal and regulatory requirements; and
- monitor the effectiveness of the Group's governance practices.

Matters which are specifically reserved for the Board or its committees include:

- appointment of the Chairman;
- appointment and removal of the CEO;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- review of corporate codes of conduct;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of Directors or Shareholders; and
- any other specific matters nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to access management and to request additional information at any time they consider it appropriate. The Board collectively, and individual Directors, may seek independent professional advice at The PAS Group's expense, subject to the reasonable approval of the Chairman of the Board and the advice received is made available to the Board as a whole.

6.4.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee and the Nomination and Remuneration Committee. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of The PAS Group, relevant legislative and other requirements and the skills and experience of individual Directors.

6.4.3.1 Audit and Risk Committee

Under its charter, this committee must have at least three members, a majority of whom must be independent and all of whom must be Non-Executive Directors. Also, all members of this committee must be financially literate and have familiarity with financial and accounting matters and at least one member must be a qualified accountant or other financial professional with appropriate expertise of financial and accounting matters.

Currently, Jon Brett, Rod Walker and David Fenlon (whose relevant qualifications and experience is set out at Section 6.1) are members of the Audit and Risk Committee, and Mr Brett will act as chair of this committee. They are all financially literate.

The primary role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including:

- engaging in the oversight of, and assessing the adequacy of, The PAS Group's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process;
- assessing the appropriateness and application of The PAS Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- assessing the appropriateness of any significant accounting estimates, judgements or choices contained in The PAS Group's financial reports;
- reviewing all half yearly and annual reports with management, advisers, and the external auditors (as appropriate) and recommending the applicable accounts' adoption by the Board if those reports reflect the understanding of the members of the committee, and otherwise provide a true and fair view of the financial position of the Group;
- overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring that there is a mechanism for assessing the ongoing efficacy of those systems;
- approving the terms of engagement with the external auditor at the beginning of each financial year;
- approving policies and procedures for appointing or removing an external auditor and for external audit engagement partner rotation; and
- meeting periodically with the external auditor and inviting them to attend committee meetings to assist the committee to discharge its obligations.

Under the charter, it is the policy of The PAS Group that its external auditing firm must be independent of it. The committee will review and assess the independence of the external auditor on an annual basis.

6.4.3.2 Nomination and Remuneration Committee

Under its charter, this committee must have at least two members, each of whom (including the chairman) must be independent Directors and all of whom must be Non-Executive Directors. Currently, Rod Walker and Jacquie Naylor are the members of this committee. Mr Walker will act as chair of this committee.

The Board acknowledges ASX Recommendations that nomination and remuneration committees should have at least three members. The Board believes that the proposed size of its Nomination and Remuneration Committee is appropriate having regard to the size of The PAS Group and the Board and the costs associated with larger committees.

The primary role of the Nomination and Remuneration Committee is to assist the Board with a view to discharging its responsibilities to Shareholders and other stakeholders to seek to ensure that The PAS Group:

- oversees the nomination and appointment, and monitors the performance, of Board members and senior management (and in particular, the CEO, CFO and General Managers);
- conducts succession planning;
- has coherent remuneration policies and practices which enable The PAS Group to attract and retain executives and Directors who will create value for Shareholders;
- fairly and responsibly remunerates Directors and executives, having regard to the performance of The PAS Group, the performance of the executives and the general remuneration environment;
- has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis;
- has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet The PAS Group's needs; and
- will integrate human capital and organisational issues into the overall business strategy.

6.4.4 Risk management policy

The identification and proper management of The PAS Group's risks are an important priority of the Board. The PAS Group has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to The PAS Group's operations and The PAS Group's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has responsibility for identifying major risk areas and implementing risk management systems. The Board is responsible for monitoring risk management and establishing procedures which seek to provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The Board may delegate these functions to the Audit and Risk Committee.

The PAS Group will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO or CFO and Company Secretary to provide declarations required under section 295A of the Corporations Act.

The PAS Group will implement a system whereby management may be required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

6.4.5 Diversity policy

The PAS Group values a strong and diverse workforce and is committed to developing measurable objectives of diversity and inclusion in its workplace. The PAS Group has implemented a diversity policy, with meritocracy the guiding principle, which is overseen by the Board and which aligns The PAS Group's management systems with the commitment to develop a culture that values and achieves diversity in its workforce and on its Board. In its annual report, the Company will disclose the measurable objectives for achieving diversity and progress towards achieving them and will also disclose the proportion of women in the whole organisation, women in senior executive positions and women on the Board. The diversity policy also includes a Board "skills matrix" requiring the Board as a whole to feature diversity, retail and apparel industry experience, business acquisition and integration experience, financial literacy and legal and regulatory knowledge, among other things.

6.4.6 Disclosure policy

Once listed on ASX, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. The Company is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Company has adopted a policy to take effect from Listing which establishes procedures that are aimed at ensuring that Directors and management are aware of, and fulfil, their obligations in relation to the timely disclosure of material price-sensitive information. Under the disclosure policy, the Board will be responsible for managing the Company's compliance with its continuous disclosure obligations. Continuous disclosure announcements will also be made available on the Company's website at www.thepasgroup.com.au.

6.4.7 Securities trading policy

The PAS Group has adopted a securities trading policy which will apply to the Company and its Directors, officers, employees and management, including those persons having authority and responsibility for planning, directing and controlling the activities of The PAS Group, whether directly or indirectly.

The policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and establish procedures in relation to Directors, management or employees dealing in Shares.

Subject to certain exceptions, including severe financial hardship, the securities trading policy defines certain "closed periods" during which trading in Shares by Directors, officers and certain senior executives is prohibited. Those closed periods are currently defined as any of the following periods:

- the period commencing one month prior to the release of the Company's half year results to ASX and ending 24 hours after such release;
- the period commencing one month prior to the release of the Company's full year results to ASX and ending 24 hours after such release; and
- the period commencing two weeks prior to each of the Company's annual general meetings and ending 24 hours after the relevant annual general meeting,

and any additional periods determined by the Board from time to time.

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information.

A copy of this securities trading policy will be available on The PAS Group's website at www.thepasgroup.com.au.

6.4.8 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by all employees and officers. The key aspects of this code are to:

- act with honesty, integrity, fairness and responsibility and ethically and in the best interests of The PAS Group;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use The PAS Group's resources and property properly.

The code of conduct sets out The PAS Group's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, integrity and conflicts of interest.

6.4.9 Communications with Shareholders

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of The PAS Group and that Shareholders are informed of all major developments affecting the affairs of The PAS Group in accordance with all applicable laws. The Company is required by law to communicate to Shareholders through the lodgement of all relevant financial and other information with ASX. The Company will also publish this information on The PAS Group's website at www.thepasgroup.com.au.

The PAS Group's website will also contain information about the Company, including media releases, key policies and the charters of its Board committees.

6.4.10 Related party transactions

Other than as disclosed in this Prospectus, The PAS Group is not party to any material related party arrangements.

6.5 Compliance

The Board has adopted corporate governance policies and practices which are, except as set out above, in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations.

Section 07 Details of the Offer

07 Details of the Offer

7.1 The Offer

This Prospectus relates to an invitation to apply for 104.8 million shares in the Company at the Offer Price of $1.15 per Share. The Shares to be issued under this Prospectus will represent approximately 77% of the Shares on issue on Completion of the Offer. The Offer is expected to raise approximately $120.5 million.

Shares held on Completion of the Offer by State Super, Propel and Macquarie along with Shares held by the Management Shareholders and Minority Shareholders will be subject to voluntary escrow agreements described in Section 7.7.1.

The total number of Shares on issue at Completion will be 136.7 million and all Shares will, once issued, rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.13.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

– the **Retail Offer**, which consists of the:
  · **Broker Firm Offer** – open to Australian resident retail clients of Brokers who have received an invitation to participate from their Broker; and
  · **Employee Offer** – open to Eligible Employees; and
  · **Priority Offer** – open to selected investors in Australia who have received a Priority Invitation; and
– the **Institutional Offer** – an invitation to bid for Shares made to Institutional Investors in Australia and in certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.3. Details of the Employee Offer and the allocation policy under it are described in Section 7.4. Details of the Priority Offer and the allocation policy under it are described in Section 7.5. Details of the Institutional Offer and the allocation policy under it are described in Section 7.6. The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Lead Manager in consultation with the Company, having regard to the allocation policies outlined in Sections 7.3, 7.4, 7.5 and 7.6.

The Offer has been fully underwritten pursuant to an Underwriting Agreement under which the Lead Manager has been appointed to arrange and manage and act as sole lead manager, bookrunner and underwriter of the Offer. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.4.3.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

– provide The PAS Group with access to a strengthened balance sheet and to improve capital management flexibility and capacity to fund growth initiatives;
– provide The PAS Group with the benefits of an enhanced profile that arises from being a listed entity;
– provide the Company with a liquid market for its Shares and an opportunity for others to invest in the Company; and
– fund certain payments, as described below.

The Offer allows Existing Shareholders to realise part of their investment in The PAS Group by funding the cash component of the consideration for the purchase by the Company of all of the PAS Holdings Shares under the Sale Deed. The Offer also funds the cash component of the Minority Roll Up Transaction.

The proceeds of the Offer will be applied to:

– repayment of debt drawn on the Company's existing debt facilities, including loans from certain Existing Shareholders and Minority Shareholders of $30.1 million in aggregate;
– payment to the Existing Shareholders in part consideration for the transfer of their PAS Holdings Shares under the Sale Deed;
– payment to the Minority Shareholders in part consideration for the transfer of the minority interests in the Relevant Minority Entities in the Minority Roll Up Transaction;
– fund the Pre-Offer Dividend;
– increase in cash and cash equivalents; and
– payment of the costs associated with the Offer.

The uses of the proceeds of the Offer may vary if the level of debt in the Relevant Minority Entities deviates from the parties' good faith estimate or if there are changes to intercompany loan balances. Table 33 sets out the sources and uses relating to the Offer.

Table 33: Offer Sources and Uses

Sources	$	%	Uses	$	%
Cash proceeds of the Offer to be used to pay Existing Shareholders	$7.6 million	6%	Payment of proceeds to Existing Shareholders	$7.6 million	6%
Cash proceeds of the Offer for other uses	$113.0 million	82%	Payment under Minority Roll Up Transaction	$10.4 million[1]	8%
Cash at Completion of the Offer	$17.0 million	12%	Funding of Pre-Offer Dividend	$22.0 million	16%
			Payment of costs of the Offer	$8.5 million	6%
			Repayment of existing debt facilities	$58.9 million	43%
			Repayment of loans from certain Existing Shareholders and Minority Shareholders	$28.8 million	21%
			Repayment of interest accrued post 31 December 2013 on loans from certain Existing Shareholders at Completion of the Offer	$1.3 million	1%
Total Sources	**$137.5 million**	**100.0%**	**Total Uses**	**$137.5 million**	**100.0%**

1 Approximate cash payment under Minority Roll Up Transaction. Actual amount to be confirmed at settlement depending on debt position in the Relevant Minority Entities and intercompany loan balances. The PAS Group does not expect this figure to change materially.

7.1.3 Pro forma historical consolidated balance sheet

The Company's pro forma balance sheet following Completion, including details of the pro forma adjustments, is set out in Section 4.5.

7.1.4 Capitalisation and indebtedness

The Company's capitalisation and indebtedness as at 31 December 2013, before and following the Completion of the Offer, is set out in Section 4.6.

7.1.5 Shareholding structure

The details of the ownership of PAS Holdings Shares at the Prospectus Date and Shares on Completion of the Offer are set out below:

Table 34: Shareholding structure

	PAS Holdings Shares at Prospectus Date	pre-Offer (%)	Shares on Completion of the Offer	Completion of the Offer (%)
State Super	4,183,426	42.7%	9,774,983	7.2%
Propel	2,753,797	28.1%	6,434,515	4.7%
Macquarie	1,674,878	17.1%	3,913,516	2.9%
Eric Morris as trustee for the Morris Family Trust	665,889	6.8%	1,598,134	1.2%
Derrick Krowitz	358,556	3.7%	717,112	0.5%
Dalziel	162,808	1.7%	380,417	0.3%
Minority Shareholders[1]	–	–	9,061,435	6.6%
New Shares to be issued under the Offer	–	–	104,810,748	76.7%
Total	**9,799,354**	**100.0%**	**136,690,860**	**100.0%**

1 The Minority Shareholders do not hold any PAS Holdings Shares. They will receive Shares under the Minority Roll Up Transaction.

Details of the Shares that will be subject to voluntary escrow arrangements are set out in Section 7.7.1.

7.1.6 Control implications of the Offer

The Directors do not expect any Shareholder to control the Company on Completion (as defined in Section 50AA of the Corporations Act).

7.1.7 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet the Company’s stated business objectives.

7.2 Terms and conditions of the Offer

Table 35: Offer terms and conditions

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.13.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being $1.15 per Share.
What is the Retail Offer period?	The Retail Offer opens at 9:00am on Friday, 6 June 2014. The Retail Offer closes at 5:00pm on Friday, 13 June 2014. The key dates, including details of the Offer Period, are set out on page 4. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time. The Company, with the prior written consent of the Lead Manager, reserves the right to vary both of the above times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the date of the Original Prospectus.
What are the cash proceeds to be raised?	Approximately $120.5 million will be raised if the Offer proceeds.
Is the Offer underwritten?	Yes. The Lead Manager has fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.4.3.
What is the minimum and maximum Application size under the Retail Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. Eligible Employees are invited to apply for Shares under the Employee Offer and may apply for a minimum of $1,000 worth of Shares, and in multiples of $1,000 worth of Shares thereafter. The minimum Application size under the Priority Offer is $10,000 worth of Shares, and in multiples of $5,000 worth of Shares thereafter.
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer was determined by agreement between the Lead Manager and the Company, having regard to the allocation policy outlined in Sections 7.3, 7.4, 7.5 and 7.6. For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients. The allocation of Shares among Applicants in the Priority Offer and the Employee Offer will be determined at the absolute discretion of the Company, subject to a guaranteed minimum allocation of $1,000 worth of Shares per Eligible Employee who validly applies. The allocation of Shares among applicants in the Institutional Offer was determined by the Lead Manager in consultation with the Company.

07 Details of the Offer (continued)

Topic	Summary
What is the allocation policy? (continued)	The Lead Manager, in conjunction with the Company, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. The Lead Manager, in conjunction with the Company, also reserves the right to aggregate any Applications that it believes may be multiple Applications from the same person or scale back any applications (or aggregation of applications) in the Retail Offer which are for more than $100,000. The Company will announce the final allocation policy on the same Business Day as the closure of the Institutional Offer. This information will be advertised in various newspapers, including The Australian, The Australian Financial Review, The Sydney Morning Herald and The Age newspapers. The publication of this announcement is expected to occur on or around 16 June 2014. Applicants under the Retail Offer will also be able to call 1800 738 088 (within Australia) or +61 1800 738 088 if eligible to participate in the Offer and calling from outside of Australia, from 9:00am to 5:00pm Sydney Time on Monday to Friday during the Retail Offer period.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on Thursday, 19 June 2014.
Will the Shares be listed?	The Company will apply to the ASX for admission to the Official List and quotation of Shares on the ASX (which is expected to be under the code PGR). Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of The PAS Group or the Shares for which applications are invited.
Is the Offer conditional?	Yes. The contracts formed on acceptance of applications and confirmations of allocations of Shares will be conditional on: – ASX agreeing to admit the Company to the Official List and to quote the Shares; – completion of the transaction contemplated by the Sale Deed; and – Settlement. Trades occurring on ASX before issue occurring will be conditional on the above matters occurring and the issue of Shares to successful applicants under the Offer.

Topic	Summary
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on Monday, 16 June 2014, initially on a conditional and deferred settlement basis. Conditional trading will continue until the Company has advised ASX that the conditions described above have been satisfied. Trading will then be on an unconditional but deferred settlement basis until the Company has advised ASX that initial holding statements have been mailed to Shareholders. Shares will commence trading on the ASX on an unconditional and normal settlement basis on or around Friday, 20 June 2014. If settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of the Offer and confirmations of allocations of Shares will be cancelled and of no further effect and all Application Monies will be refunded without interest. In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by The PAS Group Offer Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.7.1.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 7.11.
Are there any tax considerations?	Refer to Section 9.7.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to The PAS Group Offer Information Line on 1800 738 088 (toll free within Australia) or +61 1800 738 088 (outside Australia) between 9:00am and 5:00pm (AEST), Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received an invitation to participate from their Broker and who have a registered address in Australia. If you have received an invitation to participate from your Broker, you will be treated as a Broker Firm Offer Applicant. You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer. The Broker Firm Offer is not open to persons in the United States.

7.3.2 How to apply

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or The PAS Group Offer Information Line on 1800 738 088 (toll free within Australia) or +61 1800 738 088 (outside Australia) to request a Prospectus and Application Form, or download a copy at www.thepasgroup.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5:00pm (AEST) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. ***The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.***

The minimum application under the Broker Firm Offer is as directed by the Applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Lead Manager reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications in the Broker Firm Offer which are for more than $100,000 worth of Shares. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9:00am (AEST) on Friday, 6 June 2014 and is expected to close at 5:00pm (AEST) on Friday, 13 June 2014. The Company and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not the Company and the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

7.3.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to the Company to apply for the amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form (including the conditions regarding quotation on ASX in Section 7.2 and the acknowledgements in Section 7.9). To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

The Lead Manager, in agreement with the Company, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

7.3.6 Application Monies

The Company reserves the right to decline any application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants.

Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Broker.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

7.4 Employee Offer

7.4.1 Who may apply

The Employee Offer is an invitation to Eligible Employees to apply for Shares in the Company. Eligible Employees are permanent, full time and part time employees of The PAS Group (other than Retail Site employees) as at 9 May 2014 who are resident in Australia.

7.4.2 How the Employee Offer works

Eligible Employees who apply for at least $1,000 worth of Shares will receive a guaranteed minimum allocation of $1,000 worth of Shares at the Offer Price. Employees who apply for more than $1,000 worth of Shares may be subject to the some level of scale back. Applicants under the Employee Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of the their Application Monies, as applicable.

7.4.3 How to Apply

If you are an Eligible Employee and you wish to apply for Shares, please visit www.thepasgroup.com.au or contact The PAS Group Offer Information Line on 1800 738 088 (toll free within Australia) or +61 1800 738 088 (outside Australia) between 8:30am to 5:30pm (AEST) Monday to Friday for information on how to apply. Eligible Employees may only apply for Shares by applying online at www.thepasgroup.com.au and by paying their Application Monies via BPAY (no physical Application Form is needed when paying in this manner). There are instructions set out on the online Application Form to help you complete it.

You may apply for an amount up to and including the amount indicated on your personalised invitation. Applications under the Employee Offer must be for a minimum of $1,000 worth of Shares and in multiples of $1,000 worth of Shares thereafter.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. ***The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.***

An Application in the Employee Offer is an offer by an Eligible Employee to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.2 and the acknowledgements in Section 7.9). To the extent permitted by law, an Application by an Eligible Employee under the Offer is irrevocable.

An Application may be accepted by the Company and the Lead Manager in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Subject to the guaranteed allocation referred to in Section 7.4.2, the Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest).

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

Acceptance of an Application will give rise to a binding contract.

7.4.4 How to Pay

Applicants under the Employee Offer must pay their Application Monies by BPAY in accordance with instructions on the online Application Form. For more details, prospective Applicants should refer to www.thepasgroup.com.au or contact The PAS Group Offer Information Line on 1800 738 088 (toll free within Australia) or +61 1800 738 088 (outside Australia) between 9:00am to 5:00pm (AEST) Monday to Friday.

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number (CRN) generated by the online Application Form. Application Monies paid via BPAY must be received by the Share Registry by no later than 5:00pm Sydney Time on Friday 13 June 2014 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company nor the Lead Manager take any responsibility for any failure to receive Application Monies or payment by BPAY before the Employee Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.4.5 Allocation policy under the Employee Offer

PAS Group and the Lead Manager have absolute discretion regarding the allocation of Shares to Applicants in the Employee Offer and may reject an Application, or allocate fewer Shares than the amount applied for, in their absolute discretion.

7.5 Priority Offer

7.5.1 Who may apply

The Priority Offer is open to selected investors in Australia who have received a Priority Invitation to participate. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the Priority Offer.

The Priority Offer is not open to persons in the United States.

7.5.2 How to Apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you should follow the instructions on your personalised invitation to apply.

You may apply for an amount up to and including the amount indicated on your personalised invitation. Applications under the Priority Offer must be for a minimum of $10,000 worth of Shares and in multiples of $5,000 worth of Shares thereafter.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. ***The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.***

An Application in the Priority Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.2 and the acknowledgements in Section 7.9). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Lead Manager in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Subject to any guaranteed allocation referred to in Section 7.5.4, the Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Any excess funds due solely to rounding will not be refunded.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

Acceptance of an Application will give rise to a binding contract.

7.5.3 How to Pay

If you are a Priority Offer Applicant, you must pay for Shares applied for following the instructions on your personalised invitation.

7.5.4 Allocation policy under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of The PAS Group.

Priority Offer Applicants may be eligible to receive a guaranteed allocation up to and including the amount indicated on their personalised invitation.

7.6 Institutional Offer

7.6.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.6.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager in consultation with the Company. The Lead Manager and the Company had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer, Employee Offer, Priority Offer and the Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long term Shareholders; and
- any other factors that the Company and the Lead Manager considered appropriate.

7.7 Disposal restrictions on Shares

7.7.1 Voluntary escrow arrangements

The Shares held by each of the Escrowed Shareholders (other than any Shares acquired by them under the Offer) will be escrowed until the date on which the Company's full-year results for the period ending 30 June 2015 are released to the ASX.

Each of the Escrowed Shareholders has agreed to enter into an escrow deed in respect of their escrowed Shares. This deed will prevent them from disposing of their escrowed Shares for the applicable escrow period.

The restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the escrowed Shares, encumbering or granting a security interest over the escrowed Shares, granting or exercising an option over the escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the escrowed Shares, or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to their escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid; or
- the escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

During the escrow period, the Escrowed Shareholders whose Shares are subject to escrow may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

In aggregate 31,880,112 Shares will be the subject of these escrow arrangements. This is not expected to have an effect on the liquidity of trading Shares on the ASX.

The number of Shares in respect of which the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with the Company are set out in the table below.

Name of Escrowed Shareholder	Shares immediately post-IPO	Number of Shares held in escrow
State Super	9,774,983	9,774,983
Propel	6,434,515	6,434,515
Macquarie	3,913,516	3,913,516
Eric Morris as trustee for the Morris Family Trust	1,598,134	1,598,134
Derrick Krowitz	717,112	717,112
Dalziel	380,417	380,417
Minority Shareholders	9,061,435	9,061,435

7.8 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia, and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

7.9 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including in or accompanying the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian Dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the applicant(s) necessary for Shares to be allocated to the applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the applicant(s), given the investment objectives, financial situation or particular needs of the applicant(s);
- declared that the applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer and each person in Australia to whom the Institutional Offer is made under this Prospectus will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.10 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.11 ASX and ASIC

7.11.1 ASX waivers and confirmations

The Company has applied to ASX for customary Listing Rule confirmations.

7.11.2 ASIC exemption, modification and relief

The Company has applied for modification of section 708A of the Corporations Act to the extent necessary to permit the Shares to be issued to the Existing Shareholders under the Sale Deed, to the Minority Shareholders under the Minority Deeds and to any Institutional Investors acquiring Shares otherwise than under this Prospectus, to be able to be sold on ASX within 12 months of their issue without the requirement for a future disclosure document being prepared in connection with that sale. The Company has also applied for relief so that the takeovers provisions of the Corporations Act will not apply to certain Relevant Interests that the Company would otherwise acquire in the Escrowed Shareholders escrowed Shares by reason of the voluntary escrow arrangements in relation to those Shares described in Section 7.7.1.

7.12 ASX listing, registers and holding statements, conditional and deferred settlement trading

7.12.1 Application to ASX for listing of the Company and quotation of Shares

The Company applied for admission to the Official List and quotation of the Shares on the ASX within seven days of the Original Prospectus Date. The Company's ASX code is expected to be PGR.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Original Prospectus Date (or any later date permitted by law), all Application

Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.12.2 CHESS and issuer sponsored holdings

The Company has applied to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.12.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that the Shares will commence trading on ASX on Monday, 16 June 2014, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications and bids in the bookbuild will be conditional on ASX agreeing to quote the Shares on ASX, the issue of Shares to Successful Applicants under the Offer and on Settlement occurring. Trades occurring on ASX before Settlement will be conditional on Settlement occurring.

If the Offer is withdrawn after Shares have commenced trading on a conditional and deferred settlement basis, all contracts for the sale of the Shares on ASX would be cancelled and any Application Monies received would be refunded as soon as possible (without interest).

Conditional trading will continue until the Company has advised ASX that Settlement has occurred, which is expected to be on Tuesday, 17 June 2014. Trading will then be on an unconditional but deferred settlement basis until the Company has advised ASX that holding statements have been dispatched to Shareholders, which will be on or around Thursday, 19 June 2014. Normal settlement trading (that is, trading on a T+3 settlement basis) is expected to commence on or around Friday, 20 June 2014.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of Applications and bids will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

To assist Applicants in determining their allocation prior to receipt of a holding statement, the Company will announce details of the basis of allocations in various newspapers on or around 16 June 2014. After the basis for allocations has been determined, Applicants will also be able to call The PAS Group Offer Information Line on 1800 738 088 (toll free within Australia) or +61 1800 738 088 (outside Australia) between 8:30am to 5:30pm (AEST) Monday to Friday, or their Broker, to confirm their allocations.

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants or bidders who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them or by The PAS Group Offer Information Line.

7.13 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

7.13.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution.

This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

Upon Listing, the Company will adopt a new constitution which is consistent with the Company being an ASX listed company. Accordingly, the summary assumes that the Company is admitted to the Official List.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally.

7.13.2 Meeting of members

Each shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.

7.13.3 Voting at a general meeting

At a general meeting of the Company, every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.13.4 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies. The Directors may fix the amount, time and method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attached to any shares or class of shares, all dividends must be paid equally on all Shares and in proportion to the number of, and the amounts paid on, the Shares held.

7.13.5 Transfer of shares

Subject to the Constitution and to the rights or restrictions attached to any shares or class of shares, a member may transfer all or any of the member's shares by:

- a Proper ASTC transfer (as that term is defined in the Corporations Regulations); or
- an instrument in writing in any usual form or in any other form that the Directors approve.

The Company may decline to register a transfer of shares in a number of situations including:

- in the circumstances permitted under the ASX Listing Rules or ASX Settlement Operating Rules, as applicable;
- where the transfer is not in registrable form; or
- where the refusal to register the transfer is otherwise permitted under ASX Listing Rules or, except for a Proper ASTC Transfer (as that term is defined in the Corporations Regulations), under the terms of issue of the shares.

If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

The Company must refuse to register a transfer of shares if required to do so by the ASX Listing Rules. The Directors may suspend the registration of a transfer at such time and for such periods, not exceeding in total 30 days in any year, as they think fit as permitted by the ASX Listing Rules and ASX Settlement Operating Rules.

7.13.6 Issue of further shares

Subject to the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue Shares or grant options over unissued Shares to any person and they may do so at such times and on the conditions they think fit. The Shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

7.13.7 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.13.8 Winding up

If the Company is wound up, then subject to the Constitution and to the rights or restrictions attached to a class of shares, any surplus assets must be divided among the Company's members in proportion to the shares held by them (irrespective of the amounts paid or credited as paid on the shares), less any amounts which remain unpaid on these Shares at the time of distribution.

7.13.9 Sale of non-marketable parcels

Provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of Shares is defined in the ASX Listing Rules and is, generally, a holding of Shares with a market value of less than $500.

7.13.10 Share buy-backs

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the ASX Listing Rules.

7.13.11 Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. Subject to the Corporations Act and the terms of issue of the Shares, wherever the capital of the Company is divided into different classes of shares, the rights attached to any class of Shares may be varied with:

- the written consent of the holders of at least three quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

7.13.12 Reduction of share capital

Subject to the Constitution, Corporations Act and ASX Listing Rules, the Company may reduce its share capital in any way permissible by the Corporations Act.

7.13.13 Proportional takeover provisions

The Constitution contains provisions requiring shareholder approval before any proportional takeover bid can proceed. The provision will lapse three years from the date of adoption of the Constitution unless it is renewed by special resolution of Shareholders in a general meeting.

7.13.14 Dividend reinvestment plans

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan. It is not currently intended that a dividend reinvestment plan will be implemented.

7.13.15 Employee share plans

The Directors may implement an employee share plan for officers or employees of the Company on such terms and conditions as they think fit. Further details about the Company's short term incentive arrangements and New LTIP are contained in Section 6.3.4.

7.13.16 Directors – appointment and removal

Under the Constitution, the minimum number of Directors is three and the maximum is eight or such lower number as the Directors determine, provided the proposed lower number has been authorised by general meeting of the Company's members if required under the Corporations Act.

The Company may elect directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

No Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

7.13.17 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

7.13.18 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of the Company. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

7.13.19 Directors' and officers' indemnity

The Company, to the extent permitted by law, indemnifies each person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any losses or liability incurred by that person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company, to the extent permitted by law, may enter into and pay premiums on a contract insuring any person who is a current or former Director, executive officer, officer or auditor of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine, against any liability incurred by the person as an officer or auditor of the Company or of a related body corporate of the Company including, but not limited to, a liability for negligence or for legal costs.

The Company has entered into deeds of access, insurance and indemnity with each Director. These are summarised above in Section 6.3.2.3.

Section 08 Investigating Accountant's Report and Financial Services Guide

Deloitte.

Deloitte Corporate Finance Pty Limited
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The Directors
The PAS Group Limited
17 Hardner Road
Mount Waverley VIC 3149

22 May 2014

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors (the Directors) of The PAS Group Limited ACN 169 477 463 (the Company) for inclusion in the Prospectus to be issued by the Company (the Prospectus) in respect of the initial public offering of fully paid ordinary shares in the Company (the Offer) and listing of the Company on the Australian Securities Exchange.

In this report, references to the "Group" mean prior to the settlement of the Offer, PASCO Group Pty Ltd ACN 117 244 943 (formerly known as The PAS Group Pty Ltd) and its subsidiaries, and after the settlement of the Offer, the Company and its subsidiaries, or where the context requires, the business described in the Prospectus.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services Licence under the Corporations Act 2001 (Cth) for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review the pro forma historical financial information of the Group being the:

- Pro forma historical consolidated income statements of the Group for the financial years ended 30 June 2012 (FY2012) and 30 June 2013 (FY2013), and for the six month periods ended 31 December 2012 (1H2013) and 31 December 2013 (1H2014), which are included in Table 7 and Table 8 of the Prospectus;
- Pro forma historical consolidated statements of cash flows of the Group for FY2012 and FY2013, which are included in Table 18 of the Prospectus;
- Pro forma historical consolidated balance sheet of the Group as at 31 December 2013, which is included in Table 15 of the Prospectus

(together, the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the historical financial information extracted from the audited consolidated financial statements of the Group for the financial years ended 30 June 2012 and 30 June 2013 and the reviewed financial statements of the Group for the six month period ended 31 December 2013 which

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includes comparative financial information for the six month period ended 31 December 2012 (the Statutory Historical Financial Information) and adjusted for the pro forma adjustments and/or transactions as described in Section 4.3.2 and Section 4.5.1 of the Prospectus (the Pro forma Adjustments) applied to the Statutory Historical Financial Information including illustrating the effects of the Offer on the Group and reflecting standalone public company costs.

The Statutory Historical Financial Information has been extracted from the financial reports of the Group:

- for the financial years ended 30 June 2012 and 30 June 2013 which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions on these financial reports; and
- for the six months ended 31 December 2013 (including comparative financial information for the six month period ended 31 December 2012) which were reviewed by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards. Deloitte Touche Tohmatsu issued an unmodified review opinion on this financial report.

The Pro forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro forma Adjustments relate, as described in Section 4.3.2 and Section 4.5.1 of the Prospectus, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Group's actual or prospective financial position, financial performance or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company to review the forecast financial information of the Group being the:

- Pro forma forecast consolidated income statements for the financial years ending 30 June 2014 (FY2014) and 30 June 2015 (FY2015), which are included in Table 7 of the Prospectus;
- Pro forma forecast consolidated statements of cash flows for FY2014 and FY2015, which are included in Table 18 of the Prospectus

  (the Pro forma Forecast Financial Information)
- Statutory forecast consolidated income statements for FY2014 and FY2015, which are included in Table 7 of the Prospectus; and
- Statutory forecast consolidated statements of cash flows for FY2014 and FY2015, which are included in Table 18 of the Prospectus

  (the Statutory Forecast Financial Information).

(together, the Forecast Financial Information).

The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.11 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies.

The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred prior to 1 July 2013. Due to its nature the Pro forma Forecast Financial Information does not represent the Group's actual prospective financial performance or cash flows for the two financial years ending 30 June 2014 and 30 June 2015.

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The Forecast Financial Information has been prepared by management of the Group and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Group for the financial years ending 30 June 2014 and 30 June 2015. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management of the Group expect to occur and actions that management of the Group expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Group. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance (audit) conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. The limited assurance (review) conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Group, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks set out in Section 5 and sensitivities set out in Section 4.13 of the Prospectus.

The sensitivity analysis set out in Section 4.13 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Group, that all material information concerning the prospects and proposed operations of the Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Pro forma Historical Financial Information, including the selection and determination of the Pro forma Adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

In connection with the review, we made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly in all material respects, on the basis of the Pro forma Adjustments, and in accordance with the recognition and measurement principles contained in the Australian Accounting Standards and the accounting policies adopted by the Group as disclosed in the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;

(ii) in all material respects, the Statutory Forecast Financial Information is not:

   a. prepared on the basis of the Directors' best estimate assumptions as described in Section 4.11 of the Prospectus; and

   b. presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Group and the recognition and measurement principles contained in Australian Accounting Standards; and

(iii) the Statutory Forecast Financial Information itself is unreasonable.

Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;

(ii) in all material respects, the Pro forma Forecast Financial Information is not:

   a. prepared on the basis of the Directors' best estimate assumptions as described in Section 4.11 of the Prospectus; and

   b. presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Group and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred prior to 1 July 2013 as disclosed in Section 4.3.2 of the Prospectus; and

(iii) the Pro forma Forecast Financial Information itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to the 'Important Notices' page and Section 4.2 of the Prospectus, which describe the purpose of the Pro forma Historical Financial Information and the Forecast Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

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Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Group.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

Ian Turner	**Steven Shirtliff**
Director	**Director**

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds and regulated emissions units (i.e., carbon) to retail and wholesale clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer PO Box N250 Grosvenor Place Sydney NSW 1220 complaints@deloitte.com.au Fax: +61 2 9255 8434	Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 info@fos.org.au www.fos.org.au Tel: 1300 780 808 Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

1 February 2013

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

Section 09 Additional Information

09 Additional Information

9.1 Registration

The Company was incorporated in Victoria, Australia on 9 May 2014 as a public company limited by shares. At the Prospectus Date, the Company had not traded and had 100 Shares on issue held by certain of the Existing Shareholders.

9.2 Company tax status

The Company will be taxed as an Australian tax resident public company for the purpose of Australian income tax law.

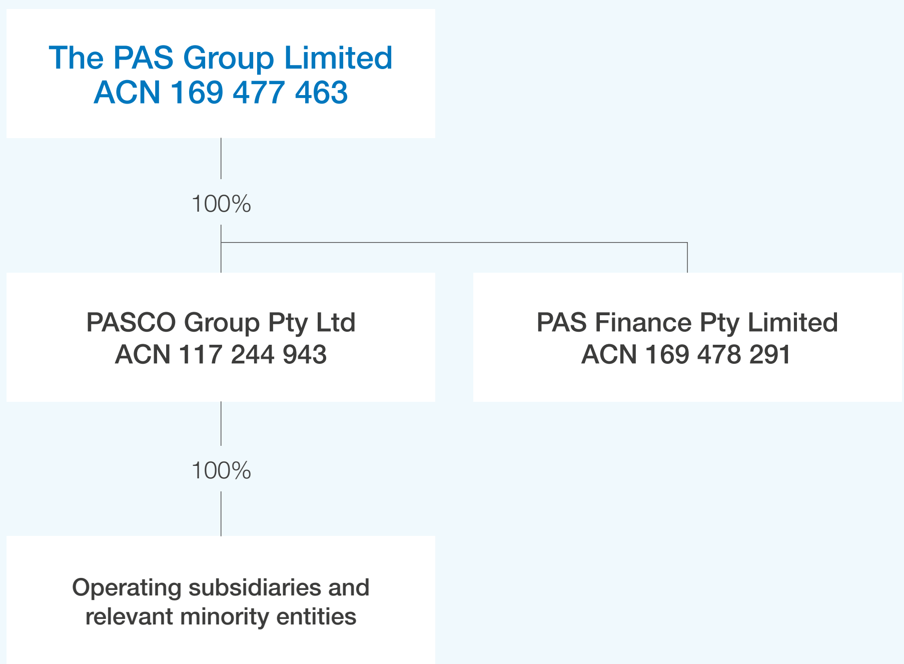
Prior to Completion of the Offer, the Company will form a new Australian income tax consolidated group with its wholly owned Australian tax resident subsidiary, PAS Finance. It is proposed that PAS Finance will enter into the New Banking Facilities. The PAS Holdings income tax consolidated group will join the Company's income tax consolidated group upon the Company's acquisition of all of the shares in PAS Holdings from the Existing Shareholders under the Sale Deed. A full assessment of the income tax consolidation implications will be completed following the Offer.

The PAS Group's non-Australian tax resident subsidiaries and New Zealand branch will continue to be taxable in those respective tax jurisdictions.

9.3 Corporate structure

The following diagram shows at a high level the corporate structure of The PAS Group on Completion of the Offer.

9.3.1 Group Structure Chart



9.4 Material contracts

Summaries of contracts set out in this Prospectus are included for the information of potential investors but do not purport to be complete and are qualified by the text of the contracts themselves.

9.4.1 Sale Deed

Under the Sale Deed, each of the Existing Shareholders has agreed to sell all of its PAS Holdings Shares to the Company, free from encumbrances, for an aggregate consideration calculated as $33.8 million (being the Offer Price multiplied by the number of Shares following the Offer), less:

- the costs of the Offer;
- the Pre-Offer Dividend;
- the repayment of loans owing by the Group to Family Black Pty Limited and to certain of the Existing Shareholders;
- the amounts payable to effect the Minority Roll Up Transactions (see section 9.4.2 below); and
- the amount by which the indebtedness of The PAS Group is to be paid down on Completion of the Offer.

Section 7.1 sets out the expected quantum of each of the above, assuming Completion of the Offer occurs on Tuesday, 17 June 2014. To the extent that Completion of the Offer occurs after Tuesday, 17 June 2014, certain of the above amounts may vary, affecting the aggregate consideration paid for PAS Holdings Shares.

The consideration for PAS Holdings Shares will be paid partly in cash ($7.6 million) and partly by way of the issue of Shares ($26.2 million) under the terms of the Sale Deed. Completion of the sale of PAS Holdings Shares under the Sale Deed is conditional on Settlement of the Offer.

The Existing Shareholders are entitled to receive the consideration for their PAS Holdings Shares in the form of cash, or a combination of cash and Shares and have irrevocably elected to do so as follows:

Table 36: Existing Shareholder Consideration

Existing Shareholder	Cash	Shares
State Super	$3.2 million	78%
Propel	$2.1 million	78%
Macquarie	$1.3 million	78%
Eric Morris as trustee for the Morris Family Trust	$0.5 million	80%
Derrick Krowitz	$0.4 million	67%
Dalziel	$0.1 million	78%

The Shares to be issued to the Existing Shareholders will be subject to escrow arrangements as set out in Section 7.7.1. Shares offered to Existing Shareholders under the Sale Deed are issued with disclosure under this Prospectus.

9.4.2 Minority Roll Up Transaction

As at the Prospectus Date, Breakaway Apparel Pty Limited and The Hopkins Group Aust Pty Limited ("**Relevant Minority Entities**") are not wholly owned subsidiaries of the PAS Group. Family Black Pty Ltd as trustee for the Family Black Trust is the holder of 17% of the shares in Breakaway Apparel Pty Limited and Christopher Switzer is the holder of 25% of the shares in The Hopkins Group Aust Pty Limited (each a "**Minority Shareholder**").

Under the terms of the shareholders agreements governing the affairs of the Relevant Minority Entities, the Minority Shareholders agreed to sell, on completion of a "PAS Exit Event" (which includes Settlement of the Offer), their shares in the Relevant Minority Entities to PAS Operations in consideration for the issue of PAS Holdings Shares, with the exchange ratio and values determined by reference to a specified formula. Rather than issuing PAS Holdings Shares to the Minority Shareholders, each Minority Shareholder has entered into a deed ("**Minority Deed**") with PAS Holdings, PAS Operations and the Relevant Minority Entity pursuant to which, among other things, the Minority Shareholders have agreed to sell their shares in the Relevant Minority Entity to PAS Operations in consideration for a combination of cash and/or Shares ("**Minority Roll Up Transaction**"). The consideration to be paid by PAS Operations to the Minority Shareholders (which has been determined by The PAS Group and confirmed by the auditors of The

PAS Group, with such determination being final and binding on the Minority Shareholders) in connection with the Minority Roll Up Transaction is:

1. Family Black Pty Ltd – approximately $7.8 million cash and 6.9 million shares; and
2. Christopher Switzer – approximately $2.5 million cash and 2.2 million shares.

Under the terms of the Minority Deeds, completion of the Minority Roll Up Transaction is subject to Settlement, and will occur on the date of Settlement. The Shares received by the Minority Shareholders pursuant to these arrangements will be subject to voluntary escrow in the manner described in Section 7.7.1 and are issued with disclosure under this Prospectus.

9.4.3 Underwriting Agreement

The Offer is being underwritten by the Lead Manager pursuant to an underwriting agreement, dated 22 May 2014, between the Lead Manager, the Company and PAS Holdings, as guarantor. Under the Underwriting Agreement, the Lead Manager has agreed to arrange, manage and underwrite, and act as sole lead manager, underwriter and bookrunner for, the Offer.

For the purpose of this Section 9.4.3, "Offer Documents" includes any of the following documents issued or published by, or on behalf of, and with the authorisation of, the Company in respect of the Offer, and in the form agreed by the Lead Manager:

- this Prospectus, the Application Forms and any supplementary or replacement prospectus;
- the pathfinder version of this Prospectus (including any cover email) that was provided to Institutional Investors and Brokers prior to lodgement of this Prospectus with ASIC; and
- the marketing, roadshow presentation and/or ASX announcement(s) used by or on behalf of the Company, to conduct the Offer.

9.4.3.1 Commissions, fees and expenses

The Company must pay the Lead Manager in accordance with the Underwriting Agreement an underwriting fee equal to 1.75%, and a selling and management fee of 1.00%, of the total Offer proceeds. The Company may also elect, at its absolute discretion, to pay the Lead Manager an incentive fee of up to 0.75% of the total Offer proceeds. These fees will be paid to the Lead Manager on the date of Settlement. The Company has agreed to reimburse the Lead Manager for certain agreed costs and expenses incurred by the Lead Manager in relation to the Offer.

9.4.3.2 Termination events

The Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10:00am on the date of Settlement by notice to the other parties if any of the following events, among others, occur:

- a statement in this Prospectus is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from this Prospectus (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- there is a new circumstance that arises after the Original Prospectus Date that would have been required to be included in this Prospectus if it had arisen before lodgement and that is materially adverse from the point of view of an investor;
- the Company issues, or in the reasonable opinion of the Lead Manager, is required to issue, a supplementary or replacement prospectus, in each case, to comply with Section 719 of the Corporations Act;
- at any time the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the day of the bookbuild for the Institutional Offer and is at or below that level at the close of trading (i) for three consecutive Business Days during any time after the date of the Underwriting Agreement or (ii) on the Business Day immediately prior to the date for Settlement;
- any of the voluntary escrow arrangements referred to in this Prospectus are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- the Sale Deed is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- there are not, or there ceases to be, reasonable grounds in the opinion of the Lead Manager (acting reasonably) for any statement or estimate in the Offer Documents which relate to a future matter or any statement or estimate in the Offer Documents which relate to a future matter is, in the opinion of the Lead Manager (acting reasonably), unlikely to be met in the projected timeframe (including in each case financial forecasts);
- the Company or PAS Holdings or any of their respective directors or officers engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to: (i) the Company's admission to the Official List within the specified time or (ii) the quotation of Shares on ASX or for the Shares to be traded through CHESS within the specified time and in either case if approval is granted, that approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- except in certain cases, any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under Section 739 of the Corporations Act;
  - ASIC holds a hearing under Section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of

the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Offer or an Offer Document;
  - any person (other than the Lead Manager) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
  - any person (other than the Lead Manager) gives a notice under Section 730 of the Corporations Act in relation to the Offer Documents.
- If any of the obligations of the relevant parties under any material contracts summarised in this Prospectus are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any such contracts (i) is amended or varied without the consent of the Lead Manager (acting reasonably), (ii) is terminated, (iii) is breached, (iv) ceases to have effect, otherwise than in accordance with its terms or (v) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- the Company withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- a Group member becomes insolvent or there is an act or omission that is likely to result in any of them becoming insolvent;
- except in certain cases, an event specified in the Offer timetable up to and including the date of Settlement is delayed by more than two Business Days;
- the Company is prevented from issuing Shares within the time required by the Underwriting Agreement, the Offer Documents, the ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- the Company or PAS Holdings: (i) other than under the Offer or as permitted under the Underwriting Agreement, alters the issued capital of the Company or a Group member or (ii) disposes or attempts to dispose of a substantial part of the business or property of the Company or a Group member, without the prior written consent of the Lead Manager;
- if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or PAS Holdings to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- any of the following occur: (i) a director or proposed director named in the pathfinder or Prospectus of the Company or PAS Holdings is charged with an indictable offence, (ii) any governmental agency commences any public action against the Company or PAS Holdings or any of its directors in their capacity as a director of the Company or PAS Holdings, or announces that it intends to take action, or (iii) any director or proposed director named in the pathfinder or Prospectus of the Company or PAS Holdings is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- with certain exceptions, a change in the chief executive officer, chief financial officer or the board of directors of the Company or PAS Holdings occurs;
- the chairman, chief executive officer or chief financial officer of the Company vacates his or her office; or
- the Company varies any term of its constitution without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld or delayed).

9.4.3.3 Termination subject to materiality

The Lead Manager may terminate the Underwriting Agreement, at any time after the date of the Underwriting Agreement and on or before 10:00am on the date for Settlement by notice to the other parties, if any of the following events, among others, occur and the Lead Manager has reasonable grounds to believe that the event (i) has or is likely to have a material adverse effect on the success, Settlement or marketing of the Offer, on the ability of the Lead Manager to market or promote or settle the Offer or on the likely price at which the Shares will trade on ASX, or on the willingness of investors to apply for Shares or (ii) will, or is likely to, give rise to a liability of the Lead Manager under, or give rise to or result in a contravention by the Lead Manager or its affiliates, or the Lead Manager or its affiliates being involved in a contravention, of any applicable law:

- a statement in any of the Offer Documents (other than this Prospectus) or certain information made public in relation to the business or affairs of the Company, PAS Holdings or their respective subsidiaries (“**Public Information**”) is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer Document;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Lead Manager to satisfy an obligation under this document, or to market, promote or settle the Offer;

- the due diligence report or other information provided by or on behalf of the Company or PAS Holdings to the Lead Manager in relation to the Company, PAS Holdings and their respective subsidiaries or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in any Offer Document or the Public Information;
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China, South Korea, Israel, Singapore or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries;
- a new law is introduced, or there is a public announcement of a proposal to introduce a new law, into the Parliament of Australia, New Zealand, the United States, Canada, the United Kingdom, Japan, Hong Kong, any member state of the European Union or any state or territory of Australia, or the Reserve Bank of Australia or New Zealand, or any Commonwealth or state authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy that has been announced before the date of the Underwriting Agreement);
- there is a contravention by the Company, PAS Holdings or any of their respective subsidiaries of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the *Australian Securities and Investments Commission Act 2001* (Cth), any regulations under those acts, or any of the ASX Listing Rules;
- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under the Corporations Act), the ASX Listing Rules or any other applicable law or regulation;
- a representation, warranty or undertaking or obligation contained in the Underwriting Agreement on the part of the Company or PAS Group (whether jointly or severally) is breached, becomes not true or correct or is not performed;
- the Company or PAS Group defaults on one or more of its obligations under the Underwriting Agreement;
- legal proceedings against the Company, PAS Holdings or any of their respective subsidiaries or any of their respective directors in their capacity as a director is commenced or any regulatory body commences an enquiry or public action against the Company, PAS Holdings or any of their respective subsidiaries;
- any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of the Company, PAS Holdings or any of their respective subsidiaries to the Lead Manager in respect of the Offer or the Company, PAS Holdings or any of their respective subsidiaries is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);
- a statement in a closing certificate is false, misleading, inaccurate, or untrue or incorrect; or
- any of the following occurs (i) a general moratorium on commercial banking activities in Australia, New Zealand, Canada, the People's Republic of China, Japan, Singapore, Hong Kong, the United Kingdom, the United States or a member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries, (ii) any adverse effect on the financial markets in Australia, New Zealand, Canada, Japan, the People's Republic of China, Singapore, Hong Kong, the United Kingdom, the United States or a member state of the European Union, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries or (iii) trading in all securities quoted or listed on ASX, the New Zealand Stock Exchange, New York Stock Exchange, London Stock Exchange, Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended, or limited, in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading.

9.4.3.4 Conditions, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company and PAS Holdings to the Lead Manager (as well as common conditions precedent, including the entry into a voluntary escrow deed by certain of the Escrowed Shareholders and ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable).

The representations and warranties given by the Company and PAS Holdings relate to matters such as the conduct of the Company and PAS Holdings, power and authorisations, information provided by the Company, litigation, non-disposal of escrowed Shares, information in this Prospectus, the conduct of the Offer, compliance with laws, the ASX Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, financial information, entitlements of third parties, tax, insurance, authorisations, eligibility for Listing and internal accounting controls. The Company's undertakings include that it will not, during the period following the date of the Underwriting Agreement until 180 days after Shares have been issued under the Offer, issue or agree to issue any equity securities without the prior written consent of the Lead Manager subject to certain exceptions. These exceptions include an issue of securities pursuant to the New LTIP as described in the Offer Documents or a proposed transaction fully and fairly disclosed in the pathfinder version of this Prospectus.

9.4.3.5 Indemnity

Subject to certain exclusions relating to, among other things, gross negligence, fraud or wilful misconduct of an indemnified party, the Company has agreed in the Underwriting Agreement to keep the Lead Manager and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.4.4 Other Material Contracts

9.4.4.1 Formal contracts

The PAS Group does not enter into formal contracts with its customers or suppliers. Customers and suppliers instead contract on an order-by-order basis (and, in the case of its customers, on an Indent Basis) such as BIG W, Myer and Target, with whom the Group has material agreements in place to supply those companies private label clothing and apparel.

9.4.4.2 Brand licence agreements

PAS, principally through its subsidiary Designworks, holds a number of major brand licences for the wholesaling of men's, women's and children's apparel. These include labels such as World Brands, Paul Frank, No Fear, Sista and various Kmart licences.

9.4.4.3 Concession licences

The PAS Group has recently entered into renewed department store concession licence agreements with Myer in respect of its Review and Metalicus brands. Although these are not "customer" contracts in the typical sense, the agreements permit The PAS Group to operate stand-alone concession stores within Myer department stores and retain control and ownership of inventory and branding.

The PAS Group's agreement in respect of the Review brand specifies a term of three years commencing 15 September 2013, and permits The PAS Group to operate 55 concession stores in Myer stores.

The PAS Group's agreement in respect of its Metalicus brand specifies a term of two years commencing 8 March 2014, and permits The PAS Group to operate 13 concession stores in Myer stores.

Both of the Myer concession agreements are terminable by Myer at any time with a specified notice period given to The PAS Group, and if either or both of the concession agreements are terminated in accordance with their terms (or not renewed at the end of the relevant term), all of the concession stores the subject of the relevant agreement will be simultaneously terminated.

9.5 Consents to be named and inclusion of statement and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the Prospectus Date, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below:

- Morgan Stanley Australia Securities Limited;
- Investec Bank (Australia) Limited;
- Minter Ellison;
- Deloitte Touche Tohmatsu;
- Deloitte Corporate Finance Pty Limited; and
- Link Market Services Limited.

Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Investigating Accountant's Report in Section 8 and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

9.6 Litigation, claims and insurance

As at the Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which The PAS Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of The PAS Group.

The Company has a range of insurance policies in place to manage the risks of its day-to-day business and certain other activities. These policies include professional indemnity insurance, which is held by all member companies of the Group, along with workers compensation insurance for all states and territories in which the Group has employees. There are additional, more specific policies in place to cover other relevant business risks, including property, corporate travel and public and products liability cover.

9.7 Taxation considerations

This Section 9.7 provides a general overview of certain Australian tax consequences for investors who acquire Shares through the Offer. The comments in this Section are based on the Australian taxation laws (including established interpretations of those laws) and understanding of the practice of the Australian Taxation Office as at the Prospectus Date.

This Section is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex and the investor's own circumstances may affect the taxation outcomes of making an investment in the Company. It is therefore recommended that investors seek independent professional advice having regard to their own specific circumstances in considering an investment in the Company.

Taxation issues, such as (but not limited to) those covered by this Section, are only one of the matters an investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian Financial Services Licence before making such a decision.

9.7.1 Taxation of dividends

Dividends may be paid to shareholders by the Company. The Company may attach "franking credits" to such dividends. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

9.7.1.1 Australian tax resident shareholders

Australian tax resident shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident shareholder's assessable income (that is, the dividends are required to be "grossed-up"). In such circumstances, shareholders are subject to tax at their applicable rate of tax on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian resident shareholders should be subject to tax at their applicable rate of tax on the unfranked dividends received.

Generally, shareholders should be entitled to a "tax offset" equal to the amount of any franking credits received.

To the extent that the franking credits received by non-corporate shareholders that are individuals and complying superannuation entities exceed the amount of tax payable, those shareholders should be entitled to a refund from the Australian Taxation Office of any excess franking credits. Where the franking credits are less than the tax payable on the dividends, those shareholders will need to pay an additional amount of tax.

In relation to non-corporate shareholders that are trusts (other than trustees of complying superannuation entities) or partnerships, such shareholders should include any franking credits in determining the net income of the trust or partnership. The relevant beneficiary or partner may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

Corporate shareholders are also entitled to a tax offset equal to the amount of franking credits received; however, unlike non-corporate shareholders, they are unable to claim refunds for excess franking credits. Where excess franking credits exist, a corporate shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate shareholders (including those which are deemed to be companies) should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate shareholder may be able to then use the credits to make franked distributions to its shareholders.

There are certain limitations imposed by the Australian taxation law which may prevent a shareholder from obtaining the benefit of any franking credits. In this regard, shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In broad terms, shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received. Furthermore, individual Australian shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed $5,000 for the income year should generally be deemed to be qualified persons. Special rules apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received via trusts or partnerships.

On 14 May 2013, the Commonwealth Government announced measures which apply to "dividend washing" arrangements and the amendments are proposed to be made to the 45 day holding period rules. No legislation has yet been released in respect of this change. Investors should consider the impact of this proposed change given their own personal circumstances.

In relation to trusts or limited partnerships, the rules surrounding the taxation of dividends are complex and advice should be sought to confirm the appropriate taxation considerations and treatment.

9.7.1.2 Non-resident shareholders

Generally, unfranked dividends paid to shareholders that are not Australian tax residents should be subject to dividend withholding tax. To the extent that distributions to non-residents include unfranked dividends, the Company will withhold tax at the rate applicable to each non-resident shareholder. Australian dividend withholding tax is levied at a flat rate of 30% on the gross amount of the dividends unless a shareholder is a tax resident of a country that has an applicable double tax treaty with Australia. In these circumstances, the withholding tax is generally limited to 15%, although in certain cases, depending on the shareholder's country of residence and the size of their shareholding, the rate may be reduced further.

Fully franked dividends are not subject to Australian dividend withholding tax.

It is recommended that non-resident shareholders also consider the tax implications of receiving dividends from the Company under their respective domestic tax regimes.

9.7.2 Taxation of future share disposals

9.7.2.1 Australian tax resident shareholders

Most Australian resident investors will be subject to Australian capital gains tax (CGT) on the disposal of their Shares. Some investors will hold Shares on revenue account, trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own advice.

Broadly, Australian tax resident shareholders who acquire their Shares in the ordinary course of their business and/or hold their Shares on revenue account should be required to include any gains made on the disposal of the Shares in their assessable income. Conversely, any losses made on the disposal of Shares in these circumstances should be deductible.

Australian tax resident shareholders who hold their Shares on capital account will be required to consider the impact of the CGT provisions in respect of the disposal of their Shares.

Where the capital proceeds received on the disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident shareholder for an income year are considered collectively. To the extent that a net gain exists, such shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). Any remaining net gain (after the application of any carried forward tax losses) will then be required to be included in the Australian tax resident shareholder's assessable income (subject to comments below in relation to the availability of the CGT discount concession) and will be taxable at the shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for 12 months or more prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual shareholder or trust, and a one-third reduction of a capital gain for an Australian resident complying superannuation entity shareholder. The concession is not available to corporate shareholders.

In relation to trusts or limited partnerships, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

9.7.2.2 Non-resident shareholders

Non-resident shareholders who hold Shares on revenue account may need to include any Australian sourced profits recognised on the sale of Shares in their Australian assessable income unless an applicable double tax treaty provides relief from Australian taxation. Conversely, non-resident shareholders who make a loss on the disposal of the Shares in these circumstances may be entitled to claim the loss against other assessable income, provided the loss was made in the course of deriving assessable income from Australian sources.

Non-resident shareholders who hold their Shares on capital account should generally not be subject to Australian CGT upon disposal of their Shares except in limited circumstances; for example, where the Shares are used in the carrying on of a business through a permanent establishment in Australia or where the Shares are "indirect Australian real property interests" at the time of sale. In this regard, the Shares should be indirect Australian real property interests to the extent that, broadly, the following two requirements are satisfied:

- The Company is considered "land rich" for Australian income tax purposes (that is, greater than 50% of the market value of the company's underlying assets is derived from Australian real property interests or certain interests in relation to Australian minerals); and
- The non-resident shareholder has an associate-inclusive interest of at least 10% in the Company.

We note that it is unlikely that the Company is considered "land rich" for Australian income tax purposes but this analysis is required to be undertaken at the time of disposal.

9.7.3 Tax file number and Australian Business Number

A shareholder is not obliged to quote a tax file number (TFN), or where relevant, Australian Business Number (ABN), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45%) plus Medicare Levy (currently 1.5% but increasing to 2% as of 1 July 2014) from certain dividends paid.

No withholding requirement applies in respect of fully franked dividends paid by the Company on the Shares.

9.7.4 Stamp duty

No stamp duty should be payable by a shareholder on the issue or acquisition of Shares pursuant to the Offer. Further, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a shareholder provided the Company remains listed on ASX.

9.7.5 Goods and services tax

Under current Australian GST Law, goods and services tax (GST) would not be applicable to the issue, acquisition or transfer of Shares. However, GST is likely to be applicable on any fees paid on brokerage services received in relation to the share transaction. The ability to recover any GST paid in relation to this transaction as an input tax credit would vary according to individual circumstances and as such this should be reviewed by shareholders prior to making any claim.

9.8 Costs of the Offer

The Company has engaged the following professional advisers:

Morgan Stanley has acted as Lead Manager to the Offer. The PAS Group has paid, or agreed to pay, the Lead Manager the fees described in Section 9.4.3 for these services;

Investec Bank (Australia) Limited has acted as financial adviser to The PAS Group in connection with the Offer. The PAS Group has paid, or agreed to pay, Investec Bank (Australia) Limited a fee of up to $1,650,000 (excluding disbursements and GST) for its services. This includes a discretionary component of $250,000;

Minter Ellison has acted as Australian legal adviser in relation to the Offer. The Company has paid, or agreed to pay, approximately $500,000 (excluding disbursements and GST) for these services up until the Original Prospectus Date. Further amounts may be paid to Minter Ellison in accordance with its normal time-based charges;

Deloitte Corporate Finance Pty Limited has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately $700,000 in total (excluding disbursements and GST) for these services up until the Original Prospectus Date. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its normal time-based charges.

These amounts and other expenses of the Offer are expected to equal $8.5 million in total. This amount will be paid by the Company out of available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.

9.9 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in New South Wales and each applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales.

9.10 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus and has not withdrawn that consent.

Section 10 Significant Accounting Policies

10 Significant Accounting Policies

10.1 Significant Accounting Policies

10.1.1 Basis of preparation

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

10.1.2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's 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 estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Section 10.1.2(u) for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

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

a. borrowing costs

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

b. cash and cash equivalents

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

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

c. employee benefits

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

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

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

Contributions to defined contribution superannuation plans are expensed when incurred.

d. financial assets

Loans and receivables

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

Interest income is recognised by applying the effective interest rate.

Investments

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

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

Impairment of financial assets

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

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

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

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

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

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

e. financial instruments issued by the company
Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

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

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

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

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

g. goodwill
Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses.

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

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

h. Impairment of long-lived assets excluding goodwill
At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

i. income tax

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. 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 head entity in the tax-consolidated group.

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

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the year

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

j. Inventories

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

10 Significant Accounting Policies (continued)

k. principles of consolidation
The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

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

l. joint venture arrangements
Interests in jointly controlled entities are accounted for under the equity method.

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

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

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

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

o. property, plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis or diminishing value basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

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

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

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

Royalties: Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying agreement.

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

s. business combinations
Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the 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:

– deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 “Income Taxes” and AASB 119 “Employee Benefits” respectively;
– liabilities or equity instruments related to share-based payment arrangements of the 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
– assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

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

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

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

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 “Provisions, Contingent Liabilities and Contingent Assets”, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Company’s previously held equity interest in the acquire is remeasured to fair value at the acquisition date (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.

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

10 Significant Accounting Policies (continued)

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

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

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

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

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

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

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

Hedge accounting is discontinued when the company revokes the hedging relationship, 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 hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

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

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

u. critical accounting adjustments and key sources of estimation uncertainty

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

Employee entitlements
Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at the balance date:

- future increases in wages and salaries;
- future on costs and rates; and
- experience of employee departures and periods of service.

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

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

Impairment of other financial assets – shares in controlled entities
Determining whether shares in controlled entities are impaired requires an estimation of the likely cash flows from the investment which has been determined based on value in use. The value in use calculation requires the entity to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value.

Useful lives of property, plant and equipment
As described in Section 10.1.2(o), the company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

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

Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in Section 10.1.2(h).

w. Share-based payments arrangements
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 the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group 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 a 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.

Section 11 Glossary

11 Glossary

Term	Meaning
Adjusted Pro Forma Net Cash	Has the meaning given in Section 4.6
Applicant	A person who submits an Application
Application	Application made to apply for Shares under the Offer
Application Form	The relevant form attached to or accompanying this Prospectus pursuant to which Applicants apply for Shares
Application Monies	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires
ASX Listing Rules	The official rules of ASX
ASX Recommendations	The third edition of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council
ASX Settlement	ASX Settlement Pty Ltd (ACN 008 504 532)
ASX Settlement Operating Rules	The operating rules of ASX Settlement
AUD, $	Australian dollars
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations
Australian Apparel Retailing Sector	Refers to the class mainly engaged in retailing clothing or clothing accessories including clothing accessory retailing, clothing retailing, foundation garment retailing, fur clothing retailing, glove retailing, hosiery retailing, leather clothing retailing, millinery retailing, sports clothing retailing and work clothing retailing
Board	The board of Directors of the Company
Broker	Any ASX participating organisation selected by the Lead Manager to participate in the Broker Firm Offer
Broker Firm Offer	The invitation to apply for Shares made under this Prospectus to Australian resident clients of Brokers who have received an invitation to participate from their Broker
Business Day	Means a day on which (a) ASX is open for trading in securities and (b) banks are open for general banking business in Sydney
Cash Conversion	Pre-tax, pre-interest operating cashflow divided by EBITDA
CBA	Commonwealth Bank of Australia Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act
Closing Date	The date on which the Offer is expected to close, being Friday 13 June 2014 in respect of the Broker Firm Offer, Priority Offer and Employee Offer. This date may be varied without prior notice

11 Glossary (continued)

Term	Meaning
CODB	Cost of doing business
Company	The PAS Group Limited (ACN:169 477 463)
Completion of the Offer	Completion in respect of the issuance of Shares in accordance with the Underwriting Agreement
Constitution	The constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth)
Dalziel	Dalziel Superannuation Pty Limited (ACN 096 925 469) as trustee for the Dalziel National Super Fund
Directors	Each of the directors of the Company from time to time
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible Employee	A permanent, full time or part time employee of The PAS Group (other than Retail Site employees) as at 9 May 2014 who are resident in Australia
Employee Offer	The component of the Offer under which Eligible Employees can apply for Shares, as discussed in Section 7.4
EPS	Earnings per share
EPS Tranche Options	The Options granted to Eric Morris that vest subject to EPS-related performance hurdles
ERP	Enterprise resource planning
Escrow Period	The period commencing on the date the Company is admitted to the Official List until the date the audited financial accounts of the Company for FY2015 have been released to ASX
Escrowed Shareholders	Each Existing Shareholder that holds Shares on Completion of the Offer
Escrowed Shares	Each of the Shares held by the Escrowed Shareholders at Completion of the Offer
Existing LTIP	The PAS Group's long term incentive plan, applicable to certain employees of The PAS Group prior to Completion of the Offer
Existing Shareholder	The registered holder of a PAS Holdings Share, being, as at the Prospectus Date, State Super, Macquarie, Propel, the Management Shareholders and Dalziel
Expiry Date	23 June 2015, the date which is 13 months after the Original Prospectus Date, after which no Shares will be issued under this Prospectus
Exposure Period	The period specified in section 727(3) of the Corporations Act, being seven days from the Original Prospectus Date, and extended by ASIC by a further seven days, during which an Application must not be accepted
Facility A	A $30 million general corporate facility under the New Banking Facilities
Facility B	A $25 million working capital facility under the New Banking Facilities
Financial Information	Has the meaning given in Section 4
Forecast Financial Information	Has the meaning given in Section 4

Term	Meaning
FY	Financial year ending 30 June each year
GDP	Australian Gross Domestic Product
Group or The PAS Group	Prior to Settlement, PAS Holdings and its subsidiaries; and after Settlement, the Company and its subsidiaries (including PAS Holdings), or, where the context requires, the business described in this Prospectus
GST	Goods and services or similar tax imposed in Australia
HIN	Holder Identification Number
IBML	International Brand Management and Licensing
IFRS	International Financial Reporting Standards
Indent or Indent Basis	Committed customer wholesale orders for a pre-determined delivery date, received in advance of placing a production order
Institutional Investors	An investor to whom offers or invitations of Shares can be made without the need for a lodged prospectus, including in Australia persons to whom offers or invitations of Shares can be made without the need for a lodged prospectus under Section 708 of the Corporations Act
Institutional Offer	The invitation to bid for Shares made to Institutional Investors under this Prospectus as described in Section 7.6
Investigating Accountant	Deloitte Corporate Finance Pty Limited (ACN: 003 833 127)
Investigating Accountant's Report	The Investigating Accountant's report set out in Section 8
IT	Information technology
KPI	Key performance indicator under the STIP
Lead Manager	Morgan Stanley Australia Securities Limited (ACN 078 652 276) who has been appointed by the Company to act as lead manager, joint bookrunner and underwriter pursuant to the terms of the Underwriting Agreement
LFL	Like for like. LFL growth represents a comparable measure of retail sales growth adjusted for Retail Sites opened and close during the period of comparison
Listing	The date on which the Company is admitted to the official list of ASX
Macquarie	Macquarie Investment Management Limited (ACN 002 867 003) as responsible entity of the Macquarie Wholesale Co Investment Funds or entities associated with, managed or advised by Macquarie Investment Management Limited
Management	The PAS Group's management team, led by Eric Morris (CEO) and Derrick Krowitz (CFO)
Management Shareholders	Eric Morris as trustee for the Morris Family Trust, and Derrick Krowitz
Minority Deed	The deed pursuant to which the Minority Roll Up transaction will occur, as described in Section 9.4.2

11 Glossary (continued)

Term	Meaning
Minority Shareholder	In respect of Breakaway Apparel Pty Limited, Family Black Pty Ltd as trustee for the Family Black Trust, and, in respect of The Hopkins Group Aust Pty Limited, Christopher Switzer
Minority Roll Up Transaction	The acquisition by The PAS Group of the minority interests in the Relevant Minority Entities from the Minority Shareholders as described in Section 9.4.2
New Banking Facilities	Has the meaning given in Section 4.6.2
New LTIP	The Company's long term incentive plan, as described in Section 6.3.4
NPAT	Net profit after tax
Obligors	Has the meaning given in Section 4.6.2.5
Offer	The invitation under this Prospectus to apply for new Shares to be issued by the Company and includes the Institutional Offer, Broker Firm Offer, the Priority Offer and the Employee Offer
Offer Documents	Has the meaning given in Section 9.4.3
Offer Information Line	(within Australia) 1800 128 192 (outside Australia) +61 1800 128 192
Offer Price	$1.15 per Share
Official List	The official list of ASX
Open Rates	A measure which indicates how many people view or open election direct marketing communication
Options	Options over Shares in the Company issued by the Company to certain members of the Company's management under the New LTIP
Original Prospectus	The Prospectus dated 23 May 2014 and lodged with ASIC on that date, and which this Prospectus replaces
Original Prospectus Date	The date on which a copy of the Original Prospectus was lodged with ASIC being 23 May 2014
PAS Finance	PAS Finance Pty Limited (ACN 169 478 291)
PAS Holdings	PASCO Group Pty Ltd (formerly known as The PAS Group Pty Ltd) (ACN 117 244 943)
PAS Holdings Share	An ordinary share in PAS Holdings
PAS Operations	PASCO Operations Pty Limited (formerly known as PAS Finance Pty Limited) (ACN 112 078 547)
Performance Options	Has the meaning given in Section 4.3.2
PGR	Expected ASX code of The PAS Group Limited
Pre-Offer Dividend	The dividend to be paid to the Existing Shareholders, as described in this Prospectus
Priority Invitation	The invitation under this Prospectus to selected investors in Australia nominated by the Company to participate in the Priority Offer on a firm basis up to the allocation of Shares nominated by the Company

Term	Meaning
Priority Offer	The component of the Offer under which investors who have received an invitation can apply for Shares, as discussed in Section 7.5
Pro Forma Historical Balance Sheet	Has the meaning given in Section 4
Pro Forma Historical Cash Flows	Has the meaning given in Section 4
Pro Forma Historical Consolidated Income Statement	Has the meaning given in Section 4
Pro Forma Historical Financial Information	Has the meaning given in Section 4
Propel	Propel Private Equity Fund II, L.P.
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of the Prospectus was lodged with ASIC being 5 June 2014
related body corporate	Has the meaning given in the Corporations Act
Relevant Interest	Has the meaning given in the Corporations Act. In summary, a person has a relevant interest in a security if that person is the holder of the security or if that person has the power to control the voting disposal of the security
Relevant Minority Entities	Breakaway Apparel Pty Limited and The Hopkins Group Aust Pty Limited
Retail Investor	A person who is a resident of Australia and is not otherwise treated as an Institutional Investor
Retail Offer	The Broker Firm Offer, the Priority Offer and the Employee Offer
Rights	Rights to Shares in the Company that may be issued by the Company to certain members of the Company's management under the New LTIP
Retail Sites	Refers to both retail stores and retail concessions
Sale Deed	The Share Sale Deed dated 22 May 2014 executed by the Company and the Existing Shareholders
Settlement	Settlement in respect of the Shares the subject of the Offer, occurring as described in the Underwriting Agreement
Share	A fully paid ordinary share in the Company
Shareholder	The registered holder of a Share
Share Registry	Link Market Services Limited (ACN 083 214 537)
SRN	Securityholder Reference Number
State Super	J.P. Morgan Nominees Australia Limited (ACN 002 899 961), acting as nominee for JPMorgan Chase Bank, N.A. (Sydney Branch) in its capacity as custodian for SAS Trustee Corporation as trustee of the STC Funds
Statutory Historical Balance Sheet	Has the meaning given in Section 4

11 Glossary (continued)

Term	Meaning
Statutory Historical Cash Flow Statement	Has the meaning given in Section 4
Statutory Historical Consolidated Income Statement	Has the meaning given in Section 4
Statutory Historical Financial Information	Has the meaning given in Section 4
STIP	Short term incentive plan
subsidiary	Has the meaning given in the Corporations Act
Sydney Time	The time in Sydney, Australia
TFN	Tax file number
TFR	Total fixed remuneration
TSR Tranche Options	The Options granted to Eric Morris that vest subject to relative TSR-related performance hurdles
Underwriting Agreement	The underwriting agreement, dated on or about the Prospectus Date, between the Company, PAS Holdings and the Lead Manager in connection with the Offer, as described in Section 9.4.3
USD, $	United States dollars
US Securities Act	The U.S. Securities Act of 1933, as amended
YTD	Year to date being the nine months ended 31 March 2014
1H	Six months ending 31 December

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Section 12 Application Forms

Corporate Directory

Registered Office

The PAS Group Limited
17 Hardner Road
Mt Waverley, Victoria 3149, Australia

Financial Adviser

Investec
Level 23, The Chifley Tower, 2 Chifley Square
Sydney, New South Wales 2000, Australia

Lead Manager

Morgan Stanley
Level 39, The Chifley Tower, 2 Chifley Square
Sydney, New South Wales 2000, Australia

Co-Managers

Morgans Financial Limited
Level 29, 123 Eagle Street
Brisbane, Queensland 4001, Australia

Ord Minnett Limited
Level 8, NAB House, 255 George Street
Sydney, New South Wales 2000, Australia

Australian Legal Adviser

Minter Ellison
Aurora Place, 88 Phillip Street
Sydney, New South Wales 2000, Australia

Investigating Accountant

Deloitte Corporate Finance Pty Limited
Grosvenor Place, 225 George Street
Sydney, New South Wales 2000, Australia

Auditor

Deloitte Touche Tohmatsu
Grosvenor Place, 225 George Street
Sydney, New South Wales 2000, Australia

Share Registry

Link Market Service Limited
Level 12, 680 George Street
Sydney, New South Wales 2000, Australia

The PAS Group Offer Information Line

Within Australia: 1800 738 088
Outside of Australia: +61 1800 738 088

Offer Website

www.thepasgroup.com.au


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