

# The PAS Group Limited

ABN 25 169 477 463

## Appendix 4D

### Half Year Report

#### Results for announcement to the market for the half year ended 31 December 2015

Current reporting period	Half year ended 31 December 2015
Previous corresponding period	Half year ended 31 December 2014

Half year (amount \$'000)	31 Dec 2015	31 Dec 2014	% Change
Revenue	143,418	117,350	+22%
Statutory Net Profit/(Loss) After Tax	5,013	(34,778)	n/a
Underlying Net Profit After Tax	5,013	3,308	+52%

Dividends – ordinary shares	Amount per ordinary share	Franked amount per ordinary share	Record Date	Payment Date
2016 Interim dividend	2.6 cents	100%	18 March 2016	8 April 2016
2015 Final dividend	3.1 cents	100%	18 September 2015	9 October 2015
2015 Interim dividend	1.9 cents	100%	20 March 2015	10 April 2015

#### Brief explanation of results for the period and Underlying Profit:

Statutory Net Profit After Tax for the half year ended 31 December 2015 is \$5.0m. Statutory Net Loss After Tax in the previous corresponding period of \$34.8m includes a \$38.1m non-cash impairment charge in respect of the Metalicus goodwill and the Metalicus brand name as significant items.

The Underlying Net Profit After Tax was \$5.0m, up 52% on the prior corresponding period. Underlying Net Profit After Tax is reported to give information to shareholders that provides a greater understanding of the performance of The PAS Group Limited and its controlled entities ('PAS'). PAS believes Underlying Net Profit After Tax is useful as it removes significant, one off items thereby facilitating a more representative comparison of financial performance between financial periods.

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report attached.

Net tangible asset backing	31 Dec 2015	31 Dec 2014
Net tangible asset backing per ordinary security	\$0.33	\$0.44

**The PAS Group Limited and its controlled entities**  
**ACN 169 477 463**

**Interim Financial Report**

**For the half year ended 31 December 2015**

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## Directors' report

The Directors of The PAS Group Limited ('PAS') present their report on the consolidated entity consisting of The PAS Group Limited and its subsidiaries for the half year ended 31 December 2015 (the period).

In order to comply with the Corporations Act (2001), the Directors report as follows:

### Directors

Following on from the takeover bid undertaken by an affiliate of Coliseum Capital Management, LLC (Coliseum) late last year when Coliseum and its affiliates increased their total shareholding in The PAS Group Limited to 45.81%, various changes to the PAS Board have taken place. Two new Directors, Mr Adam Gray and Mr Matt Lavelle, were appointed to the PAS Board and Ms Jacquie Naylor and Mr David Fenlon have stepped down from the PAS Board.

The Directors of The PAS Group Limited who held office during or since the end of the half year were:

Rod Walker	Non-Executive Chairman	
Eric Morris	Chief Executive Officer and Managing Director	
Jon Brett	Non-Executive Director	
Adam Gray	Non-Executive Director	(Appointed 23 February 2016)
Matthew Lavelle	Non-Executive Director	(Appointed 23 February 2016)
Jacquie Naylor	Non-Executive Director	(Resigned 23 February 2016)
David Fenlon	Non-Executive Director	(Resigned 23 February 2016)

### Principal activities

PAS' principal activities are those of an apparel, accessories and sports equipment wholesaler and retailer.

### Review of operations

Statutory consolidated net profit after tax attributable to the owners of PAS ('Statutory Profit') for the half year ended 31 December 2015 was a profit of \$5.0m (2014: \$34.8m loss).

PAS' performance during the half year is summarised on an underlying basis, reflecting the ongoing consolidated operations for the half year ended 31 December 2015. The underlying results represent the statutory profit adjusted for items that are material items of revenue or expense that are unrelated to the underlying performance of the business ('significant items'). PAS believes that presenting underlying profit provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods. The underlying results are presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

A comparison between the underlying result for the half years ended 31 December 2015 and 2014 is shown in the table below.

	<b>Underlying<sup>(i)</sup></b> <b>31 Dec</b> <b>2015</b> <b>\$'000</b>	<b>Underlying<sup>(i)</sup></b> <b>31 Dec</b> <b>2014</b> <b>\$'000</b>
Net sales	143,418	117,350
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	11,040	8,672
Earnings Before Interest and Tax (EBIT)	7,615	5,463

(i) Refer to the reconciliation of statutory to underlying results below.

Commentary on the operations and results of the consolidated entity is contained in the PAS half year results announcement dated 25 February 2016.

As at 31 December 2015, PAS had cash on hand of \$5.9m (30 June 2015: \$12.5m) and a working capital facility of \$25.0m (30 June 2015: \$25.0m) and an acquisition and growth facility of \$30.0m (30 June 2015: \$30.0m), both of which were undrawn in the current and previous corresponding period.

## Reconciliation of underlying results to statutory results

The following table reconciles the statutory to underlying results for the half year ended 31 December 2015:

Half year ended 31 Dec		Net Sales		EBITDA		EBIT		NPAT	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Statutory results</b>		<b>143,418</b>	117,350	<b>11,040</b>	<b>8,672</b>	<b>7,615</b>	(32,623)	<b>5,013</b>	(34,778)
Add back/(deduct) significant items:									
- Impairment of Metalicus goodwill and brand name	(i)	-	-	-	-	-	38,086	-	38,086
<b>Underlying results</b>		<b>143,418</b>	117,350	<b>11,040</b>	8,672	<b>7,615</b>	5,463	<b>5,013</b>	3,308

- (i) Included in the statutory results for the half year ended 31 December 2014 is a non-cash impairment charge in respect of the carrying value of Metalicus goodwill (\$32.0m) and the Metalicus brand name (\$6.1m) following a review of the recoverable amount of these assets.

## Earnings per share ('EPS')

	Half Year ended 31 Dec 2015	Half Year ended 31 Dec 2014
Basic earnings per share	<b>3.67 cents</b>	(25.44) cents
Diluted earnings per share	<b>3.67 cents</b>	(25.44) cents
Underlying earnings per share	<b>3.67 cents</b>	2.42 cents

Basic and diluted earnings per share are calculated as set out in Note 4 to the financial statements. Underlying EPS has been calculated based on an underlying net profit after tax of \$5.0m (2014: \$3.3m) divided by the number of shares on issue (2015: 136,690,860, 2014: 136,690,860).

## Dividends

On 25 February 2016 the Directors declared an interim dividend of 2.6 cents per share. The interim dividend will be paid on 8 April 2016. The record date to determine shareholders' entitlements to the interim dividend is 18 March 2016.

## Subsequent events

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

## Rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and in accordance with that Class Order, amounts in the Financial Report and this Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## Auditor's independence declaration

The auditor's independence declaration is on page 17.

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

On behalf of the Directors:

A handwritten signature in black ink, appearing to read 'Rod Walker', with a horizontal line drawn underneath the signature.

Mr Rod Walker  
Chairman  
Melbourne, 25 February 2016

**The PAS Group Limited**
**Condensed consolidated statement of profit or loss and other comprehensive income**

	Note	Half Year ended 31 Dec 2015 \$'000	Half Year ended 31 Dec 2014 \$'000
Revenue	2	143,418	117,350
Cost of sales		(61,619)	(50,133)
Gross profit		81,799	67,217
Other revenue	2	178	340
Other gains and losses		21	316
Employee benefit expenses	2	(35,123)	(30,739)
Selling and distribution expenses		(11,194)	(7,228)
Occupancy expense	2	(17,006)	(15,074)
Marketing expenses		(2,855)	(2,224)
Administration expenses		(4,780)	(3,936)
Depreciation and amortisation	2	(3,425)	(3,209)
Impairment of Metalicus goodwill and brand name		-	(38,086)
Net finance costs	2	(412)	(473)
<b>Profit/(loss) before income tax expense</b>		<b>7,203</b>	<b>(33,096)</b>
Income tax expense		(2,190)	(1,682)
<b>Profit/(loss) after income tax attributable to equity holders of the parent entity</b>		<b>5,013</b>	<b>(34,778)</b>
<b>Other comprehensive income, net of income tax:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		57	(334)
Net (loss) / gain on cash flow hedges		(1,837)	2,985
Other comprehensive (loss) / income for the period, net of income tax		(1,780)	2,651
<b>Total comprehensive income /(loss) for the period</b>		<b>3,233</b>	<b>(32,127)</b>
<b>Profit/ (loss) for the year attributable to Owners of the Company</b>		<b>3,233</b>	<b>(32,127)</b>
<b>Total comprehensive income / (loss) attributable to Owners of the Company</b>		<b>3,233</b>	<b>(32,127)</b>
<b>Earnings per share for profit attributable to the equity holders of the parent entity</b>			
Basic (cents per share)	4	3.67	(25.44)
Diluted (cents per share)	4	3.67	(25.44)

Notes to the condensed consolidated financial statements are included on pages 8 to 15.

**The PAS Group Limited**  
Condensed consolidated statement of financial position

	Note	31 Dec 2015 \$'000	30 June 2015 \$'000
<b>Assets</b>			
<i>Current assets</i>			
Cash and cash equivalents		5,930	12,525
Trade and other receivables		17,448	20,605
Other financial assets		462	1,848
Inventories	5	32,954	26,607
Current tax assets		1,597	1,596
Other current assets		4,463	5,064
<b>Total current assets</b>		<b>62,854</b>	<b>68,245</b>
<i>Non-current assets</i>			
Trade and other receivables		118	116
Property, plant and equipment		12,163	10,999
Deferred tax assets		7,073	9,099
Goodwill	6	50,499	46,534
Intangible assets	7	29,173	18,776
<b>Total non-current assets</b>		<b>99,026</b>	<b>85,524</b>
<b>Total assets</b>		<b>161,880</b>	<b>153,769</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Trade and other payables		16,245	16,335
Current tax liabilities		70	18
Provisions		6,861	4,683
Other liabilities		3,409	1,779
<b>Total current liabilities</b>		<b>26,585</b>	<b>22,815</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities		1,200	1,776
Provisions		755	678
Other liabilities	12	9,035	3,180
<b>Total non-current liabilities</b>		<b>10,990</b>	<b>5,634</b>
<b>Total liabilities</b>		<b>37,575</b>	<b>28,449</b>
<b>Net assets</b>		<b>124,305</b>	<b>125,320</b>
<b>Equity</b>			
Issued capital		153,963	153,963
Reserves		(4,349)	(2,558)
Retained losses		(25,309)	(26,085)
<b>Total equity</b>		<b>124,305</b>	<b>125,320</b>

Notes to the condensed consolidated financial statements are included on pages 8 to 15.



**The PAS Group Limited**
**Condensed consolidated statement of changes in equity**

<b>Consolidated</b>	<b>Share capital \$'000</b>	<b>Retained (losses) / earnings \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Share based payment reserve \$'000</b>	<b>Corporate reorganisa- -tion reserve \$'000</b>	<b>Cash flow hedge reserve \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 1 July 2015</b>	153,963	(26,085)	(339)	312	(3,825)	1,294	125,320
Profit for the half year	-	5,013	-	-	-	-	5,013
Other comprehensive income for the half year, net of income tax	-	-	57	-	-	(1,837)	(1,780)
<b>Total comprehensive income for the half year</b>	-	5,013	57	-	-	(1,837)	3,233
Dividends provided for or paid	-	(4,237)	-	-	-	-	(4,237)
Recognition of share-based payments	-	-	-	(11)	-	-	(11)
<b>Balance at 31 December 2015</b>	<b>153,963</b>	<b>(25,309)</b>	<b>(282)</b>	<b>301</b>	<b>(3,825)</b>	<b>(543)</b>	<b>124,305</b>

  

<b>Balance at 1 July 2014</b>	153,963	8,446	28	12	(3,825)	(1,034)	157,590
Loss for the half year	-	(34,778)	-	-	-	-	(34,778)
Other comprehensive income for the half year, net of income tax	-	-	(334)	-	-	2,985	2,651
<b>Total comprehensive income for the year</b>	-	(34,778)	(334)	-	-	2,985	(32,127)
<b>Balance at 31 December 2014</b>	<b>153,963</b>	<b>(26,332)</b>	<b>(306)</b>	<b>12</b>	<b>(3,825)</b>	<b>1,951</b>	<b>125,463</b>

Notes to the condensed consolidated financial statements are included on pages 8 to 15.

**The PAS Group Limited**  
Condensed consolidated statement of cash flows

	Note	Half Year ended 31 Dec 2015 \$'000	Half Year ended 31 Dec 2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		162,928	135,808
Payments to suppliers and employees		(150,468)	(122,215)
Cash flows from operations		12,460	13,593
Interest received		36	30
Interest and other costs of finance paid		(367)	(399)
Income tax paid		(283)	(1,954)
<b>Net cash flows from operating activities</b>		<b>11,846</b>	<b>11,270</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(1,696)	(3,882)
Payment for intangible assets		(1,039)	(589)
Payment for businesses	11	(11,541)	-
<b>Net cash flows used in investing activities</b>		<b>(14,276)</b>	<b>(4,471)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(4,237)	-
<b>Net cash flows used in financing activities</b>		<b>(4,237)</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,667)</b>	<b>6,799</b>
Cash and cash equivalents at the beginning of the period		12,525	492
Effect of exchange rate changes on the balance of cash held in foreign currencies		72	5
<b>Cash and cash equivalents at the end of the period</b>		<b>5,930</b>	<b>7,296</b>

Notes to the condensed consolidated financial statements are included on pages 8 to 15.

## 1. Significant accounting policies

### (a) Statement of compliance

This interim financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and Accounting Standard, AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by the Company during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

### (b) Basis of preparation

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

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the consolidated entity's 2015 annual financial report for the year ended 30 June 2015. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

## 2. Revenues and expenses

### 1. Revenue

	Half Year ended 31 Dec 2015 \$'000	Half Year ended 31 Dec 2014 \$'000
<b>Sales revenue</b>		
Sale of goods	143,418	117,350
<b>Other revenue</b>		
Royalty income	141	232
Other	37	108
	178	340
<b>Total revenue</b>	<b>143,596</b>	<b>117,690</b>

## 2. Expenses

Profit/(loss) before income tax includes the following items:

	<b>Half Year ended 31 Dec 2015 \$'000</b>	Half Year ended 31 Dec 2014 \$'000
<b>Occupancy expense:</b>		
Minimum lease payments on operating leases	<b>16,621</b>	14,817
Other occupancy expenses	<b>385</b>	257
<b>Total occupancy expense</b>	<b>17,006</b>	15,074
<b>Employee benefit expenses:</b>		
Post-employment benefits – Defined contribution plans	<b>2,567</b>	2,343
Other employee benefits	<b>32,556</b>	28,396
<b>Total employee benefit expenses</b>	<b>35,123</b>	30,739
<b>Depreciation and amortisation:</b>		
Depreciation	<b>2,500</b>	2,504
Amortisation	<b>925</b>	705
<b>Total depreciation and amortisation</b>	<b>3,425</b>	3,209
<b>Net finance costs:</b>		
Interest and finance charges paid to banks and other financial institutions	<b>429</b>	485
Amortisation of deferred borrowing costs	<b>19</b>	18
Interest revenue	<b>(36)</b>	(30)
<b>Total net finance costs</b>	<b>412</b>	473
<b>Significant items:</b>		
Impairment of Metalicus goodwill and brand name	-	38,086
<b>Total significant items</b>	-	38,086

### 3. Segment information

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

#### Retail

The Retail segment includes revenues and profits generated by PAS' retail and online footprint associated with women's, men's and children's apparel and related products. This includes 282 retail sites (31 December 2014: 263) and a number of online sites as of 31 December 2015. The retail segment includes revenues and profits generated by Black Pepper, Jets Swimwear, Metalicus, Review, White Runway and Yarra Trail.

#### Wholesale

The Wholesale segment includes revenues and profits associated with the wholesaling of women's, men's and children's apparel, sporting equipment and related products. The Wholesale segment includes revenues and profits generated by Designworks, Black Pepper, Jets Swimwear, Metalicus, Marco Polo and Yarra Trail.

#### Unallocated

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

The accounting policies used in reporting segments are the same as those contained in Note 1 to the financial statements and in the prior period. Information regarding the results of each reportable segment is included below. Segment profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

Half year ended 31 December	Retail		Wholesale		Unallocated		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue from sale of goods	79,596	69,907	63,822	47,443	-	-	143,418	117,350
Other revenue	-	66	-	43	178	231	178	340
<b>Total revenue</b>	<b>79,596</b>	<b>69,973</b>	<b>63,822</b>	<b>47,486</b>	<b>178</b>	<b>231</b>	<b>143,596</b>	<b>117,690</b>
<b>Segment EBITDA</b>	<b>9,793</b>	<b>8,325</b>	<b>6,209</b>	<b>3,701</b>	<b>(4,962)</b>	<b>(3,354)</b>	<b>11,040</b>	<b>8,672</b>
Depreciation and amortisation	(2,404)	(2,393)	(92)	(64)	(929)	(752)	(3,425)	(3,209)
Impairment of Metalicus goodwill and brand name	-	(28,953)	-	(9,133)	-	-	-	(38,086)
<b>Segment EBIT</b>	<b>7,389</b>	<b>(23,021)</b>	<b>6,117</b>	<b>(5,496)</b>	<b>(5,891)</b>	<b>(4,106)</b>	<b>7,615</b>	<b>(32,623)</b>
Net financing costs	-	-	-	-	(412)	(473)	(412)	(473)
<b>Statutory profit/(loss) before tax</b>	<b>7,389</b>	<b>(23,021)</b>	<b>6,117</b>	<b>(5,496)</b>	<b>(6,303)</b>	<b>(4,579)</b>	<b>7,203</b>	<b>(33,096)</b>
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015	31 Dec 2014	30 Jun 2015	31 Dec 2015	30 Jun 2015
Segment assets	67,200	62,535	68,731	57,753	25,949	33,481	161,880	153,769
Segment liabilities	10,317	10,251	9,615	9,960	17,643	8,238	37,575	28,449

Segment revenue reported above represents revenue generated from external customers. For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than prepayments, hedge receivable, trademarks and patents and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of cost of sales within individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings, hedge payable, deferred considerations and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated on the basis of cost of sales within individual reportable segments.

#### 4. Earnings per share

	<b>Half Year ended 31 Dec 2015</b>	Half Year ended 31 Dec 2014
Basic earnings per share (cents)	<b>3.67</b>	(25.44)
Diluted earnings per share (cents)	<b>3.67</b>	(25.44)
Net profit/(loss) after tax (\$'000)	<b>5,013</b>	(34,778)

	Number of Shares	
The weighted average number of ordinary shares used in the calculation of: basic earnings per share are as follows.		
- Basic earnings per share	<b>136,690,860</b>	136,690,860
- Diluted earnings per share	<b>136,690,860</b>	136,690,860

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

#### 5. Inventories

	<b>31 Dec 2015</b>	Half Year ended 31 Dec 2014
<b><i>At lower of cost and net realisable value:</i></b>	<b>\$'000</b>	
Raw materials	<b>1,998</b>	1,373
Stock in transit	<b>9,692</b>	4,984
Work in progress	<b>487</b>	111
Finished goods	<b>20,777</b>	20,139
	<b>32,954</b>	26,607

The cost of inventories recognised as an expense during the half year in respect of continuing operations was \$61.6m (2014: \$50.1m).

#### 6. Goodwill

	<b>31 Dec 2015</b>	30 June 2015
<b>Cost</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of period	<b>111,067</b>	111,067
Additional amounts recognised from business combinations (Note 11)	<b>3,965</b>	-
<b>Balance at end of period</b>	<b>115,032</b>	111,067
<b><i>Accumulated impairment losses</i></b>		
Balance at beginning of period	<b>(64,533)</b>	(32,528)
Impairment losses recognised in the period (i)	<b>-</b>	(32,005)
<b>Balance at end of period</b>	<b>(64,533)</b>	(64,533)
<b>Net book value</b>	<b>50,499</b>	46,534

##### (i) Impairment of Metalicus goodwill

Following a review of the recoverable amount, the carrying value of the Metalicus goodwill was impaired by \$32.0m (2015: nil).

## 7. Intangible assets

	31 Dec 2015 \$'000	30 June 2015 \$'000
Brand names	15,000	21,080
Impairment losses recognised in the period (i)	-	(6,080)
Additional amounts recognised from business combinations	9,788	-
	24,788	15,000
Trademarks	863	380
Software	3,121	3,230
Website development costs	401	166
	29,173	18,776

### (i) Impairment of Metalicus brand name

Following a review of the recoverable amount, the carrying value of the Metalicus brand name was impaired by \$6.1m (2015: nil).

## 8. Dividends

During the half year, PAS made the following dividend payments:

	Half Year ended 31 Dec 2015		Half Year ended 31 Dec 2014	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Final dividend	3.1	4,237	-	-
	3.1	4,237	-	-

On 25 February 2016 the Directors declared an interim dividend of 2.6 cents per share. The interim dividend will be paid on 8 April 2016. The record date to determine shareholders' entitlements to the interim dividend was 18 March 2016. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$3.6m.

## 9. Subsidiaries

Details of PAS' subsidiaries acquired or incorporated in the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by PAS	
			2015	2014
White Runway Pty Ltd <sup>(a) (b)</sup>	Apparel; retail/wholesale	Australia	100%	-
White Runway (Pty) Ltd <sup>(d)</sup>	Apparel; retail/wholesale	South Africa	100%	-
JETS Swimwear Pty Ltd <sup>(a) (c)</sup>	Apparel; retail/wholesale	Australia	100%	-
JETS Global Limited <sup>(c)</sup>	Apparel; retail/wholesale	United Kingdom	100%	-
AFG Retail Pty Ltd <sup>(a) (c)</sup>	Apparel; retail/wholesale	Australia	100%	-
PAS NZ Limited <sup>(e)</sup>	Apparel; retail/wholesale	New Zealand	100%	-
PAS US, Inc. <sup>(f)</sup>	Apparel; retail/wholesale	USA	100%	-

<sup>(a)</sup> Member of the tax consolidated group from date of becoming wholly owned. The PAS Group Limited is the head entity within the tax consolidated group.

<sup>(b)</sup> Acquired 1 July 2015

<sup>(c)</sup> Acquired 30 November 2015

<sup>(d)</sup> Incorporated on 9 October 2015

<sup>(e)</sup> Incorporated on 27 November 2015

<sup>(f)</sup> Incorporated on 30 November 2015

## 10. Fair value measurements

The only financial assets or liabilities carried at fair value are forward exchange contracts and a contingent liability for the White Runway acquisition. The Directors consider the forward exchange contracts to be Level 2 financial instruments because, unlike Level 1 financial instruments their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). The Directors consider the contingent liability for the White Runway acquisition to be Level 3. There have been no transfers between levels 1, 2 and 3 <sup>(a)</sup> for recurring fair value measurements during the half year. The forward exchange contracts fair values have been obtained from third party valuations derived from discounted cashflow forecasts or forward foreign exchange rates and contract exchange rates.

The fair value of forward exchange contracts at 31 December 2015 was a liability of \$0.5m (30 June 2015: asset of \$1.8m).

The directors consider that the carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

<sup>(a)</sup> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3 inputs are unobservable inputs for the asset or liability.

## 11. Acquisition of subsidiaries

On 1 July 2015, the Group acquired a 100% interest in White Runway Pty Ltd.

On 30 November 2015, the Group acquired a 100% interest in Jets Swimwear Pty Ltd, AFG Retail Pty Ltd and Jets Global Limited (together referred to as the Jets business).

White Runway and Jets were acquired to expand the Group's diverse portfolio of brands.

### Consideration

	White Runway \$'000	Jets \$'000	Total \$'000
Cash	2,031	10,337	12,368
Contingent consideration arrangement (i)	2,600	-	2,600
Deferred consideration (ii)	-	1,800	1,800
	4,631	12,137	16,768

(i) The contingent consideration may require the Group to pay the seller an additional amount estimated between the range of \$1.8m and \$2.6m, following the finalisation of the FY2016 and FY2019 financial results.

(ii) An agreed second and third deferred payment will be made based on the agreed FY2015 and FY2017 financial results.

### Provisional goodwill on acquisition of White Runway Pty Ltd

	\$'000
Consideration transferred	2,031
Contingent consideration arrangement	2,600
Less: fair value of identifiable net assets acquired	(666)
	3,965

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



**Assets acquired and liabilities assumed at the date of acquisition**

	<b>White Runway \$'000</b>	<b>Jets \$'000</b>	<b>Total \$'000</b>
<b>Current assets</b>			
Cash and cash equivalents	594	233	827
Trade and other receivables	6	2,065	2,071
Inventories	347	305	652
Other current assets	-	151	151
<b>Non-current assets</b>			
Property, plant & equipment	8	152	160
Other intangible assets	8	10,271	10,279
Other assets	-	18	18
<b>Current liabilities</b>			
Trade and other payables	(163)	(607)	(770)
Current tax liabilities	(134)	(199)	(333)
Current provisions		(252)	(252)
	<b>666</b>	<b>12,137</b>	<b>12,803</b>

The initial accounting for the acquisition of White Runway Pty Ltd and Jets has only been provisionally determined at the end of the half year. At the date of finalisation of this half year report, the necessary market valuations and other calculations have not been finalised and the fair value of the property, plant and equipment, associated deferred tax assets and liabilities, goodwill and brand name have therefore only been provisionally determined based on the Directors' best estimates. None of the goodwill or brand name arising on this acquisition is expected to be deductible for tax purposes.

**Net cash outflow arising on acquisition**

	<b>White Runway \$'000</b>	<b>Jets \$'000</b>	<b>Total \$'000</b>
Consideration paid in cash	2,031	10,337	12,368
Less: cash and cash equivalent balances acquired	(594)	(233)	(827)
	<b>1,437</b>	<b>10,104</b>	<b>11,541</b>

**Impact of acquisition on result of the Group**

Included in the half year accounts is revenue of \$2.7m and net profit after tax of \$0.3m attributable to the acquired companies as follows:

	<b>White Runway \$'000</b>	<b>Jets \$'000</b>	<b>Total \$'000</b>
Revenue	1,736	959	2,695
Net profit after tax	96	204	300

## 12. Contingent and other non-current liabilities

<b>Non-current liabilities</b>	<b>31 Dec 2015</b>	<b>30 June 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Non-current lease incentives	5,281	3,180
Deferred consideration	1,154	-
Contingent liability	2,600	-
	<b>9,035</b>	<b>3,180</b>

Certain entities in the Group are party to various other legal actions and claims which arise from time to time in the ordinary course of business. Any liabilities arising from such legal actions and claims are not considered probable of resulting in a reliably measurable cash outflow and therefore requiring a provision.

The Group has provided bank guarantees in respect of retail premises operating leases of \$0.6m (30 June 2015: \$0.6m).

A liability has been accrued for the final White Runway payment of \$2.6m due in August 2019, which is contingent on White Runway achieving EBITDA targets.

A deferred non-current consideration payment of \$1.2m has been provided for the final Jets payment due in 2017.

## 13. Subsequent events

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

**The PAS Group Limited**

Directors' declaration

For the half year ended 31 December 2015

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The directors of The PAS Group Limited declare that, in their opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the financial position as at 31 December 2015 and of the performance for the half year ended on that date of the consolidated entity; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

The directors also declare that, in their opinion:

- (a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors



Rod Walker  
Chairman

Melbourne, 25 February 2016



Deloitte Touche Tohmatsu  
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The Board of Directors  
The PAS Group Limited  
17 Hardner Road  
Mount Waverley VIC 3149

25 February 2016

Dear Board Members

**The PAS Group Limited**

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

As lead audit partner for the review of the financial statements of The PAS Group Limited for the half year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that appears to be "S Roche".

S Roche

Partner  
Chartered Accountants



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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

### Report on the Half year Financial Report

We have reviewed the accompanying half year financial report of The PAS Group Limited, which comprises the condensed Consolidated Statement of Financial Position as at 31 December 2015 and the condensed Statement of Profit or Loss and Other Comprehensive Income, the condensed Consolidated Statement of Cash Flows and the condensed Consolidated Statement of Changes in Equity for the half year ended on that date, selected explanatory notes and, the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 4 to 16.

#### *Directors' Responsibility for the Half year Financial Report*

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of The PAS Group Limited's financial position as at 31 December 2015 and its performance for half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of The PAS Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Auditor's Independence Declaration*

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

#### *Conclusion*

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

- (a) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read "S Roche".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "S Roche".

S Roche  
Partner  
Chartered Accountants  
Melbourne, 25 February 2016

## **Corporate Directory**

### **Registered office and principal place of business**

The PAS Group Limited  
17 Hardner Road  
Mount Waverley VIC 3149  
Tel: (03) 9902 5555

### **Directors**

Mr. R. Walker  
Mr. E. Morris  
Mr. J. Brett  
Mr. A. Gray  
Mr. M. Lavelle

### **Company secretary**

Mr. K. Yap

### **Auditors**

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

### **Bankers**

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

### **Share registry**

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

### **Solicitors**

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

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