Appendix 4E
Preliminary final report

Name of entity

Specialty Fashion Group Limited (SFH)

ABN	Half yearly *(tick)*	Preliminary final *(tick)*
43 057 569 169		✓

1. Details of the reporting period

Current reporting period	30 June 2013
Previous corresponding period	30 June 2012

2. Results for announcement to the market

				30 Jun 2012 $'000		**30 Jun 2013 $'000**
2.1 Revenue	down	0.5%	from	572,509	to	**569,475**
2.2 Profit/(loss) after income tax expense	up	n/a	from	(2,810)	to	**12,970**
2.3 Profit after income tax expense attributable to the members of Specialty Fashion Group Limited	up	n/a	from	(2,810)	to	**12,970**

				30 Jun 2012 $'000		**30 Jun 2013 $'000**
EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation, adjusted for fair value revaluation of derivative financial instruments through profit or loss)[1]	up	89.1%	from	21,741	to	**41,118**

[1] Reconciliation of operating profit/(loss) before income tax to EBITDA is provided as follows:

	30 Jun 2012 $'000	**30 Jun 2013 $'000**
EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation, adjusted for fair value revaluation of derivative financial instruments through profit or loss)	21,741	**41,118**
Fair value revaluation of derivative financial instruments through profit or loss	-	**(12)**
Interest revenue	324	**468**
Finance costs	(2,126)	**(797)**
Depreciation, amortisation and impairment of property, plant and equipment	(23,240)	**(21,767)**
Profit/(loss) before income tax	(3,301)	**19,010**

2.4 Dividends (distributions)	Amount per security	Franked amount per security
Current period:		
Final dividend for the year ended 30 June 2013	2.0 cents	**2.0 cents**
Interim dividend for the half year ended 31 December 2012	2.0 cents	**2.0 cents**
Previous corresponding period:		
Final dividend for the year ended 30 June 2012	-	**-**
Interim dividend for the half year ended 31 December 2011	-	**-**
2.5 Record date for determining entitlements to the final dividend:	Refer section 5.0	

2.6 Brief explanation of any of the figures reported above and commentary on the results for the period:

Refer to the directors' report – Operating and financial review on pages 4 to 7 of the 2013 Annual Report.

3.0 Net tangible assets per security

	30 Jun 2012 cents	**30 Jun 2013 cents**
Net tangible asset backing per ordinary security	22.9	**29.9**

4.0 Control gained or lost over entities during the period

Not applicable.

5.0 Details of dividend/distribution

Current period

On 18 February 2013, the directors declared a fully franked interim dividend of 2.0 cents per share to the holders of fully paid ordinary shares, paid to shareholders on 19 March 2013 (Record date: 5 March 2013). The aggregate amount of the dividend paid to shareholders was $3,844,722.

On 26 August 2013 the directors declared a fully franked final dividend of 2.0 cents per share to the holders of fully paid ordinary shares, payable to shareholders on 26 September 2013. This dividend has not been included as a liability in these consolidated financial statements, and will be paid to all shareholders on the Register of Members as at 12 September 2013. The aggregate amount of the proposed dividend expected to be paid to shareholders is $3,844,722.

Previous corresponding period

There were no dividends paid, recommended or declared during the previous financial period.

6.0 Details of dividend/distribution reinvestment plan

Not applicable.

7.0 Details of associates and joint venture entities

Not applicable.

8.0 Accounting standards used by foreign entities

All consolidated foreign entities prepare financial information under International Financial Reporting Standards which are consistent with Australian Accounting Standards.

9.0 Qualification of audit/review

This report is based on accounts to which one of the following applies.

X The accounts have been audited.

☐ The accounts have been subject to review.

☐ The accounts are in the process of being audited or subject to review.

☐ The accounts have *not* yet been audited or reviewed.

10.0 Attachments

Details of attachments (if any):

The Annual Report of Specialty Fashion Group Limited for the year ended 30 June 2013 is attached.

11.0 Signed

G Perlstein
Director

Sydney
26 August 2013

Specialty Fashion Group Limited
ABN 43 057 569 169

Annual Report - 30 June 2013

Contents

Specialty Fashion Group Limited
Corporate directory
30 June 2013

Directors	Geoff Levy AO - Chairperson Gary Perlstein Ian Miller Joel Bloom Anne McDonald Ashley Hardwick Michael Hardwick Megan Quinn (appointed on 30 October 2012)
Company secretary	Alison Henriksen
Notice of Annual General Meeting	The Annual General Meeting of Specialty Fashion Group Limited: will be held at Museum of Sydney Cnr Phillip and Bridge Street Level 2, AGL Theatre Room time 10:00 AM date Thursday 31 October 2013
Registered office	151-163 Wyndham Street Alexandria NSW 2015 Tel: (02) 8303 9800 Fax: (02) 8306 3596
Principal place of business	151-163 Wyndham Street Alexandria NSW 2015
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Telephone: (02) 8280 7111 Facsimile: (02) 9287 0303
Auditor	Deloitte Touche Tohmatsu Chartered Accountants Level 24, Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Arnold Bloch Leibler Level 24, Chifley Tower 2 Chifley Square Sydney NSW 2000
Bankers	National Australia Bank 255 George Street Sydney NSW 2000
Stock exchange listing	Specialty Fashion Group Limited shares are listed on the Australian Securities Exchange (ASX code: SFH)
Website	www.specialtyfashiongroup.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group' or 'consolidated entity') consisting of Specialty Fashion Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2013.

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

G Levy AO
G Perlstein
I Miller
J Bloom
A McDonald
A Hardwick
M Hardwick
M Quinn (appointed on 30 October 2012)

Principal activities
During the year the principal continuing activity of the consolidated entity consisted of the retailing of women's fashion in Australia and New Zealand.

Dividends
Dividends paid during the financial year were as follows:

	2013 $'000	2012 $'000
Interim dividend for the year ended 30 June 2013 of 2.0 cents (2012: nil) per fully paid ordinary share	3,845	-

Subsequent to the year ended 30 June 2013, the directors declared a fully franked final dividend of $3,844,722 to the holders of fully paid ordinary shares. Refer to note 40 for additional details.

Operating and financial review
Review of operations
Specialty Fashion Group is the largest specialty retailer of women’s fashion in Australasia, through Millers, Katies, Crossroads, Autograph, and City Chic. As an omni-channel retailer, the company is continuously seeking to enhance customers’ overall shopping experience, either in store or online. In July 2013, the company was awarded “Australian Multichannel Retailer of the Year 2013” by the Australian Retailers Association in recognition of the Group’s omni-channel operations. The company operates 886 stores, of which 840 stores are in Australia and 46 stores are in New Zealand, and its brands’ products are also available through six online stores. One of the online stores serves City Chic’s customers in the USA.

The company has one of the largest women’s customer communities in Australasia with over 7 million members, and can reach over 2.8 million members through email. The company’s customers are very loyal, with member sales representing over 80% of overall sales.

During the year, the company agreed with La Senza Corporation to exit the licence for La Senza in Australia. The seasonal and demographic complexities of the La Senza product being developed for the North American market did not translate and proved challenging in the Australian market. There were no penalties for cancelling the licence and the financial impact of La Senza to the Group’s Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) result was not significant. Store assets were assessed for impairment and written off where appropriate.

Changes to the Group’s physical store portfolio during the 2013 financial year included the opening of 40 new stores, closing of 47 underperforming stores (including La Senza stores) and the refurbishment of 13 stores. Of the 47 stores closed during the financial year, 18 stores related to the La Senza brand.

Review of financial performance
The Australian retail industry continued to be effected by difficult economic conditions and decreased consumer confidence and this has had an impact on the financial performance of the Group, particularly during the second half of the financial year. Despite the prevalence of these conditions, the Group was profitable.

Revenue for the full year ended 30 June 2013 was $569.5 million, 0.5 per cent lower than revenue from the prior year, reflecting underlying comparable store sales growth of 0.4 per cent and a net decrease in the number of stores. The Group’s online sales grew 50 per cent to $21.9 million, or 3.8 per cent of total revenue for the year ended 30 June 2013. The Group delivered Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) of $41.1 million, compared with EBITDA for the prior year of $21.7 million. Net profit for the year was $13.0 million, an improvement from a net loss of $2.8 million reported for the prior year. A reconciliation of EBITDA to statutory profit/(loss) before income tax is included in note 4 of the financial statements.

Online growth during the year has been enabled by dedicated e-commerce teams, a CRM platform for each brand, investment in an expanded pick and pack facility and personalised email marketing. This has continued to deliver results in customer engagement during the year. Email campaign responses increased as more sophisticated customer segmentation was developed, and response rates were well above industry standards.

A record gross margin of 61.8 per cent was achieved for the full year, an improvement of 376 basis points compared with the prior year. This result has been achieved from reduced product cost prices, and reduced freight costs, which are the outcome of the investments made in transforming the Group’s supply chain to a design and direct sourcing model. The Group also reaped the benefits of the decrease in cotton prices as reflected in fabric costs, and a more favourable average USD exchange rate of $1.01 for the year.

The Group’s costs of doing business for the year were $0.1 million higher than for the prior year despite underlying annual inflation in wages and rentals being between 3 and 4 per cent. Overall rental expense reduced by $2.8 million, achieved by reducing base rentals of renewed leases by $4.1 million and exiting leases of underperforming stores which reduced rental costs by $2.6 million, to offset inflation of $4.2 million and reduction in the stepped lease provision of $0.3 million. In addition, changes in store rostering were implemented to mitigate the impact of wage inflation, achieving savings of $1.3 million, but this along with the reduction of wages of $1.1 million as a result of exiting leases of underperforming stores could not fully offset wage inflation and increases in workers compensation insurance. Employee benefits expenses increased overall by $3.8 million, and Other expenses decreased by $1 million.

Depreciation and impairment expense for the year was $21.8 million, 6.3 per cent lower than the prior year. The depreciation expense for the year was $24.7 million, up from $20.5 million in the prior year primarily due to the acceleration of depreciation relating to assets in La Senza stores that were closed during the period, offset by lower depreciation in respect of other assets due to restrained capital expenditure. The increase in depreciation was offset by a reduction of $2.9 million in store asset impairment as a result of improved store performance in the current year.

Review of financial position
Specialty Fashion Group ended the year in a solid financial position, with net cash of $38.6 million at 30 June 2013 (compared with net cash of $4.1 million a year earlier), the highest in seven years and driven by strong operating cash flows and careful investments. At the end of the year, the Group had no debt and had access to unused facilities of $48.0 million ($40.0 million working capital facility and $8.0 million asset finance facility). The current debt facilities mature in December 2015.

During the period, a strong focus on working capital resulted in an overall improvement in the investment in working capital. This was mainly driven by the reduction in inventories and well managed supplier payment terms.

The Group's net inventories at 30 June 2013 were $40.7 million, down from $48.2 million a year earlier. Improvements have been made in inventory management which include lowering unit cost prices, lowering the ageing of inventories and faster inventory turns, which increased from 5.0 times in FY2012 to 5.3 times in FY2013. As a consequence of these improvements and refinement of historical data extracts the provision required for inventory obsolescence also decreased by $2.2 million and is included in the overall decrease in the net inventories balance.

Trade and other payables at 30 June 2013 were $67.0 million, up from $62.9 million a year earlier. The increase of $4.1 million includes trade payables up $2.3 million, reflecting more favourable terms with suppliers in comparison to the prior year, and other payables up $1.9 million mainly due to increased accruals in relation to employee costs and rent.

The Group's capital expenditure was $13.5 million for the full year compared to $14.7 million in FY2012. An amount of $1.9 million was invested in expansion of creative space in Sydney for the Design and Direct Sourcing team and $0.8 million was spent to expand E-Commerce pick and pack facilities. A further $2.6 million was invested in IT systems to support business strategies. This capital expenditure was offset by proceeds receivable on the sale of property of $1.6 million.

During the year, an fully franked interim dividend of 2.0 cents per ordinary share was paid and a fully franked final dividend of 2.0 cents per ordinary share will be paid on 26 September 2013.

Outlook

The Group expects to drive further operational improvements in FY2014 through continued focus on our omni-channel strategies, customer relationship management and the supply chain.

Optimisation of the physical store portfolio is expected to continue in the near term through the closure or adjustments to the store size of underperforming stores. The Group will continue to be opportunistic with respect to the property portfolio.

The Group remains very cautious as to the extent of organic growth that may be achieved at the current time given the ongoing lack of consumer confidence in Australia. Management continues to explore all options to grow the Specialty Fashion Group through physical and digital channels.

Material business risks

Specialty Fashion Group operates in an environment of change and uncertainty. There are a range of factors, both specific to the Group and general in nature which may impact the operating and financial performance of the Group. The impact of these risks is regularly reviewed for their possible impact and the Group seeks to minimise the impact through its risk management functions and its approach to running the business.

Competition and consumer discretionary spending

The Group operates in a retail environment where quality, price and value are critical to the customers it serves. The retail fashion market is also becoming an increasingly global market through the impact of online shopping and the entry of overseas retailers into Australia. The Group is constantly monitoring these developments and is adapting its business model to this changing landscape.

Property portfolio management

The Group operates 886 physical stores in Australia and New Zealand. These stores are leased and are subject to negotiations with each landlord at the end of each lease term. The Group actively manages its portfolio against established financial and operational benchmarks which must be met for new stores or renewal of leases in existing stores.

Exchange rates

The Group relies significantly on imported products (directly sourced or via local or overseas wholesalers) and as a result the cost of the product may be subject to movements in the exchange rate of the Australian dollar. The Group mitigates against movements in exchange rates through the use of forward cover.

Cotton and other product input prices
The Group sources product either directly from China or through local agents and as such is affected by movements in fabric prices. As cotton is a principal input, the Group mitigates against significant adverse fluctuations in commodity prices through the use of cotton call options. In addition, labour costs have an impact on overall product cost. The Group actively manages the supply chain by developing long term relationships with our suppliers to ensure the best possible outcomes for all involved.

Occupational Health and Safety (OHS)
The Group has over 4,000 employees across Australia and New Zealand as well as the customers who visit its stores. The Group has a high focus on OHS with this function led by a senior executive of the Group. We continue to invest in training and development of our employees to ensure they have a high awareness of workplace safety.

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

Matters subsequent to the end of the financial year
On 26 August 2013 the directors declared a fully franked final dividend of 2.0 cents per share to the holders of fully paid ordinary shares, payable to shareholders on 26 September 2013. This dividend has not been included as a liability in these consolidated financial statements, and will be paid to all shareholders on the Register of Members as at 12 September 2013. The aggregate amount of the proposed dividend expected to be paid to shareholders is $3,844,722.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
The consolidated entity intends to continue its principal activity of retailing of women's fashion in Australia and New Zealand while focusing on new stores, online growth, customer relationship management and the supply chain. Further information on likely developments in the operations of the consolidated entity and expected results from operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
While the consolidated entity has maintained its greenhouse emissions below the reporting threshold required under the National Greenhouse and Emissions Reporting Act 2007, annual reporting of the consolidated entity's greenhouse emissions is completed to identify opportunities for improvement.

Other than the above, the consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Geoff Levy AO
Title:	Non-Executive Chairperson
Qualifications:	B.Comm, LLB, SF Fin, MAICD
Experience and expertise:	Geoff Levy joined the Specialty Fashion Group Board in April 2005. He retired as Executive Chairperson of Investec Bank (Australia) Limited ("Investec") on 1 January 2008. Geoff was previously Chief Executive Officer of Investec, a principal of Wentworth Associates and before that a partner in the leading law firm, Freehills. He has over two decades of experience in the corporate advisory environment where he is regarded as an expert in mergers and acquisitions, capital raisings and general corporate commercial law.
Other current directorships:	Geoff was appointed an Officer of the Order of Australia in the 2005 Queens Birthday Honours List. Geoff has been a director on a number of public and government boards and is currently a non-executive Chairperson of Cromwell Group Limited and Monash Private Capital Pty Limited, non-executive Deputy Chairperson of Investec Bank as well as a number of Investec subsidiaries. He also chairs the NSW Government's Property Asset Utilisation Taskforce.
Former directorships (in the last 3 years):	Geoff does not hold any other listed company directorships and has not held any other listed company directorships in the last three years.
Special responsibilities:	Chairperson of the Board; Chairperson of the Remuneration Committee
Interests in shares:	2,365,564 ordinary shares
Interests in options:	None

Name:	Gary Perlstein
Title:	Chief Executive Officer
Qualifications:	B.Bus
Experience and expertise:	Gary Perlstein has played an integral role both in the establishment and growth of Specialty Fashion Group since it was founded in 1993. Gary has been a director of Specialty Fashion Group Limited since 1995 and he was appointed Chief Executive Officer in October 2003. Gary has over 20 years of retailing experience in Australia.
Other current directorships:	Gary does not hold any other listed company directorships.
Former directorships (in the last 3 years):	Gary has not held any other listed company directorships in the last three years.
Special responsibilities:	Chief Executive Officer
Interests in shares:	17,862,814 ordinary shares
Interests in options:	None

Name:	Ian Miller
Title:	Non-Executive Director
Qualifications:	B.Comm
Experience and expertise:	Ian Miller co founded Specialty Fashion Group in 1993 and was Managing Director until October 2003. Ian has over 35 years of retailing experience. Ian was an executive director from 1993 until 1 January 2007 when he moved to being a non-executive director.
Other current directorships:	Ian does not hold any other listed company directorships.
Former directorships (in the last 3 years):	Ian has not held any other listed company directorships in the last three years.
Special responsibilities:	None
Interests in shares:	14,509,906 ordinary shares
Interests in options:	None

Information on directors (continued)

Name:	Joel Bloom
Title:	Non-Executive Director
Qualifications:	B.Comm
Experience and expertise:	Joel Bloom joined the Specialty Fashion Group Board in March 2005. Joel is a Chartered Accountant by training and was the joint founder of Go Lo, a national chain of Discount Variety Stores. He has over 20 years of retailing experience in Australia.
Other current directorships:	Joel does not hold any other listed company directorships.
Former directorships (in the last 3 years):	Joel has not held any other listed company directorships in the last three years.
Special responsibilities:	Member of the Audit Committee; Member of the Remuneration Committee
Interests in shares:	200,000 ordinary shares
Interests in options:	None

Name:	Anne McDonald
Title:	Non-Executive Director
Qualifications:	B.Ec, FCA, GAICD
Experience and expertise:	Anne McDonald joined the Specialty Fashion Group Board in April 2007. As part of her community work she was a director of St Vincent's Healthcare Group from 2001 until 2010. Anne is a Chartered Accountant by training and was a partner with Ernst & Young for 15 years until 2005. During that time she served as a member of the Board of Ernst & Young Australia for seven years.
Other current directorships:	Anne is a non-executive director of GPT Group (from 2006) and Spark Infrastructure Group (from 2009). She is also a non-executive director of Westpac's Life Insurance and General Insurance Businesses. Anne chairs the Audit Committee for these entities.
Former directorships (in the last 3 years):	Anne has not held any other listed company directorships in the last three years.
Special responsibilities:	Chairperson of the Audit Committee
Interests in shares:	15,000 ordinary shares
Interests in options:	None

Name:	Ashley Hardwick
Title:	Non-Executive Director
Experience and expertise:	Ashley Hardwick joined the Specialty Fashion Group Board in May 2012. Ashley is a director and shareholder of the Cotton On Group and has over 20 years of retail experience. He also oversees the property function of the Cotton On Group.
Other current directorships:	Ashley does not hold any other listed company directorships.
Former directorships (in the last 3 years):	Ashley has not held any other listed company directorships in the last three years.
Special responsibilities:	None
Interests in shares:	38,742,203 ordinary shares held indirectly through NAAH Pty Ltd and NAAH Investments Pty Ltd
Interests in options:	None

Information on directors (continued)

Name:	Michael Hardwick
Title:	Non-Executive Director
Qualifications:	B.Comm
Experience and expertise:	Michael Hardwick joined the Specialty Fashion Group Board in May 2012 and was appointed to the Remuneration Committee on 22 August 2013. Michael currently serves as the Chief Financial Officer of the Cotton On Group. Michael is a Chartered Accountant by training and has previously worked at PricewaterhouseCoopers in both Melbourne and New York in the transaction advisory practice. He also spent 10 years as a partner with the New York based private equity firm Hudson Valley Capital Partners.
Other current directorships:	Michael does not hold any other listed company directorships.
Former directorships (in the last 3 years):	Michael has not held any other listed company directorships in the last three years.
Special responsibilities:	Member of the Audit Committee; Member of the Remuneration Committee
Interests in shares:	195,000 ordinary shares
Interests in options:	None

Name:	Megan Quinn
Title:	Non-Executive Director
Qualifications:	GAICD
Experience and expertise:	Megan Quinn joined the Specialty Fashion Group Board in October 2012. For the past 25 years, Megan has built a career specialising at the luxury end of retailing, advertising, publishing and design for the fashion, jewellery, hotel and airline industries. She has held a variety of leadership and senior executive as well as non-executive board roles. Her secondment to London in 1988 with the Mojo advertising agency marked the beginning of 18 years of involvement with prestigious clients such as QANTAS, the Australian Tourist Commission, Asprey, Garrard and Patek Philippe and leading retailers such as Harrods, The Arcadia Group and BHS. Megan has also held executive board roles with both Harrods and Net-A-Porter. One of Megan's notable achievements was her being a co-founder of internationally acclaimed Net-A-Porter in 1999.
Other current directorships:	Megan is a director of UNICEF Australia and Fitted For Work.
Former directorships (in the last 3 years):	Megan has not held any other listed company directorships in the last three years.
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

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

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

Company secretary

The Company Secretary is Alison Henriksen, B.Comm, ACA. Alison was appointed to the position of Company Secretary in July 2010. She is also the Chief Financial Officer of Specialty Fashion Group Limited, appointed in August 2009 and has over 20 years commercial experience. In addition to financial and company secretarial matters, Alison has responsibility for overseeing the Group’s investor relations, legal, property, IT, loss prevention, customer care and customer insights functions.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Full Board		**Remuneration Committee**		**Audit Committee**	
	Attended	Held	Attended	Held	Attended	Held
Geoff Levy AO	9	9	2	2	-	-
Gary Perlstein	9	9	-	-	-	-
Ian Miller	9	9	-	-	-	-
Joel Bloom	9	9	2	2	6	6
Anne McDonald	7	9	-	-	6	6
Ashley Hardwick	6	9	-	-	-	-
Michael Hardwick	8	9	-	-	6	6
Megan Quinn	7	7	-	-	-	-

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional information

A Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to the Group's strategic and business objectives and the creation of shareholder value;
- performance linkage / alignment of executive compensation;
- transparency; and
- acceptability to shareholders.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In consultation with external remuneration consultants (refer to the section 'use of remuneration consultants' on page 14), the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

In accordance with best practice corporate governance, non-executive directors and executive remuneration structures are determined separately.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairperson's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairperson is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive performance-based pay. The Board believes this is necessary for non-executive directors to maintain their independence.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 8 November 2012, where the shareholders approved an aggregate remuneration of $600,000.

The current base fees were last reviewed with effect from 1 January 2012.

Executive remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- alignment to the Group's strategic and business objectives and the creation of shareholder value;
- performance linkage and alignment of executive compensation;
- transparency; and
- acceptability to shareholders.

Alignment to shareholders' interests:
- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to executives' interests:
- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable compensation, and a blend of short and long term incentives. As executives gain seniority within the consolidated entity, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The executive remuneration and reward framework has three components:
- base pay and benefits, including superannuation;
- short term performance incentives; and
- long term incentives through participation in the Specialty Fashion Group Limited Employee Long Term Incentive Plan.

The combination of these comprises an executive's total remuneration.

Base pay and benefits
Executives receive their base pay and benefits structured as a total employment cost ('TEC') package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Benefits
Executives receive benefits including car allowances.

Short term incentives
Should the Group achieve pre-determined targets set by the Remuneration Committee, then short term incentives ('STI') are available for executives and employees. Cash incentives (bonuses) are payable following finalisation and announcement of the full year audited results. Using value creation targets ensures variable awards are only available when value has been created for shareholders and when profit is consistent with the business plan. The incentives are leveraged for performance above the threshold to provide an incentive for executive and employee out-performance.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The annual STI target payment is reviewed annually.

The Remuneration Committee considers the appropriate targets and key performance indicators ('KPIs') to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2013, the KPIs linked to short term incentive plans were based on group or individual personal objectives, where appropriate to the executive's role and their impact on the consolidated entity's performance. The KPIs required performance in maximising sales and margins, reducing operating costs and achieving specific targets in relation to return on assets, as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The short term incentive payments are adjusted in line with the degree of achievement against the target performance
levels.

Long term incentives
Information on Specialty Fashion Group Limited's Employee Long Term Incentive Plan is set out later in this note.

Use of remuneration consultants
In October 2011, Specialty Fashion Group Limited's Remuneration Committee employed the services of Mercer (Australia) Pty Ltd (Mercer) to review its existing remuneration policies and to provide recommendations in respect of both executive short term and long term incentive plan design. Under the terms of the engagement, Mercer provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $38,850 for these services. Remuneration consultants were not engaged during the year ended 30 June 2013.

Voting and comments made at the company's 2012 Annual General Meeting
At the 2012 AGM, 94.6% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration
The following key management personnel of the consolidated entity were also the key management personnel of Specialty Fashion Group Limited (the parent entity) for the years ended 30 June 2013 and 30 June 2012.

The key management personnel of the consolidated entity and parent entity consisted of the following directors of Specialty Fashion Group Limited:

- Geoff Levy AO - Chairperson
- Gary Perlstein - Chief Executive Officer
- Ian Miller - Non-Executive Director

- Joel Bloom - Non-Executive Director
- Anne McDonald - Non-Executive Director
- Ashley Hardwick - Non-Executive Director
- Michael Hardwick - Non-Executive Director
- Megan Quinn - Non-Executive Director (appointed on 30 October 2012)

And the following persons:

- Alison Henriksen - Chief Financial Officer and Company Secretary
- Sonia Moura - General Manager of Human Resources

2013		**Short term benefits**		**Post-employment benefits**	**Termination benefits**	**Share-based payments**	
Name	Cash salary and fees $	Cash bonus* $	Non-monetary $	Super-annuation $	Termination benefits $	Equity-settled $	Total $
Non-Executive Directors:							
G Levy AO	125,000	-	-	11,244	-	-	136,244
I Miller	56,752	-	-	24,997	-	-	81,749
J Bloom	68,750	-	-	13,563	-	-	82,313
A McDonald	75,000	-	-	6,750	-	-	81,750
A Hardwick	37,500	-	-	3,375	-	-	40,875
M Hardwick	37,500	-	-	3,375	-	-	40,875
M Quinn	50,000	-	-	4,500	-	-	54,500
	450,502	-	-	67,804	-	-	518,306
Executive Directors:							
G Perlstein	700,000	210,000	71,500	81,900	-	-	1,063,400
	700,000	210,000	71,500	81,900	-	-	1,063,400
Other Key Management Personnel:							
A Henriksen	450,000	135,000	30,000	53,142	-	69,532	737,674
S Moura	245,000	73,500	49,505	26,415	-	31,289	425,709
	695,000	208,500	79,505	79,557	-	100,821	1,163,383
Total	1,845,502	418,500	151,005	229,261	-	100,821	2,745,089

2012	**Short term benefits**			**Post-employment benefits**	**Termination benefits**	**Share-based payments**	
Name	Cash salary and fees $	Cash bonus* $	Non-monetary $	Super-annuation $	Termination benefits $	Equity-settled $	Total $
Non-Executive Directors:							
G Levy AO	111,541	-	-	10,039	-	-	121,580
I Miller	69,500	-	-	6,255	-	-	75,755
J Bloom	69,500	-	-	6,255	-	-	75,755
A McDonald	69,500	-	-	6,255	-	-	75,755
W Tang	56,250	-	-	5,063	-	-	61,313
A Hardwick	-	-	-	-	-	-	-
M Hardwick	-	-	-	-	-	-	-
	376,291	-	-	33,867	-	-	410,158
Executive Directors:							
G Perlstein	700,000	-	71,500	63,000	-	-	834,500
	700,000	-	71,500	63,000	-	-	834,500
Other Key Management Personnel:							
A Henriksen	385,000	-	30,000	34,158	-	-	449,158
S Moura	213,333	-	-	19,800	-	-	233,133
J Clough **	56,923	-	5,692	3,252	15,662	-	81,529
	655,256	-	35,692	57,210	15,662	-	763,820
Total	1,731,547	-	107,192	154,077	15,662	-	2,008,478

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		**At risk - STI**		**At risk - LTI**	
Name	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Executive Directors:						
G Perlstein	**78%**	78%	**22%**	22%	**- %**	- %
Other Key Management Personnel:						
A Henriksen	**71%**	78%	**20%**	22%	**9%**	- %
S Moura	**74%**	78%	**19%**	22%	**7%**	- %
J Clough**	**- %**	78%	**- %**	22%	**- %**	- %

The proportion of the cash bonus paid/payable or forfeited is set out below. No part of the bonuses is payable in future years.

	Cash bonus paid/payable*		Cash bonus forfeited*	
Name	**2013**	**2012**	**2013**	**2012**
Executive Directors:				
G Perlstein	**100%**	- %	**- %**	100%
Other Key Management Personnel:				
A Henriksen	**100%**	- %	**- %**	100%
S Moura	**100%**	- %	**- %**	100%
J Clough**	**- %**	- %	**- %**	100%

* The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed 'Short term incentives' above. All other elements of remuneration are not directly related to performance.

** Represents remuneration for the period that J Clough was a key management employee (1 July 2011 to 8 September 2011).

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Gary Perlstein
Title:	Chief Executive Officer
Term of agreement:	No term
Details:	• Notice period of 1 month • Remuneration review period every 12 months • Eligible for short term incentives • Eligible for long term incentives • No severance period • No termination benefits • No other benefits

Name:	Alison Henriksen
Title:	Chief Financial Officer and Company Secretary
Term of agreement:	No term
Details:	• Notice period of 3 months • Remuneration review period every 12 months • Eligible for short term incentives • Eligible for long term incentives • No severance period • No termination benefits • No other benefits

Name:	Sonia Moura
Title:	General Manager of Human Resources
Term of agreement:	No term
Details:	• Notice period of 3 months • Remuneration review period every 12 months • Eligible for short term incentives • Eligible for long term incentives • No severance period • No termination benefits • No other benefits

All non-executive directors stand for re-election every 3 years and have no notice period, no remuneration review, no eligibility for short term incentives, no eligibility for long term incentives, no severance period, no termination benefits and no other benefits.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Fair value per right at grant date
19 February 2013	30 June 2015	30 August 2015	$0.914

Performance rights granted carry no dividend or voting rights.

Upon meeting the vesting conditions, the performance right holder will be allocated one ordinary share in the company for each performance right held. Vesting will occur upon completion of the statutory accounts of Specialty Fashion Group Limited for the year ended 30 June 2015, subject to both performance and service conditions being met. Performance rights expire on 30 August 2015.

In order to satisfy the performance conditions, the company must meet or exceed specified cumulative earnings per share (EPS) growth targets for the period ended 30 June 2015. In addition, plan participants are required to complete a continual period of service from the performance right grant date to the vesting date (30 June 2015). The Board of directors has the discretion to waive or partly waive performance conditions that have not been satisfied.

The number of performance rights over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

	Number of rights granted during the year		**Number of rights vested during the year**	
Name	**2013**	**2012**	**2013**	**2012**
A Henriksen	**500,000**	-	**-**	-
S Moura	**225,000**	-	**-**	-

E Additional information

The earnings of the consolidated entity for the five years to 30 June 2013 are summarised below:

	2013 $'000	**2012 $'000**	**2011 $'000**	**2010 $'000**	**2009 $'000**
Sales revenue	569,475	572,509	570,304	556,707	560,554
Profit/(loss) before income tax	19,010	(3,301)	21,306	43,227	30,813
Profit/(loss) after income tax	12,970	(2,810)	14,519	30,717	22,563

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

	2013	**2012**	**2011**	**2010**	**2009**
Share price at financial year end	0.82	0.51	0.88	1.07	0.55
Total dividends declared (cents per share)	4.00	-	4.00	8.00	-
Basic earnings per share (cents per share)	6.7	(1.5)	7.6	16.1	11.8
Diluted earnings per share (cents per share)	6.7	(1.5)	7.6	15.8	11.7

This concludes the remuneration report, which has been audited.

Loans to directors and executives
As at 30 June 2013, there were no outstanding loans made to directors of Specialty Fashion Group Limited and other key management personnel of the consolidated entity, including their personally related parties (2012: nil).

Shares under option
There were no unissued ordinary shares of Specialty Fashion Group Limited under option outstanding at the date of this report.

Shares under performance rights
Unissued ordinary shares of Specialty Fashion Group Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
19 February 2013	30 August 2015	2,800,000

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

Shares issued on the exercise of options
There were no shares of Specialty Fashion Group Limited issued on the exercise of options during the year ended 30 June 2013 and up to the date of this report.

Shares issued on the exercise of performance rights
There were no shares of Specialty Fashion Group Limited issued on the exercise of performance rights during the year ended 30 June 2013 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

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

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the company who are former audit partners of Deloitte Touche Tohmatsu

There are no officers of the company who are former audit partners of Deloitte Touche Tohmatsu.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Geoff Levy AO
Non-executive Chairperson

Gary Perlstein
Chief Executive Officer

26 August 2013
Sydney

Deloitte Touche Tohmatsu
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The Board of Directors
Specialty Fashion Group Limited
151-163 Wyndham Street
Alexandria NSW 2015

26 August 2013

Dear Board Members

Specialty Fashion 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 Specialty Fashion Group Limited.

As lead audit partner for the audit of the financial statements of Specialty Fashion Group Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney

Deloitte.

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Independent Auditor's Report to the Shareholders of Specialty Fashion Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Specialty Fashion Group Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 32 to 78.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte.

Auditor's Independence Declaration

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

Opinion

In our opinion:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Specialty Fashion Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 26 August 2013

The directors are committed to the principles underpinning best practice in corporate governance, applied in a manner which is best suited to the company and its controlled entities and to best addressing the directors' accountability to shareholders and other stakeholders. In formulating the governance principles that guide the operations of the company, the directors have taken into account the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. This is supported by an overriding organisation wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

Roles and responsibilities

The directors' overriding objective is to increase shareholder value within an appropriate framework which protects the rights and interests of shareholders and ensures the company and its controlled entities are properly managed.

The functions of the Board of Directors are clearly defined in the company's Board Charter which includes responsibility for:

- approval of corporate strategies and the annual budget;
- monitoring financial performance including approval of the annual and half year financial reports and liaison with the company's auditors;
- monitoring managerial performance; and
- ensuring the significant risks facing the company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.

The Board of Directors

The Board Charter prescribes the structure of the Board and its committees, the framework for independence and some obligations of directors.

Size and composition of the Board

Board membership is regularly reviewed. Recommendations on the appropriate skill mix, personal qualities, expertise and diversity of each position are made. When a vacancy exists or there is a need for particular skills, the selection criteria based on the skills deemed necessary are identified. Suitable candidates are interviewed and appointed by the Board. New Board members must stand for election at the next general meeting of shareholders.

The Board currently comprises seven Non-Executive Directors, four of whom are deemed independent under the principles set out below and one Executive Director, the Chief Executive Officer, at the date of signing the directors' report.

The Chairperson of the Board is a non-executive director who is elected by the full Board. The Chairperson is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the Board's relationship with the company's senior executives. The Chief Executive Officer is responsible for implementing group strategies and policies. The Board Charter specifies that these are separate roles to be undertaken by separate people. An annual review of the performance of the Chief Executive Officer is conducted.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld.

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the directors' report on pages 8 to 10 under the heading "Information on directors".

Directors' independence
Any past or present relationship with the company is carefully examined to assess the likely impact on a director's ability to be objective and exercise independent judgement. The Board review any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction is in compliance with the *Corporations Act 2001* and is appropriately disclosed.

Remuneration Committee
The Remuneration Committee consists of the following non-executive directors:
- G Levy (Chairperson)
- J Bloom
- M Hardwick (appointed 22 August 2013)

The Committee considers remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors and other senior executives. The Committee, having regard to performance, relevant comparative information and independent expert advice, reviews executive remuneration and other terms of employment annually. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance related bonuses and fringe benefits. Senior executives may also be eligible to participate in the Employee Equity Participation Plan and Employee Long Term Incentive Plan. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Remuneration of non-executive directors is determined by the Committee within the maximum amount approved by the shareholders from time to time.

Further information on directors' and executives' remuneration is set out in the directors' report under the heading "Remuneration report".

Audit Committee
The Audit Committee consists of the following non-executive directors:
- A McDonald (Chairperson)
- J Bloom
- M Hardwick

The functions of the Audit Committee are clearly defined in the company's Audit Committee Charter which includes responsibility for:
- review and report to the Board on the annual and half year report and financial statements
- assist the Board in reviewing the effectiveness and adequacy of the organisation's internal financial control environment to enable them to provide the Board with up to date and reliable financial information.

The Committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit and non audit services.

In fulfilling its responsibilities the Committee receives regular reports from management and external auditors. It also meets with the external auditors at least twice a year, more frequently if necessary. The external auditors have a clear line of direct communication at any time to either the Chairperson of the Audit Committee or the Chairperson of the Board.

The Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party, and obtain external legal or other independent professional advice.

The Committee reports to the full Board after each committee meeting and relevant papers and minutes are provided to all directors. The number of meetings held by the Audit Committee is set out in the directors' report.

Financial report accountability
The Chief Executive Officer and the Chief Financial Officer who are present for Board discussion of financial matters are required to certify to the Board that the company's financial statements comply with Accounting Standards, give a true and fair view, of the financial position and performance of the company and consolidated entity; the financial statements and notes thereto are in accordance with the *Corporations Act 2001* and this statement is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board of Directors.

Performance evaluation
The Board undertakes regular self assessments of its collective performance, the performance of the Chairperson and its committees. The assessment also considers the adequacy of induction and continuing education, access to information and the support provided by the Company Secretary. Management are invited to contribute to this appraisal process which is facilitated by an independent member of management. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. An assessment in accordance with this process was undertaken during May 2011.

Disclosure
The company satisfies its continuous disclosure obligations as required by the Listing Rules of the Australian Stock Exchange and the Corporations Law by adhering to its External Communications policy which requires information to be disclosed in a full and timely manner to enable all shareholders and the market to have an equal opportunity to obtain and review information about the company. The company's annual and half yearly reports, media and analysts' presentations and press releases and other information disclosed to the ASX and the company's Code of Conduct are posted on the company's website (www.specialtyfashiongroup.com.au).

Auditor attendance at the Annual General Meeting
The external audit firm partner in charge of the Specialty Fashion Group Limited audit is available to answer shareholder questions at the company's Annual General Meeting.

Risk management
The Board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Group's policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the board proactively promotes a culture of quality and integrity.

The company's risk management policy and the operation of the risk management and compliance system is managed by the Company Risk Management Committee which consists of senior executives chaired by the Chief Financial Officer. The Board receives regular reports from this group as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

Risk management accountability
As part of the process of approving the financial statements, at each reporting date the Chief Executive Officer and Chief Financial Officer provide statements in writing to the Board on the quality and effectiveness of the company's risk management and internal compliance and control systems.

Occupational Health and Safety (OHS)
The company is committed to ensuring the health, safety and welfare of all individuals in the organisation including team members, customers, contractors and visitors. Refer to the Corporate Social Responsibility report on page 30 for further details.

Code of conduct

The company has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

In summary, the Code requires that at all times the company's personnel act with the utmost integrity, objectivity and in compliance with the letter and spirit of the law and company policies.

The Code and the company's trading policy is discussed with each new employee as part of their induction training. Further training is periodically provided and all employees are asked to sign a declaration confirming their compliance with the Code and the trading policy.

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities. Refer to the Corporate Social Responsibility report on page 30 for further details on ethical trade.

A copy of the Code and the trading policy is available on the company's website.

Diversity

Workplace diversity recognises and values the contribution of people from different backgrounds, experiences and perspectives. It is the company's aim to ensure that all team members have equal opportunity to participate and advance in their careers.

The company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the company has developed a diversity policy. This policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the company's progress in achieving them.

Objectives established for achieving gender diversity and progress towards achieving them during the year ended 30 June 2013 are set out below.

	Objective	Achievements
●	Create a flexible working arrangement policy and communicate it to all team members.	A flexible work arrangements policy has been developed and implemented.
●	Conduct a review of pay equity between males and females.	A high level pay review has been completed and will form pay review objectives over the next 2 to 3 years.
●	Review support office and store workplace behaviour policy and procedures to include a diversity statement.	The workplace behaviour policy was amended and rolled out to all team members.
●	Devise a succession planning process for key areas and critical roles.	Critical roles and succession requirements have been identified. A "Leaders of the future" program is currently being trialled.
●	Train team members on cultural awareness and equal opportunities.	Bespoke training modules are in development for each of our target groups.
●	Continue Diversity Work Group (DWG) teleconferences to continue developing ideas and awareness across the company.	Teleconferences continue on a bi-monthly basis.

Gender diversity within the organisation as at 30 June 2013 is set out below:

	Number	%
Number of women employees in the whole organisation	4,340	98.0
Number of women in senior executive positions	4	57.1
Number of women on the Board	2	28.6

Trading in Specialty Fashion Group Shares

Directors and senior executives of the Group are subject to the *Corporations Act 2001*, which prohibits buying, selling or subscribing for shares in the company if they are in possession of inside information. The company has a Securities Trading Policy which stipulates it is contrary to company policy for employees to be engaged in short term trading of the company's securities.

Appropriate time for directors and employees to acquire or sell the company's shares is when they are not in possession of price sensitive information which is not generally available to the market. Under the policy directors and employees must not deal in the company's shares during the period between 1 January and 24 hours after the release of the consolidated entity's half yearly results or the period between 1 July and 24 hours after the release of the consolidated entity's annual results.

It is contrary to company policy for directors and employees to deal in a derivative, the value of which is determined by reference to any unvested security held, until that security has fully and unconditionally vested.

Corporate social responsibility at Specialty Fashion Group Limited includes attracting a diverse and sustainable workforce, ensuring ethical compliance throughout our supply chain and managing the impacts the company has on the environment.

Diversity

The company values and recognises the diversity of our team members and the added value diversity provides to achieving the company's overall objectives. Established in 2012, the Diversity Work Group (DWG) is responsible for setting the strategic direction and identifying focus areas in relation to diversity. It consists of a cross section of team members to ensure that all levels of the company have a voice.

Diversity Policy

Workplace diversity recognises and values the contribution of people from different backgrounds, experiences and perspectives. It is the company's aim to ensure that all team members have equal opportunity to participate and advance in their careers.

The company's Diversity Policy outlines the company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the company's progress in achieving them. Refer to the 'Diversity' section in the company's corporate governance statement on pages 28 to 29.

In addition to the above, the company's objectives for the year ending 30 June 2014 are set out below:

- Revise Parental Leave Policy to maintain a 63% return to work from maternity leave and review the facilities provided for mothers returning from leave
- Conduct a Diversity Survey for all team members to complete, to understand the demographics of the work force
- Assess all team member disabilities identified in the Diversity Survey and address any reasonable adjustments
- Review the Diversity Policy, ensuring it is robust and current
- Submit the Workplace Gender Equality Act (WGEA) report, including identifying any pay discrepancies and developing strategies to address them
- Incorporate Diversity awareness into the new team member orientation and when conducting performance management conversations
- Continue Diversity Work Group teleconferences to continue developing ideas and awareness

Gender balance

The company's ongoing commitment to reporting on diversity is in line with the Workplace Gender Equality Act 2012 (WGEA). The proportion of women employed at different levels within the organisation was included in the company's WGEA report for the period ended 31 March 2013 as set out below:

- 98% of team members are women within the whole organisation
- 57% of the company's Senior Executive team are women
- 2 of the 7 Board members are women

In addition, 45.5% of the company's Leadership Team comprises of women, as compared to 30% in 2012.

The full WGEA report and findings are available upon request, please contact
HRDepartment@specialtyfashiongroup.com.au

Flexible work arrangements

The company is committed to recruiting and retaining the best talent to help achieve the company's vision. This means we need to be adaptable in the way we work to meet the needs of our team members and our customers.

The company will continue to use flexible work arrangements to provide a way of acknowledging and accommodating individual circumstances whilst balancing the company's business requirements.

Ethical Trade

The company is committed to supplying our customers the highest quality product at competitive prices in the fastest possible time. We are also dedicated to ensuring all our processes are transparent and will continue pursuing the highest standard of ethical trading possible.

Along with more than 80 global retailers, the company has signed up to the Bangladesh Fire and Building Safety Accord, which has been designed to improve the safety of Bangladesh garment workers' working conditions. We believe in sharing our technical expertise with our supply partners and investing for the future. Better working conditions ensure the efficiency of our supply chain and fairly paid and treated workers that operate in healthy and safe environments are more productive and in turn deliver a higher standard of quality.

Occupational Health and Safety (OHS)

The company is committed to ensuring the health, safety and welfare of all individuals in the organisation including team members, customers, contractors and visitors. The company has a high focus on OHS with this function led by a senior executive of the company. We continue to invest in training and development of our employees to ensure they have a high awareness of workplace safety.

In 2013 there was a focus on continued implementation of the company's safety management system and further reduction of key risks previously identified. Some of the most notable initiatives include:

- Approval received from WorkCover NSW to participate in their Retro Paid Loss Premium scheme which involved a thorough review of the company's safety management system and its implementation
- Workplace Inspection Checklists introduced to proactively identify hazards and maintenance issues, with the aim to prevent or minimise incidents from occurring
- Refresher induction training provided for all support centre team members
- Safety Week held across the organisation, with initiatives including competitions, coffee mornings, pre-work stretch sessions, culture surveys and daily tips
- Purchasing and Procurement training launched to prevent or minimise new safety hazards being introduced within the company

The company's strategy for 2014 includes the introduction of internal audits across the organisation to ensure consistent implementation of the safety management plan. Contractor management will also be a key focus as the company reviews the provision of services across the organisation.

Environment

The company is committed to conducting its operations in an environmentally sustainable manner to efficiently manage its impacts on the environment.

In 2013, the company developed its packaging strategy to reduce the amount of packaging reaching landfill. The commencement of this strategy has led to a review of all garment packaging against the Sustainable Packaging Guidelines. Future initiatives for 2014 include packaging reviews of further product categories as well as and the development of sustainable procurement guidelines.

As noted in the director's report on page 7, the company completes annual reporting of its greenhouse emissions to identify opportunities for improvement. The company's greenhouse emissions are below the reporting threshold required under the National Greenhouse and Emissions Reporting (NGER) Act 2007.

Specialty Fashion Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue	5	**569,475**	572,509
Expenses			
Changes in inventories of finished goods and consumables		**(7,518)**	2,320
Finished goods and consumables used		**(209,769)**	(242,291)
Employee benefits expense		**(149,832)**	(146,000)
Depreciation, amortisation and impairment expense	6	**(21,767)**	(23,240)
Rental expense		**(110,812)**	(113,571)
Other expenses		**(49,970)**	(50,902)
Finance costs	6	**(797)**	(2,126)
Profit/(loss) before income tax (expense)/benefit		**19,010**	(3,301)
Income tax (expense)/benefit	7	**(6,040)**	491
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Specialty Fashion Group Limited	29	**12,970**	(2,810)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		**3,655**	6,515
Foreign currency translation		**406**	43
Other comprehensive income for the year, net of tax		**4,061**	6,558
Total comprehensive income for the year attributable to the owners of Specialty Fashion Group Limited		**17,031**	3,748

		Cents	Cents
Basic earnings per share	42	**6.7**	(1.5)
Diluted earnings per share	42	**6.7**	(1.5)

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

Specialty Fashion Group Limited
Statement of financial position
As at 30 June 2013

	Note	2013 $'000	Consolidated 2012 $'000
Assets			
Current assets			
Cash and cash equivalents	8	**38,576**	10,585
Receivables	9	**6,607**	3,016
Inventories	10	**40,692**	48,160
Derivative financial instruments	11	**5,193**	-
Income tax receivable	12	**1,568**	3,261
Total current assets		**92,636**	65,022
Non-current assets			
Receivables		**283**	364
Derivative financial instruments	13	**111**	-
Property, plant and equipment	14	**71,622**	82,572
Intangibles	15	**10,095**	10,095
Deferred tax	16	**491**	2,348
Total non-current assets		**82,602**	95,379
Total assets		**175,238**	160,401
Liabilities			
Current liabilities			
Trade and other payables	17	**66,979**	62,852
Borrowings	18	**-**	6,500
Derivative financial instruments	19	**-**	119
Income tax liability	20	**-**	82
Provisions	21	**14,271**	14,510
Finance lease	22	**229**	-
Other	23	**4,235**	3,140
Total current liabilities		**85,714**	87,203
Non-current liabilities			
Deferred tax	16	**1,828**	-
Provisions	24	**12,111**	11,743
Finance lease	25	**422**	-
Other	26	**7,601**	7,276
Total non-current liabilities		**21,962**	19,019
Total liabilities		**107,676**	106,222
Net assets		**67,562**	54,179
Equity			
Issued capital	27	**134,497**	134,497
Reserves	28	**3,455**	(803)
Accumulated losses	29	**(70,390)**	(79,515)
Total equity		**67,562**	54,179

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

Specialty Fashion Group Limited
Statement of changes in equity
For the year ended 30 June 2013

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2011	133,867	(6,570)	(76,705)	50,592
Loss after income tax (expense)/benefit for the year	-	-	(2,810)	(2,810)
Other comprehensive income for the year, net of tax	-	6,558	-	6,558
Total comprehensive income for the year	-	6,558	(2,810)	3,748
Transactions with owners in their capacity as owners:				
Employee share-based credits	-	(161)	-	(161)
Issue of ordinary shares under Senior Executive Compensation Scheme	630	(630)	-	-
Balance at 30 June 2012	134,497	(803)	(79,515)	54,179

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2012	134,497	(803)	(79,515)	54,179
Profit after income tax (expense)/benefit for the year	-	-	12,970	12,970
Other comprehensive income for the year, net of tax	-	4,061	-	4,061
Total comprehensive income for the year	-	4,061	12,970	17,031
Transactions with owners in their capacity as owners:				
Performance rights over ordinary shares	-	197	-	197
Dividends paid (note 30)	-	-	(3,845)	(3,845)
Balance at 30 June 2013	134,497	3,455	(70,390)	67,562

The above statement of changes in equity should be read in conjunction with the accompanying notes

Specialty Fashion Group Limited
Statement of cash flows
For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**626,695**	630,628
Payments to suppliers and employees (inclusive of GST)		**(574,615)**	(587,731)
		52,080	42,897
Interest received		**468**	324
Interest and other finance costs paid		**(797)**	(2,126)
Income taxes paid		**(2,221)**	(4,574)
Net cash from operating activities	41	**49,530**	36,521
Cash flows from investing activities			
Payments for property, plant and equipment[1]	14	**(13,488)**	(16,123)
Proceeds from sale of property, plant and equipment		**1,643**	95
Net cash used in investing activities		**(11,845)**	(16,028)
Cash flows from financing activities			
Proceeds from borrowings		**651**	-
Repayment of borrowings		**(6,500)**	(15,500)
Dividends paid	30	**(3,845)**	-
Net cash used in financing activities		**(9,694)**	(15,500)
Net increase in cash and cash equivalents		**27,991**	4,993
Cash and cash equivalents at the beginning of the financial year		**10,585**	5,592
Cash and cash equivalents at the end of the financial year	8	**38,576**	10,585

[1] Total payments for property, plant and equipment during the 2012 financial year includes 2011 capital expenditure of $1.2 million.

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

Note 1. General information

The financial report covers Specialty Fashion Group Limited as a consolidated entity consisting of Specialty Fashion Group Limited and the entities it controlled for the year ended 30 June 2013. The financial report is presented in Australian dollars, which is Specialty Fashion Group Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

151-163 Wyndham Street
Alexandria NSW 2015

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 26 August 2013. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

Basis of preparation

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

Note 2. Significant accounting policies (continued)

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Specialty Fashion Group Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Specialty Fashion Group Limited and its subsidiaries together are referred to in these financial statements as the ‘group’ or 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

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

Note 2. Significant accounting policies (continued)

Foreign currency translation
The financial report is presented in Australian dollars, which is Specialty Fashion Group Limited's functional and presentation currency.

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

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

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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Retail sales
Revenue is recognised at the point of sale when delivery takes place.

Lay-by sales
Lay-by sales are recognised upon receiving final payment from the customer.

Interest
Interest revenue is recognised when it is earned.

Customer loyalty program
The Group operates a loyalty program where customers accumulate points for purchases made which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are recognised at their fair value. Revenue from the reward points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. Reward points expire 24 months after the initial sale or 30 days after a voucher has been issued.

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

Specialty Fashion Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Specialty Fashion Group Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Specialty Fashion Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Specialty Fashion Group Limited for any current tax payable assumed and are compensated by Specialty Fashion Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also required payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreement with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the company. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Note 2. Significant accounting policies (continued)

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

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes transfer from equity of any gains/losses on qualifying cashflow hedges relating to purchases of inventories.

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

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

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

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in exchange rates where liabilities are settled in foreign currency and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

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

If the hedging instrument is sold, terminated, expires, exercised without replacement or rolled over, or if the hedge becomes ineffective and is no longer a designated hedge, cumulative amounts previously recognised in equity remain in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss.

Call options
Call options are used to cover the consolidated entity's exposure to fluctuations in cotton prices which could affect cost of goods sold. At the end of each reporting period, the recognised asset is subsequently measured at fair value through profit or loss.

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

Note 2. Significant accounting policies (continued)

Property, plant and equipment (continued)
Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Plant and equipment	3-10 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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

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

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

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

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

Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Note 2. Significant accounting policies (continued)

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

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 25 to 90 days of recognition.

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

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

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on short-term and long-term borrowings

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

Employee benefits

Salaries, wages and annual leave
Liabilities for salaries and wages, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Note 2. Significant accounting policies (continued)

Employee benefits (continued)

Long service leave
The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

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

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

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

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

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

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

Upon the exercise of options/rights, the balance of share-based payments reserve relating to those options/rights is transferred to share capital.

Note 2. Significant accounting policies (continued)

Issued capital
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

Earnings per share

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

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

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

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

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

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

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability of the consolidated entity. The reduction is not expected to be material.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows:
- Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted;
- Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements';
- Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 ‘Income Taxes’; and
- Clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments
These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity’s previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

Note 3. Critical accounting judgements, estimates and assumptions

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

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence. As part of management’s ongoing review of this accounting estimate, the timing of clearance sales, composition, quality and ageing of inventories, reduction in cost prices as well as the refinement of historical data extracts has led to a reduction in the provision for inventory obsolescence. These factors have led to a net decrease in the provision for inventory obsolescence of $2.2 million for the year ended 30 June 2013 (2012: increase of $0.2 million).

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 15.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment being fashion retail. This operating segment is based on the internal reports that are reviewed and used by the Chief Executive Officer and Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM assess the performance of the operating segment based on a measure of EBITDA (earnings before interest, tax, depreciation and amortisation, adjusted for fair value revaluation of derivative financial instruments through profit or loss). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis, including weekly reporting on key metrics.

Major customers
There is no revenue that is significant to a particular customer. Segment revenue from external parties, assets and liabilities are all reported to the Chief Executive Officer and Board of Directors in a manner consistent with the financial statements.

A reconciliation of operating profit/(loss) before income tax to EBITDA is provided as follows:

	Consolidated	
	2013	**2012**
	$'000	**$'000**
EBITDA	**41,118**	21,741
Fair value revaluation of derivative financial instruments through profit or loss*	**(12)**	-
Interest revenue	**468**	324
Finance costs	**(797)**	(2,126)
Depreciation, amortisation and impairment of property, plant and equipment	**(21,767)**	(23,240)
Profit/(loss) before income tax	**19,010**	(3,301)

* To protect against significant adverse fluctuations in cotton prices, the company purchased cotton call options. The expense for the year ended 30 June 2013 reflects the fair value revaluation of the cotton call options at the end of the reporting period.

Note 5. Revenue

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Sales revenue		
Sale of goods	**567,281**	571,383
Other revenue		
Interest	**468**	324
Other revenue	**1,726**	802
	2,194	1,126
Revenue	**569,475**	572,509

Note 6. Expenses

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation and impairment of property, plant and equipment*	**21,767**	23,240
Interest and finance charges paid/payable	**797**	2,126
Fair value revaluation of derivative financial instruments through profit or loss	**12**	-
Net (gain)/loss on disposal of property, plant and equipment	**(23)**	16
Share-based payments expense	**197**	(161)
Defined contribution superannuation expense	**10,324**	10,192
Rental expense relating to operating leases	**110,812**	113,571
Net foreign exchange loss	**1,587**	915
Inventory shrinkage	**4,789**	4,806

* Includes an impairment write-back of $2,949,768 (2012: impairment charge of $2,763,269). The impairment write-back represents a decrease in the provision for impairment of plant and equipment as a result of improved trading conditions.

Note 7. Income tax expense/(benefit)

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Income tax expense/(benefit)		
Current tax	**3,922**	288
Deferred tax - origination and reversal of temporary differences	**1,850**	(1,226)
Adjustment recognised for prior periods	**268**	447
Aggregate income tax expense/(benefit)	**6,040**	(491)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 16)	**1,553**	(1,226)
Increase in deferred tax liabilities (note 16)	**297**	-
Deferred tax - origination and reversal of temporary differences	**1,850**	(1,226)

Note 7. Income tax expense/(benefit) (continued)

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) before income tax (expense)/benefit	**19,010**	(3,301)
Tax at the statutory tax rate of 30%	**5,703**	(990)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**59**	(48)
Sundry items	**-**	88
	5,762	(950)
Adjustment recognised for prior periods	**268**	447
Difference in overseas tax rates	**10**	12
Income tax expense/(benefit)	**6,040**	(491)
Amounts charged directly to equity		
Deferred tax assets (note 16)	**-**	2,791
Deferred tax liabilities (note 16)	**1,567**	-
	1,567	2,791

Tax losses not recognised
Unused tax losses related to capital losses of $154,857,154 (2012: $154,857,154) carried forward to which no deferred tax asset has been recognised.

Income tax losses
As at 30 June 2013, the consolidated entity had carried forward income tax losses of $1,635,169 (2012: $8,960,750). These losses were recognised as a deferred tax asset for the years ended 30 June 2013 and 30 June 2012.

Tax consolidation legislation
Specialty Fashion Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Cash at bank and in hand	**23,576**	10,585
Cash on deposit	**15,000**	-
	38,576	10,585

Note 9. Current assets - receivables

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Prepayments	**991**	852
Other receivables	**5,616**	2,164
	6,607	3,016

(a) Due to the short term nature of these receivables their carrying amount is assumed to approximate their fair value (note 31).

(b) Included in 'other receivables' is an amount receivable of $1.3 million (2012: nil) in relation to the sale of property during the year.

Note 10. Current assets - inventories

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Inventories on hand at lower of cost and net realisable value	**40,692**	48,160

Note 11. Current assets - derivative financial instruments

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Forward foreign exchange contracts - cash flow hedges	**5,102**	-
Call options at fair value*	**91**	-
	5,193	-

Derivative financial liability relating to cash flow hedges as at 30 June 2012: $119,000 (refer to note 19).

* To protect against significant adverse fluctuations in cotton prices, the consolidated entity has purchased cotton call options (2012: nil). The expense for the year ended 30 June 2013 reflects the fair value revaluation of the cotton call options at the end of the reporting period. Refer to note 13 for the non-current portion of the call options.

Note 12. Current assets - income tax receivable

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Income tax refund due	**1,568**	3,261

Note 13. Non-current assets - derivative financial instruments

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Call options at fair value*	**111**	-

* Refer to commentary in note 11.

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

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Land and buildings - at cost	**-**	2,655
Less: Accumulated depreciation	**-**	(94)
	-	2,561
Plant and equipment - at cost	**194,010**	195,883
Less: Accumulated depreciation	**(122,388)**	(115,872)
	71,622	80,011
	71,622	82,572

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

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Consolidated			
Balance at 1 July 2011	2,598	90,522	93,120
Additions	-	14,740	14,740
Disposals	-	(2,085)	(2,085)
Exchange differences	-	37	37
Impairment of assets	-	(2,763)	(2,763)
Depreciation expense	(37)	(20,440)	(20,477)
Balance at 30 June 2012	2,561	80,011	82,572
Additions	-	13,488	13,488
Disposals	(2,561)	(302)	(2,863)
Exchange differences	-	192	192
Impairment write-back of assets	-	2,950	2,950
Depreciation expense	-	(24,717)	(24,717)
Balance at 30 June 2013	-	71,622	71,622

Note 15. Non-current assets - intangibles

	Consolidated 2013 $'000	Consolidated 2012 $'000
Goodwill - at cost	**10,095**	10,095

Impairment tests for goodwill
Goodwill is allocated to the consolidated entity’s cash-generating unit ('CGU').

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use 5 year cash flow projections based on financial budgets approved by management.

The weighted average growth rates used are consistent with forecast used in industry reports. The discount rates used are pre-tax and reflect specific risks related to the relevant segments. The assumptions that have been used for the analysis of each CGU within the business segment are as follows:
- Growth rate – 2.5% (2012: 2.5%)
- Terminal growth rate – 2.0% (2012: 2.0%)
- Pre-tax discount rate – 11.7% (2012: 11.9%)

There has been no impairment charge taken in the current year in relation to goodwill (2012: nil).

Note 16. Deferred tax (liability)/asset

	Consolidated 2013 $'000	Consolidated 2012 $'000
Deferred tax (liability)/asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	**491**	2,688
Property, plant and equipment	**(13,020)**	(12,858)
Employee benefits	**4,398**	4,435
Other provisions and accruals	**5,208**	4,429
Deferred lease incentives	**2,744**	2,868
Inventories	**488**	816
Lay-by debtors	**(112)**	(124)
Unrealised foreign currency exchange	**(3)**	58
	194	2,312
Amounts recognised in equity:		
Derivative financial instruments	**(1,531)**	36
	(1,337)	2,348
Disclosed in the financial statements as follows:		
Deferred tax asset	**491**	2,348
Deferred tax liability	**(1,828)**	-
Net deferred tax (liability)/asset	**(1,337)**	2,348

Note 16. Deferred tax (liability)/asset (continued)

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Movements:		
Opening balance	**2,348**	3,436
Credited/(charged) to profit or loss (note 7)	**(1,850)**	1,226
Charged to equity	**(1,567)**	(2,791)
Underprovision in prior year	**(268)**	477
Closing balance	**(1,337)**	2,348

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Trade payables	**36,902**	34,622
Other payables	**30,077**	28,230
	66,979	62,852

Refer to note 31 for further information on financial instruments.

Note 18. Current liabilities - borrowings

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Bank loans	**-**	6,500

Total secured liabilities
The total secured current liabilities are as follows:

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Bank loans	**-**	6,500

Assets pledged as security
The bank loans are secured by a cross guarantee and a mortgage debenture given by certain group companies consisting of fixed and floating charges over all present and future assets of these companies.

The bank loan facilities comprise of working capital facilities and an asset finance facility, which may be drawn at any time.

Note 18. Current liabilities – borrowings (continued)

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

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Total facilities		
Bank loans	**48,000**	85,000
VISA, encashment and guarantee facilities	**300**	300
	48,300	85,300
Used at the reporting date		
Bank loans	**-**	6,500
VISA, encashment and guarantee facilities	**163**	158
	163	6,658
Unused at the reporting date		
Bank loans	**48,000**	78,500
VISA, encashment and guarantee facilities	**137**	142
	48,137	78,642

Note 19. Current liabilities - derivative financial instruments

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Forward foreign exchange contracts - cash flow hedges	**-**	119

Refer to note 31 for further information on financial instruments.

Derivative financial asset relating to cash flow hedges as at 30 June 2013: $5,102,000 (refer to note 11).

Note 20. Current liabilities - income tax liability

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Provision for income tax	**-**	82

Note 21. Current liabilities - provisions

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Employee benefits	**12,445**	12,536
Other provisions	**1,826**	1,974
	14,271	14,510

Movements in provisions
Movements in each class of provision during the current financial year are set out below:

	Employee benefits $'000	Other $'000
Consolidated - 2013		
Carrying amount at the start of the year	12,536	1,974
Amounts used	(91)	(148)
Carrying amount at the end of the year	12,445	1,826

Note 22. Current liabilities - finance lease

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Finance lease liability	**229**	-

Note 23. Current liabilities - other

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Deferred lease incentives	**3,043**	2,375
Deferred revenue	**1,162**	730
Other current liabilities	**30**	35
	4,235	3,140

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

Note 24. Non-current liabilities - provisions

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Employee benefits - long service leave	**2,395**	2,375
Other provisions	**9,716**	9,368
	12,111	11,743

(a) Other provisions include provision for make good, provision for stepped leases and other provisions.

Movements in provisions
Movements in each class of provision during the current financial year are set out below:

	Employee benefits $'000	Other $'000
Consolidated - 2013		
Carrying amount at the start of the year	2,375	9,368
Additional provisions recognised	20	348
Carrying amount at the end of the year	2,395	9,716

Note 25. Non-current liabilities - finance lease

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Finance lease liability	**422**	-

Note 26. Non-current liabilities - other

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Deferred lease incentives	**7,601**	7,241
Other non-current liabilities	**-**	35
	7,601	7,276

Note 27. Equity - issued capital

	Consolidated 2013 Shares	Consolidated 2012 Shares	Consolidated 2013 $'000	Consolidated 2012 $'000
Ordinary shares - fully paid	**192,236,121**	192,236,121	**134,497**	134,497

Movements in ordinary share capital

Details	Date	No of shares	$'000
Balance	1 July 2011	191,786,121	133,867
Issue of shares under Long Term Incentive Plan	13 September 2011	300,000	420
Issue of shares under Long Term Incentive Plan	28 May 2012	150,000	210
Balance	30 June 2012	192,236,121	134,497
Balance	30 June 2013	192,236,121	134,497

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

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

Share buy-back
There is no current on-market share buy-back.

Options
Information relating to the Specialty Fashion Group Limited Executive Equity Participation Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 43.

Performance share rights
Information relating to the Specialty Fashion Group Limited Long Term Incentive Plan, including details of performance share rights issued, vested and exercised during the financial year and performance share rights outstanding at the end of the financial year, is set out in note 43.

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

In order to maintain or adjust the capital structure, the consolidated entity manages the level of debt that is prudent, facilitates the execution of the operational plan and provides flexibility for growth while managing the amount of equity and expectation of return for dividends.

Note 27. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year with formal notification of this compliance confirmed on a quarterly basis.

The capital risk management policy remains unchanged from the 2012 Annual Report.

Note 28. Equity - reserves

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Foreign currency reserve	**(375)**	(781)
Hedging reserve - cash flow hedges	**3,572**	(83)
Share-based payments reserve	**258**	61
	3,455	(803)

	Foreign currency $'000	Hedging $'000	Share-based payments $'000	Total $'000
Consolidated				
Balance at 1 July 2011	(824)	(6,598)	852	(6,570)
Revaluation - gross	-	9,307	-	9,307
Deferred tax	-	(2,792)	-	(2,792)
Currency translation differences arising during the year	43	-		43
Employee share-based credits	-	-	(161)	(161)
Transfer to share capital	-	-	(630)	(630)
Balance at 30 June 2012	(781)	(83)	61	(803)
Revaluation - gross	-	5,222	-	5,222
Deferred tax	-	(1,567)	-	(1,567)
Currency translation differences arising during the year	406	-	-	406
Performance rights expense	-	-	197	197
Balance at 30 June 2013	(375)	3,572	258	3,455

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

Note 28. Equity – reserves (continued)

Hedging reserve - cash flow hedges

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

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to senior employees as part of their remuneration, and other parties as part of their compensation for services.

Note 29. Equity - accumulated losses

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Accumulated losses at the beginning of the financial year	**(79,515)**	(76,705)
Profit/(loss) after income tax (expense)/benefit for the year	**12,970**	(2,810)
Dividends paid (note 30)	**(3,845)**	-
Accumulated losses at the end of the financial year	**(70,390)**	(79,515)

Note 30. Equity - dividends

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Interim dividend for the year ended 30 June 2013 of 2.0 cents (2012:nil) per fully paid ordinary share	**3,845**	-

Subsequent to the year ended 30 June 2013, the directors declared a fully franked final dividend of $3,844,722 to the holders of fully paid ordinary shares. Refer to note 40 for additional details.

Franking credits

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Franking credits available for subsequent financial years based on a tax rate of 30%	**41,441**	38,781

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 31. Financial instruments

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

The consolidated entity identifies, evaluates and hedges financial risks. Identified risks are recorded on the entity's risk management framework document and action plans to mitigate these risks are formulated by senior management in consultation with the Board. The Board oversees principles for overall risk management as well as specific areas, such as mitigating foreign exchange, price, interest rates and credit risks, use of derivative financial information and investing excess liquidity.

The consolidated entity holds financial assets in the form of cash and cash equivalents (note 8) and derivative financial instruments (notes 11 and 13), as well as financial liabilities in the form of trade and other payables (note 17) and finance lease liabilities (notes 22 and 25).

Market risk
Foreign currency risk
The consolidated entity operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar, NZ dollar, and Chinese RMB.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency.

Forward contracts are used to manage foreign exchange risk.

The only financial assets or liabilities which are exposed to foreign currency risk are trade payables AU$2.8 million (2012: AU$2.4 million) and cash and cash equivalents AU$1.8 million (2012: AU$1.0 million).

The consolidated entity’s risk management policy is to hedge up to 12 month’s future purchases. Approximately 100% (2012: 100%) of projected purchases qualify as “highly probable” forecast transactions for hedge accounting purposes.

In order to protect against exchange rate movements, the consolidated entity has entered into forward exchange contracts to purchase US Dollars (2012: US Dollars).

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments for major shipments of inventory are scheduled to be made. The fair value of forward exchange contracts is determined using forward exchange market rates at reporting date.

Note 31. Financial instruments (continued)

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

	Sell Australian dollars		Average exchange rates	
	2013	2012	2013	2012
	$'000	$'000		
Buy US dollars				
Maturity:				
Less than 1 year	**40,292**	61,977	**1.0222**	0.9965

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. When the cashflow occurs, the consolidated entity adjusts the initial measurement of the component recognised in the balance sheet by the related amount from other comprehensive income.

In respect of the consolidated entity's hedging position at 30 June 2013, movements in the Australian dollar against the US dollar with all other variables held constant, post-tax profit for the year would not have been impacted. Equity would have been $2.6 million higher / $3.1 million lower (2012: $3.9 million higher / $4.8 million lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising mainly from foreign forward exchange contracts designated as cash flow hedges.

The impact of fluctuations in NZ dollar and Chinese RMB against the Australian dollar on post-tax profit and other balance sheet items would not be significant. This position has not changed from 2012.

Price risk
In order to protect against significant adverse fluctuations in cotton prices, the consolidated entity has purchased cotton call options with a fair value of $0.2 million at 30 June 2013 (2012: nil). The expense for the year ended 30 June 2013 reflects the fair value revaluation of the cotton call options at the end of the reporting period.

At 30 June 2013, if the fair value of options had changed by +/-10% from the year-end values with all other variables held constant, the impact on post-tax profit for the year would have been insignificant (2012: not applicable).

Interest rate risk
The consolidated entity's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. The consolidated entity takes out commercial bills under pre-arranged facilities in order to have the flexibility to meet the entity's working capital and cashflow needs and keep borrowings at a minimum and reduce exposure to interest rate risk.

The consolidated entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternate financing and hedging. Based on these scenarios, the consolidated entity calculates the impact on profit and loss of a defined interest rate shift. This analysis is done on a half-yearly basis to verify that the maximum loss potential is within the limit given by the management.

At 30 June 2013, if interest rates had changed by +/-100 basis points from the year-end rates with all other variables held constant, the impact on post-tax profit for the year would have been insignificant (2012: change of +/- 100 bps: $0.2 million lower/higher). The weighted average interest rate at 30 June 2013 is 5.4% (2012: 6.9%).

Note 31. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable interest rate cash and deposits and borrowings outstanding:

	2013 Weighted average interest rate %	2013 Balance $'000	2012 Weighted average interest rate %	2012 Balance $'000
Consolidated				
Cash and deposits	**2.8**	**38,576**	2.9	10,585
Bank loans	**5.4**	**-**	6.9	(6,500)
Net exposure to cash flow interest rate risk		**38,576**		4,085

Credit risk
Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks. Sales to retail customers are settled in cash or using major credit card, mitigating risk. For banks only independently rated parties with a minimum rating of "AA" are accepted. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets mentioned above.

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. The consolidated entity's approach to managing liquidity is to ensure, that it will always have sufficient cashflow to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Inventory management methods and established supplier relationships assist management to prepare rolling forecasts of the consolidated entity's cash flow requirements to monitor the liquidity position and optimise its cash return on investments. Typically the consolidated entity ensures that it has sufficient cash on demand to meet expected operational expenses for the period of 12 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the consolidated entity maintains the following lines of credit:

Bank loan facilities comprise of working capital facilities to the value of $40.0 million (2012: $40.0 million) that may be drawn at any time. An $8.0 million asset finance facility is also available for drawdown (2012: $45.0 million investment facility).

Management monitors rolling forecasts of the consolidated entity’s liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the consolidated entity in accordance with practice and limits set by the consolidated entity. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the consolidated entity’s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Note 31. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Bank loans	**48,000**	78,500
VISA, encashment and guarantee facilities	**137**	142
	48,137	78,642

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

Consolidated - 2013	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade and other payables	66,979	-	-	-	66,979
Interest-bearing - variable rate					
Letters of credit	4,071	-	-	-	4,071
Interest-bearing - fixed rate					
Finance lease liability	229	229	193	-	651
Total non-derivatives	71,279	229	193	-	71,701

All derivative financial instruments were assets as at 30 June 2013.

Note 31. Financial instruments (continued)

Consolidated - 2012	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade and other payables	62,852	-	-	-	62,852
Interest-bearing - variable rate					
Bank loans	6,500	-	-	-	6,500
Letters of credit	1,407	-	-	-	1,407
Total non-derivatives	70,759	-	-	-	70,759
Derivatives					
Forward foreign exchange contracts inflow	(61,865)	-	-	-	(61,865)
Forward foreign exchange contracts outflow	61,984	-	-	-	61,984
Total derivatives	119	-	-	-	119

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

Fair value of financial instruments
Fair values of financial instruments are categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of the consolidated entity's financial instruments is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) at the reporting date. There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 32. Key management personnel disclosures

Directors
The following persons were directors of Specialty Fashion Group Limited during the financial year:

Geoff Levy AO	Chairperson
Gary Perlstein	Chief Executive Officer
Ian Miller	Non-Executive Director
Joel Bloom	Non-Executive Director
Anne McDonald	Non-Executive Director
Ashley Hardwick	Non-Executive Director
Michael Hardwick	Non-Executive Director
Megan Quinn (appointed 30 October 2012)	Non-Executive Director

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Alison Henriksen	Chief Financial Officer and Company Secretary
Sonia Moura	General Manager of Human Resources

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

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	**2,415,007**	1,838,739
Post-employment benefits	**229,261**	154,077
Long-term benefits	**100,821**	15,662
	2,745,089	2,008,478

Employee Long Term Incentive Plan
In December 2012, the consolidated entity established the Employee Long Term Incentive Plan whereby, at the discretion of the Board, executive officers and senior executives were invited to participate in the Specialty Fashion Group Long Term Incentive Plan. At the commencement of the plan, 2,800,000 performance rights over ordinary shares were allotted. Details of this plan are detailed in note 43.

Note 32. Key management personnel disclosures (continued)

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Geoff Levy AO	2,365,564	-	-	-	2,365,564
Gary Perlstein	17,862,814	-	-	-	17,862,814
Ian Miller	14,509,906	-	-	-	14,509,906
Joel Bloom	200,000	-	-	-	200,000
Anne McDonald	15,000	-	-	-	15,000
Ashley Hardwick *	38,742,203	-	-	-	38,742,203
Michael Hardwick	195,000	-	-	-	195,000
Megan Quinn	-	-	-	-	-
	73,890,487	-	-	-	73,890,487

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Geoff Levy AO	2,365,564	-	-	-	2,365,564
Gary Perlstein	17,862,814	-	-	-	17,862,814
Ian Miller	14,509,906	-	-	-	14,509,906
Joel Bloom	200,000	-	-	-	200,000
Anne McDonald	15,000	-	-	-	15,000
Ashley Hardwick *	38,742,203	-	-	-	38,742,203
Michael Hardwick	-	-	195,000	-	195,000
	73,695,487	-	195,000	-	73,890,487

* Beneficial interest holding through NAAH Pty Ltd and NAAH Investments Pty Ltd

Option holding
There are no options over ordinary shares of the parent entity at 30 June 2013 or 30 June 2012.

Performance rights holding
The number of performance rights over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
A Henriksen	-	500,000	-	-	500,000
S Moura	-	225,000	-	-	225,000
	-	725,000	-	-	725,000

There were no performance rights over ordinary shares granted during the year ended 30 June 2012.

Note 32. Key management personnel disclosures (continued)

Related party transactions
Related party transactions are set out in note 36.

Note 33. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company:

	Consolidated	
	2013	2012
	$	$
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	**249,400**	243,000
Other services - Deloitte Touche Tohmatsu		
Tax compliance services including review of company income tax returns	**40,109**	39,396
Tax advisory services	**26,700**	9,000
	66,809	48,396
	316,209	291,396

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

Note 34. Contingent liabilities

The consolidated entity had contingent liabilities at 30 June 2013 in respect of:

Cross guarantees by and between Specialty Fashion Group Limited, Millers Fashion Club (QLD) Pty Limited, Millers Fashion Club (VIC) Pty Limited, Millers Fashion Club (WA) Pty Limited and GIP Fashions Pty Limited. These are described in note 39. No deficiencies of assets exist in any of these companies.

Security for borrowings is detailed in note 18.

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 35. Commitments

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	**1,782**	1,110
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	**73,057**	71,135
One to five years	**154,634**	186,195
More than five years	**1,794**	9,182
	229,485	266,512
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	**266**	-
One to five years	**476**	-
Future finance charges	**(91)**	-
Net commitment recognised as liabilities (notes 22 and 25)	**651**	-

Not included in the above commitments are contingent rental payments which may arise in the event that sales revenue exceeds a pre-determined amount.

Note 36. Related party transactions

Parent entity
Specialty Fashion Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 38.

Key management personnel
Disclosures relating to key management personnel are set out in note 32 and the remuneration report in the directors' report.

Note 36. Related party transactions (continued)

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

	Consolidated	
	2013	**2012**
	$	**$**
Payment for other expenses:		
Lease of business premises in which I Miller and G Perlstein, directors of the consolidated entity, have an interest	**524,511**	515,940
Lease of business premises in which G Levy, director of the consolidated entity, has an interest	**409,376**	78,621

I Miller and G Perlstein are directors and shareholders of companies that own the business premises at 151-163 Wyndham Street, Alexandria which is leased to the consolidated entity. During the 2004 year, the consolidated entity committed to undertake building improvements at these premises to convert warehouse space to office space. The non-executive directors at the time considered the impact these improvements would have on the market value of the property owned by these directors. On this basis, lower than market rental for these premises was agreed to commercially offset the benefits to these directors of the improvements to this property. The non-executive directors were satisfied that the overall arrangement is in the best interests of all shareholders.

G Levy is a director and minority shareholder of the company that owns the business premises at 1-3 Mandible Street, Alexandria which is leased to the consolidated entity. During the 2012 year, the consolidated entity committed to undertake building improvements at these premises to convert warehouse space to office space. The non-executive directors at the time considered the impact these improvements would have on the market value of the property. The consolidated entity pays rent based on the market value of the unimproved premises. The non-executive directors were satisfied that the overall arrangement is in the best interests of all shareholders.

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

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

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 37. Parent entity information

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

Statement of profit or loss and other comprehensive income

		Parent
	2013	2012
	$'000	$'000
Revenue	**548,410**	551,152
Expenses		
Changes in inventories of finished goods and consumables	**(8,143)**	2,557
Finished goods and consumables used	**(198,473)**	(232,509)
Employee benefits expense	**(144,908)**	(141,399)
Depreciation, amortisation and impairment expense	**(20,655)**	(22,597)
Rental expense	**(106,587)**	(109,319)
Other expenses	**(47,207)**	(49,506)
Finance costs	**(795)**	(2,126)
Profit/(loss) before income tax (expense)/benefit	**21,642**	(3,747)
Income tax (expense)/benefit	**(6,422)**	731
Profit/(loss) after income tax (expense)/benefit for the year	**15,220**	(3,016)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change in the fair value of cash flow hedges taken to equity, net of tax	**3,655**	6,515
Other comprehensive income for the year, net of tax	**3,655**	6,515
Total comprehensive income for the year	**18,875**	3,499

Note 37. Parent entity information (continued)

Statement of financial position

		Parent
	2013	2012
	$'000	$'000
Assets		
Current assets		
Cash and cash equivalents	**36,515**	9,801
Receivables	**9,188**	1,882
Inventories	**38,617**	46,709
Derivative financial instruments	**5,193**	-
Income tax receivable	**1,352**	3,220
Total current assets	**90,865**	61,612
Non-current assets		
Receivables	**283**	364
Derivative financial instruments	**111**	-
Property, plant and equipment	**68,882**	80,299
Intangibles	**2,006**	2,006
Deferred tax	**-**	2,250
Other non-current assets	**1,131**	1,131
Total non-current assets	**72,413**	86,050
Total assets	**163,278**	147,662
Liabilities		
Current liabilities		
Trade and other payables	**65,668**	62,306
Borrowings	**-**	6,500
Derivative financial instruments	**-**	119
Provisions	**13,919**	14,157
Finance lease	**229**	-
Other	**4,060**	3,087
Total current liabilities	**83,876**	86,169
Non-current liabilities		
Deferred tax	**1,865**	-
Provisions	**11,975**	11,594
Finance lease	**422**	-
Other	**7,119**	7,105
Total non-current liabilities	**21,381**	18,699
Total liabilities	**105,257**	104,868
Net assets	**58,021**	42,794
Equity		
Issued capital	**134,497**	134,497
Reserves	**3,830**	(21)
Accumulated losses	**(80,306)**	(91,682)
Total equity	**58,021**	42,794

Note 37. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The same guarantee disclosure applies to both parent and consolidated accounts. Refer to note 39 for further details.

Contingent liabilities
The same contingency commitment disclosure applies to both parent and consolidated accounts. Refer to note 34 for further details.

Capital commitments - Property, plant and equipment

	Parent	
	2013	**2012**
	$'000	**$'000**
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	**1,782**	1,110

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 38. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Country of incorporation	Equity holding 2013 %	Equity holding 2012 %
Miller's Fashion Club (QLD) Pty Limited	Australia	**100**	100
Miller's Fashion Club (VIC) Pty Limited	Australia	**100**	100
Miller's Fashion Club (WA) Pty Limited	Australia	**100**	100
Stylefix Pty Limited	Australia	**80**	80
Specialty Fashion Group No. 2 Pty Limited	Australia	**100**	100
Specialty Fashion Group No. 3 Pty Limited	Australia	**100**	100
Specialty Fashion Group No. 4 Pty Limited	Australia	**100**	100
Yip Eks Pty Limited	Australia	**100**	100
H&H Corporation Pty Limited	Australia	**100**	100
McSeveny DA Pty Limited	Australia	**100**	100
GIP Fashions Pty Limited	Australia	**100**	100
Crossroads Clothing Co. Pty Limited	Australia	**100**	100
City Chic International Pty Limited	Australia	**100**	100
Selbourne Australia Pty Limited	Australia	**100**	100
Specialty Fashion Group New Zealand Limited	New Zealand	**100**	100
Specialty Fashion Group (Shanghai) Limited Company	China	**100**	100
Specialty Fashion Group South Africa (Pty) Ltd	South Africa	**100**	-

Note 39. Deed of cross guarantee

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

Specialty Fashion Group Limited
Miller's Fashion Club (QLD) Pty Limited
Miller's Fashion Club (VIC) Pty Limited
Miller's Fashion Club (WA) Pty Limited
GIP Fashions Pty Limited

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

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Specialty Fashion Group Limited, they also represent the 'Extended Closed Group'.

All companies in the Closed Group are dormant, except for Specialty Fashion Group Limited. The financial results of the Closed Group are the same as the financial results of the parent entity which are disclosed in the 'Parent entity' note 37.

Note 40. Events after the reporting period

On 26 August 2013 the directors declared a fully franked final dividend of 2.0 cents per share to the holders of fully paid ordinary shares, payable to shareholders on 26 September 2013. This dividend has not been included as a liability in these consolidated financial statements, and will be paid to all shareholders on the Register of Members as at 12 September 2013. The aggregate amount of the proposed dividend expected to be paid to shareholders is $3,844,722.

Apart from the dividend declared as disclosed in note 30, no other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 41. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Profit/(loss) after income tax (expense)/benefit for the year	**12,970**	(2,810)
Adjustments for:		
Depreciation and amortisation	**24,717**	20,442
Impairment of property, plant and equipment	**(2,950)**	2,798
Net (gain)/loss on disposal of non-current assets	**(23)**	16
Share-based payments	**197**	(161)
Foreign exchange differences	**(323)**	(43)
Fair value revaluation of derivative financial instruments through profit or loss	**12**	-
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(3,510)**	2,095
Decrease/(increase) in inventories	**7,468**	(2,321)
Decrease in income tax refund due	**1,611**	-
Decrease in deferred tax assets	**3,685**	1,703
Increase in trade and other payables	**4,127**	14,797
Decrease in provision for income tax	**-**	(3,468)
Increase in other provisions	**1,549**	3,473
Net cash from operating activities	**49,530**	36,521

Note 42. Earnings per share

	Consolidated	
	2013	**2012**
	$'000	**$'000**
Profit/(loss) after income tax attributable to the owners of Specialty Fashion Group Limited	**12,970**	(2,810)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**192,236,121**	192,041,327
Adjustments for calculation of diluted earnings per share:		
Performance rights – Executive Equity Participation Plan	**416**	105
Performance rights – Employee Long Term Incentive Plan	**1,007,692**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**193,244,229**	192,041,432
	Cents	Cents
Basic earnings per share	**6.7**	(1.5)
Diluted earnings per share	**6.7**	(1.5)

Performance rights
Performance rights over ordinary shares granted to employees under the Executive Equity Participation Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

Performance rights over ordinary shares granted to employees under the Employee Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings per share.

Note 43. Share-based payments

Executive Equity Participation Plan
In May 2012, the consolidated entity established the Executive Equity Participation Plan whereby, at the discretion of the Board, executive officers, senior executives and senior staff were invited to subscribe for Executive shares in the company's startup venture, Stylefix Pty Limited ('Stylefix'). Stylefix is a subsidiary of Specialty Fashion Group Limited. At the commencement of the plan, 416 Stylefix Executive shares were allotted, which represented 20% of Stylefix's equity.

Executive shares allotted under the plan are granted for nil consideration, which represented their fair value at the grant date. Plan participants are unable to deal in the Executive shares without the prior written permission of the company which may be withheld at its absolute discretion, and must serve a continuous period of service of four years and still be employed at the time the company provides a conversion notice (which must be between 1 April 2016 and 1 July 2016). The company has the absolute discretion to determine whether these Executive shares will be equity or cash settled. Management's current intention is to settle the obligations under the plan through the issue of ordinary shares in Specialty Fashion Group Limited. Other significant events, such as a substantial change in ownership of Specialty Fashion Group Limited shares, could trigger settlement of these Executive shares. There are no other performance conditions.

None of the directors and key management personnel are participants of the Executive Equity Participation Plan.

Employee Long Term Incentive Plan
In December 2012, the consolidated entity established the Employee Long Term Incentive Plan whereby, at the discretion of the Board, senior management were invited to participate in the Specialty Fashion Group Employee Long Term Incentive Plan.

Under the plan, eligible employees are granted performance rights over ordinary shares in Specialty Fashion Group Limited on terms and conditions determined by the Board. Performance rights granted under the plan give the employee the right to receive an ordinary share at a future point in time upon meeting specified vesting conditions with no exercise price payable. The performance rights are granted at no consideration.

Upon meeting the vesting conditions, the performance right holder will be allocated one ordinary share in the company for each performance right held. Vesting will occur upon completion of the statutory accounts of Specialty Fashion Group Limited for the year ended 30 June 2015, subject to both performance and service conditions being met. Performance rights expire on 30 August 2015.

In order to satisfy the performance conditions, the company must meet or exceed specified cumulative earnings per share (EPS) growth targets for the period ended 30 June 2015. In addition, plan participants are required to complete a continual period of service from the performance right grant date to the vesting date (30 June 2015). The Board of directors has the discretion to waive or partly waive performance conditions that have not been satisfied.

Plan participants are unable to deal in the performance rights without the prior written permission of the company which may be withheld at its absolute discretion.

During the year, 2,800,000 performance share rights were issued at a fair value of 91.4 cents and remain outstanding as at 30 June 2013.

Fair value of options granted
No options were granted during the years ended 30 June 2013 or 30 June 2012. The fair value of options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Specialty Fashion Group Limited
Directors' declaration

In the directors' opinion:

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

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40 to the financial statements.

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

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

On behalf of the directors

Geoff Levy AO	Gary Perlstein
Non-executive Chairperson	Chief Executive Officer

26 August 2013
Sydney

Specialty Fashion Group Limited
Shareholder information
30 June 2013

The shareholder information set out below was applicable as at 19 August 2013.

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

Holding	Number of holders of ordinary shares
1 to 1,000	735,176
1,001 to 5,000	5,789,017
5,001 to 10,000	5,181,563
10,001 to 100,000	16,800,282
100,001 and over	163,730,083
Total	192,236,121
Holding less than a marketable parcel	205,489

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
NAAH Pty Ltd / NAAH Investments Pty Ltd	38,742,203	20.15
National Nominees Limited	23,062,526	12.00
J P Morgan Nominees Australia Limited	18,567,752	9.66
Icestorm Pty Ltd	16,745,288	8.71
HSBC Custody Nominees (Australia) Limited	11,232,080	5.84
BNP Paribas Nominees Pty Ltd	10,296,768	5.36
Citicorp Nominees Pty Limited	7,790,376	4.05
Landcharm Pty Limited	7,277,760	3.79
Landpeak Pty Limited	7,122,240	3.70
GDL Investments Pty Limited	1,955,564	1.02
Aust Executor Trustees SA Ltd	1,880,678	0.98
Bond Street Custodians Limited	1,692,169	0.88
RBC Investor Services Australia Nominees Pty Ltd	1,528,449	0.80
Mr David Alan McSeveny	1,171,513	0.61
Snowglaze Investments Pty Ltd	702,720	0.37
Wallbay Pty Ltd	630,000	0.33
Rye Holdings Pty Ltd	600,000	0.31
UBS Wealth Management Australia Nominees Pty Ltd	511,197	0.27
Mr Steven Ivak	420,000	0.22
Mr Gary Perlstein	414,720	0.22
	152,344,003	79.25

Specialty Fashion Group Limited
Shareholder information
30 June 2013

Unquoted equity securities
There are no unquoted equity securities.

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

	Ordinary shares	
	Number held	% of total shares issued
NAAH Pty Ltd / NAAH Investments Pty Ltd	38,742,203	20.15
National Nominees Limited	23,062,526	12.00
Lazard Asset Mgt Pacific Co	19,788,604	10.29
J P Morgan Nominees Australia Limited	18,567,752	9.66
Mr Gary Perlstein and controlled entities	17,862,814	9.29
Mr Ian Miller and controlled entities	14,509,906	7.55
Delta Lloyd Asset Mgt	12,129,517	6.31
Celeste Funds Mgt	11,291,653	5.87
HSBC Custody Nominees (Australia) Limited	11,232,080	5.84
BNP Paribas Nominees Pty Ltd	10,296,768	5.36

[1] Mr A Hardwick has a beneficial interest in Specialty Fashion Group Limited through NAAH Pty Ltd / NAAH Investments Pty Ltd

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

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

There are no other classes of equity securities.

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