

Appendix 4D Half year report

Name of entity

Specialty Fashion Group Limited (SFH)

ABN

43 057 569 169

Half yearly
(tick)

Preliminary
final (tick)

1. Details of the reporting period

Current reporting period

31 December 2014

Previous corresponding period

31 December 2013

2. Results for announcement to the market

				31 Dec 2013 \$'000		31 Dec 2014 \$'000
2.1 Revenue	up	27.4%	from	324,281	to	413,020
2.2 Profit after income tax expense	down	63.9%	from	16,229	to	5,855
2.3 Profit after income tax expense attributable to the members of Specialty Fashion Group Limited	down	63.9%	from	16,229	to	5,855

				31 Dec 2013 \$'000		31 Dec 2014 \$'000
EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation, adjusted for fair value revaluation of derivative financial instruments through profit or loss) ¹	down	27.5%	from	31,178	to	22,617

¹ Reconciliation of operating profit before income tax to EBITDA is provided as follows:

	31 Dec 2013 \$'000	31 Dec 2014 \$'000
EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation, adjusted for fair value revaluation of derivative financial instruments through profit or loss)	31,178	22,617
Fair value revaluation of derivative financial instruments through profit or loss	(153)	(94)
Interest revenue	268	55
Finance costs	(604)	(2,089)
Depreciation, amortisation and impairment of property, plant and equipment	(9,268)	(11,304)
Profit before income tax	21,421	9,185

2.4 Dividends (distributions)	Amount per security	Franked amount per security
<i>Current period:</i>		
Interim dividend for the half year ended 31 December 2014	-	-
Final dividend for the year ended 30 June 2014	2.0 cents	2.0 cents
<i>Previous corresponding period:</i>		
Interim dividend for the half year ended 31 December 2013	2.0 cents	2.0 cents
Final dividend for the year ended 30 June 2013	2.0 cents	2.0 cents
2.5 Record date for determining entitlements to the 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 page 3 of the 2014 Interim Report.

3.0 Net tangible assets per security

	31 Dec 2013 cents	31 Dec 2014 cents
Net tangible asset backing per ordinary security	31.4	31.6

4.0 Control gained or lost over entities during the period

Not applicable.

5.0 Details of dividend/distribution

Current period

No interim dividend was declared for the half year ended 31 December 2014.

For the year ended 30 June 2014, a fully franked dividend of 2.0 cents per share was paid to the holders of fully paid ordinary shares on 26 September 2014.

Previous corresponding period

For the half year ended 31 December 2013, a fully franked interim dividend of 2.0 cents per share was paid to the holders of fully paid ordinary shares on 28 March 2014.

For the year ended 30 June 2013, a fully franked dividend of 2.0 cents per share was paid to the holders of fully paid ordinary shares on 26 September 2013.

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.

- | | |
|---|---|
| <input type="checkbox"/> The accounts have been audited. | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have <i>not</i> yet been audited or reviewed. |

10.0 Attachments

Details of attachments (if any):

The interim report of Specialty Fashion Group Limited for the year ended 31 December 2014 is attached.

11.0 Signed



G Perlstein
Director

Sydney
24 February 2015

Specialty Fashion Group Limited

ABN 43 057 569 169

Interim Report - 31 December 2014

Specialty Fashion Group Limited

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31 December 2014

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This general purpose interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Specialty Fashion Group Limited
Directors' report
31 December 2014

The directors present their report on the consolidated entity consisting of Specialty Fashion Group Limited (the 'Company') and the entities it controlled (the 'Group') at the end of, or during, the half year ended 31 December 2014.

Directors

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

G Levy AO
G Perlstein
I Miller
A McDonald
A Hardwick
M Hardwick
M Quinn

Operating and financial review

Specialty Fashion Group operates in the women's apparel fashion retail sector in Australia, New Zealand, USA and South Africa through Millers, Katies, Autograph, Crossroads and City Chic. Through the acquisition of the Rivers business on 27 November 2013, the Group expanded its footprint into the mature, value segment of the specialty fashion market and this marked the Group's entry into value footwear and men's clothing.

The Group achieved revenue of \$413.0 million (31 December 2013: \$324.3 million) and EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation, adjusted for the fair value revaluation of derivative financial instruments through profit or loss) of \$22.6 million (31 December 2013: \$31.2 million) from continuing activities. Net profit for the half year ended 31 December 2014 was \$5.9 million (31 December 2013: \$16.2 million).

Operating cash flows were \$30.4 million (31 December 2013: \$28.7 million) and the Group capital expenditure was \$10.7 million (31 December 2013: \$13.1 million). At 31 December 2014, the Group held cash and cash equivalents of \$15.7 million (31 December 2013: \$48.9 million) and outstanding borrowings of \$10.7 million at the end of the half year (31 December 2013: \$26.3 million).

A review of the operations of the Group is set out in the ASX announcement on the results for the half year ended 31 December 2014.

No interim dividend has been declared for the half year ended 31 December 2014 (31 December 2013: 2.0 cents).

Rounding of amounts

The Group 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 4 and forms part of this report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



G Levy
Director



G Perlstein
Director

24 February 2015

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

24 February 2015

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 review of the financial statements of Specialty Fashion Group Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



David White
Partner
Chartered Accountants
Sydney

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

We have reviewed the accompanying half-year financial report of Specialty Fashion Group Limited which comprises the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 17.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Specialty Fashion Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



David White
Partner
Chartered Accountants
Sydney, 24 February 2015

Specialty Fashion Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2014

	Notes	Consolidated Dec 2014 \$'000	Dec 2013 \$'000
Revenue	4	413,020	324,281
Changes in inventories of finished goods and consumables		(1,943)	990
Finished goods and consumables used		(162,564)	(119,172)
Employee benefits expense		(109,117)	(85,754)
Depreciation and impairment expense		(11,304)	(9,268)
Rental expense		(65,499)	(58,424)
Other expenses		(51,319)	(33,968)
Finance costs		(2,089)	(604)
Net discount on acquisition		-	3,340
Profit before income tax expense		9,185	21,421
Income tax expense		(3,330)	(5,192)
Profit after income tax expense for the half year attributable to the owners of Specialty Fashion Group Limited	12	5,855	16,229
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in the fair value of cash flow hedges taken to equity		14,686	(2,654)
Exchange differences on translation of foreign operations		72	528
Income tax (expense)/benefit relating to the components of other comprehensive income		(4,406)	796
Other comprehensive income for the half year, net of tax		10,352	(1,330)
Total comprehensive income for the half year attributable to the owners of Specialty Fashion Group Limited		16,207	14,899
Earnings per share (EPS) attributable to the members of Specialty Fashion Group Limited			
From continuing operations		Dec 2014	Dec 2013
Basic EPS	17	3.0 cents	8.4 cents
Diluted EPS	17	3.0 cents	8.3 cents

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

Specialty Fashion Group Limited
Consolidated statement of financial position
As at 31 December 2014

		Consolidated		
	Notes	Dec 2014 \$'000	Jun 2014 \$'000	Dec 2013 \$'000
Assets				
Current assets				
Cash and cash equivalents		15,715	17,123	48,907
Receivables		10,908	7,735	9,525
Inventories		88,681	90,348	66,587
Derivative financial instruments	6	11,333	29	2,481
Income tax receivable		343	289	170
Total current assets		126,980	115,524	127,670
Non-current assets				
Derivative financial instruments	7	-	78	17
Property, plant and equipment		83,129	84,445	88,647
Intangibles		18,607	18,607	18,607
Deferred tax assets		3,896	5,559	2,522
Total non-current assets		105,632	108,689	109,793
Total assets		232,612	224,213	237,463
Liabilities				
Current liabilities				
Trade and other payables		84,058	69,600	78,556
Borrowings	8	10,716	-	-
Derivative financial instruments		-	3,364	-
Current tax liabilities		4,571	4,038	3,329
Provisions		21,250	20,542	19,010
Finance lease	9	1,515	933	238
Other		3,628	4,781	3,284
Total current liabilities		125,738	103,258	104,417
Non-current liabilities				
Borrowings	8	-	29,119	26,330
Provisions		10,597	11,785	13,807
Finance lease	10	4,384	4,016	2,847
Other		12,639	9,477	11,175
Total non-current liabilities		27,620	54,397	54,159
Total liabilities		153,358	157,655	158,576
Net assets		79,254	66,558	78,887
Equity				
Contributed equity		134,497	134,497	134,497
Reserves	11	8,352	(2,334)	2,396
Accumulated losses	12	(63,595)	(65,605)	(58,006)
Total equity		79,254	66,558	78,887

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

Specialty Fashion Group Limited
Consolidated statement of changes in equity
For the half year ended 31 December 2014

Consolidated	Issued capital \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2013	134,497	258	3,572	(375)	(70,390)	67,562
Profit after income tax expense for the half year	-	-	-	-	16,229	16,229
Revaluation of cash flow hedges, net of tax	-	-	(1,858)	-	-	(1,858)
Exchange differences on translation of foreign operations	-	-	-	528	-	528
Total comprehensive income for the half year	-	-	(1,858)	528	16,229	14,899
<i>Transactions with owners in their capacity as owners:</i>						
Performance rights over ordinary shares	-	271	-	-	-	271
Dividends paid (note 13)	-	-	-	-	(3,845)	(3,845)
Balance at 31 December 2013	134,497	529	1,714	153	(58,006)	78,887

Consolidated	Issued capital \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2014	134,497	61	(2,355)	(40)	(65,605)	66,558
Profit after income tax expense for the half year	-	-	-	-	5,855	5,855
Revaluation of cash flow hedges, net of tax	-	-	10,280	-	-	10,280
Exchange differences on translation of foreign operations	-	-	-	72	-	72
Total comprehensive income for the half year	-	-	10,280	72	5,855	16,207
<i>Transactions with owners in their capacity as owners:</i>						
Performance rights over ordinary shares	-	334	-	-	-	334
Dividends paid (note 13)	-	-	-	-	(3,845)	(3,845)
Balance at 31 December 2014	134,497	395	7,925	32	(63,595)	79,254

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

Specialty Fashion Group Limited
Consolidated statement of cash flows
For the half year ended 31 December 2014

	Notes	Consolidated Dec 2014 \$'000	Dec 2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		454,579	357,009
Payments to suppliers and employees (inclusive of GST)		<u>(416,548)</u>	<u>(326,743)</u>
		38,031	30,266
Interest received		55	268
Interest and other finance costs paid		(2,089)	(604)
Income taxes paid		<u>(5,551)</u>	<u>(1,228)</u>
Net cash from operating activities		<u>30,446</u>	<u>28,702</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(10,668)	(13,134)
Proceeds from sale of property, plant and equipment		113	1,091
Net payment for acquisition of Rivers		<u>-</u>	<u>(3,889)</u>
Net cash used in investing activities		<u>(10,555)</u>	<u>(15,932)</u>
Cash flows from financing activities			
Repayment of borrowings		(18,403)	(1,028)
Finance lease drawdown		949	2,434
Dividends paid	13	<u>(3,845)</u>	<u>(3,845)</u>
Net cash used in financing activities		<u>(21,299)</u>	<u>(2,439)</u>
Net (decrease)/increase in cash and cash equivalents		(1,408)	10,331
Cash and cash equivalents at the beginning of the financial half year		<u>17,123</u>	<u>38,576</u>
Cash and cash equivalents at the end of the financial half year		<u>15,715</u>	<u>48,907</u>

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

Specialty Fashion Group Limited
Notes to the financial statements
31 December 2014

Note 1. General information

The interim financial report covers Specialty Fashion Group Limited as a consolidated entity consisting of Specialty Fashion Group Limited and the entities it controlled for the half year ended 31 December 2014. The interim financial report is presented in Australian dollars, which is Specialty Fashion Group Limited's functional and presentation currency.

The interim 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. A description of the nature of the Group's operations and its principal activities is included in the directors' report, which is not part of the financial report.

The interim financial report was authorised for issue, in accordance with a resolution of directors, on 24 February 2015. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Comparative figures are shown for 31 December 2013 in addition to 30 June 2014 in the consolidated statement of financial position due to the seasonality of the business and the impact this has on working capital. There has been no restatement of figures in prior periods.

New, revised or amending Accounting Standards and Interpretations adopted

Australian Accounting Standards and Interpretations thereof that have recently been amended but are not yet mandatory have not been early adopted by the Group for the half year ended 31 December 2014.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 <i>Financial Instruments, and the relevant amending standards</i>	1 January 2018	30 June 2019
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016	30 June 2017
AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15*</i>	1 January 2017	30 June 2018
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i>	1 January 2016	30 June 2017
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i>	1 January 2016	30 June 2017

*AASB 15 *Revenue from Contracts with Customers* applies to annual reporting periods beginning on or after 1 January 2017, and may be applied to annual reporting periods beginning on or after 1 January 2015 but before 1 January 2017. This Standard specifies the accounting for the incremental costs of obtaining a contract with a customer and for the costs incurred to fulfil a contract with a customer if those costs are not within the scope of another Standard. Management has not assessed the impact of the Standard on the Group's financial position or performance.

Note 2. Significant accounting policies (continued)

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to the Group's operations and mandatory for the annual period beginning on or after 1 July 2014:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2014-1 *Amendments to Australian Accounting Standards:*
 - *Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles*
 - *Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)*
 - *Part C: Materiality*

The adoption of these new, revised or amended Accounting Standards and Interpretations has no impact on the Group's financial position or performance.

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into one operating segment being retail fashion. 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 before income tax to EBITDA is provided as follows:

	Dec 2014	Consolidated Dec 2013
	\$'000	\$'000
EBITDA	22,617	31,178
Fair value revaluation of derivative financial instruments through profit or loss*	(94)	(153)
Interest revenue	55	268
Finance costs	(2,089)	(604)
Depreciation, amortisation and impairment of property, plant and equipment	(11,304)	(9,268)
Profit before income tax	9,185	21,421

* To protect against significant adverse fluctuations in cotton prices, the Company purchased cotton call options with a fair value of \$12,000 as at 31 December 2014 (31 December 2013: \$49,000). The expense for the half year ended 31 December 2014 reflects the fair value revaluation of the cotton call options at the end of the reporting period.

Specialty Fashion Group Limited
Notes to the financial statements
31 December 2014

Note 4. Revenue

	Dec 2014 \$'000	Consolidated Dec 2013 \$'000
<i>Sales revenue</i>		
Sale of goods	412,679	323,818
<i>Other revenue</i>		
Interest	55	268
Other revenue	286	195
	<u>341</u>	<u>463</u>
Revenue	<u>413,020</u>	<u>324,281</u>

Note 5. Expenses from continuing operations

	Dec 2014 \$'000	Consolidated Dec 2013 \$'000
Profit before income tax expense includes the following specific expenses:		
Cost of sales of goods	164,507	118,182
Depreciation and impairment of property, plant and equipment	11,304	9,268
Interest and finance charges paid/payable	2,089	604
Rental expense relating to operating leases	65,499	58,424
Fair value revaluation of derivative financial instruments through profit or loss	94	153
Net loss on disposal of property, plant and equipment	488	319
Share-based payment expense	337	271
Defined contribution superannuation expense	7,916	5,848

Note 6. Current assets - derivative financial instruments

	Dec 2014 \$'000	Consolidated Dec 2013 \$'000
Forward foreign exchange contracts - cash flow hedges	11,321	2,449
Call options at fair value*	12	32
	<u>11,333</u>	<u>2,481</u>

* To protect against significant adverse fluctuations in cotton prices, the Company purchased cotton call options with a fair value of \$12,000 as at 31 December 2014 (31 December 2013: \$49,000). The expense for the half year ended 31 December 2014 reflects the fair value revaluation of the cotton call options at the end of the reporting period.

Note 7. Non-current assets - derivative financial instruments

	Dec 2014 \$'000	Consolidated Dec 2013 \$'000
Call options at fair value*	-	17

*Refer to commentary in note 6.

Specialty Fashion Group Limited
Notes to the financial statements
31 December 2014

Note 8. Financing arrangements

At 31 December 2014, the Company had outstanding borrowings of \$10.7 million (31 December 2013: \$26.3 million).

The Company amended its bank loan facilities on 27 November 2013, which comprise of a working capital facility of \$20.0 million and trade finance facilities of \$50.0 million. These facilities may be drawn at any time, to be utilised for trade payments and general funding requirements, as well as the issuance of bank guarantees and letters of credit. At 31 December 2014, bank loan facilities totalling \$70.0 million were available to the Company (31 December 2013: \$70.0 million). Of these facilities, \$39.4 million was unused (31 December 2013: \$43.7 million).

The Company's bank loan facilities have maturities of July and December 2015. Subsequent to period end, the Company renegotiated an extension of the bank loan facilities to mature in November 2016.

Note 9. Current liabilities - finance lease

	Dec 2014	Consolidated Dec 2013
	\$'000	\$'000
Finance lease*	<u>1,515</u>	<u>238</u>

* The finance lease liability balances at 31 December 2014 include total asset finance facility drawdowns of \$5.6 million (31 December 2013: \$2.5 million). An asset finance facility totalling \$8.0 million was available to the Company at 31 December 2014 (31 December 2013: \$8.0 million). Of this facility, \$2.4 million was unused (31 December 2013: \$5.5 million).

Note 10. Non-current liabilities - Finance lease

	Dec 2014	Consolidated Dec 2013
	\$'000	\$'000
Finance lease*	<u>4,384</u>	<u>2,847</u>

*Refer to commentary in note 9.

Note 11. Equity - reserves

	Dec 2014	Consolidated Dec 2013
	\$'000	\$'000
Foreign currency translation reserve	32	153
Hedging reserve - cash flow hedges	7,925	1,714
Share-based payments reserve	<u>395</u>	<u>529</u>
	<u>8,352</u>	<u>2,396</u>

Note 12. Equity - accumulated losses

	Dec 2014	Consolidated Dec 2013
	\$'000	\$'000
Accumulated losses at the beginning of the financial half year	(65,605)	(70,390)
Profit after income tax expense for the half year	5,855	16,229
Dividends paid (note 13)	<u>(3,845)</u>	<u>(3,845)</u>
Accumulated losses at the end of the financial half year	<u>(63,595)</u>	<u>(58,006)</u>

Specialty Fashion Group Limited
Notes to the financial statements
31 December 2014

Note 13. Equity - dividends

Dividends

Dividends paid during the financial half year were as follows:

	Dec 2014	Consolidated
	\$'000	Dec 2013
		\$'000
Final dividend for the year ended 30 June 2014 of 2.0 cents per fully paid ordinary share	3,845	-
Final dividend for the year ended 30 June 2013 of 2.0 cents per fully paid ordinary share	-	3,845
	<u>3,845</u>	<u>3,845</u>

Franking credits

	Dec 2014	Consolidated
	\$'000	Dec 2013
		\$'000
Franking credits available at the reporting date based on a tax rate of 30%	<u>48,170</u>	<u>44,250</u>

Note 14. Net tangible assets per security

	Dec 2014	Consolidated
	cents	Dec 2013
		cents
Net tangible assets per security		
Net tangible asset backing per ordinary security	<u>31.6</u>	<u>31.4</u>

Note 15. Related party transactions

Parent entity

Specialty Fashion Group Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties:

	Dec 2014	Consolidated
	\$'000	Dec 2013
		\$'000
Amounts recognised as expense		
Lease of business premises in which I Miller and G Perlstein have an interest	278	269
Lease of business premises in which G Levy has an interest	<u>214</u>	<u>213</u>
	<u>492</u>	<u>482</u>

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.

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Note 15. Related party transactions (continued)

G Levy is a director and minority shareholder of the company that owns the business premises 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 16. Events after the reporting period

Subsequent to period end, the Company renegotiated an extension of the bank loan facilities to mature in November 2016 (refer to note 8).

Apart from the above, no matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 17. Earnings per share

	Dec 2014	Dec 2013
Basic EPS attributable to members of Specialty Fashion Group Limited from continuing operations	3.0 cents	8.4 cents
Weighted average number of ordinary shares used in the calculation of basic EPS	192,236,121	192,236,121
Diluted EPS attributable to members of Specialty Fashion Group Limited from continuing operations	3.0 cents	8.3 cents
Weighted average number of ordinary shares used in the calculation of diluted EPS	196,036,121	195,451,422

Specialty Fashion Group Limited
Directors' declaration

In the directors' opinion:

- The attached interim financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the financial half year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



G Levy
Director



G Perlstein
Director

24 February 2015