

SPECIALTYFASHION | GROUP

ASX Announcement/Media Release

18 February 2013

Specialty Fashion Group Announces Half Year Results

Specialty Fashion Group Limited (ASX: SFH) confirms revenue for the six months ended 31 December 2012 of \$311.2 million, delivering Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) of \$37.2 million, in line with the results guidance provided on 25 January 2013.

The Company reported a net profit for the half year of \$18.0 million, and has declared an interim dividend of 2 cents per share, fully franked.

Despite the challenging economic and retail market conditions throughout the half year, Specialty Fashion Group achieved a turnaround in its financial performance through sales growth and margin expansion, largely as a result of aggressively pursuing online sales growth, improvements made in its supply chain, and minimising inflation of its costs of doing business.

Operating cash flows were \$14.3 million higher than the first half of prior year at \$46.2 million, due to the improvement in profitability, and the efficient management of working capital. The Company ended the half year with a net cash position of \$45.6 million. The Group has available debt facilities of \$40 million, all unused at 31 December 2012.

Outlook

The Company expects an improved trading performance in the second half of FY2013 in comparison to the second half of the prior year. The strategic initiatives in relation to eCommerce, customer relationship management and the supply chain are expected to continue to be the key drivers of improvement in performance. However, the Company remains cautious as to the extent to which macroeconomic factors, both in Australia and abroad, may adversely influence consumers' propensity to spend on discretionary items. .

The Company ended the half year with a portfolio of 892 stores and intends to continue its store rationalisation program to close or exit from underperforming stores. However, rental market conditions have improved in certain locations, and the Company also expects to open new stores that offer attractive investment returns.

Note: A reconciliation of EBITDA to profit before tax is provided in the appendices of the investor presentation, also announced 18 February 2013.

ENDS

INVESTOR ENQUIRIES:

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Chief Financial Officer
Specialty Fashion Group
(02) 8303 3435

MEDIA ENQUIRIES:

John Gardner
MAGNUS Investor Relations + Corporate
Communication
0413 355 997

About Specialty Fashion Group

Specialty Fashion Group is the largest specialty retailer of women's fashion in Australasia, through Millers, Katies, Crossroads, Autograph, and City Chic. The company operates 892 stores in Australia and New Zealand, and its brands' products are also available online at www.millers.com.au, www.katies.com.au, www.crossroads.com.au, www.autographfashion.com.au, www.citychic.com.au, and in the USA at www.citychiconline.com.

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 2012

Previous corresponding period

31 December 2011

2. Results for announcement to the market

				31 Dec 2011 \$'000		31 Dec 2012 \$'000
2.1	Revenue from continuing operations	up	1.3%	from 307,276	to	311,171
2.2	Profit from continuing operations after income tax expense	up	191.9%	from 6,156	to	17,970
2.3	Profit from continuing operations after income tax expense attributable to the members of Specialty Fashion Group Limited	up	191.9%	from 6,156	to	17,970

				31 Dec 2011 \$'000		31 Dec 2012 \$'000
	EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation) from continuing operations ¹	up	69.7%	from 21,921	to	37,190

¹ The reconciliation to statutory profit is included in the notes to the condensed consolidated financial statements.

2.4 Dividends (distributions)	Amount per security	Franked amount per security
Current period: Interim dividend for the half year ended 31 December 2012 Final dividend for the year ended 30 June 2012	2.0 cents -	2.0 cents -
Previous corresponding period: Interim dividend for the half year ended 31 December 2011 Final dividend for the year ended 30 June 2011	- -	- -
2.5 Record date for determining entitlements to the dividend:	5 March 2013	

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

Refer press release attached.

3.0 Net tangible assets per security

	31 Dec 2011 cents	31 Dec 2012 cents
Net tangible asset backing per ordinary security	27.1	32.2

4.0 Control gained or lost over entities during the period

Not applicable.

5.0 Details of dividend/distribution

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, to be paid to shareholders on 19 March 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 on 5 March 2013. The aggregate amount of the proposed dividend expected to be paid to shareholders is \$3,844,722.

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

Not applicable. Refer to attached interim financial report for the Independent Auditor's Review Report.

Information on audit or 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. |



G Perlstein
Director

Sydney
18 February 2013

Specialty Fashion Group Limited

ABN 43 057 569 169

Interim financial report for the half year ended 31 December 2012

Specialty Fashion Group Limited ABN 43 057 569 169

Interim financial report – 31 December 2012

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The interim financial report does not include notes of the type normally included in an annual financial report. Accordingly, it is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Specialty Fashion Group Limited (the Company) during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

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 2012.

Directors

The following persons were directors of Specialty Fashion Group Limited during the half year and up to the date of this report:

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

Review of operations

Specialty Fashion Group achieved \$311.2 million revenue (31 December 2011: \$307.3 million) and EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation) of \$37.2 million (31 December 2011: \$21.9 million) from continuing activities. Net profit for the half year ended 31 December 2012 was \$18.0 million (31 December 2011: \$6.2 million).

Operating cash flows were \$46.2 million (31 December 2011: \$31.9 million) and the Group capital expenditure was \$6.2 million (31 December 2011: \$9.3 million). The Group held cash and cash equivalents of \$45.6 million (31 December 2011: \$8.2 million) and no outstanding bank loans at the end of the half year (31 December 2011: \$2.0 million).

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 7 and forms part of this report.

Rounding off of amounts

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998. In accordance with that Class Order, amounts in the directors' report and interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On behalf of the Directors



G Levy
Director



G Perlstein
Director

Sydney
18 February 2013

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

18 February 2013

Dear Board Members

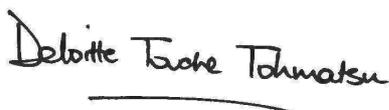
Specialty Fashion Group Limited

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.

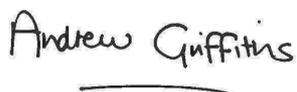
As lead audit partner for the review of the financial statements of Specialty Fashion Group Limited for the financial half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



A V Griffiths
Partner
Chartered Accountants

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 condensed statement of financial position as at 31 December 2012, and the statement of comprehensive income, the statement of cash flows and the condensed 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 10 to 20.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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.

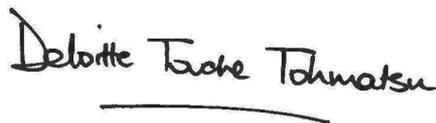
Auditor's Independence Declaration

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.

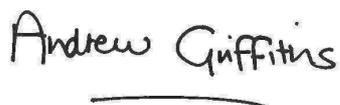
Conclusion

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 company's financial position as at 31 December 2012 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

DELOITTE TOUCHE TOHMATSU


Andrew Griffiths

A V Griffiths
Partner
Chartered Accountants
Sydney, 18 February 2013

Consolidated statement of comprehensive income

	Notes	Dec 2012 \$'000	Dec 2011 \$'000
Revenue from continuing operations	3	311,171	307,276
Changes in inventories of finished goods and consumables		(13,121)	(4,177)
Finished goods and consumables		(104,036)	(126,181)
Employee benefits expense		(75,465)	(73,453)
Depreciation and impairment		(11,184)	(11,691)
Rental expense relating to operating leases		(56,098)	(56,164)
Other expenses		(25,113)	(25,255)
Finance costs		(488)	(1,409)
Profit from continuing operations before income tax expense	4	25,666	8,946
Income tax expense		(7,696)	(2,790)
Profit from continuing operations after income tax expense		17,970	6,156
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in fair value of cash flow hedges		(310)	8,024
Exchange differences on translation of foreign operations		65	(50)
		(245)	7,974
Income tax benefit/(expense) relating to the components of other comprehensive income		93	(2,407)
Other comprehensive income after income tax benefit/(expense)		(152)	5,567
Total comprehensive income attributable to the members of Specialty Fashion Group Limited		17,818	11,723

Earnings per share (EPS) attributable to the members of Specialty Fashion Group Limited

		Dec 2012	Dec 2011
From continuing operations			
Basic EPS	8	9.3 cents	3.2 cents
Diluted EPS	8	9.3 cents	3.2 cents

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Specialty Fashion Group Limited
Consolidated statement of financial position
For the half year ended 31 December 2012

Consolidated statement of financial position

	31 Dec 2012	30 June 2012	31 Dec 2011
	\$'000	\$'000	\$'000
Current assets			
Cash and cash equivalents	45,621	10,585	8,183
Other current assets	7,596	3,016	6,258
Inventories	35,039	48,160	41,664
Current tax receivables	86	3,261	1,634
Total current assets	88,342	65,022	57,739
Non-current assets			
Other non-current receivables	405	364	580
Property, plant and equipment	74,911	82,572	89,987
Deferred tax assets	-	2,348	1,560
Intangible assets	10,095	10,095	10,095
Total non-current assets	85,411	95,379	102,222
Total assets	173,753	160,401	159,961
Current liabilities			
Trade and other payables	59,813	62,852	58,430
Derivative financial instruments	429	119	1,401
Current tax liabilities	3,604	82	356
Provisions	14,700	14,510	14,084
Borrowings	-	6,500	-
Other current liabilities	3,834	3,140	1,955
Total current liabilities	82,380	87,203	76,226
Non-current liabilities			
Borrowings	-	-	2,000
Provisions	12,036	11,743	10,864
Deferred tax liabilities	121	-	-
Other non-current liabilities	7,219	7,276	8,807
Total non-current liabilities	19,376	19,019	21,671
Total liabilities	101,756	106,222	97,897
Net assets	71,997	54,179	62,064
Equity			
Contributed equity	134,497	134,497	134,287
Reserves	(955)	(803)	(1,674)
Accumulated losses	(61,545)	(79,515)	(70,549)
Total equity	71,997	54,179	62,064

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

Consolidated statement of changes in equity

	Contributed equity \$'000	Share- based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accum- ulated losses \$'000	Total equity \$'000
Balance at 1 July 2011	133,867	852	(6,598)	(824)	(76,705)	50,592
Profit for the half year	-	-	-	-	6,156	6,156
Revaluation of cash flow hedges, net of tax	-	-	5,617	-	-	5,617
Exchange differences on translation of foreign operations	-	-	-	(50)	-	(50)
Total comprehensive income for the half year	-	-	5,617	(50)	6,156	11,723
Transactions with equity holders in their capacity as equity holders:						
Employee share based payments	420	(671)	-	-	-	(251)
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2011	134,287	181	(981)	(874)	(70,549)	62,064
Balance at 1 July 2012	134,497	61	(83)	(781)	(79,515)	54,179
Profit for the half year	-	-	-	-	17,970	17,970
Revaluation of cash flow hedges, net of tax	-	-	(217)	-	-	(217)
Exchange differences on translation of foreign operations	-	-	-	65	-	65
Total comprehensive income for the half year	-	-	(217)	65	17,970	17,818
Transactions with equity holders in their capacity as equity holders:						
Employee share based payments	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Balance at 31 December 2012	134,497	61	(300)	(716)	(61,545)	71,997

Consolidated statement of cash flows

Notes	Dec 2012 \$'000	Dec 2011 \$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	342,989	338,117
Payments to suppliers and employees (inclusive of goods and services tax)	(298,124)	(300,068)
	<u>44,865</u>	38,049
Interest received	148	125
Borrowing costs	(488)	(1,409)
Income taxes received	3,220	-
Income taxes paid	(1,578)	(4,891)
Net cash inflow from operating activities	<u>46,167</u>	31,874
Cash flows from investing activities		
Payments for property, plant and equipment	(6,178)	(9,329)
Proceeds from sale of property, plant and equipment	1,547	46
Net cash outflow from investing activities	<u>(4,631)</u>	(9,283)
Cash flows from financing activities		
Repayment of borrowings	(6,500)	(20,000)
Dividends paid	-	-
Net cash outflow from financing activities	<u>(6,500)</u>	(20,000)
Net increase in cash and cash equivalents held	35,036	2,591
Cash and cash equivalents at the beginning of the financial period	10,585	5,592
Cash and cash equivalents at the end of the financial period	<u><u>45,621</u></u>	8,183

Notes to the condensed consolidated financial statements

1. Summary of significant accounting policies

The interim financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The interim financial report does not include notes of the type normally included in an annual financial report. Accordingly, it is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Specialty Fashion Group Limited (the Company) during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of preparation

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

The Group is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the directors’ report and financial report. Amounts in the directors’ report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Group’s 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards.

The interim financial report was authorised for issue by the directors of Specialty Fashion Group Limited on 18 February 2013. The directors have the power to amend and reissue the interim financial report.

Comparative balances have been reclassified where necessary for consistency with current period disclosures.

(b) New or revised Standards and Interpretations that are first effective in the current reporting period

Australian Accounting Standards and Interpretations thereof that have recently been amended but are not yet effective have not been adopted for the reporting period ended 31 December 2012. Australian Accounting Standards that have recently been amended but are not yet effective and have not been early adopted by the Consolidated Entity are outlined in the table below:

Reference	Affected Standard(s)	Application date of standard*	Application date for Consolidated Entity
AASB 9	AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards	1 January 2015	1 January 2015
AASB 10	Consolidated Financial Statements	1 January 2013	1 January 2013
AASB 11	Joint Arrangements	1 January 2013	1 January 2013
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	1 January 2013
AASB 13	Fair Value Measurement and related AASB 2011-8 Amendments to Australian Accounting Standards	1 January 2013	1 January 2013
AASB 119	Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards	1 January 2013	1 January 2013
AASB 127	Separate Financial Statements	1 January 2013	1 January 2013
AASB 128	Investments in Associates and Joint Ventures	1 January 2013	1 January 2013
AASB	Amendments to Australian Accounting	1 January 2013	1 January 2013

Specialty Fashion Group Limited
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

2010-7	Standards arising from AASB 9		
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	1 January 2014
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	1 January 2013	1 January 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	1 January 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013	1 January 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 January 2014
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	1 January 2013	1 January 2013

* Application date of the standard is for the reporting periods beginning on or after the date shown in the above table.

The adoption of the standards and amendments listed above in future periods is not expected to result in substantial changes to the Group's accounting policies.

2. Segment information

AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer and the Board of Directors.

Management are of the opinion that Specialty Fashion Group Limited has one reportable segment being fashion retail.

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.

The Chief Executive Officer and Board of Directors assess the performance of the operating segments based on a measure of EBITDA (Earnings before interest, taxation, depreciation, impairment and amortisation).

Specialty Fashion Group Limited
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

A reconciliation of profit before income tax to EBITDA from continuing operations is provided as follows:

	Dec 2012	Dec 2011
	\$'000	\$'000
Profit before income tax expense	25,666	8,946
Interest expense	488	1,409
Interest income	(148)	(125)
Depreciation and impairment expense*	11,184	11,691
EBITDA from continuing operations (Earnings before interest, taxation, depreciation, impairment and amortisation)	37,190	21,921

*Impairment expense for the half year is \$628,629 (31 December 2011: \$1,764,038).

3. Revenue

	Dec 2012	Dec 2011
	\$'000	\$'000
From continuing operations		
Sales revenue		
Sale of goods	310,729	306,893
Other revenue		
Interest	148	125
Other revenue	294	258
Revenue from continuing operations	311,171	307,276

4. Expenses from continuing operations

	Dec 2012	Dec 2011
	\$'000	\$'000
Profit before income tax expense includes the following specific expenses:		
Cost of sales of goods	117,157	130,358
Depreciation and impairment expense	11,184	11,691
Borrowing costs	488	1,409
Rental expense relating to operating leases	56,098	56,164

5. Financing arrangements

The Group completed the refinance of its debt facility on 21 December 2012. The revised facility comprises a \$40 million working capital facility that matures in December 2015. At balance date, bank loan facilities totalling \$40 million were available to the Company (30 June 2012: \$85 million). Of this facility, \$40 million was unused (30 June 2012: \$78.5 million).

Specialty Fashion Group Limited
Notes to the condensed consolidated financial statements
For the half year ended 31 December 2012

6. Dividends

	Dec 2012		Dec 2011	
	Amount per security Cents	Total amount \$'000	Amount per security Cents	Total amount \$'000
Interim dividend for the half year (fully franked at 30%)	-	-	-	-

No interim dividend was declared for the half year ended 31 December 2011. Subsequent to the half year ended 31 December 2012, the directors declared a fully franked interim dividend to the holders of fully paid ordinary shares. Refer to note 11 for additional details.

	June 2012		June 2011	
	Amount per security Cents	Total amount \$'000	Amount per security Cents	Total amount \$'000
Final dividend for the year (fully franked at 30%)	-	-	-	-

No final dividend was declared for the year ended 30 June 2012.

7. Franking credits

	Dec 2012 \$'000	Dec 2011 \$'000
Adjusted franking account balance	45,400	43,978

8. Earnings per share

	Dec 2012	Dec 2011
Basic EPS attributable to members of Specialty Fashion Group Limited from continuing operations	9.3 cents	3.2 cents
Weighted average number of ordinary shares used in the calculation of Basic EPS	192,236,121	191,964,810
Diluted EPS attributable to members of Specialty Fashion Group Limited from continuing operations	9.3 cents	3.2 cents
Weighted average number of ordinary shares used in the calculation of Diluted EPS	192,236,121	192,069,854

9. Net tangible assets per security

	Dec 2012	Dec 2011
Net tangible asset backing per ordinary security	32.2 cents	27.1 cents

Movements in ordinary share capital

Date	Details	Number of shares
1 January 2011	Opening balance	191,268,264
1 February 2011	Issue of shares under Company's Long Term Incentive Plan	142,857
22 February 2011	Issue of shares on exercise of options	275,000
30 May 2011	Issue of shares under Company's Long Term Incentive Plan	100,000
13 September 2011	Issue of shares under Company's Long Term Incentive Plan	300,000
31 December 2011	Balance	192,086,121
1 January 2012	Opening balance	192,086,121
28 May 2012	Issue of shares under Company's Long Term Incentive Plan	150,000
31 December 2012	Balance	192,236,121

10. Related party transactions

A 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 Group. During 2004, the Group 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 minor shareholder of the company that owns the business premises at 1-3 Mandible Street, Alexandria which is leased to the Group. During 2012, the Group committed to undertake building improvements at these premises to convert warehouse 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 Group 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.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group:

	Dec 2012 \$'000	Dec 2011 \$'000
Amounts recognised as expense		
Lease of business premises in which A I Miller and G Perlstein have an interest	261	254
Lease of business premises in which G Levy has an interest	202	-
	463	254

11. Events occurring after the reporting 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, to be paid to shareholders on 19 March 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 on 5 March 2013. The aggregate amount of the proposed dividend expected to be paid to shareholders is \$3,844,722.

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that Specialty Fashion Group Limited will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



G Levy
Director



G Perlstein
Director

Sydney
18 February 2013