

PACIFIC BRANDS LIMITED  
Level 3, 290 Burwood Road, Hawthorn, Victoria 3122 Australia  
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ABN 64 106 773 059



Pacific Brands Limited and its controlled entities  
ABN 64 106 773 059

ASX Appendix 4D - Interim Financial Report  
for the half year ended 31 December 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue from ordinary activities	Down 9.5% to	\$852.1 million
Earnings before interest, tax, amortisation and significant items	Up 30.1% to	\$104.5 million
Net (loss)/profit for the period	Down 841.4% to	(\$165.9) million
Net (loss)/profit attributable to equity holders of the parent	Down 847.6% to	(\$166.1) million

DIVIDENDS

	AMOUNT PER SHARE	TOTAL AMOUNT	FRANKED AMOUNT
Interim Dividend	3.1 cents	\$29.0 million	100%

The Company's dividend record date is 2 March 2011 and the dividend is payable on 1 April 2011.

The Company's Dividend Reinvestment Plan will not be offered for the Interim Dividend and is suspended until further notice.

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	\$0.06	(\$0.04)

The previous corresponding period is 31 December 2009.

The financial report has been subject to a review by the Company's auditor KPMG.

FURTHER INFORMATION:

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## DIRECTORS' REPORT

The directors of Pacific Brands Limited ('the Company') present their report together with the consolidated financial report of the Company and its controlled entities (collectively the 'Consolidated Entity') for the half year ended 31 December 2010 and the review report thereon.

### 1. DIRECTORS

The directors of the Company at any time during or since the end of the half year are:

Non-executive	Year of Directorship
J A C MacKenzie, Chairman	Director since May 2008. Appointed Chairman November 2008
A D Cummins	Director since February 2004, retired October 2010
M A Plavsic	Director since May 2004
D G Fisher	Director since March 2007, retired October 2010
N L Scheinkestel	Director since June 2009
J S King	Director since September 2009
A M Tansey	Director since March 2010
P H Bush	Director since August 2010
<hr/>	
Executive	
S M Morphet, Chief Executive Officer	Director since January 2008

The office of company secretary is held by J C Grover.

### 2. REVIEW OF OPERATIONS

Please refer to the accompanying Pacific Brands Limited half year results announcement dated 24 February 2011.

### 3. LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 15 and forms part of the directors' report for the half year ended 31 December 2010.

### 4. ROUNDING OFF

The Consolidated Entity 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 financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 24th day of February 2011.



**Sue Morphet**  
Chief Executive Officer

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	NOTE	CONSOLIDATED	
		HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 31 DECEMBER 2009 \$'000
Sales revenue	5	852,078	941,392
Cost of sales		(452,449)	(571,470)
<b>Gross profit</b>		<b>399,629</b>	369,922
Other Income	5	3,116	5,903
Freight and distribution expenses		(66,908)	(66,994)
Sales, marketing and advertising expenses		(150,162)	(149,452)
Administrative expenses		(82,445)	(80,279)
Other expenses	7	(228,147)	(18,904)
<b>Results from operating activities</b>		<b>(124,917)</b>	60,196
Financial income	6	2,894	1,006
Financial expenses	6	(21,372)	(27,374)
<b>Net financing costs</b>		<b>(18,478)</b>	(26,368)
<b>(Loss)/Profit before income tax expense</b>		<b>(143,395)</b>	33,828
Income tax expense	9	(22,530)	(11,447)
<b>(Loss)/Profit for the period</b>		<b>(165,925)</b>	22,381
<b>(Loss)/Profit attributable to:</b>			
Equity holders of the parent		(166,098)	22,218
Minority interests		173	163
<b>(Loss)/Profit for the period</b>		<b>(165,925)</b>	22,381
<b>Other comprehensive (loss)/income</b>			
Foreign currency translation differences		(10,344)	(5,134)
Effective portion of changes in fair value of cash flow hedges (net of tax)		(29,866)	30,550
Other comprehensive (loss)/income for the period net of tax		(40,210)	25,416
<b>Total comprehensive (loss)/income for the period</b>		<b>(206,135)</b>	47,797
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the parent		(205,919)	47,911
Minority interests		(216)	(114)
<b>Total comprehensive (loss)/income for the period</b>		<b>(206,135)</b>	47,797
<b>Earnings per share:</b>			
Ordinary shares	11	(17.9) cents	2.4 cents
Diluted shares	11	(17.9) cents	2.4 cents

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the condensed notes to the financial statements set out on pages 8 to 13.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	NOTE	CONSOLIDATED	
		31 DECEMBER 2010 \$'000	30 JUNE 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		188,596	149,974
Trade and other receivables		202,297	235,331
Inventories		257,462	241,274
Other current assets		6,162	6,960
Assets classified as held for sale	12	79,302	-
<b>Total current assets</b>		<b>733,819</b>	<b>633,539</b>
<b>Non-current assets</b>			
Trade and other receivables		31	36
Property, plant and equipment		87,772	117,043
Intangible assets		1,082,860	1,307,555
Deferred tax assets		36,258	30,437
<b>Total non-current assets</b>		<b>1,206,921</b>	<b>1,455,071</b>
<b>Total assets</b>		<b>1,940,740</b>	<b>2,088,610</b>
<b>Current liabilities</b>			
Trade and other payables		182,397	133,508
Interest bearing loans and borrowings		351	760
Income tax payable		25,942	14,288
Provisions		64,265	87,043
Liabilities directly associated with assets classified as held for sale	12	27,902	-
<b>Total current liabilities</b>		<b>300,857</b>	<b>235,599</b>
<b>Non-current liabilities</b>			
Trade and other payables		4,727	5,232
Interest bearing loans and borrowings		455,471	461,900
Provisions		5,698	6,422
<b>Total non-current liabilities</b>		<b>465,896</b>	<b>473,554</b>
<b>Total liabilities</b>		<b>766,753</b>	<b>709,153</b>
<b>Net assets</b>		<b>1,173,987</b>	<b>1,379,457</b>
<b>Equity</b>			
Contributed equity		1,469,094	1,469,094
Reserves		(45,600)	(4,577)
Accumulated losses		(252,556)	(88,325)
<b>Total equity attributable to equity holders of the parent</b>		<b>1,170,938</b>	<b>1,376,192</b>
Minority interest		3,049	3,265
<b>Total equity</b>		<b>1,173,987</b>	<b>1,379,457</b>

The condensed consolidated interim statement of financial position is to be read in conjunction with the condensed notes to the financial statements set out on pages 8 to 13.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 31 DECEMBER 2009 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	926,536	1,022,999
Cash paid to suppliers and employees	(846,229)	(957,772)
Income taxes paid	(6,741)	(9,718)
Interest paid	(20,336)	(25,351)
Interest received	3,016	1,006
<b>Net cash from operating activities</b>	<b>56,246</b>	<b>31,164</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(12,288)	(4,306)
Proceeds from sale of property, plant and equipment	8,744	4,779
Acquisition of business (net of cash acquired)	(1,770)	-
Proceeds from sale of businesses (net of cash disposed)	-	7,193
<b>Net cash from/(used in) investing activities</b>	<b>(5,314)</b>	<b>7,666</b>
<b>Cash flows from financial activities</b>		
Lease payments	(384)	(193)
Proceeds from borrowings	-	545
Repayment of borrowings	(7,380)	-
<b>Net cash from/(used in) financing activities</b>	<b>(7,764)</b>	<b>352</b>
<b>Net increase in cash and cash equivalents</b>	<b>43,168</b>	<b>39,182</b>
Cash and cash equivalents at the beginning of the period	149,974	126,475
Effect of exchange rate fluctuations on cash held	(4,546)	(2,826)
<b>Cash and cash equivalents at the end of the period</b>	<b>188,596</b>	<b>162,831</b>

The condensed consolidated interim statement of cash flow is to be read in conjunction with the condensed notes to the financial statements set out on pages 8 to 13.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	ISSUED CAPITAL \$'000	EQUITY COMPENSATION RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	HEDGE RESERVE \$'000	ACCUMULATED LOSSES \$'000	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT \$'000	MINORITY INTEREST \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 July 2010</b>	<b>1,469,094</b>	<b>7,029</b>	<b>(23,409)</b>	<b>11,803</b>	<b>(88,325)</b>	<b>1,376,192</b>	<b>3,265</b>	<b>1,379,457</b>
Effective portion of net changes in fair value of cash flow hedges <sup>1</sup>	-	-	-	(38,674)	-	(38,674)	-	(38,674)
Net change in fair value of cash flow hedges transferred to inventory or profit and loss	-	-	-	8,808	-	8,808	-	8,808
Foreign currency translation differences	-	-	(9,955)	-	-	(9,955)	(389)	(10,344)
Total other comprehensive (loss)/income	-	-	(9,955)	(29,866)	-	(39,821)	(389)	(40,210)
(Loss)/Profit for the period	-	-	-	-	(166,098)	(166,098)	173	(165,925)
Total comprehensive (loss)/income for the period	-	-	(9,955)	(29,866)	(166,098)	(205,919)	(216)	(206,135)
<b>Transactions with owners recorded directly in entity</b>								
On market purchase of performance rights	-	(2,352)	-	-	1,867	(485)	-	(485)
Cost of share based payments	-	1,150	-	-	-	1,150	-	1,150
<b>Balance at 31 December 2010</b>	<b>1,469,094</b>	<b>5,827</b>	<b>(33,364)</b>	<b>(18,063)</b>	<b>(252,556)</b>	<b>1,170,938</b>	<b>3,049</b>	<b>1,173,987</b>
<b>Balance at 1 July 2009</b>	<b>1,469,094</b>	<b>5,946</b>	<b>(24,913)</b>	<b>(46,384)</b>	<b>(141,047)</b>	<b>1,262,696</b>	<b>3,994</b>	<b>1,266,690</b>
Effective portion of net changes in fair value of cash flow hedges <sup>1</sup>	-	-	-	(19,687)	-	(19,687)	-	(19,687)
Net change in fair value of cash flow hedges transferred to inventory or profit and loss	-	-	-	50,237	-	50,237	-	50,237
Foreign currency translation differences	-	-	(4,857)	-	-	(4,857)	(277)	(5,134)
Total other comprehensive income	-	-	(4,857)	30,550	-	25,693	(277)	25,416
Profit for the period	-	-	-	-	22,218	22,218	163	22,381
Total comprehensive income for the period	-	-	(4,857)	30,550	22,218	47,911	(114)	47,797
<b>Transactions with owners recorded directly in entity</b>								
Cost of share based payments	-	213	-	-	-	213	-	213
<b>Balance at 31 December 2009</b>	<b>1,469,094</b>	<b>6,159</b>	<b>(29,770)</b>	<b>(15,834)</b>	<b>(118,829)</b>	<b>1,310,820</b>	<b>3,880</b>	<b>1,314,700</b>

1. Amounts are stated net of tax

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the financial statements set out on pages 8 to 13.

## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENT

### 1. REPORTING ENTITY

Pacific Brands Limited (the 'Company') is a Company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the half year ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

The condensed consolidated interim financial report was authorised for issue by the directors on 24 February 2011.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at Level 3, 290 Burwood Road, Hawthorn, Victoria or on the Company's website at [www.pacificbrands.com.au](http://www.pacificbrands.com.au).

### 2. STATEMENT OF COMPLIANCE

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2010. This report must also be read in conjunction with any public announcements made by Pacific Brands Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The Consolidated Entity 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 financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2010.

#### Impact of standards issued but not yet applied by the entity

In December 2009, the AASB issued AASB 9 *Financial Instruments* which addresses the classification and measurement of financial assets. The standard is not applicable until 2013 but is available for early adoption. The Group has not yet decided when to adopt AASB 9.

### 4. ESTIMATES AND JUDGEMENTS

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Except for revisions to estimates with respect to impairment (refer note 13) there have been no material revisions in the current financial reporting period. In preparing this condensed consolidated interim financial report the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2010.

## 5. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 31 DECEMBER 2009 \$'000
Sales revenue <sup>1</sup>	852,078	941,392
<b>Other income</b>		
Royalties	1,023	1,359
Sundry income	2,093	4,544
Total other income	3,116	5,903
Total revenue and other income	855,194	947,295

1. Prior year adjusted for certain sales and marketing allowances, now netted against sales revenue

## 6. EXPENSES

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 31 DECEMBER 2009 \$'000
Depreciation of:		
Freehold buildings and leasehold improvements	1,683	1,814
Plant and equipment	5,728	7,145
	7,411	8,959
Amortisation of:		
Software assets	1,039	1,114
Other Intangibles	1,277	1,201
Leased plant and equipment	385	585
	2,701	2,900
Total depreciation and amortisation	10,112	11,859
Net financing costs:		
Financial income	(2,894)	(1,006)
Interest on bank loans and overdraft	21,341	27,303
Finance charges on capitalised leases	31	71
	18,478	26,368
Personnel expenses:		
Wages, salaries and entitlements	179,603	198,602
Contributions to defined contribution superannuation plans	11,366	13,538
Defined benefit superannuation expense	431	738
Share based payments	1,150	213
	192,550	213,091

## 7. OTHER EXPENSES – SIGNIFICANT ITEMS

		HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 31 DECEMBER 2009 \$'000
	NOTE		
<b>Asset impairment</b>			
Impairment of goodwill on assets held for sale	12	39,931	-
Impairment of goodwill, brand names and other intangibles	13	174,770	-
Impairment of plant and equipment		390	800
		215,091	800
<b>Restructuring expenses</b>			
Redundancies, decommissioning and other costs		13,056	18,104
		228,147	18,904

The related income tax benefit on significant items, where applicable, is \$4.0m (half year ended 31 December 2009: \$5.6m) for the Consolidated Entity.

## 8. SEGMENT REPORTING

The Consolidated Entity has four reportable segments, as described below. The segments offer different products and are managed separately. For each segment, the Consolidated Entity's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Consolidated Entity's reportable segments:

Underwear & Hosiery	Marketer, distributor, importer and manufacturer of underwear, intimate apparel, socks, hosiery and outerwear
Workwear	Marketer, distributor, importer and manufacturer of industrial, corporate imagewear and other workwear
Footwear, Outerwear & Sport	Marketer, distributor and importer of footwear; fashion outerwear; and sporting outerwear and equipment
Homewares	Marketer, distributor, importer and manufacturer of bed linen, pillows, mattresses, foam and carpet underlay

Other operations include retail clearance outlets, corporate expenses and amortisation of intangible assets, included in the reconciliations over the page.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, tax, amortisation (other intangibles only) and significant items ('EBITA') as included in the internal management reports that are reviewed by the Consolidated Entity's CEO. Segment EBITA is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments. Inter-segment pricing is determined on an arm's length basis.

Half year ended 31 December 2010	UNDERWEAR & HOSIERY \$'000	WORKWEAR \$'000	FOOTWEAR, OUTERWEAR & SPORT \$'000	HOMEWARES \$'000	TOTAL \$'000
<b>Revenue</b>					
External	249,944	197,022	173,696	224,961	845,623
Inter segment	3,005	700	493	41	4,239
Total segment revenue	252,949	197,722	174,189	225,002	849,862
<b>Result</b>					
EBITA before significant items	59,571	24,397	9,103	20,709	113,780
Impairment of goodwill, brand names and other intangibles	-	-	(174,770)	(39,931)	(214,701)
Significant items	(1,221)	(2,289)	(2,215)	(201)	(5,926)
EBITA after significant items	58,350	22,108	(167,882)	(19,423)	(106,847)
Depreciation and amortisation	435	1,549	1,581	3,184	6,749
Total assets	1,086,910	494,103	136,628	312,033	2,029,674
<b>Half year ended 31 December 2009</b>					
<b>Revenue</b>					
External	281,694	184,657	259,641	206,446	932,438
Inter-segment	5,237	720	1,011	23	6,991
Total segment revenue	286,931	185,377	260,652	206,469	939,429
<b>Result</b>					
EBITA before significant items	34,856	16,579	19,147	15,646	86,228
Significant items	(7,425)	(1,683)	(1,261)	(2,267)	(12,636)
EBITA after significant items	27,431	14,896	17,886	13,379	73,592
Depreciation and amortisation	2,181	1,831	1,640	3,455	9,107
Total assets	1,034,968	511,206	360,615	349,681	2,256,470

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and significant items

	HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 31 DECEMBER 2009 \$'000
<b>Revenues</b>		
Total revenue for reportable segments	<b>849,862</b>	939,429
Other revenue	<b>201</b>	2,004
Clearance store revenue	<b>9,370</b>	12,853
Elimination of inter-segment revenue	<b>(4,239)</b>	(6,991)
Consolidated revenue	<b>855,194</b>	947,295
<b>EBITA</b>		
Total EBITA after significant items for reportable segments	<b>(106,847)</b>	73,592
Amortisation of other intangibles	<b>(1,277)</b>	(1,201)
Unallocated amounts: corporate expenses	<b>(9,273)</b>	(5,927)
Unallocated significant items	<b>(7,520)</b>	(6,268)
Net Interest expense	<b>(18,478)</b>	(26,368)
Consolidated (loss)/profit before income tax expense	<b>(143,395)</b>	33,828
Total EBITA before significant items for reportable segments	<b>113,780</b>	86,228
Unallocated amounts: corporate expenses	<b>(9,272)</b>	(5,927)
Consolidated EBITA before significant items	<b>104,508</b>	80,301

The Consolidated Entity supplies two customers which in combination account for 27% of revenue (2009: 26%).

The difference between assets recognised in the condensed consolidated interim statement of financial position and reportable segment assets relates to unallocated assets and intercompany eliminations of \$88.9 million (31 December 2009: \$39.2 million).

## 9. INCOME TAX EXPENSE

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Consolidated Entity's effective tax rate for the six months ended 31 December 2010 was not meaningful (half year ended 31 December 2009: 34%) due to the impact of the impairment of goodwill, brand names and other intangibles associated with the Footwear, Outerwear and Sport cash-generating unit (refer note 13) and the impairment of goodwill associated with the disposal group classified as held for sale at 31 December 2010 (refer note 12) both of which are not deductible for tax purposes.

## 10. DIVIDENDS

Since the end of the half year the directors have recommended that an interim dividend be paid. An interim dividend of 3.1 cents per fully paid Ordinary Share, franked to 100% in Australia based on tax paid at 30% (half year ended 31 December 2009: Nil dividend declared). Franking credits available at 31 December 2010 are \$73.2 million.

## 11. EARNINGS PER SHARE

	HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 31 DECEMBER 2009 \$'000
Net (loss)/profit used in the calculation of basic and diluted earnings per share	<b>(166,098)</b>	22,218
	HALF YEAR ENDED 31 DECEMBER 2010 No.	HALF YEAR ENDED 31 DECEMBER 2009 No.
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	<b>929,544,088</b>	929,380,477

## 12. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2010 \$'000	HALF YEAR ENDED 30 JUNE 2010 \$'000
<b>Assets of disposal group held for sale</b>		
Property, plant and equipment	31,047	-
Trade and other receivables	21,507	-
Intangibles	7,448	-
Inventories	16,558	-
Other assets	253	-
Deferred tax asset	2,489	-
<b>Total assets</b>	<b>79,302</b>	<b>-</b>
<b>Liabilities directly associated with assets classified as held for sale</b>		
Trade creditors	19,417	-
Provision for employee entitlements	8,377	-
Lease liabilities	108	-
<b>Total liabilities</b>	<b>27,902</b>	<b>-</b>

The Company announced on 1 November 2010 that it had agreed to sell the Dunlop Foams and Sleepmaker businesses to Sleepyhead for gross proceeds of approximately \$55 million subject to ACCC approval. The divestment of these businesses is in line with Pacific Brands 2010 transformation program announced in 2009. Subject to ACCC approval, the transaction is expected to be completed before 30 June 2011 and the assets and liabilities of this disposal group are classified as 'held for sale' as at 31 December 2010. The Company has recognised a one-off impairment loss of \$39.9 million to bring the net assets in line with their estimated fair value less cost to sell.

The revenue and results of the disposal group are included in the Homewares reportable segment presented in note 8.

## 13. IMPAIRMENT

The Consolidated Entity performed its impairment testing as at 31 December 2010. As a result of this testing, the carrying amount of the Footwear, Outerwear and Sport cash-generating unit (the 'CGU') was determined to be higher than its recoverable amount and an impairment loss of \$174.8 million was recognised. The impairment loss was allocated to goodwill (\$137.1 million), brand names (\$28.8 million) and other intangibles (\$8.9 million) and was recognised in other expenses in the consolidated statement of comprehensive income. There were no material changes to the operations of the CGU from the previous financial year.

The recoverable amount of the CGU is based on value in use calculations. Value in use calculations discount estimated cash flows over a 5-year forecast period extrapolated into perpetuity. Forecast cash flows are based on various market and operational assumptions and a perpetuity growth factor is used to reflect the long-term average growth rate. A pre-tax discount rate of 14% is used to discount forecast cash flows.

The impairment resulted from underperformance and uncertainty with respect to future performance in key markets in which the CGU operates, which in turn adversely impacted expected returns and estimated cash flows to be recovered through use. The value in use calculations are sensitive to key assumptions relating to the execution of the CGU's restructuring and turnaround strategy, particularly in relation to those impacting estimated cash flows towards the end of the forecast period and the long-term growth rate.

## 14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets that have arisen since 30 June 2010.

## 15. EVENTS SUBSEQUENT TO REPORTING DATE

On 1 February 2011 the Company renegotiated its banking arrangements. The existing \$462.1 million facility due in March 2012 has been converted into a new \$500 million facility secured with a fixed and floating charge over the assets of the Consolidated Entity. The committed amounts and maturities are as follows:

- Tranche 1 revolving credit facility of \$225 million maturing 31 January 2014
- Tranche 2 term facility of \$175 million maturing 31 January 2015
- Tranche 3 term facility of \$100 million maturing 31 January 2016

At the same time, the Company reduced the size of its securitisation facility by \$25 million from \$225 million to \$200 million.

The financial impact of the new facilities have not been reflected in this financial report.

For dividends declared after 31 December 2010, refer to note 10.

Aside from these matters, the directors have not become aware of any other significant matter or circumstance that has arisen since 31 December 2010, that has affected or may affect the operations of the Consolidated Entity, the results of the operations or the state of affairs of the Consolidated Entity.

## DIRECTOR'S DECLARATION

In the opinion of the directors of Pacific Brands Limited ('the Company'):

- 1 the condensed interim financial statements and condensed notes set out on pages 3 to 13, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 24th day of February 2011.



**Sue Morphet**  
Chief Executive Officer

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307c of the Corporations Act 2001



To: the Directors of Pacific Brands Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

**KPMG**

Melbourne  
24 February 2011

A handwritten signature in black ink that reads 'Paul Shannon'.

**Paul Shannon**  
Partner

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PACIFIC BRANDS LIMITED



### Report on the financial report

We have reviewed the accompanying interim financial report of Pacific Brands Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the interim period ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

### Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the interim 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 interim 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 interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Pacific Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim 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.

### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Pacific Brands Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten version of the KPMG logo in black ink.

**KPMG**

Melbourne  
24 February 2011

A handwritten signature in black ink that reads 'Paul Shannon'.

**Paul Shannon**  
Partner