PACIFIC BRANDS

17 February 2015

Manager Company Announcements
Australian Securities Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Market Information Services
New Zealand Exchange Limited
9th Floor
ASB Tower
2 Hunter Street
Wellington
New Zealand

Dear Sir/Madam

HALF YEAR REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2014

In accordance with Australian Securities Exchange Listing Rule 4.2A, attached is the Company's Appendix 4D – Half year Report for the period 1 July 2014 to 31 December 2014, together with a copy of a Press Release which the Company intends to send to the media today.

These documents will also be available on the Company's website at
www.pacificbrands.com.au

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Enc.

PACIFIC BRANDS

17 February 2015

Half Year Results Announcement

Strategic review objectives achieved ahead of plan

- Workwear and Brand Collective divestments completed effective 1 December 2014 with financial impacts above prior guidance[1]
- Significant corporate cost initiatives to offset impact of 'stranded' costs which are now expected to be below guidance[1]
- Balance sheet strength and strong operating cash flow restored
- Continuing business substantially simplified and with clear strategic priorities

- Reported net loss after tax of $108.7 million due to non-cash impairment charges
  - Impairment charges of $138.5 million incurred due mainly to a change in approach and currency depreciation
  - Bonds, Berlei and Sheridan brand name carrying values not impacted
- Continuing business sales up 6.0%
  - Bonds up 15%[2] and Sheridan up 14%[2]
  - Growth driven by retail, wholesale still challenging
- Continuing business EBIT before significant items of $31.5 million consistent with guidance[3]
  - Underwear earnings down due to lower wholesale sales and margins, partly offset by strong retail performance
  - Sheridan earnings up due to strong retail performance
  - Tontine and Dunlop Flooring earnings up due to cost savings
- Net debt reduced from $249.1 million at June to $24.2 million due to divestments, improved working capital management and strong cash conversion of 135%[2]
- No interim dividend declared – balance sheet strength prioritised during year of transition and will be reviewed again at the full year
- David Muscat confirmed as Chief Financial Officer

Group results (reviewed)[4] for the six months ended 31 December 2014

	Reported[5]			Continuing business before significant items[6]		
$ millions	**1H15**	**1H14**	**% Change**	**1H15**	**1H14**	**% Change**
Sales	391.8	369.7	6.0	391.8	369.7	6.0
EBIT	(107.0)	49.2	n.m.	31.5	41.6	(24.2)
NPAT	(108.7)	(219.0)	n.m.	16.9	23.3	(27.5)
EPS (cps)	(13.1)	3.8	n.m.	1.8	2.5	(28.0)
DPS (cps)	-	2.0	(100.0)	-	2.0	(100.0)
Cash conversion[2]	135%	100%	35pts	135%	100%	35pts

Commentary

Chief Executive Officer, David Bortolussi, said: “The recent divestments of Workwear and Brand Collective have substantially simplified our business and, along with increased focus on inventory management and cash flow, we have restored balance sheet strength to the group.

“Parts of our wholesale business continue to be challenging, particularly in discount department stores, but our retail business performed well, especially over the Christmas trading period. We opened 13 Bonds stores in the half, and achieved high comp store growth[7] in Bonds (up 24%[2]) and Sheridan (up 10%[2]), despite a deliberate reduction in promotional activity.

“Product and marketing innovation was a highlight, including the new Bonds Christmas Shine range which was successfully executed across all channels, and will be followed this year by an exciting new range and marketing program celebrating our iconic brand’s 100 year anniversary.

“Operationally, we have achieved supply chain improvements in SKU reduction, product costs, lead times and service levels. Gross margins were in line with the second half of last year, and cost reduction initiatives have been expanded to further mitigate stranded cost pressure to levels below our prior guidance[1].

“We have been working hard in challenging market conditions, endeavouring to stabilise earnings and improve cash flow. However, the significant drop in the Australian dollar over recent months places increasing pressure on the industry, which will need to respond operationally and also through price increases from the winter 2016 season when most hedge books unwind.

“Looking ahead, our three operating groups have clear strategic priorities – invest in our key brands, stabilise our core wholesale business, expand retail and online, drive operational efficiencies to ensure we are lowest cost, and over time develop the international business for our key brands.”

Group results

Sales were up 6.0% in a difficult trading environment, due mainly to growth in Bonds and Sheridan, underpinned by continued investment and success in retail in-store and online (now 28%[2] and 6%[2] of total group sales respectively). These factors more than offset lower wholesale sales driven by key account underperformance in the discount department store (DDS) sector.

Gross margins declined by 3.6pts to 48.5% versus PCP, reflecting annualisation of the 2H14 significant decline in Underwear wholesale margins and the net adverse impact of FX, import costs, product mix and price increases. However, margins were 0.3pts up versus the adjacent half (2H14), with wholesale margins and higher clearance levels offset by the positive channel impact of an increasing proportion of retail in-store and online sales.

Cost of doing business (CODB) increased by $7.7 million to $158.6 million, an increase of 5.1%. Disciplined CODB investment in retail expansion had a positive net contribution to EBIT during the half, and store expenses reduced as a percentage of sales due to operational improvements. Other CODB categories decreased due to cost control and restructuring initiatives net of inflation.

Before significant items, EBIT was down 24.2% to $31.5 million, but 21.5%[2] up on the adjacent half of $25.9[2] million.

The reported net loss after tax for 1H15 was $108.7 million largely due to non-cash impairments of goodwill, brand names and plant and equipment ($138.5 million), driven by a change in the definition of cash generating units, adverse changes in foreign currency rates and market dynamics.

Interest was down, from $9.4 million to $8.4 million, reflecting lower interest rates and the impact of lower debt in December. Excluding the impact of significant items, the effective tax rate was flat at 27%.

Continuing business net working capital reduced by $12.9 million or 9.5% in 1H15 due to clearance of aged and excess inventory as well as higher trade creditors driven by extended supplier terms, GST payable on divestment proceeds and timing impacts.

As a result, cash conversion improved from 100%[2] in 1H14 to 135%[2] in 1H15, reflecting a significant turnaround on negative operating cash flow in 2H14. Along with the impact of divestment proceeds, this contributed to a decrease in net debt from $249.1 million at June to $24.2 million at December.

Divestments

Aggregate financial impacts of the Workwear and Brand Collective divestments were improved versus guidance[1]. Gross proceeds of $226 million were above guidance of $219 million following completion adjustments, the profit on sale of $7.8 million (post tax) was above guidance of $5 million, and unrecovered corporate (or 'stranded') costs were down to c.$2.5 million, below prior guidance of $5-6 million.

Segment results

Underwear

Total sales grew by 4.1% to $252.6 million for the half:

- Bonds sales were up 15.0%[2] driven by retail with wholesale held flat. Non-Bonds brands were down 14.6%[2] overall, impacted by underperformance in the DDS channel and private label penetration
- Total Underwear wholesale sales were down 5.8%[2] due to continued key account underperformance in DDS, partially mitigated by supermarket expansion
- Total retail was up 50.7%[2] with 13 openings in 1H15, annualisation of 28 openings in F14 (including 5 acquired stores), and solid comp growth[7] of 9%[2] in branded stores and 41%[2] in outlets. Bonds in-store and online sales were 25%[2] and 7%[2] of total Bonds sales, respectively

EBIT (before significant items) was down 25.8% to $26.7 million versus PCP due to lower wholesale sales and annualisation of lower 2H14 wholesale gross margins and currency depreciation as previously reported, but 6%[2] up on the adjacent half result of $25.2[2] million.

Sheridan

Total sales grew by 13.7% to $95.3 million for the half:

- Retail channels were up by 22.0%[2], with wholesale down 3.0%[2] driven by UK conditions
- Strong comp sales performance[7] in Boutique (25%[2]) and Sheridan Factory Outlet (14%[2])
- Momentum in new categories and Australian Open towel contract

Due to the strong retail performance, EBIT (before significant items) of $8.7 million was up 5.4% versus PCP representing a significant turnaround on the adjacent half (up $4.2 million on 2H14).

Tontine and Dunlop Flooring

Sales were up 1.2% overall to $43.8 million:

- Tontine sales were down 0.9%, with DDS underperformance and timing impacts mitigated by growth in supermarkets
- Dunlop Flooring sales were up 3.1% due to improvements in the domestic housing market

EBIT before significant items was up 13.8%:

- Tontine earnings were up with CODB savings partially offset by margin pressure from customer mix, product mix and factory under recoveries
- Dunlop Flooring result was marginally up due to growth and improved margins

Dividends

No interim dividend has been declared, with balance sheet strength being prioritised in this year of transition. Future dividends will next be considered at the full year having regard to performance, outlook and financial position at the time.

F15 Trading update and outlook

The Company expects a continuation of challenging and variable market conditions.

2H15 sales for the half to date are up versus PCP, but 2H15 results will largely be dependent on May and June trading which are significant months.

For the continuing business, 2H15 EBIT (before significant items) is expected to be up on PCP ($25.9 million[2]) but is unlikely to exceed 1H15 ($31.5 million).

As a result of the Company's hedging policy, the average AUD:USD rate through the P&L will be c.0.89[2] in 2H15. Lower FX rates are expected to adversely impact margins, inventory balances and cash conversion from 4Q15 continuing into F16 and F17. The Company will continue to take actions to mitigate through a combination of sourcing benefits, CODB reduction, mix improvement and further price increases.

For further information contact:

Investors

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Appendix: Continuing business Sales & EBIT (before significant items)

Sales

$ millions	1H15	2H14[2]	1H14	Change vs 2H14 $m	Change vs 2H14 %	Change vs 1H14 $m	Change vs 1H14 %
Segment results							
Underwear	252.6	246.5	242.5	6.2	2.5	10.1	4.1
Sheridan	95.3	85.9	83.8	9.3	10.9	11.5	13.7
Tontine & Dunlop Flooring	43.8	47.1	43.3	(3.3)	(7.0)	0.5	1.2
Group reported result	**391.8**	**379.5**	**369.7**	**12.2**	**3.2**	**22.0**	**6.0**

EBIT before significant items[6]

$ millions	1H15	2H14[2,8]	1H14[8]	Change vs 2H14 $m	Change vs 2H14 %	Change vs 1H14 $m	Change vs 1H14 %
Segment results							
Underwear	26.7	25.2	36.0	1.5	6.0	(9.3)	(25.8)
Sheridan	8.7	4.5	8.3	4.2	95.0	0.4	5.4
Tontine & Dunlop Flooring	2.9	2.4	2.6	0.5	20.7	0.4	13.8
Group reported result	**31.5**	**25.9**	**41.6**	**5.6**	**21.5**	**(10.1)**	**(24.2)**

1 Aggregate gross proceeds above guidance of $219 million (following completion adjustments); profit on sale (post tax) above guidance of $5 million; and stranded costs below guidance of $5-6 million
2 Data has not been subject to independent review. Operating cash flow pre interest, tax and capex (OCFPIT) / EBITDA before significant items. OCFPIT as a measure of cash flow is considered by Directors to be meaningful as it is the cash equivalent of EBITDA and thus provides a measure of the rate at which operating earnings are converted to cash
3 Continuing business EBIT before significant items plus discontinuing operating result before restructuring costs for 5 months of 1H15 greater than 2H14
4 Other than as indicated, the financial information contained in this document is directly extracted or calculated from the reviewed interim Financial Report (Appendix 4D)
5 Consistent with reporting in the Appendix 4D, all amounts are continuing business except NPAT which includes continuing and discontinued operations
6 Before significant items as disclosed in Note 7 to the Financial Statements. Results excluding such items are considered by Directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by Directors in determining dividends taking into account other considerations
7 Includes online
8 EBIT restated to include residual stranded costs

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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 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue from continuing operations	Up 6.0% to	$391.8 million
Earnings (loss) before interest and tax from continuing operations	n.m[2]	($107.0) million
Earnings before interest, tax and significant items from continuing operations[1]	Down 24.2% to	$31.5 million
Net loss after tax from continuing operations	n.m[2]	($119.8) million
Net loss after tax attributable to owners of the Company	n.m[2]	($108.7) million

1. Individually significant items are disclosed in Note 7 to the interim financial report. Results excluding such items are considered by directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by directors in determining dividends
2. Movement from prior period not considered meaningful

DIVIDENDS

The Company's directors have not recommended an interim dividend for the six month interim period ended 31 December 2014.

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	$0.17	$0.11

The previous corresponding period is 31 December 2013.

The interim financial report has been subject to review by KPMG.

FURTHER INFORMATION:

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DIRECTORS' REPORT

The directors of Pacific Brands Limited (the 'Company') present their report together with the condensed consolidated interim financial report ('interim financial report') of the Company and its controlled entities (collectively the 'Consolidated Entity') as at and for the half year ended 31 December 2014 and the auditor's 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
P H Bush, Chairman	Director since August 2010
S T Goddard	Director since May 2013
K L Grant	Director since February 2014
J S King	Director since September 2009
H E Nash	Director since August 2013
L B Nicholls AO	Director since October 2013

Executive	
D L Bortolussi, Chief Executive Officer	Appointed as CEO and Director August 2014
J C Pollaers	Director since September 2012. Ceased as CEO and Director 7 July 2014

The office of Company Secretary is held by J C Grover.

2. REVIEW OF OPERATIONS

A review of the operations of the Consolidated Entity during the 2015 half year and of the results of those operations and financial position of the Consolidated Entity is contained in the accompanying Pacific Brands Limited half year results announcement dated 17 February 2015.

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 18 and forms part of the directors' report for the half year ended 31 December 2014.

4. ROUNDING OFF

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as in force on 31 December 2014) and in accordance with that Class Order amounts in the interim 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 17th day of February 2015.

Peter Bush
Chairman

David Bortolussi
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	NOTE	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2014 $'000	HALF YEAR ENDED 31 DECEMBER 2013 $'000 RESTATED[1]
Continuing operations			
Sales revenue	5	**391,759**	369,712
Cost of sales		**(202,137)**	(177,439)
Gross profit		**189,622**	192,273
Other income	5	**469**	11,056
Freight and distribution expenses		**(26,247)**	(28,775)
Sales and marketing expenses		**(99,864)**	(89,226)
Administrative expenses		**(32,488)**	(32,915)
Other expenses	7	**(138,490)**	(3,225)
Results from operating activities		**(106,998)**	49,188
Financial income		**933**	1,632
Financial expenses		**(9,314)**	(11,079)
Net financing costs		**(8,381)**	(9,447)
Profit/(loss) before income tax		**(115,379)**	39,741
Income tax expense	9	**(4,429)**	(4,896)
Profit/(loss) from continuing operations		**(119,808)**	34,845
Discontinued operations			
Profit/(loss) from discontinued operations (net of tax)	12	**11,073**	(253,832)
Profit/(loss)		**(108,735)**	(218,987)
Other comprehensive income/(loss)			
Items that may be reclassified to profit and loss			
Changes in fair value of cash flow hedges (net of tax)		**23,997**	(5,285)
Foreign currency translation differences		**5,500**	5,527
Transfer of foreign currency differences on disposal of subsidiary		**2,806**	-
Items that will not be reclassified to profit and loss			
Defined benefit plan actuarial gains/(losses) (net of tax)		**(216)**	258
Other comprehensive income/(loss) for the period (net of tax)		**32,087**	500
Total comprehensive income/(loss) for the period		**(76,648)**	(218,487)
Earnings/(loss) per share from continuing operations:			
Ordinary shares	11	**(13.1) cents**	3.8 cents
Diluted shares	11	**(13.1) cents**	3.8 cents

1. Comparatives have been restated to reflect the continuing operations. Refer Note 12 for details of discontinued operations

The consolidated interim statement of comprehensive income is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 8 to 16.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		CONSOLIDATED	
	NOTE	31 DECEMBER 2014 $'000	30 JUNE 2014 $'000
Current assets			
Cash and cash equivalents		**79,377**	95,657
Trade and other receivables		**108,592**	145,672
Inventories		**130,953**	280,044
Other assets		**6,817**	12,729
Current tax assets		**14,729**	15,667
Total current assets		**340,468**	549,769
Non-current assets			
Property, plant and equipment		**43,378**	57,540
Investments accounted for using the equity method		**-**	8,292
Intangible assets	14	**217,635**	350,440
Deferred tax assets		**13,822**	34,968
Total non-current assets		**274,835**	451,240
Total assets		**615,303**	1,001,009
Current liabilities			
Trade and other payables		**82,830**	129,106
Current tax liabilities		**2,063**	2,687
Provisions	16	**37,149**	52,823
Total current liabilities		**122,042**	184,616
Non-current liabilities			
Trade and other payables		**1,000**	1,392
Interest-bearing loans and borrowings	15	**103,559**	344,750
Provisions		**16,142**	21,434
Total non-current liabilities		**120,701**	367,576
Total liabilities		**242,743**	552,192
Net assets		**372,560**	448,817
Equity			
Share capital		**455,128**	455,128
Other reserves	13	**47,911**	15,433
Retained earnings/(accumulated losses)		**(130,479)**	(21,744)
Total equity		**372,560**	448,817

The consolidated interim statement of financial position is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 8 to 16.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2014 $'000	HALF YEAR ENDED 31 DECEMBER 2013 $'000
Cash flows from operating activities		
Cash receipts from customers	**681,167**	717,301
Cash paid to suppliers and employees	**(649,175)**	(674,439)
Income taxes received/ (paid)	**4,330**	(14,416)
Interest paid	**(10,377)**	(10,910)
Interest received	**933**	1,632
Net cash from operating activities	**26,878**	19,168
Cash flows from investing activities		
Proceeds from disposal of businesses (net of cash disposed and disposal costs)	**205,062**	-
Proceeds from disposal of property, plant and equipment	**175**	23,534
Acquisition of businesses and investments (net of cash acquired)	**-**	(20,946)
Acquisition of property, plant and equipment	**(11,759)**	(11,311)
Distributions received from joint venture	**1,043**	-
Net cash from/(used in) investing activities	**194,521**	(8,723)
Cash flows from financing activities		
Dividends paid	**-**	(22,823)
Payments for shares bought to allocate to employees	**-**	(595)
Repayment of loans and borrowings (including refinancing costs)	**(241,500)**	(52,162)
Net cash used in financing activities	**(241,500)**	(75,580)
Net increase/(decrease) in cash and cash equivalents	**(20,101)**	(65,135)
Cash and cash equivalents at the beginning of the period	**95,657**	186,884
Effect of exchange rate fluctuations on cash held	**3,821**	2,368
Cash and cash equivalents at the end of the period	**79,377**	124,117

The consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 8 to 16.

Refer Note 12 for cash flows of discontinued operations.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	OTHER RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	TOTAL EQUITY
	$'000	$'000	$'000	$'000
Balance at 1 July 2013	**695,000**	**34,663**	**7,621**	**737,284**
Profit/(loss)	-	-	(218,987)	(218,987)
Total other comprehensive income/(loss)	-	500	-	500
Total comprehensive income/(loss)	**-**	**500**	**(218,987)**	**(218,487)**
Transactions with owners recorded directly in equity				
Appropriation to profits reserve	-	30,497	(30,497)	-
Dividends recognised	-	(22,823)	-	(22,823)
On market purchase of performance rights	-	(595)	-	(595)
Cost of share based payments	-	672	-	672
Balance at 31 December 2013	**695,000**	**42,914**	**(241,863)**	**496,051**
Balance at 1 July 2014	**455,128**	**15,433**	**(21,744)**	**448,817**
Profit/(loss)	**-**	**-**	**(108,735)**	**(108,735)**
Total other comprehensive income/(loss)	**-**	**32,087**	**-**	**32,087**
Total comprehensive income/(loss)	**-**	**32,087**	**(108,735)**	**(76,648)**
Transactions with owners recorded directly in equity				
Cost of share based payments	**-**	**391**	**-**	**391**
Balance at 31 December 2014	**455,128**	**47,911**	**(130,479)**	**372,560**

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 8 to 16.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Pacific Brands Limited (the 'Company') is a company domiciled in Australia. The interim financial report of the Company as at and for the half year ended 31 December 2014 comprises the Company and its controlled entities (together referred to as the 'Consolidated Entity').

The interim financial report was authorised for issue by the directors on 17 February 2015.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Level 1, 1096 Toorak Road, Hartwell, Victoria or on the Company's website at www.pacificbrands.com.au.

2. STATEMENT OF COMPLIANCE

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and IAS 34 *Interim Financial Reporting*.

The 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 2014.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as in force on 31 December 2014) and in accordance with that Class Order amounts in the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this 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 2014. The following changes will also be reflected in the Consolidated Entity's consolidated annual financial report for the year ending 30 June 2015.

Changes in accounting policies

The Consolidated Entity has adopted all new standards and amendments to standards required for adoption effective 1 July 2014. The standards adopted are not expected to have an impact on the amounts reported in the Consolidated Entity's financial statements.

Impact of standards issued but not yet applied by the entity

New accounting standards and interpretations not yet applied by the Consolidated Entity are the same as those identified in its consolidated annual financial report as at and for the year ended 30 June 2014.

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. There have been no material revisions in the current financial reporting period. In preparing this 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 2014.

5. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2014 $'000	HALF YEAR ENDED 31 DECEMBER 2013 $'000 RESTATED[1]
Sales revenue	**391,759**	369,712
Other income		
Profit on sale of properties	**-**	10,845
Royalties	**464**	124
Sundry income	**5**	87
Total other income	**469**	11,056
Total revenue and other income	**392,228**	380,768

6. EXPENSES BY NATURE

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2014 $'000	HALF YEAR ENDED 31 DECEMBER 2013 $'000 RESTATED[1]
Depreciation of:		
Freehold buildings and leasehold improvements	**92**	573
Plant and equipment	**6,972**	6,312
	7,064	6,885
Amortisation of:		
Software assets	**213**	307
	213	307
Total depreciation and amortisation	**7,277**	7,192
Personnel expenses:		
Wages, salaries and employee benefits	**99,808**	98,105
Contributions to defined contribution superannuation plans	**6,090**	6,143
Defined benefit superannuation expense	**110**	121
Share based payments – equity settled	**391**	593
	106,399	104,962

1. Comparatives have been restated to reflect the continuing operations. Refer Note 12 for details of discontinued operations

7. SIGNIFICANT ITEMS

The Statement of Comprehensive Income comprises the following individually significant items for continuing operations:

	HALF YEAR ENDED 31 DECEMBER 2014			HALF YEAR ENDED 31 DECEMBER 2013 RESTATED[1]		
	BEFORE TAX $'000	TAX $'000	AFTER TAX $'000	BEFORE TAX $'000	TAX $'000	AFTER TAX $'000
Significant items in other income						
Profit on sale of properties	**-**	**-**	**-**	10,845	-	10,845
Significant items in other expenses						
Impairment of goodwill and brand names	**132,407**	**-**	**132,407**	-	-	-
Restructuring costs relating to each function:						
Cost of sales	**-**	**-**	**-**	-	-	-
Freight and distribution expenses	**-**	**-**	**-**	48	(14)	34
Sales and marketing expenses	**-**	**-**	**-**	84	(25)	59
Administrative expenses	**-**	**-**	**-**	2,498	(749)	1,749
	-	**-**	**-**	2,630	(788)	1,842
Other asset impairments and write downs relating to each function:						
Cost of sales	**3,651**	**(1,095)**	**2,556**	595	(179)	416
Freight and distribution expenses	**-**	**-**	**-**	-	-	-
Sales and marketing expenses	**-**	**-**	**-**	-	-	-
Administrative expenses	**2,432**	**(730)**	**1,702**	-	-	-
	6,083	**(1,825)**	**4,258**	595	(179)	416
	138,490	**(1,825)**	**136,665**	3,225	(967)	2,258
Significant items in income tax expense						
Settlement of outstanding tax matter	**-**	**-**	**-**	-	(3,000)	(3,000)
	138,490	**(1,825)**	**136,665**	7,620	3,967	11,587

1. Comparatives have been restated to reflect the continuing operations. Refer Note 12 for details of discontinued operations

8. SEGMENT REPORTING

Subsequent to the completion of the Workwear and Brand Collective divestments on 1 December 2014, management reorganised its reporting segments to reflect a change in internal reporting structure of the continuing operations. Tontine has been separated from Sheridan and combined with Dunlop Flooring (previously reported in 'other operations'). The corresponding items of segment information for the comparative period to 31 December 2013 have been restated to allow meaningful comparison.

An element of corporate and shared services costs previously allocated to the discontinued operations will be unrecovered following full transition of each business. Prior year comparatives have been restated in order to reallocate these 'stranded' fixed costs (primarily fixed property and IT infrastructure) from discontinued operations into continuing operations. These changes result in a reduction in EBIT before significant items for the half year ended 31 December 2013 to the Underwear ($1.15 million), Sheridan ($0.09 million) and Tontine and Dunlop Flooring ($0.05 million) operating segments.

The Consolidated Entity has three reportable segments, as described below. The segments offer different products and are managed separately. For each segment, the Consolidated Entity's Chief Executive Officer ('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	Marketer, distributor, importer, manufacturer, wholesaler and retailer of underwear, intimate apparel, socks, hosiery and outerwear
Sheridan	Marketer, distributor, importer, wholesaler and retailer of bed linen, towels and accessories
Tontine and Dunlop Flooring	Marketer, distributor, importer, manufacturer and wholesaler of pillows, bed accessories, carpet underlay and hard flooring

Other operations are comprised of unallocated corporate expenses.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, tax and significant items as disclosed in Note 7 ('EBIT before significant items') as included in the internal management reports that are reviewed by the Consolidated Entity's CEO. Segment EBIT before significant items is used to measure performance as management believes that such information is the most relevant in evaluating the underlying results of segments relative to each other and other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Half year ended 31 December 2014	UNDERWEAR $'000	SHERIDAN $'000	TONTINE AND DUNLOP FLOORING $'000	OTHER OPERATIONS $'000	TOTAL $'000
Revenue					
External sales	252,583	95,250	43,810	-	391,643
Inter-segment sales	116	-	-	-	116
Total segment sales	252,699	95,250	43,810	-	391,759
Other income	149	388	22	(90)	469
Total segment revenue	252,848	95,638	43,832	(90)	392,228
Result					
EBIT before significant items	26,745	8,735	2,946	(6,934)	31,492
Impairment of goodwill and brand names	(81,341)	(35,060)	(16,006)	-	(132,407)
Other significant items	(2,432)	-	(3,651)	-	(6,083)
EBIT after significant items	(57,028)	(26,325)	(16,711)	(6,934)	(106,998)
Depreciation and amortisation	3,941	1,596	1,160	580	7,277

Half year ended 31 December 2013 (RESTATED)[1]	UNDERWEAR $'000	SHERIDAN $'000	TONTINE AND DUNLOP FLOORING $'000	OTHER OPERATIONS $'000	TOTAL $'000
Revenue					
External sales	242,540	83,758	43,292	-	369,590
Inter-segment sales	123	-	-	(1)	122
Total segment sales	242,663	83,758	43,292	(1)	369,712
Other income	10,858[2]	198	-	-	11,056
Total segment revenue	253,521	83,956	43,292	(1)	380,768
Result					
EBIT before significant items	36,045	8,291	2,589	(5,357)	41,568
Significant items	10,845[2]	-	(754)	(2,471)	7,620
EBIT after significant items	46,890	8,291	1,835	(7,828)	49,188
Depreciation and amortisation	2,952	1,597	1,090	1,553	7,192

1. Comparatives restated to reflect change in operating segments, and have been presented on a continuing basis. Refer Note 12 for details of discontinued operations
2. Relates to profit on sale of Wentworthville property. Refer Note 7

9. INCOME TAX EXPENSE

The Consolidated Entity's effective tax rate for the half year ended 31 December 2014 was not meaningful due to the impact of impairments recorded during the period (27.1% excluding the impact of significant items) (2014: 27.6% excluding the impact of significant items). The effective tax rate is lower than the Australian company tax rate due to non-deductible expenses and the impact of company tax rates in other jurisdictions.

10. DIVIDENDS

No interim dividend has been declared by the Company (half year ended 31 December 2013: 2.0 cents fully franked dividend declared). Franking credits available at 31 December 2014 are $35.4 million (31 December 2013: $51.5 million).

11. EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS

	HALF YEAR ENDED 31 DECEMBER 2014 $'000	HALF YEAR ENDED 31 DECEMBER 2013 $'000 RESTATED
Profit/(loss) from continuing operations	**(119,808)**	34,845

	HALF YEAR ENDED 31 DECEMBER 2014 No.	HALF YEAR ENDED 31 DECEMBER 2013 No.
Weighted average number of ordinary shares used in the calculation of earnings per share		
Basic	**917,226,291**	912,915,695
Diluted[1]	**917,226,291**	912,915,695

1. Performance rights that are not likely to vest and performance rights that have an anti-dilutive impact have been excluded from the calculation

12. DISCONTINUED OPERATIONS

On 26 August 2014 the Consolidated Entity entered into a sale agreement to dispose of the Workwear operating segment and on 18 November 2014 entered into various sale agreements to dispose of the Brand Collective operating segment. Both sales completed on 1 December 2014 and were part of the Consolidated Entity's strategy to simplify and focus its portfolio to maximise shareholder value. The current and prior period consolidated Statements of Comprehensive Income and associated notes have been restated to separate discontinued operations from continuing operations. As part of the disposals, the entity disposed of its 100% share in Pacific Brands Footwear Pty Ltd, Shoe Warehouse Pty Ltd, Pacific Brands Workwear Group Pty Ltd, Pacific Brands USA Inc., Incorporatewear Ltd and Incorporatewear Trustees Ltd and disposed of its 49% share in Pacific Brands UAE Trading LLC.

Gross proceeds on the sale of the Workwear segment, including completion adjustments, were $186.6 million and a gain on sale of $38.1 million (post tax) was recognised during the period, which reflects a partial reversal of impairments of brand names recognised during the year ended 30 June 2014.

Gross proceeds on the sale of the Brand Collective segment, including completion adjustments, were $39.3 million and a loss on sale of $30.2 million (post tax) was recognised during the period.

Results of discontinued operations

	HALF YEAR ENDED 31 DECEMBER 2014 $'000	HALF YEAR ENDED 31 DECEMBER 2013 $'000
Revenue	**236,239**	288,913
Expenses	**(232,666)**	(305,853)
Impairment of goodwill and brand names	**-**	(242,216)
Results from operating activities	**3,573**	(259,156)
Income tax	**(337)**	5,324
Results from operating activities, net of tax	**3,236**	(253,832)
Reversal of previously recognised impairment of brand names	**35,070**	-
Loss on sale of discontinued operations	**(34,498)**	-
Income tax on sale of discontinued operations	**7,265**	-
Profit/(loss) from discontinued operations, net of tax	**11,073**	(253,832)
Basic earnings/(loss) per share	**1.2 cents**	(27.8) cents
Diluted earnings/(loss) per share	**1.2 cents**	(27.8) cents

Cash flows from discontinued operations

	HALF YEAR ENDED 31 DECEMBER 2014 $'000	HALF YEAR ENDED 31 DECEMBER 2013 $'000
Net cash flows from/(used in) operating activities	**(13,095)**	(10,115)
Net cash flows from/(used in) in investing activities	**(824)**	(3,675)
Net cash flows from/(used in) discontinued operations	**(13,919)**	(13,790)

Effect of disposal on financial position of the Consolidated Entity

	HALF YEAR ENDED 31 DECEMBER 2014 $'000
Trade and other receivables	**77,647**
Inventories	**163,530**
Other assets	**5,907**
Property, plant and equipment	**12,992**
Investments accounted for using the equity method	**9,415**
Intangible assets	**-**
Deferred tax assets	**11,517**
Trade and other payables	**(45,666)**
Current tax liabilities	**(218)**
Provisions	**(22,898)**
Net assets disposed	**212,226**
Consideration received, net of disposal costs	**(206,899)**
Cash and cash equivalents disposed of	**1,837**
Net cash inflows	**(205,062)**

13. OTHER RESERVES

	CONSOLIDATED					
	EQUITY COMPEN-SATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	HEDGE RESERVE $'000	DEFINED BENEFITS RESERVE $'000	PROFITS RESERVE $'000	TOTAL OTHER RESERVES $'000
Balance at 1 July 2014	**5,020**	**(22,922)**	**(8,810)**	**(1,352)**	**43,497**	**15,433**
Effective portion of net changes in fair value of cash flow hedges (net of tax)	**-**	**-**	**34,990**	**-**	**-**	**34,990**
Net change in fair value of cash flow hedges transferred to inventory or profit and loss (net of tax)	**-**	**-**	**(10,993)**	**-**	**-**	**(10,993)**
Defined benefit plan actuarial gains/(losses) (net of tax)	**-**	**-**	**-**	**(216)**	**-**	**(216)**
Foreign currency translation differences	**-**	**5,500**	**-**	**-**	**-**	**5,500**
Transfer of foreign currency differences on disposal of subsidiary	**-**	**2,806**	**-**	**-**	**-**	**2,806**
Total comprehensive income/(loss)	**-**	**8,306**	**23,997**	**(216)**	**-**	**32,087**
Transactions with owners recorded directly in equity						
Cost of share based payments	**391**	**-**	**-**	**-**	**-**	**391**
Balance at 31 December 2014	**5,411**	**(14,616)**	**15,187**	**(1,568)**	**43,497**	**47,911**

	EQUITY COMPEN-SATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	HEDGE RESERVE $'000	DEFINED BENEFITS RESERVE $'000	PROFITS RESERVE $'000	TOTAL OTHER RESERVES $'000
Balance at 1 July 2013	**5,429**	**(26,552)**	**19,991**	**(1,682)**	**37,477**	**34,663**
Effective portion of net changes in fair value of cash flow hedges (net of tax)	-	-	3,101	-	-	3,101
Net change in fair value of cash flow hedges transferred to inventory or profit and loss (net of tax)	-	-	(8,386)	-	-	(8,386)
Defined benefit plan actuarial gains/(losses) (net of tax)	-	-	-	258	-	258
Foreign currency translation differences	-	5,527	-	-	-	5,527
Total comprehensive income/(loss)	**-**	**5,527**	**(5,285)**	**258**	**-**	**500**
Transactions with owners recorded directly in equity						
Appropriation from retained earnings	-	-	-	-	30,497	30,497
Dividends recognised	-	-	-	-	(22,823)	(22,823)
On market purchase of performance rights	(595)	-	-	-	-	(595)
Cost of share based payments	672	-	-	-	-	672
Balance at 31 December 2013	**5,506**	**(21,025)**	**14,706**	**(1,424)**	**45,151**	**42,914**

14. IMPAIRMENT

The Consolidated Entity has $217.6 million of intangible assets at 31 December 2014 (30 June 2014: $350.4 million), which includes $215.4 million of brand names (30 June 2014: $303.4 million of brand names and $44.2 million of goodwill).

Cash generating units

Following a change in operating segments and related CGUs in the six months ended 31 December 2014, Sheridan Tontine goodwill and brand names were separated into Sheridan and Tontine based on the Consolidated Entity's assessment of the relative value of each segment for goodwill and historical cost for brand names.

In addition, the Underwear cash generating unit was separated into two cash generating units, being 'Underwear - key brands' (Bonds, Berlei, Jockey, and Explorer) and 'Underwear - other brands'. This change follows an acceleration in the deviation in performance and outlook of these two groups of Underwear brands, and a re-prioritisation of investment towards key brands. The allocation of brand names between the two new CGUs was based on historical cost.

Following these changes, the Consolidated Entity has five cash generating units (CGUs) and the carrying amounts of goodwill and indefinite life intangible assets (ie brand names) identified in each CGU are shown below, incorporating current year impairments. Comparatives have been re-presented on a consistent basis:

	CONSOLIDATED			
	GOODWILL		BRAND NAMES	
	31 DECEMBER 2014 $'000	30 JUNE 2014 $'000	31 DECEMBER 2014 $'000	30 JUNE 2014 $'000
Underwear – key brands	**-**	-	**192,300**	192,300
Underwear – other brands	**-**	600	**-**	80,741
Sheridan	**-**	34,890	**23,080**	23,080
Tontine	**-**	-	**-**	7,264
Dunlop Flooring	**-**	8,742	**-**	-
	-	44,232	**215,380**	303,385

Valuation techniques

The recoverable amounts of the CGUs and related goodwill and brand names were determined having regard to the fair value less costs of disposal (FVLCD) and value in use (VIU) approaches using a combination of internal and external sources of information and analysis. The FVLCD approach is considered more appropriate for each of the CGUs while the Company continues to stabilise and improve the performance of its business and manage market challenges and uncertainties.

The FVLCD is based on a capitalisation of maintainable earnings before interest and tax (EBIT) approach less an allowance for costs to sell for all CGUs and in its entirety is categorised as Level 3 of the fair value hierarchy. Maintainable earnings were determined with regard to past experience, current performance and short term forecasts, and therefore are Level 3 inputs of the fair value hierarchy.

EBIT multiples were determined with the assistance of external input having regard to trading multiples of comparable entities and recent sale transactions for which information is readily available, and therefore are a combination of Level 2 and Level 3 inputs of the fair value hierarchy depending on whether the inputs are sourced from observable market data or unobservable inputs. For descriptions of the levels of the fair value hierarchy, refer Note 15.

Goodwill and brand names impairment charges

During the half year, the Consolidated Entity recognised impairment losses with respect to 'Underwear – other brands' ($81.3 million), Sheridan ($35.1 million), Tontine ($7.3 million) and Flooring ($8.7 million) CGUs.

The impairments in 'Underwear – other brands' followed the change in CGUs and an assessment of related maintainable earnings and multiples taking into account current performance and outlook, including a material adverse change in foreign currency rates. The recoverable amount of the CGU has been determined to be equivalent to net working capital.

The impairment in Sheridan resulted from an assessment of maintainable earnings taking into account a material adverse change in foreign currency rates. The recoverable amount of the CGU has been determined to be equivalent to its carrying value of brand names and tangible net assets.

The impairments in Tontine followed the change in CGUs and an assessment of related maintainable earnings and multiples taking into account current performance and outlook, including a material adverse change in foreign currency rates. The recoverable amount of the CGU has been determined to be equivalent to net working capital.

The impairment in Flooring resulted from a decline in the assessed multiples range reflecting changes in competition and outlook. The recoverable amount of the CGU has been determined to be equivalent to tangible net assets.

15. FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The table below analyses financial instruments carried at fair value, by valuation level, as determined in accordance with the relevant accounting standard. The different levels have been defined as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between levels during the current or prior periods.

All financial assets and liabilities carried at fair value have been deemed to be level 2 within the fair value hierarchy. With respect to specific financial assets and liabilities, the following valuation methods have been used:

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows.

Derivatives

The fair value of interest rate swaps is based on bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a relevant risk-free interest rate (based on government securities).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

		CONSOLIDATED			
		31 DECEMBER 2014		30 JUNE 2014	
	FAIR VALUE HIERARCHY LEVEL	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Assets carried at amortised cost					
Cash and cash equivalents		**79,377**	**79,377**	95,657	95,657
Trade and other receivables		**87,827**	**87,827**	145,672	145,672
Assets carried at fair value					
Forward exchange contracts receivable	2	**20,765**	**20,765**	-	-
Liabilities carried at amortised cost					
Trade and other payables		**83,797**	**83,797**	118,289	118,289
Bank loans		**103,559**	**103,559**	344,750	344,750
Liabilities carried at fair value					
Interest rate swaps	2	**33**	**33**	743	743
Forward exchange contracts payable	2	**-**	**-**	11,466	11,466

Financing facilities

In December 2014, the Company reduced its credit and securitisation facilities. Tranche 1 was reduced from $125.0 million to $100.0 million and the securitisation facility was reduced from $175.0 million to $100.0 million.

In December 2014, the Company repaid $75.0 million of Tranche 1, $125.0 million of Tranche 2 and $41.5 million of the securitisation facility. Based on eligible receivables, at 31 December 2014, $82.0 million of the $100.0 million securitisation facility is drawable.

16. PROVISIONS

Legal proceedings were commenced against the Consolidated Entity in December 2011 by an international garment supplier in relation to a 12 year garment supply agreement which commenced in 1999. The proceedings relate to the 2006-2011 financial years. A Supreme Court trial of certain preliminary issues is anticipated to occur in the second half of the current financial year. The Consolidated Entity commenced proceedings by way of counterclaim against the supplier in 2012. Provisions recorded in the current and prior periods include an amount reflecting the Consolidated Entity’s best estimate of the probable outcome. The amount of the provision has not been disclosed as it could seriously prejudice the Consolidated Entity’s position on the matter.

17. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction, or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial reporting periods.

DIRECTORS' DECLARATION

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

1 the condensed consolidated interim financial statements and condensed notes set out on pages 4 to 16, 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 2014 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 17th day of February 2015.

Peter Bush
Chairman

David Bortolussi
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 2014 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
17 February 2015

Alison Kitchen

Alison Kitchen
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 consolidated interim statement of financial position as at 31 December 2014, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 17 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 half-year period.

Directors' responsibility for the half-year 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 internal 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 2014 and its performance for the half-year 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 an 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 2014 and of its performance 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*.

KPMG

KPMG

Melbourne
17 February 2015

Alison Kitchen

Alison Kitchen
Partner