PACIFIC BRANDS
Level 1, 1096 Toorak Road
Camberwell
Victoria 3124
Tel: +61 3 9947 4900

16 February 2016

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 2015

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 2015 to 31 December 2015, together with a copy of the Company's media release in relation to its half year results.

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 LIMITED
Level 1, 1096 Toorak Road, Hartwell, Victoria 3124 Australia
Tel: +61 3 9947 4900 www.pacificbrands.com.au
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 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue from continuing operations	Up 8.6% to	$425.3 million
Earnings before interest and tax from continuing operations	n.m[2]	$36.2 million
Earnings before interest, tax and significant items from continuing operations[1]	Up 14.9% to	$36.2 million
Net profit after tax from continuing operations	n.m[2]	$24.3 million
Net profit after tax attributable to owners of the Company	n.m[2]	$24.3 million

1. Individually significant items are disclosed in Note 9 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

	AMOUNT PER SHARE	TOTAL AMOUNT	FRANKED AMOUNT
Interim Dividend	1.6 cents	$14.7 million	100%

The Company's dividend record date is 8 March 2016 and the dividend is payable on 1 April 2016.

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	$0.20	$0.17

The previous corresponding period is 31 December 2014.

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

FURTHER INFORMATION:

Joanne Higham
General Manager, Investor Relations
Tel: +61 3 9947 4919
investorrelations@pacbrands.com.au

DIRECTORS' REPORT

The directors of Pacific Brands Limited (the 'Company') present their report together with the 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 2015 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	CEO and Director since August 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 2016 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 16 February 2016.

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 2015.

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 2015) 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 16th day of February 2016.

Peter Bush
Chairman

David Bortolussi
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	NOTE	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2015 $'000	HALF YEAR ENDED 31 DECEMBER 2014 $'000
Continuing operations			
Sales revenue	7	**425,350**	391,759
Cost of sales		**(212,990)**	(202,137)
Gross profit		**212,360**	189,622
Other income	7	**66**	469
Warehousing and freight expenses		**(31,629)**	(29,020)
Sales, retail and marketing expenses		**(110,854)**	(97,091)
Administrative expenses		**(33,763)**	(32,488)
Other expenses	9	**-**	(138,490)
Results from operating activities		**36,180**	(106,998)
Financial income		**647**	933
Financial expenses		**(2,645)**	(9,314)
Net financing costs		**(1,998)**	(8,381)
Profit/(loss) before income tax		**34,182**	(115,379)
Income tax expense	10	**(9,864)**	(4,429)
Profit/(loss) from continuing operations		**24,318**	(119,808)
Discontinued operations			
Profit/(loss) from discontinued operations (net of tax)	12	**-**	11,073
Profit/(loss)		**24,318**	(108,735)
Other comprehensive income/(loss)			
Items that may be reclassified to profit and loss			
Changes in fair value of cash flow hedges (net of tax)		**(6,418)**	23,997
Foreign currency translation differences		**2,080**	5,500
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)
Other comprehensive income/(loss) for the period (net of tax)		**(4,338)**	32,087
Total comprehensive income/(loss) for the period		**19,980**	(76,648)
Earnings/(loss) per share from continuing operations:			
Ordinary shares	6	**2.7 cents**	(13.1) cents
Diluted shares	6	**2.6 cents**	(13.1) cents

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

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		CONSOLIDATED	
	NOTE	31 DECEMBER 2015 $'000	30 JUNE 2015 $'000
Current assets			
Cash and cash equivalents		**87,362**	80,111
Trade and other receivables		**84,664**	93,786
Inventories		**147,197**	131,147
Other assets		**3,602**	6,230
Current tax assets		**2,681**	8,842
Total current assets		**325,506**	320,116
Non-current assets			
Property, plant and equipment		**36,788**	33,855
Investments accounted for using the equity method		**9,728**	9,607
Intangible assets	14	**215,380**	215,380
Deferred tax assets		**21,435**	19,575
Total non-current assets		**283,331**	278,417
Total assets		**608,837**	598,533
Current liabilities			
Trade and other payables		**108,726**	92,232
Current tax liabilities		**1,656**	1,347
Provisions		**27,595**	32,464
Total current liabilities		**137,977**	126,043
Non-current liabilities			
Trade and other payables		**995**	990
Interest-bearing loans and borrowings	15	**54,358**	79,168
Provisions		**19,389**	17,354
Total non-current liabilities		**74,742**	97,512
Total liabilities		**212,719**	223,555
Net assets		**396,118**	374,978
Equity			
Share capital		**323,128**	323,128
Other reserves	13	**36,150**	39,328
Retained earnings		**36,840**	12,522
Total equity		**396,118**	374,978

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2015 $'000	HALF YEAR ENDED 31 DECEMBER 2014 $'000
Cash flows from operating activities		
Cash receipts from customers	**466,114**	681,167
Cash paid to suppliers and employees	**(421,239)**	(649,175)
Income taxes received/ (paid)	**(2,570)**	4,330
Interest paid	**(2,452)**	(10,377)
Interest received	**647**	933
Net cash from operating activities	**40,500**	26,878
Cash flows from investing activities		
Proceeds from disposal of businesses (net of cash disposed and disposal costs)	**(881)**	205,062
Proceeds from disposal of property, plant and equipment	**41**	175
Acquisition of property, plant and equipment	**(8,657)**	(11,759)
Distributions received from joint venture	**-**	1,043
Net cash from/ (used in) investing activities	**(9,497)**	194,521
Cash flows from financing activities		
Repayment of loans and borrowings (including refinancing costs)	**(25,000)**	(241,500)
Net cash used in financing activities	**(25,000)**	(241,500)
Net increase/ (decrease) in cash and cash equivalents	**6,003**	(20,101)
Cash and cash equivalents at the beginning of the period	**80,111**	95,657
Effect of exchange rate fluctuations on cash held	**1,248**	3,821
Cash and cash equivalents at the end of the period	**87,362**	79,377

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

The prior period cash flows include those from continuing and discontinuing operations. 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 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
Balance at 1 July 2015	**323,128**	**39,328**	**12,522**	**374,978**
Profit/(loss)	**-**	**-**	**24,318**	**24,318**
Total other comprehensive income/(loss)	**-**	**(4,338)**	**-**	**(4,338)**
Total comprehensive income/(loss)	**-**	**(4,338)**	**24,318**	**19,980**
Transactions with owners recorded directly in equity				
Cost of share based payments	**-**	**1,160**	**-**	**1,160**
Balance at 31 December 2015	**323,128**	**36,150**	**36,840**	**396,118**

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the consolidated 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 2015 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 16 February 2016.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2015 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 2015.

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 2015) 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

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 2015. The following changes will also be reflected in the Consolidated Entity's consolidated annual financial report for the year ending 30 June 2016.

Changes in accounting policies

The Consolidated Entity has adopted all new standards and amendments to standards required for adoption effective 1 July 2015. The standards adopted have had no impact on the amounts reported in the Consolidated Entity's financial statements.

Impact of standards issued but not yet applied by the entity

IFRS 16 *Leases* – IFRS 16 requires companies to bring most leases on-balance sheet, which will likely result in the recognition of new assets and liabilities for assets currently classified as an operating lease under AASB 118 Leases. In addition, there are likely to be changes to the timing of amounts recognised in the income statement. The new standard will be applied for the annual reporting period ending 30 June 2020. The Consolidated Entity is yet to assess the impact of this standard on its financial statements.

Other 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 2015.

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 2015.

5. SEGMENT REPORTING

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, activewear, intimate apparel, socks, hosiery and outerwear. Brands include Bonds, Berlei, Jockey, Explorer, Razzamatazz, Voodoo, Rio, Holeproof and Red Robin
Sheridan	Marketer, distributor, importer, manufacturer, wholesaler and retailer of bed linen, towels, babywear and accessories. Brands include Sheridan and Actil
Tontine and Dunlop Flooring	Marketer, distributor, importer, manufacturer, wholesaler and retailer of pillows, bed accessories, carpet underlay and hard flooring. Brands include Tontine, Dunlop Flooring, Dunlopillo, Fairydown, Heartridge and Crestell

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 9 ('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 2015	UNDERWEAR $'000	SHERIDAN $'000	TONTINE AND DUNLOP FLOORING $'000	OTHER OPERATIONS $'000	TOTAL $'000
Revenue					
External sales	**268,658**	**104,953**	**51,739**	**-**	**425,350**
Inter-segment sales	**-**	**-**	**-**	**-**	**-**
Total segment sales	**268,658**	**104,953**	**51,739**	**-**	**425,350**
Other income	**(270)**	**310**	**11**	**15**	**66**
Total segment revenue	**268,388**	**105,263**	**51,750**	**15**	**425,416**
Result					
EBIT before significant items	**30,047**	**9,173**	**5,056**	**(8,096)**	**36,180**
Impairment of goodwill and brand names	**-**	**-**	**-**	**-**	**-**
Other significant items	**-**	**-**	**-**	**-**	**-**
EBIT after significant items	**30,047**	**9,173**	**5,056**	**(8,096)**	**36,180**

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)

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

	HALF YEAR ENDED 31 DECEMBER 2015 $'000	HALF YEAR ENDED 31 DECEMBER 2014 $'000
Profit/(loss) from continuing operations	**24,318**	(119,808)

	HALF YEAR ENDED 31 DECEMBER 2015 No.	HALF YEAR ENDED 31 DECEMBER 2014 No.
Weighted average number of ordinary shares used in the calculation of earnings per share		
Basic	**917,226,291**	917,226,291
Diluted[1]	**921,081,912**	917,226,291

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

7. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2015 $'000	HALF YEAR ENDED 31 DECEMBER 2014 $'000
Sales revenue	**425,350**	391,759
Other income		
Royalties	**66**	464
Sundry income	**-**	5
Total other income	**66**	469
Total revenue and other income	**425,416**	392,228

8. EXPENSES BY NATURE

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2015 $'000	HALF YEAR ENDED 31 DECEMBER 2014 $'000
Depreciation of:		
Freehold buildings and leasehold improvements	**43**	92
Plant and equipment	**5,872**	6,972
	5,915	7,064
Amortisation of:		
Software assets	**-**	213
	-	213
Total depreciation and amortisation	**5,915**	7,277
Personnel expenses:		
Wages, salaries and employee benefits	**94,223**	99,808
Contributions to defined contribution superannuation plans	**5,723**	6,090
Defined benefit superannuation expense	**11**	110
Share based payments – equity settled	**1,160**	391
	101,117	106,399

9. SIGNIFICANT ITEMS

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

	HALF YEAR ENDED 31 DECEMBER 2015			HALF YEAR ENDED 31 DECEMBER 2014		
	BEFORE TAX $'000	TAX $'000	AFTER TAX $'000	BEFORE TAX $'000	TAX $'000	AFTER TAX $'000
Significant items in other expenses						
Impairment of goodwill and brand names	-	-	-	132,407	-	132,407
Other asset impairments and write downs relating to each function:						
Cost of sales	-	-	-	3,651	(1,095)	2,556
Administrative expenses	-	-	-	2,432	(730)	1,702
	-	-	-	6,083	(1,825)	4,258
	-	-	-	138,490	(1,825)	136,665

10. INCOME TAX EXPENSE

The Consolidated Entity's effective tax rate for the half year ended 31 December 2015 was 29% (2015: not meaningful due to the impact of impairments recorded during the period). The effective tax rate is lower than the Australian company tax rate due to the impact of company tax rates in other jurisdictions and R&D tax offsets.

11. DIVIDENDS

Since the end of the half year the directors have declared an interim dividend of 1.6 cents per fully paid Ordinary Share, franked to 100% in Australia based on tax paid at 30% (half year ended 31 December 2014: nil dividend declared). Franking credits available at 31 December 2015 are $49.2 million (half year ended 31 December 2014: $35.4 million).

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 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 comparative 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 comparative period.

Results of discontinued operations

	HALF YEAR ENDED 31 DECEMBER 2014 $'000
Revenue	236,239
Expenses	(232,666)
Results from operating activities	3,573
Income tax	(337)
Results from operating activities, net of tax	3,236
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
Basic earnings/(loss) per share	1.2 cents
Diluted earnings/(loss) per share	1.2 cents

Cash flows from discontinued operations

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

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
Deferred tax assets	11,517
Trade and other payables	(45,666)
Current tax liabilities	(218)
Provisions	(22,898)
Net assets	212,226
Consideration, 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 2015	**5,433**	**(14,576)**	**6,445**	**(1,471)**	**43,497**	**39,328**
Effective portion of net changes in fair value of cash flow hedges (net of tax)	**-**	**-**	**16,368**	**-**	**-**	**16,368**
Net change in fair value of cash flow hedges transferred to inventory or profit and loss (net of tax)	**-**	**-**	**(22,786)**	**-**	**-**	**(22,786)**
Defined benefit plan actuarial gains/(losses) (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency translation differences	**-**	**2,080**	**-**	**-**	**-**	**2,080**
Total comprehensive income/(loss)	**-**	**2,080**	**(6,418)**	**-**	**-**	**(4,338)**
Transactions with owners recorded directly in equity						
Cost of share based payments	**1,160**	**-**	**-**	**-**	**-**	**1,160**
Balance at 31 December 2015	**6,593**	**(12,496)**	**27**	**(1,471)**	**43,497**	**36,150**

	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

14. IMPAIRMENT

The Consolidated Entity has $215.4 million of intangible assets at 31 December 2015 relating to brand names (30 June 2015: $215.4 million of brand names).

Cash generating units

The Consolidated Entity has two cash generating units (CGUs) with intangible assets. The carrying amounts of goodwill and indefinite life intangible assets (ie brand names) identified in each CGU are:

	CONSOLIDATED			
	GOODWILL		BRAND NAMES	
	31 DECEMBER 2015 $'000	30 JUNE 2015 $'000	31 DECEMBER 2015 $'000	30 JUNE 2015 $'000
Underwear – key brands	**-**	-	**192,300**	192,300
Sheridan	**-**	-	**23,080**	23,080
	-	-	**215,380**	215,380

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 in prior year

During the prior half year to 31 December 2014, 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 impairment 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 was 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 was determined to be equivalent to its carrying value of brand names and tangible net assets.

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 was determined to be equivalent to tangible net assets.

For the half year ended 31 December 2015, no impairment losses were recognised.

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 2015		30 JUNE 2015	
	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		**87,362**	**87,362**	80,111	80,111
Trade and other receivables		**82,494**	**82,494**	80,652	80,652
Assets carried at fair value					
Forward exchange contracts receivable	2	**2,170**	**2,170**	13,134	13,134
Liabilities carried at amortised cost					
Trade and other payables		**109,721**	**109,721**	93,222	93,222
Bank loans		**54,358**	**54,358**	79,168	79,168

16. FINANCING FACILITIES

	CONSOLIDATED	
	31 DECEMBER 2015 $'000	30 JUNE 2015 $'000
Secured bank overdraft facility, reviewed annually and payable at call:		
Amount used	**-**	**-**
Amount unused	**25,000**	**25,000**
	25,000	**25,000**
Secured bank loan and securitisation facilities with various maturity dates through to 2019 which may be extended by mutual agreement:		
Amount used	**55,000**	**80,000**
Amount unused	**160,000**	**185,000**
	215,000	**265,000**

The Consolidated Entity has a $125 million syndicated debt facility (30 June 2015: $175 million) secured with a fixed and floating charge over the assets of the Consolidated Entity comprising Tranche 2 revolving credit facility of $125 million maturing 31 January 2019.

In December 2015 the Consolidated Entity reduced the syndicated facility limit on Tranche 1 by $50 million to nil.

The Consolidated Entity has a $90 million securitisation facility which matures on 31 January 2018. Based on eligible receivables at 31 December 2015, all of the $90 million securitisation facility is drawable.

Securitisation facility

The trade debtors which have been securitised represent the Consolidated Entity's Australasian trade debtors and have been presented within the Consolidated Entity's trade debtors. Debtors under this arrangement are securitised to a third party financier in exchange for the advance of an agreed amount that does not exceed the value of the receivables as determined under the securitisation agreement. The Consolidated Entity retains the obligation to collect the outstanding receivables.

17. CAPITAL COMMITMENTS

During the period the Consolidated Entity committed to purchase plant and equipment relating to its distribution operations. Of the total capital cost of this project, $14 million was contractually committed at 31 December 2015 and is expected to be settled within twelve months of the reporting date.

18. EVENTS SUBSEQUENT TO REPORTING DATE

For dividends declared after 31 December 2015, refer to Note 11. The financial impact of the dividends declared have not been reflected in the interim financial statements.

With the exception of the interim dividend, 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 2015 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 16th day of February 2016.

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 2015 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

Alison Kitchen
Partner

Melbourne
16 February 2016

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 2015, 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 18 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 2015 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 2015 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*.

Alison Kitchen

KPMG

KPMG

Melbourne
16 February 2016

Alison Kitchen
Partner

PACIFIC BRANDS

16 February 2016

Half Year Results Announcement

Strong growth in sales, earnings and returns driven by clear focus on strategic priorities

- Sales up 8.6% with all major brands in growth driven by strong comp sales
- EBIT up 14.9% and NPAT up 44.4% with earnings up in all operating groups
- Strong cash conversion and improved debt free position
- Reduced working capital and improved return on capital employed
- Fully franked dividend reinstated with 60% payout ratio
- Actions taken to address FX headwinds
- F16 EBIT expected to be approximately $73-75m
- Significant investment in strategic initiatives to drive future growth

Group results for the six months ended 31 December 2015

$ millions	1H16	1H15	$ Change	% Change
Sales	425.3	391.8	33.6	8.6
EBIT pre significant items	36.2	31.5	4.7	14.9
NPAT pre significant items	24.3	16.9	7.5	44.4
NPAT reported	24.3	(108.7)	133.0	n.m.
Working capital	119.5	123.4	(3.9)	(3.2)
Cash conversion	117%	135%	(18)pts	n.m.
Net cash/(debt)	33.0	(24.2)	57.2	n.m.
Tangible ROCE	46.7%	32.1%	14.6pts	n.m.
Earnings per share	2.7cps	(13.1)cps	n.m.	n.m.
Dividend per share (fully franked)	1.6cps	0.0cps	1.6cps	100.0

Note: All amounts represent the continuing business except for NPAT reported and EPS which includes discontinued operations in 1H15

Overview

Chief Executive Officer, David Bortolussi said: “Our strategy of simplifying the Company to focus on a higher quality, simplified business with greater growth potential and a strong balance sheet is working.

“At our full year results and AGM, I said that F15 marked a turning point in the sales and earnings trajectory of Pacific Brands and I am pleased that our 1H16 results have demonstrated it. Sales and earnings were up in every Operating Group. This combined with our strong cash flow and increased net cash position have enabled us to reinstate dividends with a payout ratio of 60%.

“Our strategic priorities are clear, we are investing in growth and expect our operational plans to deliver EBIT of $73-75m in F16.”

FX headwinds being addressed

FX depreciation remains one of the key challenges across the industry but a range of actions have been taken to mitigate the impact on the Company.

Price rises and cost saving initiatives have been implemented across the business to mitigate immediate FX headwinds, and various other measures are being taken to address further FX depreciation in F17.

Strong growth in group sales, earnings and returns

Sales were up 8.6% due to growth in Bonds, Sheridan and other key brands. This was underpinned by continued investment and success in retail in store and online (now 32% and 7% of total group sales respectively) with comp store sales growth in Bonds of 22% and Sheridan of 9%. Wholesale sales were held flat despite challenges in certain channels.

Gross margins increased 1.4pts to 49.9% due mainly to channel mix with an increasing proportion of higher margin retail sales, partly offset by the adverse impact of FX depreciation net of product cost savings, duty benefits and price increases. Price increases were implemented in Underwear retail during 2Q16 and wholesale price increases were effective in January 2016 which will assist with mitigating the dollar impact of more substantial currency depreciation in 2H16.

Cost of doing business (CODB) increased by $17.6 million to $176.2 million (up 11.1%) due to continued investment in retail, increased brand marketing in the period and restructuring costs. There were no significant items in 1H16.

Excluding the impact of prior period significant items, EBIT was up 14.9% to $36.2 million, with all operating groups up. Net profit was $24.3 million, up 44.4% before significant items.

Interest was down from $8.4 million to $2.0 million reflecting the net cash position. The effective tax rate was 29%.

Cash conversion continued to be strong at above 100% with net cash increasing to $33.0 million. Return on tangible capital employed improved 14.6 pts to 46.7% due to improved profitability and a focus on tightly managing investment in working capital.

Whilst inventory balances increased due mainly to the inflationary impact of FX depreciation, the impact on working capital was offset by the permanent extension of creditor terms in the Underwear Group. Overall, working capital reduced versus PCP and was marginally up on 2H15.

Sales and earnings up in every operating group

Underwear

Total sales grew by 6.3% to $268.7 million:

- Bonds sales up 14% driven by strong comp store growth and retail expansion, while Bonds wholesale sales held flat. Berlei and Jockey were both up
- Total retail sales were up 38.9% with comp store growth of 22%, 10 new Bonds stores and 66 new Activewear concessions in Myer. Bonds in store and online sales grew to 32% and 9% of total Bonds sales respectively
- Total Underwear wholesale sales down 4.7% driven by hosiery and other brands

EBIT pre significant items for the half was up 12.3% to $30.0 million due mainly to retail growth and increased contribution.

Sheridan

Total business sales grew by 10.2% to $105.0 million:

- Retail sales up 13.6%, driven by strong Australian comp store growth (up 10%) while wholesale sales were up 1.1%
- UK sales down but with improved trajectory
- All categories in growth, with increasing contribution from new lifestyle range

EBIT pre significant items was up 5.0% to $9.2 million, due to continued strong Australian retail performance, partially offset by restructuring costs incurred as a result of the Sheridan profit improvement program across both the Australian and UK businesses.

Profit improvement program is well underway, with significant progress during the half:

- Consolidated Sheridan's warehousing and logistics operations in the Underwear distribution centre in Melbourne
- Agreed the transition of product sourcing from Li & Fung (agent) to Pacific Brands Asian sourcing operations from 3Q16
- Restructured Australian and UK business to reduce overhead costs and reshaped UK distribution footprint

Tontine and Dunlop Flooring

Sales were up 18.1% to $51.7 million:

- Tontine sales up 21% driven by Dunlopillo and Fairydown in DS and value category growth in DDS and supermarkets, Crestell sales and China export growth
- Dunlop Flooring sales up 15% due to strong housing market, new hard flooring product launch and underlay market share growth

EBIT pre significant items was up 71.6% to $5.0 million driven by sales growth, sourcing savings, improved manufacturing recoveries and reduced depreciation.

Investing in significant growth initiatives

Significant progress against the Company's strategic priorities was achieved in 1H16:

1. Be a house of leading brands

- Underwear business reorganised to achieve greater brand focus and Innovation Hub established to drive big ideas in core and adjacent categories
- New ranges and campaigns launched in every operating group including Bonds 100, Bonds Sport expansion, Zippy collaboration with Disney, Sheridan Kids & Baby and Decorate expansion, new Dunlopillo and Tontine Luxe ranges and Heartridge hard flooring range expanded and gaining momentum

2. Reshape and expand distribution

- Focused on developing joint value creation plans with key wholesale partners to optimise range, stock availability and in store experience to drive growth, including leveraging retail learnings in wholesale

- Review completed to take retail capability to global best practice. Opportunity to significantly enhance omni-channel capability and to create a retail experience that matches the strength of Bonds and Sheridan brand equities to drive continuing high retail growth and returns

- Further development of international distribution opportunities with Berlei Sport successful sell-in to UK, Europe and US department stores including John Lewis, House of Fraser, Galeries Lafayette and Macy's

3. Develop a sustainable, Lean global supply chain

- Investment in world class warehouse picking system to significantly increase capacity, improve capability, lower CODB and increase pick speed and speed to market. Capital expenditure expected to be c.$10 million in 2H16 and c.$6 million in 1H17 with an attractive return on investment

- Reshaping and improving Sheridan's supply chain through consolidating warehousing and logistics into the Underwear distribution centre, and transition of Sheridan's product sourcing from agent Li & Fung to the Company's centralised sourcing office in China

Guidance upgraded to deliver material EBIT growth in F16

2H16 sales for the 6 weeks to date are up 8% versus PCP, but 2H16 results will largely be dependent on May and June trading which are significant months.

The Company expects EBIT growth in 2H16, relative to PCP for the continuing business pre significant items, to be similar to the first half. Accordingly, F16 EBIT is expected to be approximately $73-75 million.

Fully franked interim dividend declared of 1.6cps equating to a payout ratio of 60%.

For further information contact:

Investors

Joanne Higham
General Manager, Investor Relations
Pacific Brands Limited
+61 3 9947 4919
+61 421 568 395
jhigham@pacbrands.com.au

Media

Sue Cato
Cato Counsel
+61 419 282 319

Appendix A: Non-IFRS financial information

All amounts represent continuing business unless otherwise noted as reported.

All full year statutory numbers referred to in this document have been audited, all half year statutory numbers have been reviewed.

In addition to statutory reported amounts, certain non-IFRS measures are used by Directors and management as measures of assessing the financial performance of the Company and individual operating groups, including:

- Cash conversion
- Comp store sales growth
- Return on capital employed
- Sales by brand, channel and business
- Store numbers
- 2H16 trading to date

The Directors consider that these performance measures are appropriate for their purposes and present meaningful information on the underlying drivers of the business. Many of the measures used are common practice in the industry within which Pacific Brands operates.

Some non-IFRS financial information is stated before significant items as disclosed in Note 9 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.

Appendix B: Sales & EBIT before significant items

Sales

$ millions	1H16	1H15	1H16 change vs PCP	
			$m	%
Segments				
Underwear	268.7	252.6	16.1	6.3
Sheridan	105.0	95.3	9.7	10.2
Tontine & Dunlop Flooring	51.7	43.8	7.9	18.1
Group	**425.3**	**391.8**	**33.6**	**8.6**

EBIT before significant items

$ millions	1H16	1H15	1H16 change vs PCP	
			$m	%
Segments				
Underwear	30.0	26.7	3.3	12.3
Sheridan	9.2	8.7	0.5	5.0
Tontine & Dunlop Flooring	5.0	2.9	2.1	71.6
Group	**36.2**	**31.5**	**4.7**	**14.9**