PACIFIC BRANDS

25 February 2009

Manager Company Announcements
Australian Securities Exchange
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 2008

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 2008 to 31 December 2008, which includes 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

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Pacific Brands 2009 Half Year Results

ASX Release – 25 February 2009

Pacific Brands Chief Executive Sue Morphet today announced the company had achieved solid first-half results in line with guidance, has extended the maturity of its debt facilities and is implementing a new strategy - Pacific Brands 2010 - to restructure and sharpen the focus of the business.

“We will discontinue some of our smaller labels and brands to reduce complexity and cost and divest some non-core businesses and facilities, some as going concerns,” Ms Morphet said.

“Unfortunately these changes will necessitate 1,850 job losses in Australia over an 18-month period including 1,200 in clothing manufacturing.

“The reduction in complexity will deliver the future strength, growth, profitability and sustainability of the business - for our shareholders and employees.”

Pacific Brands HY2009 results were in line with guidance. For continuing operations:

- Sales $1,041.6 million (down 2.9%)
- EBITA $113.0 million (up 0.3%)
- NPAT (before amortisation and significant items) $57.6m (up 0.1%)
- Operating cash outflow of $33.7m

Ms Morphet said: “Pacific Brands has agreed with our lenders an extension of the scheduled debt maturity to August 2010. The extension reflects our capital management requirements through implementation of the Pacific Brands 2010 strategy. As the strategy is implemented we will use our increased operating cashflow to pay down debt, potentially complemented by asset sales, and will determine the most appropriate debt facilities for the reconfigured business.”

The Board has decided to suspend payment of an interim dividend to preserve capital in the current environment.

The company has also written down the carrying value of a number of assets by a total of $206.4 million.

Pacific Brands 2010

“As the market is aware, we have been rigorously reviewing the company and our business for the past twelve months,” Ms Morphet said.

“The result is our Pacific Brands 2010 strategy which focuses effort on primary businesses and brands that have and will deliver the majority of our performance.

“This comprehensive plan reduces complexity and eliminates non-value added activity.”

Pacific Brands 2010 will realise $150 million a year in cost savings by FY11 through:

- A complete sourcing overhaul, including closing the majority of Australian clothing manufacturing operations;
- Discontinuing small labels and brands to reduce complexity and cost;
- Divesting non-core businesses;
- Selling properties (with operations relocating or, where appropriate, continuing in existing premises under lease from new owners);
- Driving efficiencies and continual improvement processes throughout the business; and

- Achieving corporate savings such as office space consolidation and the relocation of head office functions into existing Pacific Brands facilities.

One-off expenses of approximately $110 million will be incurred in 2H09 (including approximately $31m in non-cash asset-write offs) with a further $15 million across FY10 and FY11.

The Pacific Brands 2010 plan is designed to deliver:

- Significantly less complexity;
- Strategic realignment and repositioning;
- Reduction in our cost of doing business;
- Annualised cost savings of more than $150 million by FY11; and
- Capital released from property sales, with potentially more from business divestments, to be used in addition to the cost savings to provide balance sheet flexibility.

Pacific Brands 2010 will see the company focusing on primary brands, refining its market offer, increasing delivery efficiency and effectiveness, and continually improving performance.

“Our top 20 brands provide us with almost two thirds of our sales – but we have a long tail, with more than 200 brands accounting for just two per cent of sales,” Ms Morphet said.

“We are applying resources and time to these according to each brand’s role and opportunity in the market. We are exiting non-core brands and businesses, refining the portfolio, rebalancing and targeting our resources.

“Focusing on the key businesses and brands in our portfolio will generate the cash, consistency and stability we need to grow the business organically.

“We are proactively reducing costs, including our cost of doing business, via a range of cost efficiency projects.

“We intend to sell a number of properties in order to pay down debt and fund future organic growth.

“Implementation risk has been carefully considered and is being thoroughly managed. The strategy will be accompanied by significant growth initiatives.”

Manufacturing

Ms Morphet said that after a great deal of consideration, Pacific Brands would exit the majority of its clothing manufacturing activities globally, in line with a review of our sourcing.

“We have persevered where others have stopped manufacturing before us,” Ms Morphet said. “This is the only responsible decision available to us.

“The current clothing manufacturing workforce will be reduced by approximately 1,200 people in Australia over an 18 month period.

“The following schedule details the Australian manufacturing sites which will be closed and the approximate numbers of people to be made redundant at each site.

Property	Location	Redundancies	Finalised by
Bonds	Cessnock	83	Q2 FY10
Bonds	Unanderra	207	Q3 FY10
Bonds	Wentworthville, NSW (manufacturing only)	233	Q3 FY10
CTE	West End, QLD	56	Q1 FY10
Holeproof	Nunawading, VIC	255	Q1 FY10
Hosiery	Coolaroo, VIC	298	Q3 FY10
King Gee	Bellambi, NSW	74	Q1 FY10

"There will also be approximately 650 redundancies among non-manufacturing employees in Australia, spread across the entire business. We also plan to exit our manufacturing operations in Asia but may divest them as going concerns.

"We have not made these decisions lightly. We have considered the well-being and contributions made by all our staff. Ultimately this is the correct course of action for the future strength of the business and the remaining employees.

"All entitlements of affected staff will be met. We are working closely with our employees, their unions, the Commonwealth and relevant state governments to provide appropriate assistance to those being made redundant.

"We maintain our commitment to developing and improving the skills of our people. With the emphasis on brand excellence, improved processes and strengthened capabilities, we will continue to invest in our people remaining with the business.

"This is a plan for the future of the business. It will not only take us through the difficult trading conditions we are all experiencing now, importantly it will deliver future growth and generate shareholder value, generating significant results that will begin to flow in FY10.

"Pacific Brands will continue to build its strategic relationships with key retail partners through leading consumer and market insight. Removing complexity and cost will enable us to build on our competencies quickly and effectively to accelerate organic growth.

"Greater business level empowerment and flexibility within a non-negotiable compliance framework will ensure more efficient and effective decision making closer to the market.

"Pacific Brands 2010 has commenced and will be completed by the end of the 2010 financial year.

HY2009 Results in line with guidance

"Pacific Brands continues to operate in a difficult trading environment," Ms Morphet said. "However, after a period of declining retail sales and very low levels of consumer confidence across the country, Christmas trading was strong with the December 2008 result ahead of December 2007. Clearly the economic environment that we are operating in is still very uncertain and will remain so for some time to come.

"Our preliminary results for ongoing businesses were in line with guidance. The headline results for continuing businesses (with the prior period result adjusted for business subsequently sold) for Pacific Brands HY2009 were:

- Sales $1,041.6 million, down 2.9%
- EBITA $113.0 million, up 0.3%
- NPAT (before amortisation and significant items) $57.6 million, up 0.1%
- Operating cash outflow of $33.7 million

"Despite market conditions, Pacific Brands had strong performances across key brands and businesses including Bonds and Workwear.

"Underwear and Hosiery sales were down 1.4% to $ 311.5 million and EBITA down 1.1% to $43.9 million. Strong performances at Bonds, Berlei and Hosiery were offset by declines in Clothing NZ and Holeproof.

"Outerwear and Sport sales were up 2.2% to $ 345.2 million and EBITA up 23.2% to $ 37.7 million after adjusting the prior period for the divestment of the World Brands Joint Venture. Workwear drove the result with growth in all segments and good back office efficiency gains. Everlast also grew.

"Home Comfort sales were down 7.4% to $ 233.0 million and EBITA down 17.2% to $ 20.3 million after adjusting the prior period for the divestment of the Foams, Flooring and Bedding businesses in New Zealand. Sheridan and Sleepmaker were both sharply down reflecting the decline of discretionary consumer expenditure on bedlinen and beds. Tontine had a good half.

"Footwear sales were down 8.8% to $ 138.7 million and EBITA down 18.8% to $ 18.2 million. Grosby suffered from quality and consistency issues and the performance of the international businesses in the UK, New Zealand and China were well down. Volleys continued to grow.

"In line with the broader market, in Australia our sales to Discount Department Stores grew marginally with declines in Department Stores and the independent/specialty channel.

"Operating cash outflow arose from increased working capital following the seasonal stock build and increased debtors in the lead up to Christmas."

Dividend

The Pacific Brands Board has decided to preserve the company's capital and no interim dividend will be declared or paid. Suspending the dividend will contribute to strengthening the company's balance sheet and enhance its financial flexibility.

The Board will continue to review the company's capital structure and will determine the final dividend and payout ratio, if any, in the light of current and expected business conditions at that time.

Asset Impairment

As required under the Australian Accounting Standards, the company has recently completed detailed impairment testing of its assets, including the goodwill and other intangible assets recognised at IPO on 2 April 2004.

As at 31st December 2008, the carrying value of these assets exceeds their recoverable amount determined for impairment purposes.

The company has written down the carrying value of its international assets and certain Australian assets, identified during the strategic review, by a total of $206.4 million. There was no impairment of assets recently acquired with Sheridan, Yakka, or Brand Collective.

This is a non-cash adjustment and in no way affects the cash-flow or the ongoing profitability of the company.

Debt facilities

With the continued support of its banking syndicate, Pacific Brands has extended the maturity date of its earliest maturing debt facilities until August 2010.

“The extension gives us time to implement our Pacific Brands 2010 strategy while we determine the most appropriate debt facilities for the reconfigured business in the longer term,” Ms Morphet said.

Outlook

“The current economic climate remains challenging and uncertain with consumer confidence remaining at low levels,” Ms Morphet said.

“While we have been pleased with the performance of the company in the first half of this year and the growth achieved by a number of our brands, the potential for the continuation of deterioration in the market means we are not in a position to confidently predict the second half performance.”

For further information contact:

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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 2008

for the half year ended 31 December 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	Down 5.2% to	$1,041.6 million
Loss for the half year	Down 361.9% to	$149.8 million
Net loss attributable to members of the parent	Down 363.0% to	$150.0 million

DIVIDENDS

No interim dividend has been declared

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share is:	($0.40)	($0.40)

The previous corresponding period is 31 December 2007.

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

for the half year ended 31 December 2008

Directors' Report

The directors of Pacific Brands Limited ('the Company') present their report together with the consolidated financial report of the Company and its controlled entities (collectively the 'consolidated entity') for the half year ended 31 December 2008 and the review report thereon.

DIRECTORS

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

NAME	YEAR OF DIRECTORSHIP
Non–executive	
J.A.C. MacKenzie, Chairman	Director since May 2008. Appointed Chairman, November 2008
R.P. Handley, former Chairman	Director and Chairman since December 2003, Resigned as Chairman November 2008, Resigned as Director December 2008
A.D. Cummins	Director since February 2004
M.G. Ould	Director since February 2004
M.A. Plavsic	Director since May 2004
D.G. Fisher	Director since March 2007
Executive	
S.M. Morphet, Chief Executive Officer	Director since January 2008
S.J. Tierney, Chief Financial Officer	Director since December 2003

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

REVIEW OF OPERATIONS

Please refer to the accompanying Pacific Brands Limited half year results announcement dated 25 February 2009.

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

The lead auditor's independence declaration is set out on page 15 and forms part of the directors' report for the half year ended 31 December 2008.

ROUNDING OFF

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 25th day of February 2009.

Signed in accordance with a resolution of the directors.

Sue M Morphet.

Sue Morphet
Director

for the half year ended 31 December 2008

Consolidated Interim Income Statement

	NOTE	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2008 $'000	HALF YEAR ENDED 31 DECEMBER 2007 $'000
Sales revenue	5	**1,041,626**	1,098,848
Cost of sales		**(585,269)**	(625,482)
Gross profit		**456,357**	473,366
Other Income	5	**8,999**	9,362
Freight and distribution expenses		**(74,003)**	(72,548)
Sales, marketing and advertising expenses		**(195,912)**	(209,374)
Information technology expenses		**(16,444)**	(15,237)
Administrative expenses		**(67,509)**	(73,189)
Impairment losses	13	**(206,443)**	–
Results from operating activities		**(94,955)**	112,380
Financial income	6	**1,233**	1,922
Financial expenses	6	**(34,143)**	(34,880)
Net financing costs		**(32,910)**	(32,958)
(Loss)/Profit before income tax expense		**(127,865)**	79,422
Income tax expense		**(21,951)**	(22,224)
(Loss)/Profit for the period		**(149,816)**	57,198
Attributable to:			
Equity holders of the parent		**(149,951)**	57,022
Minority interests		**135**	176
(Loss)/Profit for the period		**(149,816)**	57,198

Earnings per share:			
Ordinary shares	9	(29.9) cents	11.4 cents
Diluted shares	9	(29.9) cents	11.4 cents

The consolidated interim income statement is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 13.

for the half year ended 31 December 2008

Consolidated Interim Balance Sheet

as at 31 December 2008

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000
Current assets		
Cash and cash equivalents	95,883	104,822
Trade and other receivables	305,706	272,306
Inventories	390,068	356,970
Other current assets	8,174	14,266
Total current assets	799,831	748,364
Non–current assets		
Trade and other receivables	35	30
Property, plant and equipment	198,050	204,899
Intangible assets	1,324,342	1,507,516
Deferred tax assets	25,644	24,053
Other non–current assets	2,128	1,530
Total non–current assets	1,550,199	1,738,028
Total assets	2,350,030	2,486,392
Current liabilities		
Trade and other payables	202,314	199,732
Interest bearing loans and borrowings	1,230	1,340
Income tax payable	10,756	12,917
Provisions	62,160	76,660
Total current liabilities	276,460	290,649
Non–current liabilities		
Trade and other payables	8,640	9,306
Interest bearing loans and borrowings	905,467	846,194
Provisions	11,432	10,155
Total non–current liabilities	925,539	865,655
Total liabilities	1,201,999	1,156,304
Net assets	1,148,031	1,330,088
Equity		
Contributed equity	1,218,577	1,218,577
Reserves	(19,017)	(28,330)
Retained earnings	(56,519)	136,140
Total equity attributable to equity holders of the parent	1,143,041	1,326,387
Minority interest	4,990	3,701
Total equity	1,148,031	1,330,088

The consolidated interim balance sheet is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 13.

for the half year ended 31 December 2008

Consolidated Interim Cash Flow Statement

	NOTE	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2008 $'000	HALF YEAR ENDED 31 DECEMBER 2007 $'000
Cash flows from operating activities			
Cash receipts from customers		**1,044,292**	1,120,470
Cash paid to suppliers and employees		**(1,006,012)**	(1,022,190)
Income taxes paid		**(21,987)**	(20,376)
Interest paid		**(36,985)**	(31,695)
Interest received		**1,233**	1,922
Net cash (used in)/from operating activities		**(19,459)**	48,131
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**725**	625
Payments for acquisition of businesses (net of cash acquired)		**–**	(6,516)
Acquisition of property, plant and equipment		**(14,163)**	(18,183)
Net cash used in investing activities		**(13,438)**	(24,074)
Cash flows from financial activities			
Lease payments		**(663)**	(1,393)
Proceeds from borrowings		**58,800**	–
Repayment of borrowings		**–**	(11,891)
Dividends paid	8	**(42,708)**	(42,715)
Net cash from/(used in) financing activities		**15,429**	(55,999)
Net decrease in cash and cash equivalents		**(17,468)**	(31,942)
Cash and cash equivalents at the beginning of the period		**104,822**	138,640
Effect of exchange rate fluctuations on cash held		**8,529**	(1,250)
Cash and cash equivalents at the end of the period		**95,883**	105,448

The consolidated interim cash flow statement is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 13.

for the half year ended 31 December 2008

Consolidated Interim Statement of Changes in Equity

	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	EQUITY COMPENSATION RESERVE[1] $'000	FOREIGN CURRENCY TRANSLATION RESERVE[1] $'000	HEDGE RESERVE[1] $'000	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT $'000	MINORITY INTEREST $'000	TOTAL EQUITY $'000
Balance at 1 July 2008	1,218,577	136,140	4,591	(31,834)	(1,087)	1,326,387	3,701	1,330,088
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	(8,669)	(8,669)	–	(8,669)
Foreign exchange translation differences	–	–	–	16,832	–	16,832	1,154	17,986
Total income and expense for the period recognised directly in equity	–	–	–	16,832	(8,669)	8,163	1,154	9,317
(Loss)/Profit for the period	–	(149,951)	–	–	–	(149,951)	135	(149,816)
Total expense/(income) for the period	–	(149,951)	–	16,832	(8,669)	(141,788)	1,289	(140,499)
Dividends recognised during the period	–	(42,708)	–	–	–	(42,708)	–	(42,708)
Cost of share based payments	–	–	1,150	–	–	1,150	–	1,150
Balance at 31 December 2008	**1,218,577**	**(56,519)**	**5,741**	**(15,002)**	**(9,756)**	**1,143,041**	**4,990**	**1,148,031**
Balance at 1 July 2007	1,218,577	108,241	4,911	(10,015)	(7,005)	1,314,709	4,665	1,319,374
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	9,682	9,682	–	9,682
Foreign exchange translation differences	–	–	–	(6,093)	–	(6,093)	52	(6,041)
Total income and expense for the period recognised directly in equity	–	–	–	(6,093)	9,682	3,589	52	3,641
Profit for the period	–	57,022	–	–	–	57,022	176	57,198
Total income/(expense) for the period	–	57,022	–	(6,093)	9,682	60,611	228	60,839
On market purchase of performance rights	–	(2,774)	(2,291)	–	–	(5,065)	–	(5,065)
Dividends recognised during the period	–	(42,715)	–	–	–	(42,715)	–	(42,715)
Cost of share based payments	–	–	1,090	–	–	1,090	–	1,090
Balance at 31 December 2007	1,218,577	119,774	3,710	(16,108)	2,677	1,328,630	4,893	1,333,523

1. Amounts are stated net of tax.

The consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the financial statements set out on pages 9 to 13.

for the half year ended 31 December 2008

Condensed Notes to the Consolidated Interim Financial Statements

1. REPORTING ENTITY

Pacific Brands Limited (the ‘Company’) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 31 December 2008 comprises the Company and its controlled entities (together referred to as the ‘consolidated entity’).

The consolidated interim financial report was authorised for issue by the directors on 25th February 2009.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008 is available upon request from the Company’s registered office at Level 3 290 Burwood Road, Hawthorn, Victoria, or on the company’s website at www.pacificbrands.com.au.

2. STATEMENT OF COMPLIANCE

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

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2008. This report must also be read in conjunction with any public announcements made by Pacific Brands Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated annual financial report as at and for the year ended 30 June 2008 with the following exceptions:

- Interpretation 13 *Customer Loyalty Programmes*, does not have an impact upon the financial results or related disclosures of the consolidated entity; and
- Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. Adoption of Interpretation 14 does not have an impact upon on the financial results or related financial disclosures of the consolidated entity.

4. ESTIMATES

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 such revisions in the current financial reporting period. In preparing this consolidated interim financial report the significant judgements made by management in applying the consolidated entity’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2008, except for those estimates in respect of the recoverable amount of intangible assets (refer to note 13), that were reassessed by management during the half year ended 31 December 2008.

for the half year ended 31 December 2008

Condensed Notes to the Consolidated Interim Financial Statements

5. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	31 DECEMBER 2008 $'000	31 DECEMBER 2007 $'000
Sales revenue	1,041,626	1,098,848
Other income		
Royalties – other parties	1,310	1,269
Net loss on disposal of non–current assets	(212)	(471)
Sundry income	7,901	8,564
Total other income	8,999	9,362
Total revenue and other income	1,050,625	1,108,210

6. OTHER EXPENSES

Depreciation of:		
Freehold buildings and leasehold improvements	2,289	2,349
Plant and equipment	8,385	7,832
	10,674	10,181
Amortisation of:		
Software assets	1,229	1,243
Other Intangibles	1,526	1,526
Leased plant and equipment	561	652
	3,316	3,421
Total depreciation and amortisation	13,990	13,602
Net financing costs:		
Financial income	(1,233)	(1,922)
Interest on bank loans and overdraft	34,000	34,716
Finance charges on capitalised leases	143	164
	32,910	32,958
Amounts set aside to allow for:		
Doubtful debts	804	320
Rebates, trade allowances, claims and settlement discounts	73,460	74,507
Personnel expenses:		
Wages and salaries	190,475	191,852
Contributions to defined contribution superannuation plans	14,897	13,335
Defined benefit superannuation expense	674	137
Leave entitlements	20,215	24,979
Other employee costs	12,112	13,754
Share based payments	1,150	1,090
	239,523	245,147
Net foreign exchange losses	61	887
Impairment losses – intangible assets and other assets	206,443	–

for the half year ended 31 December 2008

Condensed Notes to the Consolidated Interim Financial Statements

7. SEGMENT REPORTING

Segment information is presented in the consolidated interim financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

It is the consolidated entity's policy that inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Underwear & Hosiery	Marketer, distributor, importer and manufacturer of underwear, intimate apparel, socks and hosiery
Outerwear & Sport	Marketer, distributor, importer and manufacturer of casual outerwear, workwear, sports clothing, sports footwear and sporting equipment
Home Comfort	Marketer, distributor, importer and manufacturer of mattresses, pillows, bed linen, bedding accessory products and foam
Footwear	Marketer, distributor and importer of women's, men's and children's footwear
Other	Retail clearance outlets and administration functions and amortisation of intangibles

Half Year ended 31 December 2008

	UNDERWEAR & HOSIERY $'000	OUTERWEAR & SPORT $'000	HOME COMFORT $'000	FOOTWEAR $'000	OTHER $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue	311,814	347,926	233,227	140,900	16,838	(80)	1,050,625
Segment result (pre impairment)	43,918	37,737	20,349	18,203	(8,719)	–	(111,488)
Impairment	–	–	–	–	(206,443)	–	(206,443)
Segment result	43,918	37,737	20,349	18,203	(215,162)		(94,955)
Net financing costs							(32,910)
Income tax expense							(21,951)
Loss for the period							(149,816)

Half Year ended 31 December 2007

	UNDERWEAR & HOSIERY $'000	OUTERWEAR & SPORT $'000	HOME COMFORT $'000	FOOTWEAR $'000	OTHER $'000	ELIMINATIONS $'000	CONSOLIDATED $'000
Segment revenue	316,333	343,002	274,703	154,106	20,228	(222)	1,108,210
Segment result	44,434	31,162	25,196	22,436	(10,848)	–	112,380
Net financing costs							(32,958)
Income tax expense							(22,224)
Profit for the period							57,198

for the half year ended 31 December 2008

Condensed Notes to the Consolidated Interim Financial Statements

8. DIVIDENDS

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2008 $'000	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2007 $'000
Ordinary shares		
Dividends paid during the half year not previously recognised as a liability	42,708	42,715
Dividends not recognised at the end of the half year		
Since the end of the half year the directors have not recommended that an interim dividend be paid. 2007: An interim dividend of 8.5c per fully paid ordinary share, franked to 100% in Australia based on tax paid at 30%.		

9. EARNINGS PER SHARE

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2008	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2007
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	502,277,852	502,277,852
	$'000	$'000
Net (loss)/profit used in the calculation of basic and diluted earnings per share	(149,951)	57,022

10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no material contingent liabilities or contingent assets that have arisen since 30 June 2008.

11. EVENTS SUBSEQUENT TO REPORTING DATE

On 25th February 2009, the company announced its strategy to restructure and sharpen the focus of the business. The strategy will include the discontinuance of smaller labels and brands to reduce complexity and cost and the potential divestment of non-core businesses and facilities as going concerns. As a result of the restructure there is expected to be redundancies throughout the Australian and International operations. The financial impact of this announcement has not been reflected in this financial report.

Subsequent to year end the company has renegotiated its banking arrangements; as a result no significant refinancing will be required until August 2010. $550 million of debt due in February 2010 has been extended. This includes a tranche of $330 million which has been extended to August 2010 and amortisation of the $165 million tranche, by August 2010. The financial impact of the negotiations has not been reflected in this financial report.

Aside from these matters, the directors have not become aware of any other significant matter or circumstance that has arisen since 31 December 2008, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

12. KEY MANAGEMENT PERSONNEL DISCLOSURES

During the half year ended 31 December 2008 the Board has granted 381,511 performance rights to key management personnel, at no cost, effective 1 July 2008. The performance rights were valued at $1.27 at the grant date, 1 July 2008. The grant of performance rights, under Performance Rights Plan, consisted of two equal tranches being subject to different performance conditions, measured at the end of the 3 year performance period (1 July 2008 to 30 June 2011).

for the half year ended 31 December 2008

Condensed Notes to the Consolidated Interim Financial Statements

Terms and conditions of grant 5 (Performance rights – tranche 1)

In respect of Tranche 1, the performance condition compares the total shareholder return ('TSR') performance of the Company with the TSR performance of entities in the comparator group of entities over the performance condition measurement year. Specifically, the Company's TSR performance will be given a percentile ranking having regard to its TSR performance compared with the TSR performance of each of the companies in the comparator group (with the highest ranking company being given a ranking at the 100th percentile) over the measurement year. The entities comprising the comparator group are a basket of 19 ASX listed consumer stocks. Companies that are delisted, merged or taken over during the vesting year will be removed from the comparator group and not replaced. The percentage of performance rights that will vest at a particular percentile ranking is as follows:

TARGET	PERCENTAGE OF SHARES AVAILABLE IN GIVEN YEAR THAT VESTS
The Company's 3 year TSR does not exceed the median performance of the comparator companies	0%
The Company's 3 year TSR exceeds the median performance of the comparator companies	50%
The Company's 3 year TSR is ranked in the third quartile of the comparator companies	Pro rata between 50% and 100% (2% increase for each higher ranking)
The Company's 3 year TSR is ranked in the fourth quartile of the comparator companies	100%

Terms and conditions of grant 5 (Performance rights – tranche 2)

The conditions with respect to Tranche 2 are based on earning per share ('EPS') performance over a three-year period ending 30 June 2011.

The percentage of that part of the tranche of performance rights that will vest based on the Company's EPS performance is calculated as follows:

TARGET	PERCENTAGE OF SHARES AVAILABLE IN GIVEN YEAR THAT VESTS
The Company's 3 year EPS compound growth is less than 8%	0%
The Company's 3 year EPS compound growth is 8%	25%
The Company's 3 year EPS compound growth is between 8% and 12%	Pro rata between 25% and 100% (1.875% increase for each 0.1% additional EPS growth)
The Company's 3 year EPS compound growth is greater than 12%	100%

In general, the key management personal and senior executives are not entitled to trade in shares allocated on vesting of the performance rights until the earlier to occur of:

- ten years after the date of grant of the shares allocated on vesting; or
- 12 months following the date of cessation of employment with the consolidated entity.

13. IMPAIRMENT

The Company performed its impairment testing as at 31 December 2008. As a result of this testing, the carrying amount of the Pacific Brands Group cash-generating unit was determined to be higher than its recoverable amount and an impairment loss of $206,443 thousand was recognised (which includes $25,000 thousand relating to other assets). The Pacific Brands group cash-generating unit comprises the operations of the segments shown in note 7 excluding the other three cash generating units separately disclosed below. The impairment loss was allocated to goodwill, brand names and other assets. The impairment resulted from a declining economic outlook in several countries where the Company operates and the resultant estimated net cash flows to be recovered through use and/or disposal.

Intangibles allocated to cash-generating units as follows as at 31 December 2008:

	GOODWILL		BRANDNAMES	
	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000	31 DECEMBER 2008 $'000	30 JUNE 2008 $'000
Pacific Brands Group	**703,818**	832,088	**328,980**	381,352
Sheridan	**41,207**	41,107	**23,000**	23,000
Brand Collective	**19,645**	19,645	**–**	–
Yakka Group	**99,608**	99,608	**80,000**	80,000
	864,278	992,448	**431,980**	484,352

The recoverable amount of the Pacific Brands Group cash-generating unit was based on estimated fair values or value in use calculations as appropriate. Value in use calculations use cash flow projections based on actual operating results and cash flows for a further 5-year period that were extrapolated using a 3% growth rate, which was consistent with the long-term average growth rate for the industry. A pre-tax discount rate of 11.6% was used in discounting the projected cash flows.

for the half year ended 31 December 2008

Director's Declaration

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

1 the consolidated interim financial statements and condensed notes set out on pages 5 to 13, are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2008 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.

Dated at Melbourne this 25th day of February 2009.

Signed in accordance with a resolution of the directors.

Sue Morphet
Director

for the half year ended 31 December 2008

KPMG

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 2008 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
25 February 2009

Don Pasquariello

Don Pasquariello
Partner

for the half year ended 31 December 2008

Independent auditor's review report to the members of Pacific Brands Limited

We have reviewed the accompanying interim financial report of Pacific Brands Limited (the Company), which comprises the consolidated interim balance sheet as at 31 December 2008, the consolidated interim income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 consolidated entity's financial position as at 31 December 2008 and its performance for the half year 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.

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 consolidated entity's financial position as at 31 December 2008 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
25 February 2009

Don Pasquariello

Don Pasquariello
Partner