23 September 2011

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

Market Information Services
New Zealand Exchange Limited
Level 2, NZX Centre
11 Cable Street
Wellington
New Zealand

Dear Sir/Madam

In accordance with the ASX Listing Rules, please find attached:

1. Notice of Annual General Meeting;
2. Proxy Form; and
3. 2011 Annual Report.

These documents are in the process of being forwarded to shareholders.

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Notice of Annual General Meeting

25 OCTOBER 2011

PACIFIC BRANDS

PACIFIC BRANDS LIMITED ABN 64 106 773 059

Notice of Annual General Meeting

PACIFIC BRANDS LIMITED ABN 64 106 773 059

The 2011 Annual General Meeting of Pacific Brands Limited will be held as follows:

Date: **Tuesday 25 October 2011**

Time: **10:00am (Melbourne time)**

Venue: **Pacific Brands Limited**
Ground Floor, 290 Burwood Road
Hawthorn, Victoria, Australia.

Ordinary Business

1 Financial Report

To receive and consider the financial report of the Company for the financial year ended 30 June 2011 and the reports of the Directors and Auditor.

2 Re-election of Director

To consider, and if thought fit, to pass the following as an ordinary resolution:

(a) **Re-election of Mr James Mackenzie as a Director**

James MacKenzie retires under rule 8.1(d) of the Company's constitution and being eligible, offers himself for re-election

(b) **Retirement of Ms Maureen Plavsic**

Ms Maureen Plavsic retires in accordance with rule 8.1(d) of the Company's constitution and will not be standing for re-election

Other Business – Non-binding Advisory Vote

3 Adoption of Remuneration Report

To adopt the Remuneration Report as set out in the Annual Report for the financial year ended 30 June 2011.

Note that the vote on this resolution is advisory only and does not bind the directors of the Company.

Special Business

4 Grant performance rights to the Chief Executive Officer under the Pacific Brands Limited Performance Rights Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That approval be given for all purposes including ASX Listing Rule 10.14 for a grant of 1,873,807 performance rights to Ms Sue Morphet, effective 1 July 2011, in accordance with the rules of the Pacific Brands Limited Performance Rights Plan and on the terms summarised in the Explanatory Notes included in this Notice of Meeting."

By order of the Board

John Grover
Company Secretary
23 September 2011

Questions

IN ORDER TO PROVIDE AN EQUAL OPPORTUNITY FOR ALL SHAREHOLDERS TO ASK QUESTIONS OF THE BOARD, WE ASK YOU TO SUBMIT IN WRITING ANY QUESTIONS TO THE COMPANY OR TO THE COMPANY'S AUDITOR, KPMG (THE AUDITOR) IN RELATION TO ITS CONDUCT OF THE EXTERNAL AUDIT FOR THE YEAR ENDED 30 JUNE 2011, OR THE CONTENT OF ITS AUDIT REPORT. PLEASE SEND YOUR QUESTIONS TO:

The Company's dedicated email address:

agmquestions@pacbrands.com.au

or by mail or delivery to:

The Company Secretary
Pacific Brands Limited
Level 3, 290 Burwood Road
Hawthorn Victoria 3122

or by facsimile to:

The Company Secretary
Pacific Brands Limited
03 9947 4953 (within Australia)
+61 3 9947 4953 (outside Australia)

Written questions must be received by no later than 5:00 pm on **Friday 14 October 2011**.

Your questions should relate to matters that are relevant to the business of the Annual General Meeting, as outlined in this Notice of Meeting and Explanatory Memorandum.

In accordance with the Corporations Act 2001 (Cth) and the Company's policy, a reasonable opportunity will also be provided to shareholders attending the Annual General Meeting to ask questions about, or make comments upon, matters in relation to the Company including the Remuneration Report.

During the course of the Annual General Meeting, the Chairman will endeavour to address as many of the more frequently raised shareholder questions as possible and, where appropriate, will give a representative of the Auditor the opportunity to answer written questions submitted to the Auditor. However, there may not be sufficient time available at the Meeting to address all questions. Please note that individual responses may not be sent to shareholders. Any written answers will be made available as soon as practicable by posting them on the Company's website after the Annual General Meeting.

Voting Information

Voting exclusion statement

For all resolutions that are directly or indirectly related to the remuneration of a member of the Key Management Personnel (KMP) of the Company (being resolutions in respect items 3 and 4), the Corporations Act 2001 (Cth) (Corporations Act) restricts KMP and their closely related parties from voting in their own right or as proxies in certain circumstances.

Closely related party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

In addition, a voting restriction applies in respect of Item 4 under the ASX Listing Rules.

Item 3 – Adoption of Remuneration Report

The Company will disregard any votes cast on Item 3 by or on behalf of:

- a member of the KMP as disclosed in the Remuneration Report; and
- a closely related party of those persons,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Item 4 – Grant of performance rights to the Chief Executive Officer under the Pacific Brands Limited Performance Rights Plan

The Company will disregard any votes cast on Item 4 by the Chief Executive Officer any Director of the Company (being the only Director eligible to participate in any employee incentive scheme in relation to the Company) or any of the Chief Executive Officer's associates, as well as any votes cast as a proxy on Item 4 by a member of KMP or a KMP's closely related party, unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Voting by Proxy or Attorney

- If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf.
- A shareholder entitled to attend and vote at the meeting has a right to appoint a proxy to attend and vote for the shareholder. A Proxy Form is enclosed with this Notice of Meeting. A proxy is entitled to vote on a poll and, provided that only one proxy attends, on a show of hands.
- A shareholder may appoint a person or a body corporate as their proxy. If a shareholder appoints a body corporate as proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of the appointment of its corporate representative. A proxy need not be a shareholder of the Company.
- A shareholder who is entitled to cast two or more votes may appoint two proxies
- Where two proxies are appointed you should specify the proportion or number of votes each proxy is entitled to exercise. If the appointments do not specify the proportion or number of the shareholder's votes that each proxy may exercise, then each proxy may exercise half of the shareholder's votes. Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.
- You can direct your proxy how to vote by following the instructions on the Proxy Form. Shareholders are encouraged to direct their proxy how to vote on each item of business (eg. 'for', 'against' or 'abstain' by ticking the relevant box next to each item of business on the proxy form).
- Any directed proxies that are not voted on a poll at the meeting by a shareholder's appointed proxy will automatically default to the Chairman of the Meeting, who is required to vote proxies as directed on a poll.
- Where a shareholder appoints an attorney to act on his or her behalf, such appointment must be made by a duly executed power of attorney.
- To be effective, a Proxy Form and the original (or a certified copy) of the power of attorney or any other instrument under which it is signed, must be received by the Company at its registered office or c/- Computershare Investor Services Pty Limited by no later than 10:00am (Melbourne time) on Sunday, 23 October, 2011 at:
    - Postal address: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia
    - Delivery address: Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia
    - Or if by facsimile to 1800 783 447 (within Australia), +61 3 9473 2555 (outside Australia)

Voting Rights

The Board has determined that a shareholder's voting entitlement at the meeting will be taken to be held by the persons who are the registered holders at **7:00pm** (Melbourne time) on Sunday, 23 October 2011. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

On a show of hands every shareholder present has one vote. On a poll, shareholders have one vote for every fully paid ordinary share held.

All items will be determined on a show of hands, unless a poll is duly called on an item. A corporate shareholder or proxy must appoint a person as its corporate representative. The appointment must comply with section 250D of the Corporations Act and the representative must provide satisfactory evidence of his/her appointment.

If you propose to attend and vote at the meeting, please bring the enclosed Proxy Form with you. This will assist in registering your attendance.

Custodian voting

For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Explanatory Notes to Shareholders

Item 1 - Financial Report

The financial report for consideration at the meeting will be the full financial report, consisting of the reports of the Directors and Auditors and the annual financial report, including the financial statements of the Company for the year ended 30 June 2011.

Neither the Corporations Act 2001 nor the constitution requires a vote of shareholders on the reports or statements. However, shareholders will be given a reasonable opportunity as a whole to raise questions or comments on the reports and statements at the meeting. In addition, a reasonable opportunity will be given to members as a whole at the meeting to ask the Company's Auditor questions relevant to the conduct of the audit and the preparation and content of the Auditor's report.

Item 2 – Re-election of Director

James MacKenzie
Chairman, Independent Non-Executive
BBus, FCA, FAICD, Age 58

Mr MacKenzie retires in accordance with rule 8.1(d) of the Company's constitution and is standing for re-election at the annual general meeting as a non-executive Director of the Company.

James joined the Board of Pacific Brands Limited in May 2008 and was appointed as Chairman in November 2008.

A Chartered Accountant by profession, James was a partner in both the Melbourne and Hong Kong offices of a Deloitte antecedent firm. James led the transformation of the Victorian Government's personal injury schemes as Chairman of the Transport Accident Commission and the Victorian WorkCover Authority.

James is Chairman of Mirvac Group (since 2005) and Gloucester Coal Limited (appointed June 2009), and a director of Melco Crown Entertainment Limited (appointed April 2008). James has previously been a director of Bravura Solutions Limited (2006 to 2008), Circadian Technologies Limited (2002 to 2008), James Fielding Holdings Limited (2001 to 2005), Medaire Inc. (2004 to 2005), Strategic Pooled Development Limited (2005 to 2007) and Zenyth Therapeutics Limited (2005 to 2006).

The Directors (other than Mr MacKenzie) unanimously recommend that Mr MacKenzie be re-elected as a director of the Company.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.*

Maureen Plavsic
Ms Maureen Plavsic retires in accordance with rule 8.1(d) of the Company's constitution and will not be standing for re-election. Accordingly, Ms Plavsic will retire from the Board at the conclusion of the 2011 Annual General Meeting.

Item 3 – Adoption of Remuneration Report

The Annual Report for the financial year ended 30 June 2011 contains a Remuneration Report, which forms part of the Directors' Report and sets out the remuneration policy for the Company and its controlled entities and reports on the remuneration arrangements in place for executive directors, senior management and non-executive directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Corporations Act 2001 requires listed companies to put an annual non-binding resolution to shareholders to adopt the Remuneration Report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company, however the Directors will have regard to the outcome of the vote and any discussion when setting the remuneration policies in future years.

A voting exclusion statement applies to this item of business, as set out in the Notice of Meeting.

The Directors unanimously recommend that shareholders vote in favour of adopting the Remuneration Report.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.*

Item 4 – Grant of Performance Rights to Chief Executive Officer

Item 4 seeks shareholder approval for the grant of 1,873,807 performance rights, effective 1 July 2011 to Ms Sue Morphet the Chief Executive Officer and an executive director of the Company, pursuant to the Pacific Brands Limited Performance Rights Plan ('***PRP***'), and otherwise on the terms and conditions set out below (the "***2011 Grant***").

The ASX requires, under ASX Listing Rule 10.14, that shareholders approve the grant of new securities to a director. Approval is also being sought to allow the Company flexibility to either issue new shares or to purchase shares on-market for allocation to Ms Morphet upon vesting of the performance rights.

The number of performance rights proposed to be granted is calculated by taking 85% of Ms Morphet's fixed annual remuneration and dividing this by the Company's volume weighted average share price ('VWAP') as at the effective date of the grant (ie. 1 July 2011).

The granting of performance rights forms an important part of the Company's executive remuneration policy, details of which are set out in the Company's Remuneration Report.

In summary, the Company's remuneration policy is to ensure that executive remuneration is competitive in attracting, motivating and retaining executives of high calibre which properly reflects the duties and responsibilities of each relevant executive. The remuneration structure used by the Company to achieve these objectives includes the combination of fixed annual remuneration and performance related remuneration (including participation in the PRP, which is only offered to executives who are able to influence the generation of shareholder wealth and therefore have a direct impact on the Company's performance). The Remuneration Committee obtains independent advice from external specialists on the appropriateness of remuneration packages when compared to packages offered by comparable companies.

Ms Morphet is the only Director who is entitled to participate in the PRP.

Subject to receipt of shareholder approval, the Board intends to grant the performance rights in respect of the 2011 financial year at the first Board meeting following the annual general meeting and in any event, no performance rights will be issued under this approval later than 12 months after the date of the Meeting.

Tranches and Performance Conditions

The grant to Ms Morphet will comprise two equal tranches, with each tranche subject to a different performance condition which is tested at the end of the three year performance period (ie in 2014) as described below.

Tranche 1 – TSR performance condition

The performance condition applicable to Tranche 1, comprising 50% of the performance rights, is based on the relative Total Shareholder Return of Pacific Brands. Total Shareholder Return ('**TSR**') is the return to shareholders provided by share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

The relative TSR performance condition compares the TSR performance of the Company with the TSR performance of entities in a comparator group of entities over the performance condition measurement period.

Following a review of the Company's long term incentive program ('LTI') during the 2010 financial year, with advice being obtained from external remuneration consultants, the Board determined that the comparator group for the 2009 and subsequent grants should, until such time as the Board otherwise determines, be the ASX 200 excluding financial services and resources companies. Financial services and resources companies are excluded from the comparator group due to their very different business activities, operating risk profiles and leverage. The comparator group for the 2011 Grant is as follows:

TSR Comparator Companies – 2011 Grant

AGL Energy Limited, APN News and Media Limited, Adelaide Brighton Limited, Amcor Limited, Ansell Limited, APA Group, Ardent Leisure Group, Aristocrat Leisure Limited, Asciano Group, Austar United Communications Limited, Australian Infrastructure Fund, Billabong International Limited, Boart Longyear, Boral Limited, Bradken Limited, Brambles Limited, CSL Limited, CSR Limited, Cabcharge Australia Limited, Campbell Brothers, Carsales.com Limited, Coca-Cola Amatil Limited, Cochlear Limited, Computershare, ConnectEast Group, Crown Limited, David Jones Limited, Downer EDI Limited, DUET Group, Dulux Group, Echo Entertainment, Emeco Holdings Limited, Energy World Corp, Envestra Limited, Fairfax Media Limited, Fleetwood Corporation Limited, Fletcher Building Limited, Flight Centre Limited, Foster's Group Limited, GUD Holdings Limited, GWA International Limited, Goodman Fielder Limited, Graincorp Limited, Gunns Limited, Harvey Norman Holdings Limited, Hastings Diversified Utilities Fund, Hills Industries Limited, Incitec Pivot Limited, Infigen Energy, InvoCare Limited, Iress Market Technology Limited, James Hardie Industries SE, JB Hi-Fi Limited, Leighton Holdings Limited, Macmahon Holdings, Macquarie Atlas Roads Group, MAP Group, Mermaid Marine Australia Limited, Mesoblast, Metcash Limited, Monadelphous Group Limited, Myer Holdings Limited, Navitas, News Corporation, Nufarm Limited, NRW Holdings Limited, Orica Limited, Origin Energy Limited, Primary Health Care Limited, Qantas Airways Limited, Ramsay Health Care Limited, ResMed Inc., SMS Management & Technology Limited, SP AusNet, Seek Limited, Seven West Media, Sigma Pharmaceuticals Limited, Sims Metal Management Limited, Singapore Telecommunications Limited, Sonic Healthcare Limited, Southern Cross Media Group Limited, Spark Infrastructure Group, Spotless Group Limited, Tabcorp Holdings Limited, Tatts Group Limited, Telecom Corporation of New Zealand Limited, Telstra Corporation Limited, Ten Network Holdings Limited, The Reject Shop Limited, Toll Holdings Limited, Transfield Services Limited, Transpacific Industries Group Ltd, Transurban Group, Treasury Wine Estates, TPG Telecom, UGL Limited, Virgin Blue Holdings Limited, Wesfarmers Limited, Woolworths Limited, WorleyParsons, Wotif.com Holdings Limited.

Any companies that are delisted, merged or taken over during the vesting period will be removed from the comparator group and not replaced.

The level of TSR achieved by the Company over the relevant vesting period will be given a percentile ranking having regard to the Company's performance compared with the performance of other companies in the comparator group.

The percentage of performance rights in Tranche 1 which vest at particular percentile rankings is as follows:

Three year relative TSR target	Percentage of performance rights in tranche available in relevant year that vest
The Company's TSR less than the median TSR of the comparator companies	0%
The Company's TSR equal or exceeds performance of the median TSR of the comparator companies	50%
The Company's TSR ranks in the third quartile of the comparator companies	Pro rata between 50% and 100% (2% increase for each higher percentile ranking)
The Company's TSR ranks in the fourth quartile of the comparator companies	100%

The use of a TSR based hurdle is regarded by the Company as appropriate as it:

- ensures an alignment between comparative shareholder return and reward for the executive
- provides an external market performance measure in respect of share price growth and dividends
- measures and rewards the extent to which shareholder returns are generated relative to the performance of those companies with which the Company competes for capital, customers and talent

Further details about the relative TSR performance condition are set out in the Remuneration Report.

Tranche 2 – EPS performance condition

The performance condition applicable to Tranche 2, which comprises the remaining 50% of the 2011 Grant of performance rights, is based on Pacific Brands' Earnings Per Share. Earnings Per Share ('**EPS**') means net profit after tax divided by the average number of shares on issue.

The growth in EPS over the vesting period, expressed as a compound per annum percentage, will determine the percentage of performance rights in the tranche which vest.

As discussed in the Remuneration Report, as part of the review of the Company's LTI program in the 2010 financial year, the operation of the EPS performance hurdles applicable to previous grants of performance rights was considered. The Board determined that the threshold and maximum CAGR EPS hurdle requirements be 5% and 8% respectively for all future grants until such time as the Board determines otherwise.

The vesting schedule set by the Board for the proposed 2011 Grant is as follows:

Three year EPS growth achieved (compound pa)	Percentage of performance rights in tranche available in relevant year that vest
Less than 5%	0%
Equals 5%	50%
Between 5% and 8%	Pro rata between 50% and 100% (1.667% increase for 0.1% additional EPS growth)
8% or above	100%

EPS is calculated using earnings on a pre-significant items basis (adjusted for the related income tax (benefit)/ expense), and using the number of ordinary shares on issue at the time of grant.

The Board has adopted EPS as a performance requirement because:

- as an absolute measure, it provides management with a performance goal over which they can directly exert control
- it provides a very good 'line of sight' between the actions of senior executives and the Company's results
- it is correlated with shareholder returns, and therefore complements the relative TSR performance requirement

Further details about the EPS performance condition are set out in the Remuneration Report.

Testing

Performance against the relative TSR requirement will be assessed as at 30 June 2014 for the period 1 July 2011 to 30 June 2014. Performance against the EPS growth requirement will be based on audited results for the year ending 30 June 2014 against the base year ended 30 June 2011.

Any Performance Rights under the 2011 Grant which do not vest (either in whole or in part) following 30 June 2014 will be re-tested as at 30 June 2015 against the same performance conditions, but measured over the four year period ending 30 June 2015.

Other terms

(a) The performance rights will be granted at no cost to Ms Morphet. Upon vesting, each performance right will entitle Ms Morphet to one share in the Company. Shares will be issued or acquired on market on vesting of the performance rights. No amount is payable by Ms Morphet upon vesting of the performance rights. The Company will fund the cost of acquisition or issue of the shares

(b) In general, the performance rights are not transferable

(c) Subject to the discretion of the Board, any entitlement to performance rights which have not vested will lapse if Ms Morphet resigns from employment with the Company or ceases employment for any other reason

(d) Following changes to the relevant taxation legislation first announced by the Federal Government in May 2009 and subject to the Company's Guidelines on Dealing in Securities, shares allocated on the vesting of performance rights will not be subject to any trading restrictions

(e) In the event of a takeover of the Company, performance rights may, at the discretion of the Board, vest on a pro rata basis in accordance with an assessment of performance, using the same performance criteria but with the performance period pro rated to the date of the takeover offer

Other information

There are no loans to be granted to Ms Morphet in relation to the acquisition of performance rights.

At the Company's 2010 Annual General Meeting shareholder approval was obtained to the grant of 1,228,915 performance rights to Ms Morphet effective 1 July 2009 and a further 1,377,078 performance rights to Ms Morphet effective 1 July 2010 . Those performance rights were granted in October 2010. No other performance rights have been issued to Ms Morphet under the PRP since approval was obtained at the Company's 2010 Annual General Meeting.

Further details of these and prior grants and the performance rights which have vested pursuant to previous grants are set out in the Remuneration Report which forms part of the Company's 2011 Annual Report.

A voting exclusion statement applies to this item of business, as set out in the Notice of Meeting.

The Directors (other than Ms Morphet) unanimously recommend that shareholders vote in favour of this resolution.

The Chairman of the Meeting intends to vote all available proxies ***in favour*** *of this item of business*

PACIFIC BRANDS

Pacific Brands Limited (“Pacific Brands”)
ABN 64 106 773 059

MR JOHN SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(Australia) 1300 132 632
(New Zealand) 09 488 8777
(Overseas) +61 3 9415 4184

Proxy Form

For your vote to be effective it must be received by 10:00am (Melbourne time) Sunday, 23 October 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: This form must be signed in accordance with section 127 of the Corporations Act or the company’s constitution. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Appointment of Corporate Representative” prior to admission. A form may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →

View your annual report visit
www.pacificbrands.com.au
or update your securityholding, 24 hours a day, 7 days a week:
www.investorcentre.com

- ☑ **Access the annual report**
- ☑ **Review your securityholding**
- ☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I1234567890

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR JOHN SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 1234567890 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Pacific Brands Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Pacific Brands Limited to be held at the offices of Pacific Brands Limited, 290 Burwood Road, Hawthorn, Victoria, Australia on Tuesday 25 October 2011 at 10:00am (Melbourne time) and at any adjournment of that meeting.

Important for items 3 and 4 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default
By marking this box, you are directing the Chairman of the Meeting to vote In accordance with the Chairman's voting intentions on items 3 and 4 as set out below and in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on items 3 and 4, the Chairman of the Meeting will not cast your votes on items 3 and 4 and your votes will not be counted in computing the required majority if a poll is called on these items. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote for, against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of items 3 and 4).

The Chairman of the Meeting intends to vote all available proxies in favour of items 3 and 4 of business.

☐ I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on items 3 and 4 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though items 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel and even if the Chairman of the Meeting has an interest in the outcome of these items and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

BUSINESS		For	Against	Abstain
Item 2	Re-election of Mr James MacKenzie as a Director	☐	☐	☐
Item 3	Adoption of Remuneration Report	☐	☐	☐
Item 4	Grant of performance rights to the CEO	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________ **Contact Daytime Telephone** ____________ **Date** ___ / ___ / ___

PBG 134166A

computershare

134166_0153PC

PACIFIC BRANDS

ANNUAL REPORT 2011

EVERY DAY
EVERY WEEK
EVERY YEAR


EVERY DAY
BONDS
voodoo
Valley


QUALITY
RIO
Clarks
KingGee
SHERIDAN
VINTAGE
Superdry
Hard Yakka
THIS IS A TONTINE FRESH PILLOW
WITH NORMAL USE WE SUGGEST CHANGING IT BY
SEPTEMBER 2013

Contents

Dear shareholders,

We are pleased to report an improved operating result in the most recent financial year, with the benefits from our Pacific Brands 2010 transformation strategy starting to show. The current financial year is expected to be a challenging one but we are well placed to deal with these challenges.

The prevailing headwinds in the retail sector continue to mask some substantial underlying improvements we are making within the businesses. Many of our key brands are currently in growth and margins have benefited significantly from the move to increased off-shore sourcing. The board and senior management believe the strategy we are embarking on is the right one and we continue to work diligently to translate those efforts into externally observable results.

"The prevailing headwinds in the retail sector continue to mask some substantial underlying improvements we are making within the businesses..."

Financial results

Pacific Brands delivered a creditable result in a difficult market, driven by improved talent and capability, innovation, targeted marketing, off-shore sourcing benefits and continued cost control.

The reported sales result of $1,615 million was down 7.3% but was heavily impacted by necessary structural changes, including business divestments and exits, and by brands being discontinued as part of the Pacific Brands 2010 transformation plan.

Underlying sales (ie before the impact of acquisitions, divestments and brand discontinuations) stabilised to be flat in the second half of the year (down 1% for the full year) despite the general downturn in retail. Many of our key brands grew throughout the year and the overall decline was primarily due to the weak retail environment and discount department store channel dynamics. As part of that, we are dealing with a strategic shift by Kmart. It will take time to recover those lost sales but we are making encouraging progress as the second half sales result shows. Achieving sustainable sales growth remains a top priority for Pacific Brands.

Earnings before interest, tax and amortisation (EBITA) and significant items was $189.7 million. Gross margins benefited significantly from the transformation benefits flowing from the transition to increased off-shore supply, including improved foreign exchange rates. As expected, earnings in the second half of the year were adversely impacted by input cost increases, especially due to higher cotton prices. The cotton price rose from around US$0.85/lb in June 2010 to peak at over US$2.40/lb in March 2011 before falling to below US$1.20/lb in July 2011. Given the inventory lags involved, this spike in cotton prices is expected to continue to impact results throughout the current financial year.

The reported net profit after tax was a loss of $131.9 million, and was impacted by a number of largely non-cash significant items not relating to ongoing operations. The largest of those was the $172.1 million post tax write-down in the value of the Footwear, Outerwear & Sport (FOS) business. Notwithstanding results for FOS in the current year, the restructuring and turnaround plan is progressing well with improvement expected to be evident in the current financial year.

Operating cash flow remained strong and, together with the proceeds from the sale of the Sleepmaker and Dunlop Foams businesses, this has enabled us to reduce debt by a further $86 million in the last 12 months to $227 million as at June 2011.

Pacific Brands 2010

Pacific Brands 2010 is a major transformation strategy to reshape the company's portfolio of brands, and reset the company's cost base and capabilities for the future. We have reached the targeted level of cost savings of $150 million one year ahead of schedule, with $153 million of savings in the 2011 financial year.

Pacific Brands 2010 should have naturally run its course by the end of the current financial year, but we will continue to focus on cost reduction, productivity gains and ongoing organisational improvement as part of business as usual well into the future. You should also be certain that our decision to source more of our products off-shore and manage with a leaner cost base was critical to the improved result in 2011 and will also help us deal with the significant cost pressures and other challenges we expect in the current year.

Changes to operating groups and key leadership roles

Following the sale of the Sleepmaker and Dunlop Foams businesses, we have now amalgamated the remaining Homewares and FOS businesses into a single reportable segment from 1 July 2011 known as Homewares, Footwear & Outerwear (HFO). This has improved critical mass, allows greater concentration and leveraging of retail resources, and will further reduce operating costs.

...many of our key brands are currently in growth and margins have benefited significantly from the move to increased off-shore sourcing

We are also combining the Bonds and Omni Apparel groups' functional structures to better leverage competency, capability and insight across all product categories. Importantly, the change will enable improved category management, a more effective go-to-market model and significantly reduce operating costs. As part of the change, the Underwear & Hosiery reportable segment will now be known by the simplified name of Underwear.

For the second half of last year, Holly Kramer was overseeing both Homewares and Workwear. Following the restructure, Holly's sole focus is now the Workwear segment – a critically important business to the long term growth plans of Pacific Brands. Anthony Heraghty has been working hard with his management team in turning around the FOS group. He will now expand his responsibilities to also include the Homewares businesses as the leader of the newly formed HFO segment.

Colette Garnsey joined Pacific Brands in May 2011 from David Jones and has assumed leadership of the Underwear segment.

Dividends and capital management

As planned, the company resumed the payment of dividends during the financial year with a fully franked 6.2 cents per share dividend, representing a payout ratio of approximately 56% of net profit after tax (pre significant items).

The company's low gearing and strong cash conversion have also enabled the company to announce an on-market buy-back of up to 10 per cent of its shares. This initiative demonstrates our commitment to maximising shareholder value through appropriate capital management initiatives.

Outlook

Earnings in the current year will be impacted by a number of challenges, including:

- weak retail conditions, marked by extremely cautious and value-conscious consumers and intense industry competition
- decrease in sales to Kmart due to its changed strategy
- substantial input cost increases due mainly to the cotton price spike

The key responses to mitigate the impact of these factors include:

- continue to focus on key brands and categories, including product innovation and advertising effectiveness
- continue to broaden distribution channels (such as increased B2B and consumer direct)
- benefit from improved hedged foreign currency rates
- increase prices where appropriate, but mindful of competitor and volume responses
- continue the emphasis on cost control and opportunities for cost savings

Earnings in the current year are expected to be down on the previous financial year, particularly in the first half, however the company is well placed to deal with the challenges ahead of it and then benefit from any improvement in market conditions.

Feedback

Your feedback is always important to us and we want to ensure that you, our shareholders, have an avenue to ask any questions you have. We have a designated email address (agmquestions@pacbrands.com.au) for you to submit questions and we will endeavour to address these at our Annual General Meeting on 25 October 2011.

Once again, thank you for your support over the last 12 months. We will continue the hard work to make your company a stronger and better performer now and into the future.

James MacKenzie
Chairman

Sue Morphet
Chief Executive Officer

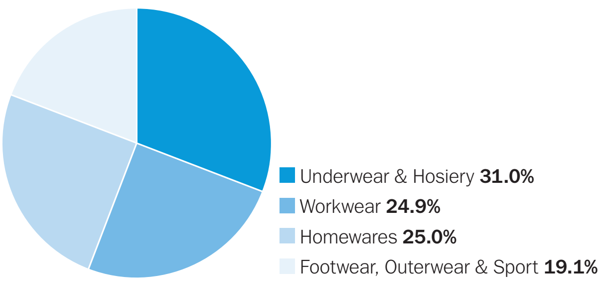
24 August 2011

FINANCIAL SUMMARY

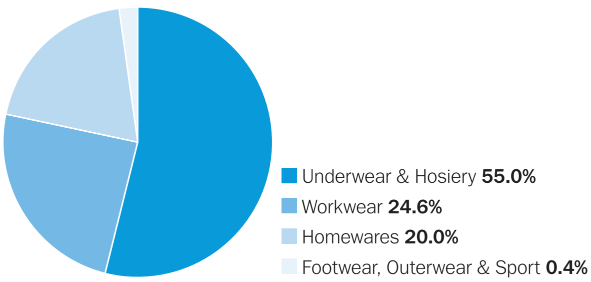
$ millions	Notes	2011	2010	2009	2008	2007
Income and Cash Flow						
Sales revenue	1	**1,614.6**	1,742.4	1,959.8	2,074.0	1,781.5
Gross margin	1	**760.5**	732.2	827.9	911.0	732.8
EBITDA	2	**207.2**	201.0	230.0	253.0	216.4
EBITA	2	**189.7**	181.4	205.3	229.1	194.0
EBIT	2	**186.2**	179.0	202.3	226.1	192.3
PBT	2	**150.6**	130.7	139.1	160.9	145.6
NPAT	2, 6	**103.4**	90.3	100.1	116.6	106.0
Reported NPAT	6	**(131.9)**	52.7	(234.5)	116.6	106.0
OCFPIT	3	**171.2**	290.4	206.0	279.4	208.1
Reported net operating cash flow		**94.7**	135.3	103.7	182.5	138.3
Statement of Financial Position						
Inventory		**262.5**	241.3	311.4	356.9	361.5
Trade debtors		**179.1**	194.3	231.5	246.4	280.7
Property, plant & equipment		**80.4**	117.0	144.4	204.9	206.8
Intangibles		**1,081.0**	1,307.6	1,321.3	1,507.5	1,503.8
Trade creditors		**(115.8)**	(119.5)	(117.4)	(150.5)	(138.8)
Other		**(75.1)**	(48.5)	(171.7)	(92.4)	(92.4)
Total capital employed		**1,412.1**	1,692.2	1,719.5	2,072.8	2,121.6
Net debt		**(227.2)**	(312.7)	(452.8)	(742.7)	(802.2)
Net assets/total equity		**1,184.9**	1,379.5	1,266.7	1,330.1	1,319.4
Ratios						
EBITA margin (%)	1, 2	**11.7**	10.4	10.5	11.0	10.9
EPS (cents)	2, 4	**11.1**	9.7	17.0	20.9	19.0
Reported EPS (cents)	4	**(14.2)**	5.7	(39.9)	23.2	21.1
Dividends per share (cents)		**6.2**	0.0	0.0	17.0	16.5
Inventory turnover (times)		**3.4**	3.6	3.2	3.4	3.3
Cash conversion (%)	5	**82.6**	144.5	89.6	110.4	96.2
Net debt/equity (%)		**19.2**	22.7	35.7	55.8	60.8
Return on capital employed (%)	2	**13.4**	10.7	12.0	11.1	9.1

1 2007, 2008 and 2009 adjusted for the reclassification of certain amounts of sales and marketing expenses now netted against sales revenue
2 Before other expenses that are individually significant as disclosed in Note 4 to the Financial Statements (significant items)
3 Operating cash flow pre interest and tax
4 2007 and 2008 have been restated for the impact of the rights issue undertaken during F09 in accordance with AASB 133 Earnings per Share
5 Cash conversion is defined as OCFPIT/EBITDA
6 After deducting minority interests

Sales by operating segment



EBITA by operating segment[2]



Group underlying sales stabilised to be flat in the second half (down 1% for the full year). Reported sales declined by 7.3% due principally to business divestments and exits. The underlying sales result was impacted by continuing difficult market conditions and reduced sales in the DDS channel.

Underwear & Hosiery*

Underwear and Hosiery businesses include market-leading brands Berlei, Bonds, Holeproof, Jockey, Razzamatazz, Rio and Voodoo. Sales derive from a broad range of underwear, intimate apparel, hosiery and socks for women, men and children across Australia and New Zealand.

$ millions	F11	F10	Change %
Sales[1]	493.6	536.3	(8.0)%
EBITA[2]	111.3	99.9	11.4%
EBITA margin[2]	22.5%	18.6%	3.9pts

1 Excluding other segment revenue and inter segment revenue
2 Excluding corporate expenses and before significant items

Financial

- Over half the sales decline was due to brand discontinuations
- Sales were down in the Discount Department Store and Supermarket channels
- The initial impact of de-listings by Kmart contributed to declines in Rio and Bonds, although Bonds was flat in the second half due to offsetting growth through other customers
- Jockey and Berlei both grew throughout the year, but Rio was down
- Holeproof was up in the second half, benefiting from increased seasonal winter sales of Explorer socks
- Hosiery sales were flat, although Razzamatazz was up
- Margins improved through portfolio rationalisation and off-shore sourcing benefits, but declined in the second half due to the initial impact of cotton driven input cost increases

Marketing and operations

- Bonds launched Invisitails, a new generation of invisible underwear
- Australian actress, Rachel Taylor, was appointed as the Summer 2011 face for Bonds
- Berlei's newest innovation in sports bras, Ultimate Performance, was launched through a sponsorship at Sydney's City to Surf event
- Voodoo's Boot Tights won *Shop Till You Drop* magazines' 'Genius Buy of the Year' award highlighting Voodoo's outstanding achievements in product development and innovation
- Holeproof Explorer sales increased following the launch of the 'Get ready to go anywhere' brand campaign featuring the new Extreme sock

Workwear

Pacific Brands keeps a nation comfortably clothed, offering industrial workwear and imagewear to employees and businesses. Workwear brands include Australia's best known workwear brands Hard Yakka and KingGee, as well as Can't Tear 'Em, Dowd, NNT, Stylecorp and Stubbies.

$ millions	F11	F10	Change %
Sales[1]	396.8	379.5	4.6%
EBITA[2]	49.9	41.8	19.3%
EBITA margin[2]	12.6%	11.0%	1.6pts

Financial

- Very good result with sales and earnings both up, but some slowing in the second half of the year
- Wholesale sales of the industrial workwear business, including KingGee and Yakka, grew due to continued strength in the resources sector and demand from major resellers
- B2B (business-to-business) sales of corporate imagewear and uniforms were also up despite increasingly cautious spending by corporate customers, most notably those in the government sector
- The corporate business continues to have high retention rates for existing contracts and a good success rate in winning new contracts
- Margins improved through off-shore sourcing benefits, although input cost increases (eg cotton and other raw materials) had some impact late in the year

Marketing and operations

- Hard Yakka launched a new TVC titled 'Delivery' promoting the Original Legends Work Pants and featuring the signature Hard Yakka chant
- Hard Yakka launched Little Legends, a new unisex range of trousers, shorts and bright tees designed especially for children to withstand a hard day's yakka in backyards, sandpits and playgrounds
- KingGee cemented their presence in the safety footwear market with the launch of a new range of comfortable and durable safety boots
- Corporate business re-organised along the lines of customer segments rather than individual brands/businesses
- New Zealand Defence Force contract was renewed (NZ$200m over 9 years)

* To be known as "Underwear" from F12

However, margins improved due to off-shore sourcing benefits, including improved foreign exchange rates. Cash flow remained strong and, together with proceeds from divestments, this enabled a reduction in net debt to $227 million at year end.

Homewares*

The Homewares businesses are leading manufacturers and marketers of pillows, quilts, bedlinen, towels and carpet underlay. Homewares brands include Sheridan, Tontine, Dunlopillo and Dunlop. The Sleepmaker and Dunlop Foams businesses were sold effective 31 March 2011.

$ millions	F11	F10	Change %
Sales[1]	398.7	404.4	(1.4)%
EBITA[2]	40.4	33.6	20.3%
EBITA margin[2]	10.1%	8.3%	1.8pts

1 Excluding other segment revenue and inter segment revenue
2 Excluding corporate expenses and before significant items

Financial

- Excluding the impact of divestments in F11 (Sleepmaker, Dunlop Foams), sales and earnings rose 8.2% and 37.2%, respectively
- Sheridan showed continued growth, with consumer direct retail the strongest channel
- Sheridan on-line was successfully launched with initial sales ahead of expectations
- Tontine's sales were up, driven by the 'Tontine Fresh Pillow' campaign
- Dunlop Flooring domestic sales grew despite a slowing housing market and increasing competition
- Margins rose due to increased manufacturing volumes and off-shore sourcing benefits

Marketing and operations

- Sheridan's Ultra-light Luxury towel was awarded the Australian Women's Weekly Product of the Year, 2011 for the Home and Outdoor category
- Tontine redefined the pillow category with the launch of the 'Tontine Fresh Pillow' campaign introducing the market's first date stamped pillows. The innovative campaign was recognised with four awards at Cannes Lions International Festival of Creativity and won two gold medals at the Effie's plus the coveted Grand Effie for the most effective advertising campaign
- For the second year running, Dunlop Flooring received a 'Highly Recommended' award in the 2011 Australian Achiever Awards for Australia's Floor and Wall Services Category

Footwear, Outerwear & Sport*

The Footwear, Outerwear & Sport businesses are some of Australia's leading suppliers of footwear, casualwear, youth fashion, sports clothing, sports equipment, bicycles and bicycle accessories. Key brands include Clarks, Hush Puppies, Volley, Diesel, Mossimo, Superdry and Slazenger.

$ millions	F11	F10	Change %
Sales[1]	305.2	399.3	(23.6)%
EBITA[2]	0.8	15.5	(95.0)%
EBITA margin[2]	0.3%	3.9%	(3.6)pts

Financial

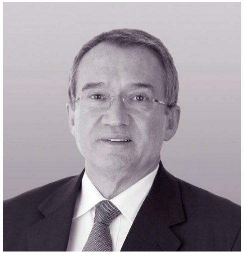
- Excluding the impact of divestments and exits in F10, sales and earnings fell 11.2% and 92.8%, respectively
- Sport and non-premium footwear sales through the independent retail and DDS channels were well down
- DDS sales were impacted by de-ranging of brands by some customers, most notably Kmart. Grosby and Volley were particularly affected
- Sport sales were also impacted by inclement weather during the traditionally strong spring/summer period
- Sales in the premium footwear business were up, driven by increased sales for Clarks
- The outerwear business continued to stabilise and is gaining critical mass. Superdry was up throughout the year and Mossimo was up in the second half
- Margins declined as improved exchange rates were more than offset by rising import costs and lower volumes

Marketing and operations

- Clarks launched in the retail channel by opening three pilot stores and expanded its product range beyond children's shoes to include adults/family ranges
- Entered the premium youth fashion market with the acquisition of the Diesel Australia licence
- Diesel orchestrated a guerrilla marketing stunt to support the national launch of the "Be Stupid" global campaign
- Volley launched on-line and the Volley range was reset to its former glory, with the re-launch of three classic styles from the previous century
- Volley was announced as the official casual shoe of the 2012 Australian Olympic Team
- Superdry expanded their retail network during the year

* To be amalgamated into a single reportable segment to be known as "Homewares, Footwear & Outerwear" (HFO) from F12

BOARD OF DIRECTORS



James MacKenzie

Chairman
Independent Non-Executive
BBus, FCA, FAICD
Age 58

James joined the board of Pacific Brands Limited in May 2008 and was appointed as Chairman in November 2008. A Chartered Accountant by profession, James was a partner in both the Melbourne and Hong Kong offices of a Deloitte antecedent firm. James led the transformation of the Victorian Government's personal injury schemes as Chairman of the Transport Accident Commission and the Victorian WorkCover Authority. James is Chairman of Mirvac Group (since 2005) and Gloucester Coal Limited (appointed June 2009), and a director of Melco Crown Entertainment Limited (appointed April 2008). James has previously been a director of Bravura Solutions Limited (2006 to 2008), Circadian Technologies Limited (2002 to 2008), James Fielding Holdings Limited (2001 to 2005), Medaire Inc. (2004 to 2005), Strategic Pooled Development Limited (2005 to 2007) and Zenyth Therapeutics Limited (2005 to 2006).

Sue Morphet

Chief Executive Officer
Executive Director
BSc (Ed)
Age 56

Sue has driven the transformation of Pacific Brands from the time she was appointed Chief Executive Officer in January 2008. Prior to this, Sue was Group General Manager of Underwear & Hosiery at Pacific Brands, the largest operating group within the business. Sue joined Pacific Brands in 1996 as General Manager of Tontine, following which she became the General Manager of Bonds in 1999. Under her leadership, the Bonds team relaunched the iconic brand, more than doubling sales and taking the brand to women for the first time. Prior to joining Pacific Brands, Sue held senior marketing roles with Sheridan and Herbert Adams. Sue is a director of the Melbourne Fashion Festival, is a member of Chief Executive Women and has various other philanthropic interests.

Peter Bush

Director
Independent Non-Executive
BA
Age 59

Peter joined the board of Pacific Brands Limited in August 2010. Peter had a long and successful career in fast moving consumer goods, holding senior roles with SC Johnson, Reckitt & Coleman, Ampol/Caltex and Arnotts and was CEO of AGB McNair and Schwarzkopf. He then ran his own strategic consultancy business for 6 years with clients including Qantas, Telstra, George Patterson Bates, John Singleton Advertising and McDonald's Australia. In 2003 he became the CEO of McDonald's Australia. He left McDonald's in April 2010 as its divisional president for Pacific, Middle East and Africa. Peter is a director of Insurance Australia Group Limited (since 2010) and Nine Entertainment Co.

James King

Director
Independent Non-Executive
BComm, FAICD
Age 59

Jim was appointed to the board of Pacific Brands Limited in September 2009. Jim has over 25 years experience in major multinational corporations in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific). He is currently a non-executive director of JB Hi-Fi Limited (since 2003), Navitas Ltd (since 2004) and Trust Company Ltd (since 2007). Jim is also Chairman of Juvenile Diabetes Research Foundation (Victoria) and is on the Council of Xavier College.

Maureen Plavsic

Director
Independent Non-Executive
Age 55

Maureen joined the board of Pacific Brands Limited in May 2004, bringing more than 25 years experience in media, advertising and brand marketing roles. Maureen is a trustee of National Gallery of Victoria (since 2003), a non-executive director of Macquarie Radio Network Limited (since 2005) and a director of not for profit entity Bestest Inc. Maureen has previously been a director of Seven Network Limited and Opera Australia. Maureen previously spent fourteen years in various executive roles at the Seven Network, including Chief Executive of Broadcast Television and prior to that, Director of Sales and Corporate Marketing. Maureen also held various roles in the advertising industry and a senior regional media role at Unilever.

Nora Scheinkestel

Director
Independent Non-Executive
LLB (Hons), PhD, FAICD
Age 51

Nora joined the board of Pacific Brands Limited in June 2009, having served as a non-executive Chairman and director of companies in a wide range of industry sectors and in the public, government and private spheres. Currently, Nora is a director of AMP Limited (since 2003) and two of its subsidiaries, AMP Bank Ltd and AMP Capital Investors. Nora is also a director of Orica Ltd (since 2006) and Telstra Corporation Limited (since 2010). Her prior directorships include Newcrest Mining Ltd (2000 to 2007), Mayne Pharma Ltd (2005 to 2007), PaperlinX Ltd (2000 to 2009), Mayne Group Ltd, North Ltd, MBF Health Fund, IOOF Funds Management and various Government Business Enterprises. Nora is an Associate Professor at the Melbourne Business School at Melbourne University and a member of the Australian Government Takeovers Panel. In 2003, she was awarded a centenary medal for services to Australian society in business leadership.

Arlene Tansey

Director
Independent Non-Executive
FAICD, MBA, JD, BBA
Age 53

Arlene was appointed to the board of Pacific Brands Limited in March 2010, bringing over 25 years experience as a senior executive in business and the financial services industry. Arlene is a Director of Adelaide Brighton Ltd (since 2011), two subsidiaries of Lend Lease Group (Lend Lease Real Estate Investments Limited and Lend Lease Funds Management Limited) and Police & Community Youth Clubs. Her prior directorships include Retirement Villages Group (2007 to 2008), Sydney Roads Group (acquired by Transurban) (2006 to 2007), Snowy Hydro Limited (1999 to 2006), Sydney Ports Corporation (2003 to 2005) and the Royal Hospital for Women Foundation. Arlene worked for ANZ Institutional Bank for ten years, her last role being Managing Director, Balance Sheet Management. Arlene also spent four years in Project and Structured Finance at Macquarie Bank, having come to Australia from the US with a background in investment banking and securities law.

SENIOR MANAGEMENT

David Bortolussi

Chief Financial
& Operating Officer
BComm, FFin, FCA
Age 42

David joined Pacific Brands in June 2009 in the role of Chief Financial and Operating Officer. Prior to his appointment, David was at Foster's Group Limited, most recently as Chief Strategy Officer where his responsibilities included corporate strategy, business development, financial planning and operational performance improvement. David has substantial experience in the consumer goods and financial sectors, having held senior consulting roles with McKinsey & Company and PricewaterhouseCoopers where he developed strong functional capabilities in strategy, operations and finance. At Pacific Brands, David is responsible for Finance, Commercial, Corporate Development, Treasury, IT, Shared Services, Risk, Legal, Sourcing & Supply Chain and other Corporate Services.

Colette Garnsey

Group General Manager,
Underwear & Hosiery
Age 51

Colette joined Pacific Brands in May 2011 as Group General Manager, Underwear & Hosiery overseeing the Company's iconic underwear and hosiery brands. Colette has over 30 years of retail experience, including 16 years with Australian department store retailer David Jones, where she most recently held the position of Group General Manager for Apparel, Cosmetics, Footwear and Accessories. Colette was also a member of the David Jones Executive Management Committee. Colette is a director of the Melbourne Fashion Festival and a member of the TCF Innovation Council and Chief Executive Women.

Kate Hann

Group General Manager,
Bonds
BMark
Age 48

Kate joined Pacific Brands when the company acquired Kolotex in 2003. Kate was General Manager of the Hosiery group until she was appointed to her role in June 2008. Kate was extensively involved in the integration and turnaround of the Hosiery business. Prior to the acquisition, Kate held product development and marketing roles in hair care and consumer goods companies for seventeen years.

Anthony Heraghty

Group General Manager,
Footwear, Outerwear
& Sport
BBus
Age 37

Anthony joined Pacific Brands in October 2009 from Foster's Group Limited, where he spent three years, first as Marketing Director for the Australian, Asia and Pacific business and subsequently as Global Marketing Director. Previously, Anthony was a Managing Director of advertising agencies George Patterson and McCann-Erickson for over ten years. Anthony brings to his role a proven track record as a senior executive and leader, and a wealth of knowledge and experience in advertising, marketing, brand development and brand management of consumer goods.

Holly Kramer

Group General Manager, Workwear
BA (Hons), MBA
Age 46

Holly joined Pacific Brands as Group General Manager, Homewares in May 2010 following nine years with Telstra in roles such as Chief of Marketing for both the consumer and retail divisions, and Group Managing Director – Product Management. Holly was appointed to her current role in March 2011. Prior to Telstra she was General Manager at ecorp Ltd which comprised divisions such as Ninemsn, eBay, Monster.com and Ticketek.com, and also held a number of sales and marketing roles at Ford Motor Company in Australia and the US. Holly brings to her role at Pacific Brands over eighteen years' experience in all marketing disciplines, as well as strong commercial and operational management experience.

Ross Taylor

Group General Manager, Underwear & Hosiery
Age 58

Ross joined Pacific Brands in 1991 after a career in sales and marketing with a number of major food and consumer goods companies. In his time with Pacific Brands, Ross has worked across all sectors of the business, with senior roles in footwear, bikes, sporting equipment, workwear, outerwear, homewares and underwear and hosiery. Ross brings extensive sales and marketing experience to this role and a real depth of understanding of the brands, customers and operations of Pacific Brands.

John Grover

Company Secretary
LLB, BComm, FCIS
Age 49

John was appointed to the position of General Counsel and Company Secretary in December 2003 having held the same role with the company's predecessor, Pacific Brands Holdings Pty Ltd, since December 2001. Prior to joining Pacific Brands, he held senior corporate legal roles with Ansell Limited (formerly Pacific Dunlop Limited) and RTZ Limited (formerly CRA Limited). Prior to this John had an eight-year career with a major Australian law firm, which included two roles based in South East Asia.

CORPORATE SOCIAL RESPONSIBILITY

Pacific Brands is committed to attaining the highest standards in ethical, responsible and sustainable business practices. The company believes this is the most appropriate way of doing business and its consumers will have a stronger connection with its brands as a result.

Corporate social responsibility at Pacific Brands touches every part of the business and encourages all stakeholders to contribute to the vision of significantly reducing the impact on the environment and supporting the communities in which Pacific Brands operates.

The program focuses on four key areas where the company is seeking to make a difference:

- Our People
- Our Environment
- Our Community
- Our Marketplace

Our People

Pacific Brands has an ongoing commitment to providing a responsible working environment for all its employees. Pacific Brands recognises that it is important to ensure all employees have the best opportunities available to prepare them for the future.

Pacific Brands has formalised new corporate values that aim to reinforce positive behaviours and strengthen staff engagement across the business. These values are:

- Energy and commitment
- Collaboration
- Informed decisions
- Straight talk
- Ownership

The health and safety of employees is a top priority for Pacific Brands. Key initiatives include:

- The workplace integrated management system which encompasses safety, health, environment and quality and covers areas such as leadership, process approach and continuous improvement. Pacific Brands is externally accredited to AS/NZS 4801 and ISO 14001
- Open and consultative safety, health and environment programs
- Annual influenza vaccination programs
- Discounted private hospital insurance
- Site based safety advisors, supported by a national team
- Dedicated injury management and return to work resources
- Access to International SOS for all employees to ensure they are able to obtain appropriate medical assistance when travelling

In addition to programs for employees, the company's supplier evaluation processes require its suppliers to demonstrate they have formal management systems in place to identify and manage safety, the environment and quality.

Our Environment

Pacific Brands is committed to reducing its environmental footprint. Its robust Environmental Management System is certified within ISO 14001.

Pacific Brands has a number of environmental initiatives in place, including:

- Working closely with environmental partners, to reduce waste to landfill
- Membership of the Australian Packaging Covenant (APC) – a voluntary initiative by Government and industry to help reduce the environmental effects of packaging in Australia. The majority of packaging materials are either reused or recycled and new opportunities are being explored across Pacific Brands on an ongoing basis
- Monthly data collection of water, energy, fuel and waste across all of the company's operations to identify improvement opportunities
- Annually measuring, assessing and reporting of greenhouse gas emissions to ensure compliance with the *National Greenhouse Emissions Reporting Act*, 2007
- Encouraging the management and reduction of carbon emissions within its supply chain
- Setting printers to double-sided printing to reduce printing outputs
- Trialling water recycling programs across its sites
- Site based recycling programs
- Minimising energy consumption and reducing energy demand to reduce the company's carbon footprint

Our Community

Looking after the communities in which the group's employees and consumers live is the right thing to do and Pacific Brands values the deeper connections it is endeavouring to build with them.

The company's community investment program aims to enhance the social and economic wellbeing of the communities where its staff live and work. The heart of its approach involves developing innovative programs and partnerships with clear aims and meaningful outcomes.

Pacific Brands continues to support a number of charitable organisations including:

- Breast Cancer Network of Australia
- Brotherhood of St Laurence
- Nippers Surf Education Program

Many businesses also participated in a number of initiatives within their local communities.

This year Pacific Brands provided support to the Queensland Flood Relief Appeal and the Christchurch Earthquake Appeal by donating products for distribution to the many people impacted by these events.

Our Marketplace

Consideration of the impact a business makes on the environment and the communities in which they operate is becoming more important every day.

More and more, people are beginning to think about how a product is made rather than focusing solely on the product itself. This concern also extends to the environmental and social conduct of suppliers.

Pacific Brands is committed to ensuring it meets its social compliance responsibilities and has an ongoing program of auditing its supply chain for adherence to ethical practices spanning labour rights, safety, quality and the environment.

The company is dedicated to social compliance; however, it recognises the difficulties in dealing with a large and complex supply chain. Pacific Brands has made a commitment to developing, over time, social compliance within its supplier base.

FINANCIAL, STATUTORY AND OTHER INFORMATION

CORPORATE GOVERNANCE STATEMENT

Pacific Brands' directors and management are committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. Good corporate governance structures encourage companies to create value for shareholders through sensible risk taking, but provide accountability and control systems commensurate with the risks involved.

This statement describes Pacific Brands' approach to corporate governance. The Board believes that the Company's policies and practices comply in all substantial respects with the Australian Securities Exchange ('ASX') Corporate Governance Council's Corporate Governance Principles and Recommendations. A checklist summarising this is found in section 13 of this statement.

Copies of the main corporate governance policies adopted by the Company can be found on the Company's website at www.pacificbrands.com.au.

1. ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is committed to maximising operational performance and financial returns, generating shareholder value, and stewarding a portfolio of high quality brands.

In conducting business in line with these objectives, the Board is responsible for ensuring that the Company is properly managed to protect and enhance shareholder interests, and that the Company, its directors, officers and employees operate in an appropriate environment of corporate governance. The Board's charter can be found on the Company's website at www.pacificbrands.com.au. The Board has ultimate responsibility for establishing policies regarding the business and affairs of the Company for the benefit of its shareholders and other stakeholders. The Board's key responsibilities include:

- appointing, and reviewing the performance of, the Chief Executive Officer
- ensuring executive and Board succession planning
- approving the Company's strategic direction
- approving annual budgets
- evaluating the performance of the Company against strategies and budgets
- determining the Company's capital structure
- ensuring the establishment of a risk management and compliance framework and monitoring and reviewing its effectiveness
- approving significant acquisitions or divestments
- overseeing relations with shareholders
- approving accounting policies and annual financial statements

The Board delegates management of the Company's resources to senior management, under the leadership of the Chief Executive Officer, to deliver the strategic direction and operational goals agreed between senior management and the Board. A key function of the Board is to monitor the performance of senior management in this function. Annual performance evaluations of senior management occur in accordance with the process described in the Remuneration Report.

The Chief Executive Officer provides reports on the Company's strategic initiatives, organisational matters and operational performance to each Board meeting. The Chief Financial & Operating Officer also provides reports on the Company's financial performance and other relevant matters such as the Company's net debt position, foreign exchange hedging, risk issues, sourcing and supply chain matters and corporate development opportunities.

The Board monitors the decisions and actions of the Chief Executive Officer and the performance of the Company to gain assurance that progress is being made towards attainment of approved strategies and plans.

2. BOARD APPOINTMENT AND COMPOSITION

It is the Board's policy that the Board should be comprised of a majority of independent, non-executive directors. That is, the majority of directors should be free from any business or other relationship that could materially compromise their independent judgement. As an additional safeguard in preserving independence, the policy requires that the office of Chairman be held by an independent, non-executive director.

Specifically, the Board considers a director to be independent where he or she is not, and was not within the last three years, a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. The Board will consider the materiality of any given relationship on a case by case basis and has adopted materiality guidelines to assist it in this regard. Under the Board's materiality guidelines, the following interests are regarded as, prima facie, material:

- a holding of 5% or more of the Company's shares
- an affiliation with a business which accounts for 5% or more of the revenue or expenses of the Company

However, ultimately the Board will make a qualitative assessment of any factors or considerations which may, or might reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company. Directors are required to promptly disclose to the Board interests in contracts, other directorships or offices held, possible related party transactions and sales or purchases of the Company's shares. The Board reviews the independence of each director in light of interests disclosed to the Board from time to time and at least once a year.

The Board has determined that each of the six non-executive directors satisfy the Board's criteria for independence. It is also the Company's view that all of its directors have exercised judgement and discharged their responsibilities in an unrestricted and independent manner throughout the 2011 financial year.

The Board is currently made up of seven directors, being the Company's one executive director and six independent non-executive directors.

Details of the directors as at the date of this Annual Report, including their terms of office, qualifications and experience, are set out on pages 7 and 8 of the Annual Report.

In making recommendations to the Board regarding the appointment of directors, the Nomination Committee periodically assesses the appropriate mix of skills, experience and expertise required by the Board and assesses the extent to which the required skills and experience are represented on the Board. The committee also takes account of qualitative factors such as diversity and cultural fit. Nominations for appointment are then approved by the Board as a whole. The identification of potential director candidates may be assisted by the use of external search organisations as appropriate. Detailed background information in relation to a potential candidate is provided to all directors, prior to any decision being made.

New directors are provided with a letter of appointment, setting out the terms of their appointment, including their powers, rights and obligations. An induction program is provided for new members of the Board. This includes meetings with senior executives, site visits, independent meetings with both the Company's internal and external auditors, provision of relevant corporate governance materials and policies and discussions with the Chairman and other directors.

Under the Company's Constitution and the ASX Listing Rules, all directors other than the Chief Executive Officer are subject to shareholder re-election every three years. It is the Board's current policy that, in general, directors do not hold office beyond a maximum term of nine years.

The period of office held by each current director is as follows:

	APPOINTED	LAST ELECTED AT AN ANNUAL GENERAL MEETING
J A C MacKenzie (Chairman)	May 2008	Will stand for re-election at the 2011 Annual General Meeting
P H Bush	August 2010	25 October 2010
J S King	September 2009	20 October 2009
S M Morphet (Chief Executive Officer)	January 2008	Not applicable
M A Plavsic	May 2004	Will stand for re-election at the 2011 Annual General Meeting
N L Scheinkestel	June 2009	20 October 2009
A M Tansey	March 2010	25 October 2010

Directors' shareholdings are shown on page 23 of the Annual Report.

3. BOARD PROCESSES

The Board currently schedules nine meetings per year. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between the scheduled meetings. During the 2011 financial year, the Board met ten times. Extraordinary meetings take place at such times as may be necessary to address any specific significant matters that may arise.

The table on page 23 of the Annual Report shows the number of Board meetings held in the 2011 financial year and the attendance of each director.

The agenda for meetings is prepared by the Company Secretary, in conjunction with the Chairman, Chief Executive Officer and Chief Financial & Operating Officer, with periodic input from the Board. Comprehensive Board papers are distributed to directors in advance of scheduled meetings. Board meetings take place both at the Company's head office and at key operating sites to assist the Board in its understanding of operational issues. The directors also spend (both individually and as a Board) time visiting representative retail operations of both the Company and its customers to assist the Board in better understanding the strategies of its customers and competitors and the relative strength and positioning of the Company's key brands and own retail operations.

4. BOARD COMMITTEES

There are presently three standing committees which assist the Board in the execution of its responsibilities, being the:

- Audit, Business Risk and Compliance Committee
- Nomination Committee
- Remuneration Committee

Any issues of corporate governance which are not dealt with specifically by one of these committees are the responsibility of the full Board.

Each committee operates under a specific charter, which can be found on the Company's website at www.pacificbrands.com.au. The charter of each committee requires each committee to be comprised of a minimum of three non-executive directors, a majority of whom must be independent. All Board committees are chaired by an independent non-executive director, not being the Chairman of the Board.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Details of the committee members' qualifications are set out on pages 7 and 8 of the Annual Report. Further details regarding the three committees are set out in the table below:

	AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Roles and responsibilities	The committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting, the maintenance of a risk management framework and the relationship with the external and internal auditors.	The committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of directors.	The committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Chief Executive Officer and other senior executives.
Functions	▪ ensuring that processes are in place so that financial information provided to shareholders is accurate, complete and reliable in all material aspects ▪ evaluating the processes in place to ensure that accounting records are properly maintained in accordance with statutory requirements ▪ overseeing the relationship with the external auditor, auditor independence and the external audit function ▪ overseeing the adequacy of processes and controls established by senior management to identify and manage areas of potential risk and to safeguard the assets of the Company ▪ reviewing the scope of the internal audit program and the performance of internal audit ▪ reviewing the reports of the internal auditor and overseeing management's implementation of internal audit recommendations	▪ assessing Board composition, function and size (taking into consideration the skills and experience required and the extent to which they are represented on the Board) ▪ establishing processes for reviewing the performance of individual non-executive directors, the Board as a whole and the operation of Board committees ▪ overseeing the selection and appointment practices for non-executive directors ▪ developing succession plans for the Board including the likely order of retirement by rotation of non-executive directors ▪ making recommendations to the Board on non-executive director remuneration, including that of the Chairman	▪ assisting the Board in determining an appropriate remuneration framework and policies for all employees ▪ overseeing the selection and appointment practices for senior executives of the Company ▪ overseeing the development of succession planning in relation to the Chief Executive Officer and other senior executives ▪ making recommendations to the Board on the Chief Executive Officer's remuneration (including short and long term incentive plans) ▪ reviewing and approving recommendations from the Chief Executive Officer on total levels of remuneration for senior executives reporting to the Chief Executive Officer (including short and long term incentive plans) ▪ reviewing human resources and remuneration policies and practices for the Company as a whole, as brought forward by management
Members	▪ Nora Scheinkestel (Chair) ▪ Peter Bush ▪ James King ▪ James MacKenzie	▪ Maureen Plavsic (Chair) ▪ James MacKenzie ▪ Nora Scheinkestel	▪ James King (Chair) ▪ James MacKenzie ▪ Maureen Plavsic ▪ Arlene Tansey
Composition	The committee is chaired by an independent non-executive director and must comprise of at least three non-executive directors, all of whom must be independent and financially literate. The Chairman of the Board is not permitted to chair the committee.	The committee is chaired by an independent non-executive director and must comprise of at least three non-executive directors, a majority of whom must be independent.	The committee is chaired by an independent non-executive director and must comprise of at least three non-executive directors, a majority of whom must be independent.
Consultation	The Chief Executive Officer, Chief Financial & Operating Officer, General Manager, Corporate Finance, General Manager, Risk & Safety, Health and Environment, head of internal audit and the external auditor have standing invitations to attend committee meetings. Other members of management may also attend by invitation. The committee has access to financial and legal advisers as it considers appropriate. The committee also meets with the external auditor and internal auditor in the absence of management whenever deemed appropriate, but no less than semi-annually to ensure the committee can be satisfied that the auditors have had the full cooperation of management in conducting audit functions, and to give each auditor the opportunity to raise any matters of concern.	The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.	The Chief Executive Officer and the Group General Manager, Human Resources have standing invitations to attend committee meetings. The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.
Meetings and attendance	The table on page 23 of the Annual Report shows the number of meetings held in the 2011 financial year and the attendance of each member.	The table on page 23 of the Annual Report shows the number of meetings held in the 2011 financial year and the attendance of each member.	The table on page 23 of the Annual Report shows the number of meetings held in the 2011 financial year and the attendance of each member.

5. REVIEW OF BOARD PERFORMANCE

The performance of the Board is reviewed bi-annually by the Board with the assistance of the Nomination Committee and an external adviser. The most recent process of formally reviewing the performance of the Board (including Board committees) commenced in November 2010 and concluded in March 2011.

The evaluation process included a review of:

- individual performance of the Chairman and each other director
- the Board's membership
- Board processes and its committees' effectiveness in supporting the Board
- the performance of the Board and its committees

As part of the 2011 review process, all directors completed a questionnaire and were able to make other comments or raise any issue that they had relating to the Board's or a committee's operation. The results of the questionnaire were compiled by the external adviser and a written report provided which included both a quantitative and qualitative analysis. Senior executive input was also sought and provided into the review process. The Chairman in conjunction with the external adviser provided open and transparent feedback to the Board and each individual director based on the information provided in response to the questionnaire. The Board performance review conducted during the 2011 financial year indicated no major issues or concerns in relation to the Board, its committees or individual director performance which required further attention.

In addition, a review of each director's performance is also undertaken prior to a director standing for re-election. In the case of directors, other than the Chairman, the review is undertaken by the Chairman after consultation with the other directors. In the case of the Chairman, a non-executive director is delegated the task of reviewing the Chairman's performance. Details about the senior executive performance review process are contained in the Remuneration Report on page 28.

6. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Each director has the right of access to all relevant Company information and to the Company's senior management, external advisers and auditors. Directors may also seek independent professional advice at the Company's expense. Any director seeking such advice is required to make a formal request to the Chairman or the Board. Where the Chairman wishes to seek independent advice, he must make a formal request to the Chair of the Audit, Business Risk and Compliance Committee. Any advice so received must be made available to all other directors unless otherwise agreed. Pursuant to a deed executed by the Company and each director, a director also has the right to have access to all documents which have been presented to meetings of the Board or to any committee of the Board or otherwise made available to the director whilst in office. This right continues for a term of seven years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during that term.

7. DISCUSSION OF GOVERNANCE POLICIES

The Board has adopted corporate governance policies and practices designed to promote responsible management and conduct at Pacific Brands. The Board (together with management) regularly reviews these policies and practices to ensure the Company maintains or improves its corporate governance standards in a changing environment. A discussion of the Company's key governance policies is set out below.

7.1 Risk management

ASX Corporate Governance Principle 7 requires that listed companies should establish a sound system of risk oversight, management and control. In meeting this principle, the Board and senior executives of the Company have implemented an enterprise wide risk management framework that enables the management, monitoring, oversight and reporting of business risks in a timely and efficient manner.

The enterprise risk management framework serves to:

- provide a formal framework and methodology for determining the Company's risk profile
- facilitate organisational wide awareness and general adoption of a risk management culture when making business decisions
- ensure risks (strategic and operational) are formally and regularly assessed in the context of the Company's strategy
- provide the infrastructure and a management process to support ongoing review and monitoring of the status of risks, controls and management initiatives for improving risk management
- ensure clear accountabilities for risk management

The Company has a structured and systematic entity wide risk assessment process in place which comprises an annual risk identification and assessment of material business risks. These material business risks are documented in a risk control plan along with appropriate mitigation priorities and planned management actions. The Board and Audit, Business Risk and Compliance Committee oversee this plan. The Company continues to enhance consistency in its risk management practices across all the operating groups.

Risk management oversight

The key functional responsibility for the risk management framework resides with the General Manager, Risk & Safety, Health & Environment, who reports to the Chief Financial & Operating Officer. The General Manager, Risk & Safety, Health and Environment, is responsible for assisting corporate functions and operating groups to develop risk management processes and methodologies and advising and monitoring in relation to their ongoing implementation.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Audit, Business Risk and Compliance Committee is charged with oversight of these processes. The committee monitors and reviews the Company's risk profile and the progress and performance of risk management strategies. The committee has adopted a written policy in relation to the Company's risk oversight and management practices and a copy of this policy is available through the Company's website at www.pacificbrands.com.au.

Risk reporting

The Audit, Business Risk and Compliance Committee receives regular reports about business risks facing the Company and the strategies employed by management to mitigate these risks. In connection with the Company's full year and half year financial statements, the Board receives a declaration from the Chief Financial & Operating Officer and the Chief Executive Officer that, in their opinion the Company has in place a sound system of risk management and internal compliance and control and that system is operating effectively in all material respects in relation to financial reporting risks. In addition, the Chief Financial & Operating Officer and the Chief Executive Officer provide a declaration that the Company's financial statements and notes present a true and fair view of the Company's financial position and performance and comply with relevant accounting standards. These declarations are based on attestations that cascade down through management and include sign off by the Group General Manager and General Manager, Commercial Finance of each operating group.

Internal control framework

Internal controls refer to processes that are designed to address risks and to provide reasonable assurance that in pursuing its objectives Pacific Brands is complying with applicable laws and regulations and safeguarding company resources against loss, misuse and damage.

There is a broad platform of internal controls in place within Pacific Brands which underpin the integrity of the Company's financial reporting and risk management processes. These internal controls include people, policies and processes across the operating structure of the Company. Within the internal control environment, Pacific Brands has established comprehensive policies and practices designed to ensure:

- business transactions are properly authorised and executed in accordance with delegated authorities and limits
- financial exposures are controlled, including the use of hedging arrangements
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- the quality and integrity of personnel
- the ethical practices of its suppliers (see section 8 of this statement)
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see above)
- environmental regulation compliance (see section 10 of this statement)

The Company has also adopted a Code of Conduct which sets out the Company's commitment to maintaining a high level of integrity and ethical standards in all business practices. The code of conduct sets out for all directors, management, employees and contractors, the standards of behaviour expected of them, and the steps that should be taken in the event of uncertainty or a suspected breach by any party.

The code of conduct is discussed in more detail in section 7.4 of this statement.

Internal audit

Internal audit's role is to assess risks and controls, enhance processes and monitor controls to provide assurance to the Audit, Business Risk and Compliance Committee and the Board that there is an effective system of internal controls designed to ensure that material risks and compliance obligations are being effectively managed. The internal audit function is provided with external assistance from a major accounting firm. The General Manager, Risk and Safety, Health and Environment and the lead internal audit partner have access to the Audit, Business Risk and Compliance Committee and its Chairman at all times.

The Company has a three year internal audit plan covering the 2010 to 2012 financial years. The plan, which is reviewed on an annual basis, is specifically directed at reviewing controls in key risk areas that may have a material impact on the Company's operations, and at ensuring that appropriate management action is taken with respect to each identified risk.

External audit

The Audit, Business Risk and Compliance Committee has also adopted a policy on the provision of non-audit services and the rotation of external audit personnel. The auditor is prohibited from providing services which may compromise independence. This includes valuation and fairness opinions, internal audit services, advice on deal structuring, tax advisory services, IT systems services, executive recruitment services, corporate strategy advice, legal services or acting as a broker, promoter or underwriter. The policy recognises that there may be circumstances where the auditor may perform non-audit services without prejudicing the auditor's independence. Such circumstances may include small or minor tasks of an assurance or compliance nature or cases where the auditor is uniquely positioned to provide the services. A regime of approval limits is set out in the policy for the approval of non-audit services provided by the auditor. The policy also requires the partner managing the Company's audit to be rotated within five years from the date of appointment. A copy of this policy is also available on the Company's website at www.pacificbrands.com.au.

7.2 Continuous disclosure and keeping shareholders informed

The Company aims to ensure that shareholders are well informed of all major developments affecting the state of affairs of the Company.

To achieve this, the Company has implemented the following procedures:

- shareholders can gain access to information about the Company, including media releases, key policies, annual reports and financial statements, and the terms of reference of the Company's committees through the Company's website at www.pacificbrands.com.au or by writing to the Company Secretary at the Company's registered office address
- all relevant announcements made to the market and any related information are posted on the Company's website as soon as they have been released to the ASX and New Zealand Stock Exchange ('NZX')
- the Company encourages full participation of shareholders at its Annual General Meeting to ensure a high level of accountability and discussion of the Company's strategy and performance. Shareholders are also invited, within the Company's notice of Annual General Meeting, to submit written questions to either the Company or the Company's external auditor in relation to the external audit
- the Company also invites the external auditor to attend its Annual General Meeting and be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report

The Company's commitment to keeping shareholders fully informed is embodied in the Company's Shareholder Communications Policy, a copy of which can be found on the Company's website at www.pacificbrands.com.au.

The Company has adopted a policy which establishes procedures to ensure that directors and management are aware of, and fulfil, their obligations, in relation to the timely disclosure of material price-sensitive information. Information must not be selectively disclosed prior to being announced to the ASX and NZX. Directors and senior management must notify the Company Secretary as soon as they become aware of information that should be considered for release to the market. The Company Secretary is the person responsible for communication with the ASX and NZX. A copy of the Company's Continuous Disclosure Policy may be found on the Company's website at www.pacificbrands.com.au.

7.3 Trading in shares by directors and employees

The Company has adopted guidelines for directors' and employees' dealings in the Company's shares.

Directors and employees are prohibited from dealing in the Company's shares during the period from close of business on 31 December each year until the day following the announcement of the Company's half year results and during the period from the close of business on 30 June each year until the day following the release of the Company's full year results (so called 'blackout periods').

Subject to the overriding restriction that persons may not deal in shares while they are in possession of material price-sensitive information, directors and employees will only be permitted to deal in shares during certain 'trading windows', being within 31 days of the day following release of the Company's half and full year financial results and the holding of the Company's Annual General Meeting. Outside of these periods, directors and employees must receive clearance from the person stated in the guidelines for any proposed dealing in shares. For New Zealand, any dealing in the Company's shares must receive clearance from the Company Secretary.

Except in circumstances of special hardship, with the Chairman's approval, neither directors or employees may buy and sell the Company's shares within a three month period.

A copy of the Company's Guidelines for Dealing in Securities is available on the Company's website at www.pacificbrands.com.au and has been lodged with the ASX.

7.4 Ethical standards and code of conduct

The Board believes it is important to provide employees with a clear set of values that emphasise a culture of strong corporate governance, sound business practices and good ethical conduct.

Code of conduct

The Company's code of conduct outlines expectations in relation to the business conduct of directors, employees and contractors. In particular, the code requires:

- employees and directors to behave with integrity in all dealings with customers, shareholders, supplier and all others with whom the Company deals
- awareness of, and compliance with, relevant fair trading and trade practices laws in the jurisdictions in which the Company operates
- employees and directors to act in the best interests of the Company when undertaking Company business and avoid conflicts of interest (whether perceived or real)
- employees and directors to protect any Company assets under their control and not use Company assets for personal purposes, without prior Company approval
- employees and directors to respect the privacy of others and comply with the Company's privacy policy
- employees and directors not to disclose or use in any improper manner confidential Company information, including information about customers, agents or other business affairs

In addition, the code contains procedures for reporting improper conduct, and the protection of whistleblowers. A copy of the code of conduct is available on the Company's website at www.pacificbrands.com.au.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Donations

The Company does not make donations to political parties.

Fraud and corruption

Implementing effective fraud and corruption controls is part of good governance and management practices. Such controls seek to minimise the risk, not only of financial loss, but also of damage to a Company's reputation and that of its Board, senior management and employees. Accordingly, as a reinforcement of the Company's code of conduct, the Company has developed a separate policy outlining the Company's approach to fraud and corruption. A key objective of this policy is to support and enable the right organisational culture to proactively prevent fraud and corruption. This policy is aligned to the Company's risk management framework and is supported by a detailed fraud risk assessment undertaken in respect of the Company's operations.

This policy aims to protect the Company's assets and reputation by:

- reinforcing senior management and Board commitment and responsibility for identifying fraudulent and corrupt activities and for establishing policies, controls and procedures for prevention and detection of these activities
- reinforcing the requirement for all staff and others to refrain from corrupt or fraudulent conduct and encourage the reporting of any instance of fraud or corrupt conduct
- providing a framework for the conduct of investigations to ensure all suspected fraudulent and corrupt activity is dealt with appropriately
- assigning responsibility for the development of controls to prevent and detect fraud

A copy of the Company's Fraud and Corruption Policy is available on the Company's website at www.pacificbrands.com.au.

Whistleblowing

Employees are encouraged to bring to the attention of their manager, their human resources manager or members of senior management any behaviour or activity occurring in the business which they believe to be unlawful, inappropriate or inconsistent with the Company's code of conduct. In addition, the Company has established a freecall whistleblower telephone line to enable employees to report matters of concern on a confidential basis. The service, known as 'Faircall', is operated by an independent third party to ensure that calls can be made in total confidence. The Faircall service operates in key jurisdictions in which the Company operates and is staffed by contractors fluent in the native language of the relevant workforce. Callers may also elect to remain anonymous. A summary of all calls and the subsequent actions undertaken are periodically reported to the Remuneration Committee. Any reported improper conduct will be investigated while protecting the confidentiality of the identity of the whistleblower.

7.5 Remuneration

Full details of the remuneration paid to non-executive and executive directors and the Company's other senior executives in relation to the 2011 financial year, as well as the Board policy for determining the nature and amount of remuneration and the relationship between such policy and performance, are discussed in detail in sections 3 and 4 of the Remuneration Report.

8. CODE OF CONDUCT FOR SUPPLIERS

The Company is committed to ethical and responsible conduct in all of its operations and expects this commitment to be shared by all suppliers of its products. The Company's supplier code of conduct requires that suppliers:

- not use under age labour
- not use any forced or involuntary labour
- provide employees with a safe and healthy workplace in compliance with all applicable laws and regulations

The Company regularly conducts audits of its suppliers to determine compliance with its supplier code of conduct. Where a supplier is unable or unwilling to achieve compliance, the Company may impose a range of sanctions, including terminating the relevant supply contract. The Company has a strong commitment to social compliance and has adopted a process of continuous improvement with respect to its sourcing of products.

9. HEALTH AND SAFETY

The Company values a healthy and safe workplace, which stimulates and positively supports people to achieve outcomes in a safe manner, thereby contributing to operational effectiveness and business sustainability. The Company has an occupational health and safety policy and management system in place. The management system is certified compliant with AS/NZS 4801: 2001 Occupational health and safety management systems.

The Company's safety performance is reported regularly to the Board as well as to the Audit, Business Risk and Compliance Committee to assist the Board in monitoring compliance with the Company's policy and the relevant regulatory requirements.

10. ENVIRONMENT

The Company is committed to doing business in an environmentally responsible manner and identifying environmental risks that may arise out of its operations.

The Company's operations are subject to various environmental laws and regulations. These environmental laws and regulations control the use of land, the erection of buildings and structures on land, the emission of substances to water, land and atmosphere, the emission of noise and odours, the treatment and disposal of waste, and the investigation and remediation of soil and groundwater contamination.

The Company has policies and procedures in place to address its obligations under various environmental regulations. In particular, it has developed a management system to enable identification and assessment of environmental hazards which arise from its activities. The management system is certified compliant with ISO 14001: 2004 Environmental Management systems.

There have been no environmental prosecutions in relation to the Company's operations during this financial year.

Key programs in place to help reduce the environmental impact of the Company's operations are discussed on page 11 of the Annual Report.

The Company will further assess the impact of a carbon tax and assess carbon abatement opportunities to reduce the carbon footprint of its activities. At this stage the Company does not expect the direct impact of the carbon tax will have a material adverse impact on the Company. The indirect impact on the Company, including the potential impact on consumer and business demand, is inherently difficult to predict.

11. DIVERSITY

The Company recognises the value of attracting and retaining employees with different knowledge, abilities and experience and is committed to creating a working environment that is fair and flexible, promotes personal and professional growth, and benefits from the capabilities of its diverse workforce. The Company recognises that diversity in the workforce contributes to business success and benefits the Company's employees, customers, consumers and shareholders. The Company's aim is to ensure that its business policies, procedures and behaviours promote diversity and create an environment where individual differences are valued.

Diversity recognises and values the contribution of people with differences in capabilities, and perspectives. Diversity encompasses gender, age, ethnicity, religious and cultural backgrounds, experience and qualifications.

The Company is committed to:

- a workplace which is free from discrimination, harassment and abuse
- treating employees fairly and with respect
- a workplace culture that is inclusive and embraces individual differences
- equal employment opportunities based on ability, performance and potential
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity
- flexible work practices and policies to support employees and their changing needs
- attraction, retention and development of a diverse range of talented, energetic and committed people

Management, with the Board, is in the process of developing a set of measurable criteria to support the achievement of the Company's diversity objectives and will report against these criteria in the Company's 2012 Annual Report. On an ongoing basis, senior management will measure and review diversity across the organisation and will report to the Remuneration Committee on progress in achieving diversity within the Company.

Gender equality at all levels of the organisation is a key component of the Company's diversity strategy. Maintaining the representation of women at senior levels of management will remain one of the Company's strategic priorities on an ongoing basis. The following table discloses the gender diversity of the Company as at 30 June 2011:

CATEGORY	% FEMALE	% MALE
Board	57	43
Senior executive	63	37
Company	66	34

12. NZX CORPORATE GOVERNANCE RULES

The following statement is included in compliance with NZX Listing Rule 5.1.8(d):

The Company notes that the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Corporate Governance Rules') may materially differ from NZX's corporate governance rules and principles in the NZX Corporate Governance Best Practice Code. Details of the ASX Corporate Governance Rules are available on the ASX website at www.asx.com.au.

13. ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

	ASX PRINCIPLE	REFERENCE[1]	COMPLIANCE
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1, Remuneration Report	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1, Remuneration Report	Comply
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1, Remuneration Report	Comply
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	2	Comply
2.2	The chair should be an independent director.	2	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2	Comply
2.4	The board should establish a nomination committee.	4	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	5	Comply
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1, 2, 4, 6, Board members (pages 7 and 8), Directors' Report (page 23)	Comply
Principle 3	**Promote ethical and responsible decision making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to the: ▪ practices necessary to maintain confidence in the Company's integrity ▪ practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ▪ responsibility and accountability of individuals for reporting and investigating reports of unethical practices	7.4	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	2, 11	Not applicable[2]
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.		Not applicable[2]
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	11	Comply[2]
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	11	Comply[2]
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	4	Comply
4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors ▪ consists of a majority of independent directors ▪ is chaired by an independent chair, who is not chair of the board ▪ has at least three members	4	Comply
4.3	The audit committee should have a formal charter.	4	Comply
4.4	Companies should provide the information indicated in Guide to reporting on Principle 4.	4	Comply

	ASX PRINCIPLE	REFERENCE[1]	COMPLIANCE
Principle 5	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	7.2	Comply
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	7.2	Comply
Principle 6	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	7.2	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	7.2	Comply
Principle 7	**Recognise and manage risk**	7.1	Comply
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	7.1	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	7.1	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that, the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	7.1	Comply
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	4, 7.1	Comply
Principle 8	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	4	Comply
8.2	The remuneration committee should be structured so that it: ▪ consists of a majority of independent directors ▪ is chaired by an independent chair ▪ has at least three members	4	Comply
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration Report	Comply
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	4, 7.5, Directors' Report page 23 and Remuneration Report	Comply

1 All references are to sections of this Corporate Governance Statement unless otherwise stated
2 The ASX Corporate Governance Council has encouraged the 'early' transitioning to these requirements and accordingly the Company has provided some voluntary disclosure in relation to diversity in section 11 of this Corporate Governance Statement. Full reporting in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations will appear in the 2012 Annual Report

DIRECTORS' REPORT

The directors of Pacific Brands Limited ('Company') present their report together with the financial report of the Company and its controlled entities (collectively the 'Consolidated Entity') for the year ended 30 June 2011 and the auditor's report thereon. The information set out below is to be read in conjunction with the Remuneration Report set out on pages 27 to 41 which forms part of this Directors' Report.

1. DIRECTORS

The directors of the Company during the financial year and up to the date of this report are:

J A C MacKenzie (Chairman)

P H Bush (appointed 24 August 2010)

A D Cummins (retired 25 October 2010)

D G Fisher (retired 25 October 2010)

J S King

S M Morphet, Chief Executive Officer

M A Plavsic

N L Scheinkestel

A M Tansey

Particulars of directors' age, qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 7 and 8 of the Annual Report. Particulars of the qualifications and experience of the Company Secretary are detailed on page 10 of the Annual Report.

2. DIRECTORS' INTERESTS IN SHARE CAPITAL

The relevant interest of each director in the share capital of the Company as at the date of this report is as follows:

	FULLY PAID ORDINARY SHARES	PERFORMANCE RIGHTS[1]
P H Bush	10,000	
J S King	25,000	
J A C MacKenzie	202,162	
S M Morphet	1,081,600	2,605,993
M A Plavsic	197,263	
N L Scheinkestel	54,600	
A M Tansey	550	

1 Details of the terms and conditions of issue of the performance rights granted to S M Morphet are set out on pages 33 to 38 in this Directors' Report

3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the 2011 financial year are:

	BOARD		AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	ATTENDED[1]	HELD[2]	ATTENDED[1]	HELD[2]	ATTENDED[1]	HELD[2]	ATTENDED[1]	HELD[2]
P H Bush	8	8	4	4				
A D Cummins	3	3			1	1		
D G Fisher	2	3	1	1				
J S King	10	10	5	5	4	4		
J A C MacKenzie	10	10	5	5	4	4	1	1
S M Morphet	10	10						
M A Plavsic	10	10			4	4	1	1
N L Scheinkestel	9	10	5	5			1	1
A M Tansey	10	10			4	4		

1 This column shows the number of meetings attended

2 This column shows the number of meetings held during the period the director was a member of the Board or committee

4. STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Consolidated Entity other than those noted in principal activities below.

5. PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the course of the 2011 financial year were the sourcing, marketing, wholesaling and retailing of predominantly consumer products in the underwear, socks, hosiery, intimate apparel, corporate uniforms, workwear, footwear, bed linen, bedding accessories, bedding, foams, carpet underlay, apparel and sporting goods markets. All products are sold predominantly throughout the Asia-Pacific region. The Consolidated Entity also markets and distributes certain corporate uniforms, bed linen and bedding accessories in the United Kingdom and Europe.

There has been no significant change in the nature of principal activities during the year other than the divestment of the Sleepmaker and Dunlop Foams businesses effective 31 March 2011 and the continued execution of the Pacific Brands transformation plan announced in February 2009.

The Company's key strategy established to drive future shareholder value is the implementation of the Pacific Brands transformation plan announced in February 2009 which focuses resources on primary businesses and brands, removing complexity from the business, reducing duplication and inefficiency.

The six core themes of Pacific Brands transformation plan are:

- rationalise and focus the portfolio
- optimise the revenue base
- rebase overhead cost structures
- transform supply chain and operations
- reduce capital employed
- build organisational capability

In addition to implementation of the transformation, the Company is focusing on organic growth opportunities including expanding its most powerful consumer brands, both domestically and offshore, growing its business-to-business operations and developing its multi-channel route to market.

Disclosure of financial information relating to developments in the business strategies and prospects for the Consolidated Entity for future financial years which would not, in the opinion of the directors, be unreasonably prejudicial to the Consolidated Entity is contained in the Chairman and CEO's Review and Operational Highlights in the Annual Report.

6. REVIEW AND RESULTS OF OPERATIONS

A review of the operations of the Consolidated Entity during the 2011 financial year and of the results of those operations and financial position of the Consolidated Entity is contained in the Chairman and CEO's Review and Operational Highlights and elsewhere in the Annual Report. These sections of the Annual Report are incorporated by reference into and form part of this Directors' Report.

7. DIVIDENDS

An interim dividend of 3.1 cents per share, amounting to $28.9 million was paid on 1 April 2011. The directors have declared a final dividend of $28.9 million to be paid at the rate of 3.1 cents per share on 931,386,248 ordinary shares. The dividend is expected to be paid on 3 October 2011 to shareholders on the register at the record date of 2 September 2011. This dividend will be fully franked at the 30% corporate tax rate in Australia.

8. EVENTS SUBSEQUENT TO REPORTING DATE

On 23 August 2011 the Company made the decision to reduce its share capital by $309.6 million for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Consolidated Entity during the year ended 30 June 2011. This will have the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The equity transaction has been made in accordance with section 258F of the Corporations Act 2001 and will not result in any gains or losses being recognised in future reporting periods. The financial effect of this transaction is not included in the financial statements for the year ended 30 June 2011.

On 23 August 2011 the terms of the intercompany loan between Pacific Brands Limited and Pacific Brands (Australia) Pty Ltd were modified to reflect a requirement for both parties to mutually agree before any repayment of the loan can be made. This will have the effect of changing the loan classification from debt to an equity loan in the Statement of Financial Position. The equity loan classification is a more appropriate reflection of the terms of the agreement and the nature of the investment made by Pacific Brands Limited in Pacific Brands (Australia) Pty Ltd. The financial effect is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company announced that it would undertake an on-market buyback program whereby the Company will have the flexibility to repurchase up to 10% of total shares on issue over the period from 7 September 2011 to 6 September 2012. The financial effect of the share buyback is not included in the financial statements for the year ended 30 June 2011.

DIRECTORS' REPORT (CONTINUED)

On 24 August 2011 the Company announced that it would integrate the operations of the Bonds and Omni Apparel operating groups within the Underwear & Hosiery reportable segment. The financial effect of the integration is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company declared a final dividend of $28.9 million to be paid at the rate of 3.1c per share. This dividend will be fully franked at the 30% corporate tax rate in Australia. The financial effect of dividends declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2011.

9. LIKELY DEVELOPMENTS

Likely developments in the operations of the Consolidated Entity and the expected results of those operations are covered generally in the Chairman and CEO's Review and Operational Highlights in the Annual Report. The Chairman and CEO's Review and Operational Highlights are incorporated by reference into, and form part of this Directors' Report.

Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial periods has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Consolidated Entity.

10. NON-AUDIT SERVICES

During the 2011 financial year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

The Board has considered the non-audit services provided during the financial year by the auditor and in accordance with written advice provided by resolution of the Audit, Business Risk and Compliance Committee, is satisfied that the provision of those non-audit services during the financial year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit, Business Risk and Compliance Committee to ensure they did not impact the integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 42 in this report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the financial year are set out below:

	CONSOLIDATED	
	2011 $	2010 $
Audit services		
Auditors of the Company		
KPMG Australia:		
Audit and review of financial statements	**782,400**	794,000
Overseas KPMG firms:		
Audit of financial statements	**239,100**	135,002
	1,021,500	929,002
Other services		
Auditors of the Company		
KPMG Australia:		
Taxation compliance services	**-**	154,630
Other assurance services	**42,600**	66,200
Other advisory services	**-**	50,000
Overseas KPMG firms:		
Taxation compliance services	**34,096**	19,391
Other assurance services	**13,048**	3,159
	89,744	293,380

11. INDEMNIFICATION AND INSURANCE OF OFFICERS

In accordance with the Company's Constitution, the Company has agreed to indemnify every person who is, or has been, an officer of the Company or its controlled entities against any liability (including reasonable legal costs) incurred by the person as such an officer of the Company or its controlled entities, to the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act 2001. Indemnified officers are the directors and secretaries of the Company or its controlled entities. During the financial year, there were no claims made against any officer of the Company that would invoke the above indemnity.

The Company has entered into standard form deeds of indemnity with all of its current directors against all liabilities which they may incur in the performance of their duties as directors of the Company, except liability to the Company or a related body corporate, liability for a pecuniary penalty or compensation under the Corporations Act 2001, and liability arising from conduct involving a lack of good faith.

The Company holds a directors' and officers' liability insurance policy on behalf of current and former directors and officers of the Company and its controlled entities. The period of the policy extends from 1 December 2010 to 30 November 2011 and the premium was paid on 31 January 2011. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the policy or premium can be disclosed.

12. ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are subject to environmental laws and regulations, the details of which vary depending upon the jurisdiction in which the operation is located. These environmental laws and regulations control the use of land, the erection of buildings and structures on land, the emission of substances to water, land and atmosphere, the emission of noise and odours, the treatment and disposal of waste, and the investigation and remediation of soil and groundwater contamination.

The Consolidated Entity has procedures in place designed to ensure compliance with environmental regulatory requirements. The directors are not aware of any material breaches of environmental regulations during the financial year.

13. ROUNDING OFF

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 (as in force on 30 June 2011) and in accordance with that Class Order, amounts in the Financial Statements and this Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT – AUDITED

1. REMUNERATION STRATEGY AND OVERVIEW

The Board believes that a transparent and appropriately structured remuneration strategy underpins a strong performance based culture and assists in driving shareholder returns. The Company's remuneration strategy has been developed over time with specialist advice from external remuneration consultants where appropriate. It is based on the philosophy outlined above and is designed to attract, motivate and retain appropriately qualified and experienced non-executive directors and senior executives.

This Remuneration Report includes details, and an explanation, of the remuneration strategies for key management personnel of the Consolidated Entity. The key management personnel of the Consolidated Entity are defined under Australian Accounting Standard AASB 124 *Related Party Disclosures* to include the non-executive directors, the executive directors and those persons with authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity during the financial year. The key management personnel, other than the non-executive directors, are referred to throughout this Remuneration Report as 'senior executives'. The senior executives include the five most highly remunerated executives of the Consolidated Entity. The names and positions of the senior executives during the 2011 financial year and up to the date of this Remuneration Report, are listed in the following table. Unless otherwise indicated, each senior executive has been in their current role for the entire 2011 financial year.

Current senior executives
S M Morphet Chief Executive Officer
D L Bortolussi Chief Financial & Operating Officer
M J Allibon Group General Manager, Human Resources (made redundant on 31 May 2011 and will cease employment with the Company on 30 September 2011)
C M Garnsey Group General Manager, Underwear & Hosiery (commenced on 2 May 2011)
K J Hann Group General Manager, Bonds
A M Heraghty Group General Manager, Footwear, Outerwear & Sport
H S Kramer Group General Manager, Homewares and Workwear (appointed to her current role on 31 March 2011, having previously been Group General Manager, Homewares)
R A Taylor Group General Manager, Omni Apparel
Former senior executive
S M Smith Group General Manager, Workwear (ceased employment with the Company on 1 February 2011)

It is important that the Board is independent of management when making decisions affecting employee remuneration, particularly in respect of the Chief Executive Officer and other senior executives. Accordingly the Company's Remuneration Committee (the role and responsibilities of which are discussed on pages 14 and 15 of the Annual Report) is comprised solely of non-executive directors. The Remuneration Committee seeks and considers advice from independent remuneration consultants where appropriate.

Consistent with the Board's objective of achieving and maintaining best practice standards and recognising changing market conditions, the Remuneration Committee oversaw a review of a number of the Company's remuneration strategies and processes during the 2010 financial year. A number of recommended changes were adopted by the Board with the objective of more closely aligning the Company's remuneration arrangements and strategy, with the interests of shareholders. Key changes introduced in the 2010 financial year and embedded in the 2011 financial year included:

- all salaried roles were mapped into a new 12 grade job structure (based on an evaluation of all roles using the 'Hay' evaluation methodology), with Grade 1 (encompassing the most senior executive roles) through to Grade 12. Each job grade has a salary band and standardised conditions
- following a review undertaken with the assistance of independent consultants, the Company's short term incentive ('STI') program for senior executives was revised, with effect from the commencement of the 2011 financial year. The key change to the STI program was to encompass both a business performance element (75%) and a personal performance element (25%) linked to the job grades, with the Board retaining discretion over the total bonus pool
- the Company's long term incentive ('LTI') program was also reviewed in 2010, with advice from independent consultants. Following that review it was determined that a performance rights plan applying a combination of earnings per share ('EPS') and relative total shareholder return ('TSR') performance hurdles continued to be an appropriate LTI arrangement linking senior executive reward with shareholder wealth. Adjustments to the EPS hurdle rates and the TSR comparator group were however recommended, and adopted by the Board in respect of both the 2010 and 2011 financial year grants of performance rights. These changes are discussed on page 34 of the Annual Report

In keeping with current market best practice, a substantial proportion of remuneration of the Company's senior executives, up to 69% in the case of the Chief Executive Officer is at risk, and is not payable, if key performance measurements are not met. This includes the requirement to meet both internal (short term) performance hurdles set at the beginning of the financial year, as well as market based (long term) performance hurdles.

An overview of the elements of remuneration is set out in the following table. The more detailed discussion of each element is contained in this Remuneration Report.

		DIRECTORS			
	ELEMENTS OF REMUNERATION	NON-EXECUTIVE	CHIEF EXECUTIVE OFFICER	OTHER SENIOR EXECUTIVES	DISCUSSION IN REMUNERATION REPORT
Fixed remuneration	Fees	✓			Page 29
	Salary		✓	✓	Page 31
	Superannuation[1]	✓	✓	✓	Pages 29 & 31
	Other benefits		✓	✓	Page 31
At risk remuneration	Short term incentive		✓	✓	Page 32
	Long term incentive		✓	✓	Page 33
Post employment	Notice periods and termination payments		✓	✓	Page 39

1 Non-executive directors' fees are set inclusive of statutory superannuation contributions

2. COMPANY PERFORMANCE

As reported on page 4 of the Annual Report, the Consolidated Entity generated EBITA before significant items (as defined below) of $189.7 million and reported a net after tax loss of $131.9 million for the year ended 30 June 2011.

The table below sets out various measures of the Company's performance relative to shareholder wealth (or TSR). The earnings related metrics of EBITA, NPAT and EPS have been presented on a reported and before significant items basis (as defined below). Significant (non-recurring) items in 2011 primarily relate to the impairment of the 2004 IPO related goodwill and brand names of the Footwear, Outerwear and Sport reportable segment, impairment and loss on sale of the Sleepmaker and Dunlop Foams businesses, and transformation program restructuring expenses. The Board regards earnings metrics before significant items as a more relevant measure of the Company's operating performance during the financial year.

	2011	2010	2009	2008	2007
Net sales revenue ($m) [1]	**1,614.6**	1,742.4	1,959.8	2,074.0	1,781.5
EBITA ($m)[2,3]	**189.7**	181.4	205.3	229.1	194.0
NPAT ($m)[4]					
- Reported	**(131.9)**	52.7	(234.3)	117.1	106.0
- Before significant items[3]	**103.4**	90.3	100.1	116.6	106.0
EPS (cents)[5]					
- Reported	**(14.2)**	5.7	(39.9)	23.2	21.1
- Before significant items[3]	**11.1**	9.7	17.0	20.9	19.0
Dividends per share price (cents)	**6.2**	0	0	17.0	16.5
Year end share price ($)	**0.69**	0.89	0.86	1.78	3.49[6]
Return of capital ($m)	**0**	0	0	0	1.87
TSR (%)[7]	**(18.0)**	3.5	(5.8)	(44.9)	66.4

1 Prior periods adjusted for certain sales and marketing allowances, now netted against sales revenue in accordance with accounting policies outlined in Note 1(F) to the financial statements
2 Earnings before interest, tax and amortisation
3 Before the impact of Other Expenses that are individually significant as disclosed in Note 4 to the financial statements
4 Net profit/(loss) after tax
5 Earnings per share have been calculated based on the weighted average number of shares outstanding for the period
6 The share price at the beginning of the 2007 financial year was $2.15
7 TSR or total shareholder return is a measure of the return to shareholders provided by movements in the Company's share price plus any dividends paid during the relevant financial period and reinvested in Company shares, expressed as a percentage of investment

Over the last 5 years, whilst the Company has achieved solid operating earnings and cash flow in challenging market conditions, its financial performance has in some years been below expectations. The alignment of shareholder wealth and senior executive rewards is demonstrated by the fact that performance rights under the Company's LTI plan have (with the exception of performance rights granted as part of a 'sign on' arrangement) only vested once (2007) in the past five financial years.

As part of the Board's commitment to align remuneration with Company performance, employee performance is reviewed annually against agreed performance objectives set prior to the commencement of the relevant financial year. The Company's performance review system involves employees completing a self assessment template, as well as their manager completing an assessment document. These written assessments form the basis of a performance review discussion between the employee and their manager. The Board (through its Remuneration Committee) agrees objectives for the evaluation of the Chief Executive Officer and reviews the objectives of the other senior executives. The performance of the Chief Executive Officer against the agreed objectives is reviewed by the Chairman on behalf of the Board. The performance of all other senior executives is reviewed by the Chief Executive Officer and reported to, and discussed by, the Board. Performance reviews take place shortly after the end of the financial year.

REMUNERATION REPORT – AUDITED (CONTINUED)

Details about the Board and non-executive director performance review process are contained in section 5 of the Corporate Governance Statement.

3. NON-EXECUTIVE DIRECTORS' REMUNERATION

A. Board policy on remuneration

The disclosures in this section relate to the remuneration for the Company's non-executive directors who are regarded as key management personnel for the purpose of Australian Accounting Standard AASB 124 *Related Party Disclosures*.

Non-executive directors are provided with formal letters of appointment prior to commencing their directorship. Their tenure with the Company is also governed by the Company's Constitution and the Australian Securities Exchange ('ASX') Listing Rules, which provide that all non-executive directors are subject to shareholder re-election every three years.

Non-executive directors' fees, including committee fees, are set by the Board within the aggregate amount approved by shareholders.

Currently, this amount is $2,000,000 per annum, which is the limit shareholders approved at the Company's 2010 Annual General Meeting. The fees paid to non-executive directors are set at levels which reflect the responsibilities and time commitment required from each director to discharge their duties. Fee levels are set having regard to independent advice and the fees paid by comparable companies. The Nomination Committee makes recommendations to the Board on the total level of remuneration of the Chairman and other non-executive directors, including any additional fees payable to directors for membership of Board committees.

The Board, through the auspices of the Nomination Committee, reviews periodically its approach to non-executive director remuneration to ensure it remains in line with general industry practice and reflects proper compensation for duties undertaken. In setting fee levels, the Nomination Committee takes into account:

- the Company's existing remuneration policies
- independent remuneration consultants' advice
- fees paid by comparable companies
- the level of remuneration necessary to attract and retain directors of appropriate experience, qualifications and time commitment

The fees paid to non-executive directors were last adjusted with effect from 1 January 2010. The Board has determined that all Board and committee fees will remain at current levels for the 2012 financial year.

Current fees per annum are as follows:

- base remuneration (Board fees)
  - $425,000 for the Chairman
  - $150,000 for other non-executive directors
- committee fees (paid in addition to base remuneration)
  - $30,000 for the Chairman of the Audit, Business Risk and Compliance Committee
  - $15,000 for other members of the Audit, Business Risk and Compliance Committee (other than the Board Chairman)
  - $20,000 for the Chairman of the Remuneration Committee
  - $10,000 for the Chairman of the Nomination Committee
  - no additional fee for other members of the Remuneration Committee or the Nomination Committee

The aggregate fees paid to the non-executive directors, including the Chairman, during the 2011 financial year increased from $1,142,885 to $1,346,308. Superannuation contributions are made on behalf of the non-executive directors in accordance with the Company's statutory superannuation obligations and any election of a director to sacrifice part of his/her fee in favour of increased superannuation contributions. The sum of $1,346,308 paid as directors' fees during the 2011 financial year is inclusive of superannuation contributions.

Directors are also entitled to be reimbursed for all business related expenses, including travel on Company business, as may be incurred in the discharge of their duties in accordance with rule 8.3(e) of the Company's Constitution.

It has always been the policy of the Board that retirement benefits are not payable to non-executive directors upon their retirement.

B. Remuneration

Details of non-executive directors' remuneration for the 2011 financial year are set out in the following table:

		SHORT TERM PAYMENTS		POST EMPLOYEE BENEFITS	TOTAL[2]
		CASH	SHARES[1]	SUPERANNUATION CONTRIBUTIONS	
		$	$	$	$
J A C MacKenzie (Chairman)	2011	389,908	N/A	35,092	425,000
	2010	332,568	N/A	29,932	362,500
P H Bush[3]	2011	129,640	N/A	11,668	141,308
	2010	N/A	N/A	N/A	N/A
A D Cummins[4]	2011	45,872	N/A	4,128	50,000
	2010	123,853	N/A	11,147	135,000
D G Fisher[5]	2011	50,459	N/A	4,541	55,000
	2010	130,733	N/A	11,767	142,500
J S King	2011	169,725	N/A	15,275	185,000
	2010	121,559	N/A	10,941	132,500
M A Plavsic	2011	127,829	N/A	32,171	160,000
	2010	92,853	N/A	47,147	140,000
N L Scheinkestel	2011	165,138	N/A	14,862	180,000
	2010	137,614	N/A	12,386	150,000
A M Tansey	2011	126,147	N/A	23,853	150,000
	2010	37,050	N/A	3,335	40,385
Total	**2011**	**1,204,718**	**N/A**	**141,590**	**1,346,308**
	2010	**976,230**	**N/A**	**126,655**	**1,102,885**

1 Prior to the 2010 financial year, non-executive directors participated in the Company's Non-Executive Director Share Plan. Under the plan non-executive directors could elect to apply up to 100% of their fees in acquiring shares in the Company. Following changes announced in the Federal Budget on 12 May 2009, participation in the Non-Executive Director Share Plan was suspended. Shares acquired under the plan on or prior to 30 June 2009 remain subject to the terms of the plan

2 Amounts disclosed for remuneration of directors exclude insurance premiums paid by the Consolidated Entity in respect of directors' and officers' liability insurance contracts which cover, among others, current and former directors of the Company. Due to confidentiality obligations and undertakings of the policy, the premium paid cannot be disclosed. No amount has been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists

3 P H Bush was appointed as a director of the Company on 24 August 2010

4 A D Cummins retired as a director of the Company on 25 October 2010

5 D G Fisher retired as a director of the Company on 25 October 2010

4. EXECUTIVE DIRECTOR AND OTHER SENIOR EXECUTIVE REMUNERATION

The disclosures in this section relate to the remuneration for key management personnel other than the non-executive directors.

A. Board policy

The Board believes that a transparent and appropriately structured remuneration strategy underpins a strong performance based culture and assists in driving shareholder returns. The Company's remuneration framework and strategy is designed to attract, retain and motivate appropriately qualified and experienced senior executives and includes the following objectives:

- ensuring alignment of executive remuneration with the short and long term objectives as set out in the Company's strategic business plans endorsed by the Board
- providing a common interest between employees and shareholders by linking the rewards that accrue to senior executives to the creation of value for shareholders
- being competitive in the markets in which the Company operates in order to attract, motivate and retain high calibre employees
- being fully costed on a 'cost to company' basis including all applicable fringe benefits and other taxes

From time to time, the Remuneration Committee obtains independent advice from external consultants on the level and mix of remuneration for comparable roles in comparable companies. It was not necessary for the Remuneration Committee to source any such advice in the 2011 financial year.

Alignment of executive remuneration with the Company's business strategy is achieved through both STIs and LTIs. Key financial and non-financial value drivers are identified, targets set, and rewards provided on their achievement. Value drivers include, in the case of STIs, EBITA growth, quality of earnings (including underlying sales growth, brand reinvestment and inventory management) and the achievement of certain non-financial (ie strategic, organisational or operational) objectives where appropriate and, in the case of LTIs, EPS growth and relative TSR.

The relative proportion of the executive director's and other senior executive's total remuneration packages for the 2011 financial year that is performance based is set out in the table below:

	% OF TOTAL TARGET REMUNERATION (ANNUALISED)[1]			
	FIXED REMUNERATION	PERFORMANCE BASED REMUNERATION		
	FIXED	SHORT TERM INCENTIVES[3]	LONG TERM INCENTIVES	TOTAL PERFORMANCE BASED REMUNERATION
Chief Executive Officer	31%	31%	38%	69%
Chief Financial & Operating Officer	41%	36%	23%	59%
Other senior executives[2]	48%	29%	23%	52%

1 Percentages based on target remuneration for the relevant senior executives assuming incentives fully vest

2 Based on the average remuneration for current senior executives assuming the executives were employed for the full period

3 Excludes sign on incentives

Financial results are verified by reference to the Company's audited accounts. Relative TSR performance is verified by external consultants. The Board assesses the performance of the Chief Executive Officer against agreed performance objectives. The achievement of the other senior executives performance objectives is assessed by the Chief Executive Officer and reported to, and discussed by the Board.

B. Remuneration earned (section B has not been subject to audit)

The table on page 41 in the Remuneration Report provides a breakdown of the Company's senior executive remuneration in accordance with statutory obligations and accounting standards. The Board is aware, however, that the format in which the Company is required to present this information may make it difficult for shareholders to form an understanding of the cash and other benefits actually earned by senior executives derived from the various components of their remuneration in the 2011 financial year.

The following table sets out the cash and other benefits actually earned (excluding annual leave and long service leave) by the Company's current and former senior executives during the 2011 financial year in respect of service during that financial year. In particular, the table below illustrates that no value was derived in the 2011 financial year from the granting of performance rights.

	FIXED[1] $	SUPER-ANNUATION $	STI[2] $	LTI $	TERMINATION $	OTHER[3] $	TOTAL $
Current senior executives							
S M Morphet Chief Executive Officer	1,141,479	222,741	910,000	0		35,000	2,309,220
D L Bortolussi Chief Financial & Operating Officer	672,671	21,385	505,845	0		55,093	1,254,994
M J Allibon[4] Group General Manager, Human Resources	359,218	34,913	126,851	0	455,003	27,523	1,003,508
C M Garnsey[5] Group General Manager, Underwear & Hosiery	122,333	11,010	450,004	0		0	583,347
K J Hann Group General Manager, Bonds	391,737	36,153	140,356	0		38,779	607,025
A M Heraghty Group General Manager, Footwear, Outerwear & Sport	399,493	25,000	183,993	0		46,099	654,585
H S Kramer Group General Manager, Homewares and Workwear	601,174	29,319	344,736	0		27,096	1,002,325
R A Taylor Group General Manager, Omni Apparel	428,413	83,655	226,875	0		27,523	766,466
Former senior executive							
S M Smith Group General Manager, Workwear	357,383	24,999	0	0	519,000	19,831	921,213

1 Does not include movement in annual leave and long service leave provisions unless leave was actually taken in the 2011 financial year

2 This figure represents the value of STI paid to the executive following the conclusion of the 2011 financial year, but relating to the achievement of the relevant performance hurdles in respect of the 2011 financial year. For further details of the Company's STI program, see pages 32 and 33 in the Remuneration Report

3 Principally includes motor vehicle allowances and payments made on the employee's behalf under a novated motor vehicle lease arrangement

4 M J Allibon's role was made redundant on 31 May 2011 and she will cease employment with the Company on 30 September 2011. The termination payment includes a severance payment and annual leave entitlements

5 C M Garnsey commenced employment with the Company on 2 May 2011

C. Fixed remuneration

The terms of employment for all senior executives contain a fixed annual remuneration component comprising base salary, superannuation and motor vehicle (or motor vehicle allowance). The Company utilises the Hay evaluation methodology and market comparisons to value individual roles.

Longer serving employees receive defined benefit superannuation as a legacy from the previous ownership of Pacific Brands. The cost of providing their superannuation benefit varies with each individual's salary level and years of membership of the plan. Longer serving employees will attract greater superannuation benefits than more recent employees. This plan has been closed to new members since 2001. Employees receive a superannuation benefit that allows them to control and vary their contribution levels above the mandated statutory minimum on a salary sacrifice basis.

Senior executive fixed annual remuneration is reviewed annually, with effect from 1 July each year.

D. Short term incentives

The Chief Executive Officer and all other members of the senior executive team participate in a STI program which has performance conditions that link annual targets with the opportunity to earn a cash bonus on a percentage of the executive's fixed remuneration. In respect of the 2011 financial year:

- the Chief Executive Officer had the opportunity to earn a bonus equivalent to 100% of her fixed annual remuneration
- the Chief Financial & Operating Officer had the opportunity to earn a bonus equivalent to 90% of his fixed annual remuneration
- the remaining members of the senior executive team had the opportunity to earn a bonus equivalent to 60 – 75% of their fixed annual remuneration

The Company's STI plan has the following components:

PERCENTAGE	COMPONENT	COMMENT
25%	Individual performance	Employees are incentivised to achieve superior personal performance which is expected to directly or indirectly impact business performance. Personal performance requirements vary with the individual executive and his/her responsibilities and include the implementation of certain strategic, organisational and operational initiatives. Achievement of the highest level of personal performance rating results in payment of 125% of an employee's individual performance component of his/her STI entitlement
75%	Business performance	The Chief Executive Officer and Chief Financial & Operating Officer are assessed on overall Company performance. In the case of the operating group General Managers, business performance is split 50:50 between the Company's performance and the performance of the relevant operating group. All other operating group employees participating in the STI plan are assessed on relevant operating group performance, while head office / administrative employees are assessed on overall Company performance.

The actual amount of any STI award is determined primarily based on achievement of annual performance objectives which are reviewed at the end of each financial year. The Board has ultimate responsibility for, and discretion in, the award of the business performance component of any STI payments. In exercising its discretion the Board takes into account factors which are both objective and subjective including:

- the quantity and quality of the Company's EBITA result when assessed against agreed objectives for the current year and prior year performance
- the appropriateness of awarding STI payments in light of the overall business environment
- whether the financial objectives of the plan have been met
- any other factors which the Board considers relevant to its decision making

For the 2011 financial year, it was a pre-condition to the payment of any STI to a senior executive that earnings before interest, tax, amortisation and significant items ('EBITA') be in excess of 90% of budgeted group EBITA (after providing for all STI payments payable to any employee of the Company). In respect of the 2011 financial year the Board determined to open the 'gate' on the business performance component of the STI plan, based on EBITA outcomes taking into account an extremely difficult retail environment, the impact of input cost increases due mainly to cotton price escalation in the second half of the financial year, and the divestment of Sleepmaker and Dunlop Foams.

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The 2011 financial year STI program relevant to the Chief Executive Officer and other senior executives can be summarised as follows:

	EFFECTIVE DATE OF GRANT	PERCENTAGE OF STI PAYABLE (%)	PERCENTAGE OF STI NOT AWARDED (%)	MINIMUM TOTAL VALUE OF STI ($)	MAXIMUM TOTAL VALUE OF STI ($)
Current senior executives					
S M Morphet Chief Executive Officer	1 July 2010	65	35	Nil	1,400,000
D L Bortolussi Chief Financial & Operating Officer	1 July 2010	75	25	Nil	674,460
M J Allibon Group General Manager, Human Resources	1 July 2010	50	50	Nil	253,702
C M Garnsey Group General Manager, Underwear & Hosiery[1]	1 May 2011	50	50	Nil	100,008
K J Hann Group General Manager, Bonds	1 July 2010	50	50	Nil	280,712
A M Heraghty Group General Manager, Footwear, Outerwear & Sport	1 July 2010	65	35	Nil	283,066
H S Kramer Group General Manager, Homewares and Workwear	1 July 2010	84	16	Nil	410,400
R A Taylor Group General Manager, Omni Apparel	1 July 2010	70	30	Nil	324,107
Former senior executives					
S M Smith Group General Manager, Workwear[2]	N/A	N/A	N/A	N/A	N/A

1 C M Garnsey was appointed to the role of Group General Manager, Underwear & Hosiery on 2 May 2011

2 S M Smith ceased employment with the Company on 1 February 2011

E. Long term incentives

The Company's LTI arrangements are designed to link senior executive reward with the key performance drivers which underpin sustainable growth in shareholder value. Participation in the LTI arrangements is only offered to senior executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles. In addition, the Board believes that the appropriateness of LTI arrangements cannot be viewed in isolation, but must be considered in the context of the total array of possible remuneration elements which may be provided to senior executives, taking account of the remuneration practices of competitor companies.

The Company's senior executive LTI plan is currently comprised of a performance rights plan ('PRP') first introduced in 2004 as part of the Company's initial public offering, giving an entitlement to one ordinary share in the Company in respect of each performance right granted, on satisfaction of the performance requirements. Grants are generally made annually to ensure there is a balance between the achievement of short term objectives under the STI arrangements and longer term goals so that senior executives continue to be motivated by long term growth in shareholder value.

There have been grants of performance rights to senior executives pursuant to the terms of the PRP every financial year commencing in 2005.

The rules of the PRP provide that the Board may, at the time of making a grant of performance rights, determine an amount that is payable by the relevant senior executive upon allocation of a share following vesting of a performance right, or that no amount is payable upon allocation of a share once a performance right vests. In respect of the performance rights granted to date, the Board has on each occasion determined that no amount is payable by the relevant executive on vesting of their grant of rights.

The granting of performance rights to executive directors is approved by shareholders at the Company's Annual General Meetings.

Performance hurdle selection

Under all current grants of performance rights, half of the grant of performance rights is subject to a relative TSR hurdle which provides an external measure in respect of share price growth and dividend income. It is the view of the Board that TSR alone does not always reflect the long term value created by senior executives in the relevant measurement period. For this reason, an EPS measure of performance is also employed in respect of the other half of each grant of performance rights, because the Board believes that an EPS performance requirement:

- as an absolute measure, provides senior executives with a performance goal over which they can exert some control
- provides a good 'line of sight' between the actions of senior executives and the Company's results
- is directly correlated with shareholder returns, so it complements the relative TSR performance requirement

The Board is of the opinion that, collectively, TSR and EPS performance is better correlated with senior executive performance over time and creates a better alignment between the senior executive's reward and shareholder interests.

Frequency of testing against performance hurdles

The 2009 financial year grant of performance rights had the relevant performance requirements tested only once, at the end of a three year performance measurement period, being at the end of the 2011 financial year.

Following a review of the Company's LTI program during the 2010 financial year, with advice being obtained from external remuneration consultants, the Board determined that it was appropriate to introduce one additional testing date in relation to the 2010 financial year (and subsequent years) grant of performance rights. The 2010 and 2011 financial year grants will be tested at the end of a three year performance period, being at the end of the 2012 and 2013 financial years, respectively. Each grant is tested again one year later at the end of the 2013 and 2014 financial years, respectively, should the performance rights fail to vest in whole or part at the first testing date. The primary reason for introducing a second testing date is to reflect the impact that foreign exchange, sourcing costs and other variables can have on the Company's TSR and EPS as highlighted by Pacific Brands' recent experience.

Based on the financial performance of the Company in the 2011 financial year, no performance rights vested to the Chief Executive Officer and other senior executives effective 1 July 2011. The maximum percentage of remaining and proposed performance rights that may vest, subject to performance, in any one year are set out in the table below:

VESTING DATE	MAXIMUM % 0F F09 GRANT[1]	MAXIMUM % 0F F10 GRANT	MAXIMUM % 0F F11 GRANT
30 June 2011	0%	N/A	N/A
30 June 2012	N/A	100%	N/A
30 June 2013	N/A	100%	100%
30 June 2014	N/A	N/A	100%

1 All rights lapsed and no shares vested under the 2009 LTI grant in respect of the Company's performance over the 2009 to 2011 financial years

TSR performance conditions

Each year, the Board reviews and if necessary refines the peer group for TSR performance comparison. The comparison group for the 2009 financial year grant is comprised of companies which are:

- ASX listed
- in the consumer staples and discretionary sectors
- either side of the Company in market capitalisation, such that the Company's market capitalisation at the start of the performance period approximates the median of the comparison group, as detailed below.

Following a review of the Company's LTI program during the 2010 financial year, with advice being obtained from external remuneration consultants, the Board determined that the comparator group for the 2010 financial year and subsequent grants should be broadened to the ASX 200 excluding financial services and resources companies. The main reasons for this change were the relatively low correlation of the Company's TSR with the historical comparator group of companies and the relatively small size of the comparator group, which may create significant volatility in the Company's TSR ranking and the vesting outcomes for senior executives, potentially reducing the effectiveness of the LTI as a genuine performance incentive. Financial services and resources companies are excluded from the comparator group due to their very different business activities, operating risk profiles and leverage.

A summary of comparator companies for unvested performance rights is provided in the table below:

F09: Consumer staples and discretionary companies	ABC Learning Centres Limited, Austereo Group Limited, Amalgamated Holdings Limited, APN News & Media Limited, AWB Limited, Billabong International Limited, David Jones Limited, Futuris Corporation Limited, Flight Centre Limited, GUD Holdings Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Seek Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Tatts Group and West Australian Newspapers Holdings Limited.
F10 and F11: ASX 200 (excluding financial services and resources companies)	Australian Agricultural Company Limited, ABB Grain Limited, Adelaide Brighton Limited, AGL Energy Limited, Asciano Group, AJ Lucas Group Limited, Aristocrat Leisure Limited, Alesco Corporation Limited, Amcor Limited, Ansell Limited, APN News & Media Limited, Austar United Communications Limited, AWB Limited, Billabong International Limited, Prime Infrastructure Group, Bradken Limited, Boral Limited, Brambles Limited, Cabcharge Australia Limited, Coca-Cola Amatil Limited, ConnectEast Group, Consolidated Media Holdings Limited, Cochlear Limited, Crane Group Limited, CSL Limited, Crown Limited, Corporate Express Australia Limited, David Jones Limited, Downer EDI Limited, Emeco Holdings Limited, Elders Limited, Envestra Limited, Foster's Group Limited, Flight Centre Limited, Fleetwood Corporation Limited, Fairfax Media Limited, Goodman Fielder Limited, Gunns Limited, GUD Holdings Limited, GWA International Limited, Hills Industries Limited, Healthscope Limited, Hastie Group Limited, Harvey Norman Holdings Limited, Infigen Energy, Incitec Pivot Limited, Iress Market Technology Limited, iSOFT Group Limited, InvoCare Limited, JB Hi-Fi Limited, James Hardie Industries SE, Leighton Holdings Limited, Lion Nathan Limited, MAp Group, Macquarie Communications Infrastructure Group, Intoll Group, Southern Cross Media Group Limited, Monadelphous Group Limited, Metcash Limited, Nufarm Limited, News Corporation, Origin Energy Limited, Orica Limited, PMP Limited, PaperlinX Limited, Primary Health Care Limited, Qantas Airways Limited, Ramsay Health Care Limited, ResMed Inc., Seek Limited, Seven Group Holdings Limited, Sims Metal Management Limited, Singapore Telecommunications Limited, Sonic Healthcare Limited, Sigma Pharmaceuticals Limited, Spark Infrastructure Group, SMS Management & Technology Limited, SP AusNet, Spotless Group Limited, Tabcorp Holdings Limited, Transurban Group, Telecom Corporation of New Zealand Limited, Ten Network Holdings Limited, Telstra Corporation Limited, Toll Holdings Limited, Transpacific Industries Group Ltd, Transfield Services Limited, Tatts Group Limited, UGL Limited, Virgin Blue Holdings Limited, West Australian Newspapers Holdings Limited, Wesfarmers Limited, Woolworths Limited and Wotif.com Holdings Limited.

REMUNERATION REPORT – AUDITED (CONTINUED)

The Company's performance is given a percentile ranking having regard to its TSR performance compared with the TSR performance of other companies in the relevant comparator group. This is done in respect of each grant of performance rights.

The TSR performance conditions in relation to all grants of performance rights are:

TARGET	PERCENTAGE OF PERFORMANCE RIGHTS IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS
The Company's TSR is less than the median TSR of the comparator companies	0%
The Company's TSR equals or exceeds performance of the median TSR of the comparator companies	50%
The Company's TSR ranks in third quartile of the comparator companies	Pro rata between 50% and 100% (2% increase for each higher percentile ranking)
The Company's TSR ranks in fourth quartile of the comparator companies	100%

EPS performance conditions

EPS performance requirements are reviewed prior to each year's allocation of performance rights. The range of EPS growth reflects the Company's view of what is a reasonable long term target taking into account the structure of the markets in which the Company competes, category growth rates, prevailing market shares and operational performance upside.

As part of the review of the Company's LTI program in the 2010 financial year, as noted above, the operation of the EPS performance hurdles was also considered. The Board determined that the percentage of shares which would vest upon the threshold EPS compound annual growth rate (CAGR) being achieved be moved from 25% to 50%, to mirror the structure of the TSR performance hurdle and to increase simplicity.

It was determined to lower both the threshold and maximum CAGR EPS hurdle requirements to 5% and 8%, respectively (previously 8% and 12%) in relation to the 2010 and 2011 financial year performance rights EPS target to reflect:

- a realistic view of what is attainable given the Company largely has relatively high market shares in relatively low growth categories whilst still remaining a 'stretch' target to maximise performance
- capital market expectations as to the level of sustainable long term earnings growth which may lead to a re-rating of the Company's share price

EPS performance requirements for each grant are shown in the table below:

PERCENTAGE OF PERFORMANCE RIGHTS IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS	F09 PERFORMANCE RIGHTS EPS TARGET
0%	The Company's 3 year compound EPS growth is less than 8.0%
25%	The Company's 3 year compound EPS growth equals 8.0%
Pro rata between 25% and 100%	The Company's 3 year compound EPS growth is between 8.0% and 12.0%
100%	The Company's 3 year compound EPS growth is equal to or exceeds 12.0%

PERCENTAGE OF PERFORMANCE RIGHTS IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS	F10 AND F11 PERFORMANCE RIGHTS EPS TARGET
0%	The Company's 3 year compound EPS growth is less than 5.0%
50%	The Company's 3 year compound EPS growth equals 5.0%
Pro rata between 50% and 100%	The Company's 3 year compound EPS growth is between 5.0% and 8.0%
100%	The Company's 3 year compound EPS growth is equal to or exceeds 8.0%

EPS in respect of the 2010 and 2011 financial year grants is calculated using earnings on a pre-significant items (adjusted for the related income tax (benefit)/expense) basis, and using the number of ordinary shares on issue at 30 June 2009 and 30 June 2010, respectively.

Testing

The performance conditions in relation to the 2009 financial year grant of performance rights were tested at the end of the 2011 financial year. Based on the EPS growth and relative TSR of the Company for the 2011 financial year, no performance rights vested on 30 June 2011 under the 2009 financial year performance rights grant.

Restrictions on performance rights that vest

In the case of the 2009 financial year grant, senior executives are not entitled to trade in shares allocated on vesting of the performance rights until the earliest to occur of:

- a request from the relevant senior executive to the Board to release the holding lock
- 10 years after the date of grant of the shares allocated on vesting
- six months following the date of cessation of employment with the Consolidated Entity

In the case of the 2010 and 2011 financial year grants, following changes to the relevant taxation legislation first announced by the Federal Government in May 2009, shares allocated on the vesting of performance rights will not be subject to any restriction on the senior executives' rights to trade in those shares other than any restrictions imposed by the Company's guidelines for dealing in securities.

Vesting and lapsing of rights

Performance rights will lapse in accordance with the terms of the grant if performance hurdles are not achieved or if participants resign prior to the completion of required vesting periods.

Where a participant leaves the Company as a result of death, disability, retrenchment, or other reason with the approval of the Board, subject to performance hurdles being met, the Board may determine the extent to which performance rights granted to the participant vest.

In the event of a takeover for the Company, performance rights may, at the discretion of the Board, vest on a pro rata basis in accordance with an assessment of performance on the same performance criteria, but with the performance period pro rated to the date of the takeover offer.

A discussion of the Company's performance, specifically against the Company's earnings and the consequences of the Company's performance on shareholder wealth in the period from 1 July 2006 to 30 June 2011 is set out in section 2 of this report. As shown above, the Company's performance is linked to vesting and reward. The 2009 financial year grant of performance rights did not vest on the test date because the Company's performance was such that the required hurdles were not satisfied.

Details of the number of performance rights which have been granted and the extent (if any) to which they have vested are set out in the table following. The Company values and discloses all performance rights granted under the PRP in accordance with relevant Australian Accounting Standards.

Equity grants made to executive directors and other senior executives[1]:

	NATURE OF COMPENSATION / INSTRUMENT GRANTED	COMMENCEMENT DATE OF PERFORMANCE MEASUREMENT PERIOD	GRANT DATE OF PERFORMANCE RIGHT	PERCENTAGE OF GRANT VESTED (%)	PERCENTAGE OF GRANT FORFEITED (%)	FUTURE FINANCIAL YEARS THAT GRANT WILL BE PAYABLE	MINIMUM TOTAL VALUE OF GRANT ($)	MAXIMUM TOTAL VALUE OF GRANT[2] ($)
Current senior executives								
S M Morphet Chief Executive Officer	82,677 performance rights	01/07/2008	21/10/2008	Nil	100%	N/A	Nil	Nil
	1,228,915 performance rights	01/07/2009	29/06/2010	Nil	Nil	2012	Nil	785,506
	1,377,078 performance rights	01/07/2010	24/08/2010	Nil	Nil	2013	Nil	881,330
D L Bortolussi[3]	329,639 performance rights	01/07/2009	29/06/2010	Nil	Nil	2012	Nil	210,969
	1,742,160 fully paid shares	01/07/2009	21/04/2009	50%	Nil	N/A	Nil	500,000
	336,809 performance rights	01/07/2010	24/08/2010	Nil	Nil	2013	Nil	215,558
M J Allibon	193,060 performance rights	01/07/2009	29/06/2010	Nil	Nil	2012	Nil	123,558
	190,039 performance rights	01/07/2010	24/08/2010	Nil	Nil	2013	Nil	121,625
C M Garnsey[4]	1,981,818 performance rights	01/07/2010	26/10/2010	Nil	Nil	2014	Nil	2,180,000
K J Hann[5]	50,000 reward rights	01/07/2006	30/06/2006	40%	60%	N/A	Nil	Nil
	25,984 performance rights	01/07/2008	21/10/2008	Nil	100%	N/A	Nil	Nil
	219,325 performance rights	01/07/2009	29/06/2010	Nil	Nil	2012	Nil	140,368
	210,271 performance rights	01/07/2010	24/08/2010	Nil	Nil	2013	Nil	134,573
A M Heraghty[6]	60,000 performance rights	14/08/2009	14/08/2009	100%	Nil	N/A	Nil	75,600
	212,035 performance rights	01/07/2010	24/08/2010	Nil	Nil	2013	Nil	135,702
H S Kramer[7]	100,000 performance rights	01/07/2010	03/05/2010	Nil	Nil	2012	Nil	107,000
	307,416 performance rights	01/07/2010	24/08/2010	Nil	Nil	2013	Nil	196,746
R A Taylor	28,346 performance rights	01/07/2008	21/10/2008	Nil	100%	N/A	Nil	Nil
	237,866 performance rights	01/07/2009	29/06/2010	Nil	Nil	2012	Nil	152,234
	243,890 performance rights	01/07/2010	24/08/2010	Nil	Nil	2013	Nil	156,090
Former senior executives								
S M Smith[8, 9]	100,000 performance rights	01/07/2009	24/02/2009	100%	Nil	N/A	Nil	31,700
	224,578 performance rights	01/07/2009	29/06/2010	Nil	100%	N/A	Nil	Nil
	258,427 performance rights	01/07/2010	24/08/2010	Nil	100%	N/A	Nil	Nil

1 A total of 381,511 performance rights were granted to senior executives and management under the F09 issue of performance rights and all of these performance rights lapsed on 30 June 2011. The terms and conditions attached to the F09, F10 and F11 performance rights grants are set out on pages 33 to 36 in this report

2 The fair value of performance rights as at the date of their grant has been determined in accordance with AASB 2 *Share-based Payment*. The fair value in respect of the grant having an effective date of 1 July 2008 is $1.27 per share (TSR: $0.98, EPS: $1.56). The fair value in respect of the grant having an effective date of 1 July 2009 is $0.64 per share (TSR: $0.51, EPS: $0.77). The fair value in respect of the grant having an effective date of 1 July 2010 is $0.64 per share (TSR: $0.50, EPS: $0.78). The fair value in relation to sign on payments for D L Bortolussi is $0.29, A M Heraghty $1.26, H S Kramer $1.07, C M Garnsey $1.10 and S M Smith $0.32

3 The Company agreed on 21 April 2009 to issue to D L Bortolussi, the Chief Financial & Operating Officer, $500,000 worth of fully paid ordinary shares in the Company as a sign on bonus. The shares were issued on 1 July 2009, at no cost to D L Bortolussi, and were held on trust for D L Bortolussi, subject to satisfaction of a service condition that he was still employed by the Company on the relevant vesting dates. Under the relevant performance condition, 50% of the shares would vest on 1 July 2010 and the balance would vest on 1 July 2011, if D L Bortolussi was still in the employ of the Company on those dates. The number of shares acquired was calculated based on the volume weighted average price ('VWAP') during the period discussions were held between D L Bortolussi and the Company regarding his possible employment, specifically 23 February 2009 to 20 April 2009. The VWAP for the period was 28.7 cents per share. Accordingly, on 1 July 2009 the Company issued 1,742,160 shares to the Pacific Brands Employee Share Trust to be held on D L Bortolussi's behalf. As D L Bortolussi was still employed by the Company on 1 July 2010, 50% of the shares (871,080 shares) vested in D L Bortolussi on 1 July 2010 and the balance (a further 871,080 shares) vested in D L Bortolussi on 1 July 2011

4 On 26 October 2010, the Company agreed to grant to C M Garnsey a sign on bonus of 1,981,818 performance rights, the details of which are contained in section F of this report

5 K J Hann was the recipient of 50,000 reward rights granted with effect from 1 July 2006, as part of her remuneration when in the role of General Manager, Pacific Brands Hosiery Group. The reward rights were issued pursuant to the Company's deferred employee share plan, established with the approval of the Board in June 2006 to provide long term equity incentives to certain senior management, not being senior executives, approved by the Chief Executive Officer. 40% of the reward rights were tested against a service condition and 60% of the reward rights were tested against an EPS hurdle. 20,000 fully paid ordinary shares were issued to K J Hann in September 2009, based on the service condition being satisfied. The balance of the reward rights lapsed effective 30 June 2011 as the EPS hurdle was not met

6 On 14 August 2009, the Company agreed to grant to A M Heraghty a sign on bonus of 60,000 performance rights. The performance rights were issued at no cost to A M Heraghty and vested on 1 July 2010 as a result of A M Heraghty satisfying the performance condition that he remain in the employ of the Company until at least 1 July 2010. As A M Heraghty was still employed by the Company on that date these rights vested on 1 July 2010 and accordingly 60,000 fully paid ordinary shares were issued to A M Heraghty

7 On 3 May 2010, the Company agreed to grant to H S Kramer a sign on bonus of 100,000 performance rights. The performance rights were issued at no cost to H S Kramer effective 1 July 2010 and were subject to H S Kramer satisfying the performance condition that she remain in the employ of the Company until at least 1 July 2011. As H S Kramer was still employed by the Company on that date these rights vested on 1 July 2011 and accordingly 100,000 fully paid ordinary shares were issued to H S Kramer

8 On 24 February 2009, the Company agreed to grant to S M Smith, a sign on bonus of 100,000 performance rights. The performance rights were issued at no cost to S M Smith on 1 July 2009 and vested on 1 July 2010, as a result of S M Smith satisfying the performance condition that he remain in the employ of the Company until at least 1 July 2010. As S M Smith was still employed by the Company on that date these rights vested on 1 July 2010 and accordingly 100,000 fully paid ordinary shares were issued to S M Smith

9 S M Smith's 483,005 unvested performance rights were forfeited upon the cessation of his employment with the Company during the year

During the financial year, the Company has not granted any options or rights in addition to the performance rights summarised in the previous table.

The following table sets out details of any movement in performance rights currently on issue to the Chief Executive Officer and other senior executives and the number of rights held by such persons during the reporting period:

	BALANCE AT 01/07/2010	GRANTED	EXERCISED	LAPSED/ FORFEITED	BALANCE AT 30/06/2011	AGGREGATE VALUE TOTAL AT 30/06/2011
Current senior executives						
S M Morphet						
Number	1,311,592	1,377,078	Nil	82,677	2,605,993	
Value	$1,238,006	$881,330		$57,047		$2,062,289
D L Bortolussi						
Number	329,639	336,809	Nil	Nil	666,448	
Value	$210,969	$215,558				$426,527
M J Allibon						
Number	193,060	190,039	Nil	Nil	383,099	
Value	$123,558	$121,625				$245,183
C M Garnsey						
Number	Nil	1,981,818	Nil	Nil	1,981,818	
Value	Nil	$2,180,000				$2,180,000
K J Hann[1]						
Number	245,309	210,271	Nil	25,984	429,596	
Value	$213,678	$134,573		$17,929		$330,322
A M Heraghty						
Number	60,000	212,035	60,000	Nil	212,035	
Value	$75,600	$135,702	$53,400			$157,902
H S Kramer						
Number	100,000	307,416	Nil	Nil	407,416	
Value	$107,000	$196,746				$303,746
R A Taylor						
Number	266,212	243,890	Nil	28,346	481,756	
Value	$245,223	$156,090		$19,559		$381,754
Former senior executive						
S M Smith[2]						
Number	324,578	258,427	100,000	483,005	Nil	
Value	$175,430	$165,393	$89,000	$251,823		Nil
Total senior executives						
Number	2,830,390	5,117,783	160,000	620,012	7,168,161	
Value	$2,389,464	$4,187,017	$142,400	$346,358		$6,087,723

1 K J Hann was granted 50,000 reward rights with effect from 1 July 2006, as part of her remuneration when in the role of General Manager, Pacific Brands Hosiery Group. The fair value of these reward rights was $90,000. 20,000 fully paid ordinary shares were issued to K J Hann in September 2009, based on the service condition in respect of the reward rights being satisfied. The balance of the reward rights lapsed effective 30 June 2011 as the EPS hurdle was not met

2 All unvested performance rights issued to S M Smith were forfeited upon cessation of his employment with the Company during the year

REMUNERATION REPORT – AUDITED (CONTINUED)

Hedging and margin lending arrangements

The Company's guidelines for dealing in securities prohibit any employee who has been granted performance rights or deferred shares in the Company pursuant to the terms of any of the Company's employee share plans from entering into a transaction to limit the economic risk of such performance rights or deferred shares, whether through a derivative, hedge or other similar arrangement.

In addition, non-executive directors and senior executives are required to inform the Board of the existence of any margin lending arrangements in respect of shares in the Company which a non-executive director or senior executive has a relevant interest in, where those shares are offered as security for the lending arrangement.

The Company treats compliance with these policies as a serious issue and takes appropriate measures to ensure the policy is adhered to, requiring non-executive directors and senior executives to confirm in writing their compliance with these policies on an annual basis. Any employee found to have breached these policies will be subject to appropriate sanctions, which could include termination of employment.

F. Service agreements

The remuneration and other terms of employment for the Chief Executive Officer and the other senior executives are formalised in service agreements. Each of these agreements provides for the payment of a fixed annual remuneration component comprising of a base salary, car allowance and superannuation contributions, the provision of performance related cash bonuses (as disclosed on page 32 in this report), and participation in the Company's employee LTI scheme (as disclosed on page 33 in this report).

General information regarding the duration of each agreement, the periods of notice required to terminate the agreement and the termination payments provided for under the service agreements are summarised on page 40 in this report.

Duration of service agreements

Senior executives are employed under agreements that are ongoing unless terminated by either party.

Notice periods and payments on termination

The service agreements provide for termination payments to be made in certain circumstances. In particular, the Company may terminate the employment of the Chief Executive Officer or any of the other senior executives, other than for cause, on giving a minimum of three months' notice. In respect of those service agreements entered into prior to 24 November 2009, the Company may terminate a senior executive's employment upon payment (including any payment in lieu of notice) not exceeding one year's fixed annual remuneration plus a pro rata part of the current STI (cash bonus), based on the performance of the relevant executive against the annual target applicable at that time.

In accordance with section 200A-J of the Corporations Act 2001, which took effect on 24 November 2009, the maximum termination payment payable by the Company without shareholder approval to any senior executive whose contract of employment was entered into or varied after that date is capped at 12 months average fixed annual remuneration ('FAR').

In the event that the Chief Executive Officer ceases to be the most senior executive or the Company ceases to be listed on the ASX, the Company will be deemed to have terminated the employment of the Chief Executive Officer and will be liable to make compensation payments.

Upon termination of employment for any reason, the Chief Executive Officer is prohibited from engaging in any activity that would compete with the Company for a period of one year, in order to protect the Company's business interests.

Relevant terms of the service contracts of the Chief Executive Officer and the other senior executives are set out in the table below:

	DATE OF CONTRACT	NOTICE PERIOD – COMPANY	TERMINATION PAYMENT ENTITLEMENT	NOTICE PERIOD – EMPLOYEE
Current senior executives				
S M Morphet Chief Executive Officer	30 November 2007	3 months	12 months FAR plus pro rata STI	3 months
D L Bortolussi Chief Financial & Operating Officer	21 April 2009	3 months	9 months FAR plus pro rata STI	3 months
M J Allibon Group General Manager, Human Resources	23 February 2009	3 months	12 months FAR plus pro rata STI	3 months
C M Garnsey Group General Manager, Underwear & Hosiery	26 October 2010	3 months	12 months FAR	3 months
K J Hann Group General Manager, Bonds	23 February 2009	3 months	12 months FAR plus pro rata STI	3 months
A M Heraghty Group General Manager, Footwear, Outerwear & Sport	14 August 2009	3 months	12 months FAR plus pro rata STI	3 months
H S Kramer Group General Manager, Homewares and Workwear	3 May 2010	3 months	12 months FAR	3 months
R A Taylor Group General Manager, Omni Apparel	23 February 2009	3 months	12 months FAR plus pro rata STI	3 months
Former senior executive				
S M Smith Group General Manager, Workwear	24 February 2009	3 months	12 months FAR plus pro rata STI	3 months

Sign on bonuses

The Company paid to C M Garnsey, the Group General Manager Underwear & Hosiery, a sign on bonus of $400,000 (less applicable taxation) on the commencement of her employment with the Company on 2 May 2011. In addition, the Company agreed on 26 October 2010 to grant to C M Garnsey 1,981,818 performance rights (each performance right being an entitlement to one fully paid ordinary share in the Company), as a further component of her sign on bonus. The performance rights were issued at no cost to C M Garnsey effective 1 July 2011 and will vest on 1 July 2013 subject to C M Garnsey satisfying the performance condition that she still be in the employ of the Company on that date. The number of performance rights was calculated by dividing the sum of $2,180,000 by the VWAP of the Company's shares during the five day period immediately prior to the announcement of C M Garnsey's employment with the Company on the ASX, which occurred on 3 November 2010. The total value of the sign on bonuses paid to C M Garnsey ($2,580,000) equated to the value of the likely benefits under the David Jones Limited long term incentive plans which C M Garnsey forwent upon resigning from the employ of that company. The minimum value of the sign on bonuses awarded to C M Garnsey is $400,000, being the cash component, and the maximum value is $2,580,000 being the $400,000 cash component and $2,180,000 being the fair value of the grant of performance rights (being $1.10 per share).

G. Remuneration paid or payable and other specific disclosures

Details of the remuneration paid to the Chief Executive Officer and the other senior executives for the 2011 financial year (and prior financial year) are set out in the following table, calculated in accordance with the relevant accounting standards. All values are in Australian dollars unless otherwise stated.

Remuneration for 2011 financial year

Chief Executive Officer and other senior executives of the Company and the Consolidated Entity

		SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS			SHARE BASED PAYMENTS	TERMI-NATION BENEFITS	TOTAL	VALUE OF PERFORMANCE RIGHTS AS % OF TOTAL
		FIXED SALARY[1]	INCENTIVE PAYMENTS	NON-MONETARY BENEFITS[2]	SUPER-ANNUATION BENEFITS	RETIRE-MENT PAYMENTS	OTHER	PERFOR-MANCE RIGHTS[3]			
		$	$	$	$	$	$	$	$	$	%
Current senior executives											
S M Morphet	2011	1,169,378	910,000	35,000	222,741			409,769		2,746,888	14.9
Chief Executive Officer	2010	1,109,239	828,660	39,093	190,105			130,918		2,298,015	5.7
D L Bortolussi	2011	636,369	505,845	55,093	21,385			368,914		1,587,606	23.2
Chief Financial & Operating Officer	2010	611,189	923,400	35,352	44,115			320,323		1,934,379	16.6
M J Allibon	2011	363,284	126,851	27,523	34,913			75,371	455,003	1,082,945	6.9
Group General Manager, Human Resources[6]	2010	356,998	216,330	27,522	33,077			41,186		675,113	6.1
C M Garnsey	2011	132,009	450,004	0	11,010			167,692		760,715	22.0
Group General Manager, Underwear & Hosiery[4, 5]	2010	N/A	N/A	N/A	N/A			N/A		N/A	N/A
K J Hann	2011	401,559	140,356	38,779	36,153			63,625		680,472	9.4
Group General Manager, Bonds	2010	390,637	273,600	43,387	35,100			38,504		781,228	4.9
A M Heraghty	2011	412,647	183,993	46,099	25,000			121,743		789,482	15.4
Group General Manager, Footwear, Outerwear & Sport	2010	251,113	130,000	30,045	16,667			75,600		503,425	15.0
H S Kramer	2011	623,865	344,736	27,096	29,319			170,323		1,195,339	14.2
Group General Manager, Homewares and Workwear	2010	93,739	0	3,951	7,975			0		105,665	0
R A Taylor	2011	451,666	226,875	27,523	83,655			68,863		858,582	8.0
Group General Manager, Omni Apparel	2010	346,193	296,150	31,615	93,382			35,480		802,820	4.4
Total remuneration – current senior executives											
	2011	**4,190,777**	**2,888,660**	**257,113**	**464,176**			**1,446,300**	**455,003**	**9,702,029**	**14.9**
	2010	3,159,108	2,668,140	210,965	420,421	0	0	642,011	0	7,100,645	8.7
Former senior executive											
S M Smith	2011	364,543	0	19,831	24,999	0		15,490	519,000	943,863	1.6
Group General Manager, Homewares	2010	489,232	257,280	27,522	40,980			47,910		862,924	5.6
Total remuneration – executive director and other senior executives											
	2011	**4,555,320**	**2,888,660**	**276,944**	**489,175**	**0**	**0**	**1,461,790**	**974,003**	**10,645,892**	**13.7**
	2010	3,648,340	2,925,420	238,487	461,401	0	0	689,921	0	7,963,569	7.2

1 Includes movements in annual leave and long service leave provisions and excludes fringe benefits tax paid or payable relating to fringe benefits granted by the Company

2 Amounts disclosed for remuneration of senior executives exclude insurance premiums paid by the Consolidated Entity in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers, including, among others, the named senior executives. Due to confidentiality obligations and undertakings of the policy, the premium paid cannot be disclosed. No amount has been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists

3 To the extent required by the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the financial year. The fair value of equity instruments which do not vest during the reporting period is required to be determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The notional value of performance rights as at the date of their grant has been determined in accordance with AASB 2 *Share Based Payment.* The fair value in respect of the grant having an effective date of 1 July 2008 is $1.27 per share. The fair value in respect of the grant having an effective date of 1 July 2009 is $0.64 per share. The fair value in respect of the grant having an effective date of 1 July 2010 is $0.64 per share. The fair value of these equity investments is calculated for the Company by an independent expert

4 C M Garnsey was employed for only part of the 2011 financial year, having commenced employment on 2 May 2011

5 C M Garnsey was granted a sign on bonus effective 1 July 2011. Refer to page 40 in this report for further details of this sign on bonus. The fair value of this sign on bonus will be expensed over the term of the relevant vesting period

6 M J Allibon's role was made redundant on 31 May 2011 and she will cease employment with the Company on 30 September 2011

DIRECTORS REPORT

This Directors report is signed in accordance with a resolution of the Directors.

Dated at Melbourne this 24th day of August 2011.

Sue M Morphet.

James MacKenzie
Chairman

Sue Morphet
Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under section 307C of the Corporations Act 2001

To: the Directors of Pacific Brands Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul Shannon
Partner

Melbourne
24 August 2011

FINANCIAL STATEMENTS TO SHAREHOLDERS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	 2010 $'000
Sales revenue	2	**1,614,598**	1,742,393
Cost of sales		**(861,510)**	(1,019,572)
Gross profit		**753,088**	722,821
Other income	2	**7,442**	9,354
Freight and distribution expenses		**(127,509)**	(126,731)
Sales, marketing and advertising expenses		**(294,281)**	(272,408)
Administrative expenses		**(152,527)**	(154,058)
Other expenses	4	**(248,467)**	(51,333)
Results from operating activities		**(62,254)**	127,645
Financial income	3	**5,731**	2,312
Financial expenses	3	**(41,363)**	(50,601)
Net financing costs		**(35,632)**	(48,289)
Profit/(loss) before income tax (expense)/benefit		**(97,886)**	79,356
Income tax (expense)/benefit	6	**(33,599)**	(26,161)
Profit/(loss)		**(131,485)**	53,195
Profit/(loss) attributable to:			
Owners of the Company	22	**(131,895)**	52,722
Non-controlling interest	24	**410**	473
Profit/(loss)		**(131,485)**	53,195
Other comprehensive income			
Foreign currency translation differences		**(9,990)**	1,558
Changes in fair value of cash flow hedges (net of tax)		**(24,411)**	58,187
Other comprehensive income (net of tax)		**(34,401)**	59,745
Total comprehensive income		**(165,886)**	112,940
Total comprehensive income attributable to:			
Owners of the Company		**(165,818)**	112,413
Non-controlling interest		**(68)**	527
Total comprehensive income		**(165,886)**	112,940
Earnings per share			
Ordinary shares	7	(14.2) cents	5.7 cents
Diluted shares	7	(14.2) cents	5.7 cents

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 48 to 86.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	9	**155,479**	149,974
Trade and other receivables	10	**192,909**	235,331
Inventories	11	**262,479**	241,274
Other assets	12	**9,996**	6,960
Assets held for sale	16	**14,278**	-
Total current assets		**635,141**	633,539
Non-current assets			
Trade and other receivables	10	**28**	36
Property, plant and equipment	13	**80,364**	117,043
Intangible assets	14	**1,080,998**	1,307,555
Deferred tax assets	15	**25,544**	30,437
Total non-current assets		**1,186,934**	1,455,071
Total assets		**1,822,075**	2,088,610
Current liabilities			
Trade and other payables	17	**144,470**	133,508
Interest-bearing loans and borrowings	18	**177**	760
Income tax payable	6	**26,923**	14,288
Provisions	19	**68,778**	87,043
Liabilities directly associated with assets held for sale	16	**355**	-
Total current liabilities		**240,703**	235,599
Non-current liabilities			
Trade and other payables	17	**4,250**	5,232
Interest-bearing loans and borrowings	18	**382,503**	461,900
Provisions	19	**9,720**	6,422
Total non-current liabilities		**396,473**	473,554
Total liabilities		**637,176**	709,153
Net assets		**1,184,899**	1,379,457
Equity			
Share capital	20	**1,469,094**	1,469,094
Reserves	21	**(39,820)**	(4,577)
Accumulated losses	22	**(247,149)**	(88,325)
Total equity attributable to equity holders of the Company		**1,182,125**	1,376,192
Non-controlling interest	24	**2,774**	3,265
Total equity		**1,184,899**	1,379,457

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 48 to 86.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Cash flows from operating activities			
Cash receipts from customers		**1,780,237**	1,944,889
Cash paid to suppliers and employees		**(1,646,263)**	(1,747,532)
Income taxes paid		**(7,923)**	(13,673)
Interest paid		**(37,091)**	(50,720)
Interest received		**5,731**	2,312
Net cash from operating activities	28	**94,691**	135,276
Cash flows from investing activities			
Proceeds from disposal of businesses (net of cash disposed)	16	**56,439**	2,988
Proceeds from disposal of property, plant and equipment		**9,488**	15,675
Acquisition of property, plant and equipment	13	**(21,580)**	(10,043)
Acquisition of business (net of cash acquired)	16	**(13,176)**	-
Net cash from investing activities		**31,171**	8,620
Cash flows from financing activities			
Finance lease payments		**(873)**	(276)
Repayment of borrowings		**(83,559)**	(118,405)
Payments for shares bought back to allocate to employees		**(427)**	-
Dividends paid	23	**(28,864)**	-
Dividend paid to non-controlling interest	24	**(423)**	(1,256)
Net cash used in financing activities		**(114,146)**	(119,937)
Net increase in cash and cash equivalents		**11,716**	23,959
Cash and cash equivalents at the beginning of the period		**149,974**	126,475
Effect of exchange rate fluctuations on cash held		**(6,211)**	(460)
Cash and cash equivalents at the end of the period	9	**155,479**	149,974

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements set out on pages 48 to 86.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	CONSOLIDATED							
	SHARE CAPITAL	EQUITY COMPENSATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE	ACCUMULATED LOSSES	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	NON-CONTROLL-ING INTEREST	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2009	1,469,094	5,946	(24,913)	(46,384)	(141,047)	1,262,696	3,994	1,266,690
Profit	-	-	-	-	52,722	52,722	473	53,195
Other comprehensive income								
Foreign currency translation differences	-	-	1,504	-	-	1,504	54	1,558
Effective portion of net changes in fair value of cash flow hedges[1]	-	-	-	(7,377)	-	(7,377)	-	(7,377)
Net change in fair value of cash flow hedges transferred to inventories or profit and loss[1]	-	-	-	65,564	-	65,564	-	65,564
Total other comprehensive income	-	-	1,504	58,187	-	59,691	54	59,745
Total comprehensive income	-	-	1,504	58,187	52,722	112,413	527	112,940
Transactions with owners, recorded directly in equity								
Dividends recognised	-	-	-	-	-	-	(1,256)	(1,256)
Cost of share based payments	-	1,083	-	-	-	1,083	-	1,083
Balance at 30 June 2010	1,469,094	7,029	(23,409)	11,803	(88,325)	1,376,192	3,265	1,379,457
Balance at 1 July 2010	1,469,094	7,029	(23,409)	11,803	(88,325)	1,376,192	3,265	1,379,457
Profit/(loss)	-	-	-	-	(131,895)	(131,895)	410	(131,485)
Other comprehensive income								
Foreign currency translation differences	**-**	**-**	**(9,512)**	**-**	**-**	**(9,512)**	**(478)**	**(9,990)**
Effective portion of net changes in fair value of cash flow hedges[1]	**-**	**-**	**-**	**(52,733)**	**-**	**(52,733)**	**-**	**(52,733)**
Net change in fair value of cash flow hedges transferred to inventories or profit and loss[1]	**-**	**-**	**-**	**28,322**	**-**	**28,322**	**-**	**28,322**
Total other comprehensive income	**-**	**-**	**(9,512)**	**(24,411)**	**-**	**(33,923)**	**(478)**	**(34,401)**
Total comprehensive income			**(9,512)**	**(24,411)**	**(131,895)**	**(165,818)**	**(68)**	**(165,886)**
Transactions with owners, recorded directly in equity								
On market purchase of performance rights	**-**	**(2,352)**	**-**	**-**	**1,935**	**(417)**	**-**	**(417)**
Dividends recognised	**-**	**-**	**-**	**-**	**(28,864)**	**(28,864)**	**(423)**	**(29,287)**
Cost of share based payments	**-**	**1,032**	**-**	**-**	**-**	**1,032**	**-**	**1,032**
Balance at 30 June 2011	**1,469,094**	**5,709**	**(32,921)**	**(12,608)**	**(247,149)**	**1,182,125**	**2,774**	**1,184,899**

1 Amounts are stated net of tax

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 48 to 86.

The nature and purpose of the reserves are explained in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Pacific Brands Limited ('Company') is a company domiciled in Australia. The consolidated Financial Statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its controlled entities (together referred to as the 'Consolidated Entity').

A. Statement of compliance

The Financial Statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Accounting Interpretations ('AIs')) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The Financial Statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

These Financial Statements were authorised for issue by the directors on 24 August 2011.

B. Basis of preparation

These Financial Statements are presented in Australian dollars ('AUD'), which is the Company's functional currency.

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

These Financial Statements are prepared on the historical cost basis except for loans and receivables that are measured at amortised cost, derivative financial instruments that are stated at their fair value and the defined benefit asset that is measured as the net total of the plan assets plus unrecognised past service costs and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

The accounting policies set out below have been consistently applied by each entity in the Consolidated Entity, for all periods presented.

Changes in accounting policies and new standards

In the current year, the Consolidated Entity adopted all of the new and revised AASBs and AIs issued by the Australian Accounting Standards Board that are relevant to the Consolidated Entity and its operations and effective for the current annual reporting period.

Those applicable to the Consolidated Entity included the amendments to the following AASBs arising from the Annual Improvements Project (AASB 2009-5):

- AASB 3 *Business Combinations*
- AASB 5 *Non-current Assets Held For Sale and Discontinued Operations*
- AASB 8 *Operating Segments*
- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 117 *Leases*
- AASB 118 *Revenue*
- AASB 136 *Impairment of Assets*

The new and revised AASBs and AIs resulted in changes to the Consolidated Entity's accounting policies, but did not affect the reported amounts in the current or prior year.

The following amendments to AASBs and AIs have been identified as those which are relevant to the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing these Financial Statements:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Consolidated Entity's 30 June 2014 statements. However, an Exposure Draft has been issued which proposes to delay the effective date to annual periods beginning on or after 1 January 2015. The Consolidated Entity is yet to assess its full impact and has not yet decided whether to early adopt the standard
- AASB 124 *Related Party Disclosures* simplifies and clarifies the intended meaning of the definition of a related party. The amendments will become mandatory for the Consolidated Entity's 30 June 2012 financial statements but are likely to impact disclosure only
- AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The standard will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. With the Consolidated Entity being a Tier 1 entity, the standard is not likely to have any significant impact on the Consolidated Entity's financial statements
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. The amendments will become mandatory for the Consolidated Entity's 30 June 2012 financial statements however the financial impact of adopting the amended standard has not yet been determined

- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* makes amendments to various accounting standards with the relevant changes impacting financial instruments disclosure (AASB 7) and interim financial reporting of significant events and transactions (AASB 134). The amendments will become mandatory for the Consolidated Entity's 30 June 2012 financial statements but are likely to impact disclosure only

C. Principles of consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in these Financial Statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or revenues and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

D. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Consolidated Entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, consideration is given to the potential voting rights that are currently exercisable.

Acquisitions on or after 1 July 2009

For acquisitions on or after 1 July 2009, the Consolidated Entity measures goodwill at the acquisition date as:

- the fair value of the consideration transferred plus
- the recognised amount of any non-controlling interests in the acquiree
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit and loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit and loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Consolidated Entity incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit and loss.

When share-based payment awards 'replacement awards' are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

E. Loss of control

Upon the loss of control, the Consolidated Entity derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Consolidated Entity retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

F. Revenue recognition

Revenues are recognised at fair value of the consideration received, net of the amount of goods and services tax ('GST') payable to the relevant taxation authority.

Sale of goods

Revenue from the sale of goods (net of returns, discounts, rebates and allowances) is recognised in the Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the buyer. Transfers of risks and rewards vary depending on the individual terms of the contract of sale. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Dividends

Dividend revenue is recognised net of any franking credits.

Other income

Government grants

Revenue from government grants is recognised when the Consolidated Entity has complied with the conditions attaching to the grant and has reasonable assurance that the grant will be received.

Sale of non-current assets

The profit or loss on disposal of non-current assets is included in other income or other expenses of the Consolidated Entity and is brought to account at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The profit or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

G. Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the Statement of Comprehensive Income (refer Note 1(X)). Borrowing costs are expensed as incurred and included in net financing costs, except to the extent they are capitalised in relation to the construction of a qualifying asset.

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest rate method.

H. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense of an item.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

I. Income tax

Income tax on the profit or loss comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities from a transaction that is not a business combination that affect neither accounting nor taxable profit, and differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed an Australian tax consolidated group with effect from April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Pacific Brands Limited. Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand-alone taxpayer' method consistent with UIG 1052 *Tax Consolidation Accounting*.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable to/(receivable from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amount (refer below).

Nature of tax funding arrangement and tax sharing agreement

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangement requires payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

The members of the tax consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the relevant financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

J. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company for the reporting period; by the weighted average number of ordinary shares of the Company. Diluted earnings per share is determined by adjusting the profit or loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares which comprise performance rights granted to employees.

K. Receivables

Trade and other receivables are stated at their amortised cost less impairment losses (refer Note 1(P)).

L. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes direct materials, direct labour, other direct variable costs and allocated production and supply overheads necessary to bring inventories to their present location and condition, and where relevant based on normal operating capacity of the production facilities.

The cost of inventories also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Manufacturing activities

The costs of manufacturing inventories and work in progress are assigned on a first-in, first-out basis. Costs arising from exceptional wastage are expensed as incurred.

Net realisable value

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense.

Obsolete and slow-moving stocks are allowed for to ensure the inventories are recorded at net realisable value where such value is below cost.

M. Leased assets

Leases under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability are recognised equal to the fair value of the leased asset or if lower the present value of the minimum lease payments determined at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

N. Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (refer Note 1(P)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Depreciation

Items of property, plant and equipment are depreciated over their estimated useful lives as set out below.

Depreciation is recognised in the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated.

The estimated useful lives, in the current and comparative periods, are as follows:

- freehold buildings: 40 years
- leasehold improvements: life of lease
- owned and leased plant and equipment: 3 - 10 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least annually.

Borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Consolidated Entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Sale of property, plant and equipment

The profit or loss on disposal of property, plant and equipment is included in other income or other expenses of the Consolidated Entity and is brought to account at the date control of the asset passes to the buyer.

The profit or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

O. Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Consolidated Entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses.

Brand names

Brand names are considered indefinite life assets, as they are not currently associated with products that are likely to become commercially or technically obsolete. Brand names are measured at cost less accumulated impairment losses.

Software

Software that is acquired by the Consolidated Entity is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Income on a straight line basis over the estimated useful life of the software.

Other intangible assets

Other intangible assets include licences, customer contracts and other customer related intangible assets.

Development expenditure is not capitalised but recognised in profit or loss as incurred.

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Statement of Comprehensive Income on a straight line basis over the estimated useful life of the asset.

The estimated useful lives, in the current and comparative periods, are as follows:

- licences: 5 - 15 years
- software: 5 - 10 years

P. Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Consolidated Entity on terms that the Consolidated Entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Consolidated Entity considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Consolidated Entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in administrative expenses in the Statement of Comprehensive Income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through comprehensive income.

Non-financial assets

The carrying amounts of the Consolidated Entity's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (CGU). The recoverable amount of an asset or cash generating unit ('CGU') is the greater of its value in use, and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The pre-tax discount rate is based on the Company's weighted average cost of capital which is determined with regard to various market indices. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in other expenses in the Statement of Comprehensive Income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of disposal groups, are remeasured in accordance with the Consolidated Entity's accounting policies. Thereafter, generally the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Consolidated Entity's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Q. Payables

Trade and other payables are stated at their amortised cost.

R. Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the loans or borrowings on an effective interest rate basis.

S. Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent the present obligations resulting from employees' services provided up to balance date. The provisions have been calculated at undiscounted amounts based on expected wage and salary rates that the Consolidated Entity expects to pay as at balance date and include related on-costs, such as workers' compensation insurance and payroll tax.

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made by the Consolidated Entity resulting from employees' services provided up to balance date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on employee turnover history and is discounted using the rates attaching to national government bonds at balance date which most closely match the terms to maturity of the related liabilities.

Superannuation plans

The Consolidated Entity contributes to various defined benefit and defined contribution superannuation plans.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as a personnel expense in the Statement of Comprehensive Income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Consolidated Entity's net obligation in respect of defined benefit superannuation plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the yield at balance date on AA credit rated or national government bonds that have maturity dates approximating the terms of the Consolidated Entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When employee benefits under the plan are improved, the proportion of the increased benefit relating to past service by employees is recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Comprehensive Income.

Where the calculation results in a net benefit to the Consolidated Entity, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

For actuarial gains and losses that arise in calculating the Consolidated Entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the Statement of Comprehensive Income over the expected average remaining working lives of the active employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

T. Share based payments

The Company has introduced a number of share plans pursuant to which executive directors and other senior executives may acquire shares or be granted performance rights. The fair value of performance rights granted is recognised as a personnel expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the performance rights. The fair value of the performance rights granted is measured using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted. Total shareholders return is a market based vesting condition included in the fair value of each performance right granted and expensed over the vesting period. Market based conditions are not adjusted to reflect for expected issue. The EPS hurdle is a non market vesting condition expensed over the vesting period. As a result the expense is adjusted to reflect the number of shares forfeited due to the relevant thresholds not being achieved. The expense related to share based payments is accounted for in the entity which employs the relevant individual.

U. Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restructuring

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the Consolidated Entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. Costs related to ongoing activities are not provided for.

Leased premises

Provision is made for non-cancellable operating lease rentals payable on surplus leased premises when it is determined that no substantive future benefit will be obtained from their occupancy and sub-lease rentals are less. The estimate is calculated based on discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

At the inception of a lease a best estimate is made of the cost to return the leased premise to its original condition. This amount is included in the cost of the leasehold improvement asset and a corresponding provision is recognised.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

V. Segment reporting

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity's other components. All operating segments' operating results are regularly reviewed by the Consolidated Entity's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Performance is measured based on segment earnings before interest, tax, amortisation (other intangible assets only) and significant items ('EBITA') as included in the internal management reports that are reviewed by the Consolidated Entity's Chief Executive Officer. Segment EBITA is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total costs incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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

W. Foreign currency

Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to Australian dollars at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange gains and losses arising on translation are recognised in the Statement of Comprehensive Income on a net basis.

Translation of controlled foreign operations

The assets and liabilities of controlled foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to Australian dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the foreign currency translation reserve. They are released into the Statement of Comprehensive Income upon disposal of investments. In respect of all foreign operations, any differences are presented as a separate component of equity.

X. Derivative financial instruments

The Consolidated Entity uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operating, investing and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value.

Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Consolidated Entity would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts and options is their quoted market price at the balance date.

Hedging

On entering into a hedging relationship, the Consolidated Entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into the Statement of Comprehensive Income in the same period or periods during which the asset acquired or liability assumed affects the Statement of Comprehensive Income (ie when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding policy statement, the associated cumulative gain or loss is removed from equity and recognised in the Statement of Comprehensive Income in the same period or periods during which the hedged forecast transaction affects the Statement of Comprehensive Income. The ineffective part of any gain or loss is recognised immediately in the Statement of Comprehensive Income.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Statement of Comprehensive Income.

Hedges of monetary assets and liabilities

When derivative financial instruments are used to hedge economically the foreign exchange exposure of recognised monetary assets or liabilities, hedge accounting is not applied and any gains or losses on the hedging instruments are recognised in the Statement of Comprehensive Income.

Hedges of net investment in foreign operations

The portions of the gains or losses on instruments used to hedge the net investment in foreign operations that are determined to be effective hedges are recognised directly in equity. The ineffective portions are recognised immediately in the Statement of Comprehensive Income.

Y. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

Treasury shares

The Company operates the Pacific Brands Share Trust ('Trust'). The main purpose of the Trust is to hold unvested performance shares as part of the Pacific Brands Performance Rights Plan. Under AASBs, the Trust qualifies as an equity compensation plan special purpose entity and its results are included in those for the Consolidated Entity.

Any shares held by the Trust are accounted for as treasury shares and treated as a reduction in the number of publicly held share capital of the Company and the Consolidated Entity.

Z. Accounting estimates and judgements

The preparation of these Financial Statements requires the making of estimates and judgements that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors including reasonable expectations of future events. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

The estimates and judgements that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below:

Recoverability of goodwill, other intangible assets and property, plant and equipment

Management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit ('CGU'). The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell and value in use. The determination of value in use requires the estimation and discounting of future cash flows. The estimation of the cash flows considers information available at balance date which may result in cash flows deviating from actual developments. This includes, among other things, expected revenue from sales of products, expected margins and volumes following periods of commodity and supply price volatility, foreign exchange currency movements and realisation of expected benefits associated with the ongoing strategic initiatives. Subsequent changes to the CGU allocation or to the timing and quantum of cash flows may also impact the carrying value of the respective assets.

Recoverability of current assets

In the course of normal trading activities, management uses its judgement in establishing the recoverability of various elements of working capital – principally trade and other receivables. Provisions are established for bad or doubtful receivables. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Consolidated Entity.

Net realisable value of inventories

Management uses its judgement in establishing the net realisable value of inventories. Provisions are established for obsolete or slow moving inventories taking into consideration the ageing profile of the inventory, the nature of the inventory, discontinued lines, sell through history, margins achieved and forecasted sales. Actual expenses in future periods may be different from the provisions established and any such differences would affect future earnings of the Consolidated Entity.

Provisions and contingencies

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Restructuring and redundancy provisions are estimated based on activities and employees that are likely to be affected. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Litigation and administrative proceedings are evaluated on a case-by-case basis considering the available information, including that from legal counsel, to assess potential outcomes. Where it is considered probable that a future obligation will result in an outflow of resources, a provision is recorded in the amount of the present value of the expected cash outflows if these are deemed to be reliably measurable.

Make good provisions for leased premises are estimated at the inception of the lease. A best estimate is made of the cost to return the leased premise to its original condition, taking into consideration the nature and size of the premise. Actual expenses in future periods may be different from the provisions established and any differences would affect future earnings of the Consolidated Entity.

Where the likelihood of an outflow of resources is determined to be not probable, disclosure is made for the contingent liability. If the likelihood of an outflow of resources is remote then no disclosure is made.

Measurement of defined benefit obligations

The defined benefit superannuation obligations are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and superannuation increases, long term price inflation and investment returns. While management believes the assumptions used are appropriate, a change in the assumptions used may impact the earnings and equity of the Consolidated Entity.

Valuation of derivative financial instruments

The Consolidated Entity measures derivative financial instruments at fair value on initial recognition and subsequently at balance date. The fair value of forward exchange contracts are based on quoted market prices and in the case of interest rate swaps, the fair values are based on estimated amounts that the Consolidated Entity would receive or pay to terminate the swap at balance date. While management believes the assumptions used in the estimates are appropriate, a change in the assumptions used may impact the fair value calculations.

Measurement of share based payments

The Consolidated Entity recognises an expense for all share based remuneration determined with reference to the fair value at grant date of the equity instruments issued. The fair value of the equity instruments is calculated using a valuation technique that simulates the Monte Carlo model. While management believes the assumptions used in the estimates are appropriate, a change in the assumptions used may impact the fair value calculations.

Taxation

The Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the consolidated provision for income taxes. The Consolidated Entity recognises liabilities for tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the relevant tax legislation associated with their recoupment.

Assumptions are also made about the application of tax legislation covering income and other indirect taxes. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities recorded on the Statement of Financial Position or the availability of franking credits. In these circumstances, the carrying amount of deferred tax assets and liabilities may change, resulting in an impact on the earnings of the Consolidated Entity.

AA. Parent entity financial information

The financial information for the parent entity disclosed in Note 31 has been prepared on the same basis as the consolidated Financial Statements.

NOTE 2 – SALES REVENUE AND OTHER INCOME

	NOTE	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Sales revenue		**1,614,598**	1,742,393
Other income			
Royalties		**2,344**	2,037
Sundry income		**5,098**	7,317
Total other income		**7,442**	9,354
Total sales revenue and other income		**1,622,040**	1,751,747

NOTE 3 – EXPENSES

	NOTE	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Depreciation of:			
Freehold buildings and leasehold improvements		**3,127**	2,973
Plant and equipment		**12,315**	13,366
		15,442	16,339
Amortisation of:			
Software		**1,828**	2,162
Other intangible assets		**3,493**	2,402
Leased plant and equipment		**266**	1,055
		5,587	5,619
Total depreciation and amortisation		**21,029**	21,958
Net financing costs:			
Interest income		**(5,731)**	(2,312)
Interest on bank loans and overdraft		**41,322**	50,489
Finance charges on capitalised leases		**41**	112
		35,632	48,289
Personnel expenses:			
Wages, salaries and employee benefits		**338,065**	362,040
Contributions to defined contribution superannuation plans		**21,822**	23,979
Curtailment and settlement loss		**1,134**	1,535
Defined benefit superannuation expense		**1,112**	1,649
Share based payments – equity settled		**1,032**	1,083
		363,165	390,286

NOTE 4 – OTHER EXPENSES

Other expenses in the Statement of Comprehensive Income is comprised of the following individually significant items:

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Asset impairment			
Impairment of goodwill, brand names and other intangibles		**214,700**	-
Other asset impairments		**6,019**	5,581
		220,719	5,581
Loss on sale			
Loss on sale of businesses and other assets		**2,269**	6,249
Restructuring expenses			
Redundancies, decommissioning and other costs		**25,479**	39,503
		248,467	51,333

The related income tax benefit on significant items, where applicable, is $13.2 million (2010: $13.8 million).

Impairment of goodwill, brand names and other intangibles relate to the Footwear, Outerwear & Sport CGU and the divestment of the Sleepmaker and Dunlop Foams businesses. For further details, refer Note 14.

The loss on sale relates to the divestment of the Sleepmaker and Dunlop Foams businesses. For further details, refer Note 16.

The restructuring expenses incurred relate to the Consolidated Entity's transformation program. For further details, refer Note 19.

NOTE 5 – AUDITORS' REMUNERATION

	NOTE	CONSOLIDATED 2011 $	2010 $
Audit services			
Auditors of the Company			
KPMG Australia:			
Audit and review of financial statements		**782,400**	794,000
Overseas KPMG firms:			
Audit of financial statements		**239,100**	135,002
		1,021,500	929,002
Other services			
Auditors of the Company			
KPMG Australia:			
Taxation compliance services		**-**	154,630
Other assurance services		**42,600**	66,200
Other advisory services		**-**	50,000
Overseas KPMG firms:			
Taxation compliance services		**34,096**	19,391
Other assurance services		**13,048**	3,159
		89,744	293,380

It is the Company's policy only to employ the Company's auditor on assignments additional to its statutory audit duties if their expertise in the area is critical and provided it is fully in compliance with the auditor independence requirements of the Corporations Act 2001 and the Company's policy on auditor independence. Approval for these assignments is required from the Audit, Business Risk and Compliance Committee. The assignments are principally related to tax compliance and other assurance services relating to debt covenants and regulatory requirements.

NOTE 6 – INCOME TAX EXPENSE/(BENEFIT)

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current income tax expense/(benefit)			
Current year		**27,146**	27,982
Over provided in prior year		**(1,622)**	(3,018)
Deferred income tax expense/(benefit)			
Origination and reversal of temporary differences		**8,075**	1,197
Total income tax expense/(benefit) in the Statement of Comprehensive Income		**33,599**	26,161
Reconciliation between income tax expense/(benefit) and profit/(loss) before income tax expense/(benefit)			
Profit /(loss) before income tax expense/(benefit)		**(97,886)**	79,356
Income tax using Australian corporation tax rate of 30%		**(29,366)**	23,807
Increase/(decrease) in income tax expense due to:			
Share based payments		**310**	325
Non-deductible impairment on goodwill and intangibles		**61,747**	-
Losses made in foreign jurisdictions		**1,726**	
Sundry items		**804**	5,047
Over provided in prior year		**(1,622)**	(3,018)
Total income tax expense/(benefit) on profit/(loss) before income tax expense/(benefit)		**33,599**	26,161
Deferred tax recognised directly in equity			
Relating to derivative financial instruments		**(5,403)**	5,058

Current income tax liability

The current tax liability for the Consolidated Entity of $26.9 million (2010: $14.3 million) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax consolidated group has assumed the current tax liability initially recognised by the members in the tax consolidated group.

NOTE 7 – EARNINGS PER SHARE

	NOTE	2011 $'000	2010 $'000
Earnings reconciliation			
Profit/(loss)		**(131,485)**	53,195
(Less)/add non-controlling interest		**(410)**	(473)
Basic and diluted earnings		**(131,895)**	52,722

	NOTE	2011	2010
Weighted average number of shares used as the denominator			
Number for basic earnings per share:			
Ordinary shares at 1 July	20	**929,544,088**	929,294,088
Effect of shares issued during the period		**965,822**	114,815
Ordinary shares at 30 June		**930,509,910**	929,408,903
Number for diluted earnings per share:			
Weighted average number of ordinary shares (basic)		**930,509,910**	929,408,903
Effect of performance rights on issue		**971,080**	628,422
Potential ordinary shares at 30 June		**931,480,990**	930,037,325

NOTE 8 – SEGMENT REPORTING

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

Underwear & Hosiery	Marketer, distributor, importer and manufacturer of underwear, intimate apparel, socks, hosiery and Bonds outerwear
Workwear	Marketer, distributor, importer and manufacturer of industrial, corporate imagewear and other workwear
Footwear, Outerwear & Sport	Marketer, distributor and importer of women's, men's and children's footwear; casual outerwear; and sporting outerwear and equipment
Homewares	Marketer, distributor, importer and manufacturer of bed linen, pillows and carpet underlay (excluding bedding and foams which were divested during the year)

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

The accounting policies of the reportable segments are the same as described in Note 1.

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

The major changes in segment results and segment assets related to the divestment of the Sleepmaker and Dunlop Foams businesses which were previously recorded within the Homewares segment. The results of the Sleepmaker and Foams businesses for the period 1 July 2010 to 31 March 2011 are included in the Homewares segment. All assets and liabilities of these businesses have been derecognised on completion of the sale.

On 24 June 2011 management announced that it would combine the Homewares and Footwear, Outerwear and Sport segments into a single operating group. Effective 1 July 2011, these businesses will form the Homewares, Footwear and Outerwear reportable segment.

	UNDERWEAR & HOSIERY $'000	WORKWEAR $'000	FOOTWEAR, OUTERWEAR & SPORT $'000	HOMEWARES $'000	TOTAL $'000
2011					
Revenue					
External	**494,502**	**398,253**	**308,357**	**399,288**	**1,600,400**
Inter-segment	**8,413**	**1,122**	**733**	**48**	**10,316**
Total segment revenue	**502,915**	**399,375**	**309,090**	**399,336**	**1,610,716**
Result					
EBITA before significant items	**111,261**	**49,895**	**774**	**40,445**	**202,375**
Significant items	**(1,276)**	**(3,650)**	**(185,105)**	**(41,932)**	**(231,963)**
EBITA after significant items	**109,985**	**46,245**	**(184,331)**	**(1,487)**	**(29,588)**
Depreciation and amortisation	**826**	**2,751**	**5,113**	**5,502**	**14,192**
Segment assets	**1,123,123**	**515,475**	**114,163**	**226,971**	**1,979,732**
Segment liabilities	**53,153**	**49,857**	**21,024**	**45,750**	**169,784**
Acquisition of non-current assets	**3,170**	**1,079**	**6,667**	**6,153**	**17,069**
2010					
Revenue					
External	539,858	380,554	405,124	404,995	1,730,531
Inter-segment	10,029	1,303	1,465	57	12,854
Total segment revenue	549,887	381,857	406,589	405,052	1,743,385
Result					
EBITA before significant items	99,885	41,822	15,457	33,618	190,782
Significant items	(19,014)	(1,002)	(18,489)	(1,545)	(40,050)
EBITA after significant items	80,871	40,820	(3,032)	32,073	150,732
Depreciation and amortisation	3,069	3,360	3,065	6,755	16,249
Segment assets	1,032,581	487,469	313,232	340,083	2,173,365
Segment liabilities	48,331	51,638	27,503	100,121	227,593
Acquisition of non-current assets	162	963	1,511	4,306	6,942

Geographical segments

	2011 $'000	2010 $'000
Revenue		
Australia	**1,534,326**	1,600,537
Rest of world	**87,714**	151,210
	1,622,040	1,751,747
Total assets		
Australia	**1,741,226**	1,964,937
Rest of world	**80,849**	123,673
	1,822,075	2,088,610

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

	2011 $'000	2010 $'000
Revenue		
Total revenue for reportable segments	**1,610,716**	1,743,385
Other revenue	**2,364**	1,484
Clearance store revenue	**19,276**	19,732
Elimination of inter-segment revenue	**(10,316)**	(12,854)
Consolidated revenue	**1,622,040**	1,751,747
EBITA		
Total EBITA after significant items for reportable segments	**(29,588)**	150,732
Amortisation	**(3,493)**	(2,402)
Net interest expense	**(35,632)**	(48,289)
Unallocated amounts: corporate expenses	**(12,669)**	(9,402)
Unallocated significant items	**(16,504)**	(11,283)
Consolidated profit/(loss) before income tax expense/(benefit)	**(97,886)**	79,356
Total EBITA before significant items for reportable segments	**202,375**	190,782
Unallocated amounts: corporate expenses	**(12,669)**	(9,402)
Consolidated EBITA before significant items	**189,706**	181,380
Assets		
Total assets for reportable segments	**1,979,732**	2,173,365
Unallocated assets	**176,371**	180,339
Elimination of inter-segment assets	**(334,028)**	(265,094)
Consolidated total assets	**1,822,075**	2,088,610
Liabilities		
Total liabilities for reportable segments	**169,784**	227,593
Unallocated liabilities	**801,420**	746,654
Elimination of inter-segment liabilities	**(334,028)**	(265,094)
Consolidated total liabilities	**637,176**	709,153

The Consolidated Entity supplies two customers which in combination account for 26.8% of revenue (2010: 28.8%).

NOTE 9 – CASH AND CASH EQUIVALENTS

		CONSOLIDATED	
	NOTE	2011 $'000	2010 $'000
Cash on hand		**3,898**	202
Cash at bank		**78,721**	96,223
Bank short term deposits		**72,860**	53,549
		155,479	149,974

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

NOTE 10 – TRADE AND OTHER RECEIVABLES

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current			
Trade debtors[1]		**231,173**	245,222
Less allowance for doubtful trade debtors		**(3,835)**	(5,739)
Less allowance for rebates, trade allowances and settlement discounts		**(48,243)**	(45,199)
		179,095	194,284
Other debtors[2]		**13,814**	41,047
		192,909	235,331
Non-current			
Other debtors		**28**	36

1 Includes amounts which have been securitised (refer Note 18)
2 In 2010, other debtors includes the fair value of foreign currency contracts (refer Note 25). In 2011, the fair value of foreign currency contracts are in a net credit position and therefore have been presented as other creditors and accruals (refer Note 17)

NOTE 11 – INVENTORIES

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Raw materials and stores		**19,096**	30,777
Work in progress		**3,199**	8,160
Finished goods		**240,184**	202,337
		262,479	241,274

Inventories recognised as expense during the year ended 30 June 2011 amounted to $861.5 million (2010: $1,019.6 million).

NOTE 12 – OTHER ASSETS

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Prepayments		**9,996**	6,960

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Freehold land			
At cost		**20,405**	27,704
Accumulated impairment losses		**-**	-
		20,405	27,704
Freehold buildings			
At cost		**12,050**	23,744
Accumulated depreciation and impairment losses		**(9,642)**	(10,817)
		2,408	12,927
Leasehold improvements			
At cost		**15,280**	18,379
Accumulated depreciation and impairment losses		**(11,164)**	(11,567)
		4,116	6,812
Plant and equipment			
At cost		**86,248**	138,879
Accumulated depreciation and impairment losses		**(42,178)**	(74,557)
		44,070	64,322
Leased plant and equipment			
At capitalised cost		**1,775**	3,018
Accumulated amortisation and impairment losses		**(1,752)**	(2,309)
		23	709
Capital works in progress			
At cost		**9,342**	4,569
Accumulated impairment losses		**-**	-
		9,342	4,569
Total property, plant and equipment		**80,364**	117,043

Reconciliation

A reconciliation of the carrying amounts for each class of property, plant and equipment is set out below:

CONSOLIDATED 2011	FREEHOLD LAND $'000	FREEHOLD BUILDINGS $'000	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
Carrying amount at the beginning of the year	**27,704**	**12,927**	**6,812**	**64,322**	**709**	**4,569**	**117,043**
Additions/acquisitions	**-**	**-**	**412**	**2,474**	**22**	**20,472**	**23,380**
Transfers	**-**	**(84)**	**522**	**15,052**	**(39)**	**(15,451)**	**-**
Disposals	**(1,728)**	**(1,317)**	**-**	**(3,042)**	**(260)**	**-**	**(6,347)**
Depreciation and amortisation	**-**	**(259)**	**(2,868)**	**(12,315)**	**(266)**	**-**	**(15,708)**
Reversal of impairment losses	**-**	**2,700**	**-**	**-**	**-**	**-**	**2,700**
Transfers to assets held for sale	**(2,800)**	**(5,985)**	**(68)**	**(753)**	**14**	**(12)**	**(9,604)**
Disposals of business	**(2,621)**	**(5,370)**	**(719)**	**(21,374)**	**(77)**	**(246)**	**(30,407)**
Effects of movements in foreign exchange	**(150)**	**(204)**	**25**	**(294)**	**(80)**	**10**	**(693)**
Carrying amount at the end of the year	**20,405**	**2,408**	**4,116**	**44,070**	**23**	**9,342**	**80,364**
2010							
Carrying amount at the beginning of the year	39,745	17,923	11,100	67,461	2,473	5,700	144,402
Additions	-	15	172	1,487	25	8,344	10,043
Transfers	42	(707)	(1,460)	11,558	(552)	(8,881)	-
Disposals	(12,086)	(4,150)	(95)	(2,216)	(110)	(395)	(19,052)
Depreciation and amortisation	-	(440)	(2,533)	(13,366)	(1,055)	-	(17,394)
Impairment losses	-	282	(367)	(566)	(25)	(196)	(872)
Effects of movements in foreign exchange	3	4	(5)	(36)	(47)	(3)	(84)
Carrying amount at the end of the year	27,704	12,927	6,812	64,322	709	4,569	117,043

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

NOTE 14 – INTANGIBLE ASSETS

	CONSOLIDATED				
	GOODWILL $'000	BRAND NAMES $'000	SOFTWARE $'000	OTHER INTANGIBLE ASSETS[1] $'000	TOTAL $'000
Balance at 1 July 2009	863,802	432,155	11,397	13,923	1,321,277
Disposals	(8,754)	-	-	-	(8,754)
Amortisation	-	-	(2,162)	(2,402)	(4,564)
Effects of movement in foreign exchange	(404)	-	-	-	(404)
Balance at 30 June 2010	854,644	432,155	9,235	11,521	1,307,555
Additions/acquisitions	**1,352**	**-**	**-**	**2,548**	**3,900**
Disposals	**(7,448)**	**-**	**-**	**-**	**(7,448)**
Impairment	**(177,033)**	**(28,790)**	**(2,411)**	**(8,877)**	**(217,111)**
Amortisation	**-**	**-**	**(1,828)**	**(3,493)**	**(5,321)**
Effects of movements in foreign exchange	**(578)**	**-**	**1**	**-**	**(577)**
Balance at 30 June 2011	**670,937**	**403,365**	**4,997**	**1,699**	**1,080,998**

1 Other intangible assets include licences, customer contracts and other customer related intangible assets

Impairment tests for CGUs containing goodwill and indefinite life intangible assets

The following CGUs have significant carrying amounts of goodwill and indefinite life intangible assets:

	CONSOLIDATED			
	GOODWILL		BRAND NAMES	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Omni Apparel[1]	**200,220**	200,220	**84,541**	84,541
Bonds[1]	**186,519**	186,519	**188,500**	188,500
Workwear	**177,763**	177,763	**99,980**	99,980
Footwear, Outerwear & Sport	**-**	137,103	**-**	28,790
Homewares	**106,435**	153,039	**30,344**	30,344
	670,937	854,644	**403,365**	432,155

1 Omni Apparel and Bonds operating segments form the Underwear & Hosiery reportable segment

Impairments during the year

During the year, the Consolidated Entity recognised impairment losses with respect to the Footwear, Outerwear & Sport CGU. The impairment resulted from underperformance and uncertainty with respect to future performance in key markets in which the CGU operates, which in turn adversely impacted expected returns and estimated cash flows to be recovered through use. The Consolidated Entity impaired the carrying amount of goodwill, brand names and other intangible assets by $174.8 million.

The Consolidated Entity has also written off $39.9 million of intangible assets attributable to the divestment of the Sleepmaker and Dunlop Foams businesses. This one off impairment loss was required to bring the assets in line with their fair value less costs to sell. The impairment loss was recognised in other expenses. The net loss on disposal recognised on completion of the sale was $2.3 million (recognised in other expenses).

Recoverable amount

The recoverable amounts of the CGUs above were determined using value in use calculations. Separate value in use calculations are prepared for each of the CGUs that make up the Consolidated Entity. The CGUs are consistent with the operating segments of the Consolidated Entity. Those calculations use cash flow projections based on Board approved budgets and forecasts for a further four year period which are extrapolated in perpetuity.

The recoverable amount as determined by the value in use calculation is materially sensitive to the sales growth rates applied in the forecasted period, terminal value growth rate that is applied into perpetuity and the discount rate applied. The sales growth rates applied in the value in use calculation for the forecasted period range between 2% and 4% (2010: 3% and 8%). Terminal value growth rates range from 1% to 4% (2010: 2% to 3%) and a pre-tax discount rate of 14% (2010: 14%) has been used in discounting the projected cash flows. The pre-tax discount rate was estimated based on the Consolidated Entity's weighted average cost of capital which is determined with regard to various external market indices.

A reduction in the pre-tax free cash flows used in the value in use by 10%, or a reduction in the terminal value growth rate of 2%, or a 1% increase in the discount rate could result in impairment for a CGU within the group.

NOTE 15 – RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED					
	ASSETS		LIABILITIES		NET	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade and other receivables	**1,572**	1,806	**-**	-	**1,572**	1,806
Inventories	**-**	807	**(7,170)**	-	**(7,170)**	807
Property, plant and equipment	**605**	2,110	**-**	-	**605**	2,110
Provisions for employee benefits	**14,743**	17,777	**-**	-	**14,743**	17,777
Other provisions	**11,449**	13,431	**-**	-	**11,449**	13,431
Share issue costs[1]	**957**	1,361	**-**	-	**957**	1,361
Derivative financial instruments[2]	**5,403**	-	**-**	(5,058)	**5,403**	(5,058)
Other items	**-**	-	**(2,015)**	(1,797)	**(2,015)**	(1,797)
Tax assets/(liabilities)	**34,729**	37,292	**(9,185)**	(6,855)	**25,544**	30,437
Set off of tax	**(9,185)**	(6,855)	**9,185**	6,855	**-**	-
Net tax assets	**25,544**	30,437	**-**	-	**25,544**	30,437

1 Included in equity
2 Includes derivative financial instruments recognised directly in equity

NOTE 16 – ASSETS AND LIABILITIES HELD FOR SALE, ACQUIRED AND DISPOSED DURING THE PERIOD

	CONSOLIDATED	
	30 JUNE 2011 $'000	30 JUNE 2010 $'000
Assets held for sale		
Inventories	**4,512**	-
Other current assets	**162**	-
Property, plant and equipment	**9,604**	-
Total assets held for sale	**14,278**	-
Liabilities directly associated with assets classified as held for sale		
Provisions	**355**	-
Total liabilities associated with assets classified as held for sale	**355**	-

Assets held for sale includes the Coolaroo property ($8.8 million) and the Bikes business ($5.2 million). The sale of the property is expected to be completed on 30 June 2012.

A non-binding heads of agreement was in place for the Bikes business as at 30 June 2011. Subsequent to balance date, a binding sale agreement was signed and the transaction is expected to be completed before 30 September 2011. The Company has recognised a one off impairment expense of $2.7 million to bring the assets in line with their estimated fair values less costs to sell.

The revenue and results of this business are included in the Footwear, Outerwear & Sport reportable segment presented in Note 8.

Business disposals

On 1 November 2010, the Company announced the sale of the Dunlop Foams and Sleepmaker businesses to Sleepyhead. The divestment of these businesses was completed on 31 March 2011 and the related assets and liabilities of the disposal group which were classified as held for sale at 31 December 2010 have been derecognised from the Statement of Financial Position.

These businesses previously formed part of the Homewares reportable segment presented in Note 8.

The Company has recognised a one off loss of $2.3 million on the sale of the disposal group which is included in other expenses.

Details of the sale are as follows:

	2011 $'000
Consideration received[1]	**53,449**
Carrying amount of net assets sold	**55,718**
Loss on sale before income tax	**2,269**
Income tax	**-**
Loss on sale after income tax	**2,269**

1 Consideration received includes cash proceeds of $56.4m less $3.0m of non-cash costs to sell

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

The carrying amount of assets and liabilities as at the date of sale (31 March 2011) were:

	31 MARCH 2011 $'000
Assets	
Trade and other receivables	**19,858**
Inventories	**14,304**
Other assets	**299**
Property, plant and equipment	**30,407**
Intangible assets	**7,448**
Deferred tax assets	**2,222**
Total assets	**74,538**
Liabilities	
Trade creditors	**10,695**
Provision for employee benefits	**8,017**
Lease liabilities	**108**
Total liabilities	**18,820**
Net assets	**55,718**

Net asset acquisitions

During the year the Company made various business acquisitions for a combined purchase price of $13.2 million. The net assets acquired comprised inventories ($7.5 million), property, plant and equipment ($1.8 million) and intangible assets ($3.9 million).

NOTE 17 – TRADE AND OTHER PAYABLES

		CONSOLIDATED	
	NOTE	2011 $'000	2010 $'000
Current			
Trade creditors		**115,787**	119,451
Other creditors and accruals[1]		**28,683**	14,057
		144,470	133,508
Non-current			
Other creditors		**4,250**	5,232

1 Includes the fair value of foreign currency contracts (refer Note 25). In 2010, the fair value of foreign currency contracts were in a debit position and therefore presented as other debtors (refer Note 10)

NOTE 18 – INTEREST-BEARING LOANS AND BORROWINGS

		CONSOLIDATED	
	NOTE	2011 $'000	2010 $'000
Current			
Lease liabilities		**177**	760
Non-current			
Bank loans		**382,503**	461,526
Lease liabilities		**-**	374
		382,503	461,900

Finance lease liabilities

The Consolidated Entity's finance lease liabilities are secured by the leased assets of $0.1 million (2010: $0.7 million) and in the event of default, the assets revert to the lessor.

Finance lease liabilities are payable as follows:

	CONSOLIDATED					
	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL
	2011 $'000	2011 $'000	2011 $'000	2010 $'000	2010 $'000	2010 $'000
Within one year	**180**	**3**	**177**	814	54	760
One year or later and no later than five years	**-**	**-**	**-**	378	4	374
	180	**3**	**177**	1,192	58	1,134

The Consolidated Entity leases motor vehicles under finance leases expiring in one to five years. At the end of the lease term, the Consolidated Entity has the option to purchase the motor vehicles at the agreed residual value.

Bank loans

All bank loans are denominated in Australian dollars. The bank loans are secured with a fixed and floating charge over the assets of the Consolidated Entity.

The Consolidated Entity is required to comply with various financial covenants which it has met.

During the year, the Consolidated Entity renegotiated its banking arrangements. The committed tranches and maturities under the new facility are detailed in Note 25.

The Company also reduced the size of its securitisation facility to $200 million (2010: $250 million). At 30 June 2011, this facility was drawn to $110.5 million (2010: $120 million). The gross trade debtors which have been securitised have been presented as trade debtors (refer Note 10).

Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates.

NOTE 19 – PROVISIONS

		CONSOLIDATED	
	NOTE	2011 $'000	2010 $'000
Current			
Employee benefits	29	**48,123**	61,345
Restructuring		**11,605**	23,330
Other		**9,050**	2,368
		68,778	87,043
Non-current			
Employee benefits	29	**3,889**	463
Other		**5,831**	5,959
		9,720	6,422

Reconciliation

A reconciliation of the carrying amounts of each class of provision, except for employee benefits (refer Note 29), is set out below:

		RESTRUCTURING		OTHER PROVISIONS	
	NOTE	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Carrying amount at the beginning of the year		**23,330**	82,586	**8,327**	9,232
Provisions recognised		**25,479**	33,853	**7,152**	882
Provisions utilised		**(37,204)**	(93,109)	**(598)**	(1,787)
Carrying amount at the end of the year		**11,605**	23,330	**14,881**	8,327

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

Restructuring

The restructuring provision relates to the Pacific Brands transformation program. The Consolidated Entity is in the final stages of this program and the provision related to certain costs and employee termination benefits associated with the restructuring. Expenses are recognised in other expenses in the Statement of Comprehensive Income.

Other

The provision for other relates to straight-lining of leases, make good provisions on leased premises and onerous lease charges, supplier rebates and claims and other administrative proceedings.

NOTE 20 – CONTRIBUTED EQUITY

	CONSOLIDATED	
	2011 $'000	2010 $'000
Share capital		
Publicly held		
929,544,088 fully paid ordinary shares at the beginning of the year (2010: 929,294,088)	**1,469,094**	1,469,094
1,328,080 fully paid ordinary shares transferred from treasury shares (2010: 250,000)	**-**	-
432,000 fully paid ordinary shares bought back on-market (2010: nil)	**-**	-
930,440,168 fully paid ordinary shares at the end of the year (2010: 929,544,088)	**-**	-
Treasury shares		
1,842,160 fully paid treasury shares at the beginning of the year (2010: 2,092,160)	**-**	-
1,328,080 fully paid treasury transferred to publicly held (2010: 250,000)	**-**	-
432,000 fully paid treasury shares bought back on-market (2010: nil)	**-**	-
946,080 fully paid treasury shares at the end of the year (2010: 1,842,160)	**-**	-
	1,469,094	1,469,094

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Treasury shares

Treasury shares represent the ordinary shares held by the trustee of the Consolidated Entity's equity compensation plan. As at 30 June 2011, the Trust held 946,080 of the Company's shares (2010: 1,842,160). These were issued by the Company during 2009 and 2010 for no consideration.

NOTE 21 – RESERVES

The nature and purpose of reserves included in the Statement of Changes in Equity for the Consolidated Entity are:

Equity compensation reserve

The equity compensation reserve arises on the grant of performance rights to executives under the Performance Rights Plan and other compensation granted in the form of equity. Amounts are transferred out of the reserve and into issued capital when the rights are exercised. Further information about equity compensation payments to employees is given in Note 29.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, the translation of transactions that hedge the Consolidated Entity's net investment in foreign operations or the translation of foreign currency monetary items forming part of the net investment in foreign operations (refer Note 1(W)).

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

NOTE 22 – ACCUMULATED LOSSES

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Balance at the beginning of the year		**(88,325)**	(141,047)
Net profit/(loss) attributable to equity holders of the Company		**(131,895)**	52,722
Dividends recognised		**(28,864)**	-
On-market purchase of performance rights		**1,935**	-
Balance at the end of the year		**(247,149)**	(88,325)

NOTE 23 – DIVIDENDS

Dividends recognised in the current year by the Company are:

	CENTS PER SHARE	TOTAL AMOUNT $ MILLIONS	FRANKED/ UNFRANKED	DATE OF PAYMENT
2011				
Interim 2011 ordinary	**3.1**	**28.9**	**Franked**	**1 April 2011**
2010				
None declared or paid	-	-	-	-

Franked dividends declared or paid were franked at the tax rate of 30%.

Subsequent events

Since the end of the financial year, the directors declared the following dividends:

	CENTS PER SHARE	TOTAL AMOUNT $ MILLIONS	FRANKED/ UNFRANKED	DATE OF PAYMENT
Final 2011 ordinary	**3.1**	**28.9**	**Franked**	**3 October 2011**

	COMPANY 2011 $'000	2010 $'000
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	**57,662**	55,708

The above available amounts are based on the balance of the dividend franking account at the end of the year adjusted for:

- franking credits that will arise from the payment of the current tax liabilities
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the year
- franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the end of the year
- franking credits that the entity may be prevented from distributing in subsequent years

In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of $57.7 million (2010: $55.7 million) franking credits.

NOTE 24 – NON-CONTROLLING INTEREST

The non-controlling interest at 30 June 2011 relates to a 50% interest in Restonic (M) Sdn Bhd which is not held by the Company nor by one of its controlled entities.

	CONSOLIDATED 2011 $'000	2010 $'000
Non-controlling interest in controlled entities comprises:		
Interest in (accumulated losses) at the beginning of the year	**(1,219)**	(436)
Net profit attributable to non-controlling interest	**410**	473
Dividend paid to non-controlling interest	**(423)**	(1,256)
Interest in (accumulated losses) at the end of the year	**(1,232)**	(1,219)
Interest in share capital	**4,293**	4,293
Interests in reserves	**(287)**	191
Total non-controlling interest	**2,774**	3,265

NOTE 25 – FINANCIAL INSTRUMENTS

Overview

The Consolidated Entity has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

This Note presents information about the Consolidated Entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these Financial Statements.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Consolidated Entity defines capital as total equity attributable to equity holders of the Company in the Statement of Financial Position plus net debt.

Net debt is calculated as total interest-bearing loans and borrowings less cash and cash equivalents. At balance date, total capital amounted to $1,409,326,000 (2010: $1,688,878,000). In order to adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, acquire existing shares or increase/reduce debt.

From time to time, the Consolidated Entity may purchase its own shares on-market for distributions under the Consolidated Entity's Performance Rights Plan or Dividend Reinvestment Plan (when active) or for capital management purposes. Decisions are made on a case by case basis by the Board.

The Company has recommenced payment of dividends. Refer to Note 32 for details regarding an on-market share buyback and share capital reduction announced subsequent to balance date.

At balance date the Consolidated Entity complied with all financial covenant undertakings as outlined in the financing arrangements.

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 year.

All financial asset 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 broker 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 risk-free interest rate (based on government bonds).

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			
		30 JUNE 2011		30 JUNE 2010	
	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		**155,479**	**155,479**	149,974	149,974
Trade and other receivables		**192,937**	**192,937**	217,117	217,117
Assets carried at fair value					
Forward exchange contracts receivable	2	**-**	**-**	18,250	18,250
Liabilities carried at amortised cost					
Trade and other payables		**130,993**	**130,993**	137,949	137,949
Finance lease liabilities		**177**	**177**	1,134	1,134
Bank loans		**382,503**	**382,503**	461,526	461,526
Liabilities carried at fair value					
Interest rate swaps	2	**1,329**	**1,329**	791	791
Forward exchange contracts payable	2	**16,398**	**16,398**	-	-

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Consolidated Entity enters into derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines set by the Board. The Consolidated Entity applies hedge accounting in order to manage volatility in profit or loss.

The market risk associated with the Consolidated Entity's financial instruments is detailed below.

Interest rate risk

As prescribed by the Company's banking arrangements, the Company ensures that at least 35% of its exposure to changes in interest rates on senior debt is on a fixed rate basis. This is achieved by entering into interest rate swaps.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

At the balance date, the interest rate profile of the Consolidated Entity's interest-bearing financial instruments was:

	2011 WEIGHTED AVERAGE INTEREST RATE PA	2010 WEIGHTED AVERAGE INTEREST RATE PA
Instruments with interest rate risk exposure		
Cash and cash equivalents	**4.2%**	3.7%
Finance lease liabilities	**9.3%**	8.7%
Bank loans[1]	**7.5%**	7.8%

1 After incorporating the effect of interest rate swaps
Refer 'Liquidity risk' for maturity profile of the above financial liabilities

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure of interest-bearing loans and borrowings, interest rate swaps and cash and cash equivalents to interest rates at the reporting date. The increase/decrease of 100 basis points is assumed to have taken place at the beginning of the financial year and held constant throughout the entire reporting period, and is applied against the net balance of interest-bearing loans and borrowings (excluding the portion fixed through interest rate swaps) and cash and cash equivalents held at reporting date. The analysis assumes the net balance at reporting date was held constantly throughout the financial year.

A decrease/(increase) of 100 basis points in interest rates at the reporting date would decrease/(increase) (loss)/profit before tax and decrease/(increase) equity by the amounts shown below for the Consolidated Entity. The analysis also assumes that all other variables, in particular foreign currency rates, remain constant and ignores management action. The analysis is performed on the same basis as at 30 June 2010.

The impact to profit/(loss) before tax reflects the additional interest that would have been expensed had the change in basis points occurred at the beginning of the financial year. The impact to equity before tax reflects the change in basis points on the valuation of interest swaps at the reporting date on the portion of debt fixed through effective cash flow hedges. The analysis is based off interest rate movements considered reasonable at year end but is not a forecast or prediction.

	PROFIT / (LOSS) BEFORE TAX		EQUITY BEFORE TAX	
	100BP INCREASE $'000	100BP DECREASE $'000	100BP INCREASE $'000	100BP DECREASE $'000
30 June 2011	**1,100**	**(1,100)**	**3,070**	**(3,152)**
30 June 2010	555	(555)	4,445	(4,530)

Currency risk

The Consolidated Entity is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of entities within the Consolidated Entity, primarily the US dollar ('USD'), UK pound, Euro, Japanese yen and New Zealand dollar.

As a result of the large purchases of inventories denominated in USD, the Statement of Financial Position of the Consolidated Entity can be significantly impacted by movements in the USD.

However, the Consolidated Entity hedges approximately 80% of its estimated foreign currency exposure in respect of forecast purchases up to 12 months forward by business (typically 6 – 9 months overall). The Consolidated Entity uses forward exchange contracts and other derivatives to hedge its currency risk.

The following table sets out the weighted average contracted exchange rates, the gross value to be received under foreign currency contracts, the fair value of the foreign currency contracts and the settlement periods of outstanding contracts for the Consolidated Entity:

	2011			2010		
	WEIGHTED AVERAGE EXCHANGE RATE	AUSTRALIAN DOLLAR EQUIVALENT $'000	FAIR VALUE $'000	WEIGHTED AVERAGE EXCHANGE RATE	AUSTRALIAN DOLLAR EQUIVALENT $'000	FAIR VALUE $'000
Maturing within one year						
Buy US dollars	**0.99**	**276,172**	**(16,295)**	0.89	306,670	18,250
Buy Hong Kong dollars	**-**	**-**	**-**	7.35	58	2
Buy UK pounds	**0.6113**	**566**	**(40)**	0.6317	64	2
Buy Euros	**0.7468**	**345**	**(14)**	0.6644	2,063	(73)
Buy Japanese yen	**84.60**	**234**	**(4)**	79.65	1,022	71
Sell New Zealand dollars	**1.3135**	**2,772**	**(45)**	1.2183	4,452	(2)

The net deferred costs and exchange gains and losses on hedges of anticipated foreign currency purchases and sales are recognised in other debtors in Note 10 and other creditors and accruals in Note 17. The timing of their anticipated recognition as part of purchases and sales are:

	CONSOLIDATED NET (LOSSES)/GAINS 2011 $'000	2010 $'000
Within 6 months	**(13,484)**	18,250
6 – 12 months	**(2,914)**	-
1 – 2 years	**-**	-
2 – 5 years	**-**	-
More than 5 years	**-**	-

The Consolidated Entity's net exposure to the USD at balance date was as follows, based on notional amounts:

	2011 $'000	2010 $'000
Cash and cash equivalents	**10,818**	12,356
Trade debtors	**3,099**	5,333
Trade creditors	**(20,704)**	(17,162)
Forward exchange contracts	**(16,295)**	18,250
Net exposure	**(23,082)**	18,777

A 10% strengthening of the AUD against the USD at 30 June 2011 would have increased/(decreased) (loss)/profit before income tax and (decreased)/increased equity by the amounts shown below for the Consolidated Entity. The analysis is based off foreign currency exchange rate variances considered reasonable at year end but is not a forecast or prediction. This analysis assumes that all other variables, in particular interest rates, remain constant. Any foreign exchange exposures deemed to be translation risk exposures have been excluded from the analysis. The analysis is performed on the same basis as at 30 June 2010.

	PROFIT/(LOSS) BEFORE TAX 10% INCREASE $'000	EQUITY 10% INCREASE $'000
30 June 2011	**(31)**	**(25,111)**
30 June 2010	(18)	(31,396)

A 10% weakening of the AUD against the USD at 30 June 2011 would effectively have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers.

Exposure to credit risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure.

Cash on deposit

Short term bank deposits are held with credible financial institutions.

Trade and other receivables

The Consolidated Entity supplies two customers which in combination account for 26.8% of revenue (2010: 28.8%).

The Consolidated Entity's exposure to credit risk is influenced mainly by the creditworthiness of each customer. The demographics of the Consolidated Entity's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk. The Consolidated Entity has established a credit policy under which each new customer of the Consolidated Entity is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered.

The Consolidated Entity's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval from senior management.

The Consolidated Entity's trade and other receivables relate primarily to the Consolidated Entity's wholesale customers. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Consolidated Entity may have a secured claim.

The Consolidated Entity does not require collateral in respect of trade and other receivables.

The Consolidated Entity has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Impairment losses

The ageing of the Consolidated Entity's trade debtors past due date at the reporting date was as follows:

	GROSS 2011 $'000	IMPAIRMENT 2011 $'000	GROSS 2010 $'000	IMPAIRMENT 2010 $'000
Not past due date	**205,679**	**-**	217,244	-
Past due 0 - 30 days	**10,209**	**-**	14,327	-
Past due more than 30 days	**15,285**	**3,835**	13,651	5,739

The movement in the allowance for doubtful debts in respect of the Consolidated Entity's trade debtors during the year was as follows:

	CARRYING AMOUNT	
	2011 $'000	2010 $'000
Balance at 1 July	**5,739**	7,081
Impairment loss recognised	**(1,112)**	(1,512)
Increase/(decrease) in allowance recognised in profit or loss	**(694)**	187
Effect of movements in foreign exchange	**(98)**	(17)
Balance at 30 June	**3,835**	5,739

Based on historic default rates, the Consolidated Entity believes that no impairment allowance is necessary in respect of trade debtors not past due date or past due date by up to 30 days. The allowance accounts in respect of trade debtors are used to record impairment losses unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible. At that point, the amount is considered irrecoverable and is written off against the financial asset directly.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity forecasts and monitors cash flow requirements. Typically, the Consolidated Entity ensures that it has sufficient available funds to meet expected operational expenses and the servicing of financial obligations when they become due and payable. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In doing so the Consolidated Entity maintains a level of unused overdraft and bank loan facilities, which amounted to $352.5 million as at 30 June 2011, and cash and cash equivalents of $155.5m at 30 June 2011.

Financing facilities

	CONSOLIDATED	
	2011 $'000	2010 $'000
Secured bank overdraft facility, reviewed annually and payable at call:		
Amount used	**-**	-
Amount unused	**38,000**	39,044
	38,000	39,044
Secured bank loan and securitisation facilities with various maturity dates through to 2016 which may be extended by mutual agreement:		
Amount used	**385,500**	464,510
Amount unused	**314,500**	335,000
	700,000	799,510

On 1 February 2011 the Consolidated Entity renegotiated its banking arrangements. The $462.1 million secured facility which was due in March 2012 was refinanced into a $500 million facility similarly secured with a fixed and floating charge over the assets of the Consolidated Entity. The committed amounts and maturities are as follows:

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

The securitisation facility has a limit of $200 million and matures on 24 May 2013.

The following are the contractual maturities of financial liabilities:

	CONSOLIDATED		
	CARRYING AMOUNT $'000	LESS THAN 1 YEAR $'000	1-5 YEAR(S) $'000
2011			
Non-derivative financial liabilities			
Trade and other payables	**130,993**	**126,743**	**4,250**
Finance lease liabilities	**177**	**177**	**-**
Bank loans[1]	**382,503**	**-**	**382,503**
Derivative financial liabilities			
Interest rate swaps	**1,329**	**-**	**1,329**
Forward exchange contracts	**16,398**	**16,398**	-
2010			
Non-derivative financial liabilities			
Trade and other payables	137,949	132,717	5,232
Finance lease liabilities	1,134	760	374
Bank loans[1]	461,526	-	461,526
Derivative financial liabilities			
Interest rate swaps	791	314	477

1 Deferred borrowing costs of $3 million are included in the bank loans

NOTE 26 – OPERATING LEASES

	CONSOLIDATED	
	2011 $'000	2010 $'000
Non-cancellable operating lease expense commitments		
Future operating lease commitments not provided for in the Financial Statements and payable:		
Within one year	**43,585**	53,502
One year or later and no later than five years	**113,017**	105,110
Later than five years	**40,240**	39,707
	196,842	198,319

The Consolidated Entity leases property under non-cancellable operating leases. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are typically based on either movements in the Consumer Price Index or sales criteria. Where the incremental rentals are fixed, they are incurred evenly over the term of the lease. The Consolidated Entity has provided for these fixed increments (refer Note 19). During the year an amount of $55.2 million was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases (2010: $57.3 million).

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

NOTE 27 – CONTROLLED ENTITIES

The Consolidated Entity has a 100% ownership interest in the following entities in the current and prior years:

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY	PLACE OF INCORPORATION
Pacific Brands (Australia) Pty Ltd	Australia	Pacific Brands Workwear Group Pty Ltd[1]	Australia
Pacific Brands Holdings Pty Ltd	Australia	Yakka Pty Ltd	Australia
Pacific Brands Footwear Pty Ltd	Australia	CTE Pty Ltd	Australia
Sachi Australia Pty Ltd	Australia	Shared Apparel Services Pty Ltd	Australia
Pacific Brands Sport & Leisure Pty Ltd	Australia	Sthgirw Workwear Pty Ltd	Australia
Pacific Brands Clothing Pty Ltd	Australia	Neat n Trim Uniforms Pty Ltd	Australia
Bonds Industries Pty Ltd	Australia	Dowd Corporation Pty Ltd	Australia
Sheridan Australia Pty Ltd	Australia	Yakka (Wodonga) Pty Ltd	Australia
Pacific Brands Services Group Pty Ltd	Australia	Pacific Brands (Singapore) Pte Ltd	Singapore
PT Berlei Indonesia	Indonesia	PacBrands USA Inc	USA
Sheridan NZ Limited	New Zealand	PacBrands (UK) Ltd	UK
Pacific Brands Holdings (NZ) Ltd	New Zealand	Sheridan UK Limited	UK
Pacific Brands Holdings (Hong Kong) Ltd	Hong Kong	Icon Clothing Pty Ltd	Australia
Pacific Brands (Asia) Ltd	Hong Kong		

1 The entity was previously named Yakka (Aust) Pty Ltd

The Consolidated Entity had a 100% ownership interest in the following entities at 30 June 2010 but no ownership interest at 30 June 2011:

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY	PLACE OF INCORPORATION
Pacific Brands Household Products Pty Ltd	Australia[1]	Pacific Brands (Fiji) Limited	Fiji[2]

1 The Sleepmaker and Dunlop Foams businesses were divested during the year
2 This entity was liquidated during the year

The Consolidated Entity has an interest in the ordinary shares of the following entities that are not 100% owned:

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY INTEREST 2011	CONSOLIDATED ENTITY INTEREST 2010
Restonic (M) Sdn Bhd	Malaysia	**50%**	50%
Dream Crafts Sdn Bhd	Malaysia	**50%**	50%
Dream Products Sdn Bhd	Malaysia	**50%**	50%
Dreamland Corporation (M) Sdn Bhd	Malaysia	**50%**	50%
Dreamland Spring Manufacturing Sdn Bhd	Malaysia	**50%**	50%
Eurocoir Products Sdn Bhd	Malaysia	**50%**	50%
Sleepmaker Sdn Bhd	Malaysia	**50%**	50%

Dreamland (Singapore) Pte Ltd was dissolved during the year.

NOTE 28 – NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Profit/(loss) after income tax		**(131,485)**	53,195
Add/(less) non-cash items			
Depreciation and amortisation	3	**21,029**	21,958
Equity settled share based payment transactions	3	**1,032**	1,083
Impairment of intangible assets	4	**214,700**	-
Impairment of other assets	4	**6,019**	5,581
Curtailment and settlement loss[1]	4	**1,134**	1,535
Disposals of business and other assets[1]	4	**1,135**	6,249
Net cash provided by operating activities before change in assets and liabilities		**113,564**	89,601
(Increase)/decrease in receivables		**(4,007)**	28,257
(Increase)/decrease in inventories		**(38,086)**	64,003
(Increase)/decrease in other assets		**(3,439)**	1,220
(Increase)/decrease in deferred tax assets		**13,047**	5,295
Increase/(decrease) in trade and other payables		**3,044**	(1,756)
Increase/(decrease) in income tax payable		**12,629**	7,113
Increase/(decrease) in restructuring provisions		**(11,725)**	(55,141)
Increase/(decrease) in employee and other provisions		**9,664**	(3,316)
Net cash provided by operating activities		**94,691**	135,276

1 Curtailment loss in 2011 forms part of the net loss on the divestment of the Sleepmaker and Dunlop Foams businesses of $2.3 million (Refer Note 4)

NOTE 29 – EMPLOYEE BENEFITS

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Aggregate liability for employee benefits, including on-costs:			
Current	19	**48,123**	61,345
Non-current	19	**3,889**	463
		52,012	61,808

The present values of employee benefits not expected to be settled within 12 months of reporting date have been calculated using the following weighted assumptions:

	CONSOLIDATED 2011	2010
Assumed rate of increase in wage and salary rates (per annum):	**4.0%**	4.0%
Discount rate (per annum)	**4.5%**	4.6%
Settlement term (period)	**6 years**	6 years
Number of active defined benefit plan members	**35**	81

(a) Superannuation plans

The Consolidated Entity contributes to the Pacific Brands Superannuation Plan (‘Plan’), which is a plan in the Mercer Super Trust, at rates advised from time to time by the Plan’s actuary. Defined benefit members receive lump sum benefits on retirement, death, disablement or withdrawal. The defined benefit section of the Plan is closed to new members.

The Consolidated Entity has been contributing at the rates set out in the previous actuarial review, as at 1 July 2010, as adjusted in accordance with annual updates provided by the Plan’s actuary.

The Consolidated Entity expects to make a contribution of $2.6 million in the 2012 financial year.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

With respect to the defined benefits component of the Plan, the defined benefit obligations and Plan assets at fair value are:

Movements in the recognised net defined benefit obligation

	CONSOLIDATED 2011 $'000	2010 $'000
Present value of funded defined benefit obligation	**13,734**	25,057
Fair value of Plan assets	**(10,683)**	(23,330)
Deficit	**3,051**	1,727
Unrecognised actuarial losses/(gains)	**2,467**	3,389
Net (asset)/liability for defined benefit obligation at 30 June	**584**	(1,662)
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**25,057**	34,943
Service cost	**1,258**	1,764
Interest cost	**898**	1,525
Contributions by Plan participants	**349**	466
Actuarial losses/(gains)	**1,053**	1,362
Benefits paid	**(8,317)**	-
Taxes and premium paid	**(587)**	(673)
Contributions to accumulation section	**(298)**	(172)
Curtailment	**19**	(441)
Settlement loss	**(5,698)**	(13,717)
Closing defined benefit obligation	**13,734**	25,057

Changes in the fair value of Plan assets are as follows:

	CONSOLIDATED 2011 $'000	2010 $'000
Opening fair value of Plan assets:	**23,330**	28,502
Expected return	**1,212**	1,876
Actuarial gains/(losses)	**692**	482
Contributions by employer	-	6,566
Contributions by Plan participants	**349**	466
Benefits paid	**(8,317)**	-
Taxes and premiums paid	**(587)**	(673)
Contributions to accumulation section	**(298)**	(172)
Settlement loss	**(5,698)**	(13,717)
Closing fair value of Plan assets	**10,683**	23,330

Contributions by the employer were made in the 2010 year with respect to the 2011 year.

The major categories of fund assets as a percentage of total Plan assets are as follows:

	CONSOLIDATED 2011	2010
Australian equities	**27%**	29%
International equities	**29%**	30%
Fixed income	**14%**	12%
Property	**14%**	10%
Cash	**16%**	19%

The investment policies and strategies for the defined benefit superannuation plans and post-retirement benefits funds do not use target allocations for the individual asset categories. The fund's investment goals are to maximise returns subject to specific risk management policies. Its risk management policies permit investments in mutual funds and prohibit direct investments in debt and equity securities and derivative financial instruments. The policies address diversification by the use of mutual fund investments whose underlying investments are in domestic and international equity securities and domestic and international fixed income securities. These mutual fund investments are readily marketable and can be sold to fund benefit payment obligations as they become payable.

Historical information

Amounts for the current and previous periods are as follows:

	CONSOLIDATED				
	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Defined benefit obligation	**13,734**	25,057	34,943	41,173	50,287
Fair value of Plan assets	**(10,683)**	(23,330)	(28,502)	(44,114)	(60,183)
Deficit/(surplus) in Plan	**3,051**	1,727	6,441	(2,941)	(9,896)
Experience adjustments (gains)/losses – Plan assets	**(692)**	(482)	8,620	7,539	(4,010)
Experience adjustments losses/(gains) – Plan liabilities	**982**	1,074	(2,733)	(615)	2,579

Expenses/(income) recognised in the Statement of Comprehensive Income

	CONSOLIDATED	
	2011 $'000	2010 $'000
Service cost	**1,258**	1,764
Interest cost	**898**	1,525
Expected return	**(1,212)**	(1,876)
Actuarial losses	**168**	236
Curtailment and settlement loss	**1,134**	1,535
	2,246	3,184
The expenses are recognised in the following line items in the Statement of Comprehensive Income:		
Administrative expenses	**1,112**	1,649
Other expenses	**1,134**	1,535

	CONSOLIDATED	
	2011 $'000	2010 $'000
Principal actuarial assumptions at balance date (expressed as weighted average annual rates):		
Actual return on Plan assets	**1,904**	2,358
Discount rate at 30 June	**4.5%**	4.6%
Expected return on Plan assets at 30 June	**7.0%**	7.0%
Future salary increases	**4.0%**	4.0%

The expected return on Plan assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of asset classes. The returns used for each class are net of investment tax and investment fees. An allowance for administrative expenses has been deducted from the expected return.

(b) Share based payments

The Company has a share plan pursuant to which senior executives may acquire shares. This is the Performance Rights Plan (which is open to executive directors and other selected senior executives). The Company also has in place a deferred share plan, which has not issued any rights since 1 July 2007.

(i) Performance Rights Plan ('PRP')

General

The PRP is the Company's long term incentive scheme for selected key senior executives. Under the PRP, eligible executives will be granted performance rights (each being an entitlement to a share), subject to the satisfaction of vesting conditions on terms and conditions determined by the Board. If the vesting conditions are satisfied, the performance rights vest and shares will be delivered to the executive. Other than the vesting conditions noted below, the performance rights granted are subject to service conditions.

Vesting conditions

Total shareholder performance return conditions

The performance conditions based on the relative total shareholder return ('TSR') of the Company are measured against a comparator group of companies. The comparator group of companies differs for each grant; details of the comparator groups of companies are contained on page 34 in the Remuneration Report. TSR is a measure of the return to shareholders provided by share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

The TSR performance conditions in relation to the F09, F10 and F11 grants are:

TARGET	PERCENTAGE OF SHARES AVAILABLE IN GIVEN YEAR THAT VESTS
The Company's TSR is less than the median performance of the comparator companies	0%
The Company's TSR equals or exceeds the median performance of the comparator companies	50%
The Company's 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 TSR is ranked in the fourth quartile of the comparator companies	100%

Earnings per share performance conditions

Earnings per share ('EPS') growth are requirements in relation to the F09, F10 and F11 grants. The Board introduced this performance requirement because:

- as an absolute measure, it provides management with a performance goal over which it can directly exert some control
- it provides a good "line of sight" between the actions of senior executives and the Company's result
- it is directly correlated with shareholder returns, so it complements the relative TSR performance requirement

EPS performance requirements are reviewed prior to each year's allocation of performance rights. The range of EPS growth reflects the Company's view of what is a reasonable target value, taking into account the Company's market position, upside potential and capital market expectations. EPS performance requirements for each grant are shown in the table below:

PERCENTAGE OF SHARES IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS	F09 PERFORMANCE RIGHTS EPS TARGET
0%	The Company's 3 year compound EPS growth is less than 8.0%
25%	The Company's 3 year compound EPS growth equals 8.0%
Pro rata between 25% and 100%	The Company's 3 year compound EPS growth is between 8.0% and 12.0%
100%	The Company's 3 year compound EPS growth is equal to or exceeds 12.0%

PERCENTAGE OF SHARES IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS	F10 AND F11 PERFORMANCE RIGHTS EPS TARGET
0%	The Company's 3 year compound EPS growth is less than 5.0%
50%	The Company's 3 year compound EPS growth equals 5.0%
Pro rata between 50% and 100%	The Company's 3 year compound EPS growth is between 5.0% and 8.0%
100%	The Company's 3 year compound EPS growth is equal to or exceeds 8.0%

EPS is calculated using earnings on a pre-significant items (adjusted for the related income tax (benefit)/ expense) basis, and using the number of ordinary shares on issue. Earnings for the purposes of EPS will be calculated on this basis for the duration of the Pacific Brands 2010 transformation program.

Valuation

The fair value of the performance rights was calculated by independent experts at the date of grant using a Monte-Carlo simulation model and allocated to each reporting period evenly over the period from grant date to vesting date. The value of share based payments disclosed in Note 3 includes a portion of the fair value of the performance rights allocated to this year. In valuing the performance rights, market conditions have been taken into account.

	F11 GRANT	F10 GRANT	F09 GRANT
Fair value of performance rights and assumptions			
Fair value at measurement date	\$0.64	\$0.64	\$1.27
Share price	\$0.89	\$0.89	\$1.83
Expected volatility	71%	71%	31%
Performance right life (period)	3 years	3 years	3 years
Dividend yield (per annum)	7.0%	7.0%	5.4%
Risk-free interest rate (per annum)	4.4%	4.5%	6.78%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the performance rights), adjusted for any expected changes to future volatility due to publicly available information.

Grant of performance rights

The Board has approved the following grants of performance rights to employees, under the PRP.

The movement in the number of performance rights to employees during the year is as follows:

	F11 GRANT[1]	F10 GRANT[1]	F09 GRANT[1]
1 July 2009	-	-	301,574
Granted	-	2,433,383	-
Exercised	-	-	-
Forfeited	-	-	(33,071)
30 June 2010	-	2,433,383	268,503
Granted	3,338,212	-	-
Exercised	-	-	-
Forfeited	(258,427)	(224,578)	(268,503)
30 June 2011	**3,079,785**	**2,208,805**	**-**

1 These grants consisted of two equal tranches with different vesting conditions, being (1) TSR, and (2) EPS

The maximum percentage of the performance rights granted to date which may vest in favour of the senior executives is as follows:

VESTING DATE	MAXIMUM % OF F11 GRANT	MAXIMUM % OF F10 GRANT	MAXIMUM % OF F09 GRANT[1]
30 June 2011	N/A	N/A	0
30 June 2012	N/A	100	N/A
30 June 2013	100	100	N/A
30 June 2014	100	N/A	N/A

1 All rights lapsed and no shares vested under the F09 LTI grant in respect of the Company's performance over the 2009 to 2011 financial years

Restrictions on shares

In the case of the F09 grant, executives are not entitled to trade in shares allocated on vesting of the performance rights until the earliest to occur of:

- a request from the relevant executive to the Board to release the holding lock
- 10 years after the date of grant of the shares allocated on vesting
- six months following the date of cessation of employment with the Consolidated Entity

In the case of the F10 and F11 grants, following changes to the relevant taxation legislation first announced by the Federal Government in May 2009, shares allocated on the vesting of performance rights will not be subject to any restriction of the senior executives' rights to trade in those shares other than any restrictions imposed by the Company's guidelines for dealing in securities.

(ii) Deferred shares

Grants of deferred shares

The Board has approved the following grants of deferred shares. The movement in the number of deferred shares during the year is as follows:

	F08 GRANT (NUMBER)	F07 GRANT (NUMBER)
1 July 2009	1,050,000	375,000
Granted	-	-
Exercised	-	-
Forfeited	(350,000)	(60,000)
30 June 2010	700,000	315,000
Granted	-	-
Exercised	(272,000)	-
Forfeited	(182,000)	(315,000)
30 June 2011	**246,000**	**-**

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

Valuation

The fair value of the deferred shares was calculated at the date of grant based on the fair value of shares on that date. Expected dividends are not considered in the determination of the fair value of deferred shares. The fair value of deferred shares is allocated to each reporting period evenly over the period from grant date to vesting date. The value of share based payments disclosed in Note 3 includes a portion of the fair value of the deferred shares allocated to this year. In valuing the deferred shares, the following assumptions have been taken into account:

	F08 GRANT	F07 GRANT
Fair value of deferred shares and assumptions		
Fair value at measurement date	$2.85	$1.80
Share price	$3.45	$2.15
Deferred share life (period)	3 years	3 years

Performance conditions for vesting

The conditions with respect to deferred shares issued in F07 and F08 are based on the following:

- 60% of the deferred shares will be available to vest in accordance with the following schedule measured at the end of the three year performance period:

TARGET	PERCENTAGE OF SHARES AVAILABLE IN GIVEN YEAR THAT VESTS
The Company’s 3 year compound EPS growth rate is less than 8.5% pa	0%
The Company’s 3 year compound EPS growth rate is 8.5% pa	25%
For each 0.1% pa increase in the Company’s 3 year compound EPS growth rate above 8.5% pa	Pro rata between 25% and 100% (3.75% increase for each 0.1% additional EPS growth)
The Company’s 3 year compound EPS growth rate is above 10.5% pa	100%

- 40% of the deferred shares were available to vest if eligible executives discharged their obligations to the Company in accordance with annual key performance indicators agreed with their managers. This performance condition was determined at the end of the three year performance period (ie after 30 June 2009 for the F07 grant and after 30 June 2010 for the F08 grant) by the Chief Executive Officer
- If the target compound EPS growth rate did not reach 10.5% per annum at the end of the initial three year period, and some of the deferred shares remain unvested, those unvested deferred shares remain available for a further two years, and will be re-tested at the end of that time (ie 30 June 2011 for the F07 grant and 30 June 2012 for the F08 grant). The unvested deferred shares will then be tested over a five year period in accordance with the vesting schedule above, so that if the threshold compound EPS growth rate of 8.5% per annum is achieved over the five year period, 25% of those previously unvested deferred shares will vest. Vesting will again be scaled on a straight line basis to 100%, at the target compound EPS growth rate of 10.5% per annum

Based on the EPS growth rate of the Company for the 2011 financial year, no deferred shares vested on 30 June 2011 in relation to the F07 grant and accordingly the F07 grant of deferred shares lapsed.

NOTE 30 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

The key management personnel (‘KMP’) compensation included in the Consolidated Entity’s personnel expenses (refer Note 3) is as follows:

	CONSOLIDATED	
	2011 $	2010 $
Short term employee benefits	**8,648,698**	7,987,476
Non-monetary benefits	**276,944**	319,529
Post-employment benefits	**630,765**	629,832
Termination benefits	**974,003**	388,333
Share based payments	**1,461,790**	634,254
	11,992,200	9,959,424

The KMP of the Company and the Consolidated Entity are defined under AASB 124 to include the non-executive directors, the executive directors and those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the financial year.

Individual director and senior executive compensation disclosures

Information regarding individual director and senior executive compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Annual Report on pages 27 to 41.

Apart from the details disclosed in this Note, no director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous year and there were no material contracts involving directors' interests existing at year end.

Performance rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	HELD AT 30 JUNE 2009	GRANTED AS COMPEN-SATION	EXERCISED	FORFEITED	HELD AT 30 JUNE 2010	GRANTED AS COMPEN-SATION	EXERCISED	FORFEITED	HELD AT 30 JUNE 2011
Current senior executives									
S M Morphet[1]	332,677	1,228,915	-	(250,000)	1,311,592	1,377,078	-	(82,677)	2,605,993
M J Allibon[2]	-	193,060	-	-	193,060	190,039	-	-	383,099
D L Bortolussi	-	329,639	-	-	329,639	336,809	-	-	666,448
C M Garnsey	-	-	-	-	-	1,981,818	-	-	1,981,818
K J Hann	54,984	219,325	-	(29,000)	245,309	210,271	-	(25,984)	429,596
A M Heraghty	-	60,000	-	-	60,000	212,035	(60,000)	-	212,035
H S Kramer	-	100,000	-	-	100,000	307,416	-	-	407,416
R A Taylor	69,346	237,866	-	(41,000)	266,212	243,890	-	(28,346)	481,756
Former executives									
S M Smith[3]	100,000	224,578	-	-	324,578	258,427	(100,000)	(483,005)	-

1 In accordance with Australian Stock Exchange ('ASX') Listing Rules 10.11 and 10.14, the 2010 grant (effective 1 July 2009) of performance rights to the Chief Executive Officer was approved by the Company's shareholders at the Company's Annual General Meeting on 25 October 2010

2 M J Allibon's role was made redundant on 31 May 2011 and she will cease employment with the Company on 30 September 2011

3 All performance rights issued to S M Smith were forfeited upon cessation of his employment with the Company

No performance rights were exercised in relation to the PRP during the year ended 30 June 2011. Non-executive directors do not participate in the PRP.

Movements in shares

The movement during the year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP including their related parties, is as follows:

	HELD AT 30 JUNE 2009	PURCHASES	RECEIVED ON VESTING OF PERFORMANCE RIGHTS	SALES	HELD AT 30 JUNE 2010	PURCHASES	RECEIVED ON VESTING OF PERFORMANCE RIGHTS	SALES	HELD AT 30 JUNE 2011
Current non-executive directors									
J A C MacKenzie	202,162	-	-	-	202,162	-	-	-	202,162
P H Bush	-	-	-	-	-	10,000	-	-	10,000
J S King	-	25,000	-	-	25,000	-	-	-	25,000
M A Plavsic	588,905	-	-	(391,642)	197,263	-	-	-	197,263
N L Scheinkestel	32,000	22,600	-	-	54,600	-	-	-	54,600
A M Tansey	-	550	-	-	550	-	-	-	550
Former non-executive directors									
A D Cummins[2] (retired 25 October 2010)	1,168,988	428,272	-	(236,300)	1,360,960	-	-	-	1,360,960
D G Fisher[2] (retired 25 October 2010)	67,480	-	-	-	67,480	-	-	-	67,480
Current senior executives									
S M Morphet	1,081,600	-	-	-	1,081,600	-	-	-	1,081,600
M J Allibon	-	-	-	-	-	-	-	-	-
D L Bortolussi	-	343,000	-	-	343,000	1,372,840	871,080	(258,000)	2,328,920
C M Garnsey	-	-	-	-	-	-	-	-	-
K J Hann	3,766	-	20,000	-	23,766	-	-	-	23,766
A M Heraghty	-	-	-	-	-	-	60,000	-	60,000
H S Kramer	-	-	-	-	-	-	-	-	-
R A Taylor	428,463	-	-	(328,300)	100,163	-	-	-	100,163
Former senior executives									
S M Smith[1] (ceased employment 1 February 2011)	-	-	-	-	-	-	100,000	-	100,000

1 S M Smith ceased employment before balance date, therefore the number of ordinary shares held directly or indirectly has been disclosed at the date that S M Smith ceased employment

2 A D Cummins and D G Fisher retired before balance date, therefore the number of ordinary shares held directly or indirectly has been disclosed at the date that A D Cummins and D G Fisher retired

NOTE 31 – COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2011, the parent company of the Consolidated Entity was Pacific Brands Limited.

	NOTE	COMPANY 2011 $'000	COMPANY 2010 $'000
Result of the Company			
Loss		**(216,221)**	(1,892)
Total comprehensive income		**(216,221)**	(1,892)
Financial position of the Company at year end			
Current assets		**46,592**	37,246
Total assets		**1,219,892**	1,425,815
Current liabilities		**23,118**	13,118
Total liabilities		**54,646**	16,087
Total equity of the Company comprising of:			
Share capital		**1,469,094**	1,469,094
Equity compensation reserve		**5,709**	7,029
Accumulated losses		**(309,557)**	(66,395)
Total equity		**1,165,246**	1,409,728

It is the Consolidated Entity's policy that all transactions with related parties are on normal terms and conditions, except for the loan shown below. $1,204 million of this loan was made from the Company to Pacific Brands (Australia) Pty Ltd on 6 April 2004 to enable it to acquire Pacific Brands Holdings Pty Ltd and its associated international operations. An additional loan of $250 million was made by the Company to Pacific Brands (Australia) Pty Ltd after the capital raising conducted in June 2009. The carrying value of this loan is net of an impairment loss of $67 million recognised in previous years and a further impairment loss of $214.7 million recognised during the 2011 financial year corresponding with the intangible asset impairment recognised by the Consolidated Entity (refer Note 4).

Subsequent to balance date, the intercompany loan between the Company and Pacific Brands (Australia) Pty Ltd will be reclassified to an equity loan, refer Note 32.

		COMPANY	
	NOTE	2011 $'000	2010 $'000
The aggregate amounts included in the loss before income tax (benefit)/ expense that resulted from transactions with controlled entities are:			
Dividend revenue			
Wholly-owned controlled entity		**-**	-
The aggregate amounts receivable from controlled entities are:			
Amounts receivable other than trade debtors			
Current			
Wholly-owned controlled entity		**46,546**	36,666
Non-current			
Wholly-owned controlled entity		**1,172,316**	1,387,016

Directors of related parties (not being directors of the entity or their director related entities)

As noted in the Directors' Report, a number of the directors of Pacific Brands Limited are also directors of other companies. On occasions, the Consolidated Entity may purchase goods and services or lease properties from or supply goods and services to these companies. These transactions are undertaken on normal commercial terms and conditions and the directors and KMP do not directly influence these transactions.

NOTE 32 – EVENTS SUBSEQUENT TO BALANCE DATE

On 23 August 2011 the Company made the decision to reduce its share capital by $309.6 million for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Consolidated Entity during the year ended 30 June 2011. This will have the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The equity transaction has been made in accordance with section 258F of the Corporations Act 2001 and will not result in any gains or losses being recognised in future reporting periods. The financial effect of this transaction is not included in the financial statements for the year ended 30 June 2011.

On 23 August 2011 the terms of the intercompany loan between Pacific Brands Limited and Pacific Brands (Australia) Pty Ltd were modified to reflect a requirement for both parties to mutually agree before any repayment of the loan can be made. This will have the effect of changing the loan classification from debt to an equity loan in the Statement of Financial Position. The equity loan classification is a more appropriate reflection of the terms of the agreement and the nature of the investment made by Pacific Brands Limited in Pacific Brands (Australia) Pty Ltd. The financial effect is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company announced that it would undertake an on-market buyback program whereby the Company will have the flexibility to repurchase up to 10% of total shares on issue over the period from 7 September 2011 to 6 September 2012. The financial effect of the share buyback is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company announced that it would integrate the operations of the Bonds and Omni Apparel operating groups within the Underwear & Hosiery reportable segment. The financial effect of the integration is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company declared a final dividend of $28.9 million to be paid at the rate of 3.1c per share. This dividend will be fully franked at the 30% corporate tax rate in Australia. The financial effect of dividends declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2011.

DIRECTORS' DECLARATION

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

   (a) the consolidated Financial Statements and notes and the Remuneration Report in the Directors' Report, set out on pages 27 to 86, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts and when they become due and payable

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial & Operating Officer for the financial year ended 30 June 2011.

3. The directors draw attention to Note 1(A) to the consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Melbourne this 24th day of August 2011.

Signed in accordance with a resolution of the directors:

James MacKenzie
Chairman

Sue Morpheт
Chief Executive Officer

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

Report on the financial report

We have audited the accompanying financial report of the Group comprising Pacific Brands Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory Notes 1 to 32 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the 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 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. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 41 of the directors' report for the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration disclosures that are contained in the sections of the directors' Remuneration Report of the Group for the year ended 30 June 2011 that are described as audited comply with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Melbourne
24 August 2011

Paul Shannon

Paul Shannon
Partner

SHAREHOLDERS' STATISTICS

As at 24 August 2011

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

SIZE OF HOLDING	NUMBER OF HOLDERS		NUMBER OF SHARES	
1 to 1,000	7,177	25.8%	3,752,839	0.4%
1,001 to 5,000	13,150	47.3%	32,928,188	3.5%
5,001 to 10,000	3,754	13.5%	28,347,144	3.0%
10,001 to 100,000	3,531	12.7%	93,402,703	10.0%
100,001 and over	218	0.8%	772,955,374	83.0%
Total	27,830	100.0%	931,386,248	100.0%

Included in the above total are 4,974 shareholders holding less than a marketable parcel of 700 shares.

TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

	SHARES	% OF TOTAL
J P Morgan Nominees Australia Limited	243,726,218	26.17
National Nominees Limited	137,765,438	14.79
HSBC Custody Nominees (Australia) Limited	131,964,884	14.17
Citicorp Nominees Pty Limited	101,096,739	10.85
Cogent Nominees Pty Limited	45,702,035	4.91
Australian Reward Investment Alliance	14,570,962	1.56
Queensland Investment Corporation	10,660,287	1.14
FJP Pty Ltd (Palazzo Family S/F A/C)	9,875,000	1.06
AMP Life Limited	4,151,921	0.45
Mrs Megan Louise Bortolussi	3,000,000	0.32
J P Morgan Nominees Australia Limited (Cash Income A/C)	2,882,886	0.31
Tasman Asset Management Ltd (Tyndall Australian Share Conce)	2,668,632	0.29
Tasman Asset Management Ltd (Tyndall Australian Core Share)	2,233,433	0.24
Mestjo Pty Ltd	2,207,527	0.24
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/C)	2,179,462	0.23
Merrill Lynch (Australia) Nominees Pty Limited (House A/C)	1,946,927	0.21
UBS Wealth Management Australia Nominees Pty Ltd	1,738,422	0.19
Credit Suisse Securities (Europe) Ltd (Collateral A/C)	1,130,000	0.12
Citicorp Nominees Pty Limited (DPSL A/C)	1,100,088	0.12
Dunray Nominees Pty Ltd (ABS Superannuation Fund A/C)	1,100,000	0.12

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders in the Company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates, are as follows:

05-08-11	Franklin Resources Inc	11.0%
01-04-11	Integrity Investment Management	9.58%
16-04-10	Dimensional Fund Advisors LP	7.16%
18-07-11	AXA SA	6.24%
05-08-11	Orbis Investment Management (Australia) Pty Ltd	5.0%

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING

Tuesday 25 October 2011 10.00am
Pacific Brands Limited
290 Burwood Road
Hawthorn Victoria 3122
Australia

STOCK EXCHANGE LISTING

Pacific Brands shares are listed on the Australian Securities Exchange ('ASX') and New Zealand Stock Exchange ('NZX') and are traded under the code 'PBG'.

PACIFIC BRANDS SHARE REGISTRY

Australia
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Australia
GPO Box 2975, Melbourne Victoria 3001
Australia

New Zealand
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
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New Zealand

Telephone

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New Zealand:	+64 9 488 8777
International:	+61 3 9415 4184
Facsimile:	+61 3 9473 2500
Email:	web.queries@computershare.com.au

TAX AND DIVIDEND PAYMENTS

For Australian registered shareholders who have not quoted their Tax File Number ('TFN'), exemption or Australian Business Number ('ABN'), the Company is obliged to deduct tax at the top marginal tax rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already provided your TFN/ABN, you may do so by contacting the Share Registry or by registering your TFN/ABN at the Share Registry's website at www.computershare.com.au.

DIVIDEND PAYMENTS

Any dividends will be paid in Australian dollars credited directly into your nominated bank account. If you have not nominated a bank account, a dividend cheque (less an administration fee of $1.00) will be mailed to the address recorded on the share register. If you wish to elect to receive your dividends by way of direct credit but have not done so, you should complete an application form available by contacting the Share Registry or enter the details at the Share Registry's website at www.computershare.com.au.

CONSOLIDATION OF MULTIPLE HOLDINGS

If you have multiple issuer-sponsored holdings that you wish to consolidate into a single account, please notify the Share Registry in writing, quoting your full registered names and Security Reference Numbers ('SRNs') for these accounts and nominating the account to which the holdings are to be consolidated.

CHANGE OF NAME AND/OR ADDRESS

For issuer-sponsored holdings, please notify the Share Registry in writing if you change your name and/or address. When advising the Share Registry of a change of name, please supply details of your new/previous name, your new/previous address, your SRN and supporting documentation evidencing your change of name. You can also change your address details online at the Share Registry's website at www.computershare.com.au. Changes of address relating to shareholdings in a single name can be made over the phone by calling 1300 132 632 (Australia only). Please note that this does not apply to shareholdings held jointly or in a company name.

For CHESS/broker-sponsored holdings, please notify your broker in writing if you change your name and/or address.

SHARE ENQUIRIES

Shareholders seeking information about their shareholding or dividends should contact the Share Registry. Contact details are above.

PACIFIC BRANDS' COMMUNICATIONS

Pacific Brands' website, www.pacificbrands.com.au offers information about the Company, news releases, announcements to ASX and NZX and addresses by the Chairman and Chief Executive Officer. The website provides essential information about the Company and an insight into Pacific Brands' businesses.

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James MacKenzie

CHIEF EXECUTIVE OFFICER

Sue Morphet

CHIEF FINANCIAL & OPERATING OFFICER

David Bortolussi

NON-EXECUTIVE DIRECTORS

Peter Bush

James King

Maureen Plavsic

Nora Scheinkestel

Arlene Tansey

COMPANY SECRETARY

John Grover

ACCESS PACIFIC BRANDS ON THE WEB

All Pacific Brands announcements and reports, including an electronic version of this Annual Report are available online at www.pacificbrands.com.au

You can also nominate to receive email notification of future announcements by registering at 'Email Updates' in the Investor Relations section of the site www.pacificbrands.com.au/join-us.asp

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