PACIFIC BRANDS

24 February 2011

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

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

Dear Sir/Madam

HALF YEAR REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2010

In accordance with Australian Securities Exchange Listing Rule 4.2A, attached is the Company's Appendix 4D – Half year Report for the period 1 July 2010 to 31 December 2010, which includes a copy of a Press Release which the Company intends to send to the media today.

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

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Enc.

PACIFIC BRANDS

24 February 2011

Solid first half result and resumption of dividends announced despite significant write-offs

Pacific Brands today announced EBITA before significant items was up 30.1% to $104.5m for the six months ended 31 December 2010 (1H11).

The result was driven by improved gross margins from off-shore sourcing benefits and higher foreign exchange rates.

Underlying sales* declined by 2.3% in line with prior guidance as retail conditions remained challenging.

Cash flow continued to be strong, further reducing net debt and facilitating the refinancing of the company's debt facilities on improved terms over an extended period.

As planned, the company also announced the resumption of dividends with a fully franked 3.1 cents per share dividend representing a pay out of approximately 50% of net profit after tax before significant items.

Significant items of $224.1m after tax comprised a $174.8m write-down of the value of the Footwear, Outerwear and Sport business (FOS), plus two previously indicated items, namely the write-down of the Sleepmaker and Foams businesses ($39.9m) and one-off transformation costs ($9.4m).

Group results

$ millions	Before significant items[1]			Reported		
	1H11	1H10	Change[2]	1H11	1H10	Change[2]
Sales	852.1	941.4	(9.5)%	852.1	941.4	(9.5)%
EBITA	104.5	80.3	30.1%	(123.6)	61.4	n.m.
NPAT[3]	58.0	35.3	64.1%	(166.1)	22.2	n.m.
EPS (cps)	6.2	3.8	64.1%	(17.9)	2.4	n.m.
DPS (cps)	3.1	Nil	n.m.	3.1	Nil	n.m.
Cash flow[4]	102.2	112.0	(8.8)%	80.3	65.2	23.2%
Net debt	267.2	419.1	(36.2)%	267.2	419.1	(36.2)%

1 Before impairment charges and restructuring costs associated with the PB2010 transformation program
2 Change relative to prior corresponding period (ie 1H10)
3 Excluding minority interests
4 Operating cash flow pre interest and tax (OCFPIT)
n.m. Not meaningful

* Defined as reported sales less sales from businesses subject to divestment and brands subject to discontinuation

Pacific Brands' Chief Executive Officer Sue Morphet said: "The write-down in relation to the FOS business is obviously disappointing. However, our operating result before significant items was a creditable one in the current market environment and cash flow remains strong.

"We have now completed the cost reduction elements of our Pacific Brands 2010 transformation program which are almost fully realised, 12 months ahead of schedule.

"The revenue benefits of a more focused portfolio and more capable business are also starting to have impact.

"Market conditions remain challenging, but we are well positioned to deal with them and to benefit from any subsequent improvement.

"The resumption of dividends is a key milestone for the company.

"We also recently announced the refinancing of our bank debt facilities, extending the maturity profile of our debt over five years, providing us with greater financial security and flexibility."

Operating performance

Underlying sales in 1H11 were down $17m, or 2.3%, while reported sales declined by $89m, or 9.5%. More than half ($51m) of the decline in reported sales was attributable to prior period business divestments and exits – our footwear business in the UK and China, Icon Clothing and Merrell.

Ms Morphet said: "In the context of challenging market conditions, including a relatively soft Christmas trading period, the modest decline in underlying sales was a reasonable result and in line with previously indicated expectations.

"Some of our key brands are showing the benefits of increased focus and investment, with sales of Berlei, Hard Yakka, Jockey, King Gee, Sheridan, Superdry and Tontine particularly pleasing.

"Gross margins benefited significantly from the transformation benefits flowing from the transition to off-shore supply.

"Operating cash flow remained strong at more than $100m for the half with cash conversion above 90%. This allowed us to reduce net debt by more than $45m or 15% in the last six months despite the seasonal increase in working capital in the lead up to the Christmas period. Gearing is now down to 1.2 times and interest cover is up to 5.5 times."

Segment results

Underwear and Hosiery's reported sales were down 11.5% to $249.2m but EBITA[1] was up 70.8% to $59.6m.

More than half of the decline in sales can be attributed to discontinuation of non-core brands and labels, including termination of the US contract supply business for Lane Bryant and the Playtex license.

Sales were down especially in the discount department stores and supermarket channels, resulting in declines in Bonds, Rio and Holeproof. Temporary supply issues also impacted Bonds' seasonal program. Rio and Holeproof's underwear and children's sock categories were both well down. Berlei, Jockey and Razzamatazz all performed well, including increasing sales to department stores.

Margins improved significantly – through a combination of portfolio rationalisation, off-shore sourcing benefits and improved foreign exchange rates – but are yet to feel the impacts of import and raw material cost increases which will affect results from around 4Q11.

Workwear's reported sales were up 6.6% to $196.5m and EBITA[1] was up 47.0% to $24.4m. Wholesale sales of the industrial workwear business, including King Gee and Yakka, grew due to continued strength in the resources industry and demand from major resellers.

Homewares reported sales were up 8.9% to $224.6m and EBITA[1] was up 32.7% to $20.7m. Sheridan performed well again, gaining market share in a category that performed well with consumer direct retail particularly strong.

Tontine's sales were up, driven by the "Tontine Fresh" campaign, which placed use-by dates on pillows, encouraging customers to change regularly. Margins fell due to up front advertising spend on the campaign and increased raw material prices. Dunlop Flooring domestic sales gained share in a growing market aided by a healthy housing market.

Sleepmaker traded well in an improved bedding market driven by campaign activity with key retailers, whilst Dunlop Foams lost share in a declining and increasingly competitive market. Overall segment margins rose due to an improved sales mix, increased manufacturing volumes and improved foreign exchange rates.

FOS reported sales were down 32.8% to $172.3m, with EBITA[1] down 52.4% to $9.1m. Excluding the impact of divestments, sales and EBITA were down 14.6% and 37.8% respectively.

Premium footwear brands (Clarks, Hush Puppies, Julius Marlow and Naturalizer) were all up. The outerwear business is stabilising and we are investing in our key brands. Clarks and Superdry retail stores opened during the half and traded well in challenging market conditions.

Sport and non-premium footwear sales through the independent retail and discount department store channels were well down. Discount department stores were impacted by de-ranging of brands by some customers. Bikes, Dunlop, Grosby, Slazenger and Volley were all well down as a result. Sport sales were also impacted by inclement weather during the traditionally strong spring/summer period.

Improved exchange rates were more than offset by rising import costs and lower volumes for the FOS division.

Footwear, Outerwear and Sport impairment

The FOS division declined further in the first half. The challenging outlook – especially over the next 12 to 18 months – and execution risk means that at this point there is significant uncertainty regarding the future growth and profitability of the business.

The Board has therefore taken the decision to impair the carrying value of the division by writing off the $174.8m in existing intangible value comprising of $137.1m in goodwill, $28.8m in brand names and $8.9m in other intangibles.

Ms Morphet said: "We expect the FOS business to turn around and remain confident that the restructuring and growth plan put in place by the new management team – including prioritising investment into key brands, reorganising the business and modifying our channel mix – will help stabilise and improve performance. However, we now do not expect to see improvement in the overall FOS business until some time next year."

Other significant items

On 1 November 2010, Pacific Brands announced the sale of its Sleepmaker and Dunlop Foams businesses to Sleepyhead subject to ACCC approval. The assets associated with the two businesses, including an allocation of segment goodwill, have been reclassified as “held for sale” and written down to estimated net proceeds resulting in a $39.9m impairment charge (non-cash, no tax effect).

As previously indicated to the market, there were also one-off period costs associated with execution of the PB2010 transformation program. These amounted to $13.4m pre tax ($9.4m post tax).

The abovementioned items, together with the impairment charge in relation to the FOS division of $174.8m (non-cash, no tax effect), brings total significant items for 1H11 to $224.1m post tax.

Pacific Brands 2010 Transformation

The implementation of the Pacific Brands 2010 transformation program, announced two years ago, should deliver more than $150m of gross benefits in F11.

The cost reduction components of the program are being delivered approximately 12 months ahead of schedule with more than $72m of gross benefits realised in 1H11 alone through gross margin improvement and cost-of-doing-business reduction.

Ms Morphet said: “The main initiatives for cost reductions have now been largely implemented and the benefits are visible in our reported results.

“We are now well into the capability building phase and are seeing our top-line starting to stabilise.”

Debt re-financing

On 1 February 2011, Pacific Brands announced it had finalised an agreement with its existing bank group for the refinancing of its syndicated debt facility with a new $500 million facility. The new facility reflects competitive pricing and improved commercial terms, including an extension of the maturity profile over three to five years. The agreement was subject to customary closing conditions which have all been satisfied and the refinancing has now been completed. At the same time, the Company reduced its securitisation facility by $25 million.

Dividend

In line with indications provided at the F10 full-year result, the company will resume dividends declaring a fully franked dividend of 3.1 cents per share for the half year.

The dividend is consistent with a target payout ratio of at least 50% of net profit after tax, which has been calculated before the impact of non-recurring significant items.

The company’s Dividend Reinvestment Plan will not be offered for the half year dividend and is suspended until further notice.

Outlook

Challenging retail conditions and volatile import costs make it difficult to predict performance in the second half.

The underlying sales movement in 2H11 relative to the prior corresponding period is expected to be broadly in line with that of 1H11 which saw a 2.3% decline. The reported sales movement will also continue to be impacted by divestments and ongoing brand discontinuations.

The key drivers of the 1H11 earnings improvement, being off-shoring benefits and improved foreign exchange rates, will stabilise in the second half. However, earnings in 2H11 are likely to be adversely impacted by soft trading conditions, import price increases (especially due to higher cotton prices which are expected to impact from 4Q11) and FOS performance. Consequently, while EBITA before significant items in 2H11 is expected to be lower than 2H10, the company remains confident that F11 EBITA before significant items will exceed the F10 full-year result.

For further information contact:

Investors

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

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

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

DIVIDENDS

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

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

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

OTHER INFORMATION

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

The previous corresponding period is 31 December 2009.

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

FURTHER INFORMATION:

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DIRECTORS' REPORT

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

1. DIRECTORS

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

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

Executive	
S M Morphet, Chief Executive Officer	Director since January 2008

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

2. REVIEW OF OPERATIONS

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

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

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

4. ROUNDING OFF

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

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 24th day of February 2011.

Sue M Morphet.

Sue Morphet
Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

1. Amounts are stated net of tax

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENT

1. REPORTING ENTITY

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

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

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

2. STATEMENT OF COMPLIANCE

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Impact of standards issued but not yet applied by the entity

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

4. ESTIMATES AND JUDGEMENTS

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

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

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

5. REVENUE AND OTHER INCOME

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

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

6. EXPENSES

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

7. OTHER EXPENSES – SIGNIFICANT ITEMS

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

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

8. SEGMENT REPORTING

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

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

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

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

Half year ended 31 December 2010	UNDERWEAR & HOSIERY $'000	WORKWEAR $'000	FOOTWEAR, OUTERWEAR & SPORT $'000	HOMEWARES $'000	TOTAL $'000
Revenue					
External	**249,944**	**197,022**	**173,696**	**224,961**	**845,623**
Inter segment	**3,005**	**700**	**493**	**41**	**4,239**
Total segment revenue	**252,949**	**197,722**	**174,189**	**225,002**	**849,862**
Result					
EBITA before significant items	**59,571**	**24,397**	**9,103**	**20,709**	**113,780**
Impairment of goodwill, brand names and other intangibles	**-**	**-**	**(174,770)**	**(39,931)**	**(214,701)**
Significant items	**(1,221)**	**(2,289)**	**(2,215)**	**(201)**	**(5,926)**
EBITA after significant items	**58,350**	**22,108**	**(167,882)**	**(19,423)**	**(106,847)**
Depreciation and amortisation	**435**	**1,549**	**1,581**	**3,184**	**6,749**
Total assets	**1,086,910**	**494,103**	**136,628**	**312,033**	**2,029,674**

Half year ended 31 December 2009	UNDERWEAR & HOSIERY $'000	WORKWEAR $'000	FOOTWEAR, OUTERWEAR & SPORT $'000	HOMEWARES $'000	TOTAL $'000
Revenue					
External	281,694	184,657	259,641	206,446	932,438
Inter-segment	5,237	720	1,011	23	6,991
Total segment revenue	286,931	185,377	260,652	206,469	939,429
Result					
EBITA before significant items	34,856	16,579	19,147	15,646	86,228
Significant items	(7,425)	(1,683)	(1,261)	(2,267)	(12,636)
EBITA after significant items	27,431	14,896	17,886	13,379	73,592
Depreciation and amortisation	2,181	1,831	1,640	3,455	9,107
Total assets	1,034,968	511,206	360,615	349,681	2,256,470

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

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

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

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

9. INCOME TAX EXPENSE

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

10. DIVIDENDS

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

11. EARNINGS PER SHARE

	HALF YEAR ENDED 31 DECEMBER 2010 $'000	HALF YEAR ENDED 31 DECEMBER 2009 $'000
Net (loss)/profit used in the calculation of basic and diluted earnings per share	**(166,098)**	22,218

	HALF YEAR ENDED 31 DECEMBER 2010 No.	HALF YEAR ENDED 31 DECEMBER 2009 No.
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**929,544,088**	929,380,477

12. ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

13. IMPAIRMENT

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

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

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

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

15. EVENTS SUBSEQUENT TO REPORTING DATE

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

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

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

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

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

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

DIRECTOR'S DECLARATION

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

1 the condensed interim financial statements and condensed notes set out on pages 3 to 13, are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 24th day of February 2011.

Sue M Morphet.

Sue Morphet
Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307c of the Corporations Act 2001

To: the Directors of Pacific Brands Limited

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

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

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

KPMG

KPMG

Melbourne
24 February 2011

Paul Shannon
Partner

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

KPMG

Report on the financial report

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

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Pacific Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

KPMG

KPMG

Melbourne
24 February 2011

Paul Shannon
Partner