

18 February 2013

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 2012

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 2012 to 31 December 2012, together with a copy of a Press Release which the Company intends to send to the media today.

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

Yours faithfully Pacific Brands Limited

Cover

John Grover Company Secretary

Enc.



18 February 2013

Half Year Results Announcement

- Reported net profit after tax of \$38.9 million (no significant items) for the 6 months ended 31 December 2012 (1H13) up from a reported loss of \$362.4 million (impacted by significant items)
- Sales down 6.6% but net profit after tax up 8.9% and earnings per share up 10.0% (before significant items) with continued strong cash flow
- Dividend up 25% on the previous corresponding period to 2.5 cents per share fully franked (declared), representing an increase in the payout ratio to 59% (up from 51%)
- Underwear showed encouraging growth, driven by Bonds, Berlei and Jockey
- Workwear has been impacted by a cyclical downturn in market conditions
- Premium footwear up and Sheridan marginally down in difficult markets; a turnaround in other HFO brands and businesses is being undertaken
- Further detail provided on strategic priorities to stabilise sales and deliver sustainable growth over time

\$ millions	Reported			Before sig	gnificant ite	ems²
	1H13	1H12	Change	1H13	1H12	Change
Sales	639.2	684.7	(6.6)%	639.2	684.7	(6.6)%
EBIT	64.3	(336.5)	n.m.	64.3	65.6	(2.0)%
NPAT ³	38.9	(362.4)	n.m.	38.9	35.7	8.9%
EPS (cps)	4.3	(39.3)	n.m.	4.3	3.9	10.0%
DPS (cps)	2.5	2.0	25.0%	2.5	2.0	25.0%
Payout ratio ⁴	59%	n.m.	n.m.	59%	51%	8pts
Net debt ⁵	177.7	242.2	(26.6)%	177.7	242.2	(26.6)%

Group result (reviewed)¹ for the 6 months ended 31 December 2012

Chief Executive Officer, John Pollaers, said: "Pacific Brands today announced a net profit after tax of \$38.9 million for the six months ended 31 December 2012. This is up from a reported loss of \$362.4 million after significant items and represents an 8.9% increase on the result before significant items recorded for the previous corresponding period. This result reflects gains achieved through strong operating and financial discipline across the business in continued challenging market conditions.

¹ Other than as indicated, the financial information contained in this document is directly extracted or calculated from the reviewed Financial Statements

² Before other expenses that are individually significant as disclosed in Note 7 to the Financial Statements (significant items). Results excluding such expenses are considered by Directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by Directors in determining dividends

³ After deducting non-controlling interest

⁴ Dividends declared / NPAT before significant items

⁵ Net debt comprises interest bearing loans and borrowings less cash and cash equivalents

"There is still plenty of work to be done to stabilise sales performance and return the business to sustainable growth. It is early days, but we are encouraged that the Underwear group returned to growth in the period, with Bonds, Berlei and Jockey all up. It shows that good results can be obtained from strategic focus, discipline and investment in great brands.

"The Workwear group remains a global leader in an attractive industry. While it is clearly not immune to the current cyclical downturn characterised by low business confidence and slow employment growth, it has generally maintained market share and it has opportunity ahead of it when we see a return of business confidence in its markets.

"In HFO, premium footwear was up and Sheridan was marginally down in difficult markets. Outerwear improved but still has further to go. Flooring stabilised after a difficult second half last year. Tontine is dealing with increased private label competition, and the non-premium footwear business is still in the process of being turned around."

Group results

Reported sales were down 6.6% (or 5.8% in terms of underlying sales^{6,7}) primarily due to low consumer sentiment and business confidence and reduced sales from lower margin portfolio brands.

Sales through the direct-to-consumer channel were up, reflecting the increased investment and success in both online and retail for certain brands. The business-to-business channel was down as a result of reduced Workwear sales.

The Company's sales through wholesale channels were generally lower due to low consumer sentiment and retailer's private label strategies continuing to impact portfolio brands.

Mr Pollaers said: "Restoring the Company to sales growth is a top priority. The strategy, which includes focusing on key brands and diversifying channels to market, is the right one. We are finding the different channels to market complementary. For example, some newer products are being trialled in our own stores and then, once proven, leveraged through our wholesale customers to deliver great results."

Gross margins improved by 1.9 percentage points (46.8% to 48.7%) reflecting the mix benefits from a greater proportion of sales from relatively higher margin products, increased vertical margin from greater direct-to-consumer sales and lower import costs.

Cost of doing business reduced by \$7.4 million to \$247.2 million, representing continued tight cost control. This reduction was achieved despite the increase in costs associated with additional investment in the direct-to-consumer channel.

Mr Pollaers said: "It's important that we get the balance right between the need for cost containment whilst also investing in the business where it makes sense. That's why this latest cost outcome is a good one, because it has occurred at a time when we have increased our investment in the direct-to-consumer channels."

Net profit after tax before significant items also benefited from a significant reduction in net interest (down 20.0%) and a lower effective tax rate.

⁶ Defined as reported sales less sales from brand acquisitions, divested businesses and businesses held for sale. Directors consider that sales defined in this manner is a meaningful measure of sales as it is representative of the recent movement or trajectory in sales and provides a better indication of the relevant base against which future sales can be compared. Refer Appendix A for supporting data

⁷ Data has not been subject to independent review

Cash flow remained strong through effective working capital management resulting in cash conversion^{7,8} of 103%. This enabled an \$11.4 million reduction in net debt from \$189.1m at 30 June 2012 to \$177.7m at 31 December 2012. The Company has a conservative capital structure with gearing^{7,9} at 1.3 times and interest cover^{7,9} at 6.0 times.

Segment results

Underwear

Reported sales were up 1.4% to \$220.4 million. Reported EBIT was \$38.8 million, up from an EBIT loss of \$360.7 million (or an increase of 9.9% before significant items).

There was a continued pipeline of new products, with Bonds Zip Wondersuit being a prime example of innovation driving sales. The direct-to-consumer channels complemented this, and helped trial and prove the merits of new products for wider (ie wholesale) distribution.

Key brands (Berlei, Bonds, Jockey, Explorer and hosiery brands) represented 85%⁷ of Underwear sales and grew by \$15.1⁷ million or 8.8%⁷.

Bonds benefited from increased distribution in branded retailers and supermarkets and its sales were up in wholesale and direct channels. Seasonal sales were strong in most categories and replenishment rates were also up. There was also continued growth in direct-to-consumer sales. Berlei is online following its launch in April 2012. Bonds online is now shipping to Canada, Hong Kong, New Zealand, Singapore, the UK and the US, and the first three Bonds retail stores have been opened. Jockey's wholesale sales in New Zealand drove its performance.

The trajectory of hosiery brands improved following the 2H12 decline, as distribution in the supermarket channel stabilised.

The majority of portfolio brands, most notably Rio, were down. These lower margin portfolio brands represented 15%⁷ of Underwear sales and declined by \$12.0⁷ million or 26.3%⁷, reflecting additional private label product in some categories.

EBIT margins were up due to mix effects, lower import costs and the full period benefits of the Bonds and Omni integration.

Workwear

Reported sales were down 9.1% to \$176.8 million. Reported EBIT was \$18.8 million, an increase of 2.2% (or a decrease of 3.0% before significant items).

New products are performing well, key examples being Stubbies Workwear, the new denim ranges for Hard Yakka and KingGee, and KingGee WorkCool 2.

Major corporate sales were steady, with contract renewal rates remaining high and stable, and the business continues to win additional contracts, including international opportunities with the Emirates Group in UAE.

⁸ Operating cash flow pre interest, tax and capex (OCFPIT) / EBITDA before significant items. OCFPIT as a measure of cash flow is considered by Directors to be meaningful as it is the cash equivalent of EBITDA and thus provides a measure of the rate at which operating earnings are converted to cash

Defined as per the Subscription Agreement with the company's banking syndicate as follows:

Gearing: Net debt (excluding deferred borrowing costs) / Last Twelve Months (LTM) EBITDA (annualised for acquisitions) before significant items

Interest cover: (LTM EBITDA before significant items – Capex) / net interest expense excluding amortisation of deferred borrowing costs and unused line fees

Overall business-to-business sales of industrial workwear and corporate uniforms continue to be impacted by weak business confidence, slow employment growth, the slowdown in the resource sector and reduced government spending (eg Defence). While indent sales were up, replenishment levels were down and retail sales declined, particularly in the small to medium enterprise segment. Sales were affected by tighter procurement practices, lower employee turnover and slow employment growth.

Wholesale sales were impacted by similar factors to those affecting direct business-to-business sales. Sales to wholesale customers servicing the small to medium enterprise segment were most affected. Demand from the resource sector, particularly in Western Australia and Queensland, continued the slowdown which commenced in 2H12.

EBIT margins were relatively steady, with reductions in import costs and tight cost management offsetting the impact of lower sales.

Homewares, Footwear & Outerwear (HFO)

Reported sales were down 11.3% to \$242.0 million (or 9.5% in terms of underlying sales^{6,7}). Reported EBIT was \$12.0 million, down 18.9% (or 32.2% before significant items).

Sales in boutiques were up, but Sheridan's sales were marginally down overall due to reduced concession sales and clearance volumes.

Key premium footwear brands Clarks, Hush Puppies and Julius Marlow were all up, but Footwear & Sport was down overall due to declines in portfolio brands (Grosby, Dunlop, Slazenger). There was increased clearance activity and discounting in the footwear market throughout the period which impacted margins, and sales and earnings were also impacted by the Payless administration.

Outerwear improved performance in both the retail (eg Mossimo) and wholesale (eg Superdry) channels.

Tontine continues to be impacted by increased private label competition. Dunlop Flooring sales were down but have stabilised following the 2H12 decline, and margins were lower due to increased competitive intensity and continued softness in the housing market.

Gross margins were relatively steady overall, with the EBIT margin decline principally reflecting the impact of lower sales.

Dividends and capital management

Directors declared a dividend of 2.5 cents per share fully franked, representing an increase of 25% on the previous corresponding period and an increase in the payout ratio to 59% (up from 51%).

The on-market buy-back period expired on 6 September 2012. The Board is currently prioritising balance sheet strength and dividends in the current challenging market environment. The Board will continue to proactively consider various alternatives for capital management as appropriate over time, subject to various considerations including capital structure, share price and alternative investment opportunities.

Strategic priorities

Pacific Brands today further expanded on its strategy for achieving sustainable growth following completion of the transformation program, including the following key future characteristics:

- Clear purpose: 'We are Australian for innovation and design that is loved by the world' with more external focus on growth
- Focused portfolio delivering consistent growth
- Strong indirect wholesale customer base balanced with complementary direct channels to market (ie online, retail and business-to-business)
- Delivery of high impact innovation in the core categories and capturing adjacent category expansion opportunities
- Growing international business, particularly for Bonds, Sheridan and Workwear

The corporate strategic imperatives to achieve this position are centred around the strategic themes outlined in October 2012 at the Annual General Meeting, namely to:

- Maximise the full potential of each business
- Drive direct shopping experiences (online and retail) that excite our consumers
- Explore the potential for geographic expansion
- Maintain an internationally competitive sourcing & supply chain
- Build a breakthrough performance culture

These imperatives are being translated into strategic priorities for each operating group, as summarised below.

Underwear

- Invest in core brands for sustainable wholesale growth
- Grow direct-to-consumer channels
- Capture adjacent category opportunities
- Develop international business

Workwear

- Extend product and brand leadership
- Strengthen distribution platform
- Capture adjacent segment and category opportunities
- Develop international business
- Accelerate growth through acquisitions

HFO

For HFO, priorities differ by business, but key priorities include:

- Invest in and focus on key brands for sustainable wholesale growth (all businesses)
- Expand / optimise direct-to-consumer channels (Sheridan, Footwear, Outerwear)
- Capture adjacent category opportunities (Sheridan)

- Develop international business (Sheridan)
- Optimise / manage businesses to address competitive challenges (Tontine, Flooring)
- Turn around operational performance and returns (Footwear, Outerwear)

Mr Pollaers said: "Some initiatives will take time to have a visible impact on reported results and further performance improvement is required. However, in my short time here I can already see traction in the initiatives we are taking."

F13 Outlook

Second half-to-date underlying sales performance continues to be mixed with Underwear up, Workwear down, HFO down and the overall group marginally down compared to the previous corresponding period.

Gross margins and costs of doing business are expected to be broadly in line with 1H13. Continued efforts to control costs of doing business are being undertaken, and the Company will also continue its planned investment in the direct-to-consumer channels.

Earnings outcomes will be largely dependent upon market conditions, associated sales performance and implementation of the new strategy over time, and may be impacted by ongoing restructuring and rationalisation.

The Company remains well placed to deal with the continued challenging trading environment and to benefit from any improvement in market conditions.

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Appendix A: Underlying sales¹

			Change		
\$ millions	1H13	1H12	\$m	%	
Underlying sales	636.0	675.5	(39.5)	(5.8)	
Net business divestments ²	3.2	9.2	(6.0)	(65.0)	
Reported sales	639.2	684.7	(45.5)	(6.6)	

1 Data not subject to independent review. Defined as reported sales less sales from brand acquisitions, divested businesses and businesses held for sale

2 Bikes business divested in 1H12 (effective 31 August 2011); Restonic business divested 1H13 (effective 30 October 2012)

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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 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue	Down 6.6% to	\$639.2 million
Earnings before interest and tax	n.m. ²	\$64.3 million
Earnings before interest, tax and significant items ¹	Down 2.0% to	\$64.3 million
Net profit for the period after tax	n.m. ²	\$38.9 million
Net profit attributable to equity holders of the parent	n.m. ²	\$38.9 million

 Individually significant items are disclosed as other expenses in Note 7 to the interim financial report. Results excluding such expenses are considered by directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by directors in determining dividends

2. Movement from negative previous corresponding period not considered meaningful

DIVIDENDS

	AMOUNT PER SHARE	TOTAL AMOUNT	FRANKED AMOUNT
Interim Dividend	2.5 cents	\$22.8 million	100%

The Company's dividend record date is 28 February 2013 and the dividend is payable on 2 April 2013.

OTHER INFORMATION

	CURRENT PERIOD	CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	\$0.13	\$0.11

The previous corresponding period is 31 December 2011.

Information for the six months ended 31 December 2012 has been subject to review by KPMG, while information for the six months ended 31 December 2011 was subject to audit by KPMG.

FURTHER INFORMATION:

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DIRECTORS' REPORT

The directors of Pacific Brands Limited (the 'Company') present their report together with the condensed consolidated interim financial report of the Company and its controlled entities (collectively the 'Consolidated Entity') as at and for the half year ended 31 December 2012 and the auditor's review report thereon.

1. DIRECTORS

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

Non-executive	Year of Directorship
P H Bush, Chairman	Director since August 2010. Appointed Chairman June 2012
J A C MacKenzie	Director since May 2008. Resigned as Chairman June 2012
N L Scheinkestel	Director since June 2009
J S King	Director since September 2009
A M Tansey	Director since March 2010
Executive	

J C Pollaers, Chief Executive Officer	Appointed as CEO and Director September 2012
S M Morphet	Director since January 2008. Resigned as CEO and Director September 2012

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

2. REVIEW OF OPERATIONS

A review of the operations of the Consolidated Entity during the 2013 half year and of the results of those operations and financial position of the Consolidated Entity is contained in the accompanying Pacific Brands Limited half year results announcement dated 18 February 2013.

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 17 and forms part of the directors' report for the half year ended 31 December 2012.

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 condensed consolidated interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

Dated at Melbourne this 18th day of February 2013.

Peter Bush Chairman

John Pollaers Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	CONSOLIDATED			
	NOTE	HALF YEAR ENDED 31 DECEMBER 2012 \$'000	HALF YEAR ENDED 31 DECEMBER 2011 \$'000	
Sales revenue	5	639,193	684,729	
Cost of sales		(330,292)	(366,580)	
Gross profit		308,901	318,149	
Other Income	5	2,553	2,054	
Freight and distribution expenses		(55,849)	(57,341)	
Sales, marketing and advertising expenses		(132,865)	(135,620)	
Administrative expenses		(58,480)	(61,657)	
Other expenses	7	-	(402,127)	
Results from operating activities		64,260	(336,542)	
Financial income	6	2,134	2,786	
Financial expenses	6	(13,054)	(16,430)	
Net financing costs		(10,920)	(13,644)	
Profit/(loss) before income tax expense		53,340	(350,186)	
Income tax expense	9	(14,407)	(12,026)	
Profit/(loss)		38,933	(362,212)	
Profit/(loss) attributable to:				
Owners of the Company		38,899	(362,390)	
Non-controlling interest		30,033	(302,330)	
Profit/(loss)		38,933	(362,212)	
			(302,212)	
Other comprehensive income/(loss)				
Items that may be reclassified to profit and loss				
Changes in fair value of cash flow hedges, net of tax		(4,911)	8,562	
Foreign currency translation differences		(356)	(215)	
Transfer of foreign currency differences on disposal of subsidiary		305	-	
Items that will not be reclassified to profit and loss				
Defined benefit plan actuarial gains/(losses), net of tax		177	(901)	
Other comprehensive income/(loss) for the period, net of tax		(4,785)	7,446	
Total comprehensive income/(loss) for the period		34,148	(354,766)	
Total comprehensive income/(loss) attributable to:				
Owners of the Company		34,078	(354,967)	
Non-controlling interest		70	(00 1,001)	
Total comprehensive income/(loss) for the period		34,148	(354,766)	
Earnings/(loss) per share:				
Ordinary shares	11	4.3	(39.3) cents	
Diluted shares	11	4.3	. ,	
טוועוכע אומולא	11	4.3	(39.3) cents	

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 15.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	CONSOLIDATED			
	NOTE	31 DECEMBER 2012 \$'000	30 JUNE 2012 \$'000	
Current assets				
Cash and cash equivalents		167,564	155,421	
Trade and other receivables		149,123	152,288	
Inventories		251,979	244,263	
Other current assets		6,037	6,807	
Assets classified as held for sale	12	15,600	7,247	
Total current assets		590,303	566,026	
Non-current assets				
Trade and other receivables		796	51	
Property, plant and equipment		64,029	82,348	
Intangible assets	13	580,155	580,553	
Deferred tax assets		24,719	28,622	
Total non-current assets		669,699	691,574	
Total assets		1,260,002	1,257,600	
Current liabilities				
Trade and other payables		148,641	130,210	
Income tax payable		5,881	18,562	
Provisions		45,730	54,809	
Liabilities directly associated with assets classified as held for sale	12	2,750	2,665	
Total current liabilities		203,002	206,246	
Non-current liabilities				
Trade and other payables		3,167	5,218	
Interest-bearing loans and borrowings	14	345,249	344,541	
Provisions		13,317	15,117	
Total non-current liabilities		361,733	364,876	
Total liabilities		564,735	571,122	
Net assets		695,267	686,478	
Equity				
Share capital		695,000	809,000	
Reserves		(32,746)	(27,760)	
Retained earnings/(accumulated losses)		33,013	(97,060)	
Total equity attributable to equity holders of the Company		695,267	684,180	
Non-controlling interest		-	2,298	
Total equity		695,267	686,478	

The condensed consolidated interim statement of financial position is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 15.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	CONSOLID	ATED
	HALF YEAR ENDED 31 DECEMBER 2012 \$'000	HALF YEAR ENDED 31 DECEMBER 2011 \$'000
Cash flows from operating activities		
Cash receipts from customers	710,247	773,134
Cash paid to suppliers and employees	(644,451)	(692,298)
Income taxes paid	(21,216)	(27,100)
Interest paid	(12,429)	(15,904)
Interest received	2,134	2,786
Net cash from operating activities	34,285	40,618
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,739)	(12,728)
Proceeds from disposal of property, plant and equipment	5,625	361
Acquisition of business (net of cash acquired)	-	(4,209)
Proceeds from disposal of businesses (net of cash disposed)	2,265	2,655
Net cash from/(used in) investing activities	1,151	(13,921)
Cash flows from financing activities		
Finance lease payments	-	(38)
Dividends paid	(22,826)	(28,764)
Dividends paid to non-controlling interest	(357)	-
Share buy back	-	(12,337)
Net cash used in financing activities	(23,183)	(41,139)
Net increase/(decrease) in cash and cash equivalents	12,253	(14,442)
Cash and cash equivalents at the beginning of the period	155,421	155,479
Effect of exchange rate fluctuations on cash held	(110)	14
Cash and cash equivalents at the end of the period	167,564	141,051

The condensed consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 15.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2011

	ISSUED CAPITAL	EQUITY COMPEN- SATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE	DEFINED BENEFITS RESERVE ^{1.2}	ACCUMULATED LOSSES	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	NON CONTROLLING INTEREST	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	1,469,094	5,709	(32,921)	(12,608)	-	(247,149)	1,182,125	2,774	1,184,899
Impact of change in accounting policy ¹	-	-	-	-	(1,727)	-	(1,727)	-	(1,727)
Restated balance at 1 July 2011	1,469,094	5,709	(32,921)	(12,608)	(1,727)	(247,149)	1,180,398	2,774	1,183,172
Profit/(loss)	-	-	-	-	-	(362,390)	(362,390)	178	(362,212)
Other comprehensive income/(loss)									
Effective portion of net changes in fair value of cash flow hedges ³	-	-	-	207	-	-	207	-	207
Net change in fair value of cash flow hedges transferred to inventory or profit and loss ³	-	-	-	8,355	-	-	8,355	-	8,355
Defined benefit plan actuarial gains / (losses) ^{1,2,3}	-	-	-	-	(901)	-	(901)	-	(901)
Foreign currency translation differences	-	-	(238)	-	-	-	(238)	23	(215)
Total other comprehensive income/(loss)	-	-	(238)	8,562	(901)	-	7,423	23	7,446
Total comprehensive income/(loss)	-	-	(238)	8,562	(901)	(362,390)	(354,967)	201	(354,766)
Transactions with owners recorded directly in entity									
Share capital reduction ⁴	(309,557)	-	-	-	-	309,557	-	-	-
Dividends recognised	-	-	-	-	-	(28,764)	(28,764)	-	(28,764)
On market buy back of shares⁵	(12,337)	-	-	-	-	-	(12,337)	-	(12,337)
Cost of share based payments	-	401	-	-	-	-	401	-	401
Balance at 31 December 2011	1,147,200	6,110	(33,159)	(4,046)	(2,628)	(328,746)	784,731	2,975	787,706

1. Effective 1 July 2012 with retrospective application, the Consolidated Entity early adopted AASB119: Employee Benefits (2011). The impact of adopting this

revised standard on the current interim period and comparative period is explained in Note 3

An external valuation of the defined benefit fund was performed at 31 December 2011 to determine the actuarial gains or losses for the interim period 2.

3. Amounts are stated net of tax

On 23 August 2011 the Company reduced its share capital by \$309.6 million for the amount that is not represented by available assets, reflecting impairment charges incurred by the Company during the year ended 30 June 2011. This had the effect of eliminating accumulated losses at the Company and Consolidated 4. Entity level. There was no impact on the number of issued shares or on the Statement of Comprehensive Income or Statement of Cash Flows

5. In accordance with the on market buy back program, the Company repurchased 18,470,553 shares amounting to \$12.3 million over the period from 7 September 2011 to 15 November 2011

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 15.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the half year ended 31 December 2012

	ISSUED CAPITAL \$'000	EQUITY COMPEN- SATION RESERVE \$'000	FOREIGN CURRENCY TRANSLA- TION RESERVE \$'000	HEDGE RESERVE \$'000	DEFINED BENEFITS (A RESERVE ^{1,2} \$'000	RETAINED EARNINGS/ CCUMULATED LOSSES) \$'000	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY \$'000	NON CONTROL- LING INTEREST \$'000	TOTAL EQUITY \$'000
Balance at 1 July 2012	809,000	5,329	(31,658)	772	-	(97,060)	686,383	2,298	688,681
Impact of change in accounting policy ¹	-	-	-	-	(2,203)	-	(2,203)	-	(2,203)
Restated balance at 1 July 2012	809,000	5,329	(31,658)	772	(2,203)	(97,060)	684,180	2,298	686,478
Profit/(loss)	-	-	-	-	-	38,899	38,899	34	38,933
Other comprehensive income/(loss)									
Effective portion of net changes in fair value of cash flow hedges ³	-	-	-	(8,978)	-	-	(8,978)	-	(8,978)
Net change in fair value of cash flow hedges transferred to inventory or profit and loss ³	-	-	-	4,067	-	-	4,067	-	4,067
Defined benefit plan actuarial gains / (losses) ^{1,2,3}	-	-	-	-	177	-	177	-	177
Foreign currency translation differences	-	-	(392)	-	-	-	(392)	36	(356)
Transfer of foreign currency translation differences on disposal of subsidiary to profit and loss	-	-	305	-	-	-	305	-	305
Total other comprehensive income/(loss)	-	-	(87)	(4,911)	177	-	(4,821)	36	(4,785)
Total comprehensive income/(loss) for the period	-	-	(87)	(4,911)	177	38,899	34,078	70	34,148
Transactions with owners recorded directly in entity									
Share capital reduction ⁴	(114,000)	-	-	-	-	114,000	-	-	-
Dividends recognised	-	-	-	-	-	(22,826)	(22,826)	(357)	(23,183)
Cost of share based payments	-	(165)	-	-	-	-	(165)	-	(165)
Disposal of subsidiary with non- controlling interests ⁵	-	-	-	-	-	-	-	(2,011)	(2,011)
Balance at 31 December 2012	695,000	5,164	(31,745)	(4,139)	(2,026)	33,013	695,267	-	695,267

1. Effective 1 July 2012 with retrospective application, the Consolidated Entity early adopted AASB119: Employee Benefits (2011). The impact of adopting this

revised standard on the current interim period and comparative period is explained in Note 3 An external valuation of the defined benefit fund was performed at 31 December 2012 to determine the actuarial gains or losses for the interim period 2. Amounts are stated net of tax

3. 4. On 21 August 2012 the Company reduced its share capital by \$114.0 million for the amount that is not represented by available assets, reflecting impairment charges incurred by the Company during the year ended 30 June 2012. This had the effect of eliminating accumulated losses at the Company and Consolidated Entity level. There was no impact on the number of issued shares or on the Statement of Comprehensive Income or Statement of Cash Flows On 30 October 2012 the Consolidated Entity disposed of its 50% share of the Restonic business (refer Note 12)

5.

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 9 to 15.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 2012 comprises the Company and its controlled entities (together referred to as the 'Consolidated Entity').

The condensed consolidated interim financial report was authorised for issue by the directors on 18 February 2013.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2012 is available upon request from the Company's registered office at Level 2, 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*, the Corporations Act 2001 and IAS 34 *Interim Financial Reporting*.

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 2012.

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 condensed consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this condensed 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 2012. The following changes will also be reflected in the Consolidated Entity's consolidated annual financial report for the year ending 30 June 2013.

Changes in Accounting Policies

Employee Benefits

The Consolidated Entity early adopted AASB 119 *Employee Benefits (June 2011)* effective 1 July 2012, which has impacted the Consolidated Entity's accounting for its defined benefit fund. As a result, the 'corridor method' of accounting is no longer applicable and all remeasurements of defined benefit obligations or assets now occur immediately in other comprehensive income. Furthermore, a net interest expense or income replaces the expected return on plan assets previously included in the profit or loss defined benefit expense. This standard has been applied retrospectively to the condensed consolidated interim financial statements and has had the following impact on current and prior period disclosures:

	31 DECEMBER 2011	INC / (DEC)	31 DECEMBER 2011 (RESTATED)	30 JUNE 2012	INC / (DEC)	30 JUNE 2012 (RESTATED)	31 DECEMBER 2012
Balance Sheet (extract)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	27,165	1,126	28,291	27,678	944	28,622	24,719
Non-current provisions	10,066	3,754	13,820	11,970	3,147	15,117	13,317
Net Assets	790,334	(2,628)	787,706	688,681	(2,203)	686,478	695,267
Defined benefits reserve	-	(2,628)	(2,628)	-	(2,203)	(2,203)	(2,026)
Total Equity	790,334	(2,628)	787,706	688,681	(2,203)	686,478	695,267

There was no significant impact on the Statement of Comprehensive Income and earnings per share in the comparative periods.

Application of the revised standard to other employee benefits results in an insignificant impact on current and prior period disclosures.

Presentation of Statement of Comprehensive Income

AASB 101 *Presentation of Financial Statements* provides a new presentation approach, whereby items of other comprehensive income that will never be recognised or recycled to the profit or loss should be presented separately from those items that will be subsequently reclassified or recycled to the profit or loss. The new requirement does not impact the Consolidated Entity's measurement of net profit however, the change has impacted the way the items of other comprehensive income are presented.

Impact of standards issued but not yet applied by the entity

New accounting standards and interpretations not yet applied by the Consolidated Entity are the same as those identified in its consolidated annual financial report as at and for the year ended 30 June 2012.

4. ESTIMATES AND JUDGEMENTS

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There have been no material revisions in the current financial reporting period. In preparing this 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 2012.

5. REVENUE AND OTHER INCOME

	CONSOL	LIDATED
	HALF YEAR ENDED 31 DECEMBER 2012 \$'000	HALF YEAR ENDED 31 DECEMBER 2011 \$'000
Sales revenue	639,193	684,729
Other income		
Royalties	707	1,018
Sundry income	1,846	1,036
Total other income	2,553	2,054
Total revenue and other income	641,746	686,783

6. EXPENSES

	CONSO	LIDATED
	HALF YEAR ENDED 31 DECEMBER 2012 \$'000	HALF YEAR ENDED 31 DECEMBER 2011 \$'000
Depreciation of:		
Freehold buildings and leasehold improvements	983	523
Plant and equipment	6,411	5,794
	7,394	6,317
Amortisation of:		
Software assets	302	682
Other intangible assets	130	130
	432	812
Total depreciation and amortisation	7,826	7,129
Net financing costs:		
Financial income	(2,134)	(2,786)
Interest on bank loans and overdrafts	13,054	16,430
	10,920	13,644

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	CONSO	LIDATED
	HALF YEAR ENDED 31 DECEMBER 2012 \$'000	HALF YEAR ENDED 31 DECEMBER 2011 \$'000
Personnel expenses:		
Wages, salaries and employee benefits	134,916	138,917
Contributions to defined contribution superannuation plans	8,449	9,022
Defined benefit superannuation expense	(105)	346
Share based payments – equity settled	(165)	401
	143,095	148,686

7. OTHER EXPENSES

Other expenses in the condensed consolidated interim Statement of Comprehensive Income are comprised of the following individually significant items:

	HALF YEAI	R ENDED 31 DECE	MBER 2012	HALF YEAR	IBER 2011	
	GROSS \$'000	TAX \$'000	NET \$'000	GROSS \$'000	TAX \$'000	NET \$'000
Asset impairment						
Impairment of goodwill, brand names and other intangibles	-	-	-	388,709	-	388,709
Other asset impairments	-	-	-	555	167	388
	-	-	-	389,264	167	389,097
Loss on sale						
Loss on sale of businesses and other assets	-	-	-	2,006	602	1,404
Restructuring expenses						
Redundancies, decommissioning and other costs	-	-	-	10,857	3,257	7,600
	-	-	-	402,127	4,026	398,101

8. SEGMENT REPORTING

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

Underwear Marketer, distributor, importer, manufacturer, wholesaler and retailer of underwear, intimate apparel, socks, hosiery and Bonds outerwear

Workwear Marketer, distributor, importer, manufacturer, wholesaler and retailer of industrial, corporate imagewear and other workwear

Homewares, Footwear & Outerwear Marketer, distributor, importer, manufacturer, wholesaler and retailer of bed linen, pillows, accessories and carpet underlay; women's, men's and children's footwear; casual outerwear; and sporting outerwear and equipment

Other operations primarily include unallocated corporate expenses.

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

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Half year ended 31 December 2012	UNDERWEAR \$'000	WORKWEAR \$'000	HOMEWARES, FOOTWEAR & OUTERWEAR ¹² \$'000	TOTAL \$'000
Revenue				
External sales	220,409	176,791	241,993	639,193
Inter segment sales	222	34	33	289
Total segment sales	220,631	176,825	242,026	639,482
Other income	165	1,342	1,018	2,525
Total segment revenue	220,796	178,167	243,044	642,007
Result				
EBIT before significant items	38,843	18,780	11,969	69,592
Impairment of goodwill, brand names and other intangibles	-	-	-	-
Other significant items	-	-	-	-
EBIT after significant items	38,843	18,780	11,969	69,592
Depreciation and amortisation	1,991	1,126	3,570	6,687
Segment assets	788,127	433,950	268,982	1,491,059

Half year ended 31 December 2011	UNDERWEAR \$'000	WORKWEAR \$'000	HOMEWARES, FOOTWEAR & OUTERWEAR ^{1,2} \$'000	TOTAL \$'000
Revenue				
External sales	217,347	194,456	272,926	684,729
Inter segment sales	140	137	233	510
Total segment sales	217,487	194,593	273,159	685,239
Other income	175	369	856	1,400
Total segment revenue	217,662	194,962	274,015	686,639
Result				
EBIT before significant items	35,359	19,355	17,647	72,361
Impairment of goodwill, brand names and other intangibles	(388,709)	-	-	(388,709)
Other significant items	(7,389)	(982)	(2,890)	(11,261)
EBIT after significant items	(360,739)	18,373	14,757	(327,609)
Depreciation and amortisation	441	543	3,691	4,675
Segment assets	731,065	482,995	336,345	1,550,405

1. The results of the Bikes businesses are included in the comparative result for the Homewares, Footwear & Outerwear segment. This business was divested on 31 August 2011

2. The results of the Restonic businesses are included in the current and comparative result for the Homewares, Footwear & Outerwear segment. This business was divested on 30 October 2012

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

	HALF YEAR ENDED 31 DECEMBER 2012 \$'000	HALF YEAR ENDED 31 DECEMBER 2011 \$'000
Revenue		
Total revenue for reportable segments	642,007	686,639
Unallocated other income	28	654
Elimination of inter-segment revenue	(289)	(510)
Consolidated revenue and other income	641,746	686,783
EBIT		
Total EBIT after significant items for reportable segments	69,592	(327,609)
Unallocated amounts: corporate expenses	(5,332)	(6,776)
Unallocated significant items	-	(2,157)
Net interest expense	(10,920)	(13,644)
Consolidated profit/(loss) before income tax expense	53,340	(350,186)
Total EBIT before significant items for reportable segments	69,592	72,361
Unallocated amounts: corporate expenses	(5,332)	(6,776)
Consolidated EBIT before significant items	64,260	65,585

The Consolidated Entity supplies four major customers which account for 35.5% of revenue (2011: four major customers account for 36.1%).

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 half year ended 31 December 2012 was 27.0% (31 December 2011: 31.0% excluding non-deductible impairment charges). The decline in the effective tax rate, excluding non-deductible impairment charges recognised during the half year ended 31 December 2011, was the result of over provisions in the prior period and lower non-deductible expenses.

10. DIVIDENDS

On 18 February 2013 the Company declared an interim dividend of 2.5 cents per fully paid ordinary share, franked to 100% in Australia based on tax paid at 30% (half year ended 31 December 2011: 2.0 cents fully franked dividend declared). Franking credits available at 31 December 2012 are \$58.1 million (31 December 2011: \$47.4 million).

11. EARNINGS/LOSS PER SHARE

	HALF YEAR ENDED 31 DECEMBER 2012 \$'000	HALF YEAR ENDED 31 DECEMBER 2011 \$'000
Profit/(loss)	38,933	(362,212)
Less/(add) non-controlling interest	34	178
Basic and diluted earnings	38,899	(362,390)
Weighted average number of ordinary shares used in the calculation of earnings per share	HALF YEAR ENDED 31 DECEMBER 2012 No.	HALF YEAR ENDED 31 DECEMBER 2011 No.
Basic ¹	912,915,695	921,941,995
Diluted ²	913,411,666	921,941,995

1. The change in weighted average number of ordinary shares was attributable to the movements associated with the on market buy back program whereby the Company repurchased 18,470,553 shares over the period from 7 September 2011 to 15 November 2011

Performance rights on issue in the current period had a dilutive effect, hence are included in diluted weighted average number of shares. During the prior financial period the performance rights on issue were excluded from the calculation as their effect would have been anti-dilutive

12. ASSETS AND LIABILITIES HELD FOR SALE AND DISPOSED DURING THE PERIOD

	CONSO	LIDATED
	31 DECEMBER 2012 \$'000	30 JUNE 2012 \$'000
Assets held for sale		
Cash and cash equivalents	-	1,922
Trade and other receivables	-	2,898
Inventories	-	991
Property, plant and equipment	15,600	1,280
Deferred tax assets	-	156
Total assets held for sale	15,600	7,247
Liabilities directly associated with assets classified as held for sale		
Trade and other payables	2,750	-
Provisions	-	2,665
Total liabilities associated with assets classified as held for sale	2,750	2,665

Assets and liabilities held for sale at 31 December 2012 relate to the Wentworthville property. On 13 August 2012, the Company entered into an agreement to sell the Wentworthville property. The sale is expected to generate net proceeds of \$27 million, giving rise to an estimated profit on sale of \$11 million (no tax effect) which will be brought to account in the 2014 financial year in line with expected completion in December 2013. Deposits of \$2.8 million were received during the six months ended 31 December 2012 and have been included in liabilities directly associated with assets held for sale.

Business disposals

The divestment of the Consolidated Entity's 50% share of the Restonic business was completed on 30 October 2012 and the related assets and liabilities of the disposal group which were classified as held for sale at 30 June 2012 were derecognised from the Statement of Financial Position. The sale generated proceeds of \$2.2 million resulting in an insignificant impact on the current period Statement of Comprehensive Income.

13. IMPAIRMENT

The Consolidated Entity has \$580.2 million of intangible assets at 31 December 2012 (30 June 2012: \$580.6 million), which includes \$575.1 million of goodwill and other indefinite life intangibles (30 June 2012: \$575.1 million). The Consolidated Entity has 4 CGUs and the carrying amounts of goodwill and indefinite life intangible assets identified in each CGU are:

	CONSOLIDATED						
	GOOL	DWILL	BRAND	NAMES			
	31 DECEMBER 2012 \$'000	30 JUNE 2012 \$'000	31 DECEMBER 2012 \$'000	30 JUNE 2012 \$'000			
Underwear	-	-	273,041	273,041			
Workwear	128,791	128,791	99,980	99,980			
Homewares	42,940	42,905	30,344	30,344			
Footwear, Outerwear & Sport	-	-	-	-			
Total	171,731	171,696	403,365	403,365			

Valuation Techniques

The recoverable amounts of the CGUs were determined using the fair value less costs to sell methodology having regard to a combination of internal and external sources of information and analysis. The information used and assumptions made in the calculation are reflective of past experience and expected future performance. The fair value approach is considered more appropriate for each of the CGUs while the Company continues to transform its business and manage market challenges and uncertainties. For the Underwear, Workwear and Homewares CGUs, the recoverable amounts were based on a capitalisation of maintainable earnings before interest and tax valuation approach as representative of the fair value less costs to sell.

Reasonable possible change

Following the impairments of the Underwear, Workwear and Homewares CGUs during the year ended 30 June 2012, limited headroom exists between the assessed recoverable amount and the carrying values of these CGUs (collectively \$816.0 million). Accordingly, any adverse percentage change in the maintainable earnings or capitalisation multiple applied to each CGU to assess its recoverable amount would have a corresponding adverse percentage change on the carrying value.

14. FINANCING FACILITIES

On 5 December 2012, the Consolidated Entity cancelled its \$100 million revolving facility (Tranche 1) maturing on 31 January 2014, as it was determined to be surplus to requirements.

15. EVENTS SUBSEQUENT TO REPORTING DATE

On 15 February 2013, Pacific Brands (Australia) Pty Ltd, a subsidiary of the Company, appropriated \$62.5 million into a separate profits reserve for the purpose of future dividend payments and subsequently declared a dividend of \$25 million to the Company. The Company decided to appropriate retained profits of \$22.8 million into a separate profits reserve for the purpose of future dividend payments.

On 18 February 2013, the Company declared an interim dividend of 2.5 cents per fully paid ordinary share (\$22.8 million), franked to 100% in Australia based on tax paid at 30%. The financial impact of the dividends declared have not been reflected in the condensed consolidated interim financial statements.

DIRECTORS' DECLARATION

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

- 1 the condensed consolidated interim financial statements and condensed notes set out on pages 3 to 15, 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 2012 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 18th day of February 2013.

Peter Bush Chairman

John Pollaers Chief Executive Officer

PACIFIC BRANDS 1H13 For the half year ended 31 December 2012

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 2012 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

Melbourne 18 February 2013

tion Kitchen

Alison Kitchen Partner

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



Report on the financial report

We have reviewed the accompanying interim financial report of Pacific Brands Limited, which comprises the condensed consolidated interim statement of financial position as at 31 December 2012, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows for the half-year 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 half-year period.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pacific Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

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

KPMG

Melbourne 18 February 2013

in Killen

Alison Kitchen Partner

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