22 August 2013

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

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

Dear Sir/Madam

FY'13 RESULTS -PRELIMINARY FINAL REPORT

In accordance with Australian Stock Exchange Listing Rule 4.3A, attached is the Company's Appendix 4E – Preliminary Final Report for the 2013 financial year which includes a copy of the Company's Preliminary Annual Report.

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

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Enc.

PACIFIC BRANDS LIMITED ABN 64 106 773 059
AND ITS CONTROLLED ENTITIES

LISTING RULE 4.3A

ASX APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2013

The following information should be read in conjunction with the preliminary Annual Report for the above period.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue from ordinary activities	Down 3.7% to	$1,273.3 million
Earnings before interest, tax and significant items[1]	Down 5.4% to	$122.1 million
Net profit/(loss) for the period	n.m. [2]	$73.8 million
Net profit/(loss) attributable to members of the parent	n.m. [2]	$73.8 million

1 Individually significant items are disclosed as other expenses in Note 4 to the preliminary Annual Report
2 Movement from negative previous corresponding period not considered meaningful

DIVIDENDS

	AMOUNT PER SHARE	TOTAL AMOUNT	FRANKED AMOUNT
Interim dividend 2013 (Paid 2 April 2013)	2.5 cents	$22.8 million	100%
Final dividend 2013	2.5 cents	$22.8 million	100%
Total dividends for the year	5.0 cents	$45.6 million	100%

The Company's dividend record date is 3 September 2013 and the dividend is payable on 1 October 2013.

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	$0.17	$0.12

The previous corresponding period is 30 June 2012.

The information above has been subject to audit by KPMG.

Please refer to the Operating and Financial Review contained within the preliminary Annual Report for a review of operations and activities for the reporting period.

For further information contact:

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PRELIMINARY ANNUAL REPORT 2013

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Non-IFRS financial information

Throughout this document some non-IFRS financial information is stated before other expenses that are individually significant as disclosed in Note 4 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.

There are also references to Underlying Sales which are 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.

Operating cash flow pre interest and tax (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 (or 'cash conversion').

Page number references

The preliminary Annual Report is an extract from the full Annual Report to be completed in due course and commences on page 17 and concludes on page 112.

OPERATING AND FINANCIAL REVIEW

Nature of Operations and Business Model

Overview

Pacific Brands (or 'the Company'[1]) is a consumer products company with three operating groups (or segments) for the financial year ended 30 June 2013 ('F13'):

- Underwear: which includes market leading brands such as Bonds, Berlei, Jockey, Explorer and Razzamatazz spanning the underwear, bras, socks, babywear and outerwear categories
- Workwear: which offers industrial workwear and corporate uniforms to employees, businesses and the public sector including market leading brands in Hard Yakka and KingGee
- Homewares, Footwear & Outerwear ('HFO'): Homewares comprises three businesses: Sheridan and Tontine (bedding products and accessories, towels) and Dunlop Flooring (carpet underlay). Footwear includes brands such as Clarks, Hush Puppies, Julius Marlow and Volley, and also includes sporting apparel and equipment. Outerwear includes well known youth fashion brands such as Mossimo and Superdry

The majority of products are sold through indirect (or wholesale) channels, with direct channels comprising direct-to-consumer (in store and online) and business-to-business (sales to corporate and government entities).

All products are sold predominantly throughout the Asia-Pacific region, mainly Australia and, to a lesser extent, New Zealand. Certain corporate uniforms, bed linen, bedding accessories and footwear are also marketed and distributed in the United Kingdom, Europe, the Middle East and the United States of America. Various other products are sold online and distributed to certain countries internationally.

Brands

The main brands and businesses which comprise each of the three operating segments are summarised in the diagram below in terms of their contribution to sales revenue in F13. A more detailed description of the activities and brands within each of these segments is set out on pages 27 to 29.

F13 Sales revenue; % of total

Underwear	Workwear	HFO
36%	28%	36%
Bonds	Hard Yakka	Sheridan
Berlei	KingGee	Tontine
Jockey	NNT / Stylecorp	Flooring
Explorer	Stubbies	Footwear & Sport
Hosiery	Other	Outerwear
Rio		Other
Other		

The vast majority of the Company's sales are from brands which it directly owns. Licensed brands include Clarks, Everlast, Hush Puppies, Jockey, Mossimo and Superdry, and accounted for 15% of sales revenue in F13. Licences are typically for periods of between 5 and 15 years, and are generally renewed well in advance of any potential expiry. Where the Company owns a brand, it generally has the potential to exploit that brand internationally. The principal exceptions are Berlei, Dunlop and Slazenger where ownership is generally limited to Australia and New Zealand.

In managing and prioritising investment in its portfolio of brands, the Company is cognisant of the size and growth potential of each brand. The Company's current assessment of its brand portfolio is summarised in the following diagram.

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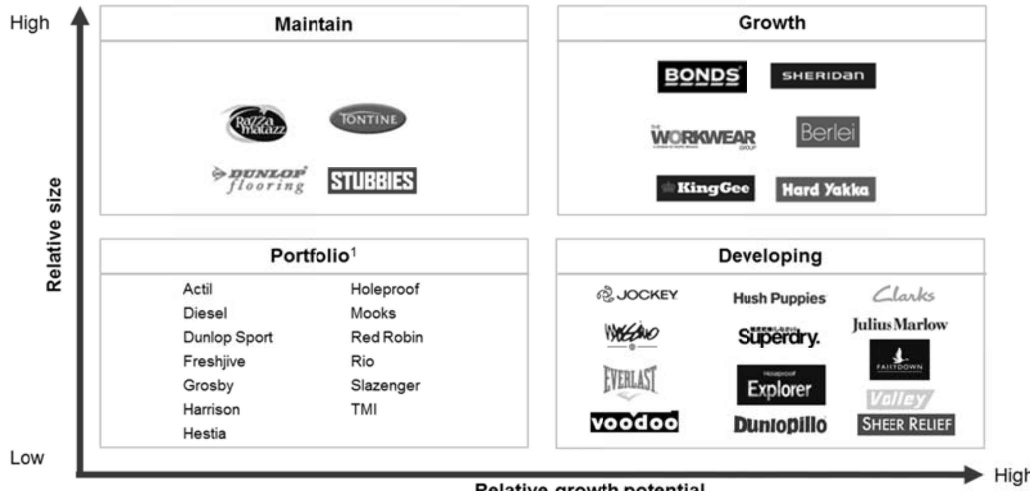
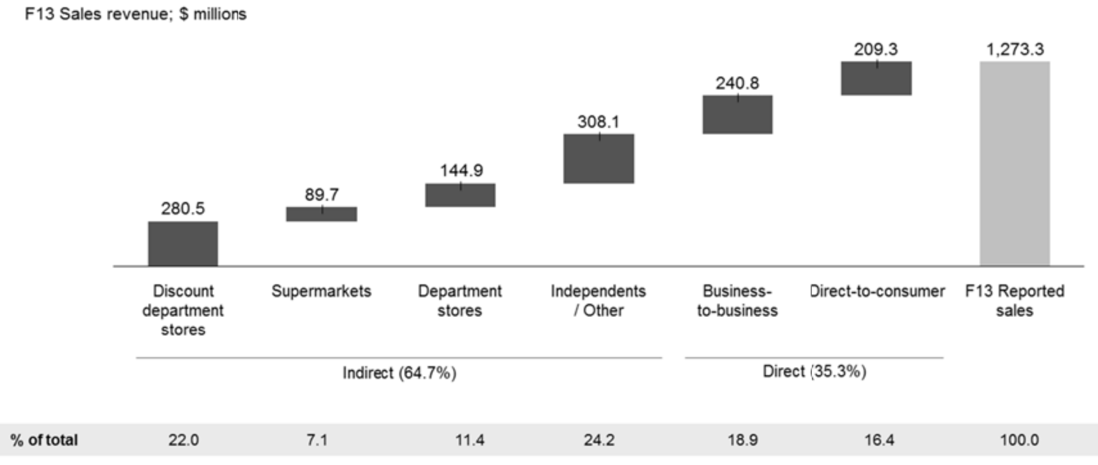
[1] For the purposes of the Operating and Financial Review section of the Annual Report, the Company is defined to mean Pacific Brands Limited and its controlled entities



1. Portfolio brands play an important role in the overall portfolio but do not have the same size and/or growth potential as key (ie non-portfolio) brands

Channels

The Company has a range of channels to market through which it distributes products to end consumers as summarised in the diagram below in terms of their contribution to sales revenue in F13.



% of total	22.0	7.1	11.4	24.2	18.9	16.4	100.0

Indirect (or wholesale) channels are where products are sold to wholesale customers who, in turn, generally sell products directly to end consumers. They essentially include:

- Discount department stores: eg Big W, Harris Scarfe, Target
- Department stores: eg David Jones, Farmers, Myer
- Supermarkets: eg Coles, Metcash, Woolworths
- Independent/other retailers: branded retailers that are large, generally national, retail chains (eg Protector Alsafe, Rebel Sport), and small and medium enterprises, generally privately or family owned and operated

The Company's five largest corporate customers in alphabetical order are David Jones, Myer, Pepkor (Best & Less and Harris Scarfe), Wesfarmers (Coles, Target, and Wesfarmers Industrial and Safety) and Woolworths (Big W and Woolworths supermarket). These five companies collectively represented 39% of sales in F13.

Direct channels comprise:

- Direct-to-consumer ('DTC'): where the product is sold directly to the consumer in store (be it a branded, outlet, clearance or concession store) or via one of the Company's online stores
- Business-to-business ('B2B'): predominantly in the Workwear business, where the Company engages directly with a corporate or government entity to provide uniforms (imagewear and/or industrial) to its workforce

OPERATING AND FINANCIAL REVIEW (CONTINUED)

An important part of the Company's strategy is to continue investing in the DTC channel. As at 30 June 2013 the Company's retail network comprised the following stores:

	BRANDED[1]	CONCESSION[2]	OUTLETS[3]	TOTAL STORES	ONLINE	FRANCHISE[4]	TOTAL NETWORK
Underwear	5	-	42	**47**	3	-	**50**
Workwear	22	-	-	**22**	3	52	**77**
Homewares	14	83	35	**132**	3	-	**135**
Footwear	10	-	8	**18**	5	-	**23**
Outerwear	18	-	10	**28**	2	-	**30**
Total	**69**	**83**	**95**	**247**	**16**	**52**	**315**

1 In the case of Workwear, comprises trade centres (17) and company owned Totally Workwear ('TWW') stores (5)
2 Concessions are stores within a store. In Australia, they are within David Jones. In the United Kingdom they are within Debenhams, House of Fraser and Selfridges. Sales in concessions are classified as DTC
3 Outlet and clearance stores
4 TWW franchise. Sales to non-company owned TWW stores are classified as (indirect) sales to a branded retailer

Markets

Sales are currently concentrated in Australia, with New Zealand the next largest market. F13 sales by geography were split as shown in the table below.

COUNTRY/REGION	%
Australia	89.8
New Zealand	7.5
Europe (including the UK)	1.4
Asia	0.8
Middle East	0.4
North America	0.1
Total	**100.0**

Supply chain

The vast majority (c.90%) of the Company's purchases are of products that it sources from third parties, generally from overseas and typically paid for in US dollars which is generally more cost effective than local manufacture. The company sources the majority (c.80%) of its products from China, but sources from a total of 20 countries including Fiji, Indonesia, Vietnam and a number of other Asian and European countries.

The Company has a sourcing operation based in China with offices in Dongguan, Hong Kong and Shanghai. The majority of third party product is sourced directly through these offices or through the sourcing team in Australia, but some use is also made of sourcing agents in certain categories where greater category scale and/or expertise exists externally.

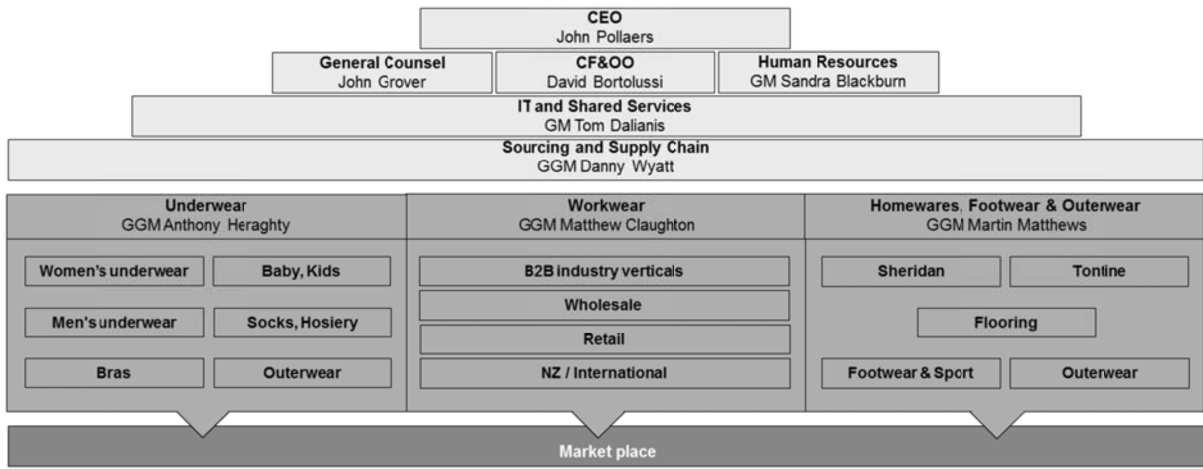
The Company also has its own manufacturing. The main manufacturing sites are:

- Campbellfield, Victoria: pillows and quilts
- Footscray, Victoria: workwear assembly
- Sunshine, Victoria and Wetherill Park, New South Wales: flooring/carpet underlay
- Auckland, New Zealand: workwear assembly
- Jakarta, Indonesia: bras, underwear

The Company has a network of distribution centres ('DCs'), with the largest of these being at Truganina in Western Melbourne, Victoria which services the Underwear group and the Outerwear business. The other businesses have DCs appropriate to their distribution needs including a mixture of national and regional facilities.

Organisational structure

During F13 the Company had three operating groups supported by centralised functions as shown in the diagram below. The operating groups are generally responsible for brand stewardship, product design, category management, marketing and sales. The centralised model facilitates economies of scale, consistency of operational practices and the development and delivery of functional expertise where appropriate.



In total, the Company employs c.5,000 people across seven different countries. The majority of these employees are based in Australasia (c.3,500) with the next biggest region being Asia with a further c.1,200. The majority of employees (c.3,400) are in non-manufacturing roles.

Strategy and Material Business Risks

Vision, purpose, belief and values

The Company's vision is to be 'Australian for innovation and design, loved by the world'.

The Company's purpose is to make people feel that anything's possible backed by the belief in the heroic Australian company and the need to make people proud again. To do this, the Company values the simple themes inside that belief – ie to step up and lead, to inspire and excite and to make people proud again.

Corporate strategic priorities

Five strategic imperatives have been identified as key to realising the Company's vision.

STRATEGIC IMPERATIVE	INITIATIVES
Build a breakthrough performance culture	▪ Create a more interdependent culture with greater ownership and sense of purpose ▪ Empower leaders across the business and foster a more entrepreneurial spirit
Maximise the full potential of each core business	▪ Invest in key brands (insights, innovation, advertising and other support) ▪ Broaden distribution channels (eg DTC) ▪ Capture adjacent category/segment opportunities ▪ Turnaround under-performing businesses
Drive direct shopping experiences that excite our consumers	▪ Develop world class online and multi-channel capabilities ▪ Refine and execute selected retail formats with a distinctive brand experience
Explore the potential for geographic expansion	▪ Develop market entry and/or expansion strategies for key brands in attractive markets ▪ Build business development, alliance management and distribution capabilities
Maintain an internationally competitive sourcing and supply chain	▪ Capture economies of scale and scope through a fully integrated sourcing platform ▪ Improve reliability, flexibility, speed and cost of end-to-end supply chain

Each of these strategic imperatives has been translated into strategic priorities for each segment as shown below.

	BREAKTHROUGH PERFORMANCE CULTURE	CORE BUSINESS FULL POTENTIAL	DIRECT EXPERIENCES	GEOGRAPHIC EXPANSION	COMPETITIVE SUPPLY CHAIN
Underwear	▪ Foster innovation and fast cycles through Lean transformation	▪ Increase key brand investment and category management ▪ Extend to new segments	▪ Improve relationships with retailers to improve customer experience ▪ Roll out new retail stores ▪ Drive online business	▪ UK, USA, China and parts of Asia ▪ Lead with distinctiveness of Bonds	▪ Maximise global sourcing opportunities ▪ Enhance speed and flexibility of global supply chain ▪ Drive operational excellence, improve inventory turns and maintain high quality levels ▪ Optimise DC network infrastructure
Workwear	▪ Embed customer centric culture focussed on net promoter score ('NPS') closed-loop feedback	▪ Build full service solution ▪ Raise service levels even higher	▪ Expand TWW franchises ▪ Further enhance entitlement management for large B2B customers	▪ Further develop Middle East/ Asia hub ▪ Establish platform in North America, Western Europe	
HFO:					
Homewares	▪ Shift mindset to lifestyle company with faster paced retail led culture	▪ Premiumise the brand story ▪ Extend to lifestyle categories	▪ Grow online ▪ Expand Sheridan concession, boutique and outlet network	▪ Build wholesale in UK/Europe, Asia, Americas ▪ US, UK, China boutiques	
Footwear/ Outerwear	▪ Foster entrepreneurial culture and commercial ownership	▪ Increase focus of brands/products ▪ De-risk through capital 'lite' model	▪ Turnaround existing footprint and support licensed business	▪ Continue Volley international expansion	

Implementation of the abovementioned priorities will be ongoing, with the initial focus being on stabilising EBIT against a negative trajectory and moving progressively to return the Company to sustainable sales and earnings growth. Some initiatives will take longer to be implemented and/or to impact reported results, most notably in relation to optimising the portfolio, achieving a more balanced mix of channels, some of the category extension opportunities and any significant geographic expansion.

Key strategic and operational developments in F13 with respect to each of the five strategic imperatives are addressed in relation to each operating segment (refer pages 27 to 29). With respect to breakthrough performance culture the key developments were:

- Vision reaffirmed
- Purpose, belief and values articulated and clearly communicated internally
- Full alignment across senior management team and staff
- Performance management program at the profit-centre level now in place

Material business risks

The Company maintains a risk register and material business risks are regularly reported on and discussed with the Board. The material business risks that may impact the achievement of the Company's vision and its future financial prospects are summarised below, together with key actions and plans to mitigate these risks. The risks noted below, which are not in any particular order, do not include generic risks which affect all companies (eg execution risk, key person risk) or macro risks such as changes in economic growth, inflation, interest rates, employment, consumer sentiment or business confidence which could have a material impact on the future performance of the Company.

RISK	NATURE OF RISK	ACTIONS/PLANS TO MITIGATE RISK
Wholesale distribution	▪ Reduction in distribution (ie de-ranging or de-listing) and/or margin compression ▪ Key wholesale customers looking to grow proportion of private label sales ▪ Lower equity portfolio brands at greatest risk of losing distribution ▪ Sales sometimes retained but at lower margins	▪ Manage customer pricing and economics ▪ Reinvest in key brands (including design, innovation and marketing) ▪ Develop adjacent category and segment opportunities ▪ Expand direct channels ▪ Explore international opportunities
Retail performance	▪ Retail stores fail to perform at an acceptable level to cover fixed costs of operation (in store and network overheads) and provide the required rate of return on invested capital	▪ Disciplined site selection ▪ Robust business case for each store to meet suitable investment hurdles ▪ Recruitment of experienced retail talent ▪ Strong systems and processes to monitor and manage performance of each retail store

RISK	NATURE OF RISK	ACTIONS/PLANS TO MITIGATE RISK
Product cost inflation	▪ Increase in input prices (eg due to increasing labour rates, commodity prices or FX depreciation – refer below regarding FX depreciation) ▪ Increased costs not readily and/or fully passed on ▪ Increased prices having an elasticity/volume impact on demand	▪ Strategic sourcing processes in place ▪ Product engineering team and process for engaging suppliers to identify mutual cost reduction opportunities ▪ Other alternatives to address margin pressures (eg pricing, trade spend, product mix, product design, CODB)
FX depreciation	▪ Refer also above regarding product cost inflation ▪ Vast majority of COGS is foreign currency denominated so FX depreciation increases local currency product costs and places pressure on gross margins	▪ Refer also above regarding mitigations for product cost inflation ▪ FX policy requires hedging of majority of expected purchases up to 12 months in advance ▪ FX hedging locks in seasonal and basics margins and allows time to explore other alternatives to address margin pressures (eg pricing, trade spend, product mix, product design) ▪ Some B2B contracts have rise and fall clauses which enable pricing adjustments
CODB escalation	▪ Many costs are fixed or semi-fixed and subject to inflationary pressures ▪ Profitability can be eroded if costs are not managed in line with growth in the top-line and gross margin	▪ Strong cost control culture ▪ Rigorous budgetary process and controls ▪ Monthly financial performance reviews ▪ Short term incentives include a CODB management factor in assessing the earnings result
Unethical sourcing	▪ Supplier practices may result in unethical labour or workplace practices in the factories from which the Company sources products which could adversely impact company reputation and brand equity	▪ Policies and framework to carefully screen and qualify new suppliers ▪ Supplier audit program (internal and external) to monitor and develop suppliers ▪ Supplier code of conduct in place ▪ Active membership of ETI – refer Corporate Governance Statement
Business continuity (including reliability of supply)	▪ Sales and profits could be significantly impacted by a major disruption to critical points in the Company's end-to-end sourcing and supply chain (eg provision of raw materials and components, manufacturing (external and/or company owned), shipping, warehousing and distribution) or in the information systems that support it ▪ Sales and profits could also be significantly affected by major variations in the quality of the Company's finished goods, and/or the timeliness with which that product is delivered to customers (eg DIFOT levels)	▪ Diversification of suppliers to limit monopoly supply risk ▪ Where high supplier concentrations exist, development of plans for alternative sources of supply ▪ Disciplined supplier selection ▪ Well developed sales & operational planning and quality control & assurance processes ▪ Disaster recovery plans in place for key processes and components ▪ Use of fire suppression equipment in DCs ▪ Information systems backed up and disaster recovery processes in place ▪ Insurance cover

Financial Performance

The following analysis and commentary addresses financial performance at the Pacific Brands Group level. Refer to pages 27 to 29 for further details regarding individual segment performance.

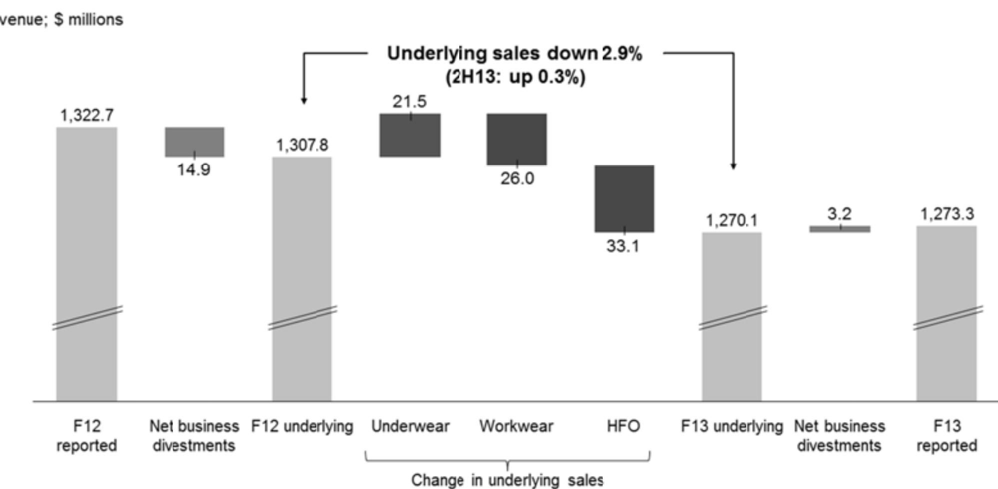
Set out below is a summary of financial performance for F13 compared to the previous corresponding period (F12).

	REPORTED				BEFORE SIGNIFICANT ITEMS			
			CHANGE				CHANGE	
	F13 $M	F12 $M	$M	%	F13 $M	F12 $M	$M	%
Sales	**1,273.3**	**1,322.7**	**(49.3)**	**(3.7)**	**1,273.3**	**1,322.7**	**(49.3)**	**(3.7)**
Gross margin	625.5	618.6	6.9	1.1	625.5	618.6	6.9	1.1
Gross margin	**49.1%**	**46.8%**	**2.3pts**	**n.m.**	**49.1%**	**46.8%**	**2.3pts**	**n.m.**
CODB	503.4	489.6	13.8	2.8	503.4	489.6	13.8	2.8
Other expenses	-	533.9	n.m.	n.m.	-	-	-	-
EBITDA	138.5	(389.7)	n.m.	n.m.	138.5	144.3	(5.8)	(4.0)
Depreciation and amortisation	16.4	15.2	1.2	7.9	16.4	15.2	1.2	7.9
EBIT	**122.1**	**(404.9)**	**n.m.**	**n.m.**	**122.1**	**129.1**	**(6.9)**	**(5.4)**
EBIT margin	9.6%	(30.6)%	n.m.	n.m.	9.6%	9.8%	(0.2)pts	n.m.
Net interest	20.5	26.1	(5.6)	(21.5)	20.5	26.1	(5.6)	(21.5)
Tax	27.8	19.9	7.9	39.7	27.8	30.4	(2.6)	(8.5)
NPAT	**73.8**	**(450.7)**	**n.m.**	**n.m.**	**73.8**	**72.8**	**1.0**	**1.4**
EPS	8.1cps	(49.1)cps	n.m.	n.m.	8.1cps	7.9cps	0.2cps	1.9
DPS – fully franked	**5.0cps**	**4.5cps**	**0.5cps**	**11.1**	**5.0cps**	**4.5cps**	**0.5cps**	**11.1**
Payout ratio	62%	n.m.	n.m.	n.m.	62%	56%	6pts	n.m.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Sales and gross margin

Reported sales in F13 declined by 3.7% and underlying sales (ie excluding the impact of net business divestments) were down a lesser 2.9%. Relative to the prior corresponding period, underlying sales in 2H13 grew by 0.3% compared to a 5.8% decline in 1H13, indicating an improvement in sales performance during the year. The underlying sales result in F13 was due primarily to low consumer sentiment and business confidence, and reduced distribution of portfolio brands, offset to some extent by growth in Bonds which drove the positive Underwear result.



Gross margins improved by 2.3 percentage points (from 46.8% to 49.1%) reflecting among other things the mix benefits from a greater proportion of sales from relatively higher margin products, increased vertical margin from greater DTC sales and lower import costs (eg due to improved FX rates and lower average cotton prices).

Cost of doing business

	F13 $M	F12 $M	CHANGE $M	CHANGE %
Freight and distribution	112.2	114.2	(1.9)	(1.7)
Sales, marketing and advertising	275.3	260.6	14.7	5.7
Administrative	115.8	114.8	1.0	0.9
CODB	**503.4**	**489.6**	**13.8**	**2.8**
CODB/Sales	39.5%	37.0%	2.5pts	n.m.

CODB increased by 2.8% from $489.6 million to $503.4 million. The overall increase is in line with inflation, representing continued tight cost control during a period of increasing strategic investment in brands and DTC.

Freight expenses were relatively flat with lower sales offset by an increase in handling units. Distribution expenses were lower due to the fixed cost benefits of DC site consolidation with the commissioning of the Truganina site (Victoria) which combined five DCs into one site which now services all of Underwear and Outerwear.

Advertising investment in the top brands was increased (especially in 2H13) and there was increased investment in store and online capability and expansion. Administrative expenses were relatively flat due to restructuring and continued tight CODB management.

Other expenses

The reported result in F12 was impacted by significant items, namely the non-cash write down of goodwill in the Underwear, Homewares and Workwear businesses ($502.7 million, no tax effect) and cash restructuring costs associated with the Pacific Brands transformation program ($31.4 million pre tax, $22.0 million post tax).

EBIT

The absence of significant items in F13 saw reported EBIT rise from a loss of $404.9 million to a profit of $122.1 million. EBIT before significant items was down 5.4% from $129.1 million to $122.1 million, due principally to the reduction in sales and increase in CODB. EBIT margin declined slightly (down from 9.8% to 9.6%) with the increase in gross margin more than offset by increased CODB.

Interest and tax

Interest was down significantly, from $26.1 million to $20.5 million, reflecting lower average debt, a decline in interest rates and reduced facility fees following cancellation of the $100 million Tranche 1 of the syndicated debt facility in December 2012. As prescribed by the Company's banking arrangements, the Company ensures that at least 35% of its exposure to changes in interest rates on syndicated debt is swapped on a fixed rate basis.

Excluding the impact of significant items, the effective tax rate declined from 29.5% to 27.4% due mainly to increased research and development deductions.

NPAT and dividends

The absence of significant items in F13 saw reported NPAT rise from a loss of $450.7 million to a profit of $73.8 million. NPAT before significant items was up 1.4% from $72.8 million to $73.8 million with EPS up 1.9% with a lower average share count.

Dividends per share (fully franked) were increased by 11.1% from 4.5 cents to 5.0 cents, which equates to an increase in the payout ratio from 56% to 62%.

Financial Position

Set out below is a summary of the financial position as at 30 June 2013 compared to the position as at 30 June 2012.

			CHANGE	
	F13 $M	F12 $M	$M	%
Working capital	262.4	264.7	(2.3)	(0.9)
Property, plant and equipment	66.5	82.3	(15.8)	(19.2)
Intangible assets	584.1	580.6	3.5	0.6
Other[1]	(16.7)	(52.0)	35.4	(68.0)
Total capital employed	**896.4**	**875.6**	**20.8**	**2.4**
Net debt	159.1	189.1	(30.0)	(15.9)
Equity[2]	**737.3**	**686.5**	**50.8**	**7.4**
Net debt/Equity (%)	21.6	27.5	(6.0)pts	n.m.
Gearing (x)	1.2	1.4	(0.2)	n.m.
Interest cover (x)	6.8	5.2	1.6	n.m.
ROCE (%)	13.6	14.7	(1.1)pts	n.m.
Tangible ROCE (%)	39.1	43.7	(4.6)pts	n.m.

1 Comprises all other assets and liabilities. Represents net assets less working capital, property, plant and equipment, intangible assets and net debt
2 Includes non controlling interest

Working capital

			CHANGE	
	F13 $M	F12 $M	$M	%
Trade debtors	141.8	140.1	1.7	1.2
Inventories	228.7	244.3	(15.6)	(6.4)
Trade creditors	108.0	119.6	(11.6)	(9.7)
Working capital	**262.4**	**264.7**	**(2.3)**	**(0.9)**
Debtor days (days)	40.6	38.7	1.9	n.m.
Inventory turns (x)	2.9	2.9	0.0	n.m.
Creditor days (days)	60.4	61.5	(1.1)	n.m.

Debtor days was up marginally on F12, primarily reflecting a relatively greater proportion of sales later in the financial year in F13.

Inventory turns were unchanged, with general operational improvements offset by reduced turns from portfolio brands and Workwear.

Creditor days was down marginally on F12, primarily due to payment timing.

Other operating assets and liabilities

The main change in other operating assets and liabilities related to the reclassification of the Wentworthville, New South Wales property (book value $15.6 million) from property, plant and equipment to assets held for sale (shown within 'Other' above).

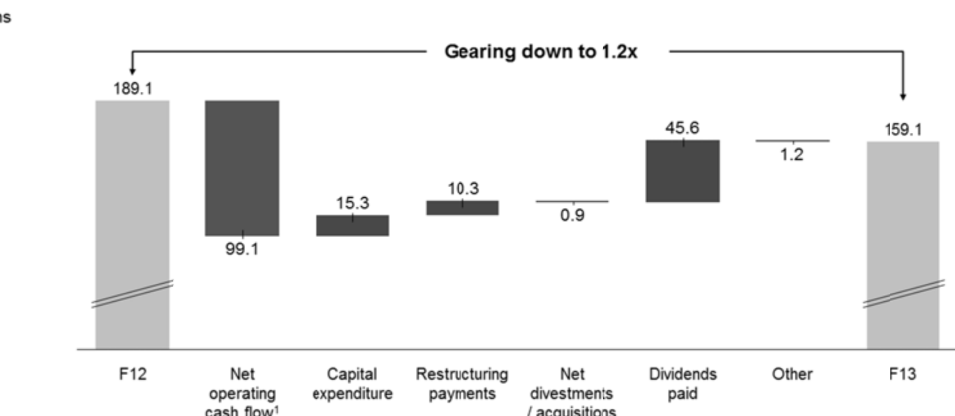
The majority of the remaining change in Other was due to an increase in the fair value of FX contracts. At year end, the weighted average FX rate for the USD 348 million of contracts in place was USD 1.00 per AUD versus a spot rate of USD 0.93.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Cash conversion

Cash conversion was 106.9% (F12: 136.5%). F13 cash conversion was in line with the Company's objective, subject to the extent of movement in sales, to generally maintain high rates of cash conversion. F12 cash conversion was unusually high due to the fall in sales during the year and the increase in inventory costs resulting from cotton price volatility which inflated the opening inventory value.

Net debt



DEBT PROFILE	MATURITY DATE	30 JUNE 2013 FACILITY $M	DRAWN $M
Syndicated debt			
Tranche 2 (Term)	31 January 2015	150.0	150.0
Tranche 3 (Term)	31 January 2016	100.0	100.0
Securitisation[1]	31 July 2015	175.0	96.5
Overdraft		35.0	0.0
Total facilities		**460.0**	**346.5**
Cash			(186.9)
Other[2]			(0.5)
Net debt			**159.1**

1 Based on eligible receivables at 30 June 2013, $134 million of the $175 million securitisation is drawable
2 Deferred borrowing costs

Strong operating cash flow has led to a further reduction in net debt to $159.1 million at 30 June 2013 (30 June 2012: $189.1 million).

Tranche 1 of the syndicated debt facility ($100 million revolver) was undrawn and due to expire on 31 January 2014. This tranche was cancelled in December 2012 as it was determined to be surplus to requirements and was incurring unnecessary undrawn line fees. Adequate liquidity is maintained through cash and undrawn facilities.

The syndicated debt facility is expected to be refinanced in F14.

Underwear

	F13 $M	F12 $M	CHANGE %
Sales[1]	453.9	432.5	5.0
EBIT (reported)[2]	78.1	(330.3)	n.m.
EBIT (pre significant items)	78.1	76.0	2.7

1 Excluding other segment revenue and inter-segment revenue
2 Reported loss due to F12 impairment of goodwill ($388.7 million)

Nature of operations

The Underwear group comprises market leading key brands across a variety of apparel segments (86% of F13 sales):

- Bonds (underwear, socks, babywear, outerwear, activewear)
- Berlei (bras, underwear, hosiery)
- Jockey (underwear, socks, activewear)
- Explorer (socks, underwear)
- Hosiery brands (eg Razzmatazz, Sheer Relief, Voodoo)

The business also has a number of portfolio brands (14% of F13 sales) which play an important role in the overall portfolio but do not have the same size and/or growth potential as key brands. The largest portfolio brands are:

- Rio (socks, underwear)
- Holeproof (socks, underwear)
- Hestia (bras, underwear)
- TMI (underwear, socks)
- Red Robin (socks)

The majority (over 85%) of sales for the Underwear group are to wholesale customers, with the bulk of that to major retailers (mainly discount department stores, but also with significant sales to department stores and supermarkets).

The group increasingly sells directly to consumers through its network of retail stores (branded, outlet, clearance) and online stores. Such sales represent less than 15% of Underwear group sales.

The vast majority of sales are in Australia (over 90%) with the bulk of the remainder in New Zealand.

In terms of categories, underwear accounts for nearly half of sales, with socks, bras and hosiery the next largest categories. Sales of babywear and outerwear (including activewear) are the two smallest categories.

F13 Results performance

Key brands, which make up the majority of the portfolio, grew by 12.8% whereas the portfolio brands declined by 26.7%.

The result was underpinned by strong growth in Bonds (which accelerated in 2H13):

- Sales up in all wholesale channels
- Continued growth in DTC channels (new stores, increased online sales)
- Outerwear sales particularly strong, especially through the Company's owned retail stores
- Sales responsive to increased advertising investment

Berlei sales were up due to:

- Increased advertising investment and strong sales response to Berlei Bounce campaign, underpinning sports bra growth
- Category extension into hosiery through the innovative Berlei Dig Free range

Jockey sales were also up due to:

- Widening of distribution
- Strong New Zealand wholesale sales

Hosiery (eg Razzamatazz) sales were down due to increased private label product and the late start of winter weather.

Rio sales were down in discount department stores and supermarkets, but to a lesser extent in the second half.

EBIT margin was down overall, primarily due to the increased investment in store rollout and brand advertising.

F13 Key strategic and operational developments

Core business full potential

- Category extensions (eg Berlei sports bras, Bonds bras relaunched, Bonds kids outerwear ranges developed, Jockey women's performance range)
- Continued product innovation (eg Bonds Zip Wondersuit, Bonds Collectibles, Berlei Dig Free)
- Increased investment in major brands, particularly Bonds
- Serena Williams ambassadorship to support Berlei Bounce campaign

Direct experiences

- Five Bonds branded stores open with refined and improved format
- Increase in sales of Bonds online in F13 following November 2011 launch
- Clearance online site launched (bondsoutlet.com.au)
- Highly successful end-of-aisle (display) program with a major supermarket

Geographic expansion

- Bonds online now shipping to six overseas countries: Canada, Hong Kong, New Zealand, Singapore, the UK and the USA
- Expanded Bonds range available in the UK via johnlewis.co.uk

Competitive supply chain

- Completed merger of five DCs into one major facility (Truganina)
- Lean disciplines being applied across the business (eg achieved a c.30% lead time reduction for certain basic replenishment products)
- Lean manufacturing already implemented at company owned Berlei factory (Indonesia), and exploring potential to rollout with major suppliers
- Collaborative forecasting with key customers has assisted in maintaining high service levels and improved DIFOT

Workwear

	F13 $M	F12 $M	CHANGE %
Sales[1]	362.7	388.7	(6.7)
EBIT (reported)[2]	37.4	(16.9)	n.m.
EBIT (pre significant items)	37.4	38.6	(3.1)

1 Excluding other segment revenue and inter-segment revenue
2 Reported loss due to F12 impairment of goodwill ($51 million)

Nature of operations

The Workwear group equips workforces to perform at their best, providing total workplace solutions and offering industrial workwear and corporate uniforms to employees and businesses (including the public sector).

The Workwear group has three main channels to market:

- B2B (63% of sales). In this channel, Pacific Brands engages directly with corporate customers (including the public sector) but then typically delivers uniform requirements at the employee level. Especially for larger customers, the systems established to facilitate employee orders and fulfilment thereof are especially important
- Wholesale (32% of sales). This includes sales to major resellers (eg Blackwoods, Protector Alsafe), independent wholesalers (including small and medium enterprises (‘SMEs’), and buying groups that service the same) and traditional retailers such as discount department stores and specialty retailers. It also includes sales to TWW franchisees
- Retail (5% of sales). Direct sales to customers through trade centres, company owned TWW stores and branded online stores

The Workwear group owns Australia's best known consumer workwear brands, Hard Yakka and KingGee, as well as Stubbies. In the B2B corporate channel, brands generally play less of a role as many customers engage the Workwear group directly, but there are a number of well known brands and businesses that support these efforts, most notably NNT and Stylecorp.

The business covers all industry segments with the largest being corporates (eg banks, airlines), defence and emergency services, health and hospitality, manufacturing and industrial, and mining and resources.

The vast majority of Workwear sales are in Australia with significant sales also in New Zealand.

F13 Results performance

- New products performed well (eg Hard Yakka and KingGee denim ranges, KingGee WorkCool 2)
- Major corporate sales were relatively steady, with contract renewal rates remaining stable and continued contract wins, including internationally with the Emirates Group in the UAE
- However, B2B, wholesale and retail sales were all down for the following reasons:
  - Business confidence remains weak and fragile across most sectors with a clear focus on cost reduction
  - Employment growth is slow and employee churn low
  - All levels of government have generally reduced procurement spending (eg defence spending impacted by withdrawal from Afghanistan)
  - There has a been a progressive slowing down in the resources sector
  - Replenishment levels are down and retail sales have declined, especially in the SME segment
- EBIT margin was maintained due to reduced product costs and tight CODB management

F13 Key strategic and operational developments

Core business full potential

- Reorganised business to align with key industry sectors to drive sales, enhance customer service and identify bolt-on acquisition opportunities
- Upgraded sales and marketing capability, including increased focus on execution and account management
- Established the industrial footwear division and licensed key industrial footwear brands (Bates and Wolverine)
- Strong product innovation (eg KingGee WorkCool 2, updated KingGee work boots, Hard Yakka Protect range)
- Trial of Hard Yakka and KingGee in major hardware channel (including rollout to new and refurbished stores)
- Increased advertising investment in major brands (eg Hard Yakka “Big Gear Change” promotion)
- Retained majority of key customers with strong retention rates across the market (eg renewal of Australian Defence Force combat uniform contract)
- Increased focus on B2B business development and account acquisition
- Bolt-on acquisition of Totally Corporate (NSW based corporate uniform business)

Direct experiences

- Launched Hard Yakka online and relaunched Stubbies Schoolwear site
- Created B2B online ordering system - successful trial implemented with key customer with further rollout planned
- Improved retail execution capabilities, including appointment of new leader
- Acquired two TWW franchises (Mackay and Strathpine)
- Focus on improved in-store experience in Workwear trade centres

Geographic expansion

- Continued to develop supply contracts with the Emirates Group in the UAE
- Continued strong growth in New Zealand

Homewares, Footwear & Outerwear

	F13 $M	F12 $M	CHANGE %
Sales[1]	456.7	501.5	(8.9)
EBIT (reported)[2]	20.9	(42.3)	n.m.
EBIT (pre significant items)	20.9	26.2	(20.2)

1 Excluding other segment revenue and inter segment revenue
2 Reported loss due to F12 impairment of goodwill ($63 million)

Nature of operations

Homewares comprises three businesses: Sheridan and Tontine (spanning bedding products and accessories, and towels) and Dunlop Flooring (carpet underlay). Footwear includes well known footwear brands such as Clarks, Hush Puppies, Julius Marlow and Volley as well as sporting apparel and equipment products under brand names such as Dunlop, Everlast and Slazenger. Outerwear includes well known youth fashion brands such as Mossimo and Superdry.

Homewares

Key brands comprise:

- Sheridan (bed linen, pillows, quilts, towels, bedding accessories)
- Tontine (pillows, quilts, bedding accessories)
- Dunlopillo (pillows)
- Fairydown (quilts, bedding accessories)
- Dunlop flooring (carpet underlay)

Actil (bed linen) is classified as a portfolio brand.

Sheridan's primary channel to market is DTC (66% of sales), with the balance being wholesale. Tontine and Flooring mainly sell through wholesale channels.

The vast majority of Homewares sales are in Australia with significant sales also in New Zealand and, in the case of Sheridan, the UK and Asia.

Footwear/Outerwear

Key brands comprise:

- Clarks[3] (footwear)
- Hush Puppies[3] (footwear)
- Julius Marlow (footwear)
- Volley (footwear)
- Everlast[3] (outerwear, sporting apparel and equipment)
- Mossimo[3] (outerwear)
- Superdry[3] (outerwear)

The business also has a number of portfolio brands, the largest being:

- Dunlop (footwear, sporting apparel and equipment)
- Grosby (footwear)
- Harrison (footwear)
- Slazenger (footwear, sporting apparel and equipment)
- Diesel[3] (outerwear)
- Freshjive[3] (outerwear)
- Mooks (outerwear)

During the year, the Naturalizer and Stussy licences were not renewed and the associated business was transferred to third parties.

Footwear includes a modest (less than 10%) DTC component, with the majority of sales through wholesale channels.

Outerwear includes a significant DTC component (42% of sales) with the balance through wholesale channels (especially department stores).

The vast majority of Footwear/Outerwear's sales are in Australia with significant sales also in New Zealand.

F13 Results performance

- Underlying sales (excluding the impact of divested businesses) were down 6.8%
- Sheridan sales were up – driven by boutiques, online and clearance, with concession sales and department stores down
- Tontine sales were down due to increased private label competition and difficult trading conditions
- Footwear sales were down overall:
  - Key premium licensed brands up (ie Clarks, Hush Puppies) offset by declines in portfolio brands, most notably Grosby, Dunlop and Slazenger
  - Increased clearance activity and discounting across the broader footwear market
  - Sales and earnings impacted by Payless administration (including a bad debt write off)
- Flooring sales and margins were down:
  - Sales stabilising following the 2H12 decline
  - Margins lower due to increased competitive intensity and continued softness in the housing market
- Outerwear showed improved performance in both retail (eg Superdry) and wholesale
- EBIT margin was impacted by lower sales and operational leverage

F13 Key strategic and operational developments

Core business full potential

- Invested in Sheridan brand and influenced the category with "Trust your skin" campaign
- Significant reduction in footwear/outerwear inventory holdings year-on-year to reduce invested capital
- Record back-to-school footwear sales including widening of distribution
- New brand-based structure for sales and marketing for key footwear and outerwear brands
- Business model adjustments to portfolio brands to make them fit for purpose

Direct experiences

- Sheridan invested in new store openings with three Boutiques and four SFOs
- Sheridan online sales up year-on-year
- Acquisition of Shoe Superstore (eight multi-brand stores)
- eCommerce strategy accelerated with launch of hushpuppies.com.au, juliusmarlow.com.au and clarks.com.au; and launch of Superdry eCommerce joint venture (with licensor)

Geographic expansion

- Sheridan secured a site for the first international boutique (Kings Road, London) set to open in 1H14
- Seed distribution for Volley in the USA, Japan and South Korea

[3] Indicates licensed brands. 34% of HFO's sales relate to licensed brands

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Future Financial Prospects

General

Sales outcomes will be largely dependent upon market conditions and company specific sales performance which will be influenced by implementation of the Company's strategy over time, including realising the full potential of the core business as well as the success of the DTC investment, category extensions and geographic expansion. More specifically:

- In Underwear, wholesale sales outcomes will depend upon the level of distribution achieved, especially with major retail customers, and the relative shelf space afforded to the Company's products compared with private label and competitor products. This, in turn, will be impacted by continued investment in brands (eg innovation, design, marketing) and category expansion (eg Bonds kids outerwear). DTC sales outcomes will depend upon the performance of the Company's online stores and, in the case of Bonds, the rate of retail store rollout and subsequent performance. Portfolio brands (eg Holeproof, Rio) are a decreasing proportion of Underwear's sales and are relatively less profitable than key brands. Nonetheless, should they lose further distribution over time, that would negatively impact overall sales outcomes, albeit that profit would be relatively less affected
- Workwear sales outcomes will continue to be heavily influenced by general business confidence which in turn affects key drivers such as employment levels and employee turnover. Fluctuations in the economic cycle, most notably movements in the resource and building/construction sectors, will also impact sales outcomes. B2B sales will be driven by customer retention rates, the level of new business wins and underlying account demand. Wholesale sales will be influenced by distribution in key accounts and the performance of the TWW franchise network. Continued innovation in terms of both product (eg features relating to heat, moisture, visibility etc) and service (eg systems, DIFOT), as well as sales force effectiveness will impact B2B and wholesale sales. Continued investment in key brands such as Hard Yakka and KingGee will continue to be important
- Within HFO, a key driver of sales for Homewares will be the rate of concession and retail store rollout for Sheridan (and subsequent retail performance), category expansion (eg bedding accessories) and international growth. DTC performance (in store and online) of the key footwear and outerwear brands that have stores, most notably Clarks, Hush Puppies, Mossimo and Superdry, will also be important. Wholesale sales outcomes across all businesses will depend upon the level of distribution achieved, especially with major retail customers, competitive dynamics and the level of private label penetration, with portfolio brands (eg Grosby, Slazenger, Dunlop) most at risk. Wholesale (and DTC) sales success will ultimately depend upon the relative success of continued investment and innovation in key brands

Gross margins will be subject to a variety of forces most notably product cost inflation, FX, pricing and promotional activity, and changes in business mix including a progressive increase in DTC sales. CODB is expected to increase over time due to a combination of inflationary pressures and increased investment (eg DTC, advertising) being greater than available cost reduction opportunities or productivity benefits. Earnings outcomes will ultimately be dependent upon the relative impacts of the above variables.

It is noted that the recent depreciation in the Australian dollar could potentially have a material impact on earnings and working capital in F14 and especially in F15 if unmitigated. Conversely, there will be some benefit from the scheduled reduction in the customs duty applicable to clothing and household textiles from 10% to 5% from 1 January 2015. To address these residual margin pressures, the Company will work with suppliers to identify cost reduction opportunities as well as considering other elements over which it has some control (eg pricing, trade spend, product mix, product design, CODB). It is inherently difficult to predict the net impact at this stage as it will also depend on, among other things, FX evolution, hedged rates, competitive environment, market pricing and consumer response.

Cash flow will depend on earnings outcomes and the impacts of net movements in working capital and capital expenditure relative to depreciation. The Company's objective, subject to the extent of movement in sales, is to maintain high rates of annual cash conversion and for capital expenditure to be broadly similar to depreciation over time.

The Company's dividend policy is to target a payout of at least 50% of NPAT, subject to financial position and outlook at the time which could in adverse circumstances result in reduced or no dividends over certain periods.

The above variables do not directly incorporate the impact of any acquisitions or divestments. The impact of such transactions will depend on their scale and nature, the price paid or received, how they are funded and their subsequent performance.

F14 Trading update and outlook

The Company expects a continuation of challenging market conditions, with no clear signs of a meaningful improvement in either consumer sentiment or business confidence. Reflecting these conditions as well as the timing of orders, year-to-date sales[1] are down compared to the previous corresponding period.

In relation to 1H14, EBIT (before significant items) is expected to be down compared to the previous corresponding period due mainly to increased investment, a continued downturn in the Workwear market and the non-renewal of certain licences in HFO.

Sales for the full year (F14) are expected to be up due to increased investment and improved execution. Whilst the Company's objective is to stabilise EBIT (before significant items) in F14, earnings outcomes will be largely dependent upon market conditions and sales performance.

Full year gross margins (as a percentage of sales) are expected to be broadly in line with 2H13, despite some downward pressure from lower FX rates, especially later in the year. The Company will continue to invest throughout the year in line with its stated strategy, particularly in its brands and the direct-to-consumer channel, which is expected to increase the cost of doing business.

The Company previously announced an expected $11 million profit (no tax effect) on the sale of the Wentworthville site. This sale is due for settlement in December 2013 and the profit is expected to be accounted for in the 1H14 result as a significant item. The amount of significant items may be reduced by potential restructuring initiatives and associated costs which are currently being evaluated.

[1] From 1 July 2013 to 21 August 2013

CORPORATE GOVERNANCE STATEMENT

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

This statement describes Pacific Brands' approach to corporate governance. The Board believes that the Company's policies and practices comply in all substantial respects with the Australian Securities Exchange ('ASX') Corporate Governance Council's Corporate Governance Principles and Recommendations. Unless indicated otherwise in the discussion below, these practices have been in place for the entire year. A checklist summarising this is found in section 14 of this statement.

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

1. ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is committed to investing in the Company's brands and people, maximising operational performance and financial returns and generating shareholder value.

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

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

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

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

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

2. BOARD APPOINTMENT AND COMPOSITION

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

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

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

The Board has determined that each of the five non-executive directors satisfy the Board's criteria for independence. It is also the Company's view that all of its directors have exercised judgement and discharged their responsibilities in an unrestricted and independent manner throughout the 2013 financial year.

Details of the directors as at the date of this Annual Report, including their terms of office, qualifications and experience and independence status, are set out on pages 12 and 13 of the Annual Report.

The Board considers that a diverse range of skills, experience, knowledge and backgrounds is required to effectively govern the Company's business. The mix of skills and experience which the Board considers to be particularly relevant include those in the areas of mergers and acquisitions, finance, retail, information technology, fast moving consumer goods and Australian and international business. With the assistance of the Nomination Committee, the Board works to ensure that the Board's membership is optimal to meet the Company's needs. The Board is satisfied that the Board currently comprises directors with a broad range of experience having a proper understanding of the current and emerging issues facing the Company who can effectively review and challenge management's decisions.

In making recommendations to the Board regarding the appointment of directors, the Nomination Committee will assess the appropriate mix of skills, experience and expertise required by the Board and the extent to which the required skills and experience are represented on the Board. The committee also takes account of succession plans for the directors generally and qualitative factors such as diversity and cultural fit. Where a potential 'gap' is identified in the backgrounds, experiences or skill-sets that are considered desirable or necessary for the Board's continued effectiveness, this information is used to inform the selection of new director candidates.

Nominations for appointment are approved by the Board as a whole. The identification of potential director candidates may be assisted by the use of external search organisations as appropriate. Detailed background information in relation to a potential candidate is provided to all directors, prior to any decision being made.

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

Under the Company's Constitution and the ASX Listing Rules, all directors other than the Chief Executive Officer are subject to shareholder re-election every three years. It is the Board's current policy that, in general, directors do not hold office beyond a maximum term of nine years. Details regarding the Board performance assessment process is outlined in section 6 of this statement.

The period of office held by each person who served as a director in the 2013 financial year is as follows:

	APPOINTED	LAST ELECTED AT AN ANNUAL GENERAL MEETING
P H Bush (Chairman)	August 2010	25 October 2010
S T Goddard	May 2013	Not applicable
J S King	September 2009	23 October 2012
J P Ling	May 2013	Not applicable
J A C MacKenzie	May 2008	Resigned 1 May 2013
J C Pollaers	September 2012	Not applicable
N L Scheinkestel	June 2009	Resigned 26 June 2013
A M Tansey	March 2010	25 October 2010

Directors' shareholdings are shown on page 45 of the Annual Report.

3. BOARD PROCESSES

The Board currently schedules nine meetings per year. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between the scheduled meetings. During the 2013 financial year, the Board met nine times.

The table on page 34 of the Annual Report shows the number of Board meetings held in the 2013 financial year and the attendance of each director.

The agenda for meetings is prepared by the Company Secretary, in conjunction with the Chairman, Chief Executive Officer and Chief Financial & Operating Officer, with periodic input from the Board. Comprehensive Board papers are distributed to directors in advance of scheduled meetings. Board meetings take place both at the Company's head office and at key operating sites to assist the Board in its understanding of operational issues.

The directors also spend time visiting representative retail operations of both the Company and its customers to assist the Board in better understanding the strategies of its customers and competitors and the relative strength and positioning of the Company's key brands and own retail operations. Continuing education is also effected through presentations and materials provided by management and external experts on matters relevant to the role and responsibilities of directors.

4. BOARD COMMITTEES

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

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

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

Each committee operates under a specific charter, which can be found on the Company's website at www.pacificbrands.com.au. The charter of each committee requires each committee to be comprised of a minimum of three non-executive directors, a majority of whom must be independent. All Board committees are chaired by an independent non-executive director.

Details of the committee members' qualifications are set out on pages 12 and 13 of the Annual Report. Further details regarding the three committees are set out in the table below:

	AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Roles and responsibilities	The committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting, the maintenance of a risk management framework and the relationship with the external and internal auditors.	The committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of directors.	The committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Chief Executive Officer and other senior executives and for the remuneration policy framework for all employees of the Company.
Functions	▪ ensuring that processes are in place so that financial information provided to shareholders is accurate, complete and reliable in all material aspects ▪ evaluating the processes in place to ensure that accounting records are properly maintained in accordance with statutory requirements ▪ overseeing the relationship with the external auditor, auditor independence and the external audit function ▪ overseeing the adequacy of processes and controls established by senior management to identify and manage areas of potential risk and to safeguard the assets of the Company ▪ reviewing the scope of the internal audit program and the performance of internal audit ▪ reviewing the reports of the internal auditor and overseeing management's implementation of internal audit recommendations ▪ reviewing the Company's social compliance policies and practices and observance of appropriate ethical standards ▪ overseeing the Company's treasury function, including foreign exchange and interest rate hedging policies ▪ reviewing the Company's exposure to fraud and corruption, including overseeing investigations of allegations of fraud, corruption or malfeasance	▪ assessing Board composition, function and size (taking into consideration the skills and experience required and the extent to which they are represented on the Board and the requirements of the Company's diversity policy) ▪ establishing processes for reviewing the performance of individual non-executive directors, the Board as a whole and the operation of Board committees ▪ overseeing the selection and appointment practices for non-executive directors ▪ developing succession plans for the Board including the likely order of retirement by rotation of non-executive directors ▪ making recommendations to the Board on non-executive director remuneration, including that of the Chairman	▪ assisting the Board in determining an appropriate remuneration framework and policies for all employees ▪ overseeing the selection and appointment practices for senior executives of the Company ▪ overseeing the development of succession planning in relation to the Chief Executive Officer and other senior executives ▪ making recommendations to the Board on the Chief Executive Officer's remuneration (including short and long term incentive plans) ▪ reviewing and approving recommendations from the Chief Executive Officer on total levels of remuneration for senior executives reporting to the Chief Executive Officer (including short and long term incentive plans) ▪ reviewing human resources and remuneration policies and practices for the Company as a whole, as brought forward by management ▪ reviewing and reporting to the Board, on an annual basis, the relative proportion of women and men in the workforce at all levels of the Company ▪ reviewing and reporting to the Board, on an annual basis, on the effectiveness of the Company's diversity policy ▪ engaging remuneration consultants and receiving any advice and/or recommendations from them with respect to the setting of executive remuneration
Members	▪ Stephen Goddard (Chair) ▪ Peter Bush ▪ James King	▪ Peter Bush (Chair) ▪ James King ▪ Jonathan Ling	▪ James King (Chair) ▪ Jonathan Ling ▪ Arlene Tansey

	AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Composition	The committee is chaired by an independent non-executive director and must comprise at least three non-executive directors, all of whom must be independent and financially literate. The Chairman of the Board is not permitted to chair the committee.	The committee is chaired by an independent non-executive director and must comprise at least three non-executive directors, a majority of whom must be independent.	The committee is chaired by an independent non-executive director and must comprise at least three non-executive directors, a majority of whom must be independent.
Consultation	The Chief Executive Officer, Chief Financial & Operating Officer, General Manager, Risk and SH&E, head of internal audit and the external auditor have standing invitations to attend committee meetings. Other members of management may also attend by invitation. The committee has access to financial and legal advisers as it considers appropriate. The committee also meets with the external auditor and internal auditor in the absence of management whenever deemed appropriate, but no less than semi-annually to ensure the committee can be satisfied that the auditors have had the full cooperation of management in conducting audit functions, and to give each auditor the opportunity to raise any matters of concern.	The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.	The Chief Executive Officer has a standing invitation to attend committee meetings. The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.

The table below shows the number of meetings of Board and committee meetings held in the 2013 financial year and the attendance of each member:

	BOARD		AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	ATTENDED[1]	HELD[2]	ATTENDED[1]	HELD[2]	ATTENDED[1]	HELD[2]	ATTENDED[1]	HELD[2]
P H Bush	9	9	4	4	3	3	4	4
S T Goddard	2	2	1	1	-	-	-	-
J S King	9	9	5	5	4	4	-	-
J P Ling	2	2	-	-	1	1	-	-
J A C MacKenzie	7	7	3	4	1	1	4	4
S M Morphet	1	1	-	-	-	-	-	-
J C Pollaers	8	8	-	-	-	-	-	-
N L Scheinkestel	9	9	5	5	-	-	4	4
A M Tansey	9	9	-	-	4	4	-	-

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

5. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

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

6. REVIEW OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

The performance of the Board is reviewed bi-annually by the Board with the assistance of the Nomination Committee and an external adviser. A formal review of the performance of the Board (including Board committees) commenced in August 2012 and concluded in October 2012.

The evaluation process included a review of:

- the individual performance of the Chairman and each other director
- the Board's composition

- Board processes and its committees' effectiveness in supporting the Board
- the performance of the Board and its committees

In addition, a review of each director's performance is also undertaken prior to a director standing for re-election. In the case of directors, other than the Chairman, the review is undertaken by the Chairman after consultation with the other directors. In the case of the Chairman, a non-executive director is delegated the task of reviewing the Chairman's performance.

A review of the performance of the Chief Executive Officer is led by the Chairman in consultation with the Board. The performance of all other senior executives is reviewed by the Chief Executive Officer and reported to, and discussed by, the Board. Performance reviews take place shortly before or just after the end of the financial year. During the 2013 financial year, performance evaluations for senior executives were carried out in accordance with the process outlined above. Further details about the senior executive performance review process are contained in the Remuneration Report on page 51.

7. NON-EXECUTIVE AND EXECUTIVE REMUNERATION

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced non-executive and executive directors and senior management. Performance, duties and responsibilities, market comparison and independent advice are all considered as part of the remuneration process.

In accordance with principles of good corporate governance, non-executive directors do not receive any remuneration that is linked to the Company's performance, nor do they receive any retirement or termination benefits other than superannuation.

Full details of the remuneration paid to non-executive and executive directors and the Company's other senior executives in relation to the 2013 financial year, as well as the Board policy for determining the nature and amount of remuneration and the relationship between such policy and performance, are discussed in detail in the Remuneration Report.

8. DISCUSSION OF GOVERNANCE POLICIES

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

8.1 Risk management

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

The enterprise risk management framework serves to:

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

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

Risk management oversight

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

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

Risk reporting

The Audit, Business Risk and Compliance Committee receives regular reports about business risks facing the Company and the strategies employed by management to mitigate these risks. In connection with the Company's half year and full year financial statements, the Board receives a declaration from the Chief Financial & Operating Officer and the Chief Executive Officer that, in their opinion the Company has in place a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks. In addition, the Chief Financial & Operating Officer and the Chief Executive Officer provide a declaration that the Company's financial statements and notes present a true and fair view of the Company's financial position and performance and comply with relevant accounting standards. These declarations are based on attestations that cascade down through management and include sign off by the Group General Manager and General Manager, Commercial Finance of each operating group. In respect of the 2013 financial year (both half year and full year financial statements), the Audit, Business Risk and Compliance Committee received unqualified declarations from the Chief Financial & Operating Officer and the Chief Executive Officer, of the nature described above.

Internal control framework

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

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

- business transactions are properly authorised and executed in accordance with delegated authorities and limits
- financial exposures are controlled, including the use of hedging arrangements
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations
- the quality and integrity of personnel
- the ethical practices of its suppliers (see section 9 of this statement)
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see above)
- environmental regulation compliance (see section 11 of this statement)

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

The Code of Conduct is discussed in more detail in section 8.4 of this statement.

Internal audit

The internal audit function's role is to provide the Board and management with independent and objective assurance on the effectiveness of risk management, internal control and governance processes across the group. The internal audit function is headed by the General Manager, Risk and SH&E who is supported by the Company's Internal Audit Manager and a major accounting firm. The General Manager, Risk and SH&E and the lead internal audit partner have access to the Audit, Business Risk and Compliance Committee and its Chairman at all times.

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

External audit

The external auditor is appointed by the Board and approved by shareholders in accordance with the requirements of the Corporations Act 2001. The Audit, Business Risk and Compliance Committee is responsible for reviewing the terms of appointment of the external auditor and for making a recommendation to the Board regarding the appointment of the external auditor. The Audit, Business Risk and Compliance Committee has also adopted a policy on the provision of non-audit services and the rotation of external audit personnel. The auditor is prohibited from providing services which may compromise independence. This includes valuation and fairness opinions, internal audit services, advice on deal structuring, tax advisory services, information technology systems services, executive recruitment services, corporate strategy advice, legal services or acting as a broker, promoter or underwriter. The policy recognises that there may be circumstances where the auditor may perform non-audit services without prejudicing the auditor's independence. Such circumstances may include small or minor tasks of an assurance or compliance nature or cases where the auditor is uniquely positioned to provide the services. A regime of approval limits is set out in the policy for the approval of non-audit services provided by the auditor. The policy also requires the partner managing the Company's audit to be rotated within five years from the date of appointment. A copy of this policy is also available on the Company's website at www.pacificbrands.com.au.

8.2 Continuous disclosure and keeping shareholders informed

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

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

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

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

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

8.3 Trading in shares by directors and employees

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

Subject to the overriding restriction that persons may not deal in shares while they are in possession of material price-sensitive information, directors and employees may deal in shares without the need for approval during certain 'trading windows', being within 31 days of the day following release of the Company's half and full year financial results and the holding of the Company's Annual General Meeting.

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

Outside of these blackout periods, if not within a trading window, directors and employees must receive clearance from the person stated in the guidelines for any proposed dealing in shares. For New Zealand employees, any dealing in the Company's shares outside the blackout periods must receive clearance from the Company Secretary.

Except in circumstances of special hardship, with the Chairman's approval, neither directors nor employees may buy and sell the Company's shares within a three month period.

The Company's guidelines for dealing in securities prohibit any employee who has been granted performance rights or deferred shares in the Company pursuant to the terms of any of the Company's employee share plans from entering into a transaction to limit the economic risk of such performance rights or deferred shares, whether through a derivative, hedge or other similar arrangement. In addition, non-executive directors and senior executives are required to inform the Board of the existence of any margin lending arrangements in respect of shares in the Company which a non-executive director or senior executive has a relevant interest in, where those shares are offered as security for the lending arrangement. Further details regarding the Company's policy on hedging is set out in the Remuneration Report on page 57.

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

8.4 Ethical standards and Code of Conduct

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

Code of Conduct

The Company's Code of Conduct outlines the Company's expectations for acting responsibly and ethically in relation to the business conduct of directors, employees and contractors. In particular, the Code of Conduct requires employees and directors:

- to behave with integrity in all dealings with customers, shareholders, suppliers and all others with whom the Company deals
- to conduct business in line with Company's values and behaviours and all relevant laws and regulations
- to be aware of, and comply with, relevant fair trading and trade practices laws in the jurisdictions in which the Company operates
- to act in the best interests of the Company when undertaking Company business and avoid conflicts of interest (whether perceived or real) including the receipt of improper personal benefits such as gifts or hospitality

- to protect any Company assets under their control and not use Company assets for personal purposes, without prior Company approval. This obligation includes ensuring that money is appropriately spent, financial records are complete and accurate and internal controls are complied with
- to be aware of, and comply with, the Company's delegated authorities and limits policy which outlines general principles as to how the Company expects its employees to behave when exercising their financial authority as well as specific limits at which level a financial activity can be approved
- to respect the privacy of others and comply with the Company's privacy policy
- not to disclose or use in any improper manner confidential Company information, including information about customers, agents or other business affairs
- to be aware of, and comply with, the Company's Continuous Disclosure Policy to ensure that the market is kept fully informed of information which may have a material effect on the price or value of the Company's shares
- not to act in any way that could cause harm to the reputation or market position of the Company, either during or after their employment; this includes complying with the Company's safety, health and environment policies, and equal opportunity and harassment policies

The Code of Conduct contains procedures for reporting and investigating improper conduct and unethical practices, and the protection of whistleblowers. A copy of the Code of Conduct is available in the corporate governance section of the Company's website at www.pacificbrands.com.au.

Donations

The Company does not make donations to political parties.

Fraud and corruption

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

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

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

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

Whistleblowing

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

9. SOCIAL AND ETHICAL COMPLIANCE FOR SUPPLIERS

9.1 Social compliance

An effective and sustainable supply chain is integral to the Company's business model and supply partners are required to meet certain standards in relation to human rights, workplace safety, environmental impacts and ethical business practices. The Company chooses, promotes and develops relationships with suppliers who are aligned with its expectations of ethical and socially responsible behaviour.

The Company has for a number of years, invested in, and maintained, a robust and comprehensive program of auditing its supply chain for adherence to its ethical standards. The Company has been a member of the Ethical Trading Initiative ('ETI') since 2008 and was the first Australian company to join this international organisation. The ETI is an alliance of companies, trade unions and voluntary organisations working in partnership to improve the working lives of poor and vulnerable people across the globe who make or grow consumer goods. Pacific Brands' social compliance program is aligned to the ETI's base code and its principles of continuous improvement. The Company seeks to partner with its direct suppliers to achieve these standards. The Company's supplier code of conduct covers nine base principles consistent with the ETI base code:

Employment is freely chosen	▪ The use of forced, bonded or involuntary prison labour is strictly prohibited
Freedom of association and the right to collective bargaining are respected	▪ Workers should have the right to join or form trade unions of their own choosing and to bargain collectively. Workers representatives must not be discriminated against and must have access to workers to carry out their representative functions in the workplace
Working conditions are safe and hygienic	▪ Suppliers are required to provide a safe and hygienic working environment to their workers. Where accommodation is provided, it must be clean and safe, and meet the basic needs of the workers ▪ Adequate steps must be taken to prevent accidents and injury occurring in the workplace, by minimising hazards inherent in the working environment ▪ Fire and building safety standards must comply with the legal requirements of the jurisdiction in which the building is located and present a safe and hygienic environment for workers
Child labour must not be used	▪ The use of child labour is strictly prohibited ▪ No person shall be employed at any age younger than the legal minimum age for working in the jurisdiction in which the work is being conducted
Living wages are paid	▪ Wages and benefits must be paid for a standard working week and meet, at a minimum, national legal standards, but in any event always be enough to meet basic needs and to provide some discretionary income
Working hours are not excessive	▪ Working hours must comply with national laws and overtime must not be excessive
No discrimination is practised	▪ There must be no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation
Regular employment is provided	▪ To the extent possible, work performed shall be on the basis of a recognised employment relationship established through national law and practice ▪ Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship must not be avoided through the use of labour-only contracting, sub-contracting, home-working or prison outsourcing arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Such obligations must not be avoided through the excessive use of fixed-term contracts of employment
No harsh or inhumane treatment is allowed	▪ Physical abuse or discipline, threats of physical abuse, sexual or other harassment, verbal abuse or other forms of intimidation are prohibited

Where a direct supplier is new to Pacific Brands, the social compliance team will conduct pre-audit screening based on information provided by the supplier and current third party audit reports. This pre-screening determines if a factory progresses to a formal audit conducted by the Pacific Brands social compliance team or an independent third party auditor in order to determine whether the supplier meets the Company's compliance standards to be an approved supplier.

Post approval, the Company also regularly conducts audits (announced and unannounced) of its direct suppliers to determine ongoing compliance with its supplier code of conduct. Where non compliance is found, the supplier is required to provide a corrective action plan which is monitored. Where a supplier is unwilling to achieve compliance, the Company may terminate the relevant supply contract. Where a supplier is unable to achieve compliance, the Company will work with that supplier, however ultimately a range of sanctions including termination may apply if compliance cannot be achieved.

Given the size and complexity of Pacific Brand's supply chain, there is a need to prioritise and focus the Company's efforts. The scope of Pacific Brand's supplier auditing program focuses mainly on significant direct finished product suppliers to the Company. The audit program generally does not directly extend to raw material producers and suppliers, component suppliers, certain agency arrangements or other second tier suppliers in the Company's supply chain. However, the Company's direct suppliers are made responsible for ensuring that second tier suppliers comply with the Company's supplier code of conduct. In addition, indirect or third party processes are relied on in such circumstances to ensure compliance with the Company's supplier code of conduct.

The Company's social compliance function is primarily based in Asia and is headed by the General Manager, Risk and SH&E, who is supported by an internal audit function and a third party independent audit service provider. The Company's social compliance function is independent of the Company's operating businesses. The General Manager, Risk and SH&E provides regular reports to senior management and to the Board in relation to various measures of social compliance including supplier grading profiles for each operating group and the number of suppliers exited.

The Company takes its health and safety obligations extremely seriously and mandates regular audits of facilities with which it has a direct supplier relationship. The Company's health and safety policies are applied uniformly in all jurisdictions in which the Company sources its products. Whilst Bangladesh is not a material source of the Company's products, the Company is currently reviewing its long standing fire and building safety audit procedures to address community concerns arising out of the Bangladesh building collapse. The Company is liaising with the ETI, other leading garment organisations and suppliers to better understand the issues in this region, and to develop an enhanced fire and building safety audit module including engagement of independent experts to audit electrical, fire and structural safety.

The Company has also implemented a policy with respect to sandblasting, which bans the use of sandblasting for all of its brands. Suppliers must provide the Company with an assurance that this ban is being enforced and the Company monitors its suppliers to ensure ongoing compliance with the requirement.

Another area of concern for the Company is reports of forced child labour being used in cotton cultivation in Uzbekistan. Although the Company does not have any direct business relationship with cotton producers, it seeks to avoid the use of Uzbek cotton. The Company has requested all of its suppliers to commit to avoid sourcing cotton from Uzbekistan in relation to the manufacture of any of the Company's products, until such time as the practice of using forced underage labour ceases.

9.2 Ethical business practices

In managing its suppliers, the Company endeavours to act professionally and ethically and expects its suppliers to abide by all local legal requirements and not to engage in any form of corruption or fraud. Suppliers are expected to notify the Company as soon as any form of conflict of interest becomes apparent and must not offer gifts when engaging with the Company's employees in order to receive benefits.

9.3 Environmental practices

The Company requires its suppliers to meet all legal obligations in relation to environmental performance. This includes:

- establishing objectives, targets and key performance indicators that strive for continuous improvement in their environmental performance
- maintaining management systems to plan, document, measure, monitor and regularly review their environmental performance
- identifying and assessing the environmental hazards which arise from their activities, products and services, and effectively managing these risks by applying best practice principles to the prevention of pollution

10. HEALTH AND SAFETY

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

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

11. ENVIRONMENT

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

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

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

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

Key programs in place to help reduce the environmental impact of the Company's operations are discussed on page 16 of the Annual Report.

The Company continues to assess carbon abatement opportunities to reduce the carbon footprint of its activities. The direct impact of the carbon tax does not have a material adverse impact on the Company. The indirect impact on the Company, including the impact on consumer and business demand, is inherently difficult to quantify.

12. DIVERSITY

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

Diversity recognises and values the contribution of people with differences in capabilities and perspectives. The Company has developed a formal Diversity Policy, a copy of which is available on the Company's website at www.pacificbrands.com.au. The policy recognises that diversity encompasses gender, age, experience, education, ethnicity, religious and cultural backgrounds as well as other dimensions such as lifestyle and family responsibilities. At Pacific Brands, employees from different cultures and religions are welcomed and valued. Consistent with the Company's Diversity Policy, the Company is committed to:

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

Pursuant to the Company's Diversity Policy, management has developed measurable objectives in relation to gender diversity, with the aim of maintaining the relatively high level of participation of women throughout the organisation. The objectives have been approved by the Board and are designed to encourage and enable diversity rather than forcing it by setting quotas, which are viewed by the Board as unproductive given the Company's existing high levels of gender diversity. Although these measurable objectives have applied for the whole year, they were formally approved by the Remuneration Committee on 5 February 2013. The measurable objectives, and the Company's progress towards achieving those objectives, are outlined in the following table:

NO.	BUSINESS ACTIVITY	OBJECTIVE	STRATEGIES	TARGET DELIVERY DATE	PROGRESS IN MEETING OBJECTIVES
1	Recruitment, selection and promotion	▪ Improve gender diversity in areas that are traditionally under-represented	▪ Aim to increase the percentage of women in senior management positions (those positions either in the executive leadership team ('ELT') or reporting directly to the ELT) as vacancies arise, subject to identification of candidates with appropriate skills	F13	▪ As a result of turnover, this objective was not met this financial year ▪ The ELT was expanded to include a new role of General Manager, Human Resources and this role was filled by a woman. The Company continues to look at promotional opportunities for women in the recruitment process
2	Remuneration	▪ Gender remuneration equity	▪ Within the annual remuneration cycle, review the gender remuneration parity across all key roles within the business and implement action plans to address any areas of concern	F13	▪ Objective met ▪ During the last remuneration review process, an assessment of gender parity was undertaken and rectification plans are in place to address any identified parity issues. This review of gender remuneration parity will be an ongoing process at each review cycle
3	Career development and performance	▪ Gender diversity in career development programs	▪ Review career development programs to ensure participation is gender diverse and that the programs are structured to encourage participation by both men and women	F13	▪ Objective met ▪ Group career development programs have 60% participation by women
4	Talent and succession planning	▪ Gender diversity within talent management processes	▪ Expand the scope of existing talent management processes to identify high potential female managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles	F13	▪ Objective met ▪ The Company's talent management process shows an even number of men and women rated as high potential or high performing. The Company has continued to develop specific strategies for this group of employees to prepare them for more senior roles
5	Diversity and equal opportunity training	▪ Gender diversity is well understood in the workplace	▪ Develop and implement mandatory online training for all band 1-6 managers ▪ Include diversity questions in future employee surveys	F13	▪ Objective met ▪ The Company has implemented online training modules – 'respect in the workplace'. Diversity questions will be included in the Company's next group wide employee survey which is due to be rolled out in F14

NO.	BUSINESS ACTIVITY	OBJECTIVE	STRATEGIES	TARGET DELIVERY DATE	PROGRESS IN MEETING OBJECTIVES
6	Flexible working arrangements	▪ Workplace policies encourage and enable gender diversity	▪ Conduct an employee survey to assess update of flexible arrangements ▪ Consult with employee groups to identify further opportunities for flexible arrangements	F13	▪ Objective met ▪ The Company has continued to support flexible work arrangements. The number of flexible work arrangements has increased from 834 employees (at June 2012) to 1,023 employees (at June 2013). The Company has consulted with employee groups on flexible working arrangements

Senior management measures and reviews diversity across the organisation and reports to the Remuneration Committee on progress in achieving diversity within the Company.

To achieve a diverse and inclusive environment, the Company has in place various programs, policies and practices, including the following:

- a recruitment and selection process which identifies candidates with the most suitable knowledge, skills, experience and personal values for the relevant role and which recognises the value of recruiting, selecting and promoting employees with different backgrounds, knowledge, experiences, perspectives and beliefs
- a role grading and remuneration review process which actively considers equity in both grading and remuneration
- annual talent and succession planning reviews which have the objective of identifying high performing and high potential individuals across the organisation. Talented individuals are identified based on their performance and potential and operating group reviews ensure that talent and succession decisions are equitable, consistent and aligned with the Company's diversity principles
- all new employees are required to attend equal employment opportunity training and this is followed by a refresher session every two years. This training raises awareness and encourages behaviour that supports a work environment free from discrimination and harassment
- a flexible working arrangements policy which recognises the needs of individuals to balance family and personal lives with work. The Company will consider applications for flexible working arrangements on a case by case basis, considering the merit of the proposed arrangement, personal circumstances of the employee, the nature of the employment and the impact on the respective business area
- policies covering paid parental leave and flexible working arrangements

Gender equality at all levels of the organisation is a key component of the Company's diversity strategy. As recently as the 2012 financial year, 50% of the Board and 60% of senior management were comprised of women. As a result of turnover, these percentages declined in the current financial year, however maintaining the representation of women at senior levels of management remains one of the Company's strategic priorities on an ongoing basis. The following table discloses the gender diversity of the Company as at 30 June 2013:

CATEGORY	% FEMALE	% MALE
Board	17	83
Senior executive	10	90
Management[1]	62	38
Pacific Brands Group[2]	71	29

1 Covers employees in bands 1-4
2 Includes full and part-time employees

13. NZX CORPORATE GOVERNANCE RULES

As an overseas listed issuer, the Company is deemed to satisfy and comply with the NZX Listing Rules, so long as it remains listed on the ASX. The only NZX requirements applicable to the Company are to give the NZX the same information and notices the Company is required to give to the ASX and to include the statement appearing below in the Company's Annual Report.

In compliance with NZX Listing Rule 5.1.8(d), the Company notes that the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ('ASX Corporate Governance Rules') may materially differ from NZX's corporate governance rules and principles in the NZX Corporate Governance Best Practice Code. Details of the ASX Corporate Governance Rules are available on the ASX website at www.asx.com.au.

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

	ASX PRINCIPLE	REFERENCE[1]	COMPLIANCE
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1, Remuneration Report	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1, Remuneration Report	Comply
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1, Remuneration Report	Comply
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	2	Comply
2.2	The chair should be an independent director.	2	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2	Comply
2.4	The board should establish a nomination committee.	4	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	6	Comply
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	1, 2, 4, 6, 12, Board members (pages 12 and 13), Directors' Report (page 45)	Comply
Principle 3	**Promote ethical and responsible decision making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	8.4	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	2, 12	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	12	Comply
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	12	Comply
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	12	Comply
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	4	Comply
4.2	The audit committee should be structured so that it: ▪ consists only of non-executive directors ▪ consists of a majority of independent directors ▪ is chaired by an independent chair, who is not chair of the board ▪ has at least three members	4	Comply

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

1 All references are to sections of this Corporate Governance Statement unless otherwise stated

DIRECTORS' REPORT

The directors of Pacific Brands Limited ('Company') present their report together with the financial report of the Company and its controlled entities (collectively the 'Consolidated Entity') for the year ended 30 June 2013 and the auditor's report thereon. The information set out below is to be read in conjunction with the Operating and Financial Review ('OFR') set out on pages 18 to 30 and the Remuneration Report set out on pages 48 to 64 which form part of this Directors' Report.

1. DIRECTORS

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

P H Bush (Chairman)
S T Goddard (appointed 1 May 2013)
J S King
J P Ling (appointed 1 May 2013)
J A C MacKenzie (resigned 1 May 2013)
S M Morphet (Chief Executive Officer) (until 3 September 2012)
J C Pollaers (Chief Executive Officer) (from 3 September 2012)
N L Scheinkestel (resigned 26 June 2013)
A M Tansey

Particulars of directors' age, qualifications, other listed company directorships, experience and special responsibilities are detailed on pages 12 and 13 of the Annual Report. Particulars of the qualifications and experience of the Company Secretary are detailed on page 14 of the Annual Report.

2. DIRECTORS' INTERESTS IN SHARE CAPITAL

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

	FULLY PAID ORDINARY SHARES	PERFORMANCE RIGHTS
P H Bush	10,000	
S T Goddard	25,000	
J S King	25,000	
J P Ling	20,000	
J C Pollaers	Nil	2,779,661
A M Tansey	550	

3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the 2013 financial year are shown in the table on page 34 of the Annual Report.

4. STATE OF AFFAIRS

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

5. PRINCIPAL ACTIVITIES, RESULTS OF OPERATIONS AND LIKELY DEVELOPMENTS

A description of the Consolidated Entity's operations and business model, strategy and material business risks, review of financial performance and position, and future financial prospects are contained in the OFR.

There has been no significant change in the nature of principal activities during the year.

6. DIVIDENDS

An interim dividend of 2.5 cents per share, amounting to $22.8 million was paid on 2 April 2013. On 22 August 2013, the directors declared a dividend of $22.8 million to be paid at the rate of 2.5 cents per share on 912,915,695 ordinary shares. The dividend is expected to be paid on 1 October 2013 to shareholders on the register at the record date of 3 September 2013. This dividend will be fully franked at the 30% corporate tax rate in Australia.

The financial effect of dividends declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2013.

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 August 2013, the Company declared a dividend (refer section 6 above).

8. NON-AUDIT SERVICES

During the 2013 financial year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

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

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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 65 in this report.

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

	CONSOLIDATED	
	2013 $	2012 $
Audit services		
Auditors of the Company – KPMG Australia		
Audit and review of financial statements	**662,900**	973,800
Overseas KPMG firms:		
Audit of financial statements	**131,950**	134,200
	794,850	1,108,000
Other services		
Auditors of the Company – KPMG Australia		
Other assurance services[1]	**38,650**	49,700
Overseas KPMG firms:		
Taxation compliance services	**7,788**	47,543
Other assurance services[1]	**11,868**	2,686
	58,306	99,929

1 Other assurance services include agreed upon procedures performed on bank covenant certification provided to the Consolidated Entity's banking syndicate and monitoring of the whistleblower hotline

It is the Company's policy not to engage the Company's auditor to provide non-audit services, unless the provision of those services will not prejudice the auditor's independence. Approval to provide these services must be obtained in accordance with the Audit, Business Risk and Compliance Committee's policy on non-audit services.

9. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

The Company holds a directors' and officers' liability insurance policy on behalf of current and former directors and officers of the Company and its controlled entities. The period of the current policy extends from 1 December 2012 to 30 November 2013 and the premium was paid on 7 January 2013. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the policy or premium can be disclosed.

10. ENVIRONMENTAL REGULATION

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

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

11. ROUNDING OFF

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 (as in force on 30 June 2013) and in accordance with that Class Order, amounts in the Financial Statements and this Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT – UNAUDITED

Dear shareholders

We would briefly like to draw your attention to decisions that your Board has taken in respect of remuneration outcomes for the 2013 financial year which are fully explained in the Remuneration Report which follows.

In framing the remuneration structure for the 2013 financial year, the Board assessed the Company's remuneration arrangements in the context of the Company's reduced size and market capitalisation and in recognition of the ongoing difficult trading conditions in the markets in which the Company operates. Taking these factors and shareholder feedback into account, the Board made the following changes to the Company's remuneration structure for the 2013 financial year:

- the base and committee fees payable to the Company's non-executive directors were reduced by 25% effective 1 July 2012
- a salary freeze was imposed on the previous Chief Executive Officer and the Company's other senior executives, except where the senior executive had moved into a new and/or more complex role
- as part of the process of re-aligning senior executive remuneration to reflect the Company's reduced size, the fixed annual remuneration payable to the incoming Chief Executive Officer, Mr Pollaers, was set at a level approximately 7% below that of his predecessor
- in line with the salary freeze, there was no increase in the Chief Financial and Operating Officer's fixed remuneration
- the aggregate fixed annual remuneration of the Company's other senior executives (on an annualised basis) was approximately 21% below the aggregate 2012 fixed annual remuneration for the same roles
- the total short term incentive ('STI') opportunity for the Chief Executive Officer and the Company's other senior executives was reduced by 50% at target, and awards this year ranged from 33% to 49% of their original opportunity

These changes were foreshadowed in last year's Remuneration Report and were well received by shareholders. The Company also received positive feedback in respect of the format of the 2012 Remuneration Report which had been revised in order to simplify its content and structure. In this year's report we have continued to endeavour to provide a more user friendly overview of our remuneration practices to all shareholders and investors.

In relation to the 2014 financial year, your Board has again decided to continue the freeze on non-executive director fees and senior executive salaries, and to reduce the total STI opportunity for senior executives by 50% at target. These decisions reflect continued challenging market conditions, shareholder feedback on executive remuneration and the need to deliver enhanced shareholder returns.

Peter Bush
Chairman

James King
Chairman, Remuneration Committee

Overview

The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements. This overview (which does not form part of the audited Remuneration Report) is intended to provide stakeholders with additional and summary information to that provided in the Remuneration Report, which must be prepared in accordance with statutory obligations and accounting standards.

The Company operates in a very competitive and challenging segment of the Australian economy. We have a proud history, some iconic brands and a workforce that has delivered against the challenging objective of transforming the Company into a smaller, more focussed and nimble organisation able to compete and grow in a global market. The Board is determined to ensure we have a suitably qualified management team properly led, rewarded and motivated to deliver against this objective so as to deliver increased shareholder wealth.

Actual Remuneration Outcomes

The table on page 62 in the Remuneration Report provides a breakdown of the Company's senior executive remuneration in accordance with statutory obligations and accounting standards. However, the Board is aware that the format in which the Company is required to present this information may make it difficult for shareholders to form an understanding of the cash and other benefits actually earned by senior executives from the various components of their remuneration in respect of the 2013 financial year.

The following table represents non-IFRS information and sets out the cash and the value of other benefits actually received by the Company's senior executives in respect of the 2013 financial year for service during that financial year. References to the relevant section of the Remuneration Report are provided by way of footnotes, where the value of the relevant benefit calculated in accordance with accounting standards differs from the value disclosed below.

2013 FINANCIAL YEAR	FIXED SALARY[1] $	SUPER-ANNUATION BENEFITS[2] $	SHORT TERM INCENTIVES[3] $	LONG TERM INCENTIVES[4] $	TERMINATION $	OTHER[5] $	TOTAL $
Senior executives							
J C Pollaers[6] Chief Executive Officer	1,122,375	20,833	644,000	0	0	23,457	1,810,665
D L Bortolussi Chief Financial & Operating Officer	721,330	25,000	301,700	0	0	51,790	1,099,820
M W Claughton[7] Group General Manager, Workwear	406,956	31,218	101,000	0	0	24,912	564,086
A M Heraghty Group General Manager, Underwear	561,391	25,000	195,900	0	0	79,289	861,580
M C Matthews[8] Group General Manager, Homewares, Footwear & Outerwear	374,563	33,711	95,100	0	0	27,179	530,553
Total	3,186,615	135,762	1,337,700	0	0	206,627	4,866,704

1 Comprising base salary as set out in the table on page 62 in the Remuneration Report, but does not include movements in annual leave and long service leave provisions unless leave was actually taken in the financial year
2 Comprising superannuation as set out in the table on page 62 in the Remuneration Report
3 This figure represents the value of STI paid to the executive following the conclusion of the financial year, relating to the achievement of pre-determined performance measurement criteria in respect of the financial year, as set out in the table on page 59 in the Remuneration Report. For further details of the Company's STI program, see pages 54 and 59 in the Remuneration Report
4 This figure represents the value (if any) of any LTI which vested in the financial year, irrespective of when the LTI was granted. For the value of share based payments calculated in accordance with the accounting standards see the table on page 62 in the Remuneration Report
5 Principally includes motor vehicle allowances and payments made on the employee's behalf under a novated motor vehicle lease arrangement, as set out in the table on page 62 in the Remuneration Report
6 J C Pollaers commenced employment with the Company as Chief Executive Officer on 3 September 2012
7 M W Claughton was appointed as Group General Manager, Workwear on 6 August 2012, as such this table only discloses remuneration for the period 6 August 2012 to 30 June 2013
8 M C Matthews was appointed as Group General Manager, Homewares, Footwear and Outerwear on 6 August 2012, as such this table only discloses remuneration for the period 6 August 2012 to 30 June 2013

As mentioned previously, remuneration details calculated in accordance with statutory obligations and accounting standards are provided on pages 51 to 64 in the Remuneration Report.

Fixed remuneration

The Chief Executive Officer's fixed annual remuneration (comprising salary, superannuation and other benefits) was determined prior to his appointment and paid from commencement in the role on 3 September 2012. The new Chief Executive Officer's fixed annual remuneration was $107,275 or 7.1% lower than the previous Chief Executive Officer's fixed annual remuneration prior to ceasing employment. There was no increase in the Chief Financial and Operating Officer's fixed annual remuneration in the 2013 financial year.

The fixed annual remuneration of the three Group General Managers in the 2013 financial year reflected each executive being promoted into larger and more complex roles, in comparison to their respective roles in the 2012 financial year. For these executives, their fixed remuneration for the 2013 financial year was determined early in the financial year. As part of that process, the Company benchmarked the proposed senior executive remuneration against the market, recognising the need to attract and retain appropriate talent in a competitive market. Although each Group General Manager received an increase in their fixed remuneration due to their new and more complex roles, in aggregate the fixed annual remuneration of the three Group General Manager roles decreased by $448,356 or 21.3% (on an annualised basis) in comparison to the aggregate 2012 financial year remuneration for the same roles.

STI outcome

The Company's STI plan is the cash based component of the senior executive's at risk reward opportunity and is based on achieving pre-determined performance measurement criteria. The STI plan comprises an individual performance component (25%) and a business performance component (75%). Individual performance is based on the achievement of certain key performance objectives which vary with respect to the individual executive. Business performance is based on the achievement of certain financial and non-financial key performance indicators ('KPIs').

The Board has ultimate responsibility for the assessment and award of both the personal and business components of the STI plan to senior executives. The Board assesses the personal performance of the Chief Executive Officer, and the Chief Executive Officer assesses the personal performance of the other senior executives and makes recommendations to the Remuneration Committee and the Board. Financial performance is primarily measured based on earnings before interest, tax and significant items (EBIT before significant items). Significant items are other expenses that are individually significant, as disclosed in Note 4 to the financial statements ('significant items'). In addition to EBIT before significant items, other important financial KPIs include sales growth, gross profit margins, costs of doing business ('CODB'), net profit after tax, earnings per share ('EPS'), cash conversion and net debt. Non-financial KPIs relate to the achievement of certain strategic, organisational and operational objectives.

For the 2013 financial year, the total STI opportunity for senior executives was reduced by 50% at target. The STI outcomes for the Company's senior executives are summarised in the table above and ranged from 33.0% to 49.0% of entitlement consistent with the reduced opportunity imposed in the 2013 financial year. In determining these STI outcomes against pre-determined performance measurement criteria, the Board principally had regard to the following business outcomes achieved in the 2013 financial year:

Financial KPIs

- Reported sales were down 3.7% in the 2013 financial year, but underlying sales (ie excluding divested businesses) were up 0.3% in 2H13 consistent with the near-term objective of stabilising the company's performance
- Gross margins improved by 2.3% points from 46.8% in 2012 to 49.1% in the 2013 financial year
- Investment levels increased in brand advertising, retail expansion and other direct-to-consumer channels leading to a 2.8% increase in CODB in the 2013 financial year
- EBIT (before significant items) was down 5.4% to $122.1m in the 2013 financial year representing an improved trajectory compared to the prior year
- Net profit after tax and EPS (before significant items) increased by 1.4% and 1.9% respectively in the 2013 financial year, again consistent with the near-term objective of stabilising the Company's overall performance
- Cash conversion of 107% in the 2013 financial year and a 15.9% reduction in net debt to $159.1 at 30 June 2013, in part enabling an increase in dividends per share from 4.5 cps in 2012 to 5.0 cps in the 2013 financial year. It is also noted that the increase in dividends and the recovery in the year end share price from $0.50 at 30 June 2012 to $0.70 at 30 June 2013 has generated total shareholder returns ('TSR') of 50.0% in the 2013 financial year

Non-financial KPIs

- A strategic review of the Company and operating groups was undertaken by the Chief Executive Officer and senior executives which was approved by the Board and communicated effectively to stakeholders
- A turnaround in performance of the Company's largest operating group (Underwear) commenced. Workwear's performance was impacted by a cyclical downturn in the market. Homewares, Footwear and Outerwear ('HFO') performance was mixed, but importantly Sheridan's performance was solid being the key brand in the HFO operating group
- Improved product innovation, brand marketing and in-store execution was achieved in wholesale channels, while disciplined implementation of the Company's direct-to-consumer strategy continued in parallel and showed encouraging signs
- Renewal of the general management team of the Company was completed with new Group General Managers appointed to lead the three operating groups
- Significant progress was made on creating a breakthrough performance environment in the Company by the Chief Executive Officer and senior executive team resulting in an improvement in employee alignment and engagement
- Consolidation of the Underwear and Outerwear distribution facilities at Truganina (Victoria) was completed successfully

A more comprehensive review of the Company's operations and financial performance is contained in the Operating and Financial Review provided on pages 18 to 30 in the Annual Report.

LTI outcome

No performance rights vested under the Company's LTI plan following the end of the financial year as neither the earnings per share nor total shareholder return hurdles were met. The fact that performance rights under the Company's LTI plan have not (with the exception of performance rights granted as part of sign on arrangements) vested in any of the past five financial years, demonstrates that the Company's LTI plan is not inconsistent with the generation of shareholder wealth.

REMUNERATION REPORT – AUDITED

1. INTRODUCTION

The directors of Pacific Brands Limited present the Remuneration Report for the Company and its controlled entities (together referred to as the 'Consolidated Entity') for the year ended 30 June 2013. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

The Remuneration Report includes details of the remuneration strategies for key management personnel ('KMP') of the Consolidated Entity. The KMP comprises the non-executive directors, the executive director (Chief Executive Officer) and those persons with authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity during the financial year. Under Australian Accounting Standard AASB 124 *Related Party Disclosures*, this is deemed to include non-executive directors. The KMP, other than the non-executive directors, are referred to throughout this Remuneration Report as 'senior executives'.

The names and positions of the KMP during the 2013 financial year are listed in the following table:

Current senior executives	
J C Pollaers[1]	Chief Executive Officer, Executive Director
D L Bortolussi	Chief Financial & Operating Officer
M W Claughton[2]	Group General Manager, Workwear
A M Heraghty	Group General Manager, Underwear
M C Matthews[3]	Group General Manager, Homewares, Footwear & Outerwear
Former senior executives	
H S Kramer[4]	Group General Manager, Workwear
S M Morphet [5]	Chief Executive Officer, Executive Director
Non-executive directors	
P H Bush	Chairman
S T Goddard	Director (appointed 1 May 2013)
J S King	Director
J P Ling	Director (appointed 1 May 2013)
J A C MacKenzie	Director (resigned 1 May 2013)
N L Scheinkestel	Director (resigned 26 June 2013)
A M Tansey	Director

1 J C Pollaers commenced employment with the Company as Chief Executive Officer on 3 September 2012
2 M W Claughton was appointed as Group General Manager, Workwear on 6 August 2012
3 M C Matthews was appointed as Group General Manager, Homewares, Footwear & Outerwear on 6 August 2012
4 H S Kramer ceased as Group General Manager, Workwear on 23 July 2012 and subsequently ceased employment with the Company on 22 August 2012
5 S M Morphet ceased as Chief Executive Officer on 3 September 2012 and ceased employment with the Company on 20 November 2012

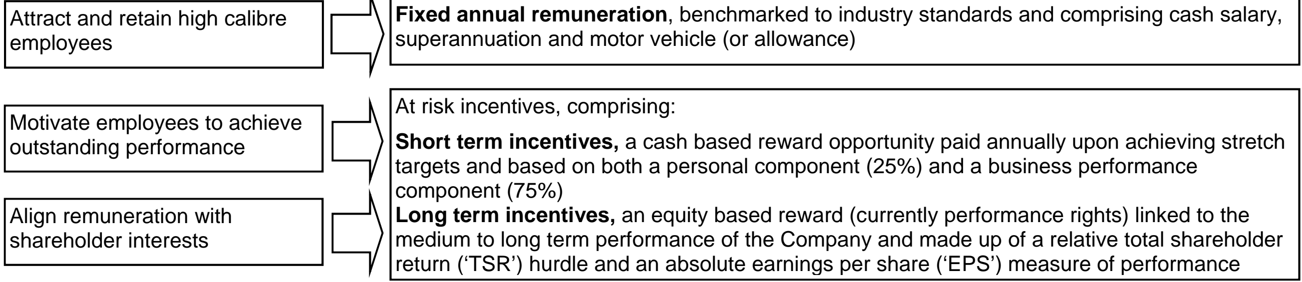
2. REMUNERATION STRATEGY AND GOVERNANCE

A. Remuneration strategy

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

In keeping with current market best practice, a substantial proportion of the remuneration of the Company's senior executives is 'at risk', which means that it is not paid to the executive if pre-determined performance measurement criteria are not met. The Remuneration Committee and the Board work with management to identify key financial and non-financial value drivers to set appropriate internal (short term) and market based (long term) performance hurdles to achieve alignment of executive remuneration with the Company's business strategy. The remuneration of non-executive directors, on the other hand, is not linked to company performance and is comprised solely of directors' fees (plus superannuation) in order to maintain director independence.

The diagram below outlines the Company's remuneration strategy with respect to senior executives:



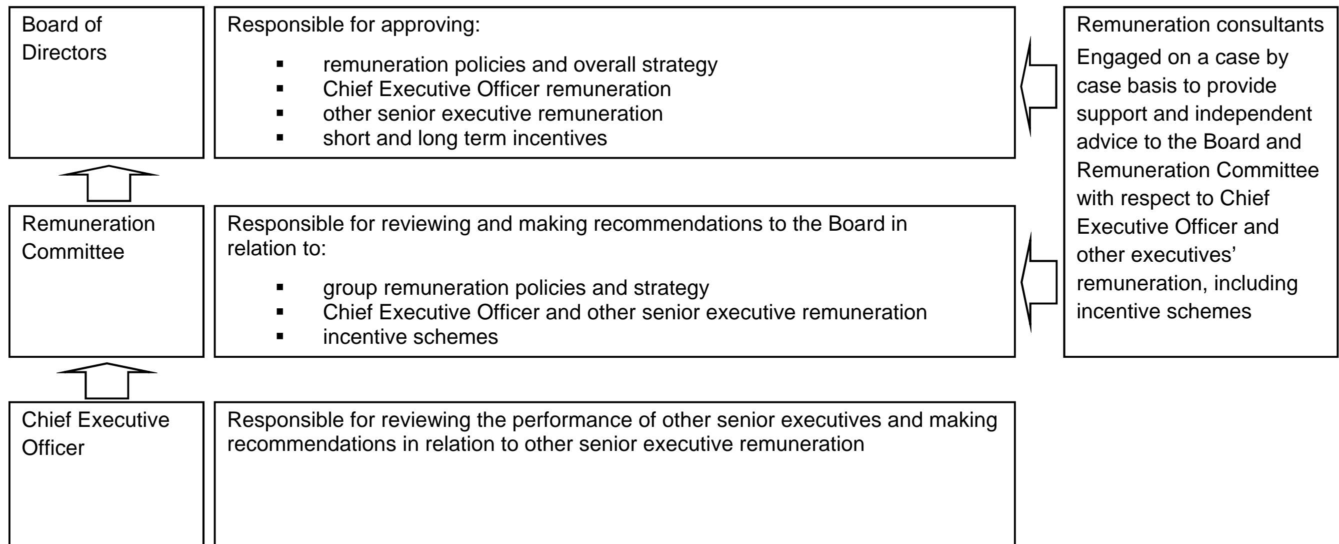
An overview of the elements of remuneration is set out in the following table. A more detailed discussion of each element is contained later in the Remuneration Report.

		DIRECTORS			
	ELEMENTS OF REMUNERATION	NON-EXECUTIVE	CHIEF EXECUTIVE OFFICER	OTHER SENIOR EXECUTIVES	DISCUSSION IN REMUNERATION REPORT
Fixed remuneration	Fees	✓			Page 62
	Salary		✓	✓	Page 53
	Superannuation[1]	✓	✓	✓	Page 53
	Other benefits		✓	✓	Page 53
At risk remuneration	Short term incentive		✓	✓	Page 54
	Long term incentive		✓	✓	Page 55
Post employment	Notice periods and termination payments		✓	✓	Page 57

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

B. Remuneration governance mechanisms

The diagram below outlines the governance processes in place in relation to executive remuneration:



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

Maintaining independence

It is important that the Board maintains independence from management when making decisions affecting employee remuneration, particularly in respect of the Chief Executive Officer and other senior executives. Accordingly, the Company's Remuneration Committee is comprised solely of non-executive directors and has an independent Chair.

Further details regarding the role, responsibilities and composition of the Remuneration Committee are set out on page 33 of the Annual Report.

Remuneration consultants and external advisers

In order to ensure that it has all relevant information at its disposal (including in respect of market practice and legal parameters), the Board engages independent external advisers where appropriate. Whilst the advice and recommendations of external advisers are used as a guide, they do not serve as a substitute for thorough consideration of the issues by the Board. All decisions relating to remuneration strategy and approach are made by the Board itself, following careful consideration of the Remuneration Committee's recommendations, the Company's financial position, strategic objectives and current requirements.

Following amendments to the Corporations Act 2001 which came into force on 1 July 2011, the Company adopted the following guidelines to ensure that remuneration consultants are free from undue influence by any member of the KMP to whom a remuneration recommendation relates:

- where the Company's management, the Board or the Remuneration Committee identifies the need for external advice on a matter which will or may involve the remuneration of any KMP ('Remuneration Advice') the matter is to be referred to the Remuneration Committee Chairman before obtaining the advice
- the Remuneration Committee Chairman seeks approval from all members of the Remuneration Committee for the engagement of a particular remuneration consultant to provide Remuneration Advice
- in engaging a remuneration consultant, the Remuneration Committee must consider all factors relevant to the engagement of the remuneration consultant, including any potential conflicts of interest, the scope of the engagement and the desired outputs. The remuneration consultant is required to agree to terms of engagement that regulate its level of access to, and require its independence from, management
- to minimise the risk of undue influence when communicating with a remuneration consultant directors and management must not: apply unreasonable pressure or coerce the consultant to adopt an approach favoured by the relevant KMP; provide information that is selective or unbalanced; imply or threaten that future work is contingent on the consultant giving a particular recommendation; or offer an incentive for the consultant to deliver a preferred outcome
- any Remuneration Advice from a remuneration consultant that includes a remuneration recommendation (in draft or final form) must be provided directly to the members of the Remuneration Committee and must be accompanied by a declaration from the remuneration consultant as to whether the consultant's advice is free from undue influence by relevant KMP

In the 2013 financial year the Company engaged JWS Consulting to provide a 'remuneration recommendation', being a review of the current KMP remuneration arrangements, with a key focus on short and long term incentives, with a view to ensuring that these incentive programs provide a true incentive to management to achieve cultural change and to increase shareholder wealth. In providing this advice, JWS Consulting confirmed that its recommendations were made free from undue influence from any member of the KMP to whom its advice related. Fees totalling $55,000 were paid or payable to JWS Consulting in respect of this advice. The Company made no other use of remuneration consultants on issues of KMP remuneration during the 2013 financial year.

The implementation of the guidelines outlined above and the receipt of a declaration of no undue influence from JWS Consulting satisfy the Board that the recommendations of JWS Consulting were made free from undue influence. JWS Consulting provided advice to the Company in respect of its 2012 Annual General Meeting during the 2013 financial year in respect of which JWS Consulting was paid $24,506. JWS Consulting was paid $14,930 in total for all other services to the Company in the 2013 financial year.

3. STRUCTURE OF SENIOR EXECUTIVE REMUNERATION

The disclosures in this section relate to the remuneration for KMP other than the non-executive directors (ie to 'senior executives').

A. Remuneration mix

The Company's executive remuneration is structured as a mix of fixed annual remuneration and variable remuneration through 'at risk' short term and long term components. The mix of these components varies for different management levels.

The table below sets out the relative proportion and components of the senior executives' total remuneration packages for the 2013 financial year:

	% TOTAL TARGET REMUNERATION (ANNUALISED)[1]			
	FIXED REMUNERATION	PERFORMANCE BASED REMUNERATION		
	FIXED	SHORT TERM INCENTIVES[2]	LONG TERM INCENTIVES	TOTAL PERFORMANCE BASED REMUNERATION
Chief Executive Officer ('CEO')	38%	38%	24%	62%
Chief Financial & Operating Officer ('CF&OO')	36%	33%	31%	64%
Other senior executives[3]	47%	28%	25%	53%

1 Percentages based on target remuneration for the relevant senior executives assuming 100% of STI and LTI fully vest. In the 2013 financial year the STI opportunity for senior executives was reduced by 50% at target. This reduction is not factored into the rates disclosed
2 Excludes sign on incentives and assumes vesting of 100% of business and personal performance components
3 Based on the average remuneration for current senior executives assuming the executives were employed for the full period

While fixed remuneration is designed to provide a predictable 'base' level of remuneration, the STI and LTI plans reward executives when pre-determined performance hurdles are met or exceeded.

B. Fixed remuneration

The terms of employment for all senior executives contain a fixed annual remuneration component comprising:

- base salary
- superannuation
- motor vehicle allowance

Remuneration levels are reviewed annually, with effect from 1 July each year, by the Remuneration Committee and the Board through a process that ensures an executive's fixed remuneration remains competitive with the market in which the Company competes for talent and reflects an employee's skills, experience, accountability and general performance. For senior executives, external advice is sought to provide an independent determination of market positioning and relevant trends. In addition, the Company also subscribes to published survey data and participates in industry forums. Through these multiple channels the Company maintains an ongoing understanding of trends and developments within both broad and specific markets.

C. Short term incentives

Overview of short term incentive ('STI') plan

What is the STI plan?	The STI plan is the cash based component of the senior executive's at risk reward opportunity, based on achieving pre-determined performance measurement criteria.
Why does the Board consider an STI is appropriate?	STIs are an at risk component of remuneration that strengthens the relationship between performance and reward. The at risk component is used to motivate the Company's employees to achieve outcomes above expectations on the understanding that they will share in the Company's success.
What is the value of the STI opportunity?	Under the Company's STI plan, historically: ▪ the Chief Executive Officer has the opportunity to earn a bonus equivalent to 100% of the Chief Executive Officer's fixed annual remuneration at target ▪ the Chief Financial & Operating Officer has the opportunity to earn a bonus equivalent to 90% of the Chief Financial & Operating Officer's fixed annual remuneration at target ▪ the remaining members of the senior executive team have the opportunity to earn a bonus equivalent to 60% of their fixed annual remuneration at target For the 2013 financial year, the STI opportunity for each senior executive, as described above, was reduced by 50% at target.
What are the performance conditions?	The Company's STI plan has the following components: ▪ individual performance (25%): Employees are incentivised to achieve superior personal performance which is expected to directly or indirectly impact business performance. Personal performance requirements vary with the individual executive and his/her responsibilities and may include objectives relating to strategy development, organisational improvement, operational execution, financial performance, safety, people, values and/or culture. By way of example, the performance hurdles for the Chief Executive Officer for the 2013 financial year included the following: – continuing to develop and implement corporate and operating group strategies – improving underlying sales performance and customer relationships – achieving targeted earnings and cash conversion – increasing brand and channel investment – enhancing employee alignment and engagement Achievement of the highest level of personal performance rating results in a maximum payment of 150% of an employee's individual performance component of his/her STI entitlement ▪ business performance (75%): The Chief Executive Officer and Chief Financial & Operating Officer are assessed on overall Company performance. In the case of the operating Group General Managers, business performance is split 50:50 between the Company's performance and the performance of the relevant operating group. All other operating group employees participating in the STI plan are assessed on relevant operating group performance, while head office, shared services and sourcing and supply chain employees are assessed on overall Company performance ▪ business performance is assessed on the achievement of pre-determined measurement criteria comprising financial and non-financial key performance indicators ('KPIs'). The primary financial KPI is earnings before interest, tax and other expenses that are individually significant, as disclosed in the notes to the financial statements ('EBIT before significant items'). Earnings excluding such expenses are considered by the Board 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 the Board in determining dividends. In addition to EBIT before significant items, other important financial KPIs considered include sales growth, gross profit margins, cost of doing business, net profit after tax, EPS, cash conversion and net debt ▪ achievement of the highest level of business performance rating results in a maximum payment of 150% of an employee's business component of his/her STI entitlement
Why were the performance conditions chosen?	The performance conditions were chosen to ensure that the STI plan is linked to the achievement of key financial and non-financial objectives.
How is STI assessed?	The Board has ultimate responsibility for the award of both the business performance and the personal components of all STI payments and, where a limited amount is available for payment of STI awards, has a discretion as to whether the personal component is paid in priority to the business performance component or vice versa. In exercising its responsibilities the Board takes into account factors which are both objective and subjective, and internal and external, including the appropriateness of awarding STI payments in light of the overall business environment. The actual amount of any STI award is determined primarily based on achievement of pre-determined performance measurement criteria which are reviewed at the end of each financial year. If the Board determines that an amount is available for payment of STI awards to the Company's employees, then the Board assesses the performance of the Chief Executive Officer against agreed performance measurement criteria and decides the level of STI that is appropriate. The Chief Executive Officer similarly assesses the performance of the other senior executives and makes recommendations to the Remuneration Committee and Board in relation to payment of any STI.

D. Long term incentives

Overview of long term incentive ('LTI') plan

What is the LTI?	The LTI is the equity component of a senior executive's at risk reward opportunity and is linked to the Company's medium to long term performance.
Who participates in the LTI?	Participation in the LTI arrangements is only offered to senior executives who are able to influence generation of shareholder wealth and have a direct impact on the Company's performance.
Why does the Board consider an LTI is appropriate?	The LTI is structured to ensure there is an appropriate balance between the achievement of short term objectives under the STI arrangements and longer term goals so that senior executives continue to be motivated by long term growth in shareholder value.
How is the LTI structured?	The Company's senior executive LTI plan is a performance rights plan ('PRP'), first introduced in 2004 as part of the Company's initial public offering. Each performance right converts to one ordinary share in the Company on satisfaction of the relevant performance conditions. Grants are made annually, with effect from 1 July in each financial year. For example, the 2013 financial year performance rights grant ('F13 grant') was granted effective 1 July 2012. The rules of the PRP provide that the Board may, at the time of making a grant of performance rights, determine an amount that is payable by the relevant senior executive upon allocation of a share following vesting of a performance right. In respect of all performance rights granted to date, the Board has on each occasion determined that no amount is payable by the relevant executive on vesting of their grant of rights. Following changes to the relevant taxation legislation first announced by the Federal Government in May 2009, shares allocated on the vesting of performance rights are not subject to any restriction on the senior executives' rights to trade in those shares, other than any restrictions imposed by the Company's Guidelines for Dealing in Securities. Any grant of performance rights to an executive director must be approved by shareholders at the Company's Annual General Meeting.
What is the value of the LTI opportunity?	The LTI entitlement of a senior executive is calculated as a percentage of fixed annual remuneration as follows: ▪ Chief Executive Officer 85% ▪ Chief Financial & Operating Officer and other senior executives 40% The number of performance rights granted to a senior executive is then calculated by taking the relevant executive's fixed annual remuneration and multiplying it by the relevant LTI entitlement percentage, and dividing this by the Company's five day volume weighted average share price ('VWAP') as at the effective date of the grant.
What are the performance conditions?	Under all current grants of performance rights: ▪ 50% is subject to a relative total shareholder return ('TSR') hurdle which provides an external measure in respect of share price growth and dividend income ▪ 50% is subject to an absolute earnings per share ('EPS') measure of performance **TSR performance conditions** The Company's performance is given a percentile ranking having regard to its TSR performance compared with the TSR performance of other companies in the relevant comparator group (described below). The TSR performance conditions in relation to all grants of performance rights are: (see table below) **EPS performance conditions** EPS performance requirements are reviewed prior to each year's allocation of performance rights. The range of EPS growth reflects the Company's view of what is a reasonable long term target taking into account the structure of the markets in which the Company competes, category growth rates, prevailing market shares, operational performance upside and the expected level of reinvestment of earnings in the business. EPS is calculated using earnings on a pre-significant items basis (adjusted for the related income tax (benefit)/expense), and using the number of ordinary shares on issue at the effective date of grant and the number of ordinary shares on issue at the end of the relevant measurement period to calculate compound EPS growth.

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

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

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

What is the TSR comparator group?

The comparator companies for unvested performance rights are the ASX 200, excluding financial services and resources companies. This is determined in respect of each grant of performance rights. The comparator companies selected are considered to be alternative investments for local and global investors, and represent companies likely to be impacted by structural and cyclical factors in a similar way to the Company. Any companies that are merged, delisted or taken over during the vesting period will be removed from the comparator group and not replaced.

Why were these performance conditions chosen?

TSR

The Board considers that TSR is an appropriate performance hurdle because it links a proportion of each executive's remuneration to shareholder value and ensures that a benefit is only paid when there is a corresponding benefit to shareholders. The Board believes it appropriate to have half the performance rights in the TSR tranche vest if the Company's TSR performance equals the median TSR of the comparator companies as it provides motivation for the relevant senior executives to drive a competitive financial outcome which aligns with shareholder interests.

EPS

The Board believes that an EPS performance requirement:

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

The current EPS hurdle range (5% to 8%) is seen by the Board as a realistic view of what may be attainable, given the Company generally has relatively high market shares in relatively low growth categories, whilst still remaining a stretch target to maximise performance and meet capital market expectations.

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

When is the LTI assessed?

Grants are tested at the end of a three year performance period. Each grant is tested again one year later should the performance rights fail to vest in whole or part at the first testing date. On retesting, the grant is tested against the same performance conditions, but measured over a four year period ending 30 June of that next financial year. The primary reason for a second testing date is to allow for the potential short term impacts that foreign exchange, sourcing costs and other variables can have on the Company's TSR and EPS as highlighted by the Company's past experience.

How is the LTI assessed?

For the purpose of testing the achievement of the EPS hurdle, financial results are extracted by reference to the Company's audited financial statements. The use of financial statements ensures the integrity of the measure and alignment with the true financial performance of the Company.

Relative TSR performance is verified by external consultants. This ensures that TSR is measured consistently and objectively across the comparator companies.

When may the LTI vest?

Based on the financial performance of the Company in the 2013 financial year, no performance rights vested in the Chief Executive Officer or other senior executives effective 30 June 2013. The maximum percentage of performance rights that may vest, subject to performance, in any one year is set out in the table below:

VESTING DATE	MAXIMUM % 0F F10 GRANT[1]	MAXIMUM % 0F F11 GRANT[2]	MAXIMUM % 0F F12 GRANT	MAXIMUM % OF F13 GRANT
30 June 2013	100%	100%	N/A	N/A
30 June 2014	N/A	100%	100%	N/A
30 June 2015	N/A	N/A	100%	100%
30 June 2016	N/A	N/A	N/A	100%

1 No shares vested under the 2010 financial year grant in respect of the Company's performance over the 2010 to 2012 financial years. The 2010 financial year grant was retested at the end of the 2013 financial year against the same performance conditions, but measured over the four year period ended 30 June 2013, and did not satisfy either the EPS or TSR performance hurdles and accordingly lapsed

2 No shares vested under the 2011 financial year grant in respect of the Company's performance over the 2011 to 2013 financial years. However, the 2011 financial year grant will be retested at the end of the 2014 financial year

Does the Company pay any dividends on unvested LTIs?	As each performance right only gives the holder a contractual entitlement to one ordinary share in the Company, subject to the future satisfaction of certain financial hurdles, it is not regarded by the Board as appropriate for those rights to have an entitlement to receive dividends prior to vesting.
When does an LTI vest or lapse?	Performance rights will lapse in accordance with the terms of the grant if performance hurdles are not achieved or if participants resign prior to the completion of required vesting periods. Where a participant leaves the Company as a result of death, disability, retrenchment, or other reason with the approval of the Board, subject to performance hurdles being met, the Board may determine the extent to which performance rights granted to the participant vest. In the event of a takeover for the Company, performance rights may, at the discretion of the Board, vest in accordance with an assessment of performance on the same performance criteria, but with the performance period pro rated to the date of the takeover offer. Additionally, in the case of the Chief Executive Officer, if the Chief Executive Officer's employment is terminated due to fundamental change (such as delisting or material diminution of the Chief Executive Officer's role or responsibilities) any unvested performance rights forming part of the 2013 financial year grant will immediately vest. A discussion of the Company's performance, specifically against the Company's earnings and the consequences of the Company's performance on shareholder wealth in the period from 1 July 2008 to 30 June 2013 is set out in section 4 of this report. The Company's performance is linked to vesting of LTI (and hence executive reward). Any performance rights which do not vest (either in whole or in part) following the three year performance period, are retested the following year against the same performance conditions, but measured over a four year performance period. The 2010 financial year grant (retested on 1 July 2013) and the 2011 financial year grant (tested on 1 July 2013) did not vest on the test date because the Company's performance was such that the required hurdles were not satisfied – a more detailed discussion is set out in section 4C of this report. Details of the number of performance rights which have been granted and the extent (if any) to which they have vested are also set out in section 4C of this report. The Company values all performance rights granted under the PRP in accordance with relevant Australian Accounting Standards.
Does the Company have a policy in relation to hedging and margin lending arrangements?	The Company's Guidelines for Dealing in Securities prohibit any employee who has been granted performance rights from entering into a transaction to limit the economic risk of such performance rights, whether through a derivative, hedge or other similar arrangement. In addition, non-executive directors and senior executives are required to inform the Board of the existence of any margin lending arrangements in respect of shares in the Company which a non-executive director or senior executive has a relevant interest in, where those shares are offered as security for the lending arrangement. No margin lending arrangements are currently in place to which a non-executive director or senior executive is a party. The Company treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to, requiring non-executive directors and senior executives to confirm in writing their compliance with these policies on an annual basis. Any employee found to have breached these policies will be subject to appropriate sanctions, which could include termination of employment.

E. Service agreements

The remuneration and other terms of employment for the Chief Executive Officer and other senior executives are formalised in service agreements. Each of these agreements provides for the payment of a fixed annual remuneration component comprising of a base salary, motor vehicle/or allowance and superannuation contributions, the provision of performance related cash bonuses (STI) (as disclosed on page 54 in this report), and participation in the Company's employee LTI plan (as disclosed on page 55 in this report).

General information regarding the duration of each agreement, the periods of notice required to terminate the agreement and the termination payments provided for under the service agreements are summarised below.

Duration of service agreements

The service agreements with senior executives are ongoing until terminated by either party.

Notice periods and payments on termination

The service agreements provide for termination payments to be made in certain circumstances. In particular, the Company may terminate the employment of the Chief Executive Officer or any of the other senior executives, other than for cause, on giving a minimum of three months' notice (six months in the case of the Chief Executive Officer). In accordance with Sections 200A to 200J of the Corporations Act 2001, which took effect on 24 November 2009, the maximum termination payment payable by the Company without shareholder approval to any senior executive whose service agreement was entered into or varied after that date is capped at 12 months' average fixed annual remuneration ('FAR').

The termination arrangements in respect of the current Chief Executive Officer, Mr Pollaers, were approved by shareholders at the Company's 2012 Annual General Meeting held on 23 October 2012. In the event that the Chief Executive Officer ceases to be the most senior executive or the Company ceases to be listed on the ASX, the Chief Executive Officer may elect to terminate his employment with the Company whereupon the Company will be liable to pay the Chief Executive Officer one year's FAR. In addition, if the Company terminates Mr Pollaers' employment (other than for cause) or is taken to have terminated his employment due to a fundamental change (such as delisting or material diminution of his role or responsibilities) any unvested 'sign-on rights' will immediately vest. 762,712 sign-on rights, which convert into fully paid ordinary shares upon vesting, were issued to Mr Pollaers on 7 December 2012, following the shareholder approval referred to above. As a further termination benefit, where the Chief Executive Officer's employment is terminated for fundamental change, any unvested performance rights forming part of the 2013 financial year grant will vest on termination.

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

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

	DATE OF CONTRACT	NOTICE PERIOD – COMPANY	TERMINATION PAYMENT ENTITLEMENT[1]	NOTICE PERIOD – EMPLOYEE
Current senior executives				
J C Pollaers[2] Chief Executive Officer	21 August 2012	6 months	12 months FAR + vesting of 762,712 sign-on rights + vesting of 2,016,949 performance rights granted in respect of the 2013 financial year	6 months
D L Bortolussi Chief Financial & Operating Officer	21 April 2009	3 months	12 months FAR	3 months
M W Claughton Group General Manager, Workwear	28 August 2012	3 months	12 months FAR	3 months
A M Heraghty Group General Manager, Underwear	23 November 2012	3 months	12 months FAR	3 months
M C Matthews Group General Manager, Homewares, Footwear & Outerwear	28 August 2012	3 months	12 months FAR	3 months
Former senior executives				
H S Kramer[3] Group General Manager, Workwear	3 May 2010	3 months	12 months FAR	3 months
S M Morphet[4] Chief Executive Officer	30 November 2007	3 months	12 months FAR plus pro rata STI	3 months

1 Termination payment entitlement is calculated including payment in lieu of notice based on the applicable minimum notice period
2 The circumstances in which the sign-on rights and 2013 financial year grant of performance rights may vest on termination are discussed in the text preceding this table
3 H S Kramer ceased as Group General Manager, Workwear on 23 July 2012 and ceased employment with the Company on 22 August 2012
4 S M Morphet ceased as Chief Executive Officer of the Company on 3 September 2012 and ceased employment with the Company on 20 November 2012

4. COMPANY PERFORMANCE AND OUTCOMES FOR SENIOR EXECUTIVE REMUNERATION

A. Company performance

A review of the Company's operations during the 2013 financial year and of the results of those operations and financial position of the Company is contained in the Operating and Financial Review on pages 18 to 30 of the Annual Report.

The table below sets out the Company's financial performance over the past five years:

	2013	2012	2011	2010	2009
Net sales revenue ($m)[1]	1,273.3	1,322.7	1,614.6	1,742.4	1,959.8
EBIT ($m)[2]					
- Reported	122.1	(404.9)	(62.3)	127.6	(178.3)
- Before significant items[3]	122.1	129.1	186.2	179.0	202.3
NPAT ($m)[4]					
- Reported	73.8	(450.7)	(131.9)	52.7	(234.5)
- Before significant items[3]	73.8	72.8	103.4	90.3	100.1
EPS (cents)[5]					
- Reported	8.1	(49.1)	(14.2)	5.7	(39.9)
- Before significant items[3]	8.1	7.9	11.1	9.7	17.0
Dividends per share (cents)	5.0	4.5	6.2	0	0
Year end share price ($)	0.70	0.50	0.69	0.89	0.86
TSR (%)[6]	50.0	(22.3)	(18.0)	3.5	(5.8)

1 2009 financial year adjusted for certain sales and marketing allowances, now netted against sales revenue in accordance with accounting policies outlined in Note 1(F) to the financial statements
2 Earnings before interest and tax
3 Before the impact of other expenses that are individually significant as disclosed in Note 4 to the financial statements. Earnings excluding such expenses are considered by the Board 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 the Board in determining dividends
4 Net profit/(loss) after tax after deducting non-controlling interest
5 EPS have been calculated based on the weighted average number of shares outstanding for the period
6 TSR is a measure of the return to shareholders provided by movements in the Company's share price plus any dividends paid during the relevant financial period and reinvested in Company shares, expressed as a percentage of investment

Over the last five years, the Company's reported sales have declined materially as a result of business divestments and exits, brands and labels being discontinued as part of the Pacific Brands Transformation Program, challenging retail and business conditions and a change in strategy at one of the Company's major customers.

Despite the sales decline, EBIT margins before significant items over this period have been relatively steady, declining from 10.3% to 9.6% due mainly to the significant cost savings resulting from the Pacific Brands Transformation Program, changes in imported product costs and positive brand and business mix changes.

The decline in NPAT before significant items was less than the decline in EBIT before significant items over the last five years due to the Company's focus on reducing net debt over the period resulting in significantly lower net interest costs. The effective tax rate has slightly decreased over the relevant period.

A dividend moratorium was imposed in the 2009 and 2010 financial years to assist with debt pay down and dividends were reinstated in the 2011 financial year with a progressive increase in payout ratio from the 2011 to 2013 financial years.

The reduction in sales and earnings contributed to the decline in the year end share price from 2009 to 2012, which has recovered to some extent in the 2013 financial year. The increase in the share price and dividends per share has resulted in a total shareholder return for the 2013 financial year of 50.0%.

Significant items are other expenses that are individually significant, as disclosed in Note 4 to the financial statements. Significant items over the last 5 years have mainly related to the impairment of intangible assets and restructuring costs incurred in relation to the Pacific Brands Transformation Program.

B. Short term performance and STI payments for the 2013 financial year

The 2013 financial year STI program and payments relevant to the Chief Executive Officer and other senior executives are summarised as follows[1]:

	EFFECTIVE DATE OF GRANT	PERCENTAGE OF STI PAYABLE (%)	PERCENTAGE OF STI NOT AWARDED (%)	MINIMUM TOTAL VALUE OF STI ($)	MAXIMUM TOTAL VALUE OF STI ($)
Current senior executives					
J C Pollaers[2] Chief Executive Officer	3 September 2012	46.0	54.0	Nil	1,400,000
D L Bortolussi Chief Financial & Operating Officer	1 July 2012	42.0	58.0	Nil	718,308
M W Claughton Group General Manager, Workwear	1 July 2012	33.0	67.0	Nil	306,000
A M Heraghty Group General Manager, Underwear	1 July 2012	49.0	51.0	Nil	399,735
M C Matthews Group General Manager, Homewares, Footwear & Outerwear	1 July 2012	33.0	67.0	Nil	288,000
Former senior executives					
H S Kramer[3] Group General Manager, Workwear	1 July 2012	N/A	N/A	N/A	N/A
S M Morphet[4] Chief Executive Officer	1 July 2012	N/A	N/A	N/A	N/A

1 The terms and conditions attached to the F13 award are set out on pages 54 of this report
2 Under the terms and conditions of the Chief Executive Officer's contract of employment, the Chief Executive Officer's STI opportunity is calculated as if he was employed for the entire 2013 financial year
3 H S Kramer ceased as Group General Manager, Workwear on 23 July 2012 and ceased employment with the Company on 22 August 2012
4 S M Morphet ceased as Chief Executive Officer of the Company on 3 September 2012 and ceased employment with the Company on 20 November 2012

The STI outcomes for the Company's senior executives ranged from 33.0% to 49.0% of entitlement consistent with the reduced opportunity imposed in the 2013 financial year. In determining these STI outcomes, the Board had regard to performance against individual key performance objectives and business performance against pre-determined performance measurement criteria comprising financial and non-financial key performance indicators ('KPIs'). In assessing the business component of the STI plan, the Board principally had regard to the business outcomes achieved in the 2013 financial year. For a summary of the key business outcomes, measured against financial and non-financial KPI's, refer to page 50 of the Remuneration Report.

A more comprehensive review of the Company's operations during the 2013 financial year and of the results of those operations and financial position of the Company is contained in the Operating and Financial Review on pages 18 to 30 of the Annual Report.

C. Long term performance and LTI awards for 2013 financial year

None of the 2010 or 2011 financial year grant of performance rights vested under the Company's LTI plan following the end of the 2013 financial year as neither the EPS nor TSR hurdles were met (see the discussion of "When may the LTI vest?" on page 56 in this report for further details). The alignment of the Company's LTI plan with the generation of shareholder wealth is demonstrated by the fact that performance rights under the Company's LTI plan have not vested in any of the past five financial years (with the exception of performance rights granted as part of sign-on arrangements).

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

Long term incentives on issue

The following equity grants were made to the Chief Executive Officer and other senior executives[1]:

	NUMBER AND NATURE OF COMPENSATION / INSTRUMENT GRANTED	FINANCIAL YEAR	COMMENCEMENT DATE OF PERFORMANCE MEASUREMENT PERIOD	GRANT DATE OF PERFORMANCE RIGHT	PERCENTAGE OF GRANT VESTED (%)	PERCENTAGE OF GRANT FORFEITED (%)	FUTURE FINANCIAL YEARS THAT GRANT WILL BE PAYABLE	MINIMUM TOTAL VALUE OF GRANT ($)	MAXIMUM TOTAL VALUE OF GRANT[2] ($)
Current senior executives									
J C Pollaers	762,712 sign-on rights[3]	2013	03/09/2012	21/08/2012	Nil	Nil	2014	Nil	450,000
	2,016,949 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	847,119
D L Bortolussi	329,639 performance rights	2010	01/07/2009	29/06/2010	Nil	100%	N/A	Nil	Nil
	336,809 performance rights	2011	01/07/2010	24/08/2010	Nil	Nil	2014	Nil	215,558
	476,490 performance rights	2012	01/07/2011	14/12/2011	Nil	Nil	2014/15	Nil	201,555
	651,527 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	273,641
M W Claughton	416,326 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	174,857
A M Heraghty	212,035 performance rights	2011	01/07/2010	24/08/2010	Nil	Nil	2014	Nil	135,702
	358,209 performance rights	2012	01/07/2011	14/12/2011	Nil	Nil	2014/15	Nil	151,522
	543,857 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	228,420
M C Matthews	391,837 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	164,572
Former senior executives									
H S Kramer[4]	307,416 performance rights	2011	01/07/2010	24/08/2010	Nil	100%	N/A	Nil	Nil
	420,609 performance rights	2012	01/07/2011	14/12/2011	Nil	100%	N/A	Nil	Nil
S M Morphet[5]	1,228,915 performance rights	2010	01/07/2009	29/06/2010	Nil	100%	N/A	Nil	Nil
	1,377,078 performance rights	2011	01/07/2010	24/08/2010	Nil	100%	N/A	Nil	Nil
	1,873,807 performance rights	2012	01/07/2011	14/12/2011	Nil	100%	N/A	Nil	Nil

1 The terms and conditions attached to the F10, F11, F12 and F13 performance rights grants are set out on pages 55 to 57 in this report

2 The fair value of performance rights as at the date of their grant has been determined in accordance with AASB 2 *Share-based Payment*. The fair value in respect of the grant having an effective date of 1 July 2009 is $0.64 per share (TSR: $0.51, EPS: $0.77). The fair value in respect of the grant having an effective date of 1 July 2010 is $0.64 per share (TSR: $0.50, EPS: $0.78). The fair value in respect of the grant having an effective date of 1 July 2011 is $0.42 per share (TSR: $0.37, EPS: $0.48).The fair value in respect of the grant having an effective date of 1 July 2012 is $0.42 per share (TSR: $0.37, EPS: $0.48)

3 The Company agreed on 21 August 2012 to grant to J C Pollaers, the Chief Executive Officer, a one-off sign-on bonus of rights, which vest upon achievement of certain KPI's agreed between the Board and Mr Pollaers, equal in value to $450,000. The grant of these sign-on rights was approved by shareholders at the Company's 2012 Annual General Meeting held on 23 October 2012. The number of sign-on rights was calculated by dividing $450,000 by the market price of the Company's ordinary shares as at the close of normal trading on the ASX on 21 August 2012, being the last day before the day the Company announced the appointment of Mr Pollaers as Chief Executive Officer. Subject to the achievement of the relevant KPIs, the sign-on rights will vest on the first anniversary of the commencement of his employment with the Company (ie 3 September 2013)

4 All unvested performance rights issued to H S Kramer were forfeited upon cessation of her employment on 22 August 2012

5 All unvested performance rights issued to S M Morphet were forfeited upon cessation of her employment on 20 November 2012

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

Long term incentives – movements during the 2013 financial year

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

	BALANCE AT 01/07/2012	GRANTED	VESTED/ EXERCISED	LAPSED / FORFEITED	BALANCE AT 30/06/2013
Current senior executives					
J C Pollaers					
Number	Nil	2,779,661	Nil	Nil	2,779,661
Value	$0	$1,297,119			$1,297,119
D L Bortolussi					
Number	1,142,938	651,527	Nil	329,639	1,464,826
Value	$628,082	$273,641		$210,969	$690,754
M W Claughton					
Number	Nil	416,326	Nil	Nil	416,326
Value	$0	$174,857			$174,857
A M Heraghty					
Number	570,244	543,857	Nil	Nil	1,114,101
Value	$287,224	$228,420			$515,644
M C Matthews					
Number	Nil	391,837	Nil	Nil	391,837
Value	$0	$164,572			$164,572
Former senior executives					
H S Kramer[1]					
Number	728,025	Nil	Nil	728,025	Nil
Value	$374,664			$374,664	$0
S M Morphet[2]					
Number	4,479,800	Nil	Nil	4,479,800	Nil
Value	$2,459,456			$2,459,456	$0
Total senior executives					
Number	6,921,007	4,783,208	Nil	5,537,464	6,166,751
Value	$3,749,426	$2,138,609		$3,045,089	$2,842,946

1 All unvested performance rights issued to H S Kramer were forfeited upon cessation of her employment on 22 August 2012
2 All unvested performance rights issued to S M Morphet were forfeited upon cessation of her employment on 20 November 2012

D. Total senior executive remuneration

Details of the remuneration paid to the Chief Executive Officer and the other senior executives for the 2013 financial year (and prior financial year) are set out in the following table, calculated in accordance with the relevant accounting standards. All values are in Australian dollars unless otherwise stated.

		SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS			SHARE BASED PAYMENTS	TERMI-NATION BENEFITS	TOTAL	VALUE OF PERFORMANCE RIGHTS AS % OF TOTAL
		FIXED SALARY[1]	INCENTIVE PAYMENTS	NON-MONETARY BENEFITS[2]	SUPER-ANNUATION BENEFITS	RETIRE-MENT PAYMENTS	OTHER	PERFOR-MANCE RIGHTS[3]			
		$	$	$	$	$	$	$	$	$	%
Current senior executives											
J C Pollaers[4,5]	**2013**	1,226,054	644,000	23,457	20,833	-	-	492,778	-	2,407,122	20.5
Chief Executive Officer	2012	-	-	-	-	-	-	-	-	-	-
D L Bortolussi	**2013**	738,491	301,700	51,790	25,000	-	-	59,285	-	1,176,266	5.0
Chief Financial & Operating Officer	2012	754,960	0	54,162	25,000			(5,213)		828,909	(0.6)
M W Claughton	**2013**	448,716	101,000	24,912	31,218	-	-	25,371	-	631,217	4.0
Group General Manager, Workwear	2012	-	-	-	-	-	-	-	-		-
A M Heraghty	**2013**	580,770	195,900	79,289	25,000	-	-	44,432	-	925,391	4.8
Group General Manager, Underwear	2012	521,561	0	77,959	25,000	-	-	40,613	-	665,133	6.1
M C Matthews	**2013**	408,091	95,100	27,179	33,711	-	-	23,879	-	587,960	4.1
Group General Manager, Homewares, Footwear & Outerwear	2012	-	-	-	-	-	-	-	-	-	-
Total remuneration – current senior executives											
	2013	**3,402,122**	**1,337,700**	**206,627**	**135,762**	**-**	**-**	**645,745**	**-**	**5,727,956**	**11.3**
	2012	**1,276,521**	**0**	**132,121**	**50,000**	**-**	**-**	**35,400**	**-**	**1,494,042**	**2.4**
Former senior executives											
C M Garnsey[6]	**2013**	170,463	-	-	6,250	-	-	-	-	176,713	N/A
Group General Manager, Underwear	2012	786,442	0	963	40,828	-	-	(167,692)	-	660,541	(25.4)
H S Kramer[7]	**2013**	80,459	-	1,194	3,622	-	-	(110,542)	-	(25,267)	N/A
Group General Manager, Workwear	2012	682,440	0	27,641	25,000			44,960		780,041	5.8
S M Morphet[8]	**2013**	454,256	-	12,422	93,202	-	-	(493,720)	1,507,275	1,573,435	N/A
Chief Executive Officer	2012	1,362,526	0	32,083	240,722			(11,365)		1,623,966	(0.7)
Other former executives[9]	**2013**	-	-	-	-	-	-	-	-	-	-
	2012	251,159	0	17,931	28,970	-	-	(322,673)	-	(24,613)	N/A
Total remuneration – executive directors and other senior executives											
	2013	**4,107,300**	**1,337,700**	**220,243**	**238,836**	**-**	**-**	**41,483**	**1,507,275**	**7,452,837**	**0.6**
	2012	**4,359,088**	**0**	**210,739**	**385,520**	**-**	**-**	**(421,370)**	**-**	**4,533,977**	**(9.3)**

1 Includes movements in annual leave and long service leave provisions and excludes fringe benefits tax paid or payable relating to fringe benefits granted by the Company
2 Non-monetary benefits include contractual allowances, such as motor vehicle allowances, novated lease payments or relocation benefits (if any). Amounts disclosed for remuneration of senior executives exclude insurance premiums paid by the Consolidated Entity in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers, including, among others, the named senior executives. Due to confidentiality obligations and undertakings of the policy, the premium paid cannot be disclosed. No amount has been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists
3 To the extent required by the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the financial year (ie awards under the LTI plan). The fair value of equity instruments which do not vest during the reporting period is required to be determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The notional value of performance rights as at the date of their grant has been determined in accordance with AASB 2 *Share-based Payment.* The fair value in respect of the grant having an effective date of 1 July 2009 is $0.64 per share. The fair value in respect of the grant having an effective date of 1 July 2010 is $0.64 per share. The fair value in respect of the grant having an effective date of 1 July 2011 is $0.42 per share. The fair value in respect of the grant having an effective date of 1 July 2012 is $0.42 per share. The fair value of these equity investments is calculated for the Company by an independent expert
4 J C Pollaers was employed for only part of the 2013 financial year, having commenced employment on 3 September 2012
5 J C Pollaers was granted a sign-on bonus effective 3 September 2012. Refer to page 60 in this report for further details of this sign-on bonus
6 C M Garnsey ceased as Group General Manager, Underwear on 20 June 2012 and ceased employment with the Company on 19 September 2012. Total remuneration information is included for comparative purposes
7 H S Kramer ceased as Group General Manager, Workwear on 23 July 2012 and ceased employment with the Company on 22 August 2012
8 S M Morphet ceased as Chief Executive Officer on 3 September 2012 and ceased employment with the Company on 20 November 2012
9 Former executives who ceased to be KMP in 2012 and their roles have ceased to exist or no longer considered KMP

5. NON-EXECUTIVE DIRECTORS' REMUNERATION

A. Board policy on non-executive directors' remuneration

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

Non-executive directors' fees, including committee fees, are set by the Board within the aggregate amount approved by shareholders. Currently, this amount is $2,000,000 per annum, which was approved by shareholders at the Company's 2010 Annual General Meeting. The fees paid to non-executive directors are set at levels which reflect the responsibilities and time commitment required from each director to discharge their duties. As a result, non-executive director fee levels do not incorporate an at risk component. This enables directors to maintain independence and impartiality when making decisions affecting the future direction of the Company. Fee levels are set having regard to independent advice and the fees paid by comparable companies. The Nomination Committee makes recommendations to the Board on the total level of remuneration of the Chairman and other non-executive directors, including any additional fees payable to directors for membership of Board committees.

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

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

The fees paid to non-executive directors were last adjusted with effect from 1 July 2012.

The fees payable in the 2013 financial year were as follows:

	CHAIRMAN	OTHER NON-EXECUTIVE DIRECTORS
Base remuneration	$318,750 (no committee fees payable)	$112,500
Committee fees	$22,500 for the Chairman of the Audit, Business Risk and Compliance Committee	$11,250 for other members of the Audit, Business Risk and Compliance Committee
	$15,000 for the Chairman of the Remuneration Committee	$7,500 for other members of the Remuneration Committee

The aggregate fees paid to non-executive directors, including the Chairman, during the 2013 financial year decreased from $1,155,871 to $851,563 (inclusive of superannuation contributions) due to the decision of the Board to reduce all Board fees, including committee fees, by 25% effective 1 July 2012.

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

Non-executive directors are not entitled to receive retirement benefits, other than superannuation contributions.

B. Remuneration paid

Details of non-executive directors' remuneration for the 2013 financial year are set out in the following table:

		SHORT TERM PAYMENTS		POST EMPLOYEE BENEFITS	
		CASH $	SHARES $	SUPERANNUATION CONTRIBUTIONS $	TOTAL[1] $
P H Bush (Chairman)[2]	**2013**	292,431	N/A	26,319	318,750
	2012	151,376	N/A	13,624	165,000
S T Goddard[3]	**2013**	18,922	N/A	1,703	20,625
	2012	-	N/A	-	-
J S King	**2013**	129,203	N/A	9,547	138,750
	2012	169,725	N/A	15,275	185,000
J P Ling[4]	**2013**	18,349	N/A	1,651	20,000
	2012	-	N/A	-	-
J A C MacKenzie[5]	**2013**	90,310	N/A	8,128	98,438
	2012	389,908	N/A	35,092	425,000
N L Scheinkestel[6]	**2013**	123,853	N/A	11,147	135,000
	2012	165,138	N/A	14,862	180,000
A M Tansey	**2013**	117,523	N/A	2,477	120,000
	2012	126,147	N/A	23,853	150,000
Total	**2013**	**790,591**	**N/A**	**60,972**	**851,563**
	2012	1,002,294	N/A	102,706	1,105,000

1 Amounts disclosed for remuneration of directors exclude insurance premiums paid by the Consolidated Entity in respect of directors' and officers' liability insurance contracts which cover, among others, current and former directors of the Company. Due to confidentiality obligations and undertakings of the policy, the premium paid cannot be disclosed. No amount has been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists
2 P H Bush was appointed as Chairman effective 1 July 2012
3 S T Goddard was appointed as a director of the Company on 1 May 2013

4 J P Ling was appointed as a director of the Company on 1 May 2013
5 J A C MacKenzie ceased as Chairman on 30 June 2012 and resigned as a director of the Company on 1 May 2013
6 N L Scheinkestel resigned as a director of the Company on 26 June 2013

DIRECTORS' REPORT

This Directors' Report is signed in accordance with a resolution of the directors.

Dated at Melbourne this 22nd day of August 2013.

Peter Bush
Chairman

John Pollaers
Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under section 307C of the Corporations Act 2001

To: the Directors of Pacific Brands Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

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

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

KPMG

Alison Kitchen
Partner

Melbourne
22 August 2013

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FINANCIAL STATEMENTS TO SHAREHOLDERS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	NOTE	CONSOLIDATED 2013 $'000	2012 $'000
Sales revenue	2	**1,273,328**	1,322,670
Cost of sales	11	**(652,515)**	(709,602)
Gross profit		**620,813**	613,068
Other income	2	**4,701**	5,576
Freight and distribution expenses		**(112,227)**	(114,175)
Sales, marketing and advertising expenses		**(275,311)**	(260,563)
Administrative expenses		**(115,840)**	(114,842)
Other expenses	4	**-**	(533,928)
Results from operating activities		**122,136**	(404,864)
Financial income		**4,175**	5,227
Financial expenses		**(24,635)**	(31,280)
Net financing costs		**(20,460)**	(26,053)
Profit/(loss) before income tax expense		**101,676**	(430,917)
Income tax expense	6	**(27,835)**	(19,930)
Profit/(loss)		**73,841**	(450,847)
Profit/(loss) attributable to:			
Owners of the Company	22	**73,807**	(450,650)
Non-controlling interest	24	**34**	(197)
Profit/(loss)		**73,841**	(450,847)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges (net of tax)		**19,219**	13,380
Foreign currency translation differences		**4,837**	1,297
Transfer of foreign currency differences on disposal of subsidiary		**305**	-
Items that will not be reclassified to profit or loss			
Defined benefit plan actuarial gains/(losses) (net of tax)		**521**	(476)
Other comprehensive income/(loss) (net of tax)		**24,882**	14,201
Total comprehensive income/(loss)		**98,723**	(436,646)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**98,653**	(436,483)
Non-controlling interest		**70**	(163)
Total comprehensive income/(loss)		**98,723**	(436,646)
Earnings/(loss) per share			
Ordinary shares	7	8.1 cents	(49.1) cents
Diluted shares	7	8.1 cents	(49.1) cents

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 71 to 106.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	NOTE	CONSOLIDATED 2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	9	**186,884**	155,421
Trade and other receivables	10	**175,854**	152,288
Inventories	11	**228,682**	244,263
Other assets	12	**8,695**	6,807
Assets held for sale	16	**15,600**	7,247
Total current assets		**615,715**	566,026
Non-current assets			
Trade and other receivables	10	**796**	51
Property, plant and equipment	13	**66,519**	82,348
Intangible assets	14	**584,093**	580,553
Deferred tax assets	15	**14,761**	28,622
Total non-current assets		**666,169**	691,574
Total assets		**1,281,884**	1,257,600
Current liabilities			
Trade and other payables	17	**118,182**	130,210
Income tax payable	6	**11,160**	18,562
Provisions	19	**49,894**	57,565
Liabilities held for sale	16	**4,125**	2,665
Total current liabilities		**183,361**	209,002
Non-current liabilities			
Trade and other payables	17	**2,103**	5,218
Interest-bearing loans and borrowings	18	**346,002**	344,541
Provisions	19	**13,134**	12,361
Total non-current liabilities		**361,239**	362,120
Total liabilities		**544,600**	571,122
Net assets		**737,284**	686,478
Equity			
Share capital	20	**695,000**	809,000
Other reserves	21	**34,663**	(27,760)
Retained profits/(accumulated losses)	22	**7,621**	(97,060)
Total equity attributable to owners of the Company		**737,284**	684,180
Non-controlling interest	24	**-**	2,298
Total equity		**737,284**	686,478

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 71 to 106.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	NOTE	CONSOLIDATED 2013 $'000	2012 $'000
Cash flows from operating activities			
Cash receipts from customers		**1,408,713**	1,501,449
Cash paid to suppliers and employees		**(1,270,860)**	(1,333,906)
Income taxes paid		**(29,771)**	(34,896)
Interest paid		**(23,442)**	(30,775)
Interest received		**4,175**	5,227
Net cash from operating activities	28	**88,815**	107,099
Cash flows from investing activities			
Proceeds from disposal of businesses (net of cash disposed)		**2,265**	2,142
Proceeds from disposal of property, plant and equipment		**6,889**	18,691
Acquisition of business (net of cash acquired)		**(8,298)**	(5,909)
Acquisition of property, plant and equipment		**(15,347)**	(22,143)
Net cash used in investing activities		**(14,491)**	(7,219)
Cash flows from financing activities			
Finance lease payments		**-**	(177)
Repayments of loans and borrowings		**-**	(39,000)
Payments for shares bought to allocate to employees		**-**	(17)
Dividends paid	21,23	**(45,649)**	(47,018)
Dividend paid to non-controlling interest	24	**(357)**	(313)
Share buy back		**-**	(12,337)
Net cash used in financing activities		**(46,006)**	(98,862)
Net increase in cash and cash equivalents		**28,318**	1,018
Cash and cash equivalents at the beginning of the period		**155,421**	155,479
Effect of exchange rate fluctuations on cash held		**3,145**	846
Transfer of cash to assets held for sale	16	**-**	(1,922)
Cash and cash equivalents at the end of the period	9	**186,884**	155,421

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements set out on pages 71 to 106.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	SHARE CAPITAL	OTHER RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	NON CONTROLLING INTEREST	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	**1,469,094**	**(39,820)**	**(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**	**(41,547)**	**(247,149)**	**1,180,398**	**2,774**	**1,183,172**
Profit/(loss)	-	-	(450,650)	(450,650)	(197)	(450,847)
Total other comprehensive income/(loss)	-	14,167	-	14,167	34	14,201
Total comprehensive income/(loss)	**-**	**14,167**	**(450,650)**	**(436,483)**	**(163)**	**(436,646)**
Transactions with owners recorded directly in entity						
Share capital reduction[2]	(647,757)	-	647,757	-	-	-
Dividends recognised	-	-	(47,018)	(47,018)	(313)	(47,331)
On market buy back of shares[3]	(12,337)	-	-	(12,337)	-	(12,337)
Cost of share based payments	-	(380)	-	(380)	-	(380)
Balance at 30 June 2012	**809,000**	**(27,760)**	**(97,060)**	**684,180**	**2,298**	**686,478**
Balance at 1 July 2012	**809,000**	**(27,760)**	**(97,060)**	**684,180**	**2,298**	**686,478**
Profit/(loss)	**-**	**-**	**73,807**	**73,807**	**34**	**73,841**
Total other comprehensive income/(loss)	**-**	**24,846**	**-**	**24,846**	**36**	**24,882**
Total comprehensive income/(loss)	**-**	**24,846**	**73,807**	**98,653**	**70**	**98,723**
Transactions with owners recorded directly in entity						
Share capital reduction[4]	**(114,000)**	**-**	**114,000**	**-**	**-**	**-**
Appropriation to profits reserve	**-**	**83,126**	**(83,126)**	**-**	**-**	**-**
Dividends recognised	**-**	**(45,649)**	**-**	**(45,649)**	**(357)**	**(46,006)**
Cost of share based payments	**-**	**100**	**-**	**100**	**-**	**100**
Disposal of subsidiary with non-controlling interest[5]	**-**	**-**	**-**	**-**	**(2,011)**	**(2,011)**
Balance at 30 June 2013	**695,000**	**34,663**	**7,621**	**737,284**	**-**	**737,284**

1 Effective 1 July 2012 with retrospective application, the Consolidated Entity early adopted AASB 119 *Employee Benefits (September 2011).* The impact of adopting this revised standard on the current and comparative periods is explained in Note 1(B)

2 On 23 August 2011 and 16 February 2012, the Company reduced its share capital by $309.6 million and $338.2 million respectively for the amounts that were not represented by available assets, reflecting impairment charges incurred by the Company during the year ended 30 June 2011 and half year ended 31 December 2011. 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

3 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

4 On 21 August 2012, the Company reduced its share capital by $114.0 million for the amount that was 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

5 On 30 October 2012, the Consolidated Entity disposed of its 50% share of the Restonic business (refer Note 16)

For a description of the nature and purpose of, and key movements in, other reserves, refer Note 21.

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 71 to 106.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Pacific Brands Limited ('Company') is a company domiciled in Australia. The consolidated Financial Statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its controlled entities (together referred to as the 'Consolidated Entity').

A. Statement of compliance

The Financial Statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the Financial Statements.

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

These Financial Statements were authorised for issue by the directors on 22 August 2013.

B. Basis of preparation

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

The Company is of a kind referred to in Australian Securities and Investments Commission ('ASIC') Class Order 98/100 dated 10 July 1998 (as in force on 30 June 2013) and in accordance with that Class Order, amounts in the Financial Statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

These Financial Statements are prepared on the historical cost basis except for loans and receivables that are measured at amortised cost, derivative financial instruments that are stated at their fair value, assets held for sale remeasured to fair value and the defined benefit asset/liability that is measured as the fair value of plan assets less the present value of the defined benefit obligation.

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

Changes in accounting policies and new standards

The Consolidated Entity adopted all new and revised AASBs issued by the Australian Accounting Standards Board that are relevant to the Consolidated Entity and its operations and effective for the current annual reporting period. The only changes affecting the Financial Statements are the amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012, whereby items of other comprehensive income that will never be recognised or recycled to the profit or loss are now required to be presented separately from those items that may be subsequently reclassified or recycled to the profit or loss. The new requirement does not impact the Consolidated Entity's measurement of profit or loss; however, the change has impacted the way items of other comprehensive income are presented.

No other new standards and amendments to standards mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of accounting standard

The Consolidated Entity early adopted AASB 119 *Employee Benefits (September 2011)* effective 1 July 2012, which has impacted the Consolidated Entity's accounting for its defined benefit plan. As a result, the 'corridor method' of accounting is no longer applicable and all remeasurements of defined benefit obligations or assets are now recognised 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 Financial Statements and has had the following impact on current and prior period disclosures:

	30 JUNE 2011	INC/(DEC)	30 JUNE 2011 (RESTATED)	30 JUNE 2012	INC/(DEC)	30 JUNE 2012 (RESTATED)	30 JUNE 2013
Statement of Financial Position (extract)	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets	25,544	740	26,284	27,678	944	28,622	14,761
Current provisions	68,778	3,051	71,829	54,809	2,756	57,565	49,894
Non current provisions	9,720	(584)	9,136	11,970	391	12,361	13,134
Net assets	**1,184,899**	**(1,727)**	**1,183,172**	**688,681**	**(2,203)**	**686,478**	**737,284**
Defined benefits reserve	-	(1,727)	(1,727)	-	(2,203)	(2,203)	(1,682)
Total equity	**1,184,899**	**(1,727)**	**1,183,172**	**688,681**	**(2,203)**	**686,478**	**737,284**

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.

New accounting standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013. They have been identified as those which may be relevant to the entity in future reporting periods. The Consolidated Entity's assessment of these new accounting standards and interpretations is set out below:

- AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9, AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and *AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015). AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There are also new requirements for liabilities designated at fair value through profit or loss. The amendments will not impact on the Consolidated Entity's accounting for financial assets or financial liabilities. The Consolidated Entity has not yet decided when to adopt AASB 9
- AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities* (effective 1 January 2013). AASB 10 introduces a single definition of control that applies to all entities. AASB 11 introduces a principles based approach to accounting for joint arrangements, focusing on how rights and obligations are shared by the parties to the joint arrangement. AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. The new standards will not affect any of the amounts recognised in the Financial Statements, however the Consolidated Entity will be required to perform an analysis of the new guidance in the context of any future investments. The new standards would be first applied in the Financial Statements for the annual reporting period ending 30 June 2014
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013). AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The Consolidated Entity is in the process of determining which, if any, of its current measurement techniques will have to change as a result of the new guidance. However, application of the new standard will impact the type of information disclosed in the notes to the Financial Statements. The new standard would be first applied in the annual reporting period ending 30 June 2014
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013). This amendment removes the requirements to include key management personnel disclosures in the notes to the Financial Statements. Companies will need to provide these disclosures in the Remuneration Report under Section 300A of the Corporations Act 2001. The Consolidated Entity cannot adopt this standard before its operative date. It would therefore be first applied in the Financial Statements for annual reporting period ending 30 June 2014
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle* (effective 1 January 2013) makes amendments to various accounting standards with the relevant changes impacting restatement of prior period disclosures (AASB 101) and interim financial reporting of segment information (AASB 134 *Interim Financial Reporting*). The changes will become mandatory for the Consolidated Entity's 30 June 2014 Financial Statements but are likely to impact disclosure only

There are no other standards that are issued but not yet effective that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

C. Principles of consolidation

Controlled entities

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

Transactions eliminated on consolidation

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

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

D. Business combinations

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

The Consolidated Entity measures goodwill at the acquisition date as the sum of the fair value of the consideration transferred, the recognised amount of any non-controlling interest in the acquiree and the fair value of any existing equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

E. Loss of control

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

F. Revenue recognition

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

Sale of goods

Revenue from the sale of goods (net of returns, discounts, rebates and allowances) is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Revenue from the sale of gift cards is recognised when the gift card is redeemed. The Consolidated Entity has an unfulfilled performance obligation at the time it sells the gift card to the customer and therefore defers the revenue at the initial point of sale of the gift card.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Other income

Sale of non-current assets

The profit or loss on disposal of non-current assets is included in other income or other expenses of the Consolidated Entity and is brought to account at the date control of the asset passes to the buyer.

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

G. Net financing costs

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

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method.

H. Goods and services tax

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

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

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

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

I. Income tax

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

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

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

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

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

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

Tax consolidation

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

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

Nature of tax funding arrangement and tax sharing agreement

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

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

J. Earnings per share

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

K. Receivables

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

L. Inventories

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

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

Manufacturing activities

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

Net realisable value

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

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

M. Leased assets

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

Finance leases

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

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

N. Property, plant and equipment

Owned assets

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

Depreciation

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

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

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

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

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

Borrowing costs

The Consolidated Entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

O. Intangible assets

Goodwill

Goodwill arises on the acquisition of businesses. Goodwill represents the excess of the cost of the acquisition over the Consolidated Entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses (refer Note 1(P)).

Brand names

Brand names are considered indefinite life assets, as they are not currently associated with products that are likely to become commercially or technically obsolete. Brand names are measured at cost less accumulated impairment losses (refer Note 1(P)).

Software

Software that is acquired by the Consolidated Entity is stated at cost less accumulated amortisation and impairment losses (refer Note 1(P)). Amortisation is charged to administrative expenses in profit or loss on a straight line basis over the estimated useful life of the software.

Other intangible assets

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

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation and impairment losses (refer Note 1(P)). Amortisation is charged to administrative expenses in profit or loss on a straight line basis over the estimated useful life of the asset.

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

- licences: 5 - 15 years
- software: 5 - 10 years
- customer contracts: life of contract

P. Impairment

Financial assets (including receivables)

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

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

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

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

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

Non-financial assets

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

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

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

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

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale when they meet the criteria set out in AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, including completion of the sale within 12 months. Immediately before classification as held for sale, the assets, or components of disposal groups, are remeasured in accordance with the Consolidated Entity's accounting policies. Thereafter, generally the assets, or disposal groups, are measured at the lower of their carrying amount, and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification of assets as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Q. Payables

Trade and other payables are stated at their amortised cost.

R. Cash, cash equivalents and interest-bearing loans and borrowings

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

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

S. Employee benefits

Short term obligations

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months after balance date are measured at the amounts expected to be paid when the liability is settled, and include related on-costs, such as workers' compensation insurance and payroll tax.

Other long term obligations

Liabilities for long service leave and any annual leave not expected to be settled within 12 months after balance date are measured as the present value of expected future payments to be made in respect of services provided by employees up to balance date.

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

Superannuation plans

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

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

Obligations for contributions to defined contribution plans are recognised in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

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

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

When the benefits of the plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss.

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

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

T. Share based payments

The Company has introduced a number of share plans pursuant to which executive directors and other senior executives may acquire shares or be granted performance rights. The fair value of performance rights granted is recognised in profit or loss with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the performance rights. The fair value of the performance rights granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted. Under all current grants of performance rights, 50% is subject to a relative total shareholder return hurdle and 50% is subject to an absolute earnings per share measure of performance. Total shareholder return is a market based vesting condition included in the fair value of each performance right granted and expensed over the vesting period. Market based conditions are not adjusted to reflect differences between expected and actual outcomes. The earnings per share hurdle is a non market vesting condition expensed over the vesting period. As a result, the expense is adjusted to reflect the number of shares forfeited or expected to be forfeited due to the relevant thresholds not being met or not expected to be achieved. The expense related to share based payments is accounted for in the entity which employs the relevant individual.

U. Provisions

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

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

Restructuring

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

Provisions for termination benefits are recognised at the earlier of (a) when the Consolidated Entity can no longer withdraw the offer of those benefits; and (b) when the Consolidated Entity recognises costs for a restructuring that involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Leased premises

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

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

Dividends

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

V. Segment reporting

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

Performance is measured based on segment earnings before interest, tax and significant items ('EBIT before significant items') as included in the internal management reports that are reviewed by the Consolidated Entity's Chief Executive Officer. Segment EBIT before significant items is used to measure performance as management believes that such information is the most relevant in evaluating the underlying results of the segment. Significant items are other expenses that are individually significant as disclosed in Note 4.

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

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

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

W. Foreign currency

Transactions

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

Translation of controlled foreign operations

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

Net investment in foreign operations

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

X. Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value.

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

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

Hedging

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

Cash flow hedges

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

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

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

Hedges of monetary assets and liabilities

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

Hedges of net investment in foreign operations

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

Y. Share capital

Ordinary shares

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

Treasury shares

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

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

Z. Accounting estimates and judgements

The preparation of these Financial Statements requires the making of estimates and judgements that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors including reasonable expectations of future events. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Recoverability of goodwill, other intangible assets and property, plant and equipment (refer Notes 13 and 14)

Management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell, and value in use using 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. Actual results may, however, differ materially from these estimates. The determination of fair value less costs to sell is based on a capitalisation of maintainable earnings before interest and tax approach. The determination of value in use requires the estimation and discounting of future cash flows. The estimation of the cash flows considers information available at balance date which may result in cash flows deviating from estimated cash flows. Estimated future maintainable earnings and cash flows are sensitive to key assumptions and may vary materially due to differences in, amongst other things, actual market growth, distribution, pricing, trading terms, volumes, product costs, foreign exchange currency movements, freight, distribution and other costs of doing business. Subsequent changes to the CGU allocation or to the timing and quantum of earnings or cash flows may also impact the carrying value of the respective assets.

Recoverability of current assets (refer Note 25)

In the course of normal trading activities, management uses its judgement in establishing the recoverability of various elements of working capital – principally trade and other receivables. Allowances are established for bad or doubtful receivables.

Net realisable value of inventories (refer Note 11)

Management uses its judgement in establishing the net realisable value of inventories. Allowances are established for obsolete or slow moving inventories taking into consideration the ageing or seasonal profile of inventories, the nature of inventories, discontinued lines, sell through history, margins achieved and forecast sales.

Provisions and contingencies (refer Note 19)

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

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

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

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

Measurement of assets held for sale (refer Note 16)

The Consolidated Entity measures a non-current asset (or disposal group) held for sale at the lower of carrying amounts and fair value less costs to sell. The fair value of a disposal group may be determined with the assistance of external valuation advice, using a combination of internal and external sources of information that are believed to be reasonable under the circumstances.

Measurement of defined benefit superannuation obligations (refer Note 29)

The defined benefit superannuation obligations are assessed in accordance with the advice of independent qualified actuaries but require the exercise of significant judgement in relation to assumptions for future salary and superannuation increases and long term price inflation.

Valuation of derivative financial instruments (refer Note 25)

The Consolidated Entity measures derivative financial instruments at fair value on initial recognition and subsequently at each balance date. The fair value of forward exchange contracts is derived from quoted market prices and in the case of interest rate swaps, the fair values are based on estimated amounts that the Consolidated Entity would receive or pay to terminate the swap at balance date.

Measurement of share based payments (refer Note 29)

The Consolidated Entity recognises an expense for all share based remuneration determined with reference to the fair value at grant date of the equity instruments issued. The fair value of the equity instruments is calculated using a valuation technique that simulates the Monte Carlo model. In addition, the expense is impacted by the Consolidated Entity's assessment at balance date as to the number of performance rights expected to be forfeited due to the relevant thresholds not expected to be achieved.

Taxation (refer Notes 6 and 15)

The Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the consolidated provision for income taxes. The Consolidated Entity recognises liabilities for tax audit issues based on estimates of whether additional taxes will be due.

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

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

AA. Parent entity financial information

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

NOTE 2 – REVENUE AND OTHER INCOME

	CONSOLIDATED	
	2013 $'000	2012 $'000
Sales revenue	**1,273,328**	1,322,670
Other income		
Royalties	**1,460**	1,913
Sundry income	**3,241**	3,663
Total other income	**4,701**	5,576
Total revenue and other income	**1,278,029**	1,328,246

NOTE 3 – EXPENSES

		CONSOLIDATED	
	NOTE	2013 $'000	2012 $'000
Depreciation of:			
Freehold buildings and leasehold improvements	13	**1,573**	2,151
Plant and equipment	13	**13,969**	11,812
		15,542	13,963
Amortisation of:			
Software	14	**598**	983
Other intangible assets	14	**261**	261
		859	1,244
Total depreciation and amortisation		**16,401**	15,207
Personnel expenses:			
Wages, salaries and employee benefits		**275,527**	267,573
Contributions to defined contribution superannuation plans		**17,443**	16,740
Loss/(gain) on defined benefit plan settlement		**(401)**	747
Defined benefit plan superannuation expense		**602**	864
Share based payments – equity settled		**100**	(380)
		293,271	285,544

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

NOTE 4 – OTHER EXPENSES

Other expenses and gains in the Statement of Comprehensive Income are comprised of the following individually significant items:

		CONSOLIDATED					
		2013			2012		
	NOTE	GROSS $'000	TAX $'000	NET $'000	GROSS $'000	TAX $'000	NET $'000
Asset impairment							
Impairment of goodwill, brand names and other intangibles		**-**	**-**	**-**	502,709	-	502,709
Other asset impairments		**-**	**-**	**-**	555	167	388
		-	**-**	**-**	503,264	167	503,097
Other (gains)/losses							
Loss on sale of businesses and other assets		**-**	**-**	**-**	2,760	913	1,847
Gain on disposal of properties		**-**	**-**	**-**	(3,490)	-	(3,490)
Restructuring expenses							
Redundancies, decommissioning and other costs	19	**-**	**-**	**-**	31,394	9,418	21,976
		-	**-**	**-**	533,928	10,498	523,430

NOTE 5 – AUDITORS' REMUNERATION

	CONSOLIDATED	
	2013 $	2012 $
Audit services		
Auditors of the Company – KPMG Australia		
Audit and review of financial statements	**662,900**	973,800
Overseas KPMG firms:		
Audit of financial statements	**131,950**	134,200
	794,850	1,108,000
Other services		
Auditors of the Company – KPMG Australia		
Other assurance services[1]	**38,650**	49,700
Overseas KPMG firms:		
Taxation compliance services	**7,788**	47,543
Other assurance services[1]	**11,868**	2,686
	58,306	99,929

1 Other assurance services include agreed upon procedures performed on bank covenant certification provided to the Consolidated Entity's banking syndicate and monitoring of the whistleblower hotline

It is the Company's policy not to engage the Company's auditor to provide non-audit services, unless the provision of those services will not prejudice the auditor's independence. Approval to provide these services must be obtained in accordance with the Audit, Business Risk and Compliance Committee's policy on non-audit services.

NOTE 6 – INCOME TAX EXPENSE

	CONSOLIDATED	
	2013 $'000	2012 $'000
Current income tax expense/(benefit)		
Current year	**23,898**	23,814
Over provided in prior year	**(1,464)**	(1,750)
Deferred income tax expense/(benefit)		
Origination and reversal of temporary differences	**5,401**	(2,134)
Total income tax expense/(benefit) in the Statement of Comprehensive Income	**27,835**	19,930
Reconciliation between income tax expense/(benefit) and profit/(loss) before income tax expense/(benefit)		
Profit/(loss) before income tax expense/(benefit)	**101,676**	(430,917)
Income tax using Australian corporation tax rate of 30%	**30,503**	(129,275)
Increase/(decrease) in income tax expense due to:		
Share based payments	**30**	(114)
Non-deductible impairment on goodwill and other intangibles	**-**	150,813
(Non-assessable gains)/non-deductible losses made in foreign jurisdictions	**(576)**	1,021
Property disposals	**(173)**	(1,050)
Sundry items (including effect of tax rates in foreign jurisdictions)	**(485)**	285
Over provided in prior year	**(1,464)**	(1,750)
Total income tax expense/(benefit) on profit/(loss) before income tax expense/(benefit)	**27,835**	19,930
Deferred tax recognised directly in equity		
Derivative financial instruments	**8,237**	237
Defined benefit actuarial gains/(losses)	**223**	(204)

Current income tax liability

The current tax liability for the Consolidated Entity of $11.2 million (2012: $18.6 million) represents the amount of income taxes payable in respect of current and prior financial periods. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax consolidated group has assumed the current tax liability initially recognised by the members in the tax consolidated group.

NOTE 7 – EARNINGS/(LOSS) PER SHARE

	2013 $'000	2012 $'000
Earnings reconciliation		
Profit/(loss)	**73,841**	(450,847)
Less/(add) non-controlling interest	**(34)**	197
Basic and diluted earnings	**73,807**	(450,650)

	NOTE	2013	2012
Weighted average number of shares used as the denominator			
Number for basic earnings per share:			
Ordinary shares at 1 July	20	**912,915,695**	930,440,168
Effect of shares bought back/allocated[1]		**-**	(13,090,460)
Weighted average ordinary shares at 30 June		**912,915,695**	917,349,708
Number for diluted earnings per share:			
Weighted average number of ordinary shares (basic)		**912,915,695**	917,349,708
Effect of performance rights on issue[2]		**628,609**	-
Weighted average potential ordinary shares at 30 June		**913,544,304**	917,349,708

1 The change in weighted average number of ordinary shares in 2012 was mainly 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

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

NOTE 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 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

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 4 ('EBIT before significant items') as included in the internal management reports that are reviewed by the Consolidated Entity's Chief Executive Officer. 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.

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

	UNDERWEAR $'000	WORKWEAR $'000	HOMEWARES, FOOTWEAR & OUTERWEAR[1,2] $'000	TOTAL $'000
2013				
Revenue				
External sales	**453,945**	**362,709**	**456,674**	**1,273,328**
Inter-segment sales	**324**	**77**	**43**	**444**
Total segment sales	**454,269**	**362,786**	**456,717**	**1,273,772**
Other income	**325**	**659**	**2,728**	**3,712**
Total segment revenue	**454,594**	**363,445**	**459,445**	**1,277,484**
Result				
EBIT before significant items	**78,077**	**37,440**	**20,917**	**136,434**
Impairment of goodwill, brand names and other intangibles	**-**	**-**	**-**	**-**
Other significant items	**-**	**-**	**-**	**-**
EBIT after significant items	**78,077**	**37,440**	**20,917**	**136,434**
Depreciation and amortisation	**4,092**	**2,291**	**7,183**	**13,566**
Segment assets	**822,172**	**432,112**	**232,311**	**1,486,595**
Segment liabilities	**52,775**	**70,060**	**71,099**	**193,934**
Capital expenditure	**6,289**	**2,455**	**5,778**	**14,522**
2012				
Revenue				
External sales	432,483	388,705	501,482	1,322,670
Inter-segment sales	281	189	565	1,035
Total segment sales	432,764	388,894	502,047	1,323,705
Other income	276	2,407	1,945	4,628
Total segment revenue	433,040	391,301	503,992	1,328,333
Result				
EBIT before significant items	76,003	38,636	26,209	140,848
Impairment of goodwill, brand names and other intangibles	(388,709)	(51,000)	(63,000)	(502,709)
Other significant items	(17,606)	(4,548)	(5,472)	(27,626)
EBIT after significant items	(330,312)	(16,912)	(42,263)	(389,487)
Depreciation and amortisation	2,873	2,205	7,702	12,780
Segment assets	756,225	427,923	268,360	1,452,508
Segment liabilities	53,219	73,956	53,202	180,377
Capital expenditure	12,590	1,583	5,891	20,064

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

Geographical segments

	2013 $'000	2012 $'000
Revenue		
Australia	**1,149,076**	1,209,692
Rest of world	**128,953**	118,554
	1,278,029	1,328,246
Total assets		
Australia	**1,180,719**	1,142,645
Rest of world	**101,165**	114,955
	1,281,884	1,257,600

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

	2013 $'000	2012 $'000
Revenue		
Total revenue for reportable segments	**1,277,484**	1,328,333
Unallocated other income	**989**	948
Elimination of inter-segment revenue	**(444)**	(1,035)
Consolidated revenue and other income	**1,278,029**	1,328,246
EBIT		
Total EBIT after significant items for reportable segments	**136,434**	(389,487)
Net interest expense	**(20,460)**	(26,053)
Unallocated amounts: corporate expenses	**(14,298)**	(11,784)
Unallocated significant items	**-**	(3,593)
Consolidated profit/(loss) before income tax expense	**101,676**	(430,917)
Total EBIT before significant items for reportable segments	**136,434**	140,848
Unallocated amounts: corporate expenses	**(14,298)**	(11,784)
Consolidated EBIT before significant items	**122,136**	129,064
Assets		
Total assets for reportable segments	**1,486,595**	1,452,508
Unallocated assets	**186,447**	141,535
Elimination of inter-segment assets	**(391,158)**	(336,443)
Consolidated total assets	**1,281,884**	1,257,600
Liabilities		
Total liabilities for reportable segments	**193,934**	180,377
Unallocated liabilities	**741,824**	727,188
Elimination of inter-segment liabilities	**(391,158)**	(336,443)
Consolidated total liabilities	**544,600**	571,122

The Consolidated Entity supplies five major customers which in combination account for 38.5% of sales revenue (2012: 39.4%), of which two customers individually account for greater than 10% of sales revenue.

NOTE 9 – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2013 $'000	2012 $'000
Cash on hand and at bank	**69,301**	54,685
Bank short term deposits	**117,583**	100,736
	186,884	155,421

NOTE 10 – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2013 $'000	2012 $'000
Current		
Trade debtors[1]	**183,852**	181,959
Less allowance for doubtful trade debtors	**(1,926)**	(2,589)
Less allowance for rebates, trade allowances and settlement discounts	**(40,130)**	(39,256)
	141,796	140,114
Other debtors[2]	**34,058**	12,174
	175,854	152,288
Non-current		
Other debtors	**796**	51

1 Includes $170.5 million gross which is part of the securitisation facility (2012: $171.3 million) (refer Note 18 for further disclosures)
2 Includes $30.3 million in relation to the fair value of foreign currency contracts (2012: $5.2 million) (refer Note 25)

NOTE 11 – INVENTORIES

	CONSOLIDATED	
	2013 $'000	2012 $'000
Raw materials	**18,951**	25,210
Work in progress	**2,051**	1,982
Finished goods	**207,680**	217,071
	228,682	244,263

Inventories recognised as expense during the year ended 30 June 2013 amounted to $652.5 million (2012: $709.6 million).

NOTE 12 – OTHER ASSETS

	CONSOLIDATED	
	2013 $'000	2012 $'000
Prepayments	**8,695**	6,807

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2013 $'000	2012 $'000
Freehold land		
At cost	**-**	16,499
Accumulated impairment losses	**-**	-
	-	16,499
Freehold buildings		
At cost	**-**	10,852
Accumulated depreciation and impairment losses	**-**	(9,468)
	-	1,384
Leasehold improvements		
At cost	**5,318**	13,060
Accumulated depreciation and impairment losses	**(4,576)**	(11,614)
	742	1,446
Plant and equipment		
At cost	**125,912**	105,285
Accumulated depreciation and impairment losses	**(64,012)**	(47,174)
	61,900	58,111
Capital works in progress		
At cost	**3,877**	4,908
Accumulated impairment losses	**-**	-
	3,877	4,908
Total property, plant and equipment	**66,519**	82,348

Reconciliation

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

	CONSOLIDATED						
	FREEHOLD LAND $'000	FREEHOLD BUILDINGS $'000	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
2013							
Carrying amount at the beginning of the year	**16,499**	**1,384**	**1,446**	**58,111**	**-**	**4,908**	**82,348**
Additions/acquisitions	**-**	**-**	**368**	**3,183**	**-**	**13,754**	**17,305**
Transfers	**-**	**(1,150)**	**508**	**14,845**	**-**	**(14,203)**	**-**
Disposals	**(899)**	**(240)**	**-**	**(496)**	**-**	**(614)**	**(2,249)**
Depreciation	**-**	**-**	**(1,573)**	**(13,969)**	**-**	**-**	**(15,542)**
Transfers to/(from) assets held for sale	**(15,600)**	**-**	**-**	**-**	**-**	**-**	**(15,600)**
Effects of movements in foreign exchange	**-**	**6**	**(7)**	**226**	**-**	**32**	**257**
Carrying amount at the end of the year	**-**	**-**	**742**	**61,900**	**-**	**3,877**	**66,519**
2012							
Carrying amount at the beginning of the year	20,405	2,408	4,116	44,070	23	9,342	80,364
Additions/acquisitions	-	-	609	3,679	-	20,481	24,769
Transfers	-	104	(993)	25,767	(23)	(24,855)	-
Disposals	(3,034)	-	(348)	(4,155)	-	(60)	(7,597)
Depreciation	-	(8)	(2,143)	(11,812)	-	-	(13,963)
Transfers to/(from) assets held for sale	(883)	(1,136)	210	529	-	-	(1,280)
Effects of movements in foreign exchange	11	16	(5)	33	-	-	55
Carrying amount at the end of the year	16,499	1,384	1,446	58,111	-	4,908	82,348

NOTE 14 – INTANGIBLE ASSETS

	CONSOLIDATED				
	GOODWILL $'000	BRAND NAMES $'000	SOFTWARE $'000	OTHER INTANGIBLE ASSETS[1] $'000	TOTAL $'000
2013					
Balance at 1 July 2012	**171,696**	**403,365**	**4,054**	**1,438**	**580,553**
Additions/acquisitions	**4,116**	**-**	**4**	**-**	**4,120**
Impairment	**-**	**-**	**-**	**-**	**-**
Amortisation	**-**	**-**	**(598)**	**(261)**	**(859)**
Effects of movements in foreign exchange	**278**	**-**	**1**	**-**	**279**
Balance at 30 June 2013	**176,090**	**403,365**	**3,461**	**1,177**	**584,093**
2012					
Balance at 1 July 2011	670,937	403,365	4,997	1,699	1,080,998
Additions/acquisitions	4,473	-	38	-	4,511
Impairment	(503,816)	-	-	-	(503,816)
Amortisation	-	-	(983)	(261)	(1,244)
Effects of movement in foreign exchange	102	-	2	-	104
Balance at 30 June 2012	171,696	403,365	4,054	1,438	580,553

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

Impairment tests for CGUs containing goodwill and indefinite life intangible assets

The Consolidated Entity has four CGUs and the carrying amounts of goodwill and indefinite life intangible assets identified in each CGU are as follows:

	CONSOLIDATED			
	GOODWILL		BRAND NAMES	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Underwear	**-**	-	**273,041**	273,041
Workwear	**132,907**	128,791	**99,980**	99,980
Homewares	**43,183**	42,905	**30,344**	30,344
Footwear, Outerwear & Sport	**-**	-	**-**	-
	176,090	171,696	**403,365**	403,365

Valuation techniques

The recoverable amounts of the CGUs were determined having regard to the fair value less costs to sell (FVLCS) and value in use (VIU) approaches using 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 FVLCS approach is considered more appropriate for each of the CGUs while the Company continues to stabilise and turnaround the performance of its business and manage market challenges and uncertainties. The FVLCS is based on a capitalisation of maintainable earnings before interest and tax (EBIT) approach less an allowance for costs to sell.

Reasonable possible change

The recoverable amount of the Workwear CGU as determined by the FVLCS approach is sensitive to the maintainable EBIT and multiple applied. Maintainable EBIT was determined having regard to historical, current and forward earnings to arrive at a range, within which $37.5m was adopted for the purposes of assessing FVLCS. The multiple was determined having regard to comparable transactions and observable trading multiples. The carrying value of the Workwear CGU ($343m at 30 June 2013) represents an implicit EBIT multiple of 9.2 times (rounded) which falls within the range of multiples applied. On this basis, the recoverable amount of the Workwear CGU approximates its carrying value and therefore limited (if any) headroom exists. Accordingly, an adverse percentage change in maintainable EBIT or the multiple applied to the Workwear CGU to assess recoverable amount could potentially have a corresponding adverse percentage change on the carrying value resulting in an equivalent impairment loss.

NOTE 15 – RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED					
	ASSETS		LIABILITIES		NET	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade and other receivables	**777**	876	**-**	-	**777**	876
Inventories	**1,521**	2,038	**-**	-	**1,521**	2,038
Property, plant and equipment	**1,769**	2,020	**-**	-	**1,769**	2,020
Provisions for employee benefits	**11,704**	10,013	**-**	-	**11,704**	10,013
Other provisions[1]	**7,542**	13,895	**-**	-	**7,542**	13,895
Derivative financial instruments[2]	**-**	-	**(8,568)**	(237)	**(8,568)**	(237)
Other items	**36**	479	**(20)**	(462)	**16**	17
Tax assets/(liabilities)	**23,349**	29,321	**(8,588)**	(699)	**14,761**	28,622
Set off of tax	**(8,588)**	(699)	**8,588**	699	**-**	-
Net tax assets	**14,761**	28,622	**-**	-	**14,761**	28,622

1 Includes defined benefit obligation remeasurements recognised directly in equity
2 Includes derivative financial instruments recognised directly in equity

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

	CONSOLIDATED	
	2013 $'000	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 held for sale		
Trade and other payables	**4,125**	-
Provisions	**-**	2,665
Total liabilities held for sale	**4,125**	2,665

Assets and liabilities held for sale at 30 June 2013 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 approximately $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 $4.1 million were received during the year ended 30 June 2013 and have been included in liabilities 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 profit or loss.

The revenue and results of the Restonic business previously formed part of the Homewares, Footwear & Outerwear reportable segment presented in Note 8.

NOTE 17 – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2013 $'000	2012 $'000
Current		
Trade creditors	**108,032**	119,648
Other creditors and accruals[1]	**10,150**	10,562
	118,182	130,210
Non-current		
Other creditors[1]	**2,103**	5,218

1 Includes fair value of interest rate swaps

NOTE 18 – INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	2013 $'000	2012 $'000
Bank loans	**346,002**	344,541

Bank loans

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

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

The committed tranches and maturities under the banking facility are detailed in Note 25.

Securitisation facility

The trade debtors which have been securitised represent the Company's Australasian trade debtors and have been presented within the Consolidated Entity's trade debtors (refer Note 10). Debtors under this arrangement are securitised to a third party financier in exchange for the advance of an agreed amount that does not exceed the value of the receivables as determined under the securitisation agreement. The Company retains the obligation to collect the outstanding receivables. The facility includes a number of undertakings that are typical of a facility of this type including a requirement to not dispose of any debtors which have been securitised under this arrangement. The Company is also subject to certain financial covenant undertakings which are the same as those contained in the Company's syndicated debt facilities. All financial undertakings were complied with at balance date.

Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates.

NOTE 19 – PROVISIONS

		CONSOLIDATED	
	NOTE	2013 $'000	2012 $'000
Current			
Employee benefits	29	**36,952**	35,535
Restructuring		**3,300**	13,585
Other		**9,642**	8,445
		49,894	57,565
Non-current			
Employee benefits	29	**4,381**	3,710
Other		**8,753**	8,651
		13,134	12,361

Reconciliation

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

	RESTRUCTURING		OTHER PROVISIONS	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Carrying amount at the beginning of the year	**13,585**	11,605	**17,096**	14,881
Provisions recognised	**-**	31,394	**2,671**	5,933
Provisions utilised	**(10,285)**	(29,414)	**(1,372)**	(3,718)
Carrying amount at the end of the year	**3,300**	13,585	**18,395**	17,096

Restructuring

The provision for restructuring relates to certain restructuring costs and employee termination benefits associated with the Pacific Brands Transformation Program. Expenses in 2012 were recognised in other expenses (refer Note 4) in the Statement of Comprehensive Income.

Other

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

NOTE 20 – SHARE CAPITAL

	CONSOLIDATED	
	2013 $'000	2012 $'000
Share capital		
Publicly held		
912,915,695 fully paid ordinary shares at the beginning of the year (2012: 930,440,168)	**809,000**	1,469,094
No fully paid ordinary shares transferred from treasury shares (2012: 971,080)	**-**	-
No fully paid ordinary shares bought back under on market buy back program (2012: 18,470,553)	**-**	(12,337)
No fully paid ordinary shares bought to allocate to employees (2012: 25,000)	**-**	-
Share capital reduction	**(114,000)**	(647,757)
912,915,695 fully paid ordinary shares at the end of the year (2012: 912,915,695)	**695,000**	809,000
Treasury shares		
No fully paid treasury shares at the beginning of the year (2012: 946,080)	**-**	-
No fully paid treasury transferred to publicly held (2012: 971,080)	**-**	-
No fully paid treasury shares bought to allocate to employees (2012: 25,000)	**-**	-
No fully paid treasury shares at the end of the year (2012: 0)	**-**	-
	695,000	809,000

Ordinary shares

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

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

Treasury shares

Treasury shares represent the ordinary shares held by the trustee of the Consolidated Entity's equity compensation plan. As at 30 June 2013, the Trust held none of the Company's shares (2012: 0).

NOTE 21 – OTHER RESERVES

	CONSOLIDATED					
	EQUITY COMPEN SATION RESERVE	FOREIGN CURRENCY TRANSLATION RESRVE	HEDGE RESERVE	DEFINED BENEFITS RESERVE	PROFITS RESERVE	TOTAL OTHER RESERVES
	$'000	$'000	$'000	$'000	$'000	$'000
2013						
Balance at 1 July 2012	**5,329**	**(31,658)**	**772**	**(2,203)**	**-**	**(27,760)**
Effective portion of net changes in fair value of cash flow hedges, net of tax	**-**	**-**	**14,345**	**-**	**-**	**14,345**
Net change in fair value of cash flow hedges transferred to inventories or profit and loss, net of tax	**-**	**-**	**4,874**	**-**	**-**	**4,874**
Defined benefit plan actuarial gains/(losses), net of tax	**-**	**-**	**-**	**521**	**-**	**521**
Foreign currency translation differences	**-**	**4,801**	**-**	**-**	**-**	**4,801**
Transfer of foreign currency translation differences on disposal	**-**	**305**	**-**	**-**	**-**	**305**
Total comprehensive income/(loss)	**-**	**5,106**	**19,219**	**521**	**-**	**24,846**
Cost of share based payments	**100**	**-**	**-**	**-**	**-**	**100**
Appropriation from retained earnings	**-**	**-**	**-**	**-**	**83,126**	**83,126**
Dividends recognised	**-**	**-**	**-**	**-**	**(45,649)**	**(45,649)**
Balance at 30 June 2013	**5,429**	**(26,552)**	**19,991**	**(1,682)**	**37,477**	**34,663**
2012						
Balance at 1 July 2011	5,709	(32,921)	(12,608)	-	-	(39,820)
Impact of change in accounting policy[1]	-	-	-	(1,727)	-	(1,727)
Restated balance at 1 July 2011	5,709	(32,921)	(12,608)	(1,727)	-	(41,547)
Effective portion of net changes in fair value of cash flow hedges, net of tax	-	-	493	-	-	493
Net change in fair value of cash flow hedges transferred to inventories or profit and loss, net of tax	-	-	12,887	-	-	12,887
Defined benefit plan actuarial gains/(losses), net of tax	-	-	-	(476)	-	(476)
Foreign currency translation differences	-	1,263	-	-	-	1,263
Total comprehensive income/(loss)	-	1,263	13,380	(476)	-	14,167
Cost of share based payments	(380)	-	-	-	-	(380)
Balance at 30 June 2012	5,329	(31,658)	772	(2,203)	-	(27,760)

1 Effective 1 July 2012 with retrospective application, the Consolidated Entity early adopted AASB 119 *Employee Benefits (September 2011)*. The impact of adopting this revised standard on the current and comparative periods is explained in Note 1(B)

The nature and purpose of reserves are:

Equity compensation reserve

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

Foreign currency translation reserve

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

Hedge reserve

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

Defined benefits reserve

The defined benefits reserve records any remeasurements arising from the valuation of the Consolidated Entity's defined benefit plan (refer Note 1(S)).

Profits reserve

A profits reserve has been created in selected entities within the Consolidated Entity, the balance represents an appropriation of amounts from retained earnings for the payment of future dividends.

NOTE 22 – RETAINED PROFITS/(ACCUMULATED LOSSES)

	CONSOLIDATED 2013 $'000	2012 $'000
Balance at the beginning of the year	**(97,060)**	(247,149)
Profit/(loss) attributable to owners of the Company	**73,807**	(450,650)
Dividends recognised	**-**	(47,018)
Appropriation to profits reserve	**(83,126)**	-
Share capital reduction	**114,000**	647,757
Balance at the end of the year	**7,621**	(97,060)

NOTE 23 – DIVIDENDS

Dividends recognised in the current year by the Company are:

	CENTS PER SHARE	TOTAL AMOUNT $ MILLIONS	FRANKED/ UNFRANKED	DATE OF PAYMENT
2013				
Interim 2013 ordinary	2.5	22.8	Franked	2 April 2013
Final 2012 ordinary	2.5	22.8	Franked	1 October 2012
2012				
Interim 2012 ordinary	2.0	18.3	Franked	2 April 2012
Final 2011 ordinary	3.1	28.7	Franked	3 October 2011

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

Subsequent events

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

	CENTS PER SHARE	TOTAL AMOUNT $ MILLIONS	FRANKED/ UNFRANKED	DATE OF PAYMENT
Final 2013 ordinary	2.5	22.8	Franked	1 October 2013

	COMPANY 2013 $'000	2012 $'000
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	**58,948**	61,009

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

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

In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of $58.9 million (2012: $61.0 million) franking credits.

NOTE 24 – NON-CONTROLLING INTEREST

The non-controlling interest relates to a former 50% interest in Restonic (M) Sdn Bhd. On 30 October 2012, the Consolidated Entity divested its 50% interest in Restonic (M) Sdn Bhd (refer Note 16).

	CONSOLIDATED	
	2013 $'000	2012 $'000
Non-controlling interest in controlled entities comprises:		
Interest in accumulated losses at the beginning of the year	**(1,742)**	(1,232)
Profit/(loss) attributable to non-controlling interest	**34**	(197)
Dividend paid to non-controlling interest	**(357)**	(313)
Disposal of share in non-controlling interest	**2,065**	-
Interest in retained profits/(accumulated losses) at the end of the year	**-**	(1,742)
Interest in share capital	**-**	4,293
Interests in reserves	**-**	(253)
Total non-controlling interest	**-**	2,298

NOTE 25 – FINANCIAL INSTRUMENTS

Overview

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

- market risk
- credit risk
- liquidity risk

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Consolidated Entity defines capital as total equity attributable to equity holders of the Company in the Statement of Financial Position plus net debt. At balance date, total capital amounted to $896,402,000 (2012: $873,300,000).

Net debt is calculated as total interest-bearing loans and borrowings less cash and cash equivalents. In order to adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, acquire existing shares or increase/reduce debt.

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

At balance date, the Consolidated Entity complied with all financial covenant undertakings as outlined in the financing arrangements. The Company has a process in place to monitor compliance at all relevant times.

Fair values of financial assets and liabilities

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The table below analyses financial instruments carried at fair value, by valuation level, as determined in accordance with the relevant accounting standard. The different levels have been defined as follows:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between levels during the current or prior year.

All financial asset and liabilities carried at fair value have been deemed to be level 2 within the fair value hierarchy. With respect to specific financial assets and liabilities, the following valuation methods have been used:

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows.

Derivatives

The fair value of interest rate swaps is based on bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a relevant risk-free interest rate (based on government securities).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

		CONSOLIDATED			
		30 JUNE 2013		30 JUNE 2012	
	FAIR VALUE HIERARCHY LEVEL	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Assets carried at amortised cost					
Cash and cash equivalents		**186,884**	**186,884**	155,421	155,421
Trade and other receivables		**146,397**	**146,397**	147,149	147,149
Assets carried at fair value					
Forward exchange contracts receivable	2	**30,253**	**30,253**	5,190	5,190
Liabilities carried at amortised cost					
Trade and other payables		**117,898**	**117,898**	130,919	130,919
Bank loans		**346,002**	**346,002**	344,541	344,541
Liabilities carried at fair value					
Interest rate swaps	2	**2,387**	**2,387**	4,509	4,509

Market risk

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

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

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

Interest rate risk

As prescribed by the Company's banking arrangements, the Company ensures that at least 35% of its exposure to changes in interest rates on its syndicated debt facility is on a fixed rate basis for a period of at least 12 months. This is achieved by entering into interest rate swaps.

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

	2013 WEIGHTED AVERAGE INTEREST RATE PA	2012 WEIGHTED AVERAGE INTEREST RATE PA
Instruments with interest rate risk exposure		
Cash and cash equivalents	**3.1%**	4.0%
Bank loans[1]	**6.1%**	6.7%

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure of interest bearing loans and borrowings, interest rate swaps and cash and cash equivalents to interest rates at the reporting date. A change in interest rates of 100 basis points at the reporting date would impact profit or loss before tax and equity by the amounts shown below. The analysis is based off interest rate movements considered reasonable at year end but is not a forecast or prediction.

The impact to profit or loss before tax reflects the additional interest that would have been expensed had the change in basis points occurred throughout the financial year. The analysis assumes that the net balance at reporting date was held constantly throughout the financial year. The impact to equity reflects the impact of the change in interest rates on the valuation of interest rate swaps at reporting date on the portion of debt fixed through effective cash flow hedges.

	PROFIT/(LOSS) BEFORE TAX		EQUITY BEFORE TAX	
	100BP INCREASE $'000	100BP DECREASE $'000	100BP INCREASE $'000	100BP DECREASE $'000
30 June 2013	**(396)**	**396**	**2,774**	**(2,838)**
30 June 2012	(711)	711	2,074	(2,109)

Currency risk

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

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

However, the Consolidated Entity hedges up to 90% of its estimated foreign currency exposure in respect of forecast purchases up to 12 months forward by business. The Consolidated Entity uses forward exchange contracts and other derivatives to hedge its currency risk.

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

	2013			2012		
	WEIGHTED AVERAGE EXCHANGE RATE	AUD EQUIVALENT $'000	FAIR VALUE $'000	WEIGHTED AVERAGE EXCHANGE RATE	AUD EQUIVALENT $'000	FAIR VALUE $'000
Maturing within one year						
Buy US dollars	**0.9964**	**349,492**	**30,231**	1.0134	245,933	5,195
Buy UK pounds	**0.6276**	**651**	**24**	0.6351	482	(5)
Buy Euros	**0.7419**	**523**	**26**	0.8082	66	-
Sell New Zealand dollars	**1.1989**	**3,489**	**(28)**	1.2362	1	-

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

	CONSOLIDATED NET GAINS/(LOSSES)	
	2013 $'000	2012 $'000
Within 6 months	**18,371**	3,858
6 – 12 months	**11,882**	1,332
1 – 2 years	**-**	-
2 – 5 years	**-**	-
More than 5 years	**-**	-

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

	2013 $'000	2012 $'000
Cash and cash equivalents	**13,556**	8,526
Trade debtors	**1,950**	3,392
Trade creditors	**(42,226)**	(40,223)
Forward exchange contracts	**30,231**	5,195
Net exposure	**3,511**	(23,110)

A 10% change in the value of the AUD against the USD at 30 June 2013 would have changed profit or loss before income tax and equity by the amounts shown below for the Consolidated Entity. The analysis is based off foreign currency exchange rate variances considered reasonable at year end but is not a forecast or prediction. This analysis assumes that all other variables, in particular interest rates, remain constant. Any foreign exchange exposures deemed to be translation risk exposures have been excluded from the analysis. The analysis is performed on the same basis as at 30 June 2012.

	PROFIT/(LOSS) BEFORE TAX 10% INCREASE $'000	PROFIT/(LOSS) BEFORE TAX 10% DECREASE $'000	EQUITY 10% INCREASE $'000	EQUITY 10% DECREASE $'000
30 June 2013	**519**	**(519)**	**(35,786)**	**35,786**
30 June 2012	422	(422)	(24,521)	24,521

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers. As at 30 June 2013, the Consolidated Entity does not hold any collateral (of financial or non-financial assets) that it is permitted to sell or repledge in the event of default.

Exposure to credit risk

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

Cash on deposit

Short term bank deposits are held with credible financial institutions.

Trade and other receivables

The Consolidated Entity supplies five major customers which in combination account for 38.5% of sales revenue (2012: 39.4%), of which two customers individually account for greater than 10% of sales revenue.

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

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

The Consolidated Entity's trade and other receivables relate primarily to the Consolidated Entity's wholesale customers. Customers that are identified as high risk are closely monitored and where appropriate placed on ordering restrictions (eg sales on a prepayment basis, reduced credit terms).

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

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

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

Impairment losses

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

	GROSS 2013 $'000	IMPAIRMENT 2013 $'000	GROSS 2012 $'000	IMPAIRMENT 2012 $'000
Not past due date	**160,521**	**-**	167,263	-
Past due 0 - 30 days	**13,359**	**-**	6,184	-
Past due more than 30 days	**9,972**	**1,926**	8,512	2,589

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

	CARRYING AMOUNT	
	2013 $'000	2012 $'000
Balance at 1 July	**2,589**	3,835
Impairment loss recognised	**(1,785)**	(1,148)
Increase/(decrease) in allowance recognised in profit or loss	**1,121**	(114)
Effect of movements in foreign exchange	**1**	16
Balance at 30 June	**1,926**	2,589

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

Liquidity risk

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

The Consolidated Entity forecasts and monitors cash flow requirements. Typically, the Consolidated Entity ensures that it has sufficient available funds to meet expected operational expenses and the servicing of financial obligations when they become due and payable. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In doing so the Consolidated Entity maintains a level of unused overdraft, securitisation and bank loan facilities, which amounted to $73.0 million as at 30 June 2013 (2012: $169.5 million), and cash and cash equivalents of $186.9 million at 30 June 2013 (2012: $155.4 million).

Financing facilities

	CONSOLIDATED	
	2013 $'000	2012 $'000
Secured bank overdraft facility, reviewed annually and payable at call:		
Amount used	**-**	-
Amount unused	**35,000**	33,000
	35,000	33,000
Secured bank loan and securitisation facilities with various maturity dates through to 2016 which may be extended by mutual agreement:		
Amount used	**346,500**	346,500
Amount unused	**78,500**	178,500
	425,000	525,000

The Consolidated Entity has a $250 million syndicated debt facility (2012: $350 million) secured with a fixed and floating charge over the assets of the Consolidated Entity. On 5 December 2012, the Consolidated Entity cancelled its $100 million revolving facility (Tranche 1) maturing on 31 January 2014. The committed amounts and maturities at reporting date are as follows:

- Tranche 2: term facility of $150 million maturing 31 January 2015 (2012: facility of $150 million)
- Tranche 3: term facility of $100 million maturing 31 January 2016 (2012: facility of $100 million)

The securitisation facility of $175 million matures on 31 July 2015. Based on eligible receivables at 30 June 2013, $134 million of the $175 million securitisation facility is drawable.

The following are the contractual maturities of financial liabilities:

	CONSOLIDATED		
	CARRYING AMOUNT $'000	LESS THAN 1 YEAR $'000	1 – 5 YEAR(S) $'000
2013			
Non-derivative financial liabilities			
Trade and other payables	**117,898**	**116,052**	**1,846**
Bank loans[1]	**346,002**	**-**	**346,002**
Derivative financial liabilities			
Interest rate swaps	**2,387**	**2,130**	**257**
2012			
Non-derivative financial liabilities			
Trade and other payables	130,919	127,733	3,186
Bank loans[1]	344,541	-	344,541
Derivative financial liabilities			
Interest rate swaps	4,509	2,477	2,032

1 Deferred borrowing costs of $0.5 million are included in bank loans (2012: $2.0 million)

NOTE 26 – OPERATING LEASES

	CONSOLIDATED	
	2013 $'000	2012 $'000
Non-cancellable operating lease expense commitments		
Future operating lease commitments not provided for in the Financial Statements and payable:		
Within one year	**54,052**	47,832
One year or later and no later than five years	**150,652**	115,831
Later than five years	**30,611**	32,863
	235,315	196,526

The Consolidated Entity leases property under non-cancellable operating leases. Leases often provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental. Contingent rentals are typically based on either movements in the Consumer Price Index or sales criteria. Where the incremental rentals are fixed, they are incurred evenly over the term of the lease. The Consolidated Entity has provided for these fixed increments (refer Note 19). During the year, an amount of $55.8 million was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases (2012: $53.4 million).

NOTE 27 – CONTROLLED ENTITIES

The Consolidated Entity has a 100% ownership interest in the following entities in the current and prior years, except where noted:

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY	PLACE OF INCORPORATION
Pacific Brands (Australia) Pty Ltd	Australia	Pacific Brands Workwear Group Pty Ltd	Australia
Pacific Brands Holdings Pty Ltd	Australia	Yakka Pty Ltd	Australia
Pacific Brands Footwear Pty Ltd	Australia	CTE Pty Ltd	Australia
Sachi Australia Pty Ltd	Australia	Shared Apparel Services Pty Ltd	Australia
Pacific Brands Sport & Leisure Pty Ltd	Australia	Sthgirw Workwear Pty Ltd	Australia
Pacific Brands Clothing Pty Ltd	Australia	Neat n Trim Uniforms Pty Ltd	Australia
Bonds Industries Pty Ltd	Australia	Dowd Corporation Pty Ltd	Australia
Sheridan Australia Pty Ltd	Australia	Yakka (Wodonga) Pty Ltd	Australia
Pacific Brands Services Group Pty Ltd	Australia	Icon Clothing Pty Ltd	Australia
Pacific Brands (Asia) Ltd	Hong Kong	Pacific Brands (Shanghai) Business Service Company Ltd	China[1]
Pacific Brands Holdings (Hong Kong) Ltd	Hong Kong	Pacific Brands (Singapore) Pte Ltd	Singapore
PT Pacific Brands Indonesia	Indonesia	PacBrands USA Inc	USA
Sheridan NZ Limited	New Zealand	PacBrands (UK) Ltd	UK
Pacific Brands Holdings (NZ) Ltd	New Zealand	Sheridan UK Limited	UK

1 Incorporated on 10 July 2012

The Consolidated Entity has an interest in the ordinary shares of the following controlled entities that are not 100% owned:

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY INTEREST 2013	CONSOLIDATED ENTITY INTEREST 2012
Restonic (M) Sdn Bhd	Malaysia	**-**	50%
Dream Crafts Sdn Bhd	Malaysia	**-**	50%
Dream Products Sdn Bhd	Malaysia	**-**	50%
Dreamland Corporation (M) Sdn Bhd	Malaysia	**-**	50%
Dreamland Spring Manufacturing Sdn Bhd	Malaysia	**-**	50%
Eurocoir Products Sdn Bhd	Malaysia	**-**	50%
Sleepmaker Sdn Bhd	Malaysia	**-**	50%
Pacific Brands UAE Trading LLC	United Arab Emirates	**49%**	49%

On 30 October 2012, the Consolidated Entity divested its 50% interest in the Restonic business (comprising of all Malaysian entities above) (refer Note 16).

NOTE 28 – NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	CONSOLIDATED 2013 $'000	2012 $'000
Profit/(loss) after income tax		**73,841**	(450,847)
Add/(less) non-cash items			
Depreciation and amortisation	3	**16,401**	15,207
Cost of share based payments	3	**100**	(380)
Gain on defined benefit plan settlement	3	**(401)**	-
Impairment of intangible assets	4	**-**	502,709
Impairment of other assets	4	**-**	555
Loss on sale of businesses and other assets		**216**	2,760
Gain on disposal of properties		**(777)**	(3,490)
Net cash from operating activities before change in assets and liabilities		**89,380**	66,514
(Increase)/decrease in trade and other receivables		**3,086**	39,581
(Increase)/decrease in inventories		**19,933**	18,229
(Increase)/decrease in other assets		**(1,777)**	3,134
(Increase)/decrease in deferred tax assets		**5,475**	(7,844)
Increase/(decrease) in trade and other payables		**(13,488)**	7,626
Increase/(decrease) in income tax payable		**(7,402)**	(7,122)
Increase/(decrease) in restructuring provisions		**(10,285)**	1,980
Increase/(decrease) in employee benefits and other provisions		**3,893**	(14,999)
Net cash from operating activities		**88,815**	107,099

NOTE 29 – EMPLOYEE BENEFITS

	NOTE	CONSOLIDATED 2013 $'000	2012 $'000
Aggregate liability for employee benefits, including on-costs:			
Current	19	**36,952**	35,535
Non-current	19	**4,381**	3,710
		41,333	39,245

The present values of employee benefits not expected to be settled within 12 months of reporting date have been calculated using the following weighted assumptions:

	CONSOLIDATED 2013	2012
Future salary increases (per annum)	**3.0%**	4.0%
Discount rate (per annum)	**4.0%**	2.3%
Number of active defined benefit plan members	**16**	24
Weighted average duration of defined benefit plan (period)	**8.4 years**	6.3 years

(a) Superannuation plans

The Consolidated Entity contributes to the Pacific Brands Superannuation Plan ('Plan'), consisting of a defined benefit section and a defined contribution section. Defined benefit plan members receive lump sum benefits on retirement, death, disablement or withdrawal based on years of service and final average salary. The defined benefit section of the Plan is closed to new members.

Plan assets are held in trusts which are subject to supervision by the Australian Prudential Regulation Authority. Responsibility for the governance of the Plan rests with the trustee of the Plan. Funding levels are reviewed regularly to ensure that vested benefits are adequately covered by Plan assets. The Plan's actuary reviews the Plan's financial position on an annual basis and advises management of appropriate contribution levels. Based on the latest actuarial review performed on 30 June 2013, the Consolidated Entity expects to make contributions of $0.6 million in the 2014 financial year.

The Plan exposes the Consolidated Entity to risks of asset volatility and discount rate risk. The plan's investment goals are to maximise returns subject to specific risk management policies, which permit investments in mutual funds and prohibit direct investments in debt and equity securities and derivative financial instruments. The policies address diversification by the use of mutual fund investments whose underlying investments are in domestic and international equity securities and domestic and international fixed income securities. These mutual fund investments are readily marketable and can be sold to fund benefit payment obligations as they become payable.

The defined contribution section receives fixed contributions from the Consolidated Entity equivalent to its legal obligations. The Consolidated Entity's legal and constructive obligation is limited to these contributions.

With respect to the defined benefits component of the Plan, the defined benefit obligations and Plan assets at fair value are:

Movements in the net defined benefit obligation/(asset)

	CONSOLIDATED	
	2013 $'000	2012 $'000
Present value of defined benefit obligation	**6,649**	11,569
Fair value of Plan assets	**(6,759)**	(8,813)
Net defined benefit obligation/(asset) at 30 June	**(110)**	2,756

Changes in the present value of the defined benefit obligation are as follows:

	CONSOLIDATED	
	2013 $'000	2012 $'000
Opening defined benefit obligation	**11,569**	13,734
Current service cost	**577**	901
Interest cost	**201**	564
Loss/(gain) on settlement	**(401)**	747
Actuarial losses/(gains) – change in demographic assumptions	**1,078**	62
Actuarial losses/(gains) – change in financial assumptions	**(936)**	-
Taxes and premium paid	**(399)**	(404)
Contributions to accumulation section	**(106)**	(196)
Contributions by Plan participants	**127**	218
Benefits paid	**(1,789)**	(1,747)
Settlements	**(3,272)**	(2,310)
Closing defined benefit obligation	**6,649**	11,569

Changes in the fair value of Plan assets are as follows:

	CONSOLIDATED	
	2013 $'000	2012 $'000
Opening fair value of Plan assets:	**8,813**	10,683
Interest income	**176**	601
Return on Plan assets (excluding interest income)	**886**	(618)
Taxes and premiums paid	**(399)**	(404)
Contributions by employer	**2,323**	2,586
Contributions to accumulation section	**(106)**	(196)
Contributions by Plan participants	**127**	218
Benefits paid	**(1,789)**	(1,747)
Settlements	**(3,272)**	(2,310)
Closing fair value of Plan assets	**6,759**	8,813

The major categories of fund assets as a percentage of total Plan assets are as follows:

	CONSOLIDATED	
	2013	2012
Australian equities – quoted	**32%**	26%
International equities – quoted	**25%**	28%
Fixed income – quoted	**30%**	18%
Property – unquoted	**4%**	16%
Cash/other – unquoted	**9%**	12%

Expenses/(income) recognised in the Statement of Comprehensive Income

	CONSOLIDATED	
	2013 $'000	2012 $'000
Current service cost	**577**	901
Net interest cost/(income)	**25**	(37)
Loss/(gain) on settlement	**(401)**	747
	201	1,611

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the significant assumptions is as follows:

		IMPACT ON OBLIGATION	
	CHANGE IN ASSUMPTION	INCREASE	DECREASE
Discount rate	0.5%	(0.7)% decrease	1.3% increase
Future salary increases	0.5%	1.1% increase	(0.6)% decrease

(b) Share based payments

The Company has a share plan pursuant to which senior executives may acquire shares. This is the Performance Rights Plan (which is open to executive directors and other selected senior executives).

(i) Performance Rights Plan ('PRP')

General

The PRP is the Company's long term incentive scheme for selected key senior executives. Under the PRP, eligible executives will be granted performance rights (each being an entitlement to a share), subject to the satisfaction of vesting conditions on terms and conditions determined by the Board. If the vesting conditions are satisfied, the performance rights vest and shares will be delivered to the executive. Other than the vesting conditions noted below, the performance rights granted are subject to service conditions.

Vesting conditions

Total shareholder performance return conditions

The performance conditions based on the relative total shareholder return ('TSR') of the Company are measured against a comparator group of companies. The comparator group of companies differs for each grant; explanation of the comparator groups of companies are contained on page 56 in the Remuneration Report. TSR is a measure of the return to shareholders provided by share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

The TSR performance conditions in relation to the F11, F12 and F13 grants are:

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

Earnings per share performance conditions

Earnings per share ('EPS') growth is a requirement in relation to the F11, F12 and F13 grants. The Board introduced this performance requirement because:

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

EPS performance requirements are reviewed prior to each year's allocation of performance rights. The range of EPS growth reflects the Company's view of what is a reasonable target value, taking into account the Company's market position, upside potential and capital market expectations. EPS performance requirements for each grant are shown in following table.

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

EPS is calculated using earnings before other expenses adjusted for the related income tax expense/(benefit) basis, and using the number of ordinary shares on issue. Other expenses is comprised of individually significant items as disclosed in Note 4.

Valuation

The fair value of the performance rights was calculated by independent experts at the date of grant using a Monte Carlo simulation model and allocated to each reporting period evenly over the period from grant date to vesting date. The value of share based payments disclosed in Note 3 includes a portion of the fair value of the performance rights allocated to this year. In valuing the performance rights, market conditions have been taken into account.

	F13 GRANT	F12 GRANT	F11 GRANT
Fair value of performance rights and assumptions			
Fair value at measurement date	$0.42	$0.42	$0.64
Share price	$0.59	$0.57	$0.89
Expected volatility	42%	68%	71%
Performance right life (period)	3 years	3 years	3 years
Dividend yield (per annum)	7.5%	7.0%	7.0%
Risk-free interest rate (per annum)	2.9%	3.1%	4.4%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the performance rights), adjusted for any expected changes to future volatility due to publicly available information.

Grant of performance rights

The Board has approved the following grants of performance rights to employees, under the PRP.

The movement in the number of performance rights to employees during the year is as follows:

	F13 GRANT[1]	F12 GRANT[1]	F11 GRANT[1]
1 July 2011	-	-	3,094,405
Granted	-	3,976,076	-
Exercised	-	-	-
Forfeited	-	(477,648)	(433,929)
30 June 2012	-	3,498,428	2,660,476
Granted	**4,525,476**	**-**	**-**
Exercised	**-**	**-**	**-**
Forfeited	**-**	**(2,294,416)**	**(1,684,494)**
30 June 2013	**4,525,476**	**1,204,012**	**975,982**

1 These grants consisted of two equal tranches with different vesting conditions, being (1) TSR, and (2) EPS

The maximum percentage of the performance rights granted to date which may vest in favour of the senior executives is as follows:

VESTING DATE	MAXIMUM % OF F13 GRANT	MAXIMUM % OF F12 GRANT	MAXIMUM % OF F11 GRANT
30 June 2013	N/A	N/A	0%
30 June 2014	N/A	100%	100%
30 June 2015	100%	100%	N/A
30 June 2016	100%	N/A	N/A

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

NOTE 30 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

The key management personnel ('KMP') compensation included in the Consolidated Entity's personnel expenses (refer Note 3) is as follows:

	CONSOLIDATED	
	2013 $	2012 $
Short term employee benefits	**6,235,591**	5,401,733
Non-monetary benefits	**220,243**	210,739
Post-employment benefits	**299,808**	498,746
Termination benefits	**1,507,275**	-
Share based payments	**41,483**	(421,370)
	8,304,400	5,689,848

The KMP of the Company and the Consolidated Entity are defined under AASB 124 *Related Party Disclosures* to include the non-executive directors, the executive directors and those other persons with authority and responsibility for planning, directing and controlling the activities of the Company during the financial year.

Individual director and senior executive compensation disclosures

Information regarding individual director and senior executive compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Annual Report on pages 51 to 64.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous year and there were no material contracts involving directors' interests existing at year end.

Directors of related parties (not being directors of the entity or their director related entities)

A number of the directors of the Company are also directors of other companies. On occasions, the Consolidated Entity may purchase goods and services or lease properties from or supply goods and services to these companies. These transactions are undertaken on normal commercial terms and conditions and the directors and other KMP do not directly influence these transactions.

Performance rights over equity instruments

The movement during the reporting period in the number of performance rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	HELD AT 30 JUNE 2011	GRANTED	VESTED/ EXERCISED	LAPSED/ FORFEITED	HELD AT 30 JUNE 2012	GRANTED	VESTED/ EXERCISED	LAPSED/ FORFEITED	HELD AT 30 JUNE 2013
Current senior executives									
J C Pollaers	-	-	-	-	-	2,779,661	-	-	2,779,661
D L Bortolussi	666,448	476,490	-	-	1,142,938	651,527	-	(329,639)	1,464,826
M W Claughton	-	-	-	-	-	416,326	-	-	416,326
A M Heraghty	212,035	358,209	-	-	570,244	543,857	-	-	1,114,101
M C Matthews	-	-	-	-	-	391,837	-	-	391,837
Former executives									
H S Kramer[1]	407,416	420,609	(100,000)	-	728,025	-	-	(728,025)	-
S M Morphet[2]	2,605,993	1,873,807	-	-	4,479,800	-	-	(4,479,800)	-

1 All unvested performance rights issued to H S Kramer were forfeited upon cessation of her employment on 22 August 2012
2 All unvested performance rights issued to S M Morphet were forfeited upon cessation of her employment on 20 November 2012

No performance rights were exercised in relation to the PRP during the year ended 30 June 2013. Non-executive directors do not participate in the PRP.

Movements in shares

The movement during the year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each KMP including their related parties, is as follows:

	HELD AT 30 JUNE 2012	PURCHASES	RECEIVED ON VESTING OF PERFORMANCE RIGHTS	SALES	HELD AT 30 JUNE 2013
Current non-executive directors					
P H Bush	10,000	-	-	-	10,000
S T Goddard	-	25,000	-	-	25,000
J S King	25,000	-	-	-	25,000
J P Ling	-	20,000	-	-	20,000
A M Tansey	550	-	-	-	550
Former non-executive directors					
J A C MacKenzie[1]	202,162	-	-	-	N/A
N L Scheinkestel[2]	54,600	-	-	-	N/A
Current senior executives					
J C Pollaers	-	-	-	-	-
D L Bortolussi	3,200,000	-	-	(3,000,000)	200,000
M W Claughton	-	-	-	-	-
A M Heraghty	-	-	-	-	-
M C Matthews	-	-	-	-	-
Former senior executives					
H S Kramer[3]	100,000	-	-	-	N/A
S M Morphet[4]	1,081,600	-	-	-	N/A

1 J A C MacKenzie resigned as a director on 1 May 2013
2 N L Scheinkestel resigned as a director on 26 June 2013
3 H S Kramer ceased as Group General Manager, Workwear on 23 July 2012
4 S M Morphet ceased as Chief Executive Officer on 3 September 2012

NOTE 31 – COMPANY DISCLOSURES

As at, and throughout the financial year ended, 30 June 2013, the parent company of the Consolidated Entity was Pacific Brands Limited.

	COMPANY	
	2013 $'000	2012 $'000
Result of the Company		
Profit/(loss)	**46,120**	(403,070)
Total comprehensive income/(loss)	**46,120**	(403,070)
Financial position of the Company at year end		
Current assets	**177,815**	138,905
Total assets	**847,469**	809,012
Current liabilities	**7,155**	15,134
Total liabilities	**144,457**	106,571
Total equity of the Company comprising of:		
Share capital	**695,000**	809,000
Total reserves	**5,429**	5,329
Retained profits/(accumulated losses)	**2,583**	(111,888)
Total equity	**703,012**	702,441

It is the Consolidated Entity's policy that all transactions with related parties are on normal terms and conditions.

	COMPANY	
	2013 $'000	2012 $'000
The aggregate amounts invested in/receivable from controlled entities are:		
Amounts receivable other than trade debtors		
Current		
Wholly-owned controlled entity	**177,778**	138,867
Non-current		
Wholly-owned controlled entity	**669,616**	669,616

At 30 June 2012, the Company recognised an impairment in the value of its equity loan to Pacific Brands (Australia) Pty Ltd ('PBA') by $114.0 million. On 21 August 2012, the Company released PBA of its obligation to pay the equity loan and effected a reduction in the Company's share capital for an equivalent amount that was lost or not represented by available assets as noted above. This had the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The equity transaction, made in accordance with Section 258F of the Corporations Act 2001, did not impact the number of shares on issue, and will not result in any gains or losses being recognised in future reporting periods.

On 21 August 2012, the Company recognised $22.8 million of dividend revenue it received from PBA. On the same day, the Company decided to appropriate $22.8 million into a separate profits reserve for the purpose of future dividend payments to shareholders, and on 22 August 2012 subsequently declared a dividend of $22.8 million to its shareholders (refer Note 23).

On 15 February 2013, the Company recognised $25.0 million of dividend revenue it received from PBA. On the same day, the Company decided to appropriate $22.8 million into a separate profits reserve for the purpose of future dividend payments to shareholders, and on 18 February 2013 subsequently declared a dividend of $22.8 million to its shareholders (refer Note 23).

On 21 August 2013, the Company recognised $23.2 million of dividend revenue it received from PBA. On the same day, the Company decided to appropriate $22.8 million into a separate profits reserve for the purpose of future dividend payments to shareholders, and on 22 August 2013 subsequently declared a dividend of $22.8 million to its shareholders (refer Note 23).

NOTE 32 – EVENTS SUBSEQUENT TO BALANCE DATE

On 22 August 2013, the Company declared a dividend (refer Note 23).

DIRECTORS' DECLARATION

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

   (a) the consolidated Financial Statements and notes and the Remuneration Report in the Directors' Report, set out on pages 48 to 106, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts and when they become due and payable

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial & Operating Officer for the financial year ended 30 June 2013.

3. The directors draw attention to Note 1(A) to the consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Melbourne this 22nd day of August 2013.

Signed in accordance with a resolution of the directors:

Peter Bush
Chairman

John Pollaers
Chief Executive Officer

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

Report on the financial report

We have audited the accompanying financial report of Pacific Brands Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 32 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1A, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1A.

Report on the remuneration report

We have audited the Remuneration Report included in pages 51 to 64 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Pacific Brands Limited for the year ended 30 June 2013, complies with Section 300A of the Corporations Act 2001.

KPMG

Alison Kitchen
Partner

Melbourne
22 August 2013

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SHAREHOLDERS' STATISTICS

As at 7 August 2013

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

SIZE OF HOLDING	NUMBER OF HOLDERS		NUMBER OF SHARES	
1 to 1,000	6,760	28.6%	3,482,410	0.38%
1,001 to 5,000	11,158	47.1%	27,339,859	2.99%
5,001 to 10,000	2,875	12.2%	21,603,215	2.37%
10,001 to 100,000	2,690	11.4%	70,248,714	7.69%
100,001 and over	177	0.7%	790,241,497	86.56%
Total	23,660	100.0%	912,915,695	100.0%

Included in the above total are 4,610 shareholders holding less than a marketable parcel of 607 shares.

TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

	SHARES	% OF TOTAL
National Nominees Limited	206,703,233	22.64
JP Morgan Nominees Australia Limited	184,967,972	20.26
HSBC Custody Nominees (Australia) Limited	152,812,237	16.74
Citicorp Nominees Pty Limited	101,818,833	11.15
BNP Paribas Noms Pty Ltd (DRP)	34,492,521	3.56
JP Morgan Nominees Australia Limited (Cash income A/C)	19,947,275	2.19
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	16,420,527	1.80
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	12,979,183	1.42
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	8,343,998	0.91
QIC Limited	4,114,765	0.45
Mestjo Pty Ltd	3,422,846	0.37
AMP Life Limited	1,669,214	0.18
RBC Investor Services Australia Nominees Pty Limited (PISelect)	1,633,214	0.18
Woodross Nominees Pty Ltd	1,121,207	0.12
UBS Nominees Pty Ltd	1,113,504	0.12
UBS Wealth Management Australia Nominees Pty Ltd	1,087,951	0.12
Mr Joseph Miro Vucetic (The Vucetic Family A/C)	1,030,000	0.11
B & R James Investments Pty Limited (James Superannuation A/C)	1,000,000	0.11
De Bruin Securities Pty Ltd	1,000,000	0.11
Navigator Australia Ltd (MLC Investment Sett A/C)	941,160	0.10

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders in the Company, and the percentage of fully paid ordinary shares in which each has an interest on the respective dates, as disclosed in substantial shareholder notices to the Company are as follows:

22-05-13	Allan Gray Australia Pty Ltd	12.66%
16-04-10	Dimensional Fund Advisors LP	7.16%
26-11-12	Integrity Investment Management	6.52%
26-04-13	Lazard Asset Management Pacific Co	6.30%
15-11-12	Legg Mason Asset Management Ltd	5.07%

SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING

Wednesday 23 October 2013 10.00am
Computershare Conference Centre
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
Australia

STOCK EXCHANGE LISTING

Pacific Brands shares are listed on the Australian Securities Exchange ('ASX') and New Zealand Stock Exchange ('NZX') and are traded under the code 'PBG'.

PACIFIC BRANDS SHARE REGISTRY

Australia
Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
Australia
GPO Box 2975, Melbourne Victoria 3001
Australia

New Zealand
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland
New Zealand

Telephone

Australia:	1300 132 632
New Zealand:	+64 9 488 8777
International:	+61 3 9415 4184
Facsimile:	+61 3 9473 2500
Email:	web.queries@computershare.com.au

TAX AND DIVIDEND PAYMENTS

For Australian registered shareholders who have not quoted their Tax File Number ('TFN'), exemption or Australian Business Number ('ABN'), the Company is obliged to deduct tax at the top marginal tax rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already provided your TFN/ABN, you may do so by contacting the Share Registry or by registering your TFN/ABN at the Share Registry's website at www.computershare.com.au.

DIVIDEND PAYMENTS

Any dividends will be paid in Australian dollars credited directly into your nominated bank account. If you have not nominated a bank account, a dividend cheque (less an administration fee of $1.00) will be mailed to the address recorded on the share register. If you wish to elect to receive your dividends by way of direct credit but have not done so, you should complete an application form available by contacting the Share Registry or enter the details at the Share Registry's website at www.computershare.com.au.

CONSOLIDATION OF MULTIPLE HOLDINGS

If you have multiple issuer-sponsored holdings that you wish to consolidate into a single account, please notify the Share Registry in writing, quoting your full registered names and Security Reference Numbers ('SRNs') for these accounts and nominating the account to which the holdings are to be consolidated.

CHANGE OF NAME AND/OR ADDRESS

For issuer-sponsored holdings, please notify the Share Registry in writing if you change your name and/or address. When advising the Share Registry of a change of name, please supply details of your new/previous name, your new/previous address, your SRN and supporting documentation evidencing your change of name. You can also change your address details online at the Share Registry's website at www.computershare.com.au. Changes of address relating to shareholdings in a single name can be made over the phone by calling 1300 132 632 (Australia only). Please note that this does not apply to shareholdings held jointly or in a company name.

For CHESS/broker-sponsored holdings, please notify your broker in writing if you change your name and/or address.

SHARE ENQUIRIES

Shareholders seeking information about their shareholding or dividends should contact the Share Registry. Contact details are above.

PACIFIC BRANDS' COMMUNICATIONS

Pacific Brands' website, www.pacificbrands.com.au offers information about the Company, news releases, announcements to ASX and NZX and addresses by the Chairman and Chief Executive Officer. The website provides essential information about the Company and an insight into Pacific Brands' businesses.

REGISTERED OFFICE

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Pacific Brands Limited
Level 2, 290 Burwood Road
Hawthorn Victoria 3122
Australia

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INVESTOR RELATIONS

Telephone:	+61 3 9947 4900
Email:	investorrelations@pacbrands.com.au

AUDITORS

KPMG
147 Collins Street
Melbourne Victoria 3000
Australia

PACIFIC BRANDS COMPANY DIRECTORY

CHAIRMAN

Peter Bush

CHIEF EXECUTIVE OFFICER

John Pollaers

CHIEF FINANCIAL & OPERATING OFFICER

David Bortolussi

NON-EXECUTIVE DIRECTORS

Stephen Goddard

James King

Jonathan Ling

Arlene Tansey

COMPANY SECRETARY

John Grover

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ACCESS PACIFIC BRANDS ON THE WEB

All Pacific Brands announcements and reports, including an electronic version of this Annual Report are available online at www.pacificbrands.com.au

You can also nominate to receive email notification of future announcements by registering at 'Email Updates' in the Investor Relations section of the site www.pacificbrands.com.au

ABBREVIATIONS/DEFINITIONS

- 1H12/2H12/1H13/2H13/1H14 – First or second half as indicated of the relevant financial year
- B2B – business-to-business
- Cash conversion – OCFPIT/EBITDA before significant items
- CODB (Cost of doing business) – operating expenses (freight and distribution; sales, marketing and advertising; and administrative) below gross margin other than expenses that are individually significant as disclosed in Note 4 to the Financial Statements
- COGS – cost of sales
- DC – distribution centre
- DIFOT – delivery in full and on time
- DPS – dividend per share
- DTC – direct-to-consumer
- EBIT – earnings before interest and tax
- EBITDA – earnings before interest, tax, depreciation and amortisation
- EPS – earnings per share
- ETI – Ethical Trading Initiative
- F12/F13/F14/F15 – Financial years ending 30 June of the relevant financial year
- FX – Foreign exchange rate
- Gearing – Net debt (excluding deferred borrowing costs)/LTM EBITDA (annualised for acquisitions) before significant items
- Gross margin – gross profit plus other income
- HFO – Homewares, Footwear & Outerwear
- Interest cover – (LTM EBITDA before significant items – capital expenditure)/Net interest excluding amortisation of deferred borrowing costs and unused line fees
- Inventory turns, debtor days and creditors days – Statement of Comprehensive Income components are based on LTM; Statement of Financial Position components are calculated on period end balances
- Key brands – largest brands and/or those with the greatest growth potential
- LTM – last twelve months
- Net debt – interest-bearing loans and borrowings less cash and cash equivalents
- NPAT – net profit after tax (after deducting non-controlling interest)
- OCFPIT (Operating cash flow) – cash flow from operations pre interest and tax
- Payout ratio – dividends declared/NPAT before significant items
- Portfolio brands – brands that play an important role in the overall portfolio but do not have the same size and/or growth potential as key brands
- ROCE (Return on Capital Employed) – LTM EBIT/period end total capital employed
- Significant items – other expenses that are individually significant as disclosed in Note 4 to the Financial Statements
- SME – small and medium enterprise
- Tangible ROCE – as for ROCE but using total capital employed less Intangible assets
- TWW – Totally Workwear
- UK – United Kingdom
- Underlying sales – reported sales less sales from brand acquisitions, divested businesses and businesses held for sale
- USA – United States of America