PACIFIC BRANDS

22 August 2012

Manager Company Announcements
Australian Securities Exchange
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

F12 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 2012 financial year, which includes a copy of a Press Release which the Company intends to send to the media today.

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

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Enc.

22 August 2012

Full Year Result Announcement

- Creditable operating result in challenging circumstances
- Reported sales down 18.1% to $1,322.7 million and underlying sales (excluding Kmart) down 4.3% consistent with previous outlook statements
- Reported net loss of $450.7 million due to $502.7 million of non-cash write-downs of goodwill, including $114 million in 2H12 relating to Homewares and Workwear
- EBIT before significant items of $129.1 million at the upper end of guidance range of $125-130 million
- Bonds and Sheridan continue to show resilience in a difficult market with encouraging direct-to-consumer performance (retail and online)
- Workwear impacted late in the year by lower business confidence, a slowdown in the resource sector and reduced government spending
- Cash flow remained strong due to effective working capital management and surplus property sales, and a conservative financial position has been maintained with net debt down to $189.1 million representing gearing of 1.4 times
- Dividend of 2.5 cents per share fully franked declared. Full year dividend of 4.5 cents per share represents a payout ratio of 56% consistent with prior year
- F13 outlook remains challenging but the Company is well positioned to benefit from any improvement in market conditions

Group result (audited)[1] for the 12 months ended 30 June 2012

	Reported			Before significant items[2]		
	F12	**F11**	**Change**	**F12**	**F11**	**Change**
Sales	1,322.7	1,614.6	(18.1)%	1,322.7	1,614.6	(18.1)%
EBIT	(404.9)	(62.3)	n.m.	129.1	186.2	(30.7)%
NPAT[3]	(450.7)	(131.9)	n.m.	72.8	103.4	(29.6)%
EPS (cps)	(49.1)	(14.2)	n.m.	7.9	11.1	(28.6)%
DPS (cps)	4.5	6.2	(27.4)%	4.5	6.2	(27.4)%
Payout ratio[4]	n.m.	n.m.	n.m.	56%	56%	-
Net debt[5]	189.1	227.2	(16.8)%	189.1	227.2	(16.8)%

1 Other than as indicated, the financial information contained in this document is directly extracted or calculated from the audited Financial Statements
2 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 performance considered by management in operating the business and by Directors in determining dividends
3 After deducting non-controlling interest
4 Dividends declared / NPAT before significant items
5 Net debt as disclosed in Note 25 to the Financial Statements comprises interest bearing loans and borrowings less cash and cash equivalents

Chief Executive Officer Sue Morphet said: "Pacific Brands today announced a reported net loss after tax of $450.7 million for the 12 months ended 30 June 2012. The loss was due to the impact of significant items relating to the non-cash write-down of goodwill in the Underwear, Homewares and Workwear businesses of $502.7 million, with no tax effect. EBIT before significant items of $129.1 million is at the upper end of our guidance range of $125-130 million. There were also cash restructuring costs associated with the Pacific Brands transformation program of $31.4 million ($22.0 million post tax) in line with guidance (ie c.$32 million) relating mainly to the integration of Bonds and Omni, distribution centre consolidation and other operational restructuring.

"Before significant items, net profit after tax was $72.8 million representing a 29.6% decline from the prior year. The earnings decline was driven by previously announced business divestments, the Kmart transition, cotton price volatility and continued challenging retail conditions.

"Reported sales were down 18.1% primarily due to business divestments, with underlying sales[6] down 8.0% or 4.3% exclusive of sales to Kmart."

Cash flow remained strong through effective working capital management resulting in cash conversion[7] of 137%. As previously announced, the Company completed the sales of the Coolaroo and Kingsgrove surplus properties for $18.1 million. These factors enabled a $53.1m reduction in net debt from $242.2m at 31 December 2011 to $189.1m at 30 June 2012. The Company has a conservative capital structure with gearing[8] at 1.4 times and interest cover[8] at 5.2 times.

Ms Morphet said: "We are pleased that Bonds sales ex-Kmart were up, online continued to exhibit strong growth and the performance of our first retail stores has exceeded expectations. Sheridan grew with our new boutique and online stores performing strongly. Workwear, however, felt the effects late in the year of the decline in business confidence. In addition to the tough consumer and business environment, this year our businesses have also been managing the Kmart transition and cotton price volatility, but thankfully those issues are now largely behind us.

"It was disappointing to have to impair the goodwill in Homewares and Workwear. The Homewares impairment was due to structural market changes impacting the Tontine and Dunlop Flooring businesses. The Workwear impairment was due to a number of factors including those impacting sales through lower business confidence, a slowdown in the resource sector and reduced government spending."

Operating performance

Reported sales were down 18.1%, with the majority of the decline attributable to the impact of business divestments, particularly the sale of the Sleepmaker and Dunlop Foams businesses (effective 31 March 2011) and the Bikes business (effective 31 August 2011). Underlying sales were down 8.0%, or 4.3% excluding sales to Kmart, and reflects low consumer sentiment and business confidence throughout the year.

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6 Defined as reported sales less sales from brand acquisitions, divested businesses, businesses held for sale and brands and labels subject to discontinuation. Directors consider that sales defined in this manner is a meaningful measure of sales as it is consistent with the Pacific Brands transformation strategy, representative of the recent movement or trajectory in sales and provides a better indication of the relevant base against which future sales can be compared. Refer Appendix A for supporting data. Underlying sales data is not audited

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

8 Defined as per the Subscription Agreement with the company's banking syndicate as follows:
- Gearing: Net debt / Last Twelve Months (LTM) EBITDA (annualised for acquisitions) before significant items
- Interest cover: (LTM EBITDA before significant items – Capex) / net interest expense excluding amortisation of deferred borrowing costs and unused line fees

Sales through the direct-to-consumer channel were up over the period. This reflects the increased investment and success in both online and retail for certain key businesses. The business-to-business channel was down as a result of reduced Workwear sales.

The Company's sales through wholesale channels were generally lower reflecting low consumer sentiment and the move away from second tier brands with additional private label product in some categories.

Ms Morphet said: "The Company is continuing to focus on its strategy of investing in its key brands and diversifying its channels to market. The increasing direct-to-consumer presence gives the Company valuable real-time, detailed information on the needs and wants of consumers. Rapidly reflecting those and other consumer insights into product development remains one of the Company's key priorities."

Input prices increased due mainly to the impact of past cotton price increases and offshore labour inflation. The effect of these input cost increases on gross margin was partially mitigated through price increases, foreign currency appreciation and other supply chain cost reductions. However, gross margin[9] excluding net divested businesses (which had below average margins) reduced by 2.1 percentage points. The reduction in gross margin on a reported basis (including divested businesses) was only 0.3 percentage points (47.1% to 46.8%).

Cost of doing business reduced by $84.7 million from $574.3 million to $489.6 million, partly due to divestments with the majority attributable to restructuring and cost saving initiatives in the continuing business.

Ms Morphet said: "Cost containment and efficiency initiatives remain constant disciplines. Recent major initiatives include the integration of Bonds and Omni to form the Underwear Group, the combination of the Homewares and Footwear, Outerwear & Sport businesses into a single operating group, consolidation of our distribution network and a meaningful reduction in administration costs."

Segment results

Underwear

Reported sales were down 15.8% to $432.5 million due mainly to lost sales at Kmart. Reported EBIT was a loss of $330.3 million due to the non-cash write-down of goodwill in the first half. EBIT before significant items was down 31.7% to $76.0 million.

Excluding sales to Kmart, Bonds performed well and delivered increased sales in a weak market, with sales of outerwear products particularly strong. Bonds increased sales through the online and discount department store channels, as well as through the company's own network of outlet stores. All categories benefited from the success of the innovative '12 Days of Christmas' and 'We are Bonds' campaigns.

Hosiery (especially Razzamatazz) was impacted in the supermarket channel by reduced peg space for the category and an increase in private label product. Rio recorded lower sales in the discount department store and supermarket channels. Berlei sales declined to a lesser extent due to lower sales to department stores.

Gross margins benefited from price increases implemented in the first half but were lower overall due to input cost increases. EBIT margins improved in the second half due to the benefits of the Bonds and Omni integration which was implemented in the first half of the financial year, but were down for the full year.

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9 Defined as (Gross Profit + Other Income) / Sales. The movement in gross margin excluding net divested businesses is unaudited. Directors believe that the gross margin movement measured in this way is more meaningful as it removes the distortive effect on reported margins of the net divested businesses

Workwear

Reported sales were down 2.0% to $388.7 million. Reported EBIT was a loss of $16.9 million including the non-cash write-down of goodwill of $51 million. EBIT before significant items was down 20.7% to $38.6 million.

Business-to-business sales of corporate uniforms and industrial workwear were steady for much of the year. However, sales were impacted later in the year by lower business confidence, a slowdown in the resource sector and reduced government spending. Importantly, contract retention rates remain high and stable, and the business continues to win additional contracts. While indent sales were up, replenishment and retail sales declined particularly in the small-to-medium enterprise segment. Sales were affected by tighter procurement practices and lower employee turnover.

Wholesale sales were impacted by similar factors to those affecting direct business-to-business sales. Sales to wholesale customers servicing the small-to-medium enterprise segment were most affected. Demand from the resource sector, particularly in Western Australia and Queensland, was up overall but slowed in the second half.

EBIT margins were affected by higher input costs (principally due to cotton), tighter customer procurement practices and competitive intensity. There was also an increased allocation of shared costs to more appropriately reflect the costs to support the business. The impact of cotton price increases became more evident in the second half due to the slower average stock turns for the Workwear business compared to the other operating groups.

Homewares, Footwear & Outerwear (HFO)

Reported sales were down 28.8% to $501.5 million due mainly to business divestments. Reported EBIT was a loss of $42.3 million due to the write-down of goodwill in Homewares of $63 million. EBIT before significant items was down 32.6% to $26.2 million, due to the impact of divestments and continuing business performance.

Sheridan's sales were up, with growth in boutique stores (both total and like-for like), factory outlets and online sales more than offsetting declines in wholesale and concession sales.

Tontine's sales were affected by increased private label competition. Dunlop Flooring's sales were impacted significantly in the second half by increased competitive intensity and a slowdown in the housing market.

Footwear and Sport sales reflected the move away from second tier brands in these categories. This impacted sales for Grosby, Slazenger and Dunlop. The core comfort footwear brands of Clarks, Hush Puppies, Julius Marlow and Volley performed well with sales up in the second half.

Outerwear sales for Mossimo and Stussy were up, but Diesel and Superdry were both lower in the second half in both wholesale and retail.

EBIT margins were aided by reductions in costs of doing business, including the benefits of combining the Footwear and Sport divisions into a single business unit and the formation of HFO, but were down overall due to the impacts of input cost increases and lower sales.

Homewares and Workwear impairments

As part of its review of the carrying value of assets, the Board has decided to partially impair the goodwill value in the Homewares and Workwear cash generating units by $63 million and $51 million, respectively.

The impairment in Homewares was due to structural market changes impacting sales and/or margins in the Tontine and Dunlop Flooring businesses. These changes have impacted current performance and resulted in lower growth expectations. The performance and outlook for Sheridan, which accounts for the majority of Homewares, is largely unchanged.

The impairment in Workwear was due to a number of factors impacting sales through lower business confidence, a slowdown in the resource sector and reduced government spending, combined with lower margins due to higher input costs and an increased allocation of shared costs. These factors have impacted current performance and growth expectations have been impacted by uncertainties surrounding the extent and timing of recovery in market conditions.

In assessing the recoverable amount of each business, the Board had regard to management analysis and external valuation input.

Strategic priorities

The Company continues to focus on enhancing the long term competitiveness of its business. The key elements of the Company's strategy and associated priorities are to:

1. Focus on and invest in key brands
   - Prioritise investment in Bonds, Workwear and Sheridan
   - Leverage consumer insights and R&D in product development
   - Improve category management capability and sales execution
   - Market brands creatively and effectively to drive powerful consumer engagement
   - Continue to review and, where appropriate, reshape the brand portfolio
2. Diversify channels to market
   - Secure and improve existing wholesale distribution base
   - Expand business-to-business, particularly in Workwear
   - Invest progressively in direct-to-consumer (retail, franchise and online)
   - Explore international opportunities cautiously over time
3. Reduce and control costs
   - Capture operational restructuring opportunities
   - Invest in sourcing & supply chain capability and leverage shared services
   - Sustained focus on reducing costs of doing business

Divestments

Pacific Brands recently announced that it had entered into a binding agreement to sell the Bonds property in Wentworthville, NSW. The sale is expected to generate net proceeds of $27 million, giving rise to an estimated one-off profit on sale of approximately $11 million (no tax effect) which will be brought to account in F14.

The Company is in the process of finalising a sale agreement to divest its 50% controlling interest in the Restonic group of companies (Malaysian bedding business) with another party that currently holds a non-controlling interest in Restonic. The assets and liabilities of Restonic have been classified as held for sale in the statement of financial position at 30 June 2012 and the divestment is expected to have an immaterial financial impact.

Dividends and capital management

Directors declared a dividend of 2.5 cents per share fully franked, bringing the full year dividend to 4.5 cents per share fully franked and representing a payout ratio of 56% of net profit after tax before significant items consistent with the prior year.

The on-market buy-back period will expire on 6 September 2012. The Board is currently prioritising balance sheet strength in the prevailing market environment, and so does not intend to repurchase any further shares under the buy-back program. The Board will continue to consider capital management initiatives as and when appropriate.

Outlook

Market conditions are challenging and it is expected that this will continue throughout F13.

Year-to-date underlying sales performance has been mixed with Underwear up, Workwear down, HFO down and the overall group marginally down.

Gross margins are expected to be broadly maintained in line with last year with import costs stabilising and currency exchange rates largely hedged at competitive rates.

Continued efforts to reduce ongoing costs of doing business are being undertaken, and the Company will also continue its planned investment in the direct-to-consumer channels.

Earnings outcomes will be largely dependent upon market conditions and associated sales performance, and may be impacted by ongoing restructuring and rationalisation.

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

For further information contact:

Investors

Chris Richardson
Manager, Group Treasury and Investor Relations
Pacific Brands Limited
+61 3 9947 4926
+61 410 728 427
investorrelations@pacbrands.com.au

Media

Sue Cato
Cato Counsel
+61 419 282 319

Appendix A: Underlying sales[1]

$ millions	F12	F11	Change $m	Change %
Net business divestments[2]	26	190	(163)	n.m.
Brand discontinuations[3]	9	25	(17)	(66.2)
Underlying sales – total	1,288	1,400	(112)	(8.0)
Reported sales	**1,323**	**1,615**	**(292)**	**(18.1)**
Underlying sales – Kmart	10	64	(54)	(84.3)
Underlying sales - excl. Kmart	1,278	1,336	(58)	(4.3)
Underlying sales – total	**1,288**	**1,400**	**(112)**	**(8.0)**

1 Unaudited data. Defined as reported sales less sales from brand acquisitions, divested businesses, businesses held for sale and brands and labels subject to discontinuation
2 Sleepmaker and Dunlop Foams divested in F11 (effective 31 March 2011); Bikes business divested in F12 (effective 31 August 2011); Restonic held for sale (as at 30 June 2012); Net of minor brand acquisitions
3 Discontinued largely by the end of F12

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

ASX APPENDIX 4E
FOR THE YEAR ENDED 30 JUNE 2012

Pacific Brands Limited (ASX:PBG) (Company) is pleased to provide its preliminary final report for the above period in accordance with rule 4.3A of the ASX listing rules.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue from ordinary activities	Down 18.1% to	$1,322.7 million
Earnings before interest, tax and significant items[1]	Down 30.7% to	$129.1 million
Net profit/(loss) for the period	Down 242.9% to	($450.8) million
Net profit/(loss) attributable to members of the parent	Down 241.7% to	($450.7) million

1 Individually significant items are disclosed as other expenses in Note 4 to the Appendix 4E

DIVIDENDS

	AMOUNT PER SHARE	TOTAL AMOUNT	FRANKED AMOUNT
Interim dividend 2012 (Paid 2 April 2012)	2.0 cents	$18.3 million	100%
Final dividend 2012	2.5 cents	$22.8 million	100%
Total dividends for the year	4.5 cents	$41.1 million	100%

The Company's dividend record date is 3 September 2012 and the dividend is payable on 1 October 2012.

ACCOMPANYING INFORMATION

(i) Note 5 Auditors remuneration

(ii) Note 25 Financial instruments

(iii) Note 29 Employee Benefits

(iv) Note 30 Key Management Personnel

The Company has released the additional information at the same time as the release of the Company's Remuneration Report, to give shareholders and others as much time as possible ahead of the 2012 AGM to consider the Remuneration Report and the board's response to shareholder feedback received in relation to last year's Remuneration Report. The Company will consider whether it remains appropriate to do so in the future.

The accompanying information does not comprise all of the information that will be included in the Company's annual report for 2012.

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	$0.12	$0.11

The previous corresponding period is 30 June 2011.

This report is based on information which has been subject to audit by KPMG.

Please refer to the accompanying Pacific Brands Limited year end results announcement dated 22 August 2012 for a review of operations and activities for the reporting period.

For further information contact:

Chris Richardson, Manager Group Treasury & Investor Relations
Pacific Brands Limited
Tel: +61 3 9947 4926 / +61 410 728 427
investorrelations@pacbrands.com.au

FINANCIAL STATEMENTS TO SHAREHOLDERS

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	NOTE	CONSOLIDATED 2012 $'000	2011 $'000
Sales revenue	2	**1,322,670**	1,614,598
Cost of sales	11	**(709,602)**	(861,510)
Gross profit		**613,068**	753,088
Other income	2	**5,576**	7,442
Freight and distribution expenses		**(114,175)**	(127,509)
Sales, marketing and advertising expenses		**(260,563)**	(294,281)
Administrative expenses		**(114,842)**	(152,527)
Other expenses	4	**(533,928)**	(248,467)
Results from operating activities		**(404,864)**	(62,254)
Financial income	3	**5,227**	5,731
Financial expenses	3	**(31,280)**	(41,363)
Net financing costs		**(26,053)**	(35,632)
Profit/(loss) before income tax (expense)/benefit		**(430,917)**	(97,886)
Income tax (expense)/benefit	6	**(19,930)**	(33,599)
Profit/(loss)		**(450,847)**	(131,485)
Profit/(loss) attributable to:			
Owners of the Company	22	**(450,650)**	(131,895)
Non-controlling interest	24	**(197)**	410
Profit/(loss)		**(450,847)**	(131,485)
Other comprehensive income/(loss)			
Foreign currency translation differences		**1,297**	(9,990)
Changes in fair value of cash flow hedges (net of tax)		**13,380**	(24,411)
Other comprehensive income/(loss) (net of tax)		**14,677**	(34,401)
Total comprehensive income/(loss)		**(436,170)**	(165,886)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(436,007)**	(165,818)
Non-controlling interest		**(163)**	(68)
Total comprehensive income/(loss)		**(436,170)**	(165,886)
Earnings/(loss) per share			
Ordinary shares	7	(49.1) cents	(14.2) cents
Diluted shares	7	(49.1) cents	(14.2) cents

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 53 to 91.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		CONSOLIDATED	
	NOTE	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	9	**155,421**	155,479
Trade and other receivables	10	**152,288**	192,909
Inventories	11	**244,263**	262,479
Other assets	12	**6,807**	9,996
Assets held for sale	16	**7,247**	14,278
Total current assets		**566,026**	635,141
Non-current assets			
Trade and other receivables	10	**51**	28
Property, plant and equipment	13	**82,348**	80,364
Intangible assets	14	**580,553**	1,080,998
Deferred tax assets	15	**27,678**	25,544
Total non-current assets		**690,630**	1,186,934
Total assets		**1,256,656**	1,822,075
Current liabilities			
Trade and other payables	17	**130,210**	144,470
Interest-bearing loans and borrowings	18	**-**	177
Income tax payable	6	**18,562**	26,923
Provisions	19	**54,809**	68,778
Liabilities directly associated with assets held for sale	16	**2,665**	355
Total current liabilities		**206,246**	240,703
Non-current liabilities			
Trade and other payables	17	**5,218**	4,250
Interest-bearing loans and borrowings	18	**344,541**	382,503
Provisions	19	**11,970**	9,720
Total non-current liabilities		**361,729**	396,473
Total liabilities		**567,975**	637,176
Net assets		**688,681**	1,184,899
Equity			
Share capital	20	**809,000**	1,469,094
Reserves	21	**(25,557)**	(39,820)
Retained profits/(accumulated losses)	22	**(97,060)**	(247,149)
Total equity attributable to equity holders of the Company		**686,383**	1,182,125
Non-controlling interest	24	**2,298**	2,774
Total equity		**688,681**	1,184,899

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 53 to 91.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	NOTE	CONSOLIDATED 2012 $'000	2011 $'000
Cash flows from operating activities			
Cash receipts from customers		**1,501,449**	1,780,237
Cash paid to suppliers and employees		**(1,333,906)**	(1,646,263)
Income taxes paid		**(34,896)**	(7,923)
Interest paid		**(30,775)**	(37,091)
Interest received	3	**5,227**	5,731
Net cash from operating activities	28	**107,099**	94,691
Cash flows from investing activities			
Proceeds from disposal of businesses (net of cash disposed)		**2,142**	56,439
Proceeds from disposal of property, plant and equipment		**18,691**	9,488
Acquisition of property, plant and equipment		**(22,143)**	(21,580)
Acquisition of business (net of cash acquired)		**(5,909)**	(13,176)
Net cash from/(used in) investing activities		**(7,219)**	31,171
Cash flows from financing activities			
Finance lease payments		**(177)**	(873)
Repayment of loans and borrowings		**(39,000)**	(83,559)
Payments for shares bought to allocate to employees		**(17)**	(427)
Dividends paid	23	**(47,018)**	(28,864)
Dividend paid to non-controlling interest	24	**(313)**	(423)
Share buy back		**(12,337)**	-
Net cash used in financing activities		**(98,862)**	(114,146)
Net increase in cash and cash equivalents		**1,018**	11,716
Cash and cash equivalents at the beginning of the period		**155,479**	149,974
Effect of exchange rate fluctuations on cash held		**846**	(6,211)
Transfer of cash to assets held for sale	16	**(1,922)**	-
Cash and cash equivalents at the end of the period	9	**155,421**	155,479

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements set out on pages 53 to 91.

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	CONSOLIDATED							
	SHARE CAPITAL	EQUITY COMPENSATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE	RETAINED PROFITS/ (ACCUMULATED LOSSES)	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	NON-CONTROLL-ING INTEREST	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2010	1,469,094	7,029	(23,409)	11,803	(88,325)	1,376,192	3,265	1,379,457
Profit/(loss)	-	-	-	-	(131,895)	(131,895)	410	(131,485)
Other comprehensive income/(loss)								
Foreign currency translation differences	-	-	(9,512)	-	-	(9,512)	(478)	(9,990)
Effective portion of net changes in fair value of cash flow hedges[1]	-	-	-	(52,733)	-	(52,733)	-	(52,733)
Net change in fair value of cash flow hedges transferred to inventories or profit and loss[1]	-	-	-	28,322	-	28,322	-	28,322
Total other comprehensive income/(loss)	-	-	(9,512)	(24,411)	-	(33,923)	(478)	(34,401)
Total comprehensive income/(loss)	-	-	(9,512)	(24,411)	(131,895)	(165,818)	(68)	(165,886)
Transactions with owners, recorded directly in equity								
On market purchase of performance rights	-	(2,352)	-	-	1,935	(417)	-	(417)
Dividends recognised	-	-	-	-	(28,864)	(28,864)	(423)	(29,287)
Cost of share based payments	-	1,032	-	-	-	1,032	-	1,032
Balance at 30 June 2011	1,469,094	5,709	(32,921)	(12,608)	(247,149)	1,182,125	2,774	1,184,899
Balance at 1 July 2011	**1,469,094**	**5,709**	**(32,921)**	**(12,608)**	**(247,149)**	**1,182,125**	**2,774**	**1,184,899**
Profit/(loss)	**-**	**-**	**-**	**-**	**(450,650)**	**(450,650)**	**(197)**	**(450,847)**
Other comprehensive income/(loss)								
Foreign currency translation differences	**-**	**-**	**1,263**	**-**	**-**	**1,263**	**34**	**1,297**
Effective portion of net changes in fair value of cash flow hedges[1]	**-**	**-**	**-**	**493**	**-**	**493**	**-**	**493**
Net change in fair value of cash flow hedges transferred to inventories or profit and loss[1]	**-**	**-**	**-**	**12,887**	**-**	**12,887**	**-**	**12,887**
Total other comprehensive income/(loss)	**-**	**-**	**1,263**	**13,380**	**-**	**14,643**	**34**	**14,677**
Total comprehensive income/(loss)	**-**	**-**	**1,263**	**13,380**	**(450,650)**	**(436,007)**	**(163)**	**(436,170)**
Transactions with owners, recorded directly in equity								
On market buy back of shares[2]	**(12,337)**	**-**	**-**	**-**	**-**	**(12,337)**	**-**	**(12,337)**
Share capital reduction[3]	**(647,757)**	**-**	**-**	**-**	**647,757**	**-**	**-**	**-**
Dividends recognised	**-**	**-**	**-**	**-**	**(47,018)**	**(47,018)**	**(313)**	**(47,331)**
Cost of share based payments	**-**	**(380)**	**-**	**-**	**-**	**(380)**	**-**	**(380)**
Balance at 30 June 2012	**809,000**	**5,329**	**(31,658)**	**772**	**(97,060)**	**686,383**	**2,298**	**688,681**

1 Amounts are stated net of tax

2 In accordance with the on market buy back program, the Company has the ability to repurchase up to 10% of total shares on issue over the period from 7 September 2011 to 6 September 2012. The Company repurchased 18,470,553 shares amounting to $12.3 million over the period from 7 September 2011 to 15 November 2011

3 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 are 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

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 53 to 91.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

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

A. Statement of compliance

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

These Financial Statements were authorised for issue by the directors on 22 August 2012.

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 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 net total of the plan assets plus unrecognised past service costs and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

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

Changes in accounting policies and new standards

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

Those applicable to the Consolidated Entity included the amendments to the following AASBs arising from the third Annual Improvements Project and other new accounting pronouncements:

- AASB 7 *Financial Instruments: Disclosures*
- AASB Interpretation 13 *Customer Loyalty Programmes*
- AASB 101 *Presentation of Financial Statements*
- AASB 2009-14 *Amendments to Australian Interpretation: Prepayments of a Minimum Funding Requirement*
- AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets*
- AASB 134 *Interim Financial Reporting*
- AASB 124 *Related Party Disclosures*
- AASB 1054 *Australian Additional Disclosures*

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012. 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* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010) (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013. However in December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The Australian Accounting Standards Board are yet to issue an equivalent amendment to AASB 9. 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* (effective 1 January 2013). AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The standard introduces a single definition of control that applies to all entities. While the Consolidated Entity does not expect the new standard to have a significant impact on its composition, it will be required to perform a detailed analysis of the new guidance in the context of future investees that may or may not be controlled under the new rules. The new standard would be first applied in the financial statements for the annual reporting period ending 30 June 2014

- AASB 12 *Disclosure of Interests in Other Entities* (effective 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11 *Joint Arrangements*, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Consolidated Entity will not affect any of the amounts recognised in the financial statements, but may impact future disclosures of the Consolidated Entity's investments. The new standard 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 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Consolidated Entity has yet to determine 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
- revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) and AASB 2011-11 *Amendments to AASB 119* (September 2011) *arising from Reduced Disclosure Requirements* (effective 1 January 2013). The new standard requires the recognition of all remeasurements of defined benefit liabilities or assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in the profit or loss pension expense. The standard also introduces a number of additional disclosures for defined benefit liabilities or assets. The amendments will have to be implemented retrospectively. The impact on the Consolidated Entity's profit or loss is yet to be quantified. The new standard would be first applied in the financial statements for the annual reporting period ending 30 June 2014
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Key management Personnel Disclosure Requirements* (1 July 2013). This amendment removes the requirements to include key management personnel disclosures in the notes to the financial statements. Companies will still need to provide these disclosures in the Remuneration Report under Section 300A of the Corporations Act 2001. The Consolidated Entity can not 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

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 presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in these Financial Statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

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

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

D. Business combinations

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

Acquisitions on or after 1 July 2009

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

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

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

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

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

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

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

E. Loss of control

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

F. Revenue recognition

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

Sale of goods

Revenue from the sale of goods (net of returns, discounts, rebates and allowances) is recognised in the Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the buyer. Transfers of risks and rewards vary depending on the individual terms of the contract of sale. In particular for online sales, revenue is recognised only upon shipment of the goods. 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, usually when an unconditional contract of sale is signed.

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

G. Net financing costs

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

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

H. Goods and services tax

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

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

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

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

I. Income tax

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

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

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

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

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

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

Tax consolidation

The Company and its wholly-owned Australian resident entities have formed an Australian tax consolidated group with effect from April 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Pacific Brands Limited. Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand-alone taxpayer' method consistent with 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, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

N. Property, plant and equipment

Owned assets

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

Depreciation

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

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

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

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

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

Borrowing costs

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

Sale of property, plant and equipment

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

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

O. Intangible assets

Goodwill

Goodwill arises on the acquisition of 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.

Brand names

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

Software

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

Other intangible assets

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

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

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

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

P. Impairment

Financial assets (including receivables)

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

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

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

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

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

Non-financial assets

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

For the 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. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale when they meet the criteria set out in AASB 5, 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 comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Q. Payables

Trade and other payables are stated at their amortised cost.

R. 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 the Statement of Comprehensive Income over the period of the loans or borrowings on an effective interest rate basis.

S. Employee benefits

Wages, salaries and annual leave

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

Long service leave

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

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

Superannuation plans

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

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

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

Defined benefit plans

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

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

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

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

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

T. Share based payments

The Company has introduced a number of share plans pursuant to which executive directors and other senior executives may acquire shares or be granted performance rights. The fair value of performance rights granted is recognised as a personnel expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the performance rights. The fair value of the performance rights granted is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted. 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 for expected issue. 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 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 or termination benefits are only recognised when a detailed plan has been approved and the Consolidated Entity has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. Costs related to ongoing activities are not provided for.

Leased premises

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

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

Dividends

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

V. Segment reporting

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

Performance is measured based on segment earnings before interest, tax 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 results of segments relative to other entities that operate within similar industries. Significant items are other expenses that are individually significant as disclosed in Note 4 to the Financial Statements.

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 the Statement of Comprehensive Income on a net basis.

Translation of controlled foreign operations

The assets and liabilities of controlled foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to 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 the Statement of Comprehensive Income upon disposal of investments. In respect of all foreign operations, any differences are presented as a separate component of equity.

X. Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value.

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

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

Hedging

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

Cash flow hedges

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

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

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

Hedges of monetary assets and liabilities

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

Hedges of net investment in foreign operations

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

Y. Share capital

Ordinary shares

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

Treasury shares

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

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

Z. Accounting estimates and judgements

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

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

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

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

Management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU. The recoverable amount of those assets, or CGUs, is measured as the higher of their fair value less costs to sell, and value in use. The fair value less costs to sell is determined with the assistance of management analysis and external valuation input, using a combination of internal and external sources of information that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates. 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 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 cash flows may also impact the carrying value of the respective assets.

Recoverability of current assets

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

Net realisable value of inventories

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

Provisions and contingencies

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

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

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

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

Measurement of assets held for sale

The Consolidated Entity measures a non-current asset (or disposal group) classified as held for sale at the lower of carrying amount 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. Actual results may differ from these estimates.

Measurement of defined benefit superannuation obligations

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

Valuation of derivative financial instruments

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

Measurement of share based payments

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

Taxation

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

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

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

AA. Parent entity financial information

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

NOTE 2 – REVENUE AND OTHER INCOME

		CONSOLIDATED	
	NOTE	2012 $'000	2011 $'000
Sales revenue		**1,322,670**	1,614,598
Other income			
Royalties		**1,913**	2,344
Sundry income		**3,663**	5,098
Total other income		**5,576**	7,442
Total revenue and other income		**1,328,246**	1,622,040

NOTE 3 – EXPENSES

	NOTE	CONSOLIDATED 2012 $'000	2011 $'000
Depreciation of:			
Freehold buildings and leasehold improvements	13	**2,151**	3,127
Plant and equipment	13	**11,812**	12,315
		13,963	15,442
Amortisation of:			
Software	14	**983**	1,828
Other intangible assets	14	**261**	3,493
Leased plant and equipment	13	**-**	266
		1,244	5,587
Total depreciation and amortisation		**15,207**	21,029
Net financing costs:			
Interest income		**(5,227)**	(5,731)
Interest on bank loans and overdrafts		**31,280**	41,363
		26,053	35,632
Personnel expenses:			
Wages, salaries and employee benefits		**267,573**	338,065
Contributions to defined contribution superannuation plans		**18,351**	21,822
Curtailment and settlement loss		**747**	1,134
Defined benefit superannuation expense		**864**	1,112
Share based payments – equity settled		**(380)**	1,032
		287,155	363,165

NOTE 4 – OTHER EXPENSES

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

		CONSOLIDATED					
		2012			2011		
	NOTE	GROSS $'000	TAX $'000	NET $'000	GROSS $'000	TAX $'000	NET $'000
Asset impairment							
Impairment of goodwill, brand names and other intangibles	14	**502,709**	**-**	**502,709**	214,700	2,663	212,037
Other asset impairments		**555**	**167**	**388**	6,019	2,604	3,415
		503,264	**167**	**503,097**	220,719	5,267	215,452
Other (gains)/losses							
Loss on sale of businesses and other assets[1]	16	**2,760**	**913**	**1,847**	2,269	309	1,960
Gain on disposal of properties	16	**(3,490)**	**-**	**(3,490)**	-	-	-
Restructuring expenses							
Redundancies, decommissioning and other costs	19	**31,394**	**9,418**	**21,976**	25,479	7,644	17,835
		533,928	**10,498**	**523,430**	248,467	13,220	235,247

1 Balance includes $2.3m loss on sale of Bikes (refer Note 16)

Impairment of goodwill, brand names and other intangibles relates to the Underwear CGU recognised in the first half of the year and the Homewares and Workwear CGUs recognised in the second half of the year ended 30 June 2012.

The restructuring expenses incurred relate to further operational restructuring and rationalisation announced before 30 June 2012. For further details, refer Note 19.

Other asset impairments relate to write downs of various assets as a result of the consolidation of distribution centres and other restructuring activities.

NOTE 5 – AUDITORS' REMUNERATION

	NOTE	CONSOLIDATED 2012 $	2011 $
Audit services			
Auditors of the Company KPMG Australia			
Audit and review of financial statements		**973,800**	782,400
Overseas KPMG firms:			
Audit of financial statements		**134,200**	239,100
		1,108,000	1,021,500
Other services			
Auditors of the Company KPMG Australia			
Other assurance services[1]		**49,700**	42,600
Overseas KPMG firms:			
Taxation compliance services		**47,543**	34,096
Other assurance services[1]		**2,686**	13,048
		99,929	89,744

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/(BENEFIT)

	NOTE	CONSOLIDATED 2012 $'000	2011 $'000
Current income tax expense/(benefit)			
Current year		**23,814**	27,146
Over provided in prior year		**(1,750)**	(1,622)
Deferred income tax expense/(benefit)			
Origination and reversal of temporary differences		**(2,134)**	8,075
Total income tax expense/(benefit) in the Statement of Comprehensive Income		**19,930**	33,599
Reconciliation between income tax expense/(benefit) and profit/(loss) before income tax expense/(benefit)			
Profit /(loss) before income tax expense/(benefit)		**(430,917)**	(97,886)
Income tax using Australian corporation tax rate of 30%		**(129,275)**	(29,366)
Increase/(decrease) in income tax expense due to:			
Share based payments		**(114)**	310
Non-deductible impairment on goodwill and other intangibles		**150,813**	61,747
Losses made in foreign jurisdictions		**1,021**	1,726
Property disposals		**(1,050)**	-
Sundry items (including effect of tax rates in foreign jurisdictions)		**285**	804
Over provided in prior year		**(1,750)**	(1,622)
Total income tax expense/(benefit) on profit/(loss) before income tax expense/(benefit)		**19,930**	33,599
Deferred tax recognised directly in equity			
Relating to derivative financial instruments		**237**	(5,403)

Current income tax liability

The current tax liability for the Consolidated Entity of $18.6 million (2011: $26.9 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

	NOTE	2012 $'000	2011 $'000
Earnings reconciliation			
Profit/(loss)		**(450,847)**	(131,485)
Less/(add) non-controlling interest		**197**	(410)
Basic and diluted earnings		**(450,650)**	(131,895)

	NOTE	2012	2011
Weighted average number of shares used as the denominator			
Number for basic earnings per share:			
Ordinary shares at 1 July	20	**930,440,168**	929,544,088
Effect of shares bought back/allocated[1]		**(13,090,460)**	965,822
Weighted average ordinary shares at 30 June		**917,349,708**	930,509,910
Number for diluted earnings per share:			
Weighted average number of ordinary shares (basic)		**917,349,708**	930,509,910
Effect of performance rights on issue[2]		**-**	-
Weighted average potential ordinary shares at 30 June		**917,349,708**	930,509,910

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 The effect of performance rights on issue during the current and prior financial years have been excluded from the calculation as their effect would have been anti-dilutive

NOTE 8 – SEGMENT REPORTING

On 24 June 2011, management announced that it would combine the Homewares and Footwear, Outerwear and Sport segments into a single operating group. This change was effective 1 July 2011 and as a result Homewares, Footwear & Outerwear now form one reportable segment. The corresponding items of segment information for the comparative period to 30 June 2011 have been restated to allow meaningful comparison.

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

Underwear	Marketer, distributor, importer, manufacturer, wholesaler and retailer of underwear, intimate apparel, socks, hosiery and Bonds outerwear
Workwear	Marketer, distributor, importer, manufacturer, wholesaler and retailer of industrial, corporate imagewear and other workwear
Homewares, Footwear & Outerwear	Marketer, distributor, importer, manufacturer, wholesaler and retailer of bed linen, pillows, accessories and carpet underlay; women's, men's and children's footwear; casual outerwear; and sporting outerwear and equipment

As of 1 July 2011, the segment information attributable to clearance stores is included in the Underwear segment. Previously, this was included in 'Other unallocated Operations' which form part of the reconciliations over page. Other unallocated Operations now primarily include unallocated corporate expenses. The corresponding items of segment information for the comparative period to 30 June 2011 has been restated to allow meaningful comparison.

Information regarding the results of each reportable segment is included below. 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 results of segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

During the year ended 30 June 2012, the measure of profit or loss presented to and used by the CEO in assessing segment performance (EBITA before significant items) was changed to include amortisation of other intangibles. The amortisation of other intangibles is no longer relevant in assessing segment performance as the amounts are insignificant.

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

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

	UNDERWEAR $'000	WORKWEAR $'000	HOMEWARES, FOOTWEAR & OUTERWEAR[1,2] $'000	TOTAL $'000
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**
2011				
Revenue				
External sales	513,365	396,817	703,970	1,614,152
Inter-segment sales	214	1,122	744	2,080
Total segment sales	513,579	397,939	704,714	1,616,232
Other income	939	1,436	3,675	6,050
Total segment revenue	514,518	399,375	708,389	1,622,282
Result				
EBIT before significant items	111,288	48,721	38,900	198,909
Impairment of goodwill, brand names and other intangibles	-	-	(214,700)	(214,700)
Other significant items	(1,583)	(3,650)	(12,337)	(17,570)
EBIT after significant items	109,705	45,071	(188,137)	(33,361)
Depreciation and amortisation	1,886	2,751	10,615	15,252
Segment assets	1,117,387	515,475	333,460	1,966,322
Segment liabilities	55,268	49,857	59,101	164,226
Capital expenditure	3,978	1,079	12,821	17,878

1 The results of the Sleepmaker and Dunlop Foams businesses for the period from 1 July 2010 to 31 March 2011 are included in the comparative result for the Homewares, Footwear & Outerwear segment. These businesses were divested on 31 March 2011

2 The results of the Bikes business for the period from 1 July 2010 to 30 June 2011 are included in the comparative results for the Homewares, Footwear & Outerwear segment. This business was divested on 31 August 2011 and therefore the current year results include the Bikes business results for the period from 1 July 2011 to 31 August 2011

Geographical segments

	2012 $'000	2011 $'000
Revenue		
Australia	**1,209,692**	1,491,605
Rest of world	**118,554**	130,435
	1,328,246	1,622,040
Total assets		
Australia	**1,201,088**	1,741,226
Rest of world	**55,568**	80,849
	1,256,656	1,822,075

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

	2012 $'000	2011 $'000
Revenue		
Total revenue for reportable segments	**1,328,333**	1,622,282
Other income	**948**	1,392
Elimination of inter-segment revenue	**(1,035)**	(1,634)
Consolidated revenue and other income	**1,328,246**	1,622,040
EBIT		
Total EBIT after significant items for reportable segments	**(389,487)**	(33,361)
Net interest expense	**(26,053)**	(35,632)
Unallocated amounts: corporate expenses	**(11,784)**	(12,696)
Unallocated significant items	**(3,593)**	(16,197)
Consolidated profit/(loss) before income tax expense/(benefit)	**(430,917)**	(97,886)
Total EBIT before significant items for reportable segments[1]	**140,848**	198,909
Unallocated amounts: corporate expenses	**(11,784)**	(12,696)
Consolidated EBIT before significant items[1]	**129,064**	186,213
Assets		
Total assets for reportable segments	**1,452,508**	1,966,322
Unallocated assets	**140,591**	164,898
Elimination of inter-segment assets	**(336,443)**	(309,145)
Consolidated total assets	**1,256,656**	1,822,075
Liabilities		
Total liabilities for reportable segments	**180,377**	164,226
Unallocated liabilities	**724,041**	782,095
Elimination of inter-segment liabilities	**(336,443)**	(309,145)
Consolidated total liabilities	**567,975**	637,176

1 Amortisation of other intangibles was previously excluded in the measure of profit or loss used by the CEO in assessing segment performance and deciding how to allocate resources. Amortisation of other intangibles which are now included in the measure of profit or loss amount to $0.3 million (2011: $3.5 million)

The Consolidated Entity supplies four major customers which in combination account for 35.9% of sales revenue (2011: 37.3%).

NOTE 9 – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2012 $'000	2011 $'000
Cash on hand and at bank	**54,685**	82,619
Bank short term deposits	**100,736**	72,860
	155,421	155,479

NOTE 10 – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Trade debtors[1]	**181,959**	231,173
Less allowance for doubtful trade debtors	**(2,589)**	(3,835)
Less allowance for rebates, trade allowances and settlement discounts	**(39,256)**	(48,243)
	140,114	179,095
Other debtors[2]	**12,174**	13,814
	152,288	192,909
Non-current		
Other debtors	**51**	28

1 Includes $171.3 million gross which is part of the securitisation facility (2011: $212.3 million (refer Note 18 for further disclosures))
2 Includes $5.2 million in relation to the fair value of foreign currency contracts (refer Note 25). In 2011, the fair value of foreign currency contracts was in a net credit position and therefore has been included as other creditors and accruals (refer Note 17)

FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

NOTE 11 – INVENTORIES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Raw materials	**25,210**	19,096
Work in progress	**1,982**	3,199
Finished goods	**217,071**	240,184
	244,263	262,479

Inventories recognised as expense during the year ended 30 June 2012 amounted to $709.6 million (2011: $861.5 million).

NOTE 12 – OTHER ASSETS

	CONSOLIDATED	
	2012 $'000	2011 $'000
Prepayments	**6,807**	9,996

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2012 $'000	2011 $'000
Freehold land		
At cost	**16,499**	20,405
Accumulated impairment losses	**-**	-
	16,499	20,405
Freehold buildings		
At cost	**10,852**	12,050
Accumulated depreciation and impairment losses	**(9,468)**	(9,642)
	1,384	2,408
Leasehold improvements		
At cost	**13,060**	15,280
Accumulated depreciation and impairment losses	**(11,614)**	(11,164)
	1,446	4,116
Plant and equipment		
At cost	**105,285**	86,248
Accumulated depreciation and impairment losses	**(47,174)**	(42,178)
	58,111	44,070
Leased plant and equipment		
At capitalised cost	**-**	1,775
Accumulated amortisation and impairment losses	**-**	(1,752)
	-	23
Capital works in progress		
At cost	**4,908**	9,342
Accumulated impairment losses	**-**	-
	4,908	9,342
Total property, plant and equipment	**82,348**	80,364

Reconciliation

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

2012	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
	CONSOLIDATED						
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 and amortisation	**-**	**(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**
2011							
Carrying amount at the beginning of the year	27,704	12,927	6,812	64,322	709	4,569	117,043
Additions/acquisitions	-	-	412	2,474	22	20,472	23,380
Transfers	-	(84)	522	15,052	(39)	(15,451)	-
Disposals	(1,728)	(1,317)	-	(3,042)	(260)	-	(6,347)
Depreciation and amortisation	-	(259)	(2,868)	(12,315)	(266)	-	(15,708)
Reversal of impairment losses	-	2,700	-	-	-	-	2,700
Transfers to/(from) assets held for sale	(2,800)	(5,985)	(68)	(753)	14	(12)	(9,604)
Disposals of businesses	(2,621)	(5,370)	(719)	(21,374)	(77)	(246)	(30,407)
Effects of movements in foreign exchange	(150)	(204)	25	(294)	(80)	10	(693)
Carrying amount at the end of the year	20,405	2,408	4,116	44,070	23	9,342	80,364

NOTE 14 – INTANGIBLE ASSETS

2012	GOODWILL $'000	BRAND NAMES $'000	SOFTWARE $'000	OTHER INTANGIBLE ASSETS[1] $'000	TOTAL $'000
	CONSOLIDATED				
Balance at 1 July 2011	**670,937**	**403,365**	**4,997**	**1,699**	**1,080,998**
Additions/acquisitions	**4,473**	**-**	**38**	**-**	**4,511**
Impairment[2]	**(503,816)**	**-**	**-**	**-**	**(503,816)**
Amortisation	**-**	**-**	**(983)**	**(261)**	**(1,244)**
Effects of movements in foreign exchange	**102**	**-**	**2**	**-**	**104**
Balance at 30 June 2012	**171,696**	**403,365**	**4,054**	**1,438**	**580,553**
2011					
Balance at 1 July 2010	854,644	432,155	9,235	11,521	1,307,555
Additions/acquisitions	1,352	-	-	2,548	3,900
Disposals	(7,448)	-	-	-	(7,448)
Impairment	(177,033)	(28,790)	(2,411)	(8,877)	(217,111)
Amortisation	-	-	(1,828)	(3,493)	(5,321)
Effects of movement in foreign exchange	(578)	-	1	-	(577)
Balance at 30 June 2011	670,937	403,365	4,997	1,699	1,080,998

1 Other intangible assets include licences, customer contracts and other customer related intangible assets
2 Includes $1.1m of goodwill impairment relating to the Restonic group

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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Underwear	**-**	386,739	**273,041**	273,041
Workwear	**128,791**	177,763	**99,980**	99,980
Homewares	**42,905**	106,435	**30,344**	30,344
Footwear, Outerwear and Sport	**-**	-	**-**	-
	171,696	670,937	**403,365**	403,365

Cash generating units

During the year, the integration of Bonds with Omni Apparel resulted in the formation of the Underwear CGU for the purposes of impairment testing. These were considered two separate CGUs in the previous year as the businesses were managed separately. Homewares was also combined with Footwear, Outerwear and Sport (FOS) which resulted in the formation of one operating segment (Homewares, Footwear and Outerwear or HFO). However for the purposes of impairment testing, the carrying values are monitored separately for these businesses and therefore Homewares and FOS remain as two separate independent CGUs.

Impairments during the year

During the half year, the Consolidated Entity recognised impairment losses with respect to the Underwear CGU. The impairment resulted from a decline in financial performance over the first half and lower growth expectations. This change has been driven by various factors including structural change in the market (particularly the loss of a key customer) and challenging retail conditions. Growth expectations are lower due to uncertainties surrounding the extent and timing of recovery in retail trading. The Consolidated Entity impaired the carrying amount of the goodwill by $388.7 million at the half year and did not recognise any further impairment for the Underwear CGU at 30 June 2012.

At 30 June 2012, the Consolidated Entity recognised further impairment losses of $63 million for the Homewares CGU and $51 million for the Workwear CGU.

The impairment in Homewares was due to structural market changes impacting sales and/or margins in the Tontine and Dunlop Flooring businesses. These changes have impacted current performance and resulted in lower growth expectations.

The impairment in Workwear was due to a number of factors impacting sales through lower business confidence, a slowdown in the resource sector and reduced government spending, combined with lower margins due to higher input costs and an increased allocation of shared costs. These factors have impacted current performance and growth expectations have been impacted by uncertainties surrounding the extent and timing of recovery in market conditions.

Impairments of goodwill during the year are recorded as other expenses in the Statement of Comprehensive Income (note 4).

Valuation techniques

The recoverable amounts of the CGUs were determined using the greater of value in use and fair value less costs to sell. The fair value less costs to sell has been determined with the assistance of external valuation input 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. This approach is considered appropriate for each of the CGUs while the Company continues to transform its business and manage market challenges and uncertainties. For the Underwear, Workwear and Homewares CGUs, the recoverable amounts were based on a capitalisation of maintainable earnings before interest and tax approach as representative of the fair value less costs to sell.

Reasonable possible change

Following the impairments of the Underwear CGU at the half year and the Homewares and Workwear CGUs at 30 June 2012, an immaterial amount or no headroom exists between the assessed recoverable amount and the carrying values of these CGUs. Accordingly, any adverse percentage change in the maintainable earnings or capitalisation multiple applied to each CGU to assess its recoverable amount would have a corresponding adverse percentage change on the carrying value.

NOTE 15 – RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED					
	ASSETS		LIABILITIES		NET	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade and other receivables	**876**	1,572	**-**	-	**876**	1,572
Inventories	**2,038**	-	**-**	(7,170)	**2,038**	(7,170)
Property, plant and equipment	**2,020**	605	**-**	-	**2,020**	605
Provisions for employee benefits	**10,013**	14,743	**-**	-	**10,013**	14,743
Other provisions	**12,951**	11,449	**-**	-	**12,951**	11,449
Share issue costs[1]	**479**	957	**-**	-	**479**	957
Derivative financial instruments[2]	**-**	5,403	**(237)**	-	**(237)**	5,403
Other items	**-**	-	**(462)**	(2,015)	**(462)**	(2,015)
Tax assets/(liabilities)	**28,377**	34,729	**(699)**	(9,185)	**27,678**	25,544
Set off of tax	**(699)**	(9,185)	**699**	9,185	**-**	-
Net tax assets	**27,678**	25,544	**-**	-	**27,678**	25,544

1 Included 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	
	30 JUNE 2012 $'000	30 JUNE 2011 $'000
Assets held for sale		
Cash and cash equivalents	**1,922**	-
Trade and other receivables	**2,898**	162
Inventories	**991**	4,512
Property, plant and equipment	**1,280**	9,604
Deferred tax assets	**156**	-
Total assets held for sale	**7,247**	14,278
Liabilities directly associated with assets classified as held for sale		
Provisions	**2,665**	355
Total liabilities associated with assets classified as held for sale	**2,665**	355

Assets held for sale represent the Consolidated Entity's 50% share of the Malaysian bedding business ('Restonic group') and the assets owned by the non-controlling interest. The Company is in the process of finalising a sale agreement with another party who holds a non-controlling interest in the Restonic group.

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

Business disposals

The divestment of the Bikes business was completed on 31 August 2011 and the related assets and liabilities of the disposal group which were classified as held for sale at 30 June 2011 were derecognised from the Statement of Financial Position. The total net loss on disposal recognised on completion of the sale was $5.0 million. The Consolidated Entity previously recognised $2.7 million of one off losses in other expenses at 30 June 2011. A further one off loss of $2.3 million was recognised in other expenses during the year ended 30 June 2012.

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

Property disposals

The sale of the Coolaroo property was completed on 28 June 2012. The net gain recognised on completion of the sale was $1.8 million.

The sale of the Kingsgrove property was completed on 10 April 2012. The net gain recognised on completion of the sale was $1.7 million.

The total gain on property disposals for the year amounts to $3.5 million (refer Note 4 - Other expenses).

NOTE 17 – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Trade creditors	**119,648**	115,787
Other creditors and accruals[1]	**10,562**	28,683
	130,210	144,470
Non-current		
Other creditors[1]	**5,218**	4,250

1 In 2012 other creditors and accruals includes the fair value of interest rate swaps while the fair value of foreign currency contracts are in a net asset position and have therefore been included in other debtors (refer Note 10). The 2011 other creditors and accruals include the fair value of foreign currency contracts and interest rate swaps (refer Note 25)

NOTE 18 – INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Lease liabilities	**-**	177
Non-current		
Bank loans	**344,541**	382,503

Finance lease liabilities

Finance lease liabilities are payable as follows:

	CONSOLIDATED					
	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL
	2012 $'000	2012 $'000	2012 $'000	2011 $'000	2011 $'000	2011 $'000
Within one year	**-**	**-**	**-**	180	3	177
One year or later and no later than five years	**-**	**-**	**-**	-	-	-
	-	**-**	**-**	180	3	177

The Consolidated Entity had no finance leases as at 30 June 2012.

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

During the year, the Company reduced the size of its securitisation facility to $175 million (2011: $200 million). The facility which was due to mature on 24 May 2013 was also extended to a new maturity date of 31 July 2015. At 30 June 2012, this facility was drawn to $96.5 million (2011: $110.5 million).

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

	NOTE	CONSOLIDATED 2012 $'000	2011 $'000
Current			
Employee benefits	29	**32,779**	48,123
Restructuring		**13,585**	11,605
Other		**8,445**	9,050
		54,809	68,778
Non-current			
Employee benefits	29	**3,319**	3,889
Other		**8,651**	5,831
		11,970	9,720

Reconciliation

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

		RESTRUCTURING		OTHER PROVISIONS	
	NOTE	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Carrying amount at the beginning of the year		**11,605**	23,330	**14,881**	8,327
Provisions recognised		**31,394**	25,479	**5,933**	7,152
Provisions utilised		**(29,414)**	(37,204)	**(3,718)**	(598)
Carrying amount at the end of the year		**13,585**	11,605	**17,096**	14,881

Restructuring

The Consolidated Entity continues to review and rationalise the Company's brand portfolio and focus on reducing costs of doing business. The provision relates to certain restructuring costs and employee termination benefits associated with the operational restructure. Expenses are recognised in other expenses (refer Note 4) in the Statement of Comprehensive Income. The Consolidated Entity expects to settle the provision over the next year.

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 2012 $'000	2011 $'000
Share capital		
Publicly held		
930,440,168 fully paid ordinary shares at the beginning of the year (2011: 929,544,088)	**1,469,094**	1,469,094
971,080 fully paid ordinary shares transferred from treasury shares (2011: 1,328,080)	**-**	-
18,470,553 fully paid ordinary shares bought back under on market buy back program (2011: 0)	**(12,337)**	-
25,000 fully paid ordinary shares bought to allocate to employees (2011: 432,000)	**-**	-
Share capital reduction	**(647,757)**	-
912,915,695 fully paid ordinary shares at the end of the year (2011: 930,440,168)	**809,000**	1,469,094
Treasury shares		
946,080 fully paid treasury shares at the beginning of the year (2011: 1,842,160)	**-**	-
971,080 fully paid treasury transferred to publicly held (2011: 1,328,080)	**-**	-
25,000 fully paid treasury shares bought to allocate to employees (2011: 432,000)	**-**	-
No fully paid treasury shares at the end of the year (2011: 946,080)	**-**	-
	809,000	1,469,094

Ordinary shares

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

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

Treasury shares

Treasury shares represent the ordinary shares held by the trustee of the Consolidated Entity's equity compensation plan. As at 30 June 2012, the Trust did not hold any of the Company's shares (2011: 946,080).

NOTE 21 – RESERVES

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

Equity compensation reserve

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

Foreign currency translation reserve

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

Hedge reserve

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

NOTE 22 – RETAINED PROFITS/(ACCUMULATED LOSSES)

	CONSOLIDATED	
	2012 $'000	2011 $'000
Balance at the beginning of the year	**(247,149)**	(88,325)
Net profit/(loss) attributable to equity holders of the Company	**(450,650)**	(131,895)
Dividends recognised	**(47,018)**	(28,864)
On market purchase of performance rights	**-**	1,935
Share capital reduction	**647,757**	-
Balance at the end of the year	**(97,060)**	(247,149)

NOTE 23 – DIVIDENDS

Dividends recognised in the current year by the Company are:

	CENTS PER SHARE	TOTAL AMOUNT $ MILLIONS	FRANKED/ UNFRANKED	DATE OF PAYMENT
2012				
Interim 2012 ordinary	2.0	18.3	Franked	2 April 2012
Final 2011 ordinary	3.1	28.7	Franked	3 October 2011
2011				
Interim 2011 ordinary	3.1	28.9	Franked	1 April 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 2012 ordinary	2.5	22.8	Franked	1 October 2012

	COMPANY 2012 $'000	COMPANY 2011 $'000
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	**61,009**	57,662

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 $61.0 million (2011: $57.7 million) franking credits.

NOTE 24 – NON-CONTROLLING INTEREST

The non-controlling interest relates to a 50% interest in Restonic (M) Sdn Bhd. The Consolidated Entity is in the process of divesting its 50% interest in Restonic (M) Sdn Bhd (refer Note 16).

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Non-controlling interest in controlled entities comprises:		
Interest in accumulated losses at the beginning of the year	**(1,232)**	(1,219)
Profit/(loss) attributable to non-controlling interest	**(197)**	410
Dividend paid to non-controlling interest	**(313)**	(423)
Interest in retained profits/(accumulated losses) at the end of the year	**(1,742)**	(1,232)
Interest in share capital	**4,293**	4,293
Interests in reserves	**(253)**	(287)
Total non-controlling interest	**2,298**	2,774

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 $875,503,000 (2011: $1,409,326,000).

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.

During the year, the Company repurchased 18,470,553 shares amounting to $12.3 million in accordance with the on market buy back program. The Company also reduced its share capital by $647.8 million in accordance with section 258F of the Corporations Act 2001.

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

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

Non-derivative financial liabilities

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

Fair value versus carrying amounts

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

		CONSOLIDATED			
		30 JUNE 2012		30 JUNE 2011	
	FAIR VALUE HIERARCHY LEVEL	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Assets carried at amortised cost					
Cash and cash equivalents		**155,421**	**155,421**	155,479	155,479
Trade and other receivables		**147,149**	**147,149**	192,937	192,937
Assets carried at fair value					
Forward exchange contracts receivable	2	**5,190**	**5,190**	-	-
Liabilities carried at amortised cost					
Trade and other payables		**130,919**	**130,919**	130,993	130,993
Finance lease liabilities		**-**	**-**	177	177
Bank loans		**344,541**	**344,541**	382,503	382,503
Liabilities carried at fair value					
Interest rate swaps	2	**4,509**	**4,509**	1,329	1,329
Forward exchange contracts payable	2	**-**	**-**	16,398	16,398

Market risk

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

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

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

Interest rate risk

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

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

	2012 WEIGHTED AVERAGE INTEREST RATE PA	2011 WEIGHTED AVERAGE INTEREST RATE PA
Instruments with interest rate risk exposure		
Cash and cash equivalents	**4.0%**	4.2%
Finance lease liabilities	**-**	9.3%
Bank loans[1]	**6.7%**	7.5%

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

Sensitivity analysis

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

A decrease/(increase) of 100 basis points in interest rates at the reporting date would decrease/(increase) (loss)/profit before tax and decrease/(increase) equity by the amounts shown below for the Consolidated Entity. The analysis also assumes that all other variables, in particular foreign currency rates, remain constant and ignores management action. The analysis is performed on the same basis as at 30 June 2011.

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

	PROFIT/(LOSS) BEFORE TAX		EQUITY BEFORE TAX	
	100BP INCREASE $'000	100BP DECREASE $'000	100BP INCREASE $'000	100BP DECREASE $'000
30 June 2012	**(711)**	**711**	**2,074**	**(2,109)**
30 June 2011	(1,100)	1,100	3,070	(3,152)

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 approximately 80% 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:

	2012			2011		
	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	**1.0134**	**245,933**	**5,195**	0.99	276,172	(16,295)
Buy UK pounds	**0.6351**	**482**	**(5)**	0.6113	566	(40)
Buy Euros	**0.8082**	**66**	**-**	0.7468	345	(14)
Buy Japanese yen	**-**	**-**	**-**	84.60	234	(4)
Sell New Zealand dollars	**1.2362**	**1**	**-**	1.3135	2,772	(45)

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

	CONSOLIDATED NET GAINS/(LOSSES)	
	2012 $'000	2011 $'000
Within 6 months	**3,858**	(13,484)
6 – 12 months	**1,332**	(2,914)
1 – 2 years	**-**	-
2 – 5 years	**-**	-
More than 5 years	**-**	-

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

	2012 $'000	2011 $'000
Cash and cash equivalents	**8,526**	10,818
Trade debtors	**3,392**	3,099
Trade creditors	**(14,797)**	(20,704)
Forward exchange contracts	**5,195**	(16,295)
Net exposure	**2,316**	(23,082)

A 10% change in the value of the AUD against the USD at 30 June 2012 would have changed profit/(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 2011.

	PROFIT/(LOSS) BEFORE TAX 10% INCREASE $'000	PROFIT/(LOSS) BEFORE TAX 10% DECREASE $'000	EQUITY 10% INCREASE $'000	EQUITY 10% DECREASE $'000
30 June 2012	**422**	**(422)**	**(24,521)**	**24,521**
30 June 2011	31	(31)	(25,111)	25,111

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 2012, 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 four major customers which in combination account for 35.9% of sales revenue (2011: 37.3%).

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

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

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

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

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

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

Impairment losses

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

	GROSS 2012 $'000	IMPAIRMENT 2012 $'000	GROSS 2011 $'000	IMPAIRMENT 2011 $'000
Not past due date	**167,263**	**-**	205,679	-
Past due 0 - 30 days	**6,184**	**-**	10,209	-
Past due more than 30 days	**8,512**	**2,589**	15,285	3,835

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	
	2012 $'000	2011 $'000
Balance at 1 July	**3,835**	5,739
Impairment loss recognised	**(1,148)**	(1,112)
Increase/(decrease) in allowance recognised in profit or loss	**(114)**	(694)
Effect of movements in foreign exchange	**16**	(98)
Balance at 30 June	**2,589**	3,835

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

Liquidity risk

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

The Consolidated Entity forecasts and monitors cash flow requirements. Typically, the Consolidated Entity ensures that it has sufficient available funds to meet expected operational expenses and the servicing of financial obligations when they become due and payable. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In doing so the Consolidated Entity maintains a level of unused overdraft and bank loan facilities, which amounted to $211.5 million as at 30 June 2012, and cash and cash equivalents of $155.4 million at 30 June 2012.

Financing facilities

	CONSOLIDATED	
	2012 $'000	2011 $'000
Secured bank overdraft facility, reviewed annually and payable at call:		
Amount used	**-**	-
Amount unused	**33,000**	38,000
	33,000	38,000
Secured bank loan and securitisation facilities with various maturity dates through to 2016 which may be extended by mutual agreement:		
Amount used	**346,500**	385,500
Amount unused	**178,500**	314,500
	525,000	700,000

The Consolidated Entity has a $350 million facility secured with a fixed and floating charge over the assets of the Consolidated Entity. The committed amounts and maturities are as follows:

- Tranche 1: revolving facility of $100 million maturing 31 January 2014 (2011: facility of $225 million)
- Tranche 2: term facility of $150 million maturing 31 January 2015 (2011: facility of $175 million)
- Tranche 3: term facility of $100 million maturing 31 January 2016 (2011: facility of $100 million)

The Consolidated Entity repaid $25 million of Tranche 2 during the year. The securitisation facility which was due on 24 May 2013 was reduced from $200 million to $175 million and is now maturing on 31 July 2015. Based on eligible receivables at 30 June 2012, $133 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
2012			
Non-derivative financial liabilities			
Trade and other payables	**130,919**	**127,733**	**3,186**
Finance lease liabilities	**-**	**-**	**-**
Bank loans[1]	**344,541**	**-**	**344,541**
Derivative financial liabilities			
Interest rate swaps	**4,509**	**2,477**	**2,032**
Forward exchange contracts	**-**	**-**	**-**
2011			
Non-derivative financial liabilities			
Trade and other payables	130,993	126,743	4,250
Finance lease liabilities	177	177	-
Bank loans[1]	382,503	-	382,503
Derivative financial liabilities			
Interest rate swaps	1,329	-	1,329
Forward exchange contracts	16,398	16,398	-

1 Deferred borrowing costs of $2 million are included in the bank loans

NOTE 26 – OPERATING LEASES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Non-cancellable operating lease expense commitments		
Future operating lease commitments not provided for in the Financial Statements and payable:		
Within one year	**47,832**	43,585
One year or later and no later than five years	**115,831**	113,017
Later than five years	**32,863**	40,240
	196,526	196,842

The Consolidated Entity leases property under non-cancellable operating leases. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are typically based on either movements in the Consumer Price Index or sales criteria. Where the incremental rentals are fixed, they are incurred evenly over the term of the lease. The Consolidated Entity has provided for these fixed increments (refer Note 19). During the year, an amount of $50.9 million was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases (2011: $55.2 million).

NOTE 27 – CONTROLLED ENTITIES

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

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

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 2012	CONSOLIDATED ENTITY INTEREST 2011
Restonic (M) Sdn Bhd	Malaysia	**50%**	50%
Dream Crafts Sdn Bhd	Malaysia	**50%**	50%
Dream Products Sdn Bhd	Malaysia	**50%**	50%
Dreamland Corporation (M) Sdn Bhd	Malaysia	**50%**	50%
Dreamland Spring Manufacturing Sdn Bhd	Malaysia	**50%**	50%
Eurocoir Products Sdn Bhd	Malaysia	**50%**	50%
Sleepmaker Sdn Bhd	Malaysia	**50%**	50%
Pacific Brands UAE Trading LLC	United Arab Emirates	**49%**	-

As at 30 June 2012, the Consolidated Entity's interest in the Restonic group (comprising of all Malaysian entities above) was classified as held for sale (refer Note 16).

NOTE 28 – NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Profit/(loss) after income tax		**(450,847)**	(131,485)
Add/(less) non-cash items			
Depreciation and amortisation	3	**15,207**	21,029
Equity settled share based payments	3	**(380)**	1,032
Impairment of intangible assets	4	**502,709**	214,700
Impairment of other assets	4	**555**	6,019
Loss on sale of businesses and other assets	4	**2,760**	2,269
Gain on disposal of properties	4	**(3,490)**	-
Net cash from operating activities before change in assets and liabilities		**66,514**	113,564
(Increase)/decrease in trade and other receivables		**39,581**	(4,007)
(Increase)/decrease in inventories		**18,229**	(38,086)
(Increase)/decrease in other assets		**3,134**	(3,439)
(Increase)/decrease in deferred tax assets		**(7,844)**	13,047
Increase/(decrease) in trade and other payables		**7,626**	3,044
Increase/(decrease) in income tax payable		**(7,122)**	12,629
Increase/(decrease) in restructuring provisions		**1,980**	(11,725)
Increase/(decrease) in employee and other provisions		**(14,999)**	9,664
Net cash from operating activities		**107,099**	94,691

NOTE 29 – EMPLOYEE BENEFITS

	NOTE	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
Aggregate liability for employee benefits, including on-costs:			
Current	19	**32,779**	48,123
Non-current	19	**3,319**	3,889
		36,098	52,012

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 2012	CONSOLIDATED 2011
Assumed rate of increase in wage and salary rates (per annum):	**4.0%**	4.0%
Discount rate (per annum)	**2.3%**	4.5%
Settlement term (period)	**6 years**	6 years
Number of active defined benefit plan members	**24**	35

(a) Superannuation plans

The Consolidated Entity contributes to the Pacific Brands Superannuation Plan (‘Plan’), which is a plan in the Mercer Super Trust, at rates advised from time to time by the Plan’s actuary. Defined benefit plan members receive lump sum benefits on retirement, death, disablement or withdrawal. The defined benefit section of the Plan is closed to new members.

The Consolidated Entity has been contributing at the rates set out in the previous actuarial review, as at 1 July 2011, as adjusted in accordance with annual updates provided by the Plan’s actuary.

The Consolidated Entity expects to make a contribution of $2.6 million in the 2013 financial year.

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

Movements in the recognised net defined benefit obligation

	CONSOLIDATED 2012 $'000	2011 $'000
Present value of funded defined benefit obligation	**11,569**	13,734
Fair value of Plan assets	**(8,813)**	(10,683)
Deficit	**2,756**	3,051
Unrecognised actuarial losses/(gains)	**3,147**	2,467
Net (asset)/liability for defined benefit obligation at 30 June	**(391)**	584

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

	CONSOLIDATED 2012 $'000	2011 $'000
Opening defined benefit obligation	**13,734**	25,057
Service cost	**901**	1,258
Interest cost	**564**	898
Contributions by Plan participants	**218**	349
Actuarial losses/(gains)	**714**	1,053
Benefits paid	**(1,747)**	(8,317)
Taxes and premium paid	**(404)**	(587)
Contributions to accumulation section	**(196)**	(298)
Curtailment	**95**	19
Settlements	**(2,310)**	(5,698)
Closing defined benefit obligation	**11,569**	13,734

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

	CONSOLIDATED 2012 $'000	2011 $'000
Opening fair value of Plan assets:	**10,683**	23,330
Expected return	**775**	1,212
Actuarial gains/(losses)	**(792)**	692
Contributions by employer	**2,586**	-
Contributions by Plan participants	**218**	349
Benefits paid	**(1,747)**	(8,317)
Taxes and premiums paid	**(404)**	(587)
Contributions to accumulation section	**(196)**	(298)
Settlements	**(2,310)**	(5,698)
Closing fair value of Plan assets	**8,813**	10,683

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

	CONSOLIDATED 2012	2011
Australian equities	**26%**	27%
International equities	**28%**	29%
Fixed income	**18%**	14%
Property	**16%**	14%
Cash	**12%**	16%

The investment policies and strategies for the defined benefit superannuation plans and post-retirement benefits funds do not use target allocations for the individual asset categories. The fund's investment goals are to maximise returns subject to specific risk management policies. Its risk management policies permit investments in mutual funds and prohibit direct investments in debt and equity securities and derivative financial instruments. The policies address diversification by the use of mutual fund investments whose underlying investments are in domestic and international equity securities and domestic and international fixed income securities. These mutual fund investments are readily marketable and can be sold to fund benefit payment obligations as they become payable.

Historical information

Amounts for the current and previous periods are as follows:

	CONSOLIDATED				
	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Defined benefit obligation	**11,569**	13,734	25,057	34,943	41,173
Fair value of Plan assets	**(8,813)**	(10,683)	(23,330)	(28,502)	(44,114)
Deficit/(surplus) in Plan	**2,756**	3,051	1,727	6,441	(2,941)
Experience adjustments (gains)/losses – Plan assets	**792**	(692)	(482)	8,620	7,539
Experience adjustments losses/(gains) – Plan liabilities	**(735)**	982	1,074	(2,733)	(615)

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

	CONSOLIDATED	
	2012 $'000	2011 $'000
Service cost	**901**	1,258
Interest cost	**564**	898
Expected return	**(775)**	(1,212)
Actuarial losses	**174**	168
Curtailment and settlement loss	**747**	1,134
	1,611	2,246
The expenses are recognised in the following line items in the Statement of Comprehensive Income:		
Administrative expenses	**864**	1,112
Other expenses	**747**	1,134

	CONSOLIDATED	
	2012 $'000	2011 $'000
Principal actuarial assumptions at balance date (expressed as weighted average annual rates):		
Actual return on Plan assets	**(17)**	1,904
Discount rate at 30 June	**2.3%**	4.5%
Expected return on Plan assets at 30 June	**7.0%**	7.0%
Future salary increases	**4.0%**	4.0%

The expected return on Plan assets at 30 June assumption is determined by weighting the expected long term return for each asset class by the target allocation of asset classes. The returns used for each class are net of investment tax and investment fees. An allowance for administrative expenses has been deducted from the expected return.

(b) Share based payments

The Company has a share plan pursuant to which senior executives may acquire shares. This is the Performance Rights Plan (which is open to executive directors and other selected senior executives). The Company also has in place a deferred share plan, which has not issued any rights since 1 July 2007.

(i) Performance Rights Plan ('PRP')

General

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

Vesting conditions

Total shareholder performance return conditions

The performance conditions based on the relative total shareholder return ('TSR') of the Company are measured against a comparator group of companies. The comparator group of companies differs for each grant; explanation of the comparator groups of companies are contained on page 37 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 F10, F11 and F12 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 F10, F11 and F12 grants. The Board introduced this performance requirement because:

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

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

PERCENTAGE OF SHARES IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS	F10, F11 AND F12 PERFORMANCE RIGHTS EPS TARGET
0%	The Company's compound EPS growth is less than 5.0%
50%	The Company's compound EPS growth equals 5.0%
Pro rata between 50% and 100%	The Company's compound EPS growth is between 5.0% and 8.0%
100%	The Company's compound EPS growth is equal to or exceeds 8.0%

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

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.

	F12 GRANT	F11 GRANT	F10 GRANT
Fair value of performance rights and assumptions			
Fair value at measurement date	$0.42	$0.64	$0.64
Share price	$0.57	$0.89	$0.89
Expected volatility	68%	71%	71%
Performance right life (period)	3 years	3 years	3 years
Dividend yield (per annum)	7.0%	7.0%	7.0%
Risk-free interest rate (per annum)	3.1%	4.4%	4.5%

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:

	F12 GRANT[1]	F11 GRANT[1]	F10 GRANT[1]
1 July 2010	-	3,338,212	2,433,383
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	(258,427)	(224,578)
30 June 2011	-	3,079,785	2,208,805
Granted	**3,606,763**	**-**	**-**
Exercised	**-**	**-**	**-**
Forfeited	**(477,648)**	**(433,929)**	**(430,926)**
30 June 2012	**3,129,115**	**2,645,856**	**1,777,879**

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 F12 GRANT	MAXIMUM % OF F11 GRANT	MAXIMUM % OF F10 GRANT
30 June 2012	N/A	N/A	0
30 June 2013	N/A	100%	100%
30 June 2014	100%	100%	N/A
30 June 2015	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.

(ii) Deferred shares

Grants of deferred shares

The Board has approved the following grants of deferred shares. The movement in the number of deferred shares during the year is as follows:

	F08 GRANT (NUMBER)
1 July 2010	700,000
Granted	-
Exercised	(272,000)
Forfeited	(182,000)
30 June 2011	246,000
Granted	**-**
Exercised	
Forfeited	**(246,000)**
30 June 2012	**-**

Valuation

The fair value of the deferred shares was calculated at the date of grant based on the fair value of shares on that date. Expected dividends are not considered in the determination of the fair value of deferred shares. The fair value of deferred shares is allocated to each reporting period evenly over the period from grant date to vesting date. The value of share based payments disclosed in Note 3 includes a portion of the fair value of the deferred shares allocated to this year. In valuing the deferred shares, the following assumptions have been taken into account

	F08 GRANT
Fair value of deferred shares and assumptions	
Fair value at measurement date	$2.85
Share price	$3.45
Deferred share life (period)	3 years

Performance conditions for vesting

The conditions with respect to deferred shares issued in F08 are based on the following:

- 60% of the deferred shares will be available to vest in accordance with the following schedule measured at the end of the three year performance period:

TARGET	PERCENTAGE OF SHARES AVAILABLE IN GIVEN YEAR THAT VESTS
The Company's 3 year compound EPS growth rate is less than 8.5% pa	0%
The Company's 3 year compound EPS growth rate is 8.5% pa	25%
For each 0.1% pa increase in the Company's 3 year compound EPS growth rate above 8.5% pa	Pro rata between 25% and 100% (3.75% increase for each 0.1% additional EPS growth)
The Company's 3 year compound EPS growth rate is above 10.5% pa	100%

- 40% of the deferred shares were available to vest if eligible executives discharged their obligations to the Company in accordance with annual key performance indicators agreed with their managers. This performance condition was determined at the end of the three year performance period (ie after 30 June 2010 for the F08 grant) by the Chief Executive Officer
- If the target compound EPS growth rate did not reach 10.5% per annum at the end of the initial three year period, and some of the deferred shares remain unvested, those unvested deferred shares remain available for a further two years, and will be re-tested at the end of that time (ie 30 June 2012 for the F08 grant). The unvested deferred shares will then be tested over a five year period in accordance with the vesting schedule above, so that if the threshold compound EPS growth rate of 8.5% per annum is achieved over the five year period, 25% of those previously unvested deferred shares will vest. Vesting will again be scaled on a straight line basis to 100%, at the target compound EPS growth rate of 10.5% per annum

Based on the EPS growth rate of the Company for F12, no deferred shares vested on 30 June 2012 in relation to the F08 grant and accordingly the F08 grant of deferred shares lapsed.

NOTE 30 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation

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

	CONSOLIDATED	
	2012 $	2011 $
Short term employee benefits	**5,401,733**	8,648,698
Non-monetary benefits	**210,739**	276,944
Post-employment benefits	**498,746**	630,765
Termination benefits	**-**	974,003
Share based payments	**(421,370)**	1,461,790
	5,689,848	11,992,200

The KMP of the Company and the Consolidated Entity are defined under AASB 124 to include the non-executive directors, the executive directors and those 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 32 to 46.

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

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 2010	GRANTED	EXERCISED	FORFEITED	HELD AT 30 JUNE 2011	GRANTED	EXERCISED	LAPSED/ FORFEITED	HELD AT 30 JUNE 2012
Current senior executives									
S M Morphet[1]	1,311,592	1,377,078	-	(82,677)	2,605,993	1,873,807	-	-	4,479,800
D L Bortolussi[2]	329,639	336,809	-	-	666,448	476,490	-	-	1,142,938
C M Garnsey[3]	-	1,981,818	-	-	1,981,818	477,648	-	(2,459,466)	-
A M Heraghty	60,000	212,035	(60,000)	-	212,035	358,209	-	-	570,244
H S Kramer[4]	100,000	307,416	-	-	407,416	420,609	(100,000)	-	728,025
Former executives									
M J Allibon[5]	193,060	190,039	-	-	383,099	-	-	(383,099)	-
R A Taylor[6]	266,212	243,890	-	(28,346)	481,756	-	-	(481,756)	-
K J Hann[7]	245,309	210,271	-	(25,984)	429,596	-	-	-	429,596

1 In accordance with Australian Stock Exchange Listing Rules 10.11 and 10.14, the 2010 grant (effective 1 July 2009) of performance rights to the Chief Executive Officer was approved by the Company's shareholders at the Company's Annual General Meeting on 25 October 2010

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

3 On 26 October 2010, the Company agreed to grant C M Garnsey a sign on bonus of 1,981,818 performance rights. These were issued at no cost to C M Garnsey effective 1 July 2011 and were to vest on 1 July 2013 subject to C M Garnsey satisfying the performance condition that she still be in the employ of the Company on that date. C M Garnsey ceased as Group General Manager, Underwear on 20 June 2012 after tendering her resignation that day. These performance rights were forfeited upon C M Garnsey's resignation from the Company on 20 June 2012

4 On 3 May 2010, the Company agreed to grant H S Kramer a sign on bonus of 100,000 performance rights. The performance rights were issued at no cost to H S Kramer effective 1 July 2010 and were subject to H S Kramer satisfying the performance condition that she remain employed by the Company until at least 1 July 2011. As H S Kramer was still employed by the Company on that date these rights vested on 1 July 2011 and accordingly 100,000 fully paid ordinary shares were issued to H S Kramer. H S Kramer ceased as Group General Manager, Workwear on 23 July 2012 after tendering her resignation that day. She will cease employment with the Company on 22 August 2012. All remaining performance rights will be forfeited upon H S Kramer's resignation from the Company on 23 July 2012

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

6 R A Taylor ceased as KMP on 24 August 2011 when it was announced that the Company would integrate the operations of Bonds and Omni Apparel and he ceased employment with the Company on 15 November 2011

7 K J Hann ceased as KMP on 24 August 2011 when it was announced that the Company would integrate the operations of Bonds and Omni Apparel. She remains in employment with the Company but no longer meets the definition of KMP

No performance rights were exercised in relation to the PRP during the year ended 30 June 2012. 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 2010	PURCHASES	RECEIVED ON VESTING OF PERFORMANCE RIGHTS	SALES	HELD AT 30 JUNE 2011	PURCHASES	RECEIVED ON VESTING OF PERFORMANCE RIGHTS	SALES	HELD AT 30 JUNE 2012
Current non-executive directors									
J A C MacKenzie	202,162	-	-	-	202,162	-	-	-	202,162
P H Bush	-	10,000	-	-	10,000	-	-	-	10,000
J S King	25,000	-	-	-	25,000	-	-	-	25,000
N L Scheinkestel	54,600	-	-	-	54,600	-	-	-	54,600
A M Tansey	550	-	-	-	550	-	-	-	550
Former non-executive director									
M A Plavsic	197,263	-	-	-	197,263	-	-	-	N/A
Current senior executives									
S M Morphet	1,081,600	-	-	-	1,081,600	-	-	-	1,081,600
D L Bortolussi	343,000	1,372,840	871,080	(258,000)	2,328,920	-	871,080	-	3,200,000
C M Garnsey	-	-	-	-	-	-	-	-	-
A M Heraghty	-	-	60,000	-	60,000	-	-	(60,000)	-
H S Kramer	-	-	-	-	-	-	100,000	-	100,000
Former senior executives									
M J Allibon[1]	-	-	-	-	-	-	-	-	N/A
R A Taylor[2]	100,163	-	-	-	100,163	-	-	(95,141)	N/A
K J Hann[3]	23,766	-	-	-	23,766	-	-	-	N/A

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

2 R A Taylor ceased as KMP on 24 August 2011 when it was announced that the Company would integrate the operations of Bonds and Omni Apparel and he ceased employment with the Company on 15 November 2011

3 K J Hann ceased as KMP on 24 August 2011 when it was announced that the Company would integrate the operations of Bonds and Omni Apparel. She remains in employment with the Company but no longer meets the definition of KMP

NOTE 31 – COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2012, the parent company of the Consolidated Entity was Pacific Brands Limited.

		COMPANY	
	NOTE	2012 $'000	2011 $'000
Result of the Company			
Profit/(Loss)		**(403,070)**	(216,221)
Total comprehensive income/(loss)		**(403,070)**	(216,221)
Financial position of the Company at year end			
Current assets		**138,905**	46,592
Total assets		**809,012**	1,219,892
Current liabilities		**15,134**	23,118
Total liabilities		**106,571**	54,646
Total equity of the Company comprising of:			
Share capital		**809,000**	1,469,094
Equity compensation reserve		**5,329**	5,709
Retained profits/(accumulated losses)		**(111,888)**	(309,557)
Total equity		**702,441**	1,165,246

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 are not represented by available assets, reflecting the impairment charges incurred by the Company during the year ended 30 June 2011 and the half year ended 31 December 2011. This had the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The equity transaction was made in accordance with Section 258F of the Corporations Act 2001, did not impact the number of shares on issues, and will not result in any gains or losses being recognised in future reporting periods.

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

		COMPANY	
	NOTE	2012 $'000	2011 $'000
The aggregate amounts invested in/receivable from controlled entities are:			
Amounts receivable other than trade debtors			
Current			
Wholly-owned controlled entity		**138,867**	46,546
Non-current			
Wholly-owned controlled entity		**669,616**	1,172,316

The Company recognised an impairment in the value of its equity loan to Pacific Brands Australia Pty Ltd ('PBA') by $338.7 million at 31 December 2011. During the second half, the Company released PBA of its obligation to pay the equity loan and effected the reduction in the Company's share capital for an equivalent amount that is lost or not represented by available assets (as disclosed on page 90). As disclosed in Note 14, the Consolidated Entity recognised further impairment of its intangible assets amounting to $114 million at 30 June 2012. This has resulted in a corresponding impairment of the Company's equity loan to Pacific Brands Australia Pty Ltd. On 21 August 2012, as a consequence of the impairment of the equity loan, the Company decided to forgive the impaired amount of $114 million as set out in parent entity subsequent events below.

Parent entity subsequent events

On 21 August 2012, the Company did the following:

- Released PBA of its obligation to pay the equity loan it owes, for the amount of $114 million
- Reduced its share capital by a further $114 million for the amount that is lost or not represented by available assets (refer Note 32)
- Recognised $22.8 million of dividend revenue it received from its subsidiary Pacific Brands Australia Pty Ltd. The Company has decided to appropriate $22.8 million into a separate profits reserve for the purpose of future dividend payments to shareholders

NOTE 32 – EVENTS SUBSEQUENT TO BALANCE DATE

On 13 August 2012, the Company entered into a binding agreement to sell the Wentworthville property. The sale is expected to generate net proceeds of $27 million, giving rise to an estimated profit on sale of $11 million (no tax effect) which will be brought to account in the 2014 financial year in line with expected completion in December 2013.

As disclosed in Note 14, the Consolidated Entity recognised further impairment of its intangible assets amounting to $114 million at 30 June 2012. This has resulted in a corresponding impairment of the Company's equity loan to Pacific Brands Australia Pty Ltd. On 21 August 2012, as a consequence of the impairment of the equity loan, the Company decided to forgive the impaired amount of $114 million as set out in parent entity subsequent event (Note 31). The Company also made the decision to reduce its share capital by $114 million for the amount that is lost or not represented by available assets, reflecting the impairment charges incurred by the Consolidated Entity during the second half of the year ended 30 June 2012. This will have the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The equity transaction has been made in accordance with Section 258F of the Corporations Act 2001, does not impact the number of shares on issue, and will not result in any gains or losses being recognised in future reporting periods. The financial effect of this transaction is not included in the financial statements for the year ended 30 June 2012.

On 22 August 2012, the Company declared a dividend (refer Note 23).