PACIFIC BRANDS

18 February 2014

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

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

Dear Sir/Madam

HALF YEAR REPORT FOR THE 6 MONTHS ENDED 31 DECEMBER 2013

In accordance with Australian Securities Exchange Listing Rule 4.2A, attached is the Company's Appendix 4D – Half year Report for the period 1 July 2013 to 31 December 2013, together with a copy of a Press Release which the Company intends to send to the media today.

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

Yours faithfully
Pacific Brands Limited

John Grover
Company Secretary

Enc.

PACIFIC BRANDS

18 February 2014

Half Year Results Announcement

- A year of investment and transition as the Company continues to execute its strategy to deliver long term value by focusing on the consumer and retail, and by investing in its key brands (especially Bonds and Sheridan) notwithstanding near term earnings pressure
- Reported sales for the six months to 31 December 2013 (1H14) up for the first time in 5 years by 2.7% to $656.3 million driven by growth in Bonds (up 20.4%[1]) and Sheridan (up 15.0%[1]), continued expansion in retail and online, and significantly stronger overall 2Q14 trading relative to 1Q14
- Reported net loss after tax of $219.0 million for 1H14 due mainly to the impact of impairment charges (non-cash) and restructuring costs in Workwear and Brand Collective
- Consistent with prior outlook statements and before the impact of significant items[2], EBIT down 14.1% to $55.2 million and net profit after tax down 15.1% to $33.0 million versus 1H13, with Workwear and Brand Collective results down materially
- Workwear results have been impacted by structural change in the market (particularly in the industrial and defence sectors) and Brand Collective produced a marginally profitable result. Deep restructuring is in progress to deliver sustained improvement in each business
- Solid balance sheet and cash flow maintained with a dividend of 2.0 cents per share declared (fully franked), representing a payout ratio of 55%

Group result (reviewed)[3] for the six months ended 31 December 2013

$ millions	Reported			Before significant items[2]		
	1H14	1H13	Change	1H14	1H13	Change
Sales	656.3	639.2	2.7%	656.3	639.2	2.7%
EBIT	(210.0)	64.3	n.m.	55.2	64.3	(14.1)%
NPAT[4]	(219.0)	38.9	n.m.	33.0	38.9	(15.1)%
EPS (cps)	(24.0)	4.3	n.m.	3.6	4.3	(15.1)%
DPS (cps)	2.0	2.5	(20.0)%	2.0	2.5	(20.0)%
Net debt[5]	170.3	177.7	(4.1)%	170.3	177.7	(4.1)%

1 Data has not been subject to independent review
2 Before significant items as disclosed in Note 7 to the Financial Statements. Results excluding such items are considered by Directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by Directors in determining dividends
3 Other than as indicated, the financial information contained in this document is directly extracted or calculated from the reviewed Financial Statements
4 After deducting non-controlling interest
5 Net debt comprises interest bearing loans and borrowings less cash and cash equivalents

Commentary

Chief Executive Officer, John Pollaers, said: “This is a year of investment and transition. Our strategy is to progressively stabilise earnings by making disciplined investments to return the business to sustainable sales and earnings growth. There are clear signs of improvement in underlying performance and momentum is building across a number of brands and businesses.

“Despite the continuing difficult retail and business conditions, the Company grew reported sales (by 2.7%) for the first time in five years. Second quarter sales were up significantly including a strong Christmas trading period.

“We are particularly pleased with the performance of Bonds, Berlei and Sheridan, each of which grew sales materially on the back of increased investment in brands and retail.

“We have moved from a corporate holding company to a listed operating company in four key categories, and we have changed the language and mindset of the business from being a wholesaler to become a more consumer focused and increasingly retail led business.

“Our disciplined expansion of key retail networks is showing great results, with new concepts such as Bonds Kids also proving to be very successful, and online is growing rapidly.

“However, the pain being felt in the Australian manufacturing, construction and resource sectors is flowing through to businesses like ours. We noted the risks to the carrying value of Workwear in our accounts last year, and unfortunately the significant decline in demand from these sectors and increased competitive intensity have led to structural changes in the workwear market and driven our decision to take a further impairment of goodwill and brand names in that business.

“We are going deep into the Workwear business to address the underlying barriers to better performance. A comprehensive review has identified certain segments, products and customers that are now marginally profitable driven by aggressive pricing and over capacity in the market. The review has also identified cost reduction and profit improvement opportunities, many of which are already underway. We remain a global leader in the industry and I am confident in the business’ long term prospects, albeit that the near term outlook remains challenging.

“While we were pleased that a number of the brands within the Brand Collective group showed improvement, its overall performance led to an impairment of some of its assets. More work is being done to lift the returns of that business to more acceptable levels, including a full restructure to bring together the premium brands to drive growth and a resetting of the cost base to fit the size of the business.

“We are very pleased with our progress overall, but the full benefits of our investments will take time to materialise in the face of significant headwinds, so as we have said previously, earnings performance will be affected in the short term.”

Group results

Reported sales were up 2.7% due mainly to growth in Bonds and Sheridan and underpinned by increased direct-to-consumer sales, reflecting the increased investment and success in both online and retail. 2Q14 trading was significantly stronger than 1Q14, with a successful Christmas trading period driving December sales to be well up on the prior year. These factors more than offset lower wholesale sales primarily due to the significant declines in industrial and defence sectors, and reduced distribution and sales of portfolio brands.

A reported net loss after tax of $219.0 million was recorded for 1H14. The loss was due to significant items of $252.0 million (after tax) comprising: $254.8 million of non-cash write-downs (after tax) mainly in Workwear and Brand Collective and cash restructuring costs of $11.1 million (after tax); net of a profit on sale of the Wentworthville property $10.8 million (no tax effect) and a favourable $3.0 million tax settlement.

Before significant items, EBIT was down 14.1% to $55.2 million and net profit after tax was down 15.1% to $33.0 million, primarily due to lower wholesale sales (particularly in Workwear and Brand Collective) and margin pressure across the group.

Gross margins before significant items were essentially flat (down 0.1 percentage point to 48.6%) with relatively higher Underwear and Sheridan sales and increased vertical margin from greater direct-to-consumer sales, being offset by increased promotional activity, a shift in sales mix towards lower margin channels in Workwear and higher import costs including lower realised FX rates.

Cost of doing business (CODB) increased by $16.5 million to $263.7 million, an increase of 6.7%. This reflected an increase in advertising spend of more than $4 million, as well as significant further investment in the direct-to-consumer elements of the Company's growth strategy, with the total number of stores increasing by 28 in the last 6 months (including 18 acquired stores).

Cash conversion[1,6] decreased from 102.9% in 1H13 to 87.2% in 1H14 due to growth and timing impacts, with cash conversion over the last 12 months being 99.5%. Lower operating cash flow combined with increased capital investment in retail, restructuring payments and several bolt-on acquisitions net of the proceeds from the Wentworthville property sale, resulted in an increase in net debt from $159.1 million at June 2013 to $170.3 million at 31 December 2013. Net debt was, however, lower relative to 1H13 ($177.7 million). The Company maintained a solid financial position and conservative capital structure with gearing[1,7] at 1.3 times and interest cover[1,7] of 7.4 times.

Segment results

Underwear

Reported sales were up 10.0% to $242.5 million and reported EBIT was $48.0 million, including a gain on the sale of the Wentworthville property of $10.8 million. EBIT before significant items was down 4.2% to $37.2 million.

Key brands (Berlei, Bonds, Explorer, Jockey and hosiery brands) represented 88%[1] of Underwear sales and grew by $25.9[1] million or 13.9%[1], driven by the growth brands of Bonds and Berlei.

Bonds sales were up over 20%[1]. Its sales were up primarily in direct channels (both in store and online) but also grew in wholesale. Sales continued to benefit from category extensions and were responsive to increased investment, key innovations and related campaigns (eg Lacies, Bonds Collectibles, Boobs (bras)).

Berlei sales were up over 15%[1], aided by increased investment, ongoing benefit from sports bra growth, and growth in online.

Explorer was up 9.5%[1] due to increased distribution in wholesale. Jockey was strong in New Zealand but declined overall due to weaker domestic sales in the discount department store channel.

Hosiery brands (eg Razzamatazz) represented 6%[1] of Underwear sales and were down by 18.8%[1] primarily due to increased private label competition, especially in supermarkets.

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6 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

7 Defined as per the Subscription Agreement with the company's banking syndicate as follows:
- Gearing: (Total cash debt – relevant cash and cash equivalent held) / Last Twelve Months (LTM) EBITDA before significant items
- Interest cover: LTM EBITDA before significant items / LTM interest expense excluding amortisation of deferred borrowing costs and unused line fees

Portfolio brands represented 12%[1] of Underwear sales and declined by 11.1%[1]. This reflected an improvement in trajectory, with Hestia up and Rio declines slowing in discount department stores and supermarkets.

EBIT (pre significant items) was down due mainly to wholesale margin pressure arising from increased trade spend and promotional activity, product mix and reduced distribution of portfolio brands.

Sheridan Tontine

Reported sales were up 11.1% to $105.8 million and reported EBIT was $8.0 million. EBIT before significant items was up 32.6% to $8.6 million.

Sheridan was up over 15%[1] driven by continued store rollout, increased online sales (for both Boutique and SFO) and UK growth (with UK sales also higher due to currency translation).

Tontine sales were up over 8%[1] despite the loss of a major customer. Sales with other discount department store customers were up and there were signs of some consumers swinging back to brands in preference to private label.

EBIT was up due to continuing expansion of retail (eg total number of stores increasing by 10 in the last 6 months) and online (eg Sheridan and SFO).

Workwear

Reported sales were marginally up overall (up 0.9% to $178.3 million). Reported EBIT was a loss of $248.1 million due mainly to the impairment of goodwill and brand names, and restructuring costs. EBIT before significant items was down 39.3% to $11.4 million.

Bolt-on acquisitions of B2B imagewear businesses (ie Totally Corporate (NSW) in 2H13 and Incorporatewear (UK) in 1H14) and Totally Workwear franchisees (ie 2 stores in 2H13) contributed to sales, and international, imagewear and online (eg Hard Yakka) were also up.

However, the industrial and defence businesses were down significantly. Industrials were heavily impacted by reduced demand from the manufacturing, construction and resource sectors, and defence was down due to the transition to peace time demand following the withdrawal from Afghanistan. At the same time, there has also been an increasing shift to value products, private label penetration and growth in vertical retailers.

These factors, combined with a clear focus on cost reduction by corporates and government resulting in lower average workwear sales per employee, have led to an increase in competitive intensity and margin pressure in certain segments and channels. Such changes now appear to be more structural than cyclical in nature, and have resulted in a material shift in the shape, cost to serve and EBIT margins of the Workwear business.

Management has reviewed the market and business in detail, and is taking immediate action to restructure the business to reduce costs and improve performance.

Brand Collective

Reported sales were down 12.9% to $108.3 million and reported EBIT was a loss of $12.3 million due to impairment and restructuring costs. EBIT before significant items was down 70.4% to $0.9 million.

Sales were heavily impacted by exited brands and businesses. As previously announced, the Stussy and Naturalizer licences were not renewed, and the business decided to exit the Diesel licence which was unprofitable.

Key brands grew overall by 3.3%[1] but there was mixed performance. Hush Puppies sales were up significantly, reflecting improved retail and wholesale performance due to better ranges.

Clarks was up marginally due to expanded distribution for its adults range. Superdry was also up, primarily due to improved retail performance.

Portfolio brands were down by 12.0%[1], but with improved sales trajectory due to Grosby showing flat performance following improvements in both range and distribution.

EBIT (pre significant items) was down driven by sales and licence losses, but partly offset by restructuring to lower fixed overhead costs.

Significant items

Significant items of $252.0 million after tax were reported for the period comprising:

- Non-cash impairment of goodwill and brand names ($242.2 million)
- Non-cash impairment and write down of other assets ($12.6 million)
- Cash restructuring costs ($11.1 million)
- Profit on sale of Wentworthville property ($10.8 million)
- Tax settlement refund ($3.0 million)

Non-cash impairment charges of $242.2 million were recognised mainly in relation to goodwill and brand names in Workwear ($241.7 million) due to structural changes in the workwear market materially impacting performance and growth expectations. The assessment of recoverable amount was supported by an external valuation. Additional non-cash impairment and write downs of $12.6 million mainly related to Brand Collective ($7.8 million) due to a further decline in the overall performance in that business.

Cash restructuring costs amounting to $11.1 million (after tax) were incurred mainly in relation to Workwear and Brand Collective to address profitability, and also in relation to the Sheridan Tontine integration and other corporate / functional restructuring. The costs included redundancies, site closure costs, onerous lease / contract charges and consulting costs, and the related benefits will help support business earnings in the current challenging market conditions.

Other significant items related to the net profit on sale of the Wentworthville property of $10.8 million (no tax effect) and a tax settlement refund of $3.0 million.

Dividends

The Directors declared a dividend of 2.0 cents per share fully franked, reducing the payout ratio to 55% (from 59% in 1H13).

The Dividend Reinvestment Plan (DRP) will be reinstated for the 2014 interim dividend and thereafter until further advice. The DRP enables shareholders to reinvest either all or part of their dividend payments into additional fully paid Pacific Brands shares in a convenient and cost-effective way. No discount will apply to the price of shares under the DRP and the price per share will be calculated according to the DRP Rules (refer Pacific Brands website), with the period used to determine the price being the 10 trading day period commencing on 11 March 2014. Pacific Brands will issue new shares to participants under the DRP.

F14 Trading update and outlook

The Company expects a continuation of challenging and variable market conditions.

Second half-to-date sales performance has been mixed by business with overall sales marginally up versus PCP.

In relation to 2H14 (before significant items) compared to 2H13:

- Sales are expected to be up due mainly to growth in retail and online
- Gross margins are expected to be down due mainly to competitive and FX pressures
- CODB is expected to be up due to increased investment in retail
- Workwear EBIT is expected to be down by a greater percentage than 1H14 (ie greater than 39%)
- Group EBIT is expected to be down by a similar percentage to 1H14 (c.14%)

Further restructuring costs are expected in 2H14 as the Company continues to take action to reduce costs and improve performance. Such initiatives are currently work in progress but at this stage are likely to be significantly less than those incurred in 1H14.

Lower FX rates are expected to adversely impact margins, inventory balances and cash conversion from 4Q14 continuing into F15, notwithstanding the Company's actions to mitigate through a combination of price increases, mix improvement, sourcing benefits and cost reduction initiatives.

For further information contact:

Investors

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

ASX Appendix 4D – Interim Financial Report for the half year ended 31 December 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue	Up 2.7% to	$656.3 million
Earnings before interest and tax	n.m.[2]	($210.0) million
Earnings before interest, tax and significant items[1]	Down 14.1% to	$55.2 million
Net loss for the period after tax	n.m.[2]	($219.0) million
Net loss attributable to owners of the parent	n.m.[2]	($219.0) million

1. Individually significant items are disclosed in Note 7 to the interim financial report. Results excluding such items are considered by directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by directors in determining dividends
2. Movement from previous period not considered meaningful

DIVIDENDS

	AMOUNT PER SHARE	TOTAL AMOUNT	FRANKED AMOUNT
Interim Dividend	2.0 cents	$18.3 million	100%

The Company's dividend record date is 10 March 2014 and the dividend is payable on 2 April 2014.

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	$0.16	$0.13

The previous corresponding period is 31 December 2012.

The interim financial report has been subject to review by KPMG.

FURTHER INFORMATION:

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DIRECTORS' REPORT

The directors of Pacific Brands Limited (the 'Company') present their report together with the condensed consolidated interim financial report ('interim financial report') of the Company and its controlled entities (collectively the 'Consolidated Entity') as at and for the half year ended 31 December 2013 and the auditor's review report thereon.

1. DIRECTORS

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

Non-executive	Year of Directorship
P H Bush, Chairman	Director since August 2010
S T Goddard	Director since May 2013
J S King	Director since September 2009
J P Ling	Director since May 2013
H E Nash	Appointed Director August 2013
L B Nicholls	Appointed Director October 2013
A M Tansey	Director since March 2010. Resigned October 2013

Executive	
J C Pollaers, Chief Executive Officer	Appointed as CEO and Director September 2012

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

2. REVIEW OF OPERATIONS

A review of the operations of the Consolidated Entity during the 2014 half year and of the results of those operations and financial position of the Consolidated Entity is contained in the accompanying Pacific Brands Limited half year results announcement dated 18 February 2014.

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

The lead auditor's independence declaration is set out on page 18 and forms part of the directors' report for the half year ended 31 December 2013.

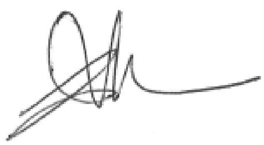
4. ROUNDING OFF

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as in force on 31 December 2013) and in accordance with that Class Order amounts in the interim financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the directors.

Dated at Melbourne this 18th day of February 2014.

Peter Bush
Chairman



John Pollaers
Chief Executive Officer

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		CONSOLIDATED	
	NOTE	HALF YEAR ENDED 31 DECEMBER 2013 $'000	HALF YEAR ENDED 31 DECEMBER 2012 $'000
Sales revenue	5	**656,262**	639,193
Cost of sales		**(339,406)**	(330,292)
Gross profit		**316,856**	308,901
Other income	5	**12,642**	2,553
Freight and distribution expenses		**(57,760)**	(55,849)
Sales and marketing expenses		**(149,338)**	(132,865)
Administrative expenses		**(56,606)**	(58,480)
Other expenses	7	**(276,012)**	-
Share of net profit of investments accounted for using the equity method		**250**	-
Results from operating activities		**(209,968)**	64,260
Financial income		**1,632**	2,134
Financial expenses		**(11,079)**	(13,054)
Net financing costs		**(9,447)**	(10,920)
Profit/(loss) before income tax (expense)/benefit		**(219,415)**	53,340
Income tax (expense)/benefit	9	**428**	(14,407)
Profit/(loss)		**(218,987)**	38,933
Profit/(loss) attributable to:			
Owners of the Company		**(218,987)**	38,899
Non-controlling interest		**-**	34
Profit/(loss)		**(218,987)**	38,933
Other comprehensive income/(loss)			
Items that may be reclassified to profit and loss			
Changes in fair value of cash flow hedges (net of tax)		**(5,285)**	(4,911)
Foreign currency translation differences		**5,527**	(356)
Transfer of foreign currency differences on disposal of subsidiary		**-**	305
Items that will not be reclassified to profit and loss			
Defined benefit plan actuarial gains/(losses) (net of tax)		**258**	177
Other comprehensive income/(loss) for the period (net of tax)		**500**	(4,785)
Total comprehensive income/(loss) for the period		**(218,487)**	34,148
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(218,487)**	34,078
Non-controlling interest		**-**	70
Total comprehensive income/(loss) for the period		**(218,487)**	34,148
Earnings/(loss) per share:			
Ordinary shares	11	**(24.0) cents**	4.3 cents
Diluted shares	11	**(24.0) cents**	4.3 cents

The consolidated interim statement of comprehensive income is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 8 to 16.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		CONSOLIDATED	
	NOTE	31 DECEMBER 2013 $'000	30 JUNE 2013 $'000
Current assets			
Cash and cash equivalents		**124,117**	186,884
Trade and other receivables		**181,415**	175,854
Inventories		**263,906**	228,682
Other current assets		**9,285**	8,695
Assets held for sale	12	**-**	15,600
Total current assets		**578,723**	615,715
Non-current assets			
Trade and other receivables		**-**	796
Property, plant and equipment		**59,867**	66,519
Investments accounted for using the equity method	12	**7,778**	-
Intangible assets	14	**349,325**	584,093
Deferred tax assets		**23,131**	14,761
Total non-current assets		**440,101**	666,169
Total assets		**1,018,824**	1,281,884
Current liabilities			
Trade and other payables		**165,279**	118,182
Income tax payable		**1,209**	11,160
Provisions		**41,519**	49,894
Liabilities held for sale	12	**-**	4,125
Total current liabilities		**208,007**	183,361
Non-current liabilities			
Trade and other payables		**1,709**	2,103
Interest-bearing loans and borrowings	15	**294,441**	346,002
Provisions		**18,616**	13,134
Total non-current liabilities		**314,766**	361,239
Total liabilities		**522,773**	544,600
Net assets		**496,051**	737,284
Equity			
Share capital		**695,000**	695,000
Other reserves	13	**42,914**	34,663
Retained earnings/(accumulated losses)		**(241,863)**	7,621
Total equity		**496,051**	737,284

The consolidated interim statement of financial position is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 8 to 16.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2013 $'000	HALF YEAR ENDED 31 DECEMBER 2012 $'000
Cash flows from operating activities		
Cash receipts from customers	**717,301**	710,247
Cash paid to suppliers and employees	**(674,439)**	(644,451)
Income taxes paid	**(14,416)**	(21,216)
Interest paid	**(10,910)**	(12,429)
Interest received	**1,632**	2,134
Net cash from operating activities	**19,168**	34,285
Cash flows from investing activities		
Proceeds from disposal of businesses (net of cash disposed)	**-**	2,265
Proceeds from disposal of property, plant and equipment	**23,534**	5,625
Acquisition of businesses and investments (net of cash acquired)	**(20,946)**	-
Acquisition of property, plant and equipment	**(11,311)**	(6,739)
Net cash from/(used in) investing activities	**(8,723)**	1,151
Cash flows from financing activities		
Dividends paid	**(22,823)**	(22,826)
Dividends paid to non-controlling interest	**-**	(357)
Payments for shares bought to allocate to employees	**(595)**	-
Repayment of loans and borrowings (including refinancing costs)	**(52,162)**	-
Net cash used in financing activities	**(75,580)**	(23,183)
Net increase/(decrease) in cash and cash equivalents	**(65,135)**	12,253
Cash and cash equivalents at the beginning of the period	**186,884**	155,421
Effect of exchange rate fluctuations on cash held	**2,368**	(110)
Cash and cash equivalents at the end of the period	**124,117**	167,564

The consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the interim financial statements set out on pages 8 to 16.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	OTHER RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	NON CONTROLLING INTEREST	TOTAL EQUITY
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012	**809,000**	**(27,760)**	**(97,060)**	**684,180**	**2,298**	**686,478**
Profit/(loss)	-	-	38,899	38,899	34	38,933
Other comprehensive income/(loss)	-	(4,821)	-	(4,821)	36	(4,785)
Total comprehensive income/(loss)	**-**	**(4,821)**	**38,899**	**34,078**	**70**	**34,148**
Transactions with owners recorded directly in equity						
Share capital reduction[1]	(114,000)	-	114,000	-	-	-
Dividends recognised	-	-	(22,826)	(22,826)	(357)	(23,183)
Cost of share based payments	-	(165)	-	(165)	-	(165)
Disposal of subsidiary with non-controlling interest[2]	-	-	-	-	(2,011)	(2,011)
Balance at 31 December 2012	**695,000**	**(32,746)**	**33,013**	**695,267**	**-**	**695,267**
Balance at 1 July 2013	**695,000**	**34,663**	**7,621**	**737,284**	**-**	**737,284**
Profit/(loss)	**-**	**-**	**(218,987)**	**(218,987)**	**-**	**(218,987)**
Total other comprehensive income/(loss)	**-**	**500**	**-**	**500**	**-**	**500**
Total comprehensive income/(loss)	**-**	**500**	**(218,987)**	**(218,487)**	**-**	**(218,487)**
Transactions with owners recorded directly in equity						
Appropriation to profits reserve	**-**	**30,497**	**(30,497)**	**-**	**-**	**-**
Dividends recognised	**-**	**(22,823)**	**-**	**(22,823)**	**-**	**(22,823)**
On market purchase of performance rights	**-**	**(595)**	**-**	**(595)**	**-**	**(595)**
Cost of share based payments	**-**	**672**	**-**	**672**	**-**	**672**
Balance at 31 December 2013	**695,000**	**42,914**	**(241,863)**	**496,051**	**-**	**496,051**

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

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the interim financial statements set out on pages 8 to 16.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Pacific Brands Limited (the ‘Company’) is a company domiciled in Australia. The interim financial report of the Company as at and for the half year ended 31 December 2013 comprises the Company and its controlled entities (together referred to as the ‘Consolidated Entity’).

The interim financial report was authorised for issue by the directors on 18 February 2014.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2013 is available upon request from the Company's registered office at Level 2, 290 Burwood Road, Hawthorn, Victoria or on the Company's website at www.pacificbrands.com.au.

2. STATEMENT OF COMPLIANCE

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and IAS 34 *Interim Financial Reporting*.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2013.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as in force on 31 December 2013) and in accordance with that Class Order amounts in the interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Consolidated Entity in this interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2013. The following changes will also be reflected in the Consolidated Entity’s consolidated annual financial report for the year ending 30 June 2014.

Changes in accounting policies

The Consolidated Entity has adopted all new standards and amendments to standards required for adoption effective 1 July 2013. An assessment of applicable standards and amendments is set out below:

- AASB 10: *Consolidated Financial Statements* – AASB 10 introduces a revised definition of ‘control’, which now exists when an entity has power over an investee, which includes an exposure to variable returns and whether it can use its power to affect those returns. These changes do not affect any of the amounts recognised in the interim financial statements, however will be considered in the context of future investments
- AASB 11: *Joint Arrangements* – AASB 11 requires joint arrangements to be classified as either a joint operation or joint venture depending on an entity’s rights and obligations of the arrangement focusing more on a principles based approach rather than its legal structure. The changes do not affect the Consolidated Entity’s current joint arrangements
- AASB 12: *Disclosure of Interest in Other Entities* – AASB 12 requires disclosures around significant judgments and assumptions used to determine whether an entity controls/jointly controls an entity. The changes may impact disclosures around joint arrangements but does not affect any of the amounts recognised in the interim financial statements
- AASB 13: *Fair Value Measurement* – AASB 13 establishes a single framework for the measurement and disclosure of fair values. Additional disclosures are now required in interim financial statements for fair values relating to financial instruments, which are included in Note 15. The changes to fair value measurement do not significantly impact any of the amounts recognised in the interim financial statements
- AASB 2012-5: *Amendments to Australian Accounting Standards arising from Annual Improvements project 2009-2011* – These amendments require the disclosure of segment assets and liabilities in the interim financial statements only if the amounts are regularly provided to the Consolidated Entity’s chief operating decision maker (CODM), and there has been a material change from the amount disclosed in the last annual financial statements. As a result of this amendment, the Consolidated Entity will no longer disclose segment assets and liabilities in its interim financial statements on the basis that they are not regularly provided to the CODM in that form
- AASB 2011-4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* – This amendment allows removal of individual key management personnel disclosure requirements to avoid duplication of Remuneration Report disclosures. This change will be applied for the first time in the 30 June 2014 annual financial statements

The Consolidated Entity also early adopted AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*, effective 1 July 2013. The amendments require additional disclosures with regard to the measurement of the recoverable amount of impaired assets.

Impact of standards issued but not yet applied by the entity

New accounting standards and interpretations not yet applied by the Consolidated Entity are the same as those identified in its consolidated annual financial report as at and for the year ended 30 June 2013, except for those standards and interpretations adopted above and those standards set out below.

- AASB2013-9: *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* (effective 1 July 2015). This amendment introduces a new hedge accounting model to AASB9: *Financial Instruments*, which simplifies hedge accounting requirements and aligns with risk management activities. The amendment also extends the mandatory effective date of AASB9 to 1 January 2017. The amendments are not expected to impact the Consolidated Entity's accounting for financial assets and financial liabilities

4. ESTIMATES AND JUDGEMENTS

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. There have been no material revisions in the current financial reporting period. In preparing this interim financial report the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2013.

5. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	HALF YEAR ENDED 31 DECEMBER 2013 $'000	HALF YEAR ENDED 31 DECEMBER 2012 $'000
Sales revenue	**656,262**	639,193
Other income		
Profit on sale of properties	**10,845**	578
Royalties	**670**	707
Sundry income	**1,127**	1,268
Total other income	**12,642**	2,553
Total revenue and other income	**668,904**	641,746

6. EXPENSES BY NATURE

	CONSOLIDATED HALF YEAR ENDED 31 DECEMBER 2013 $'000	HALF YEAR ENDED 31 DECEMBER 2012 $'000
Depreciation of:		
Freehold buildings and leasehold improvements	**582**	983
Plant and equipment	**8,443**	6,411
	9,025	7,394
Amortisation of:		
Software assets	**307**	302
Other intangible assets	**43**	130
	350	432
Total depreciation and amortisation	**9,375**	7,826
Personnel expenses:		
Wages, salaries and employee benefits	**143,858**	140,092
Contributions to defined contribution superannuation plans	**9,456**	8,449
Loss/(gain) on defined benefit settlement	**-**	(401)
Defined benefit superannuation expense	**258**	296
Share based payments – equity settled	**672**	(165)
	154,244	148,271

7. SIGNIFICANT ITEMS

The Consolidated Interim Statement of Comprehensive Income comprises the following individually significant items:

	HALF YEAR ENDED 31 DECEMBER 2013			HALF YEAR ENDED 31 DECEMBER 2012		
	GROSS $'000	TAX $'000	NET $'000	GROSS $'000	TAX $'000	NET $'000
Significant items in other income						
Profit on sale of properties	**10,845**	**-**	**10,845**	**-**	**-**	**-**
Significant items in other expenses						
Restructuring costs	**15,798**	**4,739**	**11,059**	**-**	**-**	**-**
Impairment of goodwill and brand names	**242,216**	**-**	**242,216**	**-**	**-**	**-**
Other asset impairments and write downs	**17,998**	**5,399**	**12,599**	**-**	**-**	**-**
	276,012	**10,138**	**265,874**	**-**	**-**	**-**
Significant items in income tax expense						
Settlement of outstanding tax matter	**-**	**3,000**	**(3,000)**	**-**	**-**	**-**
	265,167	**13,138**	**252,029**	**-**	**-**	**-**

8. SEGMENT REPORTING

Effective from 1 July 2013 management has split the Homewares, Footwear and Outerwear segment into Sheridan Tontine (comprising the Sheridan and Tontine businesses), Brand Collective (comprising the Footwear, Fashion and Sport businesses) and Flooring. Sheridan Tontine and Brand Collective meet the relevant thresholds to qualify as reportable segments, while the Flooring business does not meet the relevant thresholds and is now included in ‘other operations’. The corresponding items of segment information for the comparative period to 31 December 2012 have been restated to allow meaningful comparison.

The Consolidated Entity has four reportable segments, as described below. The segments offer different products and are managed separately. For each segment, the Consolidated Entity's Chief Executive Officer ('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
Sheridan Tontine	Marketer, distributor, importer, manufacturer, wholesaler and retailer of bed linen, pillows, towels and accessories
Workwear	Marketer, distributor, importer, manufacturer, wholesaler and retailer of industrial, corporate imagewear and other workwear
Brand Collective	Marketer, distributor, importer, wholesaler and retailer of women's, men's and children's footwear; fashion outerwear; and sporting outerwear and equipment

Other operations include the Flooring business and unallocated corporate expenses (31 December 2012: Flooring business, Restonic and unallocated corporate expenses).

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

Half year ended 31 December 2013	UNDERWEAR $'000	SHERIDAN TONTINE $'000	WORKWEAR $'000	BRAND COLLECTIVE $'000	OTHER OPERATIONS $'000	TOTAL $'000
Revenue						
External sales	**242,540**	**105,849**	**178,341**	**108,331**	**21,201**	**656,262**
Inter-segment sales	**123**	**-**	**29**	**604**	**(756)**	**-**
Total segment sales	**242,663**	**105,849**	**178,370**	**108,935**	**20,445**	**656,262**
Other income	**10,858**	**199**	**816**	**769**	**-**	**12,642**
Total segment revenue	**253,521**	**106,048**	**179,186**	**109,704**	**20,445**	**668,904**
Result						
EBIT before significant items	**37,195**	**8,623**	**11,402**	**940**	**(2,961)**	**55,199**
Impairment of goodwill and brand names	**-**	**-**	**(241,694)**	**(522)**	**-**	**(242,216)**
Other significant items	**10,845**[1]	**(630)**	**(17,856)**	**(12,714)**	**(2,596)**	**(22,951)**
EBIT after significant items	**48,040**	**7,993**	**(248,148)**	**(12,296)**	**(5,557)**	**(209,968)**
Depreciation and amortisation	**2,952**	**1,677**	**1,109**	**1,720**	**1,917**	**9,375**

Half year ended 31 December 2012	UNDERWEAR $'000	SHERIDAN TONTINE $'000	WORKWEAR $'000	BRAND COLLECTIVE $'000	OTHER OPERATIONS $'000	TOTAL $'000
Revenue						
External sales	220,409	95,232	176,791	124,354	22,407	639,193
Inter-segment sales	222	2	34	35	(293)	-
Total segment sales	220,631	95,234	176,825	124,389	22,114	639,193
Other income	165	172	1,342	826	48	2,553
Total segment revenue	220,796	95,406	178,167	125,215	22,162	641,746
Result						
EBIT before significant items	38,843	6,504	18,780	3,178	(3,045)	64,260
Impairment of goodwill, brand names and other intangibles	-	-	-	-	-	-
Other significant items	-	-	-	-	-	-
EBIT after significant items	38,843	6,504	18,780	3,178	(3,045)	64,260
Depreciation and amortisation	1,991	1,541	1,126	1,475	1,693	7,826

1. Relates to profit on sale of Wentworthville property. Refer Note 12

9. INCOME TAX EXPENSE

The Consolidated Entity's effective tax rate for the half year ended 31 December 2013 was not meaningful due to the impact of impairments recorded during the period (28% excluding the impact of significant items as disclosed in Note 7). The effective tax rate (excluding significant items) is lower than the Australian company tax rate due to non-deductible expenses and the impact of company tax rates in other jurisdictions.

10. DIVIDENDS

On 18 February 2014 the Company declared an interim dividend of 2.0 cents per fully paid ordinary share, franked to 100% in Australia based on tax paid at 30% (half year ended 31 December 2012: 2.5 cents fully franked dividend declared). Franking credits available at 31 December 2013 are $51.5 million (31 December 2012: $58.1 million).

11. EARNINGS/(LOSS) PER SHARE

	HALF YEAR ENDED 31 DECEMBER 2013 $'000	HALF YEAR ENDED 31 DECEMBER 2012 $'000
Profit/(loss)	**(218,987)**	38,933
Less/(add) non-controlling interest	**-**	34
Basic and diluted earnings	**(218,987)**	38,899

	HALF YEAR ENDED 31 DECEMBER 2013 No.	HALF YEAR ENDED 31 DECEMBER 2012 No.
Weighted average number of ordinary shares used in the calculation of earnings per share		
Basic	**912,915,695**	912,915,695
Diluted[1]	**912,915,695**	913,411,666

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

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

	CONSOLIDATED	
	31 DECEMBER 2013 $'000	30 JUNE 2013 $'000
Assets held for sale		
Property, plant and equipment	-	15,600
Total assets held for sale	-	15,600
Liabilities held for sale		
Trade and other payables	-	4,125
Total liabilities held for sale	-	4,125

On 30 December 2013, the sale of the Wentworthville property was completed and as such assets and liabilities held for sale were derecognised from the Statement of Financial Position. The sale generated proceeds of $23.2 million during the period and a profit on sale of $10.8 million. This profit has been included in significant items (Refer Note 7).

Acquisitions of controlled entities

On 18 November 2013, the Consolidated Entity acquired 100% of Incorporatewear Ltd for $12.7 million in cash (net of cash acquired), of which $2.5 million is outstanding at 31 December 2013. The company is a supplier of workwear, corporate imagewear and uniforms in the UK and forms part of the Workwear segment.

During the period, the Consolidated Entity made various other net asset acquisitions for a combined cash consideration of $3.8 million.

The acquisitions above had the following effect on the Consolidated Entity's assets and liabilities on acquisition date:

	CONSOLIDATED 31 DECEMBER 2013 $'000
Cash and cash equivalents	845
Trade and other receivables	4,763
Inventories	5,121
Other current assets	1,786
Property, plant and equipment	771
Deferred tax assets	111
Trade and other payables	(6,244)
Income tax payable	97
Provisions	(617)
Net assets acquired	**6,633**
Goodwill	9,927
Consideration	**16,560**
Less: cash and cash equivalents acquired	(845)
Consideration (net of cash acquired)	**15,715**

Since acquisition, the acquired businesses have not had a significant impact to net profit after tax for the period.

Investments in joint ventures

On 17 September 2013, the Consolidated Entity acquired a 50% equity interest in Iconix Australia LLC for $7.8 million in cash. The company is incorporated in the USA and owns the right to use various outerwear trademarks in Australia and New Zealand. The investment is classified as a joint venture and is equity accounted for in accordance with AASB11: *Joint Arrangements.*

13. OTHER RESERVES

	CONSOLIDATED					
	EQUITY COMPEN-SATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	HEDGE RESERVE $'000	DEFINED BENEFITS RESERVE $'000	PROFITS RESERVE $'000	TOTAL OTHER RESERVES $'000
Balance at 1 July 2013	**5,429**	**(26,552)**	**19,991**	**(1,682)**	**37,477**	**34,663**
Effective portion of net changes in fair value of cash flow hedges (net of tax)	**-**	**-**	**3,101**	**-**	**-**	**3,101**
Net change in fair value of cash flow hedges transferred to inventory or profit and loss (net of tax)	**-**	**-**	**(8,386)**	**-**	**-**	**(8,386)**
Defined benefit plan actuarial gains/(losses) (net of tax)	**-**	**-**	**-**	**258**	**-**	**258**
Foreign currency translation differences	**-**	**5,527**	**-**	**-**	**-**	**5,527**
Total comprehensive income/(loss)	**-**	**5,527**	**(5,285)**	**258**	**-**	**500**
Transactions with owners recorded directly in equity						
Appropriation from retained earnings	**-**	**-**	**-**	**-**	**30,497**	**30,497**
Dividends recognised	**-**	**-**	**-**	**-**	**(22,823)**	**(22,823)**
On market purchase of performance rights	**(595)**	**-**	**-**	**-**	**-**	**(595)**
Cost of share based payments	**672**	**-**	**-**	**-**	**-**	**672**
Balance at 31 December 2013	**5,506**	**(21,025)**	**14,706**	**(1,424)**	**45,151**	**42,914**

	EQUITY COMPEN-SATION RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	HEDGE RESERVE $'000	DEFINED BENEFITS RESERVE $'000	PROFITS RESERVE $'000	TOTAL OTHER RESERVES $'000
Balance at 1 July 2012	**5,329**	**(31,658)**	**772**	**(2,203)**	**-**	**(27,760)**
Effective portion of net changes in fair value of cash flow hedges (net of tax)	-	-	(8,978)	-	-	(8,978)
Net change in fair value of cash flow hedges transferred to inventory or profit and loss (net of tax)	-	-	4,067	-	-	4,067
Defined benefit plan actuarial gains/(losses) (net of tax)	-	-	-	177	-	177
Foreign currency translation differences	-	(392)	-	-	-	(392)
Transfer of foreign currency translation differences on disposal	-	305	-	-	-	305
Total comprehensive income/(loss)	**-**	**(87)**	**(4,911)**	**177**	**-**	**(4,821)**
Transactions with owners recorded directly in equity						
Cost of share based payments	(165)	-	-	-	-	(165)
Balance at 31 December 2012	**5,164**	**(31,745)**	**(4,139)**	**(2,026)**	**-**	**(32,746)**

14. IMPAIRMENT

The Consolidated Entity has $349.3 million of intangible assets at 31 December 2013 (30 June 2013: $584.1million), which includes $347.7 million of goodwill and other indefinite life intangibles (30 June 2013: $579.5 million). The Consolidated Entity has five cash generating units (CGUs) and the carrying amounts of goodwill and indefinite life intangible assets (ie brand names) identified in each CGU are:

	CONSOLIDATED			
	GOODWILL		BRAND NAMES	
	31 DECEMBER 2013 $'000	30 JUNE 2013 $'000	31 DECEMBER 2013 $'000	30 JUNE 2013 $'000
Underwear	**600**	-	**273,041**	273,041
Sheridan Tontine	**34,959**	34,441	**30,344**	30,344
Workwear	**-**	132,907	**-**	99,980
Brand Collective	**-**	-	**-**	-
Flooring	**8,742**	8,742	**-**	-
Total	**44,301**	176,090	**303,385**	403,365

Cash generating units

Following a change in operating segments and CGUs in the half year ended 31 December 2013, Homewares goodwill was split into Sheridan Tontine and Flooring based on management's assessment of the relative value of each segment. For the purpose of this analysis the comparatives have been re-presented in line with the current year assessment.

Valuation techniques

The recoverable amounts of the CGUs and related goodwill and brand names were determined having regard to the fair value less costs to sell (FVLCS) and value in use (VIU) approaches using a combination of internal and external sources of information and analysis, including external valuation input in relation to the Workwear CGU. The FVLCS approach is considered more appropriate for each of the CGUs while the Company continues to stabilise and improve the performance of its business and manage market challenges and uncertainties. The FVLCS is based on a capitalisation of maintainable earnings before interest and tax (EBIT) approach less an allowance for costs to sell for all CGUs and in its entirety is categorised as Level 3 of the fair value hierarchy. Maintainable earnings were determined with regard to past experience, current performance and short term forecasts, and therefore are Level 3 inputs of the fair value hierarchy. EBIT multiples were determined with reference to trading multiples of comparable entities and recent sale transactions for which information is readily available, and therefore are Level 2 inputs of the fair value hierarchy. For descriptions of the levels of the fair value hierarchy, refer Note 15.

Goodwill and brand name impairment charges

During the half year, the Consolidated Entity recognised impairment losses with respect to the Workwear CGU of $241.7 million which fully impaired goodwill and brand names by $141.7 million and $100.0 million respectively (including goodwill recognised during the period). The impairment resulted from a material decline in financial performance over the first half and lower future growth expectations. The decline in financial performance has been driven by various factors including: a significant decline in demand from the industrial and defence sectors; lower market share due to a shift to value products, private label penetration and growth in vertical resellers; and an increase in competitive intensity impacting margins. Growth expectations are lower due to uncertainties surrounding the extent and timing of recovery in the workwear market which is now viewed as being more structural than cyclical in nature. These factors have had a material impact on assumptions made in the calculation of FVLCS. The recoverable amount of the Workwear CGU was determined to be equivalent to its net tangible assets.

Impairments of goodwill and brand names during the half year are recorded as other expenses in the Statement of Comprehensive Income (Note 7).

15. FINANCIAL INSTRUMENTS

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 periods.

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

Trade and other receivables

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

Derivatives

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

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

Non-derivative financial liabilities

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

Fair value versus carrying amounts

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

		CONSOLIDATED			
		31 DECEMBER 2013		30 JUNE 2013	
	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		**124,117**	**124,117**	186,884	186,884
Trade and other receivables		**160,777**	**160,777**	146,397	146,397
Assets carried at fair value					
Forward exchange contracts receivable	2	**20,638**	**20,638**	30,253	30,253
Liabilities carried at amortised cost					
Trade and other payables		**165,958**	**165,958**	117,898	117,898
Bank loans		**294,441**	**294,441**	346,002	346,002
Liabilities carried at fair value					
Interest rate swaps	2	**1,030**	**1,030**	2,387	2,387

Financing facilities

On 24 October 2013, the Company renegotiated its banking arrangements. The existing $250.0 million facility was converted into a new $250.0 million facility with the following committed amounts and maturities:

- Tranche 1 revolving credit facility of $125.0 million maturing 31 January 2017
- Tranche 2 revolving credit facility of $125.0 million maturing 31 January 2019

The Consolidated Entity repaid $50 million of Tranche 2 during the period, and extended the maturity of its $175 million securitisation facility from 31 July 2015 to 31 January 2016. Based on eligible receivables at 31 December 2013, $136 million of the $175 million security facility is drawable.

16. EVENTS SUBSEQUENT TO REPORTING DATE

On 17 February 2014, the Company made the decision to reduce its share capital by $242.2 million for an equivalent amount that is lost or not represented by available assets, reflecting impairment charges incurred during the half year ended 31 December 2013. This will have the effect of reducing the share capital account and eliminating accumulated losses. 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 half year ended 31 December 2013.

On 17 February 2014, the Company recognised $20.0 million of dividend revenue it received from Pacific Brands (Australia) Pty Ltd. On the same day, the Company decided to appropriate $18.3 million into a separate profits reserve for the purpose of future dividend payments to shareholders.

On 18 February 2014, the Company declared an interim dividend of 2.0 cents per fully paid ordinary share ($18.3 million) out of its profits reserve, franked to 100% in Australia based on tax paid at 30%. The financial impact of the dividends declared have not been reflected in the interim financial report.

DIRECTORS' DECLARATION

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

1 the condensed consolidated interim financial statements and condensed notes set out on pages 4 to 16, are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the financial position of the Consolidated Entity as at 31 December 2013 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

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

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

Signed in accordance with a resolution of the Directors.

Dated at Melbourne this 18th day of February 2014.

Peter Bush
Chairman

John Pollaers
Chief Executive Officer

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307c of the Corporations Act 2001

To: the Directors of Pacific Brands Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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

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

KPMG

KPMG

Melbourne
18 February 2014

Alison Kitchen

Alison Kitchen
Partner

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

Report on the financial report

We have reviewed the accompanying interim financial report of Pacific Brands Limited, which comprises the consolidated interim statement of financial position as at 31 December 2013, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pacific Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

Melbourne
18 February 2014

Alison Kitchen

Alison Kitchen
Partner