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24 August 2011

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

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

Dear Sir/Madam

FY'11 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 2011 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.

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24 August 2011

Pacific Brands' operating earnings up and on-market buy-back announced

Group results

$ millions	Before significant items[1]			Reported		
	F11	F10	Change[2]	F11	F10	Change[2]
Sales	1,614.6	1,742.4	(7.3)%	1,614.6	1,742.4	(7.3)%
EBITA	189.7	181.4	4.6%	(58.8)	130.0	n.m.
NPAT[3]	103.4	90.3	14.5%	(131.9)	52.7	n.m.
EPS (cps)	11.1	9.7	14.4%	(14.2)	5.7	n.m.
DPS (cps)	6.2	Nil	n.m.	6.2	Nil	n.m.
Cash flow[4]	171.2	290.4	(41.0)%	134.0	197.3	(32.1)%
Net debt	227.2	312.7	(27.3)%	227.2	312.7	(27.3)%

1 Other expenses that are individually significant as disclosed in Note 4 to the Financial Statements
2 Change relative to prior corresponding period (ie F10)
3 After deducting minority interests
4 Operating cash flow pre interest and tax (OCFPIT)
n.m. Not meaningful

Pacific Brands today announced a 4.6 per cent increase in full-year earnings before interest, tax and amortisation (EBITA) before significant items to $189.7 million, despite challenging retail conditions.

Net profit after tax before significant items rose by 14.5 per cent to $103.4 million for the year ended 30 June 2011. The result was in line with guidance and was driven by improved gross margins. Reported net profit after tax was a loss of $131.9 million due mainly to the impact of non-cash impairment charges announced at the half-year results, and restructuring costs associated with the Pacific Brands 2010 transformation program.

Underlying sales* were flat in the second half, with a one per cent decline for the full year, in line with guidance despite the increasingly tough retail environment.

Chief Executive Officer Sue Morphet said: "This creditable operating result in a difficult market was driven by improved talent and capability, innovation, targeted marketing and continued cost control.

* Defined as reported sales less sales from acquisitions, divested businesses, businesses held for sale and brands and labels subject to discontinuation

"The Homewares result was excellent, Workwear showed continued good performance and while sales for Underwear & Hosiery were down, earnings were up. The Footwear, Outerwear and Sport result was break-even, but the company's restructuring and turnaround plan is starting to gain traction.

"Pacific Brands has reached its cost reduction target of the transformation program 12 months ahead of schedule.

"Our decision to source more of our products off-shore and manage with a leaner cost base was critical to the improved result and will also help us deal with the significant cost pressures and other challenges we expect in the current year."

In line with the interim dividend, Pacific Brands announced a fully franked final dividend of 3.1 cents per share, representing an increased payout ratio of approximately 64 per cent of net profit after tax before significant items for 2H11.

Significant items of $235.3 million after tax comprised non-cash write-downs announced at the half-year result ($212.0 million), one-off transformation costs associated with further operational improvements ($17.9 million) and other items mainly related to divestments ($5.4 million).

Ms Morphet said: "The company had been able to further reduce debt through continued strong operating cash flow and the sale of the Sleepmaker and Dunlop Foams businesses. The company's low gearing and strong cash conversion has enabled the company to announce an on-market buy-back of up to 10 per cent of its shares."

"This demonstrates our commitment to maximising shareholder value through appropriate capital management initiatives," Ms Morphet said.

Operating performance

Underlying sales stabilised to be flat in the second half (down one per cent or $11 million for the full year). Reported sales declined 7.3 per cent due mainly to business divestments and exits, particularly the sale of the Sleepmaker and Dunlop Foams businesses effective from 31 March 2011.

Ms Morphet said: "Some of our key brands continue to show the benefits of a shift in focus and investment, with sales of Berlei, Clarks, Hard Yakka, Jockey, King Gee, Sheridan, Superdry and Tontine up throughout the year. Sales of Bonds improved to be flat in the second half, despite the initial impact of the change in strategy at Kmart.

"The difficult retail environment is well known, but we are also dealing with a strategic shift by Kmart. It will take into next year to fully make up those lost sales but we are making encouraging progress.

"The prevailing headwinds in the retail sector are presently masking some substantial underlying improvements we are making within the businesses."

Gross margins benefited significantly from the transformation benefits flowing from the transition to increased off-shore supply, including improved foreign currency rates. As expected, 2H11 earnings were adversely impacted by input cost increases, especially due to higher cotton prices, and these impacts are expected to continue throughout F12.

Operating cash flow remained strong at more than $171.2 million, with cash conversion above 80 per cent. Gearing is now down to 1.1 times and interest cover is up to 7.0 times.

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Segment results

Underwear and Hosiery's reported sales were down 8.0 per cent to $493.6 million but EBITA[1] was up 11.4 per cent to $111.3 million.

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

Sales were down in the discount department store and supermarket channels. The initial impact of the change in strategy at Kmart contributed to declines in Rio and Bonds for the full year, although Bonds improved to be flat in 2H11 with growth in other customers and channels.

Berlei and Jockey were up throughout the year, supported by product innovations such as Berlei Curves and continued strong sales through department stores for Jockey. Holeproof was up in 2H11, underpinned by increased seasonal winter sales of Explorer socks. Hosiery sales were flat, although the major brand of Razzamatazz was up.

Margins improved over the year through a combination of portfolio rationalisation and off-shore sourcing benefits, but 2H11 margins reflected the initial impacts of cotton driven input cost increases.

Workwear's sales were up 4.6 per cent to $396.8 million and EBITA[1] was up 19.3 per cent to $49.9 million.

Wholesale sales of the industrial workwear business, including King Gee and Yakka, grew due to continued strength in the resources sector and demand from major resellers. Business-to-business sales of corporate imagewear and uniforms were also up despite increasingly cautious spending by corporate customers, most notably those in the government sector. Margins improved primarily through off-shore sourcing benefits.

Homewares' reported sales were down 1.4 per cent to $398.7 million and EBITA[1] was up 20.3 per cent to $40.4 million. Excluding Sleepmaker and Dunlop Foams, sales and EBITA were up 8.2 per cent and 37.2 per cent, respectively.

Sheridan showed continued growth, with consumer direct retail the strongest channel. Sheridan on-line was successfully launched with initial sales ahead of expectations. Tontine's sales were up, driven by the "Tontine Fresh" campaign. Dunlop Flooring domestic sales grew despite a slowing housing market and increasing competition. Overall segment margins rose due to increased manufacturing volumes and off-shore sourcing benefits.

Footwear, Outerwear & Sport's (FOS) reported sales were down 23.6 per cent to $305.2 million, with EBITA[1] down 95.0 per cent to $0.8 million. Excluding the impact of prior year divestments, sales and EBITA were down 11.2 per cent and 92.8 per cent, respectively.

Sport and non-premium footwear sales through the independent retail and discount department store channels were well down. Discount department store sales were impacted by de-ranging of brands by some customers, most notably Kmart. Grosby and Volley were particularly impacted, although there was an excellent response to the Volley product innovation and relaunch late in the year. Sport sales were also impacted by inclement weather during the traditionally strong spring/summer period in 1H11.

[1] Before significant items

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Sales in the premium footwear business were up, driven by Clarks which also piloted its retail concept during the year. The Outerwear business continued to stabilise and is gaining critical mass. Superdry was up throughout the year, Mossimo was up in 2H11 and the Diesel licence was added to the portfolio in 2H11.

Margins declined due to rising input costs and lower volumes.

Notwithstanding results for FOS in the current year, the restructuring and turnaround plan is progressing well with improvement expected to be evident from F12. The Bikes business is being divested, the Sport business has been integrated into the Footwear business and Outerwear has been restructured to address profitability.

Pacific Brands 2010 Transformation

The Pacific Brands 2010 transformation program was announced in February 2009 and, together with increased focus, portfolio rationalisation and capability enhancement, one of its key targets was to obtain $150 million of gross cost savings by the end of F12. Those cost reduction elements have now been delivered one year ahead of schedule, with $153 million of savings in F11.

Ms Morphet said: "Despite the fact that we have reached our PB2010 cost reduction target 12 months ahead of schedule, we will continue to focus on cost reduction, productivity gains and ongoing organisational improvement.

"We will combine the Bonds and Omni Apparel organisational structures to better leverage competency, capability and insight across all product categories. Importantly, the change will enable improved category management, a more effective go-to-market model and significantly reduce operating costs. Related one-off cash restructuring costs of about $15 million are expected to be incurred in F12 in relation to the integration. As part of the change, the Underwear & Hosiery reportable segment will now be known by the simplified name of Underwear.

"Following the sale of the Sleepmaker and Dunlop Foams businesses, we have amalgamated the remaining Homewares and FOS businesses into a single reportable segment known as Homewares, Footwear and Outerwear (HFO). This has improved critical mass, allows greater concentration and leveraging of retail resources, and will further reduce operating costs."

The majority of one-off cash restructuring costs associated with the FOS turnaround plan, HFO amalgamation and other additional cost reduction initiatives have been brought to account in the F11 result.

Dividend

Following the resumption of dividends at the half-year result, the company today declared a final fully franked dividend of 3.1 cents per share, representing 64 per cent of net profit after tax but before significant items for 2H11. This brings the full year dividend to 6.2 cents per share fully franked.

On-market share buy-back

Pacific Brands actively considers capital management alternatives. The company is therefore establishing an on-market share buy-back program capable of being implemented between 7 September 2011 and 6 September 2012.

Under the program, Pacific Brands will have flexibility to repurchase up to 93,138,624 shares, which constitutes 10 per cent of the total shares on issue.

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Pacific Brands intends to conduct the on-market buy-back having regard to the prevailing share price and market conditions. Accordingly, there is no guarantee that Pacific Brands will repurchase all 93,138,624 shares.

The company considers a flexible on-market buy-back program an appropriate way to return surplus capital to shareholders and is the most value-accretive capital management initiative at this time.

Outlook

F12 will be impacted by a number of challenges, including:

- Weak retail conditions, marked by extremely cautious and value conscious consumers and intense industry competition
- Decrease in sales to Kmart due to its changed strategy
- Substantial input cost increases due mainly to the cotton price spike

The key responses to mitigate the impact of these factors include:

- Continue to focus on key brands and categories, product innovation and advertising effectiveness
- Continue to broaden distribution channels (eg increased B2B and consumer direct)
- Benefit from improved hedged foreign currency rates
- Increase prices where appropriate, but mindful of competitor and volume responses
- Continue the emphasis on cost control and opportunities for cost savings

Based on the above, earnings in F12 are expected to be below F11, particularly in 1H12, however the company is well placed to deal with the challenges ahead of it and then benefit from any improvement in market conditions.

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PACIFIC BRANDS LIMITED AND ITS CONTROLLED ENTITIES

ABN 64 106 773 059

ASX APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Sales revenue from ordinary activities	Down 7.3% to	$1,614.6 million
Earnings before interest, tax, amortisation and significant items[1]	Up 4.6% to	$189.7 million
Net profit/(loss) for the period	Down 347.2% to	($131.5) million
Net profit/(loss) attributable to members of the parent	Down 350.3% to	($131.9) 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 2011 (Paid 1 April 2011)	3.1 cents	$28.9 million	100%
Final dividend 2011	3.1 cents	$28.9 million	100%
Total dividends for the year	6.2 cents	$57.8 million	100%

The Company's dividend record date is 2 September 2011 and the dividend is payable on 3 October 2011.

OTHER INFORMATION

	CURRENT PERIOD	PREVIOUS CORRESPONDING PERIOD
Net tangible asset backing per ordinary share:	$0.11	$0.08

The previous corresponding period is 30 June 2010.

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 24 August 2011 for a review of operations and activities for the reporting period.

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Sales revenue	2	**1,614,598**	1,742,393
Cost of sales		**(861,510)**	(1,019,572)
Gross profit		**753,088**	722,821
Other income	2	**7,442**	9,354
Freight and distribution expenses		**(127,509)**	(126,731)
Sales, marketing and advertising expenses		**(294,281)**	(272,408)
Administrative expenses		**(152,527)**	(154,058)
Other expenses	4	**(248,467)**	(51,333)
Results from operating activities		**(62,254)**	127,645
Financial income	3	**5,731**	2,312
Financial expenses	3	**(41,363)**	(50,601)
Net financing costs		**(35,632)**	(48,289)
Profit/(loss) before income tax (expense)/benefit		**(97,886)**	79,356
Income tax (expense)/benefit	5	**(33,599)**	(26,161)
Profit/(loss)		**(131,485)**	53,195
Profit/(loss) attributable to:			
Owners of the Company	21	**(131,895)**	52,722
Non-controlling interest	23	**410**	473
Profit/(loss)		**(131,485)**	53,195
Other comprehensive income			
Foreign currency translation differences		**(9,990)**	1,558
Changes in fair value of cash flow hedges (net of tax)		**(24,411)**	58,187
Other comprehensive income (net of tax)		**(34,401)**	59,745
Total comprehensive income		**(165,886)**	112,940
Total comprehensive income attributable to:			
Owners of the Company		**(165,818)**	112,413
Non-controlling interest		**(68)**	527
Total comprehensive income		**(165,886)**	112,940
Earnings per share			
Ordinary shares	6	(14.2) cents	5.7 cents
Diluted shares	6	(14.2) cents	5.7 cents

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 6 to 32.

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STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	8	**155,479**	149,974
Trade and other receivables	9	**192,909**	235,331
Inventories	10	**262,479**	241,274
Other assets	11	**9,996**	6,960
Assets held for sale	15	**14,278**	-
Total current assets		**635,141**	633,539
Non-current assets			
Trade and other receivables	9	**28**	36
Property, plant and equipment	12	**80,364**	117,043
Intangible assets	13	**1,080,998**	1,307,555
Deferred tax assets	14	**25,544**	30,437
Total non-current assets		**1,186,934**	1,455,071
Total assets		**1,822,075**	2,088,610
Current liabilities			
Trade and other payables	16	**144,470**	133,508
Interest-bearing loans and borrowings	17	**177**	760
Income tax payable	5	**26,923**	14,288
Provisions	18	**68,778**	87,043
Liabilities directly associated with assets held for sale	15	**355**	-
Total current liabilities		**240,703**	235,599
Non-current liabilities			
Trade and other payables	16	**4,250**	5,232
Interest-bearing loans and borrowings	17	**382,503**	461,900
Provisions	18	**9,720**	6,422
Total non-current liabilities		**396,473**	473,554
Total liabilities		**637,176**	709,153
Net assets		**1,184,899**	1,379,457
Equity			
Share capital	19	**1,469,094**	1,469,094
Reserves	20	**(39,820)**	(4,577)
Accumulated losses	21	**(247,149)**	(88,325)
Total equity attributable to equity holders of the Company		**1,182,125**	1,376,192
Non-controlling interest	23	**2,774**	3,265
Total equity		**1,184,899**	1,379,457

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 6 to 32.

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STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Cash flows from operating activities			
Cash receipts from customers		**1,780,237**	1,944,889
Cash paid to suppliers and employees		**(1,646,263)**	(1,747,532)
Income taxes paid		**(7,923)**	(13,673)
Interest paid		**(37,091)**	(50,720)
Interest received		**5,731**	2,312
Net cash from operating activities	26	**94,691**	135,276
Cash flows from investing activities			
Proceeds from disposal of businesses (net of cash disposed)	15	**56,439**	2,988
Proceeds from disposal of property, plant and equipment		**9,488**	15,675
Acquisition of property, plant and equipment	12	**(21,580)**	(10,043)
Acquisition of business (net of cash acquired)	15	**(13,176)**	-
Net cash from investing activities		**31,171**	8,620
Cash flows from financing activities			
Finance lease payments		**(873)**	(276)
Repayment of borrowings		**(83,559)**	(118,405)
Payments for shares bought back to allocate to employees		**(427)**	-
Dividends paid	22	**(28,864)**	-
Dividend paid to non-controlling interest	23	**(423)**	(1,256)
Net cash used in financing activities		**(114,146)**	(119,937)
Net increase in cash and cash equivalents		**11,716**	23,959
Cash and cash equivalents at the beginning of the period		**149,974**	126,475
Effect of exchange rate fluctuations on cash held		**(6,211)**	(460)
Cash and cash equivalents at the end of the period	8	**155,479**	149,974

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements set out on pages 6 to 32.

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STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	CONSOLIDATED							
	SHARE CAPITAL	EQUITY COMPENSATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE	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 2009	1,469,094	5,946	(24,913)	(46,384)	(141,047)	1,262,696	3,994	1,266,690
Profit	-	-	-	-	52,722	52,722	473	53,195
Other comprehensive income								
Foreign currency translation differences	-	-	1,504	-	-	1,504	54	1,558
Effective portion of net changes in fair value of cash flow hedges[1]	-	-	-	(7,377)	-	(7,377)	-	(7,377)
Net change in fair value of cash flow hedges transferred to inventories or profit and loss[1]	-	-	-	65,564	-	65,564	-	65,564
Total other comprehensive income	-	-	1,504	58,187	-	59,691	54	59,745
Total comprehensive income	-	-	1,504	58,187	52,722	112,413	527	112,940
Transactions with owners, recorded directly in equity								
Dividends recognised	-	-	-	-	-	-	(1,256)	(1,256)
Cost of share based payments	-	1,083	-	-	-	1,083	-	1,083
Balance at 30 June 2010	1,469,094	7,029	(23,409)	11,803	(88,325)	1,376,192	3,265	1,379,457
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								
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	**-**	**-**	**(9,512)**	**(24,411)**	**-**	**(33,923)**	**(478)**	**(34,401)**
Total comprehensive income			**(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**

1 Amounts are stated net of tax

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 6 to 32.

The nature and purpose of the reserves are explained in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Pacific Brands Limited ('Company') is a company domiciled in Australia. The consolidated Financial Statements of the Company as at and for the year ended 30 June 2011 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 Financial Statements of the Consolidated Entity comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

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 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 and the defined benefit asset 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 Annual Improvements Project (AASB 2009-5):

- AASB 3 *Business Combinations*
- AASB 5 *Non-current Assets Held For Sale and Discontinued Operations*
- AASB 8 *Operating Segments*
- AASB 101 *Presentation of Financial Statements*
- AASB 107 *Statement of Cash Flows*
- AASB 117 *Leases*
- AASB 118 *Revenue*
- AASB 136 *Impairment of Assets*

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

The following amendments to AASBs and AIs have been identified as those which are relevant to the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing these Financial Statements:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Consolidated Entity's 30 June 2014 statements. However, an Exposure Draft has been issued which proposes to delay the effective date to annual periods beginning on or after 1 January 2015. The Consolidated Entity is yet to assess its full impact and has not yet decided whether to early adopt the standard
- AASB 124 *Related Party Disclosures* simplifies and clarifies the intended meaning of the definition of a related party. The amendments will become mandatory for the Consolidated Entity's 30 June 2012 financial statements but are likely to impact disclosure only
- AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The standard will become mandatory for the Consolidated Entity's 30 June 2014 financial statements. With the Consolidated Entity being a Tier 1 entity, the standard is not likely to have any significant impact on the Consolidated Entity's financial statements
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. The amendments will become mandatory for the Consolidated Entity's 30 June 2012 financial statements however the financial impact of adopting the amended standard has not yet been determined

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- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* makes amendments to various accounting standards with the relevant changes impacting financial instruments disclosure (AASB 7) and interim financial reporting of significant events and transactions (AASB 134). The amendments will become mandatory for the Consolidated Entity's 30 June 2012 financial statements but are likely to impact disclosure only

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.

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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. 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.

Dividends

Dividend revenue is recognised net of any franking credits.

Other income

Government grants

Revenue from government grants is recognised when the Consolidated Entity has complied with the conditions attaching to the grant and has reasonable assurance that the grant will be received.

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.

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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 UIG 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 allowed 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.

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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 subsidiaries. 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 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.

Development expenditure is not capitalised but recognised in profit or loss as incurred.

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to 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

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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 purposes 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 cash generating unit ('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. 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, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Consolidated Entity's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement 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.

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R. Interest-bearing loans and borrowings

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 AA credit rated or 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. Total shareholders 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 EPS 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 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.

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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, amortisation (other intangible assets only) and significant items ('EBITA') as included in the internal management reports that are reviewed by the Consolidated Entity's Chief Executive Officer. Segment EBITA 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.

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 Australian dollars 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 Australian dollars 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 Australian dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated to Australian dollars 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.

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Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement 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.

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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 cash generating unit ('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 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 actual developments. This includes, among other things, expected revenue from sales of products, expected margins and volumes following periods of commodity and supply price volatility, foreign exchange currency movements and realisation of expected benefits associated with the ongoing strategic initiatives. 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. Provisions are established for bad or doubtful receivables. Actual expenses in future periods may be different from the provisions 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. Provisions 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 forecasted sales. Actual expenses in future periods may be different from the provisions 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 defined benefit 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 are 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.

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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 27 has been prepared on the same basis as the consolidated Financial Statements.

NOTE 2 – SALES REVENUE AND OTHER INCOME

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Sales revenue		**1,614,598**	1,742,393
Other income			
Royalties		**2,344**	2,037
Sundry income		**5,098**	7,317
Total other income		**7,442**	9,354
Total sales revenue and other income		**1,622,040**	1,751,747

NOTE 3 – EXPENSES

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Depreciation of:			
Freehold buildings and leasehold improvements		**3,127**	2,973
Plant and equipment		**12,315**	13,366
		15,442	16,339
Amortisation of:			
Software		**1,828**	2,162
Other intangible assets		**3,493**	2,402
Leased plant and equipment		**266**	1,055
		5,587	5,619
Total depreciation and amortisation		**21,029**	21,958
Net financing costs:			
Interest income		**(5,731)**	(2,312)
Interest on bank loans and overdraft		**41,322**	50,489
Finance charges on capitalised leases		**41**	112
		35,632	48,289
Personnel expenses:			
Wages, salaries and employee benefits		**338,065**	362,040
Contributions to defined contribution superannuation plans		**21,822**	23,979
Curtailment and settlement loss		**1,134**	1,535
Defined benefit superannuation expense		**1,112**	1,649
Share based payments – equity settled		**1,032**	1,083
		363,165	390,286

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NOTE 4 – OTHER EXPENSES

Other expenses in the Statement of Comprehensive Income is comprised of the following individually significant items:

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Asset impairment			
Impairment of goodwill, brand names and other intangibles		**214,700**	-
Other asset impairments		**6,019**	5,581
		220,719	5,581
Loss on sale			
Loss on sale of businesses and other assets		**2,269**	6,249
Restructuring expenses			
Redundancies, decommissioning and other costs		**25,479**	39,503
		248,467	51,333

The related income tax benefit on significant items, where applicable, is $13.2 million (2010: $13.8 million).

Impairment of goodwill, brand names and other intangibles relate to the Footwear, Outerwear & Sport CGU and the divestment of the Sleepmaker and Dunlop Foams businesses. For further details, refer Note 13.

The loss on sale relates to the divestment of the Sleepmaker and Dunlop Foams businesses. For further details, refer Note 15.

The restructuring expenses incurred relate to the Consolidated Entity's transformation program. For further details, refer Note 18.

NOTE 5 – INCOME TAX EXPENSE/(BENEFIT)

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current income tax expense/(benefit)			
Current year		**27,146**	27,982
Over provided in prior year		**(1,622)**	(3,018)
Deferred income tax expense/(benefit)			
Origination and reversal of temporary differences		**8,075**	1,197
Total income tax expense/(benefit) in the Statement of Comprehensive Income		**33,599**	26,161
Reconciliation between income tax expense/(benefit) and profit/(loss) before income tax expense/(benefit)			
Profit /(loss) before income tax expense/(benefit)		**(97,886)**	79,356
Income tax using Australian corporation tax rate of 30%		**(29,366)**	23,807
Increase/(decrease) in income tax expense due to:			
Share based payments		**310**	325
Non-deductible impairment on goodwill and intangibles		**61,747**	-
Losses made in foreign jurisdictions		**1,726**	
Sundry items		**804**	5,047
Over provided in prior year		**(1,622)**	(3,018)
Total income tax expense/(benefit) on profit/(loss) before income tax expense/(benefit)		**33,599**	26,161
Deferred tax recognised directly in equity			
Relating to derivative financial instruments		**(5,403)**	5,058

Current income tax liability

The current tax liability for the Consolidated Entity of $26.9 million (2010: $14.3 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.

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NOTE 6 – EARNINGS PER SHARE

	NOTE	2011 $'000	2010 $'000
Earnings reconciliation			
Profit/(loss)		**(131,485)**	53,195
(Less)/add non-controlling interest		**(410)**	(473)
Basic and diluted earnings		**(131,895)**	52,722

	NOTE	2011	2010
Weighted average number of shares used as the denominator			
Number for basic earnings per share:			
Ordinary shares at 1 July	19	**929,544,088**	929,294,088
Effect of shares issued during the period		**965,822**	114,815
Ordinary shares at 30 June		**930,509,910**	929,408,903
Number for diluted earnings per share:			
Weighted average number of ordinary shares (basic)		**930,509,910**	929,408,903
Effect of performance rights on issue		**971,080**	628,422
Potential ordinary shares at 30 June		**931,480,990**	930,037,325

NOTE 7 – SEGMENT REPORTING

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

Underwear & Hosiery	Marketer, distributor, importer and manufacturer of underwear, intimate apparel, socks, hosiery and Bonds outerwear
Workwear	Marketer, distributor, importer and manufacturer of industrial, corporate imagewear and other workwear
Footwear, Outerwear & Sport	Marketer, distributor and importer of women's, men's and children's footwear; casual outerwear; and sporting outerwear and equipment
Homewares	Marketer, distributor, importer and manufacturer of bed linen, pillows and carpet underlay (excluding bedding and foams which were divested during the year)

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

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

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

The major changes in segment results and segment assets related to the divestment of the Sleepmaker and Dunlop Foams businesses which were previously recorded within the Homewares segment. The results of the Sleepmaker and Foams businesses for the period 1 July 2010 to 31 March 2011 are included in the Homewares segment. All assets and liabilities of these businesses have been derecognised on completion of the sale.

On 24 June 2011 management announced that it would combine the Homewares and Footwear, Outerwear and Sport segments into a single operating group. Effective 1 July 2011, these businesses will form the Homewares, Footwear and Outerwear reportable segment.

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	UNDERWEAR & HOSIERY $'000	WORKWEAR $'000	FOOTWEAR, OUTERWEAR & SPORT $'000	HOMEWARES $'000	TOTAL $'000
2011					
Revenue					
External	**494,502**	**398,253**	**308,357**	**399,288**	**1,600,400**
Inter-segment	**8,413**	**1,122**	**733**	**48**	**10,316**
Total segment revenue	**502,915**	**399,375**	**309,090**	**399,336**	**1,610,716**
Result					
EBITA before significant items	**111,261**	**49,895**	**774**	**40,445**	**202,375**
Significant items	**(1,276)**	**(3,650)**	**(185,105)**	**(41,932)**	**(231,963)**
EBITA after significant items	**109,985**	**46,245**	**(184,331)**	**(1,487)**	**(29,588)**
Depreciation and amortisation	**826**	**2,751**	**5,113**	**5,502**	**14,192**
Segment assets	**1,123,123**	**515,475**	**114,163**	**226,971**	**1,979,732**
Segment liabilities	**53,153**	**49,857**	**21,024**	**45,750**	**169,784**
Acquisition of non-current assets	**3,170**	**1,079**	**6,667**	**6,153**	**17,069**
2010					
Revenue					
External	539,858	380,554	405,124	404,995	1,730,531
Inter-segment	10,029	1,303	1,465	57	12,854
Total segment revenue	549,887	381,857	406,589	405,052	1,743,385
Result					
EBITA before significant items	99,885	41,822	15,457	33,618	190,782
Significant items	(19,014)	(1,002)	(18,489)	(1,545)	(40,050)
EBITA after significant items	80,871	40,820	(3,032)	32,073	150,732
Depreciation and amortisation	3,069	3,360	3,065	6,755	16,249
Segment assets	1,032,581	487,469	313,232	340,083	2,173,365
Segment liabilities	48,331	51,638	27,503	100,121	227,593
Acquisition of non-current assets	162	963	1,511	4,306	6,942

Geographical segments

	2011 $'000	2010 $'000
Revenue		
Australia	**1,534,326**	1,600,537
Rest of world	**87,714**	151,210
	1,622,040	1,751,747
Total assets		
Australia	**1,741,226**	1,964,937
Rest of world	**80,849**	123,673
	1,822,075	2,088,610

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

	2011 $'000	2010 $'000
Revenue		
Total revenue for reportable segments	**1,610,716**	1,743,385
Other revenue	**2,364**	1,484
Clearance store revenue	**19,276**	19,732
Elimination of inter-segment revenue	**(10,316)**	(12,854)
Consolidated revenue	**1,622,040**	1,751,747
EBITA		
Total EBITA after significant items for reportable segments	**(29,588)**	150,732
Amortisation	**(3,493)**	(2,402)
Net interest expense	**(35,632)**	(48,289)
Unallocated amounts: corporate expenses	**(12,669)**	(9,402)
Unallocated significant items	**(16,504)**	(11,283)
Consolidated profit/(loss) before income tax expense/(benefit)	**(97,886)**	79,356
Total EBITA before significant items for reportable segments	**202,375**	190,782
Unallocated amounts: corporate expenses	**(12,669)**	(9,402)
Consolidated EBITA before significant items	**189,706**	181,380
Assets		
Total assets for reportable segments	**1,979,732**	2,173,365
Unallocated assets	**176,371**	180,339
Elimination of inter-segment assets	**(334,028)**	(265,094)
Consolidated total assets	**1,822,075**	2,088,610
Liabilities		
Total liabilities for reportable segments	**169,784**	227,593
Unallocated liabilities	**801,420**	746,654
Elimination of inter-segment liabilities	**(334,028)**	(265,094)
Consolidated total liabilities	**637,176**	709,153

The Consolidated Entity supplies two customers which in combination account for 26.8% of revenue (2010: 28.8%).

NOTE 8 – CASH AND CASH EQUIVALENTS

		CONSOLIDATED	
	NOTE	2011 $'000	2010 $'000
Cash on hand		**3,898**	202
Cash at bank		**78,721**	96,223
Bank short term deposits		**72,860**	53,549
		155,479	149,974

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NOTE 9 – TRADE AND OTHER RECEIVABLES

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current			
Trade debtors[1]		**231,173**	245,222
Less allowance for doubtful trade debtors		**(3,835)**	(5,739)
Less allowance for rebates, trade allowances and settlement discounts		**(48,243)**	(45,199)
		179,095	194,284
Other debtors[2]		**13,814**	41,047
		192,909	235,331
Non-current			
Other debtors		**28**	36

1 Includes amounts which have been securitised (refer Note 17)
2 In 2010, other debtors includes the fair value of foreign currency contracts. In 2011, the fair value of foreign currency contracts are in a net credit position and therefore have been presented as other creditors and accruals (refer Note 16)

NOTE 10 – INVENTORIES

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Raw materials and stores		**19,096**	30,777
Work in progress		**3,199**	8,160
Finished goods		**240,184**	202,337
		262,479	241,274

Inventories recognised as expense during the year ended 30 June 2011 amounted to $861.5 million (2010: $1,019.6 million).

NOTE 11 – OTHER ASSETS

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Prepayments		**9,996**	6,960

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Freehold land			
At cost		**20,405**	27,704
Accumulated impairment losses		**-**	-
		20,405	27,704
Freehold buildings			
At cost		**12,050**	23,744
Accumulated depreciation and impairment losses		**(9,642)**	(10,817)
		2,408	12,927
Leasehold improvements			
At cost		**15,280**	18,379
Accumulated depreciation and impairment losses		**(11,164)**	(11,567)
		4,116	6,812
Plant and equipment			
At cost		**86,248**	138,879
Accumulated depreciation and impairment losses		**(42,178)**	(74,557)
		44,070	64,322
Leased plant and equipment			
At capitalised cost		**1,775**	3,018
Accumulated amortisation and impairment losses		**(1,752)**	(2,309)
		23	709
Capital works in progress			
At cost		**9,342**	4,569
Accumulated impairment losses		**-**	-
		9,342	4,569
Total property, plant and equipment		**80,364**	117,043

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Reconciliation

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

	CONSOLIDATED						
	FREEHOLD LAND $'000	FREEHOLD BUILDINGS $'000	LEASEHOLD IMPROVE-MENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
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 assets held for sale	**(2,800)**	**(5,985)**	**(68)**	**(753)**	**14**	**(12)**	**(9,604)**
Disposals of business	**(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**
2010							
Carrying amount at the beginning of the year	39,745	17,923	11,100	67,461	2,473	5,700	144,402
Additions	-	15	172	1,487	25	8,344	10,043
Transfers	42	(707)	(1,460)	11,558	(552)	(8,881)	-
Disposals	(12,086)	(4,150)	(95)	(2,216)	(110)	(395)	(19,052)
Depreciation and amortisation	-	(440)	(2,533)	(13,366)	(1,055)	-	(17,394)
Impairment losses	-	282	(367)	(566)	(25)	(196)	(872)
Effects of movements in foreign exchange	3	4	(5)	(36)	(47)	(3)	(84)
Carrying amount at the end of the year	27,704	12,927	6,812	64,322	709	4,569	117,043

NOTE 13 – INTANGIBLE ASSETS

	CONSOLIDATED				
	GOODWILL $'000	BRAND NAMES $'000	SOFTWARE $'000	OTHER INTANGIBLE ASSETS[1] $'000	TOTAL $'000
Balance at 1 July 2009	863,802	432,155	11,397	13,923	1,321,277
Disposals	(8,754)	-	-	-	(8,754)
Amortisation	-	-	(2,162)	(2,402)	(4,564)
Effects of movement in foreign exchange	(404)	-	-	-	(404)
Balance at 30 June 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 movements 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

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Impairment tests for CGUs containing goodwill and indefinite life intangible assets

The following CGUs have significant carrying amounts of goodwill and indefinite life intangible assets:

	CONSOLIDATED			
	GOODWILL		BRAND NAMES	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Omni Apparel[1]	200,220	200,220	84,541	84,541
Bonds[1]	186,519	186,519	188,500	188,500
Workwear	177,763	177,763	99,980	99,980
Footwear, Outerwear & Sport	-	137,103	-	28,790
Homewares	106,435	153,039	30,344	30,344
	670,937	854,644	403,365	432,155

1 Omni Apparel and Bonds operating segments form the Underwear & Hosiery reportable segment

Impairments during the year

During the year, the Consolidated Entity recognised impairment losses with respect to the Footwear, Outerwear & Sport CGU. The impairment resulted from underperformance and uncertainty with respect to future performance in key markets in which the CGU operates, which in turn adversely impacted expected returns and estimated cash flows to be recovered through use. The Consolidated Entity impaired the carrying amount of goodwill, brand names and other intangible assets by $174.8 million.

The Consolidated Entity has also written off $39.9 million of intangible assets attributable to the divestment of the Sleepmaker and Dunlop Foams businesses. This one off impairment loss was required to bring the assets in line with their fair value less costs to sell. The impairment loss was recognised in other expenses. The net loss on disposal recognised on completion of the sale was $2.3 million (recognised in other expenses).

Recoverable amount

The recoverable amounts of the CGUs above were determined using value in use calculations. Separate value in use calculations are prepared for each of the CGUs that make up the Consolidated Entity. The CGUs are consistent with the operating segments of the Consolidated Entity. Those calculations use cash flow projections based on Board approved budgets and forecasts for a further four year period which are extrapolated in perpetuity.

The recoverable amount as determined by the value in use calculation is materially sensitive to the sales growth rates applied in the forecasted period, terminal value growth rate that is applied into perpetuity and the discount rate applied. The sales growth rates applied in the value in use calculation for the forecasted period range between 2% and 4% (2010: 3% and 8%). Terminal value growth rates range from 1% to 4% (2010: 2% to 3%) and a pre-tax discount rate of 14% (2010: 14%) has been used in discounting the projected cash flows. The pre-tax discount rate was estimated based on the Consolidated Entity's weighted average cost of capital which is determined with regard to various external market indices.

A reduction in the pre-tax free cash flows used in the value in use by 10%, or a reduction in the terminal value growth rate of 2%, or a 1% increase in the discount rate could result in impairment for a CGU within the group.

NOTE 14 – RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED					
	ASSETS		LIABILITIES		NET	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade and other receivables	1,572	1,806	-	-	1,572	1,806
Inventories	-	807	(7,170)	-	(7,170)	807
Property, plant and equipment	605	2,110	-	-	605	2,110
Provisions for employee benefits	14,743	17,777	-	-	14,743	17,777
Other provisions	11,449	13,431	-	-	11,449	13,431
Share issue costs[1]	957	1,361	-	-	957	1,361
Derivative financial instruments[2]	5,403	-	-	(5,058)	5,403	(5,058)
Other items	-	-	(2,015)	(1,797)	(2,015)	(1,797)
Tax assets/(liabilities)	34,729	37,292	(9,185)	(6,855)	25,544	30,437
Set off of tax	(9,185)	(6,855)	9,185	6,855	-	-
Net tax assets	25,544	30,437	-	-	25,544	30,437

1 Included in equity
2 Includes derivative financial instruments recognised directly in equity

NOTE 15 – ASSETS AND LIABILITIES HELD FOR SALE, ACQUIRED AND DISPOSED DURING THE PERIOD

	CONSOLIDATED	
	30 JUNE 2011 $'000	30 JUNE 2010 $'000
Assets held for sale		
Inventories	**4,512**	-
Other current assets	**162**	-
Property, plant and equipment	**9,604**	-
Total assets held for sale	**14,278**	-
Liabilities directly associated with assets classified as held for sale		
Provisions	**355**	-
Total liabilities associated with assets classified as held for sale	**355**	-

Assets held for sale includes the Coolaroo property ($8.8 million) and the Bikes business ($5.2 million). The sale of the property is expected to be completed on 30 June 2012.

A non-binding heads of agreement was in place for the Bikes business at 30 June 2011. Subsequent to balance date, a binding sale agreement was signed and the transaction is expected to be completed before 30 September 2011. The Company has recognised a one off impairment expense of $2.7 million to bring the assets in line with their estimated fair values less costs to sell.

The revenue and results of this business are included in the Footwear, Outerwear & Sport reportable segment presented in Note 7.

Business disposals

On 1 November 2010, the Company announced the sale of the Dunlop Foams and Sleepmaker businesses to Sleepyhead. The divestment of these businesses was completed on 31 March 2011 and the related assets and liabilities of the disposal group which were classified as held for sale at 31 December 2010 have been derecognised from the Statement of Financial Position.

These businesses previously formed part of the Homewares reportable segment presented in Note 7.

The Company has recognised a one off loss of $2.3 million on the sale of the disposal group which is included in other expenses.

Details of the sale are as follows:

	2011 $'000
Consideration received[1]	**53,449**
Carrying amount of net assets sold	**55,718**
Loss on sale before income tax	**2,269**
Income tax	**-**
Loss on sale after income tax	**2,269**

1 Consideration received includes cash proceeds of $56.4m less $3.0m of non-cash costs to sell

The carrying amount of assets and liabilities as at the date of sale (31 March 2011) were:

	31 MARCH 2011 $'000
Assets	
Trade and other receivables	**19,858**
Inventories	**14,304**
Other assets	**299**
Property, plant and equipment	**30,407**
Intangible assets	**7,448**
Deferred tax assets	**2,222**
Total assets	**74,538**
Liabilities	
Trade creditors	**10,695**
Provision for employee benefits	**8,017**
Lease liabilities	**108**
Total liabilities	**18,820**
Net assets	**55,718**

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Net asset acquisitions

During the year the Company made various business acquisitions for a combined purchase price of $13.2 million. The net assets acquired comprised inventories ($7.5 million), property, plant and equipment ($1.8 million) and intangible assets ($3.9 million).

NOTE 16 – TRADE AND OTHER PAYABLES

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current			
Trade creditors		**115,787**	119,451
Other creditors and accruals[1]		**28,683**	14,057
		144,470	133,508
Non-current			
Other creditors		**4,250**	5,232

1 Includes the fair value of foreign currency contracts. In 2010, the fair value of foreign currency contracts were in a debit position and therefore presented as other debtors (refer Note 9)

NOTE 17 – INTEREST-BEARING LOANS AND BORROWINGS

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current			
Lease liabilities		**177**	760
Non-current			
Bank loans		**382,503**	461,526
Lease liabilities		**-**	374
		382,503	461,900

Finance lease liabilities

The Consolidated Entity's finance lease liabilities are secured by the leased assets of $0.1 million (2010: $0.7 million) and in the event of default, the assets revert to the lessor.

Finance lease liabilities are payable as follows:

	CONSOLIDATED					
	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL	MINIMUM LEASE PAYMENTS	INTEREST	PRINCIPAL
	2011 $'000	2011 $'000	2011 $'000	2010 $'000	2010 $'000	2010 $'000
Within one year	**180**	**3**	**177**	814	54	760
One year or later and no later than five years	**-**	**-**	**-**	378	4	374
	180	**3**	**177**	1,192	58	1,134

The Consolidated Entity leases motor vehicles under finance leases expiring in one to five years. At the end of the lease term, the Consolidated Entity has the option to purchase the motor vehicles at the agreed residual value.

Bank loans

All bank loans are denominated in Australian dollars. 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.

During the year, the Consolidated Entity renegotiated its banking arrangements.

The Company reduced the size of its securitisation facility to $200 million (2010: $250 million). At 30 June 2011, this facility was drawn to $110.5 million (2010: $120 million). The gross trade debtors which have been securitised have been presented as trade debtors (refer Note 9).

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Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates.

NOTE 18 – PROVISIONS

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Current			
Employee benefits		**48,123**	61,345
Restructuring		**11,605**	23,330
Other		**9,050**	2,368
		68,778	87,043
Non-current			
Employee benefits		**3,889**	463
Other		**5,831**	5,959
		9,720	6,422

Reconciliation

A reconciliation of the carrying amounts of each class of provision, except for employee benefits, is set out below:

	NOTE	RESTRUCTURING 2011 $'000	RESTRUCTURING 2010 $'000	OTHER PROVISIONS 2011 $'000	OTHER PROVISIONS 2010 $'000
Carrying amount at the beginning of the year		**23,330**	82,586	**8,327**	9,232
Provisions recognised		**25,479**	33,853	**7,152**	882
Provisions utilised		**(37,204)**	(93,109)	**(598)**	(1,787)
Carrying amount at the end of the year		**11,605**	23,330	**14,881**	8,327

Restructuring

The restructuring provision relates to the Pacific Brands transformation program. The Consolidated Entity is in the final stages of this program and the provision related to certain costs and employee termination benefits associated with the restructuring. Expenses are recognised in other expenses in the Statement of Comprehensive Income.

Other

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

NOTE 19 – CONTRIBUTED EQUITY

	CONSOLIDATED 2011 $'000	2010 $'000
Share capital		
Publicly held		
929,544,088 fully paid ordinary shares at the beginning of the year (2010: 929,294,088)	**1,469,094**	1,469,094
1,328,080 fully paid ordinary shares transferred from treasury shares (2010: 250,000)	**-**	-
432,000 fully paid ordinary shares bought back on-market (2010: nil)	**-**	-
930,440,168 fully paid ordinary shares at the end of the year (2010: 929,544,088)	**-**	-
Treasury shares		
1,842,160 fully paid treasury shares at the beginning of the year (2010: 2,092,160)	**-**	-
1,328,080 fully paid treasury transferred to publicly held (2010: 250,000)	**-**	-
432,000 fully paid treasury shares bought back on-market (2010: nil)	**-**	-
946,080 fully paid treasury shares at the end of the year (2010: 1,842,160)	**-**	-
	1,469,094	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 2011, the Trust held 946,080 of the Company's shares (2010: 1,842,160). These were issued by the Company during 2009 and 2010 for no consideration.

NOTE 20 – 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.

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 21 – ACCUMULATED LOSSES

		CONSOLIDATED	
	NOTE	2011 $'000	2010 $'000
Balance at the beginning of the year		**(88,325)**	(141,047)
Net profit/(loss) attributable to equity holders of the Company		**(131,895)**	52,722
Dividends recognised		**(28,864)**	-
On-market purchase of performance rights		**1,935**	-
Balance at the end of the year		**(247,149)**	(88,325)

NOTE 22 – DIVIDENDS

Dividends recognised in the current year by the Company are:

	CENTS PER SHARE	TOTAL AMOUNT $ MILLIONS	FRANKED/ UNFRANKED	DATE OF PAYMENT
2011				
Interim 2011 ordinary	**3.1**	**28.9**	**Franked**	**1 April 2011**
2010				
None declared or paid	-	-	-	-

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

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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 2011 ordinary	**3.1**	**28.9**	**Franked**	**3 October 2011**

	COMPANY	
	2011 $'000	2010 $'000
Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	**57,662**	55,708

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

- franking credits that will arise from the payment of the current tax liabilities
- 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 receipt of dividends recognised as receivables by the tax consolidated group at the end of the year
- franking credits that the entity 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 $57.7 million (2010: $55.7 million) franking credits.

NOTE 23 – NON-CONTROLLING INTEREST

The non-controlling interest at 30 June 2011 relates to a 50% interest in Restonic (M) Sdn Bhd which is not held by the Company nor by one of its controlled entities.

	CONSOLIDATED	
	2011 $'000	2010 $'000
Non-controlling interest in controlled entities comprises:		
Interest in (accumulated losses) at the beginning of the year	**(1,219)**	(436)
Net profit attributable to non-controlling interest	**410**	473
Dividend paid to non-controlling interest	**(423)**	(1,256)
Interest in (accumulated losses) at the end of the year	**(1,232)**	(1,219)
Interest in share capital	**4,293**	4,293
Interests in reserves	**(287)**	191
Total non-controlling interest	**2,774**	3,265

NOTE 24 – OPERATING LEASES

	CONSOLIDATED	
	2011 $'000	2010 $'000
Non-cancellable operating lease expense commitments		
Future operating lease commitments not provided for in the Financial Statements and payable:		
Within one year	**43,585**	53,502
One year or later and no later than five years	**113,017**	105,110
Later than five years	**40,240**	39,707
	196,842	198,319

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 18). During the year an amount of $55.2 million was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases (2010: $57.3 million).

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NOTE 25 – 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[1]	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		

1 The entity was previously named Yakka (Aust) Pty Ltd

The Consolidated Entity had a 100% ownership interest in the following entities at 30 June 2010 but no ownership interest at 30 June 2011:

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY	PLACE OF INCORPORATION
Pacific Brands Household Products Pty Ltd	Australia[1]	Pacific Brands (Fiji) Limited	Fiji[2]

1 The Sleepmaker and Dunlop Foams businesses were divested during the year
2 This entity was liquidated during the year

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

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY INTEREST 2011	CONSOLIDATED ENTITY INTEREST 2010
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%

Dreamland (Singapore) Pte Ltd was dissolved during the year.

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NOTE 26 – NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	CONSOLIDATED 2011 $'000	2010 $'000
Profit/(loss) after income tax		**(131,485)**	53,195
Add/(less) non-cash items			
Depreciation and amortisation	3	**21,029**	21,958
Equity settled share based payment transactions	3	**1,032**	1,083
Impairment of intangible assets	4	**214,700**	-
Impairment of other assets	4	**6,019**	5,581
Curtailment and settlement loss[1]	4	**1,134**	1,535
Disposals of business and other assets[1]	4	**1,135**	6,249
Net cash provided by operating activities before change in assets and liabilities		**113,564**	89,601
(Increase)/decrease in receivables		**(4,007)**	28,257
(Increase)/decrease in inventories		**(38,086)**	64,003
(Increase)/decrease in other assets		**(3,439)**	1,220
(Increase)/decrease in deferred tax assets		**13,047**	5,295
Increase/(decrease) in trade and other payables		**3,044**	(1,756)
Increase/(decrease) in income tax payable		**12,629**	7,113
Increase/(decrease) in restructuring provisions		**(11,725)**	(55,141)
Increase/(decrease) in employee and other provisions		**9,664**	(3,316)
Net cash provided by operating activities		**94,691**	135,276

1 Curtailment loss in 2011 forms part of the net loss on the divestment of the Sleepmaker and Dunlop Foams businesses of $2.3 million (Refer Note 4)

NOTE 27 – COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2011, the parent company of the Consolidated Entity was Pacific Brands Limited.

	NOTE	COMPANY 2011 $'000	2010 $'000
Result of the Company			
Loss		**(216,221)**	(1,892)
Total comprehensive income		**(216,221)**	(1,892)
Financial position of the Company at year end			
Current assets		**46,592**	37,246
Total assets		**1,219,892**	1,425,815
Current liabilities		**23,118**	13,118
Total liabilities		**54,646**	16,087
Total equity of the Company comprising of:			
Share capital		**1,469,094**	1,469,094
Equity compensation reserve		**5,709**	7,029
Accumulated losses		**(309,557)**	(66,395)
Total equity		**1,165,246**	1,409,728

It is the Consolidated Entity's policy that all transactions with related parties are on normal terms and conditions, except for the loan shown below. $1,204 million of this loan was made from the Company to Pacific Brands (Australia) Pty Ltd on 6 April 2004 to enable it to acquire Pacific Brands Holdings Pty Ltd and its associated international operations. An additional loan of $250 million was made by the Company to Pacific Brands (Australia) Pty Ltd after the capital raising conducted in June 2009. The carrying value of this loan is net of an impairment loss of $67 million recognised in previous years and a further impairment loss of $214.7 million recognised during the 2011 financial year corresponding with the intangible asset impairment recognised by the Consolidated Entity (refer Note 4).

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Subsequent to balance date, the intercompany loan between the Company and Pacific Brands (Australia) Pty Ltd will be reclassified to an equity loan, refer Note 28.

	NOTE	COMPANY 2011 $'000	2010 $'000
The aggregate amounts included in the loss before income tax (benefit)/ expense that resulted from transactions with controlled entities are:			
Dividend revenue			
Wholly-owned controlled entity		**-**	-
The aggregate amounts receivable from controlled entities are:			
Amounts receivable other than trade debtors			
Current			
Wholly-owned controlled entity		**46,546**	36,666
Non-current			
Wholly-owned controlled entity		**1,172,316**	1,387,016

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

As noted in the Directors' Report, 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.

NOTE 28 – EVENTS SUBSEQUENT TO BALANCE DATE

On 23 August 2011 the Company made the decision to reduce its share capital by $309.6 million for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Consolidated Entity during the year ended 30 June 2011. 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 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 2011.

On 23 August 2011 the terms of the intercompany loan between Pacific Brands Limited and Pacific Brands (Australia) Pty Ltd were modified to reflect a requirement for both parties to mutually agree before any repayment of the loan can be made. This will have the effect of changing the loan classification from debt to an equity loan in the Statement of Financial Position. The equity loan classification is a more appropriate reflection of the terms of the agreement and the nature of the investment made by Pacific Brands Limited in Pacific Brands (Australia) Pty Ltd. The financial effect is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company announced that it would undertake an on-market buyback program whereby the Company will have the flexibility to repurchase up to 10% of total shares on issue over the period from 7 September 2011 to 6 September 2012. The financial effect of the share buyback is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company announced that it would integrate the operations of the Bonds and Omni Apparel operating groups within the Underwear & Hosiery reportable segment. The financial effect of the integration is not included in the financial statements for the year ended 30 June 2011.

On 24 August 2011 the Company declared a final dividend of $28.9 million to be paid at the rate of 3.1c per share. This dividend will be fully franked at the 30% corporate tax rate in Australia. The financial effect of dividends declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2011.

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