

# **Pacific Brands Limited and its controlled entities**

ABN 64 106 773 059

## **ASX Appendix 4D – Half Year Report for the half year ended 31 December 2006**

## Results for announcement to the market

Revenue from ordinary activities	up 4.1% to	\$868.6 million
Profit for the year	up 5.9% to	\$53.8 million
Net profit attributable to members of the parent	up 6.1% to	\$53.8 million

## Dividends

	Amount Per Share	Total Amount	Franked Amount
Interim Dividend	8.0 cents	\$40.2 million	100%

The Company's dividend record date is 2 March 2007 and the dividend is payable on 2 April 2007.

Pacific Brands Limited operates a Dividend Reinvestment Plan ('DRP') under which shareholders can reinvest the dividends payable in ordinary shares in Pacific Brands Limited acquired on market. The last date of receipt of an election notice for participation in the DRP is 2 March 2007.

## Other Information

	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary share is:	\$0.00	\$0.00

The previous corresponding period is 31 December 2005.

The financial report has been subject to a review by the Company's auditor KPMG.

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for the half year ended 31 December 2006

## Directors' Report

The directors of Pacific Brands Limited ('the Company') present their report together with the consolidated financial report of the Company and its controlled entities (collectively the 'consolidated entity') for the half year ended 31 December 2006 and the review report thereon.

### Directors

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

Name	Year of Directorship
<b>Non-executive</b>	
R.P. Handley, Chairman	Director and Chairman since December 2003
H.A. Lynch, Deputy Chairman	Resigned 24 October 2006
A.D. Cummins	Appointed February 2004
M.G. Ould	Appointed February 2004
M.A. Plavsic	Appointed May 2004
<b>Executive</b>	
P.R. Moore, Chief Executive Officer	Director since December 2003
S.J. Tierney, Group General Manager – Operations	Director since December 2003

The office of company secretary is held by J.C.Grover.

### Review of Operations

Please refer to the accompanying Pacific Brands Limited half year results announcement dated 21 February 2007.

### Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 15 and forms part of the directors' report for the half year ended 31 December 2006.

### Rounding off

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 21st day of February 2007.

Signed in accordance with a resolution of the directors.



Paul Moore

Director

for the half year ended 31 December 2006

**Consolidated Interim Income Statement**

for the half year ended 31 December 2006

	Note	Consolidated Half year ended 31 December 2006 \$'000	Half year ended 31 December 2005 \$'000
Sales revenue	5	868,615	834,327
Cost of sales		(515,061)	(501,702)
<b>Gross profit</b>		<b>353,554</b>	332,625
Other Income	5	10,558	9,866
Freight and distribution expenses		(57,597)	(55,520)
Sales, marketing and advertising expenses		(154,397)	(144,613)
Information technology expenses		(11,714)	(10,879)
Administrative expenses		(46,861)	(43,418)
<b>Results from operating activities</b>		<b>93,543</b>	88,061
Financial income	6	991	1,268
Financial expenses	6	(20,303)	(19,545)
<b>Net financing costs</b>		<b>(19,312)</b>	(18,277)
<b>Profit before income tax expense</b>		<b>74,231</b>	69,784
Income tax expense		(20,414)	(18,986)
<b>Profit for the period</b>		<b>53,817</b>	50,798
Profit attributable to minority interests		(12)	(98)
<b>Profit attributable to equity holders of the parent</b>		<b>53,805</b>	50,700
<b>Earnings per share:</b>			
Basic earnings per share	9	10.7 cents	10.1 cents
Diluted earnings per share	9	10.7 cents	10.1 cents

The consolidated interim income statement is to be read in conjunction with the notes to the financial statements set out on pages 7 to 12.

for the half year ended 31 December 2006

**Consolidated Interim Balance Sheet**

as at 31 December 2006

	Consolidated	
	31 December 2006 \$'000	30 June 2006 \$'000
<b>Current assets</b>		
Cash and cash equivalents	95,090	94,025
Trade and other receivables	258,614	211,402
Inventories	305,911	296,501
Income tax receivable	4,288	–
Other current assets	6,391	7,064
<b>Total current assets</b>	<b>670,294</b>	<b>608,992</b>
<b>Non-current assets</b>		
Property, plant and equipment	171,129	167,086
Intangible assets	1,296,710	1,297,330
Deferred tax assets	24,151	32,185
Other non-current assets	1,898	2,193
<b>Total non-current assets</b>	<b>1,493,888</b>	<b>1,498,794</b>
<b>Total assets</b>	<b>2,164,182</b>	<b>2,107,786</b>
<b>Current liabilities</b>		
Trade and other payables	153,212	126,782
Interest bearing loans and borrowings	2,145	1,642
Income tax payable	–	3,903
Provisions	51,286	54,705
<b>Total current liabilities</b>	<b>206,643</b>	<b>187,032</b>
<b>Non-current liabilities</b>		
Trade and other payables	9,267	9,983
Interest bearing loans and borrowings	626,337	601,643
Provisions	8,156	10,522
<b>Total non-current liabilities</b>	<b>643,760</b>	<b>622,148</b>
<b>Total liabilities</b>	<b>850,403</b>	<b>809,180</b>
<b>Net assets</b>	<b>1,313,779</b>	<b>1,298,606</b>
<b>Equity</b>		
Issued capital	1,218,577	1,220,446
Reserves	(5,391)	(6,806)
Retained earnings	96,286	80,202
<b>Total equity attributable to equity holders of the parent</b>	<b>1,309,472</b>	<b>1,293,842</b>
Minority interest	4,307	4,764
<b>Total equity</b>	<b>1,313,779</b>	<b>1,298,606</b>

The consolidated interim balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 7 to 12.

for the half year ended 31 December 2006

## Consolidated Interim Cash Flow Statement

	Note	Consolidated Half year ended 31 December 2006 \$'000	Half year ended 31 December 2005 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		775,736	753,015
Cash paid to suppliers and employees		(703,783)	(688,839)
Income taxes paid		(19,668)	(20,516)
Interest paid		(19,581)	(17,837)
Interest received		991	1,348
<b>Net cash from operating activities</b>		<b>33,695</b>	<b>27,171</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		794	681
Payments for controlled entities (net of cash acquired)	10	–	(64,626)
Payments for acquisition of businesses (net of cash acquired)	10	(4,500)	(11,913)
Acquisition of property, plant and equipment		(12,501)	(12,844)
<b>Net cash used in investing activities</b>		<b>(16,207)</b>	<b>(88,702)</b>
<b>Cash flows from financing activities</b>			
Lease payments		(1,154)	(861)
Repayment of borrowings		–	(28,675)
Dividends paid		(37,721)	(37,742)
Dividends paid to minority interests		(359)	–
Proceeds from borrowings		25,000	123,304
Share buy back		(1,869)	–
<b>Net cash (used in)/from financing activities</b>		<b>(16,103)</b>	<b>56,026</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,385</b>	<b>(5,505)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>94,025</b>	<b>101,106</b>
Effect of exchange rate fluctuations on cash held		(320)	1,073
<b>Cash and cash equivalents at the end of the financial period</b>		<b>95,090</b>	<b>96,674</b>

The consolidated interim cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 7 to 12.

for the half year ended 31 December 2006

**Consolidated Interim Statement of Changes in Equity**

for the half year ended 31 December 2006

	Issued capital \$'000	Retained earnings \$'000	Equity Compensation Reserve \$'000	Foreign Currency Translation Reserve \$'000	Hedge Reserve \$'000	Total equity attributable to equity holders of the parent \$'000	Minority interest \$'000	Total equity \$'000
Balance at 1 July 2006	1,220,446	80,202	3,075	(10,217)	336	1,293,842	4,764	1,298,606
Movement in foreign currency hedge reserve	-	-	-	-	(2,108)	(2,108)	-	(2,108)
Foreign exchange translation differences	-	-	-	2,552	-	2,552	(110)	2,442
Total income and expense for the period recognised directly in equity	-	-	-	2,552	(2,108)	444	(110)	334
Profit for the period	-	53,805	-	-	-	53,805	12	53,817
Total income/(expense) for the period	-	53,805	-	2,552	(2,108)	54,249	(98)	54,151
Share buy-back	(1,869)	-	-	-	-	(1,869)	-	(1,869)
Dividends recognised during the period	-	(37,721)	-	-	-	(37,721)	(359)	(38,080)
Cost of share based payments	-	-	971	-	-	971	-	971
<b>Balance at 31 December 2006</b>	<b>1,218,577</b>	<b>96,286</b>	<b>4,046</b>	<b>(7,665)</b>	<b>(1,772)</b>	<b>1,309,472</b>	<b>4,307</b>	<b>1,313,779</b>
Balance at 1 July 2005	1,220,446	54,484	1,510	(2,855)	-	1,273,585	4,330	1,277,915
Change in accounting policy application of AASB 132 and AASB 139	-	-	-	-	(2,781)	(2,781)	-	(2,781)
Restated balance at 1 July 2005	1,220,446	54,484	1,510	(2,855)	(2,781)	1,270,804	4,330	1,275,134
Movement in foreign currency hedge reserve	-	-	-	-	5,831	5,831	-	5,831
Foreign exchange translation differences	-	-	-	1,706	-	1,706	214	1,920
Total income/(expense) for the period recognised directly in equity	-	-	-	1,706	5,831	7,537	214	7,751
Profit for the period	-	50,700	-	-	-	50,700	98	50,798
Total income/expense for the period	-	50,700	-	1,706	5,831	58,237	312	58,549
Dividends recognised during the period	-	(37,742)	-	-	-	(37,742)	-	(37,742)
Cost of share based payments	-	-	783	-	-	783	-	783
<b>Balance at 31 December 2005</b>	<b>1,220,446</b>	<b>67,442</b>	<b>2,293</b>	<b>(1,149)</b>	<b>3,050</b>	<b>1,292,082</b>	<b>4,642</b>	<b>1,296,724</b>

Amounts are stated net of tax

The consolidated interim statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 7 to 12.

## Notes to the Consolidated Interim Financial Statements

### 1. Reporting Entity

Pacific Brands Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the half year ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The consolidated interim financial report was authorised for issue by the directors on 21st February 2007.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available upon request from the Company's registered office at Level 3, 290 Burwood Road, Hawthorn, Victoria or on the company's website at [www.pacificbrands.com.au](http://www.pacificbrands.com.au).

### 2. Statement of Compliance

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

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006. This report must also be read in conjunction with any public announcements made by Pacific Brands Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### 3. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

In the prior year the consolidated entity adopted AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* in accordance with the transitional rules of AASB 1. This change has been accounted for by adjusting the opening balance of retained earnings and reserves at 1 July 2005, as disclosed in the consolidated interim statement of changes in equity.

### 4. Estimates

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised 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. There have been no such revisions in the current financial reporting period. In preparing this consolidated interim financial report the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2006.

for the half year ended 31 December 2006

## Notes to the Consolidated Interim Financial Statements

	Consolidated Half year ended 31 December 2006 \$'000	Half year ended 31 December 2005 \$'000
<b>5. Revenue and other income</b>		
Sales revenue	868,615	834,327
<b>Other income</b>		
Royalties – other parties	458	355
Net gain/(loss) on disposal of non-current assets	(109)	–
Sundry income	10,209	9,511
<b>Total other income</b>	<b>10,558</b>	<b>9,866</b>
<b>Total revenue and other income</b>	<b>879,173</b>	<b>844,193</b>
<b>6. Other expenses</b>		
Depreciation of:		
Buildings	1,613	1,208
Plant and equipment	6,907	6,192
	<b>8,520</b>	<b>7,400</b>
Amortisation of:		
Software assets	1,405	1,435
Leased plant and equipment	612	548
	<b>2,017</b>	<b>1,983</b>
Total depreciation and amortisation	<b>10,537</b>	<b>9,383</b>
Net financing costs:		
Financial income	(991)	(1,268)
Interest on bank loans and overdraft	20,149	18,983
Interest on other loans	4	462
Finance charges on capitalised leases	150	100
	<b>19,312</b>	<b>18,277</b>
Impairment loss on trade debtors	140	713
Amounts set aside to allow for:		
Doubtful debts	406	821
Rebates, trade allowances, claims and settlement discounts	60,640	50,301
Personnel expenses:		
Wages and salaries	151,232	140,467
Contributions to defined contribution plans	10,123	10,353
Defined benefit superannuation expense	512	715
Leave entitlements	15,263	13,944
Other employee costs	8,461	8,845
Share based payments	971	783
	<b>186,562</b>	<b>175,107</b>
Net foreign exchange losses	579	362

for the half year ended 31 December 2006

## Notes to the Consolidated Interim Financial Statements

### 7. Segment reporting

Segment information is presented in the consolidated interim financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### Business segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system:

Underwear & Hosiery	Marketer, distributor, importer and manufacturer of underwear, intimate apparel, socks and hosiery.
Outerwear & Sport	Marketer, distributor, importer and manufacturer of casual outerwear, workwear, sports clothing, sports footwear and sporting equipment.
Home Comfort	Marketer, distributor, manufacturer and importer of bed linen, towels, mattresses, pillows, bedding accessories and foam.
Footwear	Marketer, distributor, importer and manufacturer of women's, men's and children's footwear.
Other	Retail clearance outlets and administration functions.

#### Half Year ended 31 December 2006

	Underwear & Hosiery \$'000	Outerwear & Sport \$'000	Home Comfort \$'000	Footwear \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue	309,654	134,439	252,996	156,837	25,560	(313)	879,173
Segment result	40,716	12,515	21,640	22,315	(3,643)	–	93,543
Net financing costs							(19,312)
Income tax expense							(20,414)
Profit for the period							<b>53,817</b>

#### Half Year ended 31 December 2005

	Underwear & Hosiery \$'000	Outerwear & Sport \$'000	Home Comfort \$'000	Footwear \$'000	Other \$'000	Eliminations \$'000	Consolidated \$'000
Segment revenue	311,795	141,939	210,013	154,966	26,639	(1,159)	844,193
Segment result	38,040	14,593	18,143	20,767	(3,482)	–	88,061
Net financing costs							(18,277)
Income tax expense							(18,986)
Profit for the period							<b>50,798</b>

## Notes to the Consolidated Interim Financial Statements

	Consolidated Half year ended 31 December 2006 \$'000	Half year ended 31 December 2005 \$'000
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### 8. Dividends

#### Ordinary shares

Dividends paid during the half year not previously recognised as a liability. 37,721 37,742

#### Dividends not recognised at the end of the half year

Since the end of the half year the directors have recommended the payment of an interim dividend of 8.0 cents per fully paid ordinary share, franked to 100% in Australia based on tax paid at 30%. The dividend is expected to be paid on 2 April 2007.

### 9. Earnings per share

	Consolidated Half year ended 31 December 2006	Half year ended 31 December 2005
Weighted average number of ordinary shares used in the calculation of basic EPS	502,690,170	503,000,003
	<b>\$'000</b>	<b>\$'000</b>
Net profit used in the calculation of basic and diluted earnings per share	53,805	50,700

There are no dilutive potential ordinary shares.

### 10. Acquisitions

In the prior comparative period, the consolidated entity acquired 100% of the equity of Sheridan Australia Pty Limited, Sheridan NZ Limited and Sheridan UK Limited for \$64.7 million in cash (net of cash acquired) and assumed interest bearing debt of \$28.7 million. These companies design, source and distribute high quality bed linen and towels primarily to the consumer market in Australia, New Zealand and the United Kingdom.

In the prior comparative period, the consolidated entity acquired from Arthur Ellis Limited its Bedwares and the Everwarm/Survival businesses for \$11.5 million in cash. The Bedwares business manufactures, supplies and distributes pillows, quilts and mattress protectors to major retailers in New Zealand whilst the Everwarm/Survival business supplies and distributes thermalwear products.

### 11. Contingent liabilities and contingent assets

There are no material contingent liabilities or contingent assets.

### 12. Events subsequent to reporting date

For dividends declared after 31 December 2006, refer Note 8.

On 2 January 2007 the consolidated entity acquired the Australasian streetwear business and a 50.1% interest in World Brands Pty Ltd from Globe International Limited for \$42.0 million. The streetwear and World Brands businesses' design, develop and distribute youth apparel under both proprietary brands and other licensed and distributed brands.

On 21 February 2007, the Directors announced that they have entered into an agreement to acquire the Yakka group of companies. The Yakka group is a marketer, distributor, importer and manufacturer of workwear, corporate and lifestyle apparel in Australia and New Zealand. The transaction is expected to be completed in the near future. The financial impact of this announcement has not been reflected in this Financial Report.

Apart from these matters the Directors have not become aware of any other significant matter or circumstance that has arisen since 31 December 2006, that has affected or may affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years, which has not been covered in this report.

## Notes to the Consolidated Interim Financial Statements

### 13. Share based payments

During the half year ended 31 December 2006 the Board has granted 433,721 performance rights to key management personnel and 990,000 deferred shares to senior executives, at no cost, effective 1 July 2006. The performance rights and deferred shares were valued between \$1.06 and \$1.78 at the grant date, 1 July 2006. The grant of performance rights, under the Performance Rights Plan, consisted of two equal tranches being subject to different performance conditions, measured at the end of the 3 year performance period (1 July 2006 to 30 June 2009).

#### Terms and conditions (Performance rights – tranche 1)

In respect of Tranche 1, the performance condition compares the total shareholder return ('TSR') performance of the Company with the TSR performance of entities in the comparator group of entities over the performance condition measurement year. Specifically, the Company's TSR performance will be given a percentile ranking having regard to its TSR performance compared with the TSR performance of each of the companies in the comparator group (with the highest ranking company being given a ranking at the 100th percentile) over the measurement year. The entities comprising the comparator group are a basket of 23 ASX listed consumer stocks. Companies that are delisted, merged or taken over during the vesting year will be removed from the comparator group and not replaced. The percentage of performance rights that will vest at a particular percentile ranking is as follows:

Target	Percentage of shares available in given year that vests
The Company's 3 year TSR does not exceed the median performance of the comparator companies	0%
The Company's 3 year TSR exceeds the median performance of the comparator companies	50%
The Company's 3 year TSR is ranked in the third quartile of the comparator companies	Pro rata between 50% and 100% (2% increase for each higher ranking)
The Company's 3 year TSR is ranked in the fourth quartile of the comparator companies	100%

#### Terms and conditions (Performance rights – tranche 2)

The conditions with respect to Tranche 2 are based on earning per share ('EPS') performance over a three-year period ending 30 June 2009. The percentage of that part of the tranche of performance rights that will vest based on the company's EPS performance is calculated as follows:

Target	Percentage of shares available in given year that vests
The Company's 3 year EPS compound growth is less than 8%	0%
The Company's 3 year EPS compound growth is 8%	25%
The Company's 3 year EPS compound growth is between 8% and 12%	Pro rata between 25% and 100% (1.875% increase for each 0.1% additional EPS growth)
The Company's 3 year EPS compound growth is greater than 12%	100%

## Notes to the Consolidated Interim Financial Statements

### 13. Share based payments (continued)

#### Terms and conditions (Deferred shares)

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

60% of the deferred shares will be available to vest in accordance with the following schedule measured at the end of the 3 year performance period (from 1 July 2006 to 30 June 2009).

Target	Percentage of shares available in given year that vests
The Company's compound EPS is less than 8.5% per annum	0%
The Company's compound EPS is 8.5% per annum	25%
For each 0.1% per annum increase in The Company's compound EPS growth rate above 8.5%	Pro rata between 25% and 100% (3.75% increase for each 0.1% growth in EPS)
The Company's compound EPS is 10.5% per annum	100%

40% of the deferred shares will be available to vest if eligible executives discharge their obligations to the company in accordance with annual KPIs agreed with their managers. This performance condition will be determined at the end of the 3 year performance period (ie after 30 June 2009) by the Chief Executive Officer.

If the target EPS does not reach 10.5% at the end of the initial 3 year period, and some of the deferred shares remain unvested, those unvested deferred shares remain available for a further 2 years, and will be re-tested at the end of that time (ie. 30 June 2011). The unvested deferred shares will then be tested over a 5 year period (from 1 July 2006 to 30 June 2011) in accordance with the vesting schedule above, so that if the threshold EPS of 8.5% per annum compound is achieved over the 5 year period, 25% of those previously unvested deferred shares will vest. Vesting will again be scaled on a straight line basis to 100%, at the target EPS of 10.5% per annum on a compound basis.

In general, the key management personnel and senior executives are not entitled to trade in shares allocated on vesting of the performance rights or deferred shares until the earlier to occur of:

- three years after the date of grant of the shares allocated on vesting; or
- 12 months following the date of cessation of employment with the consolidated entity.

## Directors' Declaration

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

- 1 the financial statements and notes set out on pages 3 to 12, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
  - (b) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 21st day of February 2007.

Signed in accordance with a resolution of the directors.



Paul Moore

Director



## Independent Auditor's Review Report to the members of Pacific Brands Limited

We have reviewed the accompanying interim financial report of Pacific Brands Limited ('the Company'), which comprises the consolidated interim balance sheet as at 31 December 2006, the consolidated interim income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a statement of accounting policies, other explanatory notes 1 to 13 and the directors' declaration set out on pages 3 to 13 of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

### Directors' Responsibility for the Financial Report

The directors of Pacific Brands Limited are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Pacific Brands Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

KPMG

Don Pasquariello  
Partner  
Melbourne  
21 February 2007



### Lead Auditor's Independence Declaration

#### under Section 307C of the Corporations Act 2001 to the directors of Pacific Brands Limited

To: the Directors of Pacific Brands Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2006 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Don Pasquariello'.

Don Pasquariello  
Partner  
Melbourne  
21 February 2007