



{ 2014 annual report }

PACIFIC B **R** BRANDS

Berlei



極度乾燥(しなさい)  
Superdry.



Hard Yakka

BONDS



Hush Puppies

Clarks



SHERIDAN  
EST. 1967



BONDS  
Explorer



SINCE 1896  
TONTINE



BONDS KIDS

KingGee



## *Contents*

---

5 Year Financial Summary	2
Chairman & CEO's Letter	3
Board of Directors	4
Senior Management	5
Corporate Social Responsibility	6
Financial, Statutory and Other Information	7

---

### **Non-IFRS financial information**

Throughout this document some non-IFRS financial information is stated before significant items as disclosed in Note 4 to the Financial Statements. Results excluding such items are considered by Directors to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by Directors in determining dividends taking into account other considerations.

Operating cash flow pre interest and tax (OCFPIT) as a measure of cash flow is considered by Directors to be meaningful as it is the cash equivalent of EBITDA and thus provides a measure of the rate at which operating earnings are converted to cash (or 'cash conversion').

ABN 64 106 773 059

## 5 Year Financial Summary

\$ millions	Notes	2014	2013	2012	2011	2010
<b>Income and Cash Flow</b>						
Sales revenue		<b>1,322.1</b>	1,273.3	1,322.7	1,614.6	1,742.4
Gross margin	1	<b>622.0</b>	625.5	618.6	760.5	732.2
CODB		<b>530.8</b>	503.4	489.6	574.3	553.2
EBITDA (reported)		<b>(192.7)</b>	138.5	(389.7)	(41.2)	149.6
EBITDA (before significant items)	1	<b>108.5</b>	138.5	144.3	207.2	201.0
EBIT (reported)		<b>(209.9)</b>	122.1	(404.9)	(62.3)	127.6
EBIT (before significant items)	1	<b>91.2</b>	122.1	129.1	186.2	179.0
NPAT (reported)	2	<b>(224.5)</b>	73.8	(450.7)	(131.9)	52.7
NPAT (before significant items)	1, 2	<b>53.0</b>	73.8	72.8	103.4	90.3
Reported net operating cash flow		<b>(27.4)</b>	88.8	107.1	94.7	135.3
OCFPIT		<b>47.3</b>	148.2	197.0	171.2	290.4
<b>Statement of Financial Position</b>						
Inventories		<b>280.0</b>	228.7	244.3	262.5	241.3
Trade debtors		<b>140.5</b>	141.8	140.1	179.1	194.3
Trade creditors		<b>(111.5)</b>	(108.0)	(119.6)	(115.8)	(119.5)
Net working capital		<b>309.0</b>	262.4	264.7	325.8	316.1
Property, plant and equipment		<b>57.5</b>	66.5	82.3	80.4	117.0
Intangible assets		<b>350.4</b>	584.1	580.6	1,081.0	1,307.6
Other		<b>(19.0)</b>	(16.7)	(52.0)	(76.8)	(50.9)
Total capital employed		<b>697.9</b>	896.4	875.6	1,410.4	1,689.8
Net debt		<b>(249.1)</b>	(159.1)	(189.1)	(227.2)	(312.7)
Net assets / total equity		<b>448.8</b>	737.3	686.5	1,183.2	1,377.1
<b>Ratios</b>						
Gross margin (%)	1	<b>47.0</b>	49.1	46.8	47.1	42.0
EBIT margin (before significant items) (%)	1	<b>6.9</b>	9.6	9.8	11.5	10.3
EPS (reported) (cents)		<b>(24.6)</b>	8.1	(49.1)	(14.2)	5.7
EPS (before significant items) (cents)	1	<b>5.8</b>	8.1	7.9	11.1	9.7
Dividends per share – fully franked (cents)		<b>2.0</b>	5.0	4.5	6.2	0.0
Dividend payout ratio (%)	1	<b>34.4</b>	61.8	56.4	55.9	n/a
Debtor days (days)		<b>38.8</b>	40.6	38.7	40.5	40.7
Inventory turnover (times)		<b>2.5</b>	2.9	2.9	3.3	4.2
Creditor days (days)		<b>58.2</b>	60.4	61.5	49.1	42.8
Cash conversion (%)		<b>43.6</b>	106.9	136.5	82.6	144.5
Net debt ratio (%)	4	<b>35.9</b>	17.8	21.8	16.3	18.6
Gearing (times)	1	<b>2.3</b>	1.2	1.4	1.1	1.6
Interest cover (times)	1, 3	<b>6.4</b>	7.6	6.2	7.8	4.4
Return on capital employed (%)	1	<b>13.1</b>	13.6	14.7	13.2	10.6

1 Before items that are individually significant as disclosed in Note 4 to the Financial Statements (significant items)

2 After deducting non-controlling interest

3 2010 – 2013 adjusted to exclude capital expenditure from the calculation, previously required under superseded covenant requirements

4 Calculated as (Net Debt excluding borrowing costs)/(Net Debt excluding borrowing costs + Total Equity)

Note: Refer page 99 for abbreviations and definitions

# Chairman & CEO's Letter



Dear shareholders

Welcome to your 2014 Annual Report. Thank you for taking the time to read this report and for your ongoing investment and interest in Pacific Brands.

Your board and management are focused on improving the performance of your company but despite some improvements in key areas this has been another difficult year. Ongoing challenging markets and declines in consumer sentiment have contributed to reduced profitability, cash flow and balance sheet strength.

We have responded by reducing the fixed cost base and in recent weeks we have entered into an agreement to sell the Workwear business, which will allow us to further simplify and focus our strategy and efforts around our key brands.

The Board is confident that the structural and operational changes, increased focus on working capital management and improved cash flows resulting from these decisions will strengthen each business and underpin group performance and financial position.

## Financial performance

Reported sales increased by 3.8% to \$1,322.1 million for the financial year, driven by continued growth in Bonds and Sheridan, underpinned by increased direct-to-consumer sales across most businesses and the impact of acquisitions. Before the impact of significant items, EBIT decreased by 25.3% to \$91.2 million and net profit after tax decreased by 28.2% to \$53.0 million. Reduced earnings, higher working capital and capital expenditure and additional restructuring costs led to an increase in net debt at 30 June 2014 to \$249.1 million. Net debt reduction is a key focus for the Company in the 2015 financial year.

A more detailed review of operating and financial performance is set out on pages 8 to 20.

## Strategic and financial priorities

In June we announced that we were conducting a strategic review with support from Macquarie Capital Limited. The corporate strategic and financial priorities are to: restore balance sheet strength; adopt a more balanced growth and cost agenda; move to a more decentralised organisation model; and review portfolio rationalisation options to simplify the business and maximise shareholder value.

Further details on these priorities, along with key strategic and operational highlights from F14, are set out in the Operating and Financial Review commencing on page 8.

## Workwear divestment

In line with these priorities, on 26 August 2014 we entered into an agreement to divest the Workwear business to Wesfarmers Industrial and Safety, a division of Wesfarmers, for gross proceeds of \$180 million, subject to ACCC approval and certain other consents and approvals. Further details and the estimated financial impact of the transaction are set out in Note 30 to the Financial Statements. Net proceeds from the transaction will be applied to reduce net debt. As well as focusing our group strategy around maximising the potential of our market leading brands such as Bonds and Sheridan, the sale also reduces exposure to the challenging industrial market and restores balance sheet strength to the Company.

## Dividends and capital management

Also consistent with these priorities, no final dividend has been declared in order to allow a focus on restoring balance sheet strength and to fund restructuring costs. As a result, the dividend for the year was a fully franked 2.0 cents per share.

## Board and senior management changes

As part of ongoing Board renewal there were a number of changes during the year. Jonathan Ling resigned from the Board on 18 February 2014 to focus on his executive responsibilities, and we thank him for his contribution.

We were pleased to welcome three new board members during the year: Helen Nash joined on 28 August 2013, Linda Nicholls AO on 24 October 2013, and Kiera Grant joined us on 18 February 2014. All bring extensive experience to the Board and have added value from their first meetings.

John Pollaers stepped down from the role of Chief Executive Officer on 7 July 2014. John led a revitalisation of the culture of the Company, further simplified the business model and worked to drive the growth of key businesses. We wish him every success for the future.

We appointed David Bortolussi, the Company's Chief Financial and Operating Officer since 2009, as Chief Executive Officer effective 26 August 2014. David's background and deep knowledge and experience in the Company see him uniquely qualified to take on the role.

## Ethical sourcing

Ethical sourcing and social compliance are critical business issues and important to who we are and the role we play in our industry. We are a committed member of the Ethical Trading Initiative, a leading global alliance between companies, trade unions and voluntary organisations. We take our obligations, including health and safety, extremely seriously and mandate regular audits of facilities with which we have a direct supplier relationship. The Company's health and safety policies are applied uniformly in all jurisdictions in which the Company sources its products.

In the case of Bangladesh, the Company commenced its own fire, electrical and building safety program in July 2013. This involved the Company collaborating with key suppliers, factory workers, industry experts, industry peers and other ETI members. It was important that, collectively, relevant stakeholders focus on the root causes of fire and building safety to prevent another tragedy like Rana Plaza. In December 2013, the Company became a signatory to the Bangladesh Accord on Fire and Building Safety, cementing the Company's commitment to drive safe working conditions in Bangladesh.

## Conclusion

Market conditions remain challenging but our priorities are firmly focused on restoring financial strength, improving performance and maximising shareholder value. We look forward to reporting back to you in 12 months' time with continued progress.

## Feedback

Your feedback is always important to us and we want to ensure that you, our shareholders, have an avenue to ask any questions you have. We have a designated email address ([agmquestions@pacbrands.com.au](mailto:agmquestions@pacbrands.com.au)) for you to submit questions and we will endeavour to address these at our Annual General Meeting on 14 October 2014.

Once again we thank you for your support and interest throughout the financial year.

Peter Bush  
Chairman

David Bortolussi  
Chief Executive Officer

## Board of Directors



**Peter Bush**  
Executive Chairman  
Independent  
BA  
Age 62

Peter joined the board in August 2010 and assumed the role of Chairman at the end of June 2012. Following the resignation of the Chief Executive Officer on 7 July 2014, Peter was appointed as Executive Chairman, pending the appointment of a replacement. Peter had a long and successful career in fast-moving consumer goods, holding senior roles with SC Johnson, Reckitt & Coleman, Ampol/Caltex and Arnotts and was CEO of AGB McNair and Schwarzkopf. He then ran his own strategic consultancy business for six years with clients including Qantas, Telstra, George Patterson Bates, John Singleton Advertising and McDonald's Australia. In 2003 he became the CEO of McDonald's Australia. He left McDonald's in April 2010 as its divisional President for Pacific, Middle East and Africa. Peter is a director of Insurance Australia Group Limited (since 2010) and Chairman of Mantra Group Holdings Limited (since 2014) and was previously a director of, and from December 2011 served as Chairman of, Nine Entertainment Co (ceased in 2013).



**Stephen Goddard**  
Director  
Independent Non-Executive  
BSc (Hons) MSc  
Age 56

Stephen joined the board of Pacific Brands in May 2013. Stephen has had more than 25 years of retail experience, including lengthy tenures with both Myer and David Jones with experience across a broad range of areas including finance, strategic planning, merchandise, stores, logistics, supply chain and property. He has overseen all aspects of premium branded multi-site retail operations and during his time at Coles Myer Ltd was the founding Managing Director of Officeworks. Stephen has had nearly 10 years of experience as a board member and Finance Director of David Jones where he held executive responsibility for strategic planning, accounting, tax, treasury, investor and media relations, as well as the General Counsel and Company Secretary functions.



**Kiera Grant**  
Director  
Independent Non-Executive  
BEC  
Age 42

Kiera joined the board in February 2014. Kiera has more than 15 years of investment banking experience, including a lengthy tenure with UBS AG. She has extensive financial and strategic assessment knowledge combined with mergers and acquisitions and capital market experience. Kiera has advised numerous corporate clients including Fosters, Woolworths, Elders, Coles Myer, Just Jeans, Brazin, Millers and Mildara Blass. Kiera currently holds a number of non-executive directorship roles including Samuel Smith & Sons Pty Ltd (incorporating Yalumba Wine Co and Negotiants Fine Wine Distributors) and the Sydney Dance Company and is a trustee of the Art Gallery of NSW Foundation Board.



**James King**  
Director  
Independent Non-Executive  
BComm, FAICD  
Age 62

Jim was appointed to the board of Pacific Brands in September 2009. Jim has over 30 years' experience in major multinational corporations in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific). He is currently a non-executive director of JB Hi-Fi Limited (since 2003), Navitas Ltd (since 2004) and a member of Global Coaching Partnership. Previously Jim was a director of Trust Company Ltd (2007 - 2013), a member of the Council of Xavier College and Chairman of Juvenile Diabetes Research Foundation (Victoria).



**Helen Nash**  
Director  
Independent Non-Executive  
BA (Hons) GAICD  
Age 42

Helen joined the board of Pacific Brands in August 2013. Helen has more than 17 years' experience in brands and marketing, including seven years in fast-moving consumer goods at Procter & Gamble, followed by three years in publishing at IPC Media. Helen has held a variety of roles at McDonald's Australia over a period of nine years and most recently held the position of Chief Operating Officer, overseeing restaurant operations, marketing, menu, insights and research and information technology. Helen is currently a director of Blackmores Limited (since 2013).



**Linda Bardo Nicholls AO**  
Director  
Independent Non-Executive  
BComm, FAICD  
Age 66

Linda was appointed to the board of Pacific Brands Limited in October 2013. She is Chairman of Yarra Trams and Japara Healthcare Limited (since 2014), and is a Director of Fairfax Media (since 2010), Sigma Pharmaceutical Group (since 1997) and Medibank Private Limited (since 2014). Previously she was Chairman of Healthscope, Chairman of Australia Post, and a Director of St George Bank and Low Carbon Australia. Linda is a Director of The Walter and Eliza Hall Institute of Medical Research and was a Trustee and Vice President of The Harvard Business School Alumni Board (USA). Her executive career was in banking and financial services. Linda has an MBA from Harvard Business School and more than 30 years' experience as a senior executive and company director in Australia, New Zealand and the United States.

## Senior Management



**David Bortolussi**  
Chief Financial &  
Operating Officer  
BComm, FFin, FCA  
Age 45

David joined Pacific Brands in June 2009 in the role of Chief Financial and Operating Officer. David has substantial industry experience in the consumer and retail sector, and functional expertise in strategy, finance, mergers and acquisitions and operational performance improvement. Prior to Pacific Brands, David held senior management and consulting roles at Foster's Group Limited, McKinsey & Company and PricewaterhouseCoopers, and has worked in various international markets. At Pacific Brands, David is responsible for Corporate Development, Finance, Commercial, Tax, Treasury, Investor Relations, IT, Shared Services, Risk, Legal, Property and Supply Chain.



**Matthew Claughton**  
Group General Manager,  
Workwear  
BComm (Hons), BA  
Age 34

Matthew joined Pacific Brands in 2009 as head of Strategy and Business Development for the Workwear Group, subsequently adding HR and International Operations to his role in 2011, before becoming Group General Manager of the Workwear Group in 2012. Prior to working at Pacific Brands Matthew spent five years at Foster's Group Limited in a variety of strategy and business development roles, ultimately leading the strategy and business development teams for three years. Prior to this Matthew worked in management consulting with McKinsey & Company.



**Paul Gould**  
Group General Manager,  
Sheridan Tontine  
Age 52

Paul joined Pacific Brands in 2003 as Marketing Director of Bonds and Berlei. He progressed to the role of General Manager of Bonds and was then appointed to the role of General Manager Sheridan in 2008. Prior to joining the Company, Paul held leadership roles in some of the world's leading creative agencies including General Manager of Saatchi & Saatchi and Managing Partner at The Campaign Palace. During that time, Paul was an integral part of the team that reinvented and repositioned the Bonds brand.



**Anthony Heraghty**  
Group General Manager,  
Underwear  
BBus  
Age 40

Anthony joined Pacific Brands in October 2009 from Foster's Group Limited, where he spent three years, first as Marketing Director for the Australian, Asia and Pacific business and subsequently as Global Marketing Director. Previously, Anthony was a Managing Director of advertising agencies George Patterson and McCann-Erickson for over ten years. Anthony has a proven track record as a senior executive and leader, and a wealth of knowledge and experience in advertising, marketing, brand development and brand management of consumer goods.



**Martin Matthews**  
Group General Manager,  
Brand Collective  
BComm (Hons), BInfoSys  
Age 33

Martin joined Pacific Brands in 2009 as General Manager Strategy and Business Development for Footwear, Outerwear and Sport before becoming Group General Manager in August 2012. Previously Martin spent two years in the Fosters Group's corporate strategy team, had a career in management consulting for Accenture and PricewaterhouseCoopers spanning five years advising retail and consumer goods clients on a wide range of operational and strategic issues.



**John Grover**  
General Counsel and  
Company Secretary  
LLB, BComm, FCIS,  
FCSA  
Age 52

John was appointed to the position of General Counsel and Company Secretary in December 2003 having held the same role with the company's predecessor, Pacific Brands Holdings Pty Ltd, since December 2001. In 2012 John added management of the Company's infrastructure team to his role. Prior to joining Pacific Brands, he held senior corporate legal roles with Ansell Limited (formerly Pacific Dunlop Limited) and Rio Tinto Limited, following an eight-year career with a major Australian law firm, which included two roles based in South-East Asia.

# Corporate Social Responsibility

***Pacific Brands is committed to attaining the highest standards in ethical, responsible and sustainable business practices. The Company believes this is the most appropriate way of doing business and its consumers will have a stronger connection with its brands as a result.***

Corporate social responsibility at Pacific Brands touches every part of the business and encourages all stakeholders to contribute to the vision of significantly reducing the impact on the environment and supporting the communities in which Pacific Brands operates.

The program focuses on four key areas where the Company is seeking to make a difference:

- Our People
- Our Environment
- Our Community
- Our Marketplace

## ***Our People***

Pacific Brands has an ongoing commitment to providing a responsible working environment for all its employees. Pacific Brands recognises that it is important to ensure all employees have the best opportunities available to prepare them for the future.

Pacific Brands' purpose is to make people feel anything's possible, backed by our belief in the heroic Australian company and the need to make people proud again. To achieve this we must be a breakthrough performance team which is defined by our affinity, interdependence, risk, ownership and purpose.

## ***Health and Safety***

Pacific Brands values a healthy and safe workplace and we are committed to conducting all work free from injury and harm. The health and safety of employees is central to everything we do. Key initiatives include:

- The workplace integrated management system which encompasses safety, health, environment and quality and covers areas such as leadership, process approach and continuous improvement
- External accreditation to AS/NZS 4801 and ISO 14001 for manufacturing and supply chain sites
- Open and consultative safety, health and well-being programs which include annual influenza vaccination programs, discounted private hospital insurance, on-site health and well-being assessments, mental health first aid training program rolled out to Human Resources and the National Safety Team and other healthy lifestyle initiatives
- Retail safety project, involving the release of retail specific eLearning modules and standard operating procedures
- Implementation of a streamlined reporting database to capture all hazards, incidents, injury management, quality and asset protection reports
- Dedicated injury management and return to work resources
- Access to International SOS support for all employees to ensure they are able to obtain appropriate medical assistance when travelling
- A Peer Team project in supply chain that enables its members to create, develop and implement safety initiatives which make a difference to them and their work community
- Anti-bullying, discrimination and harassment training modules released via the Company's eLearning portal

In addition to programs for employees, the Company's supplier evaluation processes require its suppliers to demonstrate they have formal management systems in place to identify and manage safety, environment and quality.

## ***Our Environment***

Pacific Brands is committed to reducing its environmental footprint. Its robust environmental management system is certified within ISO 14001 and applies for all locations in relation to the sourcing, manufacturing, packaging, handling, and disposal of our products. Pacific Brands strives for continuous environmental improvement by the application of guiding principles: reduce, reuse, recycle and replace. Pacific Brands has a number of environmental initiatives in place, including:

- Working closely with environmental partners to reduce waste to landfill during the year. This includes ongoing monitoring of our environmental performance
- Online employee eLearning program covering 'Pacific Brands and the environment'
- Ongoing commitment to the Australian Packaging Covenant (APC) to reduce the environmental effects of packaging in Australia
- Used carpet underlay recycling program

## ***Our Community***

Looking after the communities in which the Company's employees and consumers live is the right thing to do and Pacific Brands values the deeper connections it is endeavouring to build with them. The Company's community investment program aims to enhance the social and economic wellbeing of the communities where its employees live and work. Pacific Brands continues to support a number of charitable organisations including:

- Salvation Army
- Brotherhood of St Laurence
- Breast Cancer Network Australia
- Kids Foundation
- McGrath Foundation
- National Breast Cancer Foundation
- Nippers (Surf Life Saving Australia)
- Whitelion

Businesses within Pacific Brands also participated in a number of initiatives within their local communities, including product donations to worthy causes.

## ***Our Marketplace***

Consideration of the impact a business makes on the environment and the communities in which it operates is becoming more important every day. More and more, people are beginning to think about how a product is made rather than focussing solely on the product itself. This concern also extends to the environmental and social conduct of suppliers.

Pacific Brands is committed to ensuring it meets its social compliance responsibilities and has an ongoing program of auditing its supply chain for adherence to ethical practices spanning labour rights, safety, quality and the environment.

The Company recognises the difficulties in dealing with a large and complex supply chain and therefore is dedicated to integrating ethics into its core business practices and improving its audit program. Further information on the company's social compliance framework is available in section 9 of the Corporate Governance Statement.



## FINANCIAL, STATUTORY AND OTHER INFORMATION

Operating and Financial Review	8
Corporate Governance Statement	21
Directors' Report	36
Remuneration Report	39
Lead Auditor's Independence Declaration	56
Financial Statements To Shareholders	57
Notes To The Financial Statements	62
Directors' Declaration	94
Independent Auditor's Report To The Members Of Pacific Brands Limited	95
Shareholders' Statistics	96
Shareholders' Information	97
Company Directory	98
Abbreviations/Definitions	99

# OPERATING AND FINANCIAL REVIEW

## Nature of Operations and Business Model

### Overview

Pacific Brands (or 'the Company'<sup>1</sup>) is a consumer products company with four reportable segments ('Operating Groups') for the financial year ended 30 June 2014 ('F14'):

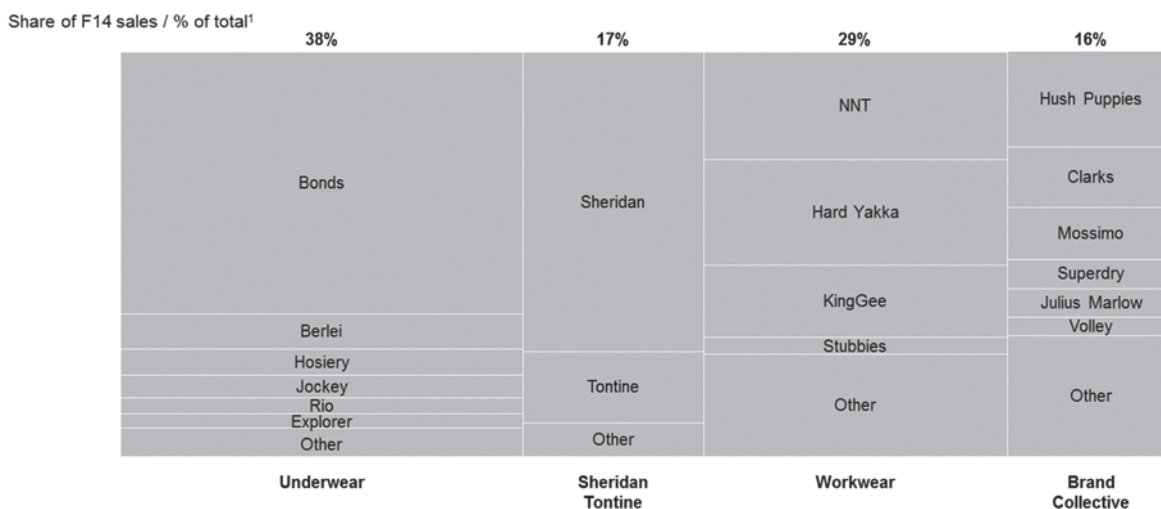
- Underwear: which includes market leading brands such as Bonds, Berlei, Jockey, Explorer and Razzamatazz spanning the underwear, bras, socks, hosiery, babywear and outerwear categories
- Sheridan Tontine: which supplies bedding products and accessories, towels, and other categories primarily under these brands
- Workwear: which supplies industrial workwear and corporate imagewear to employees, businesses and the public sector including market leading brands such as Hard Yakka and KingGee
- Brand Collective: which comprises a portfolio of brands across the footwear, apparel and sporting goods categories including Clarks, Hush Puppies, Julius Marlow, Volley, Mossimo and Superdry

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

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

### Brands

The main brands and businesses which comprise each of the four Operating Groups are summarised in the diagram below in terms of their contribution to sales revenue in F14. A more detailed description of the activities and brands within each of these groups is set out on pages 16 to 19.



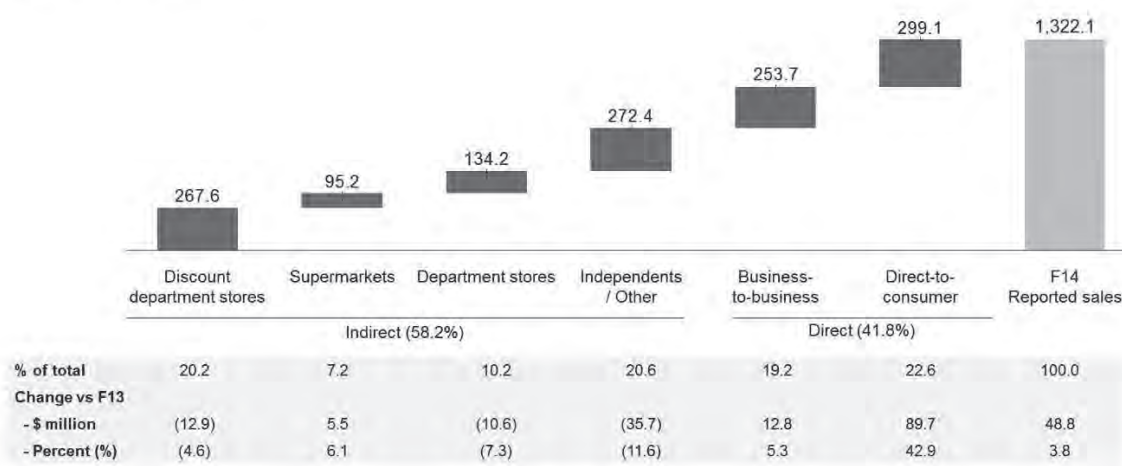
The vast majority of the Company's sales are from brands which it directly owns. Licensed brands principally comprise Clarks, Everlast, Hush Puppies, Jockey, Mossimo and Superdry and accounted for 12% of sales revenue in F14. Licences are typically for periods of between 5 and 15 years, and are generally renewed well in advance of any potential expiry. Where the Company owns a brand, it generally has the potential to exploit that brand internationally. The principal exceptions are Berlei, Dunlop and Slazenger where ownership is generally limited to Australia and New Zealand.

### Channels

The Company has a range of channels to market through which it distributes products to end consumers as summarised in the diagram below in terms of their contribution to sales revenue in F14.

<sup>1</sup> For the purpose of the Operating and Financial Review section of the Annual Report, the Company is defined to mean Pacific Brands Limited and its controlled entities

F14 Sales revenue; \$ millions



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

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

The Company's five largest corporate customers (by sales) in alphabetical order are David Jones, Myer, Pepkor (Best & Less and Harris Scarfe), Wesfarmers (Coles, Target, and Wesfarmers Industrial and Safety) and Woolworths (Big W and Woolworths supermarket). These five companies collectively represented 36% of sales in F14.

Direct channels comprise:

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

An important part of the Company's strategy is to continue investing in the direct-to-consumer channel. In F14, retail in store sales represented 19% of total sales (up from 14% in F13) and online represented 4% (up from 2%). As at 30 June 2014 the Company's retail network comprised the following stores:

	BRANDED <sup>1</sup>	CONCESSION <sup>2</sup>	OUTLET <sup>3</sup>	TOTAL STORES	ONLINE	FRANCHISE <sup>4</sup>	TOTAL NETWORK
Underwear	28	-	36	64	4	-	68
Sheridan Tontine	16	87	46	149	4	-	153
Workwear	16	-	-	16	5	53	74
Brand Collective	28	-	24	52	8	-	60
<b>Total</b>	<b>88</b>	<b>87</b>	<b>106</b>	<b>281</b>	<b>21</b>	<b>53</b>	<b>355</b>

1 In the case of Workwear, comprises Trade Centres (8) and company owned Totally Workwear stores (8)

2 Concessions are stores within a store. In Australia they are within David Jones. In the United Kingdom, they are within Debenhams, House of Fraser and independent retailers. Sales in concessions are classified as direct-to-consumer

3 Outlet and clearance stores

4 Totally Workwear franchise. Sales to non-company owned Totally Workwear stores are classified as (indirect or wholesale) sales to a branded retailer

## Markets

Sales are currently concentrated in Australia, with New Zealand being the next largest market. F14 sales by geography were split as shown in the table below:

COUNTRY/REGION	%
Australia	88.1
New Zealand	7.3
Europe (including the UK)	3.6
Asia	0.7
Middle East	0.2
North America	0.1
<b>Total</b>	<b>100.0</b>

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Supply chain

The vast majority (c.87%) of the Company's purchases are of products that it sources from third parties, generally from overseas and typically paid for in US dollars which is more cost effective than local manufacture. The Company sources the majority (c.76%) of its products from China, but sources from a total of 22 countries including India, Indonesia, Thailand and a number of other predominantly Asian and European countries.

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

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

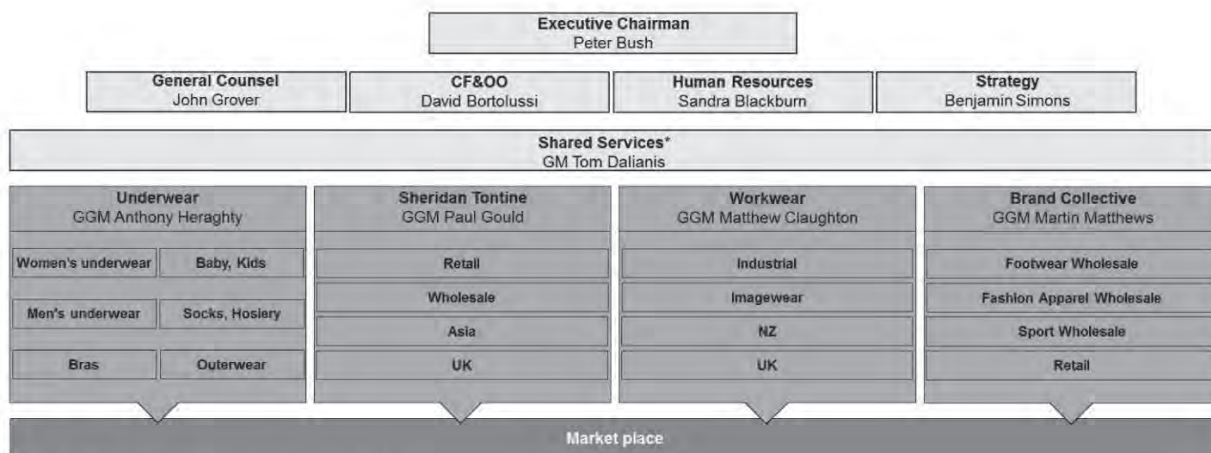
- Campbellfield, Victoria: pillows and quilts
- Footscray, Victoria: workwear
- Sunshine, Victoria and Wetherill Park, New South Wales: flooring/carpet underlay
- Auckland, New Zealand: workwear
- Jakarta, Indonesia: bras and underwear

The Company has a network of distribution centres ('DCs'), with the largest of these being at Truganina in Western Melbourne, Victoria which services the Underwear group and the Brand Collective apparel business. The other businesses are serviced by a mixture of national and regional facilities.

### Organisational structure

During F14, the Company had four operating groups supported by some centralised functions and shared services as shown in the diagram below. The operating groups are generally responsible for brand stewardship, product design, sourcing, quality, category management, marketing and sales.

Peter Bush has assumed the role of Executive Chairman pending the appointment of a new Chief Executive Officer to replace John Pollaers who ceased employment with the Company on 7 July 2014.



\* Logistics, IT, Transaction Processing and Group Accounting

In total, the Company employs c.5,200 people across seven countries. The majority of these employees are based in Australia and New Zealand (c.3,300), with the next biggest region being Asia with c.1,000. The majority of employees (c.3,600) are in non-manufacturing roles.

### Strategy and Material Business Risks

#### Corporate strategic priorities

The Company outlined its business unit strategies last year, a summary of which was provided in the Operating and Financial Review in the F13 Annual Report. These business unit strategies remain materially unchanged, albeit there is a move to a more focused and balanced growth and cost agenda. The Company is conducting a strategic review with support from Macquarie Capital Limited. The Company's corporate strategic and financial priorities are to:

1. Restore balance sheet strength – maximise operating cash conversion, moderate investment levels and implement a temporary dividend moratorium
2. Adopt a more balanced growth and disciplined cost agenda – continue to invest in Bonds and Sheridan (brands, retail and international), stabilise gross margins and reduce costs
3. Move to a more decentralised organisation model – reduce the role and cost of corporate functions and provide business units with more end-to-end accountability for performance
4. Review portfolio rationalisation options – review and explore options to simplify the business and maximise shareholder value

Related to priority 2 and 3, and due to challenging market conditions and performance issues, significant actions were taken during F14, particularly in 4Q14, to restructure the business and reduce costs to mitigate earnings pressure, including:

- Restructuring of Workwear in response to a significant change in market conditions and profitability – most aspects of business system impacted by extensive cost reduction program
- Simplification of overhead structures in other business units
- Decentralisation and rationalisation of corporate functions and shared services to increase end-to-end control and accountability of operations to business unit management
- Offshoring of Workwear customer service and group transaction processing (accounts receivable and payable in progress)
- Closure of Sheridan facility in SA and consolidation into existing shared facility in QLD to utilise excess capacity, reduce costs and improve service levels
- Consolidation and relocation of offices to reduce property and administrative costs
- Discontinuation, rationalisation and closure of 35 retail stores

Related to priority 4, the Company announced on 26 August 2014 that it had entered into an agreement to sell the Workwear business to Wesfarmers Industrial and Safety, a division of Wesfarmers Limited. Further information is contained in Note 30 to the financial statements.

#### Material business risks

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

RISK	NATURE OF RISK	ACTIONS/PLANS TO MITIGATE RISK
Wholesale distribution	<ul style="list-style-type: none"> <li>▪ Reduction in distribution (ie de-ranging or de-listing) and/or margin compression</li> <li>▪ Key wholesale customers looking to grow proportion of private label sales (including acquisition of a major customer by an international parent with a stated strategy of increasing private label)</li> <li>▪ Lower equity portfolio brands at greatest risk of losing distribution</li> <li>▪ Further downturn in workwear industrial sector</li> <li>▪ Retention of sales at lower margins</li> </ul>	<ul style="list-style-type: none"> <li>▪ Manage customer pricing and economics</li> <li>▪ Reinvest in key brands (including design, innovation and marketing)</li> <li>▪ Develop adjacent category and segment opportunities</li> <li>▪ Expand direct channels</li> <li>▪ Explore international opportunities</li> </ul>
Retail performance	<ul style="list-style-type: none"> <li>▪ Retail stores fail to perform at an acceptable level to cover fixed costs of operation (in store and network overheads) and provide the required rate of return on invested capital</li> </ul>	<ul style="list-style-type: none"> <li>▪ Disciplined site selection</li> <li>▪ Robust business case for each store to meet suitable investment hurdles</li> <li>▪ Recruitment and retention of experienced retail talent</li> <li>▪ Strong systems and processes to monitor and manage performance of each retail store</li> </ul>
Product cost inflation	<ul style="list-style-type: none"> <li>▪ Increase in input prices (eg due to increasing labour rates, commodity prices or FX depreciation – refer also below regarding FX depreciation)</li> <li>▪ Increased costs not readily and/or fully passed on</li> <li>▪ Increased prices having an elasticity/volume impact on demand</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sourcing processes in place</li> <li>▪ Product engineering and process for engaging suppliers to identify mutual cost reduction opportunities</li> <li>▪ Lean manufacturing programs with targeted suppliers</li> <li>▪ Other alternatives to address margin pressures (eg pricing, trade spend, product mix, product design, CODB)</li> </ul>
FX depreciation	<ul style="list-style-type: none"> <li>▪ Vast majority of COGS is foreign currency denominated so FX depreciation increases local currency product costs and places pressure on gross margins</li> <li>▪ Refer also above regarding product cost inflation</li> </ul>	<ul style="list-style-type: none"> <li>▪ FX policy requires hedging of majority of expected purchases up to 12 months in advance</li> <li>▪ FX hedging locks in seasonal and basics margins and allows time to take action to address margin pressures (eg pricing, trade spend, product mix, product design)</li> <li>▪ Some B2B contracts have rise and fall clauses which enable pricing adjustments or facilitate negotiation</li> <li>▪ Refer also above regarding mitigations for product cost inflation</li> </ul>
CODB escalation	<ul style="list-style-type: none"> <li>▪ Many costs are fixed or semi-fixed and subject to inflationary pressures</li> <li>▪ Profitability can be eroded if costs are not managed in line with growth in the top-line and gross margin</li> </ul>	<ul style="list-style-type: none"> <li>▪ Extensive cost reduction program and strong cost control culture</li> <li>▪ Rigorous budgetary process and controls</li> <li>▪ Monthly financial performance reviews</li> </ul>
Working capital position	<ul style="list-style-type: none"> <li>▪ Increases in working capital due to inflationary impact of currency, growth initiatives and sales volatility and differences to expectations</li> <li>▪ Cash flow can deteriorate if working capital is not closely managed, particularly during periods of earnings pressure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improved sales and operations planning process including more rigorous controls over stock purchasing</li> <li>▪ Disciplined clearance and promotional activity</li> <li>▪ More balanced agenda regarding growth and investment in capital</li> <li>▪ Focus on supplier terms and debtor collections</li> </ul>

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

RISK	NATURE OF RISK	ACTIONS/PLANS TO MITIGATE RISK
Unethical sourcing	<ul style="list-style-type: none"> <li>Supplier practices may result in unethical labour or workplace practices in the factories from which the Company sources products that could adversely impact company reputation and brand equity</li> </ul>	<ul style="list-style-type: none"> <li>Policies and framework to carefully screen and qualify new suppliers</li> <li>Supplier audit program (internal and external) to monitor and develop suppliers</li> <li>Supplier code of conduct in place</li> <li>Active membership of ETI and signatory to the Bangladesh Accord on Fire and Building Safety – refer Corporate Governance Statement</li> </ul>
Business continuity (including reliability of supply)	<ul style="list-style-type: none"> <li>Sales and profits could be significantly impacted by a major disruption to critical points in the Company's end-to-end supply chain (eg provision of raw materials and components, manufacturing (external and/or company owned), shipping, warehousing and distribution) or in the information systems that support it</li> <li>Sales and profits could also be significantly affected by major variations in the quality of the Company's finished goods, and/or the timeliness with which that product is delivered to customers (eg DIFOT levels)</li> </ul>	<ul style="list-style-type: none"> <li>Diversification of suppliers to limit monopoly supply risk</li> <li>Where high supplier concentration exists, development of plans for alternative sources of supply</li> <li>Disciplined supplier selection</li> <li>Effective sales and operational planning and quality control and assurance processes</li> <li>Disaster recovery plans in place for key processes and components</li> <li>Use of fire suppression equipment in DCs</li> <li>Information systems backed up and disaster recovery processes in place</li> <li>Insurance cover</li> </ul>

### Financial Performance

The following analysis and commentary addresses financial performance for the Company. Refer to pages 16 to 19 for further details regarding individual segment performance.

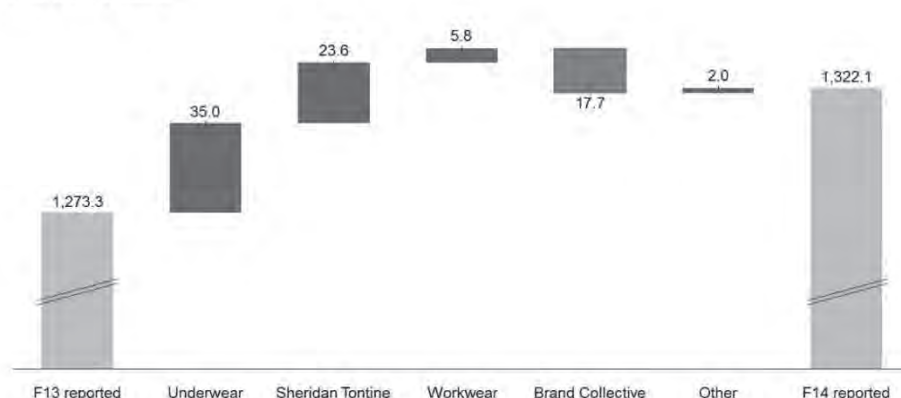
Following is a summary of financial performance for F14 compared to the previous corresponding period (F13):

	REPORTED				BEFORE SIGNIFICANT ITEMS			
	F14 \$M	F13 \$M	CHANGE \$M	CHANGE %	F14 \$M	F13 \$M	CHANGE \$M	CHANGE %
<b>Sales</b>	<b>1,322.1</b>	<b>1,273.3</b>	<b>48.8</b>	<b>3.8</b>	<b>1,322.1</b>	<b>1,273.3</b>	<b>48.8</b>	<b>3.8</b>
Gross margin	632.9	625.5	7.3	1.2	622.0	625.5	(3.5)	(0.6)
<b>Gross margin</b>	<b>47.9%</b>	<b>49.1%</b>	<b>(1.2)pts</b>	<b>n.m.</b>	<b>47.0%</b>	<b>49.1%</b>	<b>(2.1)pts</b>	<b>n.m.</b>
COBD	530.8	503.4	27.4	5.4	530.8	503.4	27.4	5.4
Other expenses	312.0	-	312.0	n.m.	-	-	-	-
<b>EBITDA</b>	<b>(192.7)</b>	<b>138.5</b>	<b>n.m.</b>	<b>n.m.</b>	<b>108.5</b>	<b>138.5</b>	<b>(30.1)</b>	<b>(21.7)</b>
Depreciation & amortisation	17.2	16.4	0.8	4.9	17.2	16.4	0.8	4.9
<b>EBIT</b>	<b>(209.9)</b>	<b>122.1</b>	<b>n.m.</b>	<b>n.m.</b>	<b>91.2</b>	<b>122.1</b>	<b>(30.9)</b>	<b>(25.3)</b>
EBIT margin	n.m.	9.6%	n.m.	n.m.	6.9%	9.6%	(2.7)pts	n.m.
Net interest	17.8	20.5	(2.7)	(13.1)	17.8	20.5	(2.7)	(13.1)
Tax	(3.3)	27.8	(31.1)	n.m.	20.5	27.8	(7.3)	(26.3)
<b>NPAT</b>	<b>(224.5)</b>	<b>73.8</b>	<b>n.m.</b>	<b>n.m.</b>	<b>53.0</b>	<b>73.8</b>	<b>(20.8)</b>	<b>(28.2)</b>
EPS	(24.6)cps	8.1cps	n.m.	n.m.	5.8cps	8.1cps	(2.3)cps	(28.3)
<b>DPS (fully franked)</b>	<b>2.0cps</b>	<b>5.0cps</b>	<b>(3.0)cps</b>	<b>(60.0)</b>	<b>2.0cps</b>	<b>5.0cps</b>	<b>(3.0)cps</b>	<b>(60.0)</b>
Payout ratio	n.m.	62%	n.m.	n.m.	34%	62%	(27.0)pts	n.m.

### Sales

Reported sales in F14 increased by 3.8% due to growth in Underwear (mainly Bonds) and Sheridan Tontine (mainly Sheridan) underpinned by increased direct-to-consumer sales across those businesses and also in Footwear. Wholesale sales were down driven by the decline in the Workwear industrial market, reduced distribution and sales of portfolio brands, and key account underperformance in the department store and discount department store sectors. Reported sales growth was also supported by acquisitions of IncorporateWear (UK), Shoe Warehouse, Shoe Superstore, Totally Corporate, TSL and TWW stores. Excluding the impact of acquisitions, divestments and discontinued brands, underlying sales grew by 1.9%.

Sales revenue by segment; \$ millions



### Gross margins

F14 reported gross margins were impacted by significant items, being the profit on sale of the Wentworthville property of \$10.8 million. Gross margins (before significant items) declined by 2.1 percentage points (from 49.1% to 47.0%) driven by increased levels of promotional/clearance activity, a shift in sales mix towards lower margin channels in Workwear and higher import costs including lower realised FX rates. With respect to FX, the average AUD:USD rates through the Statement of Comprehensive Income were c.1.02 in F13 and c.0.99 in F14.

These factors were partially offset by channel mix benefits of retail and online sales growth, a greater proportion of Underwear and Sheridan sales with higher margins than Workwear and Brand Collective, and price increases.

Price increase activities took longer than expected but are largely complete across most Operating Groups. Underwear has moved prices across all categories, with all SS15 priced at new rates. Workwear has increased prices on national product with B2B on a contract-by-contract basis. Sheridan will implement price rises in 1H15 due to longer lead times. Brand Collective product mix is highly seasonal and has been priced to market. The scheduled customs duty rate reduction on clothing and household textiles from 10% to 5% is effective 1 January 2015 and factored into wholesale price increases.

### Cost of doing business

	F14 \$M	F13 \$M	CHANGE	
			\$M	%
Freight and distribution	117.6	112.2	5.4	4.8
Sales and marketing	300.0	275.3	24.7	9.0
Administrative	113.1	115.8	(2.7)	(2.3)
<b>CODB</b>	<b>530.8</b>	<b>503.4</b>	<b>27.4</b>	<b>5.4</b>
CODB/Sales	40.1%	39.5%	0.6pts	n.m.

CODB increased by 5.4% from \$503.4 million to \$530.8 million. Costs were impacted by investment in retail expansion (Bonds, Sheridan and Footwear clearance networks), along with an incremental increase in advertising, focused mainly on key brands (Bonds, Sheridan, Hard Yakka) and largely in 1H14 due to phasing of campaigns.

Excluding retail store expansion, CODB decreased due to restructuring initiatives net of inflation and investment in new categories and capability. Freight and distribution expenses increased with higher volumes, handling units and labour rates; partially offset by warehouse productivity improvements. Administrative expenses were down due to restructuring and cost control.

### Other expenses

The reported result in F14 was impacted by significant items, primarily the non-cash write down of goodwill and brand names (\$242.3 million, no tax effect) mainly related to Workwear (\$241.8 million) due to structural changes in the market with the risk to carrying values previously noted in the F13 annual report. Other asset impairments and write-offs (\$16.2 million post tax) mainly related to Brand Collective (\$10.3 million post tax) due to a further decline in performance.

Cash restructuring costs (\$46.6 million pre tax, \$32.9 million post tax) mainly related to restructuring in Workwear, Brand Collective and shared corporate functions. Costs include redundancies (\$16.2 million post tax), site closure costs and onerous lease/contract charges (\$8.0 million post tax) and consulting/other costs (\$8.7 million post tax). Benefits of the cost reduction program will assist with mitigating earnings pressure, particularly from currency depreciation and challenging market conditions.

Other items included profit on sale of the Wentworthville property (\$10.8 million) brought to account in 1H14 in other income (no tax effect) and an outstanding tax claim settled with the Australian Taxation Office (\$3.0 million).

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### EBIT

The significant items in F14 saw reported EBIT fall from a profit of \$122.1 million to a loss of \$209.9 million. EBIT (before significant items) was down 25.3% from \$122.1 million to \$91.2 million, due principally to the reduction in gross margin and increase in CODB. EBIT margin declined from 9.6% to 6.9% correspondingly.

### Interest and tax

Interest was down, from \$20.5 million to \$17.8 million, reflecting improved pricing and commercial terms following refinancing of the syndicated debt facility in October 2013 notwithstanding a significant increase in net debt in 2H14.

Excluding the impact of significant items, the effective tax rate increased marginally from 27.4% to 27.9%.

### NPAT and dividends

The significant items in F14 saw reported NPAT fall from a profit of \$73.8 million to a loss of \$224.5 million. NPAT before significant items was down 28.2% from \$73.8 million to \$53.0 million with EPS similarly down 28.3%.

No final dividend has been declared for F14 to assist with funding restructuring costs and consistent with the Company's priority of restoring balance sheet strength. Payment of dividends will continue to be subject to review at each reporting date. As a result, F14 dividends per share (fully franked) decreased from 5.0 cents to 2.0 cents, which equates to a decrease in the payout ratio (before significant items) from 62% to 34%.

### Financial Position

Set out below is a summary of the financial position as at 30 June 2014 compared to the position as at 30 June 2013:

	F14 \$M	F13 \$M	CHANGE	
			\$M	%
Working capital	309.0	262.4	46.5	17.7
Property, plant and equipment	57.5	66.5	(9.0)	(13.5)
Intangible assets	350.4	584.1	(233.7)	(40.0)
Other <sup>1</sup>	(19.0)	(16.7)	(2.4)	(14.3)
<b>Total capital employed</b>	<b>697.9</b>	<b>896.4</b>	<b>(198.5)</b>	<b>(22.1)</b>
Net debt	(249.1)	(159.1)	(90.0)	(56.5)
<b>Equity</b>	<b>448.8</b>	<b>737.3</b>	<b>(288.5)</b>	<b>(39.1)</b>
Gearing <sup>2</sup> (x)	2.3	1.2	1.1	n.m.
Interest cover <sup>2,3</sup> (x)	6.4	7.6	(1.2)	n.m.
Net debt ratio <sup>2</sup> (%)	35.9	17.8	18.1pts	n.m.
ROCE (%)	13.1	13.6	(0.6)pts	n.m.
Tangible ROCE (%)	26.3	39.1	(12.8)pts	n.m.

<sup>1</sup> Comprises all other assets and liabilities. Represents net assets less working capital, property, plant and equipment, intangible assets and net debt

<sup>2</sup> Calculated in accordance with the Subscription Agreement with the Company's banking syndicate, adjusted to exclude significant items for comparative purposes. The gearing and interest cover ratios calculated in accordance with the Subscription Agreement, which requires the inclusion of certain cash significant items, were 2.5 and 4.9 respectively at 30 June 2014. There were no significant items in F13

<sup>3</sup> The interest cover ratio was revised in the most recent update to the Subscription Agreement to exclude the capital expenditure adjustment, comparatives have been restated

Property, plant and equipment and intangible asset balances were impacted by goodwill, brand names and other asset impairments.

Credit metrics are not as strong as the prior year due to a significant increase in net debt and lower earnings.

### Working capital

	F14 \$M	F13 \$M	CHANGE	
			\$M	%
Trade debtors	140.5	141.8	(1.3)	(0.9)
Inventories	280.0	228.7	51.4	22.5
Trade creditors	(111.5)	(108.0)	(3.5)	(3.3)
<b>Working capital</b>	<b>309.0</b>	<b>262.4</b>	<b>46.5</b>	<b>17.7</b>
Working capital/LTM sales (%)	23.4	20.6	2.8pts	n.m.
Debtors days (days)	38.8	40.6	(1.9)	(4.6)
Inventory turns (x)	2.5	2.9	(0.4)	(12.4)
Creditor days (days)	58.2	60.4	(2.3)	(3.8)



Inventories were significantly higher at 30 June 2014, due to the wholesale sales underperformance, investment in retail expansion, adjacent categories and acquisitions and the inflationary impact of currency depreciation. Inventory turns were also down versus the prior corresponding period, due to reduced turns from portfolio brands and Workwear.

Debtor days were down due mainly to year end timing and the higher share of direct-to-consumer sales. Creditor days were down marginally due to an incremental increase in supplier terms offset by other timing impacts.

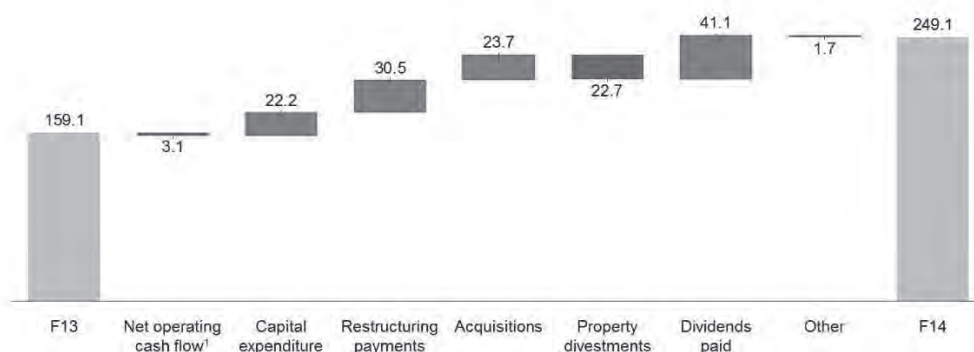
### Cash conversion

	F14 \$M	F13 \$M
EBITDA (reported)	(192.7)	138.5
Significant items (pre tax)	301.2	-
<b>EBITDA (before significant items)</b>	<b>108.5</b>	<b>138.5</b>
Change in working capital / Other	(61.1)	9.6
<b>OCFPIT</b>	<b>47.3</b>	<b>148.2</b>
Net interest paid	(17.4)	(19.3)
Tax paid	(26.9)	(29.8)
<b>Net operating cash flow (before restructuring payments)</b>	<b>3.1</b>	<b>99.1</b>
Restructuring payments	(30.5)	(10.3)
<b>Net operating cash flow (reported)</b>	<b>(27.4)</b>	<b>88.8</b>
<b>Cash conversion</b>	<b>43.6%</b>	<b>106.9%</b>

Cash conversion was significantly lower than the prior comparative period, due to the increase in working capital, with 2H14 cash conversion negative. Operating cash conversion will be a key focus in F15.

### Net debt

\$ millions



<sup>1</sup> Before restructuring items

DEBT PROFILE	MATURITY DATE	30 JUNE 2014	
		FACILITY \$M	DRAWN \$M
<b>Syndicated debt</b>			
Tranche 1 (Revolving)	31 January 2017	125.0	125.0
Tranche 2 (Revolving)	31 January 2019	125.0	125.0
Securitisation	31 January 2016	175.0 <sup>1</sup>	96.5
Overdraft		35.0	-
<b>Total facilities</b>		<b>460.0</b>	<b>346.5</b>
Cash			(95.7)
Deferred borrowing costs			(1.7)
<b>Net debt</b>			<b>249.1</b>

<sup>1</sup> Based on eligible receivables at 30 June 2014, \$124 million of the \$175 million securitisation was drawable

The syndicated debt facility was refinanced in October 2013. All tranches are now revolving and the refinancing was achieved on improved pricing and commercial terms. The securitisation was also extended to 31 January 2016.

Net debt increased, from \$159.1 million to \$249.1 million, due to reduced earnings, higher working capital and capital expenditure, acquisitions and additional restructuring costs. Capital expenditure increased due to the retail store rollout and office relocations and consolidation. Acquisitions comprised the 1H14 acquisition of IncorporateWear (UK) (100%), the Iconix JV (50%) and other businesses.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Underwear

	F14 \$M	F13 \$M	CHANGE %
Sales <sup>1</sup>	488.9	453.9	7.7
EBIT (reported) <sup>2</sup>	71.9	78.1	(7.9)
EBIT (pre significant items)	63.6	78.1	(18.6)

- 1 Excluding other income and inter segment revenue  
 2 Reported EBIT includes profit on sale of Wentworthville property (\$10.8 million) less other significant items (\$2.5 million)

#### Nature of operations

The Underwear group comprises key market leading brands across a variety of categories (89% of F14 sales):

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

The business also has a number of portfolio brands (11% of F14 sales) which play an important role in the overall portfolio but do not have the same size and/or growth potential as key brands. The largest portfolio brands are:

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

The majority (over 80%) of sales for the Underwear group are to wholesale customers, with the bulk of those to major retailers (mainly discount department stores, but also with significant sales to department stores and supermarkets).

The group increasingly sells directly to consumers through its network of retail stores (branded, outlet, clearance) and online stores. Such sales represent c.19% of Underwear group sales.

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

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

#### F14 Results performance

Key brands, which make up the majority of the portfolio, grew by 11.0% whereas the portfolio brands declined by 13.4%.

Wholesale sales were down, but direct-to-consumer sales were significantly up, with Bonds retail and online now 16% and 8% of total Bonds sales, respectively.

The result was underpinned by strong growth in Bonds (+19.9% to \$316.7 million in F14):

- Significant growth in direct-to-consumer channels (new stores, comp store sales growth, increased online sales)
- Sales up in wholesale, with underlying growth in supermarkets
- Outerwear sales particularly strong, especially through the Company's owned retail stores
- Good response to key innovations/campaigns eg Lacies, Bonds Collectibles, Boobs (bras)

Berlei sales were up (+2.5% to \$43.1 million) due to strong online growth, with wholesale sales impacted by performance in the department store channel.

Jockey sales were down (-4.3% to \$26.8 million) due to:

- Domestic discount department store performance which continues to be weak
- Partially offset by New Zealand sales growth, supported by a new All Blacks sponsorship program

Explorer was slightly down (-2.5% to \$17.2 million), with wholesale distribution stabilising.

Hosiery (eg Razzamatazz) sales were down (-21.5% to \$31.4 million) due to the effects of increased private label product and an unseasonably warm autumn.

Rio and Holeproof sales were down in discount department stores due to increased competition, with total portfolio brands down 13.4%.

EBIT was materially down, impacted by:

- Significantly lower wholesale gross margins driven by product mix, increased levels of promotional/clearance activity and currency devaluation, net of price increases and retail/online channel mix
- Reduced distribution of hosiery and portfolio brands
- Key account performance in the discount department store channel

#### F14 Key strategic and operational highlights

- Continued success of recent category extensions (eg Bonds kids outerwear, Bonds bras, Bonds activewear)
- Strong retail performance:
  - 23 Bonds branded stores opened, taking the total to 28
  - Acquisition of 5 TSL stores
  - Strong performance of the Bonds Outlet network due to successful rebranding
- International expansion underway:
  - UK distribution via John Lewis stores and online
  - Distributor arrangement in Jakarta
- Rebuild of innovation, design and product development processes using Lean principles and delivering reductions in lead time and costs of the model line

## Sheridan Tontine

	F14 \$M	F13 \$M	CHANGE %
Sales <sup>1</sup>	219.0	195.4	12.1
EBIT (reported) <sup>2</sup>	12.1	17.7	(31.4)
EBIT (pre significant items)	13.9	17.7	(21.5)

1 Excluding other income and inter segment revenue

2 Reported EBIT includes other significant items (\$1.8 million)

### Nature of operations

The Sheridan Tontine group offers a variety of bedding products, towels, and other categories primarily under these brands.

Key brands comprise:

- Sheridan (luxury bed linen, pillows, quilts, towels, bedding accessories, and other lifestyle categories including loungewear and baby)
- Tontine (pillows, quilts, bedding accessories)
- Dunlopillo (pillows)
- Fairydown (quilts, bedding accessories)

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

Sheridan's primary channel to market is direct-to-consumer (72% of sales), with the balance being wholesale. Tontine mainly sells through wholesale channels.

The majority of sales are in Australia (over 80%), with significant sales also in the UK, New Zealand and Asia.

In terms of categories, bed linen accounts for the majority of sales, followed by towels, quilts, pillows and accessories with the new loungewear and babywear being the smallest categories.

### F14 Results performance

Sheridan comprised 74% of F14 sales, and was up 15.6% driven by:

- Positive comp sales performance in Boutiques and Concessions (SFO marginally down) and continued store rollout
- Online growth (eBoutique, SFO)
- UK sales increase (amplified by currency translation)
- Increase in brand advertising
- Expansion into adjacent categories (baby, loungewear)

Tontine sales continued to grow (up 11.5% to 17% of sales) due to:

- Continued sales growth in discount department stores, despite loss of a major customer, and in supermarkets
- Strong second half performance in particular

Sales of other brands declined 10.7% to 8% of sales.

EBIT was materially down, impacted by:

- Increased investment in brands, new categories and capability
- Margin pressure driven by promotional activity

### F14 Key strategic and operational highlights

- Continued investment in the Sheridan brand including the Towel Man campaign
- The Sheridan brand took over the number 1 position in terms of Home Furnishings market share dollars, as measured by Roy Morgan reports
- Increased the number of stores by 17, over half of which were in the UK
- Successfully shifted towels to concession in David Jones
- Launched new lifestyle categories including loungewear and baby
- Partly integrated the Sheridan and Tontine businesses

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Workwear

	F14 \$M	F13 \$M	CHANGE %
Sales <sup>1</sup>	368.5	362.7	1.6
EBIT (reported) <sup>2</sup>	(247.4)	37.4	n.m.
EBIT (pre significant items)	22.1	37.4	(41.1)

1 Excluding other income and inter segment revenue

2 Reported loss due to impairment of goodwill and brand names (\$241.8 million) in 1H14 and other significant items (\$27.7 million)

#### Nature of operations

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

It is Australasia's largest workwear provider and the fourth largest provider globally, supplying more than a million garments each year.

The Workwear group has three main channels to market:

- B2B (66% of sales, including international B2B). In this channel, Pacific Brands engages directly with corporate customers (including the public sector) and then typically delivers uniform requirements at the employee level. Particularly for larger customers, the systems established to facilitate employee orders and fulfilment thereof are especially important
- Wholesale (27% of sales). This includes sales to major resellers (eg Blackwoods, Protector Alsafe), independent wholesalers (including small and medium enterprises ('SMEs'), and buying groups that service the same) and traditional retailers such as discount department stores and specialty retailers. It also includes sales to Totally Workwear franchisees
- Retail (7% of sales). Direct sales to customers through trade centres, company owned Totally Workwear stores and branded online stores

The Workwear group owns Australia's best known consumer workwear brands, Hard Yakka and KingGee, as well as Stubbies and market-leading imagewear brand NNT.

The business covers all industry segments with the largest being industrial (including construction, manufacturing, mining and resources) (c.45% of sales), followed by corporates (eg banks, airlines), defence and emergency services, and health and hospitality.

The vast majority of Workwear sales are in Australia (80%), with significant sales also in New Zealand and the UK. However the business services more than 35 countries across Asia, Europe, the Pacific and the Middle East.

#### F14 Results performance

Sales were marginally up overall:

- International and imagewear up
- Supported by acquisitions (Totally Corporate, Totally Workwear stores and IncorporateWear (UK))

However, sales and EBIT (pre significant items) were both materially impacted by:

- Significant decline in demand from the industrial sector
- Lower market share due to shift to value and growth in vertical resellers
- Increase in competitive activity

- Resulting in a change in shape and profitability of the business

A substantial restructuring program was implemented and is now well progressed.

#### F14 Key strategic and operational highlights

- Simplified industry verticals into Industrial and Imagewear organisation structure
- Substantially restructured and reduced the fixed cost base, including:
  - Simplification of the business and refocusing around profitable channels/segments
  - Restructuring direct and B2B sales force
  - Offshoring of customer service function
  - Closure of underperforming stores
- Continued product innovation (eg KingGee Compression wear)
- Continued rollout of Hard Yakka and KingGee in the major hardware channel
- Retained majority of key customers with strong retention rates across the market
- Increased focus on B2B business development and account acquisition
- Acquired IncorporateWear, a leading UK corporate clothing manufacturer
- Implemented Lean manufacturing in Footscray facility

## Brand Collective

	F14 \$M	F13 \$M	CHANGE %
Sales <sup>1</sup>	204.5	222.2	(7.9)
EBIT (reported) <sup>2</sup>	(22.3)	(0.8)	n.m.
EBIT (pre significant items)	(0.9)	(0.8)	(11.9)

1 Excluding other income and inter segment revenue

2 Reported EBIT loss includes 1H14 impairment of goodwill (\$0.5 million) and other significant items (\$20.9 million)

The Brand Collective group comprises a portfolio of brands encompassing the footwear, apparel and sporting goods categories.

Key brands (70% of F14 sales) comprise:

- Clarks<sup>3</sup> (footwear)
- Hush Puppies<sup>3</sup> (footwear)
- Julius Marlow (footwear)
- Volley (footwear)
- Mossimo<sup>3</sup> (fashion apparel)
- Superdry<sup>3</sup> (fashion apparel)

The business also has a number of portfolio brands (28% of F14 sales), the largest being:

- Dunlop (footwear, sporting apparel and equipment)
- Slazenger (fashion and sporting apparel, and equipment)
- Everlast<sup>3</sup> (outerwear, sporting apparel and equipment)
- Grosby (footwear)
- Harrison (footwear)
- Freshjive<sup>3</sup> (fashion apparel)

Also included within portfolio brands are modest sales of non-Pacific Brands product through the Company's multi-branded footwear stores.

During F14, the Diesel licence was not renewed and the associated business was transferred to the licensor. Together with the Naturalizer and Stussy licences which were not renewed in the prior year, discontinued brands comprised only 2% of F14 sales.

Growth in retail and online has significantly increased the direct-to-consumer component of Brand Collective (to 30% of sales) with the balance through wholesale channels (especially department stores).

The vast majority of sales are in Australia, with significant sales also in New Zealand, and some sales in the US.

### F14 Results performance

Key brands, which make up the majority of the portfolio, grew by 8.7% but showed mixed performance:

- Hush Puppies, Clarks, Julius Marlow and Superdry up
- Mossimo down overall but improved in 2H14; Volley down

Portfolio brands continued to decline (7.2%), except for Grosby which was marginally up. Retail sales grew due to acquired distribution (Shoe Warehouse, Shoe Superstore), online and improved footwear retail performance. However, the independent/SME segment remained challenging.

Discontinued brands declined by 86% versus the prior corresponding period.

EBIT (pre significant items) was broadly flat due to sales and licence impacts offset by restructuring benefits and lower depreciation.

### F14 Key strategic and operational highlights

- Acquisition of Shoe Warehouse (12 multi-brand stores)
- Operational improvement in retail, particularly in footwear
- Investment in the Superdry brand including opening a flagship store in Melbourne Emporium
- Portfolio restructuring in sport brands, including adjustments to the business model for some brands and products to make them fit for purpose
- Significant further restructuring to lower cost to serve

<sup>3</sup> Indicates licensed brands. 66% of Brand Collective's sales relate to licensed brands

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Future Financial Prospects

#### General

Sales outcomes will be largely dependent upon market conditions and company specific sales performance, which will be influenced by implementation of the Company's strategy over time, including maintaining wholesale distribution and the success of the direct-to-consumer investment. More specifically:

- In Underwear, wholesale sales outcomes will depend upon the level of distribution achieved, especially with major retail customers, and the relative shelf space afforded to the Company's products compared with private label and competitor products. This, in turn, will be impacted by continued investment in brands (eg innovation, design, marketing) and category expansion (eg Bonds kids outerwear). Direct-to-consumer sales outcomes will depend upon the performance of the Company's online stores and, in the case of Bonds, the rate of retail store rollout and subsequent performance. Hosiery and portfolio brands (eg Holeproof, Rio) are a decreasing proportion of Underwear's sales. Nonetheless, should they lose further distribution over time, that would negatively impact overall sales outcomes
- Within Sheridan Tontine, a key driver of sales will be the rate of concession and retail store rollout for Sheridan (and subsequent retail performance), along with the success of continued innovation, category expansion and international growth. Wholesale sales outcomes will depend upon the level of distribution achieved, especially with major retail customers
- Workwear sales outcomes will continue to be heavily influenced by conditions in the Australian industrial manufacturing, construction and resource sectors, as well as fluctuations in the economic cycle and general business confidence which in turn affect key drivers such as employment levels and employee turnover. B2B sales will be driven by customer retention rates, the level of new business wins, timing of large customer contract rollouts, and underlying account demand. Wholesale sales will be influenced by distribution in key accounts and performance of the Totally Workwear franchise network. Continued innovation in terms of both product (eg features relating to heat, moisture, visibility etc) and service (eg systems, DIFOT), as well as sales force effectiveness will impact sales. Investment in key brands such as Hard Yakka and KingGee will continue to be important
- In Brand Collective, direct-to-consumer performance (in store and online) of the key footwear and outerwear brands that have stores will be important. Wholesale sales outcomes will depend upon the levels of distribution, private label penetration and competitive dynamics, especially with major retail customers, with portfolio brands (eg Grosby, Slazenger, Dunlop) most at risk

Gross margins will be subject to a variety of forces, most notably product cost inflation, currency depreciation, pricing and promotional activity, and changes in business mix including a progressive increase in direct-to-consumer sales. CODB is expected to increase over time due to a combination of inflationary pressures and increased investment (eg direct-to-consumer, advertising) being greater than available cost reduction opportunities or productivity benefits, despite the level of restructuring taking place. Earnings outcomes will ultimately be dependent upon the relative impacts of the above variables. It is noted that the recent depreciation in the Australian dollar could potentially have a material impact on earnings and working capital in F15 if unmitigated (expected average F15 AUD:USD rate of c.0.90 versus c.0.99 in F14). To address these residual margin pressures, the Company is implementing price increases with customers, working with suppliers to identify cost reduction opportunities, as well as considering other elements over which it has some control (eg trade spend, product mix, product design, CODB). It is inherently difficult to predict the net impact at this stage as it will also depend on, among other things, future FX hedged rates, competitive environment, market pricing and consumer response.

Cash flow will depend on earnings outcomes and the impacts of net movements in working capital and capital expenditure relative to depreciation. The Company's objective, subject to the extent of movement in sales, is to return to higher rates of annual cash conversion and for capital expenditure to be broadly similar to depreciation over time. The Company has also implemented a temporary dividend moratorium which will next be reviewed in connection with the interim half year results for F15.

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

#### F15 Trading update and outlook

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

In F15, sales for the eight weeks to date are up versus PCP.

In relation to 1H15 compared to 1H14 (before significant items and the Workwear divestment):

- Sales are expected to be up due mainly to growth in retail and online
- Gross margins are expected to be down due mainly to competitive and FX pressures net of price increases and channel mix benefits
- CODB is expected to be up due to increased investment in retail net of restructuring initiatives
- EBIT is expected to be down materially (but up on 2H14 which was \$36.0 million)

Operating cash conversion and net debt reduction will be a key focus, notwithstanding the lagged impact of committed inbound stock flows, first half weighted retail store capital expenditure and the payment of F14 restructuring provisions.

Further cash restructuring costs are expected in 1H15 related to the Workwear divestment and as the Company continues to take action to reduce costs and improve performance.

Outcomes of the strategic review could potentially have a material impact on the above outlook statement.

# CORPORATE GOVERNANCE STATEMENT

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

This statement describes Pacific Brands' approach to corporate governance. The Board believes that the Company's policies and practices comply in all substantial respects with the Australian Securities Exchange ('ASX') Corporate Governance Council's Corporate Governance Principles and Recommendations (2<sup>nd</sup> edition). Unless indicated otherwise in the discussion below, these practices have been in place for the entire year. A checklist summarising this is found in section 14 of this statement. The Company is in the process of revising its corporate governance framework to be in line with the 3<sup>rd</sup> edition of the Principles and Recommendations which will apply to the Company in respect of the 2015 financial year.

Copies of the main corporate governance policies adopted by the Company can be found in the corporate governance section of the Company's website at [www.pacificbrands.com.au](http://www.pacificbrands.com.au).

## 1. ROLE AND RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

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

The Company's Chairman is currently acting in the role of Chief Executive Officer until a new replacement Chief Executive Officer is appointed.

## 2. BOARD APPOINTMENT AND COMPOSITION

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

Specifically, the Board considers a director to be independent where he or she is not, and was not within the last three years, a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. In the case of the Chairman, the Board believes that he is independent, notwithstanding the fact that he became an Executive Chairman from 7 July 2014, as a result of the former Chief Executive Officer's resignation. The Board will consider the materiality of any given relationship on a case by case basis and has adopted materiality guidelines to assist it in this regard. Under the Board's materiality guidelines, the following interests are regarded as, *prima facie*, material:

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

The Company's Chairman is an Executive Chairman as he is currently acting in the role of Chief Executive Officer until a new replacement Chief Executive Officer is found.

In the case of the Chairman's independence, notwithstanding the fact that the Chairman is acting as Chief Executive Officer and holds an executive role as a result of the former Chief Executive Officer's resignation, the Board still considers the Chairman to be independent on the basis that his executive role is temporary only, he is not employed in an executive capacity by the Company, and he will not receive any additional remuneration for his services as Chief Executive Officer (other than his fees as Chairman).

The Board is currently made up of six independent non-executive directors.

The Board has determined that each of the six non-executive directors satisfy the Board's criteria for independence. It is also the Company's view that all of its directors have exercised judgement and discharged their responsibilities in an unrestricted and independent manner throughout the 2014 financial year. As mentioned above, the Board is of the view that the Chairman remains independent notwithstanding his brief period as Executive Chairman.

Details of the directors as at the date of this Annual Report, including their terms of office, qualifications and experience and independence status, are set out on page 4 of the Annual Report.

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

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

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

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

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

The period of office held by each person who served as a director in the 2014 financial year is as follows:

	APPOINTED	LAST ELECTED AT AN ANNUAL GENERAL MEETING
P H Bush (Executive Chairman)	August 2010	24 October 2013
S T Goddard	May 2013	24 October 2013
K L Grant	February 2014	Not applicable
J S King	September 2009	23 October 2012
J P Ling	May 2013	Resigned 18 February 2014
H E C Nash	August 2013	Not applicable
L B Nicholls AO	October 2013	Not applicable
J C Pollaers	September 2012	Not applicable
A M Tansey	March 2010	Resigned 24 October 2013

Directors' shareholdings are shown on page 36 of the Annual Report.



### 3. BOARD PROCESSES

The Board currently schedules ten meetings per year. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between the scheduled meetings. During the 2014 financial year, the Board met 15 times.

The table on page 24 of the Annual Report shows the number of Board meetings held in the 2014 financial year and the attendance of each director.

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

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

### 4. BOARD COMMITTEES

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

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

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

Each committee operates under a specific charter, which can be found in the corporate governance section of the Company's website at [www.pacificbrands.com.au](http://www.pacificbrands.com.au). The charter of each committee requires each committee to be comprised of a minimum of three non-executive directors, a majority of whom must be independent. All Board committees are chaired by an independent non-executive director.

Details of the committee members' qualifications are set out on page 4 of the Annual Report. Further details regarding the three committees are set out in the table below:

	AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
<b>Roles and responsibilities</b>	The committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting, the maintenance of a risk management framework and the relationship with the external and internal auditors.	The committee is responsible for assisting and advising the Board on matters relating to succession planning, recruitment and the appointment and remuneration of directors.	The committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Chief Executive Officer and other senior executives and for the remuneration policy framework for all employees of the Company and overseeing the Company's Diversity Policy.
<b>Functions</b>	<ul style="list-style-type: none"> <li>▪ ensuring that processes are in place so that financial information provided to shareholders is accurate, complete and reliable in all material aspects</li> <li>▪ evaluating the processes in place to ensure that accounting records are properly maintained in accordance with statutory requirements</li> <li>▪ overseeing the relationship with the external auditor, auditor independence and the external audit function</li> <li>▪ reviewing the adequacy of the group's risk management framework including policies and procedures established by senior management to identify and manage areas of potential risk and to safeguard the assets of the Company</li> <li>▪ reviewing the scope of the internal audit program and the performance of internal audit</li> <li>▪ reviewing the reports of the internal auditor and overseeing management's implementation of internal audit recommendations</li> <li>▪ reviewing the scope and terms of the insurance program</li> </ul>	<ul style="list-style-type: none"> <li>▪ reviewing and making recommendations to the Board regarding the appointment of non-executive directors</li> <li>▪ assessing Board composition, function and size (taking into consideration the skills, experience and expertise required and the extent to which they are represented on the Board and the requirements of the Company's diversity policy)</li> <li>▪ establishing processes for reviewing the performance of individual non-executive directors, the Board as a whole and the operation of Board committees</li> <li>▪ monitoring length of service and developing succession plans for the Board including the likely order of retirement by rotation of non-executive directors</li> <li>▪ making recommendations to the Board on non-executive director remuneration, including that of the Chairman</li> </ul>	<ul style="list-style-type: none"> <li>▪ assisting the Board in determining an appropriate remuneration framework and policies for all employees</li> <li>▪ overseeing the selection and appointment practices for senior executives of the Company</li> <li>▪ overseeing the development of succession planning in relation to the Chief Executive Officer and other senior executives</li> <li>▪ making recommendations to the Board on the Chief Executive Officer's remuneration (including short and long term incentive plans)</li> <li>▪ reviewing and approving recommendations from the Chief Executive Officer on total levels of remuneration for senior executives reporting to the Chief Executive Officer (including short and long term incentive plans)</li> <li>▪ reviewing human resources and remuneration policies and practices for the group, as brought forward by management</li> </ul>

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
<b>Functions (continued)</b>	<ul style="list-style-type: none"> <li>▪ reviewing the Company's social compliance policies and practices and observance of appropriate ethical standards</li> <li>▪ overseeing the Company's treasury function, including foreign exchange and interest rate hedging policies</li> <li>▪ reviewing the Company's exposure to fraud and corruption, including overseeing investigations of allegations of fraud, corruption or malfeasance</li> </ul>		<ul style="list-style-type: none"> <li>▪ reviewing and reporting to the Board on an annual basis, the relative proportion of women and men in the workforce at all levels of the Company, remuneration by gender and strategies to address any pay gap</li> <li>▪ reviewing and reporting to the Board, on an annual basis, on the effectiveness of the Company's diversity policy</li> <li>▪ engaging remuneration consultants and receiving any advice and/or recommendations from them with respect to the setting of executive remuneration</li> </ul>
<b>Members</b>	<ul style="list-style-type: none"> <li>▪ Stephen Goddard (Chair)</li> <li>▪ James King</li> <li>▪ Linda Nicholls</li> </ul>	<ul style="list-style-type: none"> <li>▪ Peter Bush (Chair)</li> <li>▪ James King</li> <li>▪ Helen Nash</li> </ul>	<ul style="list-style-type: none"> <li>▪ Linda Nicholls (Chair)</li> <li>▪ Kiera Grant</li> <li>▪ James King</li> <li>▪ Helen Nash</li> </ul>
<b>Composition</b>	The committee is chaired by an independent non-executive director and must comprise at least three non-executive directors, all of whom must be independent and financially literate. The Chairman of the Board is not permitted to chair the committee.	The committee is chaired by an independent non-executive director and must comprise at least three non-executive directors, a majority of whom must be independent.	The committee is chaired by an independent non-executive director and must comprise at least three non-executive directors, a majority of whom must be independent.
<b>Consultation</b>	The Chief Executive Officer, Chief Financial & Operating Officer, General Manager, Group Risk and SH&E, and the external auditor have standing invitations to attend committee meetings. Other members of management may also attend by invitation. The committee has access to financial and legal advisers as it considers appropriate. The committee also meets with the external auditor in the absence of management whenever deemed appropriate, but no less than semi-annually to ensure the committee can be satisfied that the auditors have had the full cooperation of management in conducting audit functions, and to give each auditor the opportunity to raise any matters of concern.	The committee may obtain information from, and consult with external advisers, as it considers appropriate.	The Chief Executive Officer and Group General Manager, HR each have a standing invitation to attend committee meetings. The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.

The table below shows the number of Board and committee meetings held in the 2014 financial year and the attendance of each member:

	BOARD		AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	ATTENDED <sup>1</sup>	HELD <sup>2</sup>	ATTENDED <sup>1</sup>	HELD <sup>2</sup>	ATTENDED <sup>1</sup>	HELD <sup>2</sup>	ATTENDED <sup>1</sup>	HELD <sup>2</sup>
P H Bush	15	15	2	2	N/A	N/A	7	7
S T Goddard	15	15	5	5	N/A	N/A	N/A	N/A
K L Grant	9	9	N/A	N/A	2	2	N/A	N/A
J S King	15	15	5	5	5	5	7	7
J P Ling	5	6	N/A	N/A	3	3	3	3
H E C Nash	14	14	N/A	N/A	3	3	4	4
L B Nicholls AO	13	13	3	3	2	2	N/A	N/A
J C Pollaers	15	15	N/A	N/A	N/A	N/A	N/A	N/A
A M Tansey	2	2	N/A	N/A	2	2	N/A	N/A

<sup>1</sup> This column shows the number of meetings attended

<sup>2</sup> This column shows the number of meetings held during the period the director was a member of the Board or committee

## 5. ACCESS TO INFORMATION AND INDEPENDENT ADVICE

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

## 6. REVIEW OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

The performance of the Board is reviewed annually by the Board with the assistance of the Nomination Committee and periodically with the assistance of an external adviser. In the years that an externally facilitated review is not conducted, the Chairman interviews each director to get individual views on Board dynamics, director performance and feedback to improve good governance and Board performance. This process was conducted in February and March 2014 with the Chairman providing feedback to the full Board at its March meeting.

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

A review of the performance of the Chief Executive Officer is led by the Chairman in consultation with the Board. The performance of all other senior executives is reviewed by the Chief Executive Officer and reported to, and discussed by, the Board. Performance reviews take place shortly before or just after the end of the financial year. Further details about the senior executive performance review process are contained in the Remuneration Report on page 39.

## 7. NON-EXECUTIVE AND EXECUTIVE REMUNERATION

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

In accordance with principles of good corporate governance, non-executive directors do not receive any remuneration that is performance based, nor do they receive any other benefits such as retirement or termination benefits other than superannuation.

Full details of the remuneration paid to non-executive and executive directors and the Company's other senior executives in relation to the 2014 financial year, as well as the Board policy for determining the nature and amount of remuneration and the relationship between such policy and performance, are discussed in the Remuneration Report.

## 8. DISCUSSION OF GOVERNANCE POLICIES

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

### 8.1 Risk management

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

The enterprise risk management framework serves to:

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

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Risk management oversight

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

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

### Risk reporting

The Audit, Business Risk and Compliance Committee receives regular reports about business risks facing the Company and the strategies employed by management to mitigate these risks. In connection with the Company's half year and full year financial statements, the Board receives a declaration from the Chief Financial & Operating Officer and the Chief Executive Officer that, in their opinion the Company has in place a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. In addition, the Chief Financial & Operating Officer and the Chief Executive Officer provide a declaration that the Company's financial statements and notes present a true and fair view of the Company's financial position and performance and comply with relevant accounting standards. These declarations are based on attestations that cascade down through management and include sign off by the Group General Manager and General Manager, Commercial Finance of each operating group. In respect of the 2014 financial year (both half year and full year financial statements), the Audit, Business Risk and Compliance Committee received unqualified declarations from the Chief Financial & Operating Officer and the Chief Executive Officer, of the nature described above.

### Economic, environmental and social sustainability risks

Any material exposure to economic, environmental and social sustainability risks and how the Company manages those risks, are disclosed in the Operating and Financial Review (see material business risks section).

### Internal control framework

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

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

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

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

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

### Internal audit

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

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

## External audit

The external auditor is appointed by the Board and approved by shareholders in accordance with the requirements of the Corporations Act 2001. The Audit, Business Risk and Compliance Committee is responsible for reviewing the terms of appointment of the external auditor and for making a recommendation to the Board regarding the appointment of the external auditor. The Audit, Business Risk and Compliance Committee has also adopted a policy on the provision of non-audit services and the rotation of external audit personnel. The auditor is prohibited from providing services which may compromise independence. A regime of approval limits is set out in the policy for the approval of non-audit services provided by the auditor. The policy also requires the partner managing the Company's audit to be rotated within five years from the date of appointment. A copy of this policy is also available on the Company's website at [www.pacificbrands.com.au](http://www.pacificbrands.com.au).

## 8.2 Continuous disclosure and keeping shareholders informed

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

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

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

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

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

## 8.3 Trading in shares by directors and employees

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

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

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

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

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

The Company's guidelines for dealing in securities prohibit any employee who has been granted performance rights or deferred shares in the Company pursuant to the terms of any of the Company's employee share plans from entering into a transaction to limit the economic risk of such performance rights or deferred shares, whether through a derivative, hedge or other similar arrangement. In addition, non-executive directors and senior executives are required to inform the Board of the existence of any margin lending arrangements in respect of shares in the Company which a non-executive director or senior executive has a relevant interest in, where those shares are offered as security for the lending arrangement. Further details regarding the Company's policy on hedging is set out in the Remuneration Report on page 48.

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### 8.4 Ethical standards and Code of Conduct

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

#### Code of Conduct

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

- to behave with integrity in all dealings with customers, shareholders, suppliers and all others with whom the Company deals
- to conduct business in line with the Company's values and behaviours and all relevant laws and regulations
- to be aware of, and comply with, relevant fair trading and trade practices laws in the jurisdictions in which the Company operates
- to act in the best interests of the Company when undertaking Company business and avoid conflicts of interest (whether perceived or real) including the receipt of improper personal benefits such as gifts or hospitality
- to protect any Company assets under their control and not use Company assets for personal purposes, without prior Company approval. This obligation includes ensuring that money is appropriately spent, financial records are complete and accurate and internal controls are complied with
- to be aware of, and comply with, the Company's delegated authorities and limits policy which outlines general principles as to how the Company expects its employees to behave when exercising their financial authority as well as specific limits at which level a financial activity can be approved
- to respect the privacy of others and comply with the Company's privacy policy
- not to disclose or use in any improper manner confidential Company information, including information about customers, agents or other business affairs
- to be aware of, and comply with, the Company's Continuous Disclosure Policy to ensure that the market is kept fully informed of information which may have a material effect on the price or value of the Company's shares
- not to act in any way that could cause harm to the reputation or market position of the Company, either during or after their employment; this includes complying with the Company's safety, health and environment policies, and equal opportunity and harassment policies

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

#### Donations

The Company does not make donations to political parties.

#### Fraud and corruption

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

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

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

A copy of the Company's Fraud and Corruption Policy is available in the corporate governance section of the Company's website at [www.pacificbrands.com.au](http://www.pacificbrands.com.au).

## Whistleblowing

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

## 9. SOCIAL AND ETHICAL COMPLIANCE FOR SUPPLIERS

### 9.1 Social compliance

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

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

Employment is freely chosen	<ul style="list-style-type: none"> <li>The use of forced, bonded or involuntary prison labour is strictly prohibited</li> </ul>
Freedom of association and the right to collective bargaining are respected	<ul style="list-style-type: none"> <li>Workers should have the right to join or form trade unions of their own choosing and to bargain collectively. Workers representatives must not be discriminated against and must have access to workers to carry out their representative functions in the workplace</li> </ul>
Working conditions are safe and hygienic	<ul style="list-style-type: none"> <li>Suppliers are required to provide a safe and hygienic working environment to their workers. Where accommodation is provided, it must be clean and safe, and meet the basic needs of the workers</li> <li>Adequate steps must be taken to prevent accidents and injury occurring in the workplace, by minimising hazards inherent in the working environment</li> <li>Fire and building safety standards must comply with the legal requirements of the jurisdiction in which the building is located and present a safe and hygienic environment for workers</li> </ul>
Child labour must not be used	<ul style="list-style-type: none"> <li>The use of child labour is strictly prohibited</li> <li>No person shall be employed at any age younger than the legal minimum age for working in the jurisdiction in which the work is being conducted</li> </ul>
Living wages are paid	<ul style="list-style-type: none"> <li>Wages and benefits must be paid for a standard working week and meet, at a minimum, national legal standards, but in any event always be enough to meet basic needs and to provide some discretionary income</li> </ul>
Working hours are not excessive	<ul style="list-style-type: none"> <li>Working hours must comply with national laws and overtime must not be excessive</li> </ul>
No discrimination is practised	<ul style="list-style-type: none"> <li>There must be no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation</li> </ul>
Regular employment is provided	<ul style="list-style-type: none"> <li>To the extent possible, work performed shall be on the basis of a recognised employment relationship established through national law and practice</li> <li>Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship must not be avoided through the use of labour-only contracting, sub-contracting, home-working or prison outsourcing arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment. Such obligations must not be avoided through the excessive use of fixed-term contracts of employment</li> </ul>
No harsh or inhumane treatment is allowed	<ul style="list-style-type: none"> <li>Physical abuse or discipline, threats of physical abuse, sexual or other harassment, verbal abuse or other forms of intimidation are prohibited</li> </ul>

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

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

The Company takes its health and safety obligations extremely seriously and mandates regular audits of facilities with which it has a direct supplier relationship. The Company's health and safety policies are applied uniformly in all jurisdictions in which the Company sources its products. In the case of Bangladesh, the Company commenced its own fire, electrical and building safety program in July 2013. This involved the Company collaborating with key suppliers, factory workers, industry experts, industry peers and other ETI members. It is important that, collectively, relevant stakeholders focus on the root causes of fire and building safety to prevent another tragedy like Rana Plaza. In December 2013, the Company became a signatory to the Bangladesh Accord on Fire and Building Safety, cementing the Company's commitment to drive safe working conditions in Bangladesh.

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

Concerns have recently been raised about angora fibre production in China, specifically in relation to the mistreatment of rabbits in Chinese angora farms. Effective from April 2014, the Company banned the use of rabbit angora in all of its products.

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

Further information on the Company's ethical sourcing program can be found on the Company's website at [www.pacificbrands.com.au](http://www.pacificbrands.com.au).

### 9.2 Ethical business practices

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

### 9.3 Environmental practices

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

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

## 10. HEALTH AND SAFETY

The Company values a healthy and safe workplace, which stimulates and positively supports people to achieve outcomes in a safe manner, thereby contributing to operational effectiveness and business sustainability. The Company has a safety health management system in place which is certified compliant with AS/NZS 4801: Occupational Health and Safety Management Systems for its manufacturing and supply chain sites.

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

## 11. ENVIRONMENT

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

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



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

There were no environmental prosecutions in relation to the Company's operations during the 2014 financial year.

Key programs in place to help reduce the environmental impact of the Company's operations are discussed on page 6 of the Annual Report.

## 12. DIVERSITY

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

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

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

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

NO.	BUSINESS ACTIVITY	OBJECTIVE	STRATEGIES	TARGET DELIVERY DATE	PROGRESS IN MEETING OBJECTIVES
1	Recruitment, selection and promotion	<ul style="list-style-type: none"> <li>▪ Improve gender diversity in areas that are traditionally under-represented</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aim to increase the percentage of women in senior management positions (those positions either in the executive leadership team ('ELT') or reporting directly to the ELT) as vacancies arise, subject to identification of candidates with appropriate skills</li> </ul>	F14	<ul style="list-style-type: none"> <li>▪ Objective met</li> <li>▪ Representation of women in senior management positions is stable at 57%</li> <li>▪ The Company continues to look at promotional opportunities for women in the recruitment process</li> </ul>
2	Remuneration	<ul style="list-style-type: none"> <li>▪ Gender remuneration equity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Within the annual remuneration cycle, review the gender remuneration parity across all key roles within the business and implement action plans to address any areas of concern</li> </ul>	F14	<ul style="list-style-type: none"> <li>▪ Objective met</li> <li>▪ During the annual remuneration review process, an assessment of gender parity was undertaken and rectification plans are in place to address any identified parity issues. This review of gender remuneration parity will be an ongoing process at each review cycle</li> </ul>
3	Career development and performance	<ul style="list-style-type: none"> <li>▪ Gender diversity in career development programs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review career development programs to ensure participation is gender diverse and that the programs are structured to encourage participation by both men and women</li> </ul>	F14	<ul style="list-style-type: none"> <li>▪ Objective met</li> <li>▪ Group career development programs have 55% participation by women</li> </ul>

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

NO.	BUSINESS ACTIVITY	OBJECTIVE	STRATEGIES	TARGET DELIVERY DATE	PROGRESS IN MEETING OBJECTIVES
4	Talent and succession planning	<ul style="list-style-type: none"> <li>Gender diversity within talent management processes</li> </ul>	<ul style="list-style-type: none"> <li>Expand the scope of existing talent management processes to identify high potential female managers and develop specific strategies to enhance the skills and experience of these managers to prepare them to take on senior manager/executive management roles</li> </ul>	F14	<ul style="list-style-type: none"> <li>Objective met</li> <li>The Company's talent management process shows an even number of men and women rated as high potential or high performing. The Company has continued to develop specific strategies for this group of employees to prepare them for more senior roles</li> </ul>
5	Diversity and respect in the workplace training	<ul style="list-style-type: none"> <li>Gender diversity is well understood in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>Develop and implement mandatory online training for all band 1-6 managers</li> </ul>	F14	<ul style="list-style-type: none"> <li>Objective met</li> <li>The Company has implemented online training modules – 'respect in the workplace'</li> </ul>
6	Flexible working arrangements	<ul style="list-style-type: none"> <li>Workplace policies encourage and enable gender diversity</li> </ul>	<ul style="list-style-type: none"> <li>Conduct an employee survey to assess update of flexible arrangements</li> <li>Consult with employee groups to identify further opportunities for flexible arrangements</li> </ul>	F14	<ul style="list-style-type: none"> <li>Objective met</li> <li>The Company has continued to support flexible work arrangements. The Company has consulted with employee groups on flexible working arrangements</li> </ul>

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

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

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

Gender equality at all levels of the organisation is a key component of the Company's diversity strategy. During the 2014 financial year, 50% of the Board and 57% of senior management were comprised of women. These percentages are consistent with the previous financial year. Maintaining the representation of women at senior levels of management remains one of the Company's strategic priorities on an ongoing basis. The following table discloses the gender diversity of the Company as at 30 June 2014:

CATEGORY	% FEMALE	% MALE
Board	50	50
Senior executive	11	89
Management <sup>1</sup>	46	54
Pacific Brands Group <sup>2</sup>	74	26

<sup>1</sup> Covers employees in bands 2-4

<sup>2</sup> Includes full and part-time employees

### 13. NZX CORPORATE GOVERNANCE RULES

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

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

### 14. ASX CORPORATE GOVERNANCE COUNCIL'S CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (2<sup>ND</sup> EDITION)

	ASX PRINCIPLE	REFERENCE <sup>1</sup>	COMPLIANCE
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	1, Remuneration Report	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	1, 6, Remuneration Report	Comply
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	1, Remuneration Report	Comply
<b>Principle 2</b>	<b>Structure the board to add value</b>		
2.1	A majority of the board should be independent directors.	2	Comply
2.2	The chair should be an independent director.	2	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2, Board of Directors (page 4)	Comply
2.4	The board should establish a nomination committee.	4	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	6	Comply
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	2, 4, 5, 6, Board of Directors (page 4, Directors' Report (page 36))	Comply
<b>Principle 3</b>	<b>Promote ethical and responsible decision making</b>		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>▪ the practices necessary to maintain confidence in the company's integrity</li> <li>▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	8.4	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	2, 12	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	12	Comply
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	12	Comply
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	12	Comply

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	ASX PRINCIPLE	REFERENCE <sup>1</sup>	COMPLIANCE
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The board should establish an audit committee.	4	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>▪ consists only of non-executive directors</li> <li>▪ consists of a majority of independent directors</li> <li>▪ is chaired by an independent chair, who is not chair of the board</li> <li>▪ has at least three members</li> </ul>	4	Comply
4.3	The audit committee should have a formal charter.	4	Comply
4.4	Companies should provide the information indicated in Guide to reporting on Principle 4.	4, Board of Directors (page 4)	Comply
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	8.2	Comply
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	8.2	Comply
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	8.2	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	8.2	Comply
<b>Principle 7</b>	<b>Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	8.1	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	8.1	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	8.1	Comply
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	4, 8.1	Comply

	ASX PRINCIPLE	REFERENCE <sup>1</sup>	COMPLIANCE
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee.	4	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>▪ consists of a majority of independent directors</li> <li>▪ is chaired by an independent chair</li> <li>▪ has at least three members</li> </ul>	4	Comply
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	7, Remuneration Report	Comply
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	4,7, 8.3, Remuneration Report	Comply

<sup>1</sup> All references are to sections of this Corporate Governance Statement unless otherwise stated

## DIRECTORS' REPORT

The directors of Pacific Brands Limited ('Company') present their report together with the financial report of the Company and its controlled entities (collectively the 'Consolidated Entity') for the year ended 30 June 2014 and the auditor's report thereon. The information set out below is to be read in conjunction with the Operating and Financial Review ('OFR') set out on pages 8 to 20 and the Remuneration Report set out on pages 39 to 55 which form part of this Directors' Report.

### 1. DIRECTORS

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

P H Bush (Executive Chairman)  
S T Goddard  
K L Grant (appointed 18 February 2014)  
J S King  
J P Ling (ceased 18 February 2014)  
H E C Nash (appointed 28 August 2013)  
L B Nicholls AO (appointed 24 October 2013)  
J C Pollaers (Chief Executive Officer) (ceased 7 July 2014)  
A M Tansey (ceased 24 October 2013)

Particulars of directors' age, qualifications, other listed company directorships, experience and special responsibilities are detailed on page 4 of the Annual Report. Particulars of the qualifications and experience of the Company Secretary are detailed on page 5 of the Annual Report.

### 2. DIRECTORS' INTERESTS IN SHARE CAPITAL

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

	FULLY PAID ORDINARY SHARES	PERFORMANCE RIGHTS
P H Bush	10,000	
S T Goddard	25,000	
K L Grant	Nil	
J S King	25,000	
H E C Nash	20,000	
L B Nicholls AO	25,925	

### 3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the 2014 financial year are shown in the table on page 24 of the Annual Report.

### 4. STATE OF AFFAIRS

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

### 5. PRINCIPAL ACTIVITIES, RESULTS OF OPERATIONS AND LIKELY DEVELOPMENTS

A description of the Consolidated Entity's operations and business model, strategy and material business risks, review of financial performance and position, and future financial prospects are contained in the OFR set out on pages 8 to 20.

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

### 6. DIVIDENDS

An interim dividend of 2.0 cents per share, amounting to \$18.3 million was paid on 2 April 2014. No final dividend was declared.

### 7. EVENTS SUBSEQUENT TO REPORTING DATE

On 26 August 2014, the Consolidated Entity executed a binding agreement to sell the Workwear Group (comprising the entire Workwear segment) to Wesfarmers Industrial and Safety, a division of Wesfarmers Limited (ASX: WES), for gross proceeds (excluding costs of disposal) of \$180 million. The transaction is conditional upon receiving ACCC regulatory approval and certain other consents and approvals.

At 30 June 2014, the Consolidated Entity's carrying value of related net assets to be disposed was \$140 million. Subject to timing, costs of disposal and completion adjustments, the Consolidated Entity expects to recognise a profit on sale (including reversals of previous impairments) of approximately \$35 million in the financial year ending 30 June 2015 (no tax effect).

See note 8 to the financial statements for the results of the Workwear segment for the financial year ended 30 June 2014.

Additional related restructuring and other costs are expected in the year ending 30 June 2015, however, are not sufficiently certain to be estimated reliably at the date of this report.

## 8. NON-AUDIT SERVICES

During the 2014 financial year, KPMG, the Company's auditor, performed certain other services in addition to its statutory duties.

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

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

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is included on page 56 in this report.

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

	CONSOLIDATED	
	2014 \$	2013 \$
<b>Audit services</b>		
<b>Auditors of the Company – KPMG Australia</b>		
Audit and review of financial statements	<b>659,938</b>	662,900
Overseas KPMG firms:		
Audit of financial statements	<b>177,644</b>	131,950
	<b>837,582</b>	794,850
<b>Other services</b>		
<b>Auditors of the Company – KPMG Australia</b>		
Other assurance services <sup>1</sup>	<b>26,350</b>	38,650
General advisory services <sup>2</sup>	<b>288,000</b>	-
Overseas KPMG firms:		
Taxation compliance services	<b>10,345</b>	7,788
Other assurance services <sup>1</sup>	<b>2,387</b>	11,868
	<b>327,082</b>	58,306

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

2 General advice for strategic review

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

## 9. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

## **DIRECTORS' REPORT (CONTINUED)**

The Company holds a directors' and officers' liability insurance policy on behalf of current and former directors and officers of the Company and its controlled entities. The period of the current policy extends from 1 December 2013 to 30 November 2014 and the premium was paid on 16 January 2014. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the policy or premium can be disclosed.

### **10. ENVIRONMENTAL REGULATION**

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

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

### **11. ROUNDING OFF**

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 (as in force on 30 June 2014) and in accordance with that Class Order, amounts in the Financial Statements and this Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.



## REMUNERATION REPORT – UNAUDITED

Dear shareholders

We would briefly like to draw your attention to decisions that your Board has taken in respect of remuneration outcomes for the 2014 financial year which are fully explained in the Remuneration Report which follows.

A combination of challenging markets, declines in consumer sentiment and unseasonal weather, which have been highlighted by other apparel and footwear retailers, have led to lower than expected sales growth and increased margin pressure, with earnings before interest and tax ('EBIT') declining 25% year on year before 'significant items' (as defined on page 41).

EBIT before significant items is the primary measure of financial performance utilised to assess business performance under the Company's short term incentive ('STI') plan; as a consequence, none of the Company's senior executives received any payment under the Company's STI plan in respect of the 2014 financial year. Similarly, as none of the hurdles under Company's long term incentive ('LTI') plan were met (see page 46 of this Report for a detailed discussion of the operation of the LTI plan) no performance rights vested at the end of the 2014 financial year. The fact that no STI or LTI award vested for any senior executive in respect of the 2014 financial year demonstrates the alignment of the Company's remuneration arrangements with shareholder value.

In framing the remuneration structure for the 2014 financial year, the Board assessed the Company's remuneration arrangements in the context of the Company's reduced size and market capitalisation and in recognition of the ongoing difficult trading conditions in the markets in which the Company operates. Taking these factors and shareholder feedback into account, the Board made the following changes to the Company's remuneration structure for the 2014 financial year:

- the base and committee fees payable to Company's non-executive directors which were reduced by 25% effective 1 July 2012, have remained fixed for the 2014 financial year
- a salary freeze was imposed on the Company's senior executives. An exception to this statement is where the senior executive had moved into a new and/or more complex role in the financial year
- the aggregate total senior executive remuneration of the Company's senior executives (on an annualised basis) was approximately 28% below the 2013 equivalent amount for the same roles
- the total STI opportunity for the Chief Executive Officer and the Company's other senior executives was reduced by 50%. This was a continuation of the reduction effected in the 2013 financial year

In relation to the 2015 financial year, your Board has again decided to continue the freeze on non-executive director fees and senior executive salaries. These decisions reflect continued challenging market conditions, shareholder feedback on executive remuneration and the need to deliver enhanced shareholder returns.

The Company's Chairman, Peter Bush, is currently an Executive Chairman and acting in the role of Chief Executive Officer until a replacement Chief Executive Officer is appointed. The Chairman is not being compensated for these additional services and discussion of the Chairman's remuneration in the Remuneration Report refers to his remuneration as a non-executive director only. Discussion of the Chief Executive Officer's remuneration for the 2014 financial year relates to the former Chief Executive Officer, John Pollaers. Shareholders will note the payment of one years fixed annual remuneration (\$1,400,000) paid to Mr Pollaers on the cessation of his employment, effective 7 July 2014, which was in accordance with his employment contract, as previously approved by shareholders. We assume that any arrangements with a new Chief Executive Officer will be on terms similar to those under which Mr Pollaers was employed, however, shareholders should be aware that the contractual arrangements with a new Chief Executive Officer are subject to future agreement. The Company will make appropriate disclosures to the ASX when a new Chief Executive Officer is appointed.



**Peter Bush**  
Executive Chairman



**Linda Bardo Nicholls AO**  
Chairman, Remuneration Committee

## REMUNERATION REPORT – UNAUDITED (CONTINUED)

### Overview

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

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

### Actual remuneration outcomes

The table on page 53 in the Remuneration Report provides a breakdown of the Company's senior executive remuneration in accordance with statutory obligations and accounting standards. However, the Board is aware that the format in which the Company is required to present this information may make it difficult for shareholders to form an understanding of the cash and other benefits actually earned by senior executives from the various components of their remuneration in respect of the 2014 financial year.

The following table represents non-IFRS information and sets out the cash and the value of other benefits actually received by the Company's senior executives in respect of the 2014 financial year for service during that financial year. References to the relevant section of the Remuneration Report are provided by way of footnotes, where the value of the relevant benefit calculated in accordance with accounting standards differs from the value disclosed below.

2014 FINANCIAL YEAR	FIXED SALARY <sup>1</sup> \$	SUPER-ANNUATION CONTRIBUTIONS <sup>2</sup> \$	SHORT TERM INCENTIVES <sup>3</sup> \$	LONG TERM INCENTIVES <sup>4</sup> \$	TERMINATION \$	OTHER <sup>5</sup> \$	TOTAL \$
<b>Senior executives</b>							
D L Bortolussi Chief Financial & Operating Officer	729,268	25,000	-	-	-	45,613	799,881
M W Cloughton Group General Manager, Workwear	456,101	25,000	-	-	-	30,000	511,101
P Gould <sup>6</sup> Group General Manager, Sheridan Tontine	362,385	36,060	-	-	-	27,460	425,905
A M Heraghty Group General Manager, Underwear	546,830	25,000	-	-	-	96,398	668,228
M C Matthews <sup>7</sup> Group General Manager, Brand Collective	426,032	25,000	-	-	-	30,000	481,032
<b>Former senior executive</b>							
J C Pollaers <sup>8</sup> Chief Executive Officer	1,350,810	25,000	-	-	-	24,190	1,400,000
<b>Total</b>	<b>3,871,426</b>	<b>161,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>253,661</b>	<b>4,286,147</b>

1 Comprising base salary as set out in the table on page 53 in the Remuneration Report, but does not include movements in annual leave and long service leave provisions unless leave was actually taken in the financial year

2 Comprising superannuation as set out in the table on page 53 in the Remuneration Report

3 This figure represents the value (if any) of STI paid to the executive following the conclusion of the financial year, relating to the achievement of pre-determined performance measurement criteria in respect of the financial year, as set out in the table on page 50 in the Remuneration Report. For further details of the Company's STI program, see pages 45 and 50 in the Remuneration Report

4 This figure represents the value (if any) of any LTI which vested in the financial year, irrespective of when the LTI was granted. For the value of share based payments calculated in accordance with the accounting standards see the table on page 53 in the Remuneration Report

5 Principally includes motor vehicle allowances and payments made on the employee's behalf under a novated motor vehicle lease arrangement, as set out in the table on page 53 in the Remuneration Report

6 P Gould was appointed as Group General Manager, Sheridan Tontine on 1 July 2013

7 Effective 1 July 2013 the Homewares, Footwear & Outerwear Group, which M C Matthews was the Group General Manager of in the 2013 financial year, was separated into three component businesses; Brand Collective, Dunlop Flooring and Sheridan Tontine. M C Matthews was appointed as Group General Manager, Brand Collective on 1 July 2013

8 J C Pollaers ceased to be Chief Executive Officer on 7 July 2014

As mentioned previously, remuneration details calculated in accordance with statutory obligations and accounting standards are provided on pages 42 to 55 in the Remuneration Report.

### Fixed remuneration

Except where the relevant senior executive had been promoted into a larger and more complex role, the fixed salary of all senior executives was frozen in the 2014 financial year.

## **STI outcome**

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

The Board has ultimate responsibility for the assessment and award of both the personal and business components of the STI plan to senior executives. The Board assesses the personal performance of the Chief Executive Officer, and the Chief Executive Officer assesses the personal performance of the other senior executives and makes recommendations to the Remuneration Committee and the Board. In the 2014 financial year it was not necessary to assess personal performance for STI purposes, as the Board determined that no STI award would be paid given the Company's financial performance. Financial performance is primarily measured based on earnings before interest, tax and significant items ('EBIT before significant items'). Significant items are other expenses that are individually significant, as disclosed in Note 4 to the financial statements ('significant items'). In addition to EBIT before significant items, other important financial KPIs include cash conversion, sales growth, gross profit margins, cost of doing business ('CODB'), net profit after tax, earnings per share ('EPS') and net debt. Non-financial KPIs relate to the achievement of certain strategic, organisational and operational objectives.

For the 2014 financial year, the total STI opportunity for senior executives was reduced by 50%. This was a continuation of the reduction effected for the 2013 financial year. As summarised in the table above, none of the Company's senior executives received any payment under the Company's STI plan in respect of the 2014 financial year.

A review of the Company's operations and financial performance is contained in the Operating and Financial Review provided on pages 8 to 20 in the Annual Report.

## **LTI outcome**

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

# REMUNERATION REPORT – AUDITED

## 1. INTRODUCTION

The directors of Pacific Brands Limited present the Remuneration Report for the Company and its controlled entities (together referred to as the 'Consolidated Entity') for the year ended 30 June 2014. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

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

The names and positions of the KMP are listed in the following table.

### Current senior executives

D L Bortolussi	Chief Financial & Operating Officer
M W Claughton	Group General Manager, Workwear
P Gould <sup>1</sup>	Group General Manager, Sheridan Tontine
A M Heraghty	Group General Manager, Underwear
M C Matthews <sup>2</sup>	Group General Manager, Brand Collective

### Former senior executive

J C Pollaers <sup>3</sup>	Chief Executive Officer, Executive Director
---------------------------	---

### Chairman

P H Bush <sup>4</sup>	Executive Chairman
-----------------------	--------------------

### Non-executive directors

S T Goddard	Director
K L Grant	Director (appointed 18 February 2014)
J S King	Director
J P Ling	Director (ceased 18 February 2014)
H E C Nash	Director (appointed 28 August 2013)
L B Nicholls AO	Director (appointed 24 October 2013)
A M Tansey	Director (ceased 24 October 2013)

<sup>1</sup> P Gould was appointed as Group General Manager, Sheridan Tontine on 1 July 2013

<sup>2</sup> M C Matthews was appointed as Group General Manager, Brand Collective on 1 July 2013

<sup>3</sup> J C Pollaers was a member of KMP for the full 2014 financial year and ceased as Chief Executive Officer on 7 July 2014

<sup>4</sup> P H Bush assumed the role of Executive Chairman on 7 July 2014, pending the appointment of a new Chief Executive Officer

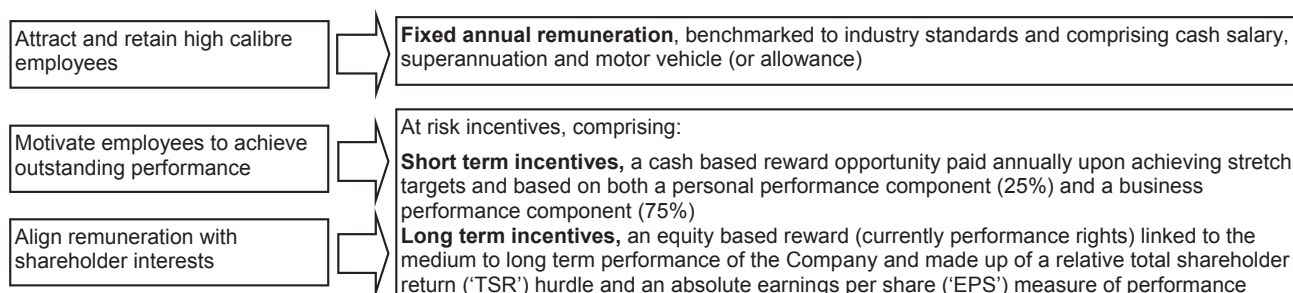
## 2. REMUNERATION STRATEGY AND GOVERNANCE

### A. Remuneration strategy

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

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

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



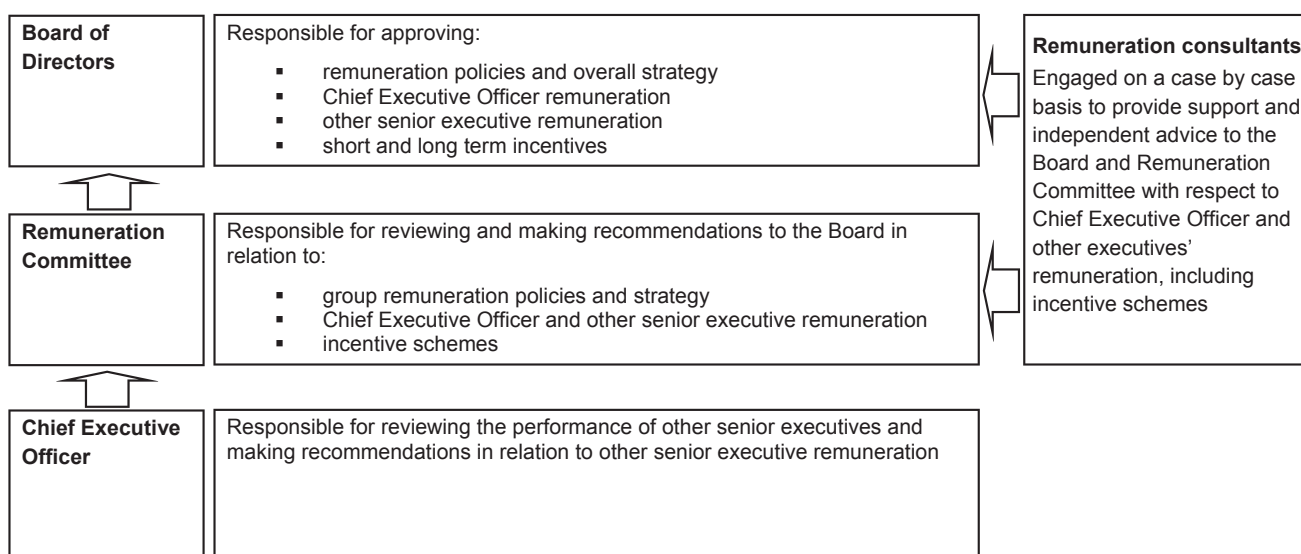
An overview of the elements of remuneration is set out in the following table. A more detailed discussion of each element is contained later in the Remuneration Report.

	ELEMENTS OF REMUNERATION	DIRECTORS			DISCUSSION IN REMUNERATION REPORT
		NON-EXECUTIVE	CHIEF EXECUTIVE OFFICER	OTHER SENIOR EXECUTIVES	
Fixed remuneration	Fees	✓			Page 53
	Salary		✓	✓	Page 44
	Superannuation <sup>1</sup>	✓	✓	✓	Page 44
	Other benefits		✓	✓	Page 44
At risk remuneration	Short term incentive		✓	✓	Page 45
	Long term incentive		✓	✓	Page 46
Post employment	Notice periods and termination payments		✓	✓	Page 48

<sup>1</sup> Non-executive directors' fees are set inclusive of statutory superannuation contributions

## B. Remuneration governance mechanisms

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



As part of the Board's commitment to align remuneration with Company performance, employee performance is reviewed annually against agreed key performance objectives set for the relevant financial year. The Company's performance review system involves employees completing a self assessment template, as well as their manager completing an assessment document. These written assessments form the basis of a performance review discussion between the employee and their manager. The Board (through its Remuneration Committee) agrees objectives for the evaluation of the Chief Executive Officer and reviews the objectives of the other senior executives. A review of the performance of the Chief Executive Officer against the agreed objectives is led by the Chairman in consultation with the Board. The performance of all other senior executives is reviewed by the Chief Executive Officer and reported to, and discussed by, the Board. Performance reviews ordinarily take place close to the end of the financial year. With Mr Pollaers ceasing as Chief Executive Officer on 7 July 2014, a formal review process was not undertaken in respect of the 2014 financial year.

### Maintaining independence

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

Further details regarding the role, responsibilities and composition of the Remuneration Committee are set out on page 23 of the Annual Report.

### Remuneration consultants and external advisers

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

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

## REMUNERATION REPORT – AUDITED (CONTINUED)

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

In the 2014 financial year, the Company engaged JWS Consulting to provide a 'remuneration recommendation', being a review of the current KMP remuneration arrangements. The key focus of the review was on short and long term incentives, with a view to ensuring that these incentive programs provide a true incentive to management to achieve cultural change and to increase shareholder value. In providing this advice, JWS Consulting confirmed that its recommendations were made free from undue influence from any member of the KMP to whom its advice related. Fees totalling \$43,965 were paid or payable to JWS Consulting in respect of this advice. The Company made no other use of remuneration consultants on issues of KMP remuneration during the 2014 financial year.

The implementation of the guidelines outlined above and the receipt of a declaration of no undue influence from JWS Consulting satisfy the Board that its recommendations were made free from undue influence. JWS Consulting provided no other services to the Company in the 2014 financial year.

### 3. STRUCTURE OF SENIOR EXECUTIVE REMUNERATION

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

#### A. Remuneration mix

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

The table below sets out the relative proportion and components of the senior executives' total remuneration packages for the 2014 financial year:

	% TOTAL TARGET REMUNERATION (ANNUALISED) <sup>1</sup>			
	FIXED REMUNERATION	PERFORMANCE BASED REMUNERATION		
	FIXED	SHORT TERM INCENTIVES <sup>2</sup>	LONG TERM INCENTIVES	TOTAL PERFORMANCE BASED REMUNERATION
Former Chief Executive Officer ('CEO')	29%	29%	42%	71%
Chief Financial & Operating Officer ('CF&OO')	35%	32%	33%	65%
Other senior executives <sup>3</sup>	44%	26%	30%	56%

<sup>1</sup> Percentages based on target remuneration for the relevant senior executives assuming 100% of STI and LTI fully vest. In the 2014 financial year, the STI opportunity for senior executives was reduced by 50% at target. This reduction is not factored into the rates disclosed

<sup>2</sup> Excludes sign-on incentives and assumes vesting of 100% of business and personal performance components

<sup>3</sup> Based on the average remuneration for current senior executives assuming the executives were employed for the full period

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

#### B. Fixed remuneration

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

- base salary
- superannuation
- car allowance

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

## C. Short term incentives

### Overview of short term incentive ('STI') plan

What is the STI plan?	The STI plan is the cash based component of the senior executive's at risk reward opportunity, based on achieving pre-determined performance measurement criteria.
Why does the Board consider an STI is appropriate?	STIs are an at risk component of remuneration that strengthens the relationship between performance and reward. The at risk component is used to motivate the Company's employees to achieve outcomes above expectations on the understanding that they will share in the Company's success.
What is the value of the STI opportunity?	<p>Under the Company's STI plan, historically:</p> <ul style="list-style-type: none"> <li>▪ the Chief Executive Officer has the opportunity to earn a bonus equivalent to 100% of the Chief Executive Officer's fixed annual remuneration at target</li> <li>▪ the Chief Financial &amp; Operating Officer has the opportunity to earn a bonus equivalent to 90% of the Chief Financial &amp; Operating Officer's fixed annual remuneration at target</li> <li>▪ the remaining members of the senior executive team have the opportunity to earn a bonus equivalent to 60% of their fixed annual remuneration at target</li> </ul> <p>Achievement of the highest levels of personal and business performance may result in an STI payment of 150% of the executive's STI opportunity (see following section "What are the performance conditions?" for more details).</p> <p>For the 2014 financial year, the STI opportunity for each senior executive, as described above, was reduced by 50%. This was a continuation of the reduction effected for the 2013 financial year.</p>
What are the performance conditions?	<p>The Company's STI plan has the following components:</p> <ul style="list-style-type: none"> <li>▪ individual performance (25%): Employees are incentivised to achieve superior personal performance which is expected to directly or indirectly impact business performance. Personal performance requirements vary with the individual executive and his/her responsibilities and may include objectives relating to strategy development, organisational improvement, operational execution, financial performance, safety, people, values and/or culture. By way of example, the performance hurdles for the former Chief Executive Officer for the 2014 financial year included the following: <ul style="list-style-type: none"> <li>— manage and deliver earnings results to achieve forecast</li> <li>— build a breakthrough performance culture</li> <li>— maximise the full potential of each core business</li> <li>— drive direct shopping experiences that excite the Company's customers</li> <li>— explore the potential for geographic expansion</li> <li>— maintain an internationally competitive sourcing and supply chain</li> </ul> <p>Achievement of the highest level of personal performance rating results in a maximum payment of 150% of an employee's individual performance component of his/her STI entitlement</p> </li> <li>▪ business performance (75%): The Chief Executive Officer and other senior executives are assessed on overall Company performance. Operating group employees participating in the STI plan are assessed on relevant operating group performance, while head office, shared services and supply chain employees are assessed on overall Company performance</li> <li>▪ business performance is assessed on the achievement of pre-determined measurement criteria comprising financial and non-financial key performance indicators ('KPIs'). The primary financial KPI is earnings before interest, tax and other expenses that are individually significant, as disclosed in the notes to the financial statements ('EBIT before significant items'). Earnings excluding such expenses are considered by the Board to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by the Board in determining dividends. In addition to EBIT before significant items, other important financial KPIs considered include sales growth, gross profit margins, cost of doing business, net profit after tax, EPS, cash conversion and net debt</li> <li>▪ achievement of the highest level of business performance rating results in a maximum payment of 150% of an employee's business component of his/her STI entitlement</li> </ul>
Why were the performance conditions chosen?	The performance conditions were chosen to ensure that the STI plan is linked to the achievement of key financial and non-financial objectives.
How is STI assessed?	<p>The Board has ultimate responsibility for the award of both the business performance and the personal components of all STI payments and, where a limited amount is available for payment of STI awards, has a discretion as to whether the personal component is paid in priority to the business performance component or vice versa. In exercising its responsibilities, the Board takes into account factors which are both objective and subjective, and internal and external, including the appropriateness of awarding STI payments in light of the overall business environment.</p> <p>The actual amount of any STI award is determined primarily based on achievement of pre-determined performance measurement criteria which are reviewed at the end of each financial year.</p> <p>If the Board determines that an amount is available for payment of STI awards to the Company's employees, then the Board assesses the personal performance of the Chief Executive Officer against agreed performance measurement criteria and decides the level of STI that is appropriate.</p> <p>The Chief Executive Officer similarly assesses the personal performance of the other senior executives and makes recommendations to the Remuneration Committee and Board in relation to payment of any STI.</p>

## REMUNERATION REPORT – AUDITED (CONTINUED)

### D. Long term incentives

#### Overview of long term incentive ('LTI') plan

What is the LTI?	The LTI is the equity component of a senior executive's at risk reward opportunity and is linked to the Company's medium to long term performance.										
Who participates in the LTI?	Participation in the LTI arrangements is only offered to senior executives who are able to influence generation of shareholder value and have a direct impact on the Company's performance.										
Why does the Board consider an LTI is appropriate?	The LTI is structured to ensure there is an appropriate balance between the achievement of short term objectives under the STI arrangements and longer term goals so that senior executives continue to be motivated by long term growth in shareholder value.										
How is the LTI structured?	<p>The Company's senior executive LTI plan is a performance rights plan ('PRP'), first introduced in 2004 as part of the Company's initial public offering. Each performance right converts to one ordinary share in the Company on satisfaction of the relevant performance conditions. Grants are made annually, with effect from 1 July in each financial year. For example, the 2014 financial year performance rights grant ('F14 grant') was granted effective 1 July 2013.</p> <p>The rules of the PRP provide that the Board may, at the time of making a grant of performance rights, determine an amount that is payable by the relevant senior executive upon allocation of a share following vesting of a performance right. In respect of all performance rights granted to date, the Board has on each occasion determined that no amount is payable by the relevant executive on vesting of their grant of rights.</p> <p>Shares allocated on the vesting of performance rights are not subject to any restriction on the senior executives' rights to trade in those shares, other than any restrictions imposed by the Company's Guidelines for Dealing in Securities.</p> <p>Any grant of performance rights to an executive director must be approved by shareholders at the Company's Annual General Meeting.</p>										
What is the value of the LTI opportunity?	<p>The LTI entitlement of a senior executive is calculated as a percentage of fixed annual remuneration as follows:</p> <ul style="list-style-type: none"> <li>▪ former Chief Executive Officer: 125%</li> <li>▪ Chief Financial &amp; Operating Officer: 60%</li> <li>▪ other senior executives: 60%</li> </ul> <p>The number of performance rights granted to a senior executive is then calculated by taking the relevant executive's fixed annual remuneration and multiplying it by the relevant LTI entitlement percentage, and dividing this by the Company's five day volume weighted average share price ('VWAP') as at the effective date of the grant.</p>										
What are the performance conditions?	<p>Under all current grants of performance rights:</p> <ul style="list-style-type: none"> <li>▪ 50% is subject to a relative total shareholder return ('TSR') hurdle which provides an external measure in respect of share price growth and dividend income</li> <li>▪ 50% is subject to an absolute earnings per share ('EPS') measure of performance</li> </ul> <p><b>TSR performance conditions</b></p> <p>The Company's performance is given a percentile ranking having regard to its TSR performance compared with the TSR performance of other companies in the relevant comparator group (described below). The TSR performance conditions in relation to all grants of performance rights are:</p> <table border="1"> <thead> <tr> <th>TSR TARGET</th> <th>PERCENTAGE OF PERFORMANCE RIGHTS IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS</th> </tr> </thead> <tbody> <tr> <td>The Company's TSR is less than the median TSR of the comparator companies</td> <td>0%</td> </tr> <tr> <td>The Company's TSR equals or exceeds performance of the median TSR of the comparator companies</td> <td>50%</td> </tr> <tr> <td>The Company's TSR ranks in third quartile of the comparator companies</td> <td>Pro rata between 50% and 100% (2% increase for each higher percentile ranking)</td> </tr> <tr> <td>The Company's TSR ranks in fourth quartile of the comparator companies</td> <td>100%</td> </tr> </tbody> </table> <p><b>EPS performance conditions</b></p> <p>EPS performance requirements are reviewed prior to each year's allocation of performance rights. The range of EPS growth reflects the Company's view of what is a reasonable long term target taking into account the structure of the markets in which the Company competes, category growth rates, prevailing market shares, operational performance upside and the expected level of reinvestment of earnings in the business.</p> <p>EPS is calculated using earnings on a pre-significant items basis (adjusted for the related income tax (benefit)/expense), and using the number of ordinary shares on issue at the effective date of grant and the number of ordinary shares on issue at the end of the relevant measurement period to calculate compound EPS growth.</p>	TSR TARGET	PERCENTAGE OF PERFORMANCE RIGHTS IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS	The Company's TSR is less than the median TSR of the comparator companies	0%	The Company's TSR equals or exceeds performance of the median TSR of the comparator companies	50%	The Company's TSR ranks in third quartile of the comparator companies	Pro rata between 50% and 100% (2% increase for each higher percentile ranking)	The Company's TSR ranks in fourth quartile of the comparator companies	100%
TSR TARGET	PERCENTAGE OF PERFORMANCE RIGHTS IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS										
The Company's TSR is less than the median TSR of the comparator companies	0%										
The Company's TSR equals or exceeds performance of the median TSR of the comparator companies	50%										
The Company's TSR ranks in third quartile of the comparator companies	Pro rata between 50% and 100% (2% increase for each higher percentile ranking)										
The Company's TSR ranks in fourth quartile of the comparator companies	100%										



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

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

What is the TSR comparator group?

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

Why were these performance conditions chosen?

#### TSR

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

#### EPS

The Board believes that an EPS performance requirement:

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

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

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

When is the LTI assessed?

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

How is the LTI assessed?

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

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

When may the LTI vest?

Based on the financial performance of the Company in the 2014 financial year, no performance rights vested in the former Chief Executive Officer or other senior executives effective 30 June 2014. The maximum percentage of performance rights that may vest, subject to performance, in any one year is set out in the table below:

VESTING DATE	MAXIMUM % OF F11 GRANT <sup>1</sup>	MAXIMUM % OF F12 GRANT <sup>2</sup>	MAXIMUM % OF F13 GRANT	MAXIMUM % OF F14 GRANT
30 June 2014	100%	100%	N/A	N/A
30 June 2015	N/A	100%	100%	N/A
30 June 2016	N/A	N/A	100%	100%
30 June 2017	N/A	N/A	N/A	100%

<sup>1</sup> No shares vested under the 2011 financial year grant in respect of the Company's performance over the 2011 to 2013 financial years. The 2011 financial year grant was retested at the end of the 2014 financial year against the same performance conditions, but measured over the four year period ended 30 June 2014, did not satisfy either the EPS or TSR performance hurdles and accordingly lapsed

<sup>2</sup> No shares vested under the 2012 financial year grant in respect of the Company's performance over the 2012 to 2014 financial years. However, the 2012 financial year grant will be retested at the end of the 2015 financial year

## REMUNERATION REPORT – AUDITED (CONTINUED)

Does the Company pay any dividends on unvested LTIs?	As each performance right only gives the holder a contractual entitlement to one ordinary share in the Company, subject to the future satisfaction of certain financial hurdles, it is not regarded by the Board as appropriate for those rights to have an entitlement to receive dividends prior to vesting.
When does an LTI vest or lapse?	<p>Performance rights will lapse in accordance with the terms of the grant if performance hurdles are not achieved or if participants resign prior to the completion of required vesting periods.</p> <p>Where a participant leaves the Company as a result of death, disability, retrenchment, or other reason with the approval of the Board, subject to performance hurdles being met, the Board may determine the extent to which performance rights granted to the participant vest.</p> <p>In the event of a takeover for the Company, performance rights may, at the discretion of the Board, vest in accordance with an assessment of performance on the same performance criteria, but with the performance period pro rated to the date of the takeover offer.</p> <p>A discussion of the Company's performance, specifically against the Company's earnings and the consequences of the Company's performance on shareholder value in the period from 1 July 2009 to 30 June 2014 is set out in section 4 of this report. The Company's performance is linked to vesting of LTI (and hence executive reward). Any performance rights which do not vest (either in whole or in part) following the three year performance period, are retested the following year against the same performance conditions, but measured over a four year performance period. The 2011 financial year grant (retested on 1 July 2014) and the 2012 financial year grant (tested on 1 July 2014) did not vest on the test date because the Company's performance was such that the required hurdles were not satisfied – a more detailed discussion is set out in section 4C of this report.</p> <p>Details of the number of performance rights which have been granted and the extent (if any) to which they have vested are also set out in section 4C of this report. The Company values all performance rights granted under the PRP in accordance with relevant Australian Accounting Standards.</p>
Does the Company have a policy in relation to hedging and margin lending arrangements?	<p>The Company's Guidelines for Dealing in Securities prohibit any employee who has been granted performance rights from entering into a transaction to limit the economic risk of such performance rights, whether through a derivative, hedge or other similar arrangement.</p> <p>In addition, non-executive directors and senior executives are required to inform the Board of the existence of any margin lending arrangements in respect of shares in the Company which a non-executive director or senior executive has a relevant interest in, where those shares are offered as security for the lending arrangement. No margin lending arrangements are currently in place to which a non-executive director or senior executive is a party.</p> <p>The Company treats compliance with this policy as a serious issue and takes appropriate measures to ensure the policy is adhered to, requiring non-executive directors and senior executives to confirm in writing their compliance with these policies on an annual basis. Any employee found to have breached these policies will be subject to appropriate sanctions, which could include termination of employment.</p>

### E. Service agreements

The remuneration and other terms of employment for the former Chief Executive Officer and other senior executives are formalised in service agreements. Each of these agreements provides for the payment of a fixed annual remuneration component comprising of a base salary, motor vehicle/or allowance and superannuation contributions, the provision of performance related cash bonuses (STI) (as disclosed on page 45 in this report), and participation in the Company's employee LTI plan (as disclosed on page 46 in this report).

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

#### Duration of service agreements

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

#### Notice periods and payments on termination

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

The termination arrangements in respect of the former Chief Executive Officer, Mr Pollaers, were approved by shareholders at the Company's 2012 Annual General Meeting held on 23 October 2012.

Under the terms of the service agreement of the former Chief Executive Officer, Mr Pollaers is prohibited from engaging in any activity that would compete with the Company for a period of one year from the date his employment with the Company ceased, in order to protect the Company's business interests.

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

	DATE OF CONTRACT	NOTICE PERIOD – COMPANY	TERMINATION PAYMENT ENTITLEMENT <sup>1</sup>	NOTICE PERIOD – EMPLOYEE
<b>Current senior executives</b>				
D L Bortolussi Chief Financial & Operating Officer	21 April 2009	3 months	12 months FAR	3 months
M W Claughton Group General Manager, Workwear	28 August 2012	3 months	12 months FAR	3 months
P Gould Group General Manager, Sheridan Tontine	20 December 2013	6 months	12 months FAR	6 months
A M Heraghty Group General Manager, Underwear	23 November 2012	3 months	12 months FAR	3 months
M C Matthews Group General Manager, Brand Collective	28 August 2012	3 months	12 months FAR	3 months
<b>Former senior executive</b>				
J C Pollaers <sup>2</sup> Chief Executive Officer	21 August 2012	6 months	12 months FAR + vesting of performance rights in the event of fundamental change <sup>3</sup>	6 months

1 Termination payment entitlement is calculated including payment in lieu of notice based on the applicable minimum notice period

2 J C Pollaers ceased employment with the Company on 7 July 2014

3 The circumstances in which performance rights could vest on termination for fundamental change included delisting or material diminution of the Chief Executive Officer's roles or responsibilities. Mr Pollaers' employment did not terminate for reasons of fundamental change

#### 4. COMPANY PERFORMANCE AND OUTCOMES FOR SENIOR EXECUTIVE REMUNERATION

##### A. Company performance

A review of the Company's operations during the 2014 financial year and of the results of those operations and financial position of the Company is contained in the Operating and Financial Review on pages 8 to 20 of the Annual Report.

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

	2014	2013	2012	2011	2010
Net sales revenue (\$m)	1,322.1	1,273.3	1,322.7	1,614.6	1,742.4
EBIT (\$m) <sup>1</sup>					
- Reported	(209.9)	122.1	(404.9)	(62.3)	127.6
- Before significant items <sup>2</sup>	91.2	122.1	129.1	186.2	179.0
NPAT (\$m) <sup>3</sup>					
- Reported	(224.5)	73.8	(450.7)	(131.9)	52.7
- Before significant items <sup>2</sup>	53.0	73.8	72.8	103.4	90.3
EPS (cents) <sup>4</sup>					
- Reported	(24.6)	8.1	(49.1)	(14.2)	5.7
- Before significant items <sup>2</sup>	5.8	8.1	7.9	11.1	9.7
Dividends per share (cents)	2.0	5.0	4.5	6.2	0.0
Year end share price (\$)	0.55	0.70	0.50	0.69	0.89
TSR (%) <sup>5</sup>	(17.7)	50.0	(22.3)	(18.0)	3.5

1 Earnings before interest and tax

2 Before the impact of other expenses and other income that are individually significant as disclosed in Note 4 to the financial statements. Earnings excluding such amounts are considered by the Board to be a better basis for comparison from period to period as well as more comparable with future performance. They are also the primary measure of earnings considered by management in operating the business and by the Board in determining dividends

3 Net profit/(loss) after tax after deducting non-controlling interest

4 EPS has been calculated based on the weighted average number of shares outstanding for the period

5 TSR is a measure of the return to shareholders provided by movements in the Company's share price plus any dividends paid during the relevant financial period and reinvested in Company shares, expressed as a percentage of investment

Over 2010 to 2013, the Company's reported sales declined materially as a result of business divestments and exits, brands and labels being discontinued as part of the Pacific Brands Transformation Program, challenging retail and business conditions and a change in strategy at one of the Company's major customers. In the 2014 financial year, the Company returned to growth driven by the Bonds and Sheridan brands, expansion in retail and online, and acquisitions.

## REMUNERATION REPORT – AUDITED (CONTINUED)

Despite the historical sales declines, EBIT margins before significant items over 2010 to 2013 were relatively steady, declining from 10.3% to 9.6%, due mainly to the significant cost savings resulting from the Pacific Brands Transformation Program, changes in imported product costs and positive brand and business mix changes. In the 2014 financial year, EBIT margin declined to 6.9%, due principally to increased levels of promotional and clearance activity, currency devaluation net of price increases, a shift in mix towards channels and businesses with higher cost to serve, and increased investment in brands, new categories and capability.

The decline in NPAT before significant items was less than the decline in EBIT before significant items over the last five years due to lower net interest costs, resulting from lower net debt over the period and improved pricing and commercial terms following refinancing of the syndicated debt facility in the 2014 financial year. The effective tax rate has also slightly decreased over the relevant period.

A dividend moratorium was imposed in the 2010 financial year to assist with debt paydown, and dividends were reinstated in the 2011 financial year with a progressive increase in payout ratio from 2011 to 2013. No dividend has been declared for the second half of the 2014 financial year in order to allow a focus on restoring balance sheet strength following an increase in net debt related to reduced earnings, higher working capital and capital expenditure, acquisitions and additional restructuring costs.

The reduction in earnings and increase in net debt contributed to the decline in the year end share price from 2013 to 2014. The decrease in the share price and dividends per share has resulted in a total shareholder return for the 2014 financial year of (17.7%).

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

### B. Short term performance and STI payments for the 2014 financial year

In light of the material decline in earnings in the 2014 financial year, the Board determined that it would be inappropriate to award any STI payment (neither any business component, nor any personal component) to the former Chief Executive Officer or any other senior executive. The 2014 financial year STI program and payments relevant to the former Chief Executive Officer and other senior executives are summarised below<sup>1</sup>:

	EFFECTIVE DATE OF GRANT	PERCENTAGE OF STI PAYABLE (%)	PERCENTAGE OF STI NOT AWARDED (%)	MINIMUM TOTAL VALUE OF STI (\$)	MAXIMUM TOTAL VALUE OF STI (\$)
<b>Current senior executives</b>					
D L Bortolussi Chief Financial & Operating Officer	1 July 2013	0	100	Nil	719,893
M W Cloughton Group General Manager, Workwear	1 July 2013	0	100	Nil	306,661
P Gould Group General Manager, Sheridan Tontine	1 July 2013	0	100	Nil	255,544
A M Heraghty Group General Manager, Underwear	1 July 2013	0	100	Nil	400,611
M C Matthews Group General Manager, Brand Collective	1 July 2013	0	100	Nil	288,619
<b>Former senior executive</b>					
J C Pollaers Chief Executive Officer	1 July 2013	0	100	Nil	1,400,000

<sup>1</sup> The terms and conditions attached to the F14 award are set out on pages 45 of this report

A more comprehensive review of the Company's operations during the 2014 financial year and of the results of those operations and financial position of the Company is contained in the Operating and Financial Review on pages 8 to 20 of the Annual Report.

### C. Long term performance and LTI awards for 2014 financial year

None of the 2011 or 2012 financial year grant of performance rights vested under the Company's LTI plan following the end of the 2014 financial year as neither the EPS nor TSR hurdles were met (see the discussion of "When may the LTI vest?" on page 47 in this report for further details). The alignment of the Company's LTI plan with the generation of shareholder value is demonstrated by the fact that performance rights under the Company's LTI plan have not vested in any of the past five financial years (with the exception of performance rights granted as part of sign-on arrangements).

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

## Long term incentives on issue

The following equity grants were made to the former Chief Executive Officer and other senior executives<sup>1</sup>:

	NUMBER AND NATURE OF COMPENSATION / INSTRUMENT GRANTED	FINANCIAL YEAR	COMMENCEMENT DATE OF PERFORMANCE MEASUREMENT PERIOD	GRANT DATE OF PERFORMANCE RIGHT	PERCENTAGE OF GRANT VESTED (%)	PERCENTAGE OF GRANT FORFEITED (%)	FUTURE FINANCIAL YEARS THAT GRANT WILL BE PAYABLE	MINIMUM TOTAL VALUE OF GRANT (\$)	MAXIMUM TOTAL VALUE OF GRANT <sup>2</sup> (\$)
<b>Current senior executives</b>									
D L Bortolussi	336,809 performance rights	2011	01/07/2010	24/08/2010	Nil	100%	N/A	Nil	Nil
	476,490 performance rights	2012	01/07/2011	14/12/2011	Nil	Nil	2015	Nil	201,555
	651,527 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	273,641
	693,538 performance rights	2014	01/07/2013	13/12/2013	Nil	Nil	2016/17	Nil	260,077
M W Cloughton	416,326 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	174,857
	443,151 performance rights	2014	01/07/2013	13/12/2013	Nil	Nil	2016/17	Nil	166,182
P Gould	369,282 performance rights	2014	01/07/2013	13/12/2013	Nil	Nil	2016/17	Nil	138,481
A M Heraghty	212,035 performance rights	2011	01/07/2010	24/08/2010	Nil	100%	N/A	Nil	Nil
	358,209 performance rights	2012	01/07/2011	14/12/2011	Nil	Nil	2015	Nil	151,522
	543,857 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	228,420
	578,918 performance rights	2014	01/07/2013	13/12/2013	Nil	Nil	2016/17	Nil	217,094
M C Matthews	391,837 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	164,572
	417,080 performance rights	2014	01/07/2013	13/12/2013	Nil	Nil	2016/17	Nil	156,405
<b>Former senior executive</b>									
J C Pollaers <sup>3,4</sup>	762,712 sign-on rights	2013	03/09/2012	21/08/2012	100%	Nil	N/A	Nil	450,000
	2,016,949 performance rights	2013	01/07/2012	21/08/2012	Nil	Nil	2015/16	Nil	847,119
	2,528,902 performance rights	2014	01/07/2013	24/10/2013	Nil	Nil	2016/17	Nil	1,226,517

<sup>1</sup> The terms and conditions attached to the F11, F12, F13 and F14 performance rights grants are set out on pages 46 to 48 in this report

<sup>2</sup> The fair value of performance rights as at the date of their grant has been determined in accordance with AASB 2 *Share-based Payment*. The fair value in respect of the grant having an effective date of 1 July 2010 is \$0.64 per share (TSR: \$0.50, EPS: \$0.78). The fair value in respect of the grant having an effective date of 1 July 2011 is \$0.42 per share (TSR: \$0.37, EPS: \$0.48). The fair value in respect of the grant having an effective date of 1 July 2012 is \$0.42 per share (TSR: \$0.37, EPS: \$0.48). The fair value in respect of the F14 grant having a grant date of 24 October 2013 and an effective date of 1 July 2013 is \$0.485 per share (TSR \$0.37, EPS \$0.60). The fair value in respect of the F14 grant having a grant date of 13 December 2013 and an effective date of 1 July 2013 is \$0.375 per share (TSR \$0.25, EPS \$0.50)

<sup>3</sup> The Company agreed on 21 August 2012 to grant to J C Pollaers, former Chief Executive Officer, a one-off sign-on bonus of rights, which would vest upon achievement of certain KPIs agreed between the Board and Mr Pollaers, equal in value to \$450,000. The grant of these sign-on rights was approved by shareholders at the Company's 2012 Annual General Meeting held on 23 October 2012. The number of sign-on rights was calculated by dividing \$450,000 by the market price of the Company's ordinary shares as at the close of normal trading on the ASX on 21 August 2012, being the last day before the day the Company announced the appointment of Mr Pollaers as Chief Executive Officer. The sign-on rights vested on the first anniversary of the commencement of his employment with the Company (ie 3 September 2013) and converted into 762,712 fully paid ordinary shares which were issued to Mr Pollaers, at no cost, on 9 September 2013

<sup>4</sup> All unvested performance rights (4,545,851) issued to J C Pollaers were forfeited upon cessation of his employment on 7 July 2014

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

## REMUNERATION REPORT – AUDITED (CONTINUED)

### Long term incentives – movements during the 2014 financial year

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

	BALANCE AT 01/07/2013	GRANTED	VESTED/ EXERCISED	LAPSED / FORFEITED	BALANCE AT 30/06/2014
<b>Current senior executives</b>					
<b>D L Bortolussi</b>					
Number	1,464,826	693,538	Nil	336,809	1,821,555
Value	\$690,754	\$260,077		\$215,558	\$735,273
<b>M W Claughton</b>					
Number	416,326	443,151	Nil	Nil	859,477
Value	\$174,857	\$166,182			\$341,039
<b>P Gould</b>					
Number	Nil	369,282	Nil	Nil	369,282
Value	\$0	\$138,481			\$138,481
<b>A M Heraghty</b>					
Number	1,114,101	578,918	Nil	212,035	1,480,984
Value	\$515,644	\$217,094		\$135,702	\$597,036
<b>M C Matthews</b>					
Number	391,837	417,080	Nil	Nil	808,917
Value	\$164,572	\$156,405			\$320,977
<b>Former senior executive</b>					
<b>J C Pollaers<sup>1</sup></b>					
Number	2,779,661	2,528,902	762,712	Nil	4,545,851
Value	\$1,297,119	\$1,226,517	\$450,000		\$2,073,636
<b>Total senior executives</b>					
Number	6,166,751	5,030,871	762,712	548,844	9,886,066
Value	\$2,842,946	\$2,164,756	\$450,000	\$351,260	\$4,206,442

<sup>1</sup> All unvested performance rights issued to J C Pollaers (4,545,851) were forfeited upon cessation of his employment on 7 July 2014

### D. Total senior executive remuneration

Details of the remuneration paid to the former Chief Executive Officer and the other senior executives for the 2014 financial year (and prior financial year) are set out in the following table, calculated in accordance with the relevant accounting standards. All values are in Australian dollars unless otherwise stated.

		SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT BENEFITS			SHARE BASED PAYMENTS	TERMI- NATION BENEFITS <sup>4</sup>	TOTAL	VALUE OF PERFORMANCE RIGHTS AS % OF TOTAL
		FIXED SALARY <sup>1</sup>	INCENTIVE PAYMENTS	NON- MONETARY BENEFITS <sup>2</sup>	SUPER- ANNUATION BENEFITS	RETIRE- MENT PAYMENTS	OTHER	PERFOR- MANCE RIGHTS <sup>3</sup>			\$
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Current senior executives</b>											
D L Bortolussi	2014	743,715	-	45,613	25,000	-	-	97,951	-	912,279	10.7
Chief Financial & Operating Officer	2013	738,491	301,700	51,790	25,000	-	-	59,285	-	1,176,266	5.0
M W Cloughton	2014	473,598	-	30,000	25,000	-	-	43,836	-	572,434	7.7
Group General Manager, Workwear	2013	448,716	101,000	24,912	31,218	-	-	25,371	-	631,217	4.0
P Gould	2014	367,027	-	27,460	36,060	-	-	15,387	-	445,934	3.5
Group General Manager, Sheridan Tontine	2013	-	-	-	-	-	-	-	-	-	-
A M Heraghty	2014	567,776	-	96,398	25,000	-	-	79,328	-	768,502	10.3
Group General Manager, Underwear	2013	580,770	195,900	79,289	25,000	-	-	44,432	-	925,391	4.8
M C Matthews	2014	424,969	-	30,000	25,000	-	-	41,257	-	521,226	7.9
Group General Manager, Brand Collective	2013	408,091	95,100	27,179	33,711	-	-	23,879	-	587,960	4.1
<b>Total remuneration – current senior executives</b>											
	2014	<b>2,577,085</b>	<b>-</b>	<b>229,471</b>	<b>136,060</b>	<b>-</b>	<b>-</b>	<b>277,759</b>	<b>-</b>	<b>3,220,375</b>	<b>8.6</b>
	2013	2,176,068	693,700	183,170	114,929	-	-	152,967	-	3,320,834	4.6
<b>Former senior executives</b>											
J C Pollaers <sup>5</sup>	2014	1,362,740	-	24,190	25,000	-	-	(42,778)	1,400,000	2,769,152	(1.5)
Chief Executive Officer	2013	1,226,054	644,000	23,457	20,833	-	-	492,778	-	2,407,122	20.5
Other former senior executives	2014	-	-	-	-	-	-	-	-	-	-
	2013	705,178	-	13,616	103,074	-	-	(604,262)	1,507,275	1,724,881	N/A
<b>Total remuneration – executive directors and other senior executives</b>											
	2014	<b>3,939,825</b>	<b>-</b>	<b>253,661</b>	<b>161,060</b>	<b>-</b>	<b>-</b>	<b>234,981</b>	<b>1,400,000</b>	<b>5,989,527</b>	<b>3.9</b>
	2013	4,107,300	1,337,700	220,243	238,836	-	-	41,483	1,507,275	7,452,837	0.6

1 Includes movements in annual leave and long service leave provisions and excludes fringe benefits tax paid or payable relating to fringe benefits granted by the Company

2 Non-monetary benefits include contractual allowances, such as motor vehicle allowances, novated lease payments or relocation benefits (if any). Amounts disclosed for remuneration of senior executives exclude insurance premiums paid by the Consolidated Entity in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers, including, among others, the named senior executives. Due to confidentiality obligations and undertakings of the policy, the premium paid cannot be disclosed. No amount has been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists

3 To the extent required by the Australian Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the financial year (ie awards under the LTI plan). The fair value of equity instruments which do not vest during the reporting period is required to be determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should the equity instruments vest. The notional value of performance rights as at the date of their grant has been determined in accordance with AASB 2 Share-based Payment. The fair value in respect of the grant having an effective date of 1 July 2010 is \$0.64 per share. The fair value in respect of the grant having an effective date of 1 July 2011 is \$0.42 per share. The fair value in respect of the grant having an effective date of 1 July 2012 is \$0.42 per share. The fair value in respect of the F14 grant having a grant date of 24 October 2013 and an effective date of 1 July 2013 is \$0.485 per share (TSR \$0.37, EPS \$0.60). The fair value in respect of the F14 grant having a grant date at 13 December 2013 and an effective date of 1 July 2013 is \$0.375 per share (TSR \$0.25, EPS \$0.50). The fair value of these equity investments is calculated for the Company by an independent expert. In relation to J C Pollaers, the (\$42,778) reflects a write back of historical expenses relating to the TSR component of the F13 grant as the service condition was not met, net of expenses relating to the F14 component of sign on rights granted in F13

4 The 2014 figure in this column represents the payment to J C Pollaers on the cessation of his employment, excluding accrued annual leave entitlements

5 J C Pollaers ceased employment with the Company on 7 July 2014

## 5. NON-EXECUTIVE DIRECTORS' REMUNERATION

### A. Board policy on non-executive directors' remuneration

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

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

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

- the Company's existing remuneration policies
- independent remuneration consultants' advice

## REMUNERATION REPORT – AUDITED (CONTINUED)

- fees paid by comparable companies
- the level of remuneration necessary to attract and retain directors of appropriate experience, qualifications and time commitment

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

The fees payable in the 2014 financial year were as follows:

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

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

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

Mr P H Bush will receive no additional remuneration in consideration for him taking on the office of Executive Chairman.

### B. Remuneration paid

Details of non-executive directors' remuneration for the 2014 financial year are set out in the following table:

		SHORT TERM PAYMENTS		POST EMPLOYEE BENEFITS	TOTAL <sup>1</sup>
		CASH	SHARES	SUPERANNUATION CONTRIBUTIONS	
		\$	\$	\$	\$
P H Bush (Executive Chairman)	2014	291,762	N/A	26,988	318,750
	2013	292,431	N/A	26,319	318,750
S T Goddard	2014	110,000	N/A	25,000	135,000
	2013	18,922	N/A	1,703	20,625
K L Grant <sup>2</sup>	2014	40,838	N/A	3,777	44,615
	2013	N/A	N/A	N/A	N/A
J S King	2014	124,719	N/A	11,531	136,250
	2013	129,203	N/A	9,547	138,750
J P Ling <sup>3</sup>	2014	73,227	N/A	6,773	80,000
	2013	18,349	N/A	1,651	20,000
H E C Nash <sup>4</sup>	2014	91,533	N/A	8,467	100,000
	2013	N/A	N/A	N/A	N/A
L B Nicholls AO <sup>5</sup>	2014	82,695	N/A	7,660	90,355
	2013	N/A	N/A	N/A	N/A
A M Tansey <sup>6</sup>	2014	36,613	N/A	3,387	40,000
	2013	117,523	N/A	2,477	120,000
Other former non-executive directors	2014	N/A	N/A	N/A	N/A
	2013	214,163	N/A	19,275	233,438
<b>Total</b>	<b>2014</b>	<b>851,387</b>	<b>N/A</b>	<b>93,583</b>	<b>944,970</b>
	<b>2013</b>	<b>790,591</b>	<b>N/A</b>	<b>60,972</b>	<b>851,563</b>

<sup>1</sup> Amounts disclosed for remuneration of directors exclude insurance premiums paid by the Consolidated Entity in respect of directors' and officers' liability insurance contracts which cover, among others, current and former directors of the Company. Due to confidentiality obligations and undertakings of the policy, the premium paid cannot be disclosed. No amount has been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists

<sup>2</sup> K L Grant was appointed as a director of the Company on 18 February 2014

<sup>3</sup> J P Ling ceased as a director of the Company on 18 February 2014

<sup>4</sup> H E C Nash was appointed as a director of the Company on 28 August 2013

<sup>5</sup> L B Nicholls was appointed as a director of the Company on 24 October 2013

<sup>6</sup> A M Tansey ceased as a director of the Company on 24 October 2013



## 6. KEY MANAGEMENT PERSONNEL DISCLOSURES

### A. Material contracts with the Company

No director or other KMP has entered into a material contract with the company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors or other KMPs interests existing at the end of the 2014 financial year.

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

### B. Loans with the Company

No director or other KMP has entered into a loan made, guaranteed or secured, directly or indirectly, by the Company or the Consolidated Entity since the end of the previous financial year and there were no such loans involving directors' or KMP existing at the end of the 2014 financial year.

### C. Movements in shares

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

	HELD AT 30 JUNE 2013	PURCHASES	RECEIVED ON VESTING OF PERFORMANCE RIGHTS	SALES	HELD AT 30 JUNE 2014
<b>Current non-executive directors</b>					
P H Bush	10,000	-	-	-	10,000
S T Goddard	25,000	-	-	-	25,000
K L Grant	-	-	-	-	-
J S King	25,000	-	-	-	25,000
H E C Nash	-	20,000	-	-	20,000
L B Nicholls AO	-	25,925	-	-	25,925
<b>Current senior executives</b>					
D L Bortolussi	200,000	-	-	-	200,000
M W Cloughton	-	-	-	-	-
P Gould	400	-	-	-	400
A M Heraghty	-	-	-	-	-
M C Matthews	-	-	-	-	-
<b>Former senior executive</b>					
J C Pollaers <sup>1</sup>	-	480,000	762,712	-	1,242,712
<b>Former non-executive directors</b>					
J P Ling <sup>2</sup>	20,000	-	-	-	N/A
A M Tansey <sup>3</sup>	550	-	-	-	N/A

<sup>1</sup> J C Pollaers ceased as Chief Executive Officer on 7 July 2014

<sup>2</sup> J P Ling ceased as a director on 18 February 2014

<sup>3</sup> A M Tansey ceased as a director on 24 October 2013

## DIRECTORS' REPORT

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

Dated at Melbourne this 26<sup>th</sup> day of August 2014.



**Peter Bush**  
Executive Chairman

## LEAD AUDITOR'S INDEPENDENCE DECLARATION



Under Section 307C of the Corporations Act 2001

To: the Directors of Pacific Brands Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

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



**KPMG**

Melbourne  
26 August 2014



**Alison Kitchen**  
Partner

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Liability limited by a scheme approved under Professional Standards Legislation.

# FINANCIAL STATEMENTS TO SHAREHOLDERS

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
Sales revenue	2	1,322,104	1,273,328
Cost of sales	11	(703,741)	(652,515)
<b>Gross profit</b>		<b>618,363</b>	620,813
Other income	2	13,624	4,701
Freight and distribution expenses		(117,611)	(112,227)
Sales and marketing expenses		(300,028)	(275,311)
Administrative expenses		(113,129)	(115,840)
Other expenses	4	(312,035)	-
Share of net profit of investment accounted for using the equity method	16	875	-
<b>Results from operating activities</b>		<b>(209,941)</b>	122,136
Financial income		2,440	4,175
Financial expenses		(20,220)	(24,635)
<b>Net financing costs</b>		<b>(17,780)</b>	(20,460)
<b>Profit/(loss) before income tax (expense)/benefit</b>		<b>(227,721)</b>	101,676
Income tax (expense)/benefit	6	3,253	(27,835)
<b>Profit/(loss)</b>		<b>(224,468)</b>	73,841
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		(224,468)	73,807
Non-controlling interest		-	34
<b>Profit/(loss)</b>		<b>(224,468)</b>	73,841
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges (net of tax)		(28,801)	19,219
Foreign currency translation differences		3,630	4,837
Transfer of foreign currency translation differences on disposal of subsidiary		-	305
<i>Items that will not be reclassified to profit or loss</i>			
Defined benefit plan actuarial gains (net of tax)		330	521
<b>Other comprehensive income/(loss) (net of tax)</b>		<b>(24,841)</b>	24,882
<b>Total comprehensive income/(loss)</b>		<b>(249,309)</b>	98,723
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		(249,309)	98,653
Non-controlling interest		-	70
<b>Total comprehensive income/(loss)</b>		<b>(249,309)</b>	98,723
<b>Earnings/(loss) per share</b>			
Ordinary shares	7	(24.6) cents	8.1 cents
Diluted shares	7	(24.6) cents	8.1 cents

The Statement of Comprehensive Income is to be read in conjunction with the notes to the Financial Statements set out on pages 62 to 93.

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	95,657	186,884
Trade and other receivables	10	145,672	175,854
Inventories	11	280,044	228,682
Other assets	12	12,729	8,695
Current tax assets		15,667	-
Assets held for sale	16	-	15,600
<b>Total current assets</b>		<b>549,769</b>	<b>615,715</b>
<b>Non-current assets</b>			
Trade and other receivables	10	-	796
Property, plant and equipment	13	57,540	66,519
Investment accounted for using the equity method	16	8,292	-
Intangible assets	14	350,440	584,093
Deferred tax assets	15	34,968	14,761
<b>Total non-current assets</b>		<b>451,240</b>	<b>666,169</b>
<b>Total assets</b>		<b>1,001,009</b>	<b>1,281,884</b>
<b>Current liabilities</b>			
Trade and other payables	17	129,106	118,182
Current tax liabilities		2,687	11,160
Provisions	19	52,823	49,894
Liabilities held for sale	16	-	4,125
<b>Total current liabilities</b>		<b>184,616</b>	<b>183,361</b>
<b>Non-current liabilities</b>			
Trade and other payables	17	1,392	2,103
Interest-bearing loans and borrowings	18	344,750	346,002
Provisions	19	21,434	13,134
<b>Total non-current liabilities</b>		<b>367,576</b>	<b>361,239</b>
<b>Total liabilities</b>		<b>552,192</b>	<b>544,600</b>
<b>Net assets</b>		<b>448,817</b>	<b>737,284</b>
<b>Equity</b>			
Share capital	20	455,128	695,000
Other reserves	21	15,433	34,663
Retained earnings/(accumulated losses)		(21,744)	7,621
<b>Total equity</b>		<b>448,817</b>	<b>737,284</b>

The Statement of Financial Position is to be read in conjunction with the notes to the Financial Statements set out on pages 62 to 93.

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,466,553	1,408,713
Cash paid to suppliers and employees		(1,449,666)	(1,270,860)
Income taxes paid		(26,906)	(29,771)
Interest paid		(19,826)	(23,442)
Interest received		2,440	4,175
<b>Net cash from/(used in) operating activities</b>	26	<b>(27,405)</b>	<b>88,815</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of businesses (net of cash disposed)		-	2,265
Proceeds from disposal of property, plant and equipment		22,734	6,889
Acquisition of businesses and investments (net of cash acquired)	16	(23,682)	(8,298)
Acquisition of property, plant and equipment		(22,188)	(15,347)
Distributions received from joint venture	16	231	-
<b>Net cash used in investing activities</b>		<b>(22,905)</b>	<b>(14,491)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,328	-
Repayments of loans and borrowings (including refinancing costs)		(2,162)	-
Payments for shares bought to allocate to employees		(595)	-
Dividends paid	22	(41,077)	(45,649)
Dividend paid to non-controlling interest		-	(357)
<b>Net cash used in financing activities</b>		<b>(41,506)</b>	<b>(46,006)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>(91,816)</b>	<b>28,318</b>
Cash and cash equivalents at the beginning of the period		186,884	155,421
Effect of exchange rate fluctuations on cash held		589	3,145
<b>Cash and cash equivalents at the end of the period</b>	9	<b>95,657</b>	<b>186,884</b>

The Statement of Cash Flows is to be read in conjunction with the notes to the Financial Statements set out on pages 62 to 93.

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	SHARE CAPITAL \$'000	OTHER RESERVES \$'000	RETAINED EARNINGS/ (ACCUMULATED LOSSES) \$'000	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY \$'000	NON- CONTROLLING INTEREST \$'000	TOTAL EQUITY \$'000
<b>Balance at 1 July 2012</b>	809,000	(27,760)	(97,060)	684,180	2,298	686,478
Profit/(loss)	-	-	73,807	73,807	34	73,841
Total other comprehensive income/(loss)	-	24,846	-	24,846	36	24,882
<b>Total comprehensive income/(loss)</b>	-	24,846	73,807	98,653	70	98,723
<b>Transactions with owners recorded directly in equity</b>						
Share capital reduction <sup>1</sup>	(114,000)	-	114,000	-	-	-
Appropriation to profits reserve	-	83,126	(83,126)	-	-	-
Dividends recognised	-	(45,649)	-	(45,649)	(357)	(46,006)
Cost of share based payments	-	100	-	100	-	100
Disposal of subsidiary with non-controlling interest <sup>2</sup>	-	-	-	-	(2,011)	(2,011)
<b>Balance at 30 June 2013</b>	695,000	34,663	7,621	737,284	-	737,284
<b>Balance at 1 July 2013</b>	<b>695,000</b>	<b>34,663</b>	<b>7,621</b>	<b>737,284</b>	-	<b>737,284</b>
Profit/(loss)	-	-	(224,468)	(224,468)	-	(224,468)
Total other comprehensive income/(loss)	-	(24,841)	-	(24,841)	-	(24,841)
<b>Total comprehensive income/(loss)</b>	-	<b>(24,841)</b>	<b>(224,468)</b>	<b>(249,309)</b>	-	<b>(249,309)</b>
<b>Transactions with owners recorded directly in equity</b>						
Issue of ordinary shares	2,328	-	-	2,328	-	2,328
Share capital reduction <sup>1</sup>	(242,200)	-	242,200	-	-	-
Appropriation to profits reserve	-	47,097	(47,097)	-	-	-
On market purchase of performance rights	-	(595)	-	(595)	-	(595)
Dividends recognised	-	(41,077)	-	(41,077)	-	(41,077)
Cost of share based payments	-	186	-	186	-	186
<b>Balance at 30 June 2014</b>	<b>455,128</b>	<b>15,433</b>	<b>(21,744)</b>	<b>448,817</b>	-	<b>448,817</b>

1 On 21 August 2012 and 17 February 2014, the Company reduced its share capital by \$114.0 million and \$242.2 million respectively for the amounts that were lost or not represented by available assets, reflecting impairment charges incurred by the Company during the year ended 30 June 2012 and half year ended 31 December 2013. This had the effect of eliminating accumulated losses at the Company and Consolidated Entity level. There was no impact on the number of issued shares or on the Statement of Comprehensive Income or Statement of Cash Flows

2 On 30 October 2012, the Consolidated Entity disposed of its 50% share of the Restonic business

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

The Statement of Changes in Equity is to be read in conjunction with the notes to the Financial Statements set out on pages 62 to 93.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

1	Significant accounting policies	62
2	Revenue and other income	70
3	Expenses by nature	71
4	Significant items	71
5	Auditors' remuneration	72
6	Income tax expense/(benefit)	72
7	Earnings/(loss) per share	73
8	Segment reporting	73
9	Cash and cash equivalents	75
10	Trade and other receivables	75
11	Inventories	75
12	Other assets	75
13	Property, plant and equipment	76
14	Intangible assets	77
15	Recognised deferred tax assets and liabilities	78
16	Assets and liabilities held for sale, disposed and acquired during the period	78
17	Trade and other payables	79
18	Interest-bearing loans and borrowings	79
19	Provisions	80
20	Share capital	81
21	Other reserves	82
22	Dividends	83
23	Financial instruments	83
24	Operating leases	88
25	Controlled entities	88
26	Notes to the statement of cash flows	89
27	Employee benefits	89
28	Key management personnel disclosures	91
29	Company disclosures	92
30	Events subsequent to balance date	93

# FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

## 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 2014 comprise the Company and its controlled entities (together referred to as the 'Consolidated Entity').

### A. Statement of compliance

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

The Financial Statements of the Consolidated Entity comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

These Financial Statements were authorised for issue by the directors on 26 August 2014.

### 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 (as in force on 30 June 2014) and in accordance with that Class Order, amounts in the Financial Statements and the Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

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

#### Changes in accounting policies and new standards

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

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

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

#### New accounting standards not yet effective

The following new accounting standard has been published but is not mandatory for 30 June 2014 and has been identified as relevant to the entity in future reporting periods. The Consolidated Entity's assessment of this new accounting standard is set out below:

- *AASB 9 Financial Instruments* - AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. AASB 9 also introduces a new hedge accounting model, which simplifies hedge accounting requirements and aligns with risk management activities. The new standard is expected to be applied for the annual reporting period ending 30 June 2019. This standard is not expected to impact the Consolidated Entity's accounting for financial assets and financial liabilities



- IFRS15 *Revenue from contracts with customers* – IFRS15 addresses how and when the Consolidated Entity will recognise revenue as well as enhanced disclosure requirements. The AASB are expected to issue a final standard during the year ending 30 June 2015, with implementation expected during the year ending 30 June 2018. The Consolidated Entity is yet to assess the impact of this standard on its financial statements

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

## C. Principles of consolidation

### Subsidiaries

Subsidiaries are all entities over which the Company has control. Control exists when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of controlled entities are included in these Financial Statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised gains and losses or revenues and expenses arising from intra-group transactions (including transactions with joint ventures), 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.

### Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The interest in the joint arrangement held by the Consolidated Entity is classified as a joint venture and accounted for using the equity method.

### Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Consolidated Entity's share of the post-acquisition profits or losses of the investee in profit or loss, and the Consolidated Entity's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. When the Consolidated Entity's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

## 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.

The Consolidated Entity measures goodwill at the acquisition date as the sum of the fair value of the consideration transferred, the recognised amount of any non-controlling interest in the acquiree and the fair value of any existing equity interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

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

## E. Revenue recognition

### Sale of goods

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

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

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

### Other income

#### *Sale of non-current assets*

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

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

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.

### F. Net financing costs

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

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

### G. 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.

### H. Income tax

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

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities from a transaction that is not a business combination that affects 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.

### I. 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.

### J. Receivables

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

### K. 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.

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 is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense. Allowances are established for obsolete or slow moving inventories taking into consideration the ageing or seasonal profile of inventories, the nature of inventories, discontinued lines, sell through history, margins achieved and forecast sales.

## **L. Leases**

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.

### **Operating leases**

Payments made under operating leases (net of incentives received from the lessor) are expensed on a straight line basis over the term of the lease.

## **M. 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(O)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

### **Depreciation**

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

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

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

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

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

### **Borrowing costs**

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

## **N. Intangible assets**

### **Goodwill**

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

### **Brand names**

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

### **Software**

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

### **Other intangible assets**

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

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

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

- software: 5 - 10 years
- licences: 5 - 15 years
- customer contracts and customer related intangible assets: life of contract

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### O. 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.

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

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

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

#### Non-financial assets

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

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

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

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

#### Non-current assets held for sale

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

### P. Payables

Trade and other payables are stated at their amortised cost.

## **Q. Cash, cash equivalents and interest-bearing loans and borrowings**

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

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

## **R. Employee benefits**

### **Short term obligations**

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

### **Other long term obligations**

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

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

### **Superannuation plans**

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

### **Defined contribution plans**

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

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

### **Defined benefit plans**

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

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

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

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

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

## **S. Share based payments**

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

## **T. 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.

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

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

### Restructuring

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

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

### Leased premises

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

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

### Dividends

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

## U. 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.

Segment results 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, head office expenses and income tax assets and liabilities. Inter-segment pricing is determined on an arm's length basis.

## V. Foreign currency

### Transactions

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

### Translation of controlled foreign operations

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

### Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the foreign currency translation reserve. They are released into profit or loss upon disposal of investments in foreign operations.

## W. 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. Any subsequent remeasurements to fair value are recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of derivative financial instruments is the estimated amount that the Consolidated Entity would receive or pay to transfer the instrument at balance date, taking into account current market rates and the current creditworthiness of counterparties.

### **Hedging**

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

### **Cash flow hedges**

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

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

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

### **Hedges of monetary assets and liabilities**

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

### **Hedges of net investment in foreign operations**

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

## **X. 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 provision 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 shares of the Company and the Consolidated Entity. Payments made for treasury shares are treated as a reduction in equity and recognised in the Equity Compensation Reserve.

## **Y. Accounting estimates and judgements**

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

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

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

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

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

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

### Net realisable value of inventories (refer Note 11)

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

### Provisions and contingencies (refer Note 19)

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

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

Make good provisions for leased premises are estimated at the inception of the lease. A best estimate is made of the cost to return the leased premise to its original condition, taking into consideration the nature and size of the premise.

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.

### Valuation of derivative financial instruments (refer Note 23)

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

## Z. Parent entity financial information

The financial information for the parent entity disclosed in Note 29 has been prepared on the same basis as the consolidated Financial Statements.

## NOTE 2 – REVENUE AND OTHER INCOME

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Sales revenue</b>	<b>1,322,104</b>	1,273,328
<b>Other income</b>		
Profit on sale of properties	10,845	777
Royalties	1,176	1,460
Sundry income	1,603	2,464
Total other income	13,624	4,701
Total revenue and other income	1,335,728	1,278,029



### NOTE 3 – EXPENSES BY NATURE

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
Depreciation of:			
Leasehold improvements	13	1,040	1,573
Plant and equipment	13	15,649	13,969
		<b>16,689</b>	15,542
Amortisation of:			
Software	14	476	598
Other intangible assets	14	43	261
		<b>519</b>	859
Total depreciation and amortisation		<b>17,208</b>	16,401
Personnel expenses:			
Wages, salaries and employee benefits		292,308	282,254
Contributions to defined contribution superannuation plans		18,780	17,443
Gain on defined benefit plan settlement		-	(401)
Defined benefit plan superannuation expense		318	602
Share based payments – equity settled		186	100
		<b>311,592</b>	299,998

### NOTE 4 – SIGNIFICANT ITEMS

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

	CONSOLIDATED					
	2014			2013		
	BEFORE TAX \$'000	TAX \$'000	AFTER TAX \$'000	BEFORE TAX \$'000	TAX \$'000	AFTER TAX \$'000
<b>Significant items in other income</b>						
Profit on sale of properties	10,845	-	10,845	-	-	-
<b>Significant items in other expenses</b>						
Impairment of goodwill and brand names	242,297	-	242,297	-	-	-
Other asset impairments and writedowns relating to each function:						
Cost of sales	4,767	(1,430)	3,337	-	-	-
Freight and distribution expenses	1,622	(487)	1,135	-	-	-
Sales and marketing expenses	11,486	(3,446)	8,040	-	-	-
Administrative expenses	5,235	(1,570)	3,665	-	-	-
	<b>23,110</b>	<b>(6,933)</b>	<b>16,177</b>	-	-	-
Restructuring costs relating to each function:						
Cost of sales	4,502	(1,351)	3,151	-	-	-
Freight and distribution expenses	4,568	(1,370)	3,198	-	-	-
Sales and marketing expenses	12,695	(3,809)	8,886	-	-	-
Administrative expenses	24,863	(7,218)	17,645	-	-	-
	<b>46,628</b>	<b>(13,748)</b>	<b>32,880</b>	-	-	-
	<b>312,035</b>	<b>(20,681)</b>	<b>291,354</b>	-	-	-
<b>Significant items in income tax expense</b>						
Settlement of outstanding tax matter	-	(3,036)	(3,036)	-	-	-
	<b>301,190</b>	<b>(23,717)</b>	<b>277,473</b>	-	-	-

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### NOTE 5 – AUDITORS' REMUNERATION

	CONSOLIDATED	
	2014 \$	2013 \$
<b>Audit services</b>		
<b>Auditors of the Company – KPMG Australia</b>		
Audit and review of financial statements	659,938	662,900
Overseas KPMG firms:		
Audit of financial statements	177,644	131,950
	<b>837,582</b>	<b>794,850</b>
<b>Other services</b>		
<b>Auditors of the Company – KPMG Australia</b>		
Other assurance services <sup>1</sup>	26,350	38,650
General advisory services <sup>2</sup>	288,000	-
Overseas KPMG firms:		
Taxation compliance services	10,345	7,788
Other assurance services <sup>1</sup>	2,387	11,868
	<b>327,082</b>	<b>58,306</b>

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

2 General advice for strategic review

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

### NOTE 6 – INCOME TAX EXPENSE/(BENEFIT)

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
<b>Current income tax expense/(benefit)</b>			
Current year		5,759	23,898
Over provided in prior year		(1,119)	(1,464)
<b>Deferred income tax expense/(benefit)</b>			
Origination and reversal of temporary differences		(7,893)	5,401
<b>Total income tax expense/(benefit) in the Statement of Comprehensive Income</b>		<b>(3,253)</b>	<b>27,835</b>
<b>Reconciliation between income tax expense/(benefit) and profit/(loss) before income tax expense/(benefit)</b>			
<b>Profit/(loss) before income tax expense/(benefit)</b>		<b>(227,721)</b>	<b>101,676</b>
Income tax using Australian corporation tax rate of 30%		(68,316)	30,503
Adjustment in income tax expense/(benefit) due to:			
Share based payments		56	30
Non-deductible impairment on goodwill and brand names		72,689	-
Non-assessable gains made in foreign jurisdictions		(215)	(576)
Property disposals		(3,254)	(173)
Settlement of outstanding tax matter	4	(3,036)	-
Sundry items (including effect of tax rates in foreign jurisdictions)		(58)	(485)
Over provided in prior year		(1,119)	(1,464)
<b>Total income tax expense/(benefit) on profit/(loss) before income tax expense/(benefit)</b>		<b>(3,253)</b>	<b>27,835</b>
<b>Deferred tax recognised directly in equity</b>			
Derivative financial instruments		(12,344)	8,237
Defined benefit plan actuarial gains		141	223

## NOTE 7 – EARNINGS/(LOSS) PER SHARE

	2014 \$'000	2013 \$'000
<b>Earnings reconciliation</b>		
Profit/(loss)	<b>(224,468)</b>	73,841
Non-controlling interest	-	(34)
Basic and diluted earnings	<b>(224,468)</b>	73,807

	NOTE	2014	2013
<b>Weighted average number of shares used as the denominator</b>			
Number for basic earnings per share:			
Ordinary shares at 1 July	20	<b>912,915,695</b>	912,915,695
Effect of shares issued <sup>1</sup>		<b>1,051,077</b>	-
Weighted average ordinary shares at 30 June		<b>913,966,772</b>	912,915,695
Number for diluted earnings per share:			
Weighted average number of ordinary shares (basic)		<b>913,966,772</b>	912,915,695
Effect of performance rights on issue <sup>2</sup>		-	628,609
Weighted average potential ordinary shares at 30 June		<b>913,966,772</b>	913,544,304

<sup>1</sup> Shares issued as part of the Company's reinstatement of the Dividend Reinvestment Plan in 2014

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

## NOTE 8 – SEGMENT REPORTING

Effective from 1 July 2013, management has split the Homewares, Footwear and Outerwear segment into Sheridan Tontine (comprising the Sheridan and Tontine businesses), Brand Collective (comprising the Footwear, Fashion and Sport businesses) and Flooring. Sheridan Tontine and Brand Collective meet the relevant thresholds to qualify as reportable segments, while the Flooring business does not meet the relevant thresholds and is now included in 'other operations'. The corresponding items of segment information for the comparative period to 30 June 2013 have been restated to allow meaningful comparison.

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

Underwear	Marketer, distributor, importer, manufacturer, wholesaler and retailer of underwear, intimate apparel, socks, hosiery and certain outerwear
Sheridan Tontine	Marketer, distributor, importer, manufacturer, wholesaler and retailer of bed linen, quilts, pillows, towels, loungewear and accessories
Workwear	Marketer, distributor, importer, manufacturer, wholesaler and retailer of industrial, workwear and corporate imagewear
Brand Collective	Marketer, distributor, importer, wholesaler and retailer of women's, men's and children's footwear; fashion apparel; and sporting apparel and equipment

Other operations include the Flooring business and unallocated corporate functions (2013: Flooring business, Restonic and unallocated corporate functions).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, tax and other items as disclosed in Note 4 ('significant items') as included in the internal management reports that were reviewed by the Consolidated Entity's Chief Executive Officer during the financial year. Segment earnings before interest and tax (EBIT) before significant items is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

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

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

	UNDERWEAR \$'000	SHERIDAN TONTINE \$'000	WORKWEAR \$'000	BRAND COLLECTIVE \$'000	OTHER OPERATIONS \$'000	TOTAL \$'000
<b>2014</b>						
<b>Revenue</b>						
External sales	488,931	219,015	368,528	204,547	41,083	1,322,104
Inter-segment sales	221	-	100	768	(1,089)	-
Total segment sales	489,152	219,015	368,628	205,315	39,994	1,322,104
Other income	11,272 <sup>1</sup>	503	828	941	80	13,624
Total segment revenue	500,424	219,518	369,456	206,256	40,074	1,335,728
<b>Result</b>						
EBIT before significant items	63,565	13,896	22,057	(883)	(7,386)	91,249
Impairment of goodwill and brand names	-	-	(241,775)	(522)	-	(242,297)
Other significant items	8,332 <sup>1</sup>	(1,755)	(27,713)	(20,863)	(16,894)	(58,893)
EBIT after significant items	71,897	12,141	(247,431)	(22,268)	(24,280)	(209,941)
Depreciation and amortisation	5,801	3,540	2,338	1,723	3,806	17,208
Segment assets	835,251	152,463	243,111	71,231	(301,047) <sup>2</sup>	1,001,009
Segment liabilities	56,245	80,945	139,295	82,058	193,649 <sup>3</sup>	552,192
Capital expenditure	8,115	4,405	4,700	4,055	913	22,188
<sup>1</sup> Includes profit on sale of Wentworthville property (\$10.8 million). Refer Note 16 <sup>2</sup> Includes unallocated assets of \$100 million less elimination of inter-segment assets of \$401 million <sup>3</sup> Includes unallocated liabilities of \$595 million less elimination of inter-segment liabilities of \$401 million						

	UNDERWEAR \$'000	SHERIDAN TONTINE \$'000	WORKWEAR \$'000	BRAND COLLECTIVE \$'000	OTHER OPERATIONS \$'000	TOTAL \$'000
<b>2013</b>						
<b>Revenue</b>						
External sales	453,945	195,399	362,709	222,206	39,069	1,273,328
Inter-segment sales	324	5	77	45	(451)	-
Total segment sales	454,269	195,404	362,786	222,251	38,618	1,273,328
Other income	325	264	659	2,425	1,028	4,701
Total segment revenue	454,594	195,668	363,445	224,676	39,646	1,278,029
<b>Result</b>						
EBIT before significant items	78,077	17,700	37,440	(789)	(10,292)	122,136
Impairment of goodwill and brand names	-	-	-	-	-	-
Other significant items	-	-	-	-	-	-
EBIT after significant items	78,077	17,700	37,440	(789)	(10,292)	122,136
Depreciation and amortisation	4,092	2,808	2,291	3,305	3,905	16,401
Segment assets	822,172	144,981	432,112	66,871	(184,252) <sup>1</sup>	1,281,884
Segment liabilities	52,775	63,268	70,060	67,351	291,146 <sup>2</sup>	544,600
Capital expenditure	6,289	3,312	2,455	2,063	1,228	15,347
<sup>1</sup> Includes unallocated assets of \$207 million less elimination of inter-segment assets of \$391 million <sup>2</sup> Includes unallocated liabilities of \$682 million less elimination of inter-segment liabilities of \$391 million						

### Geographical segments

	2014 \$'000	2013 \$'000
<b>Revenue</b>		
Australia	1,174,608	1,149,076
Rest of world	161,120	128,953
	<b>1,335,728</b>	<b>1,278,029</b>
<b>Total assets</b>		
Australia	866,419	1,180,719
Rest of world	134,590	101,165
	<b>1,001,009</b>	<b>1,281,884</b>

The Consolidated Entity supplies five major customers which in combination account for 35.8% of sales revenue (2013: 38.5%), of which two customers individually account for greater than 10% of sales revenue.

## NOTE 9 – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Cash on hand and at bank	<b>91,978</b>	69,301
Bank short term deposits	<b>3,679</b>	117,583
	<b>95,657</b>	186,884

## NOTE 10 – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade debtors <sup>1</sup>	<b>183,348</b>	183,852
Allowance for doubtful trade debtors	<b>(1,569)</b>	(1,926)
Allowance for rebates, trade allowances and settlement discounts	<b>(41,279)</b>	(40,130)
	<b>140,500</b>	141,796
Other debtors <sup>2</sup>	<b>5,172</b>	34,058
	<b>145,672</b>	175,854
<b>Non-current</b>		
Other debtors	-	796

1 Includes \$159.3 million gross which is part of the securitisation facility (2013: \$170.5 million) (refer Note 18 for further disclosures)

2 2013 includes \$30.3 million in relation to the fair value of forward exchange contracts. In 2014, fair value of forward exchange contracts is in a net credit position and included in other creditors and accruals (refer Note 17)

## NOTE 11 – INVENTORIES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Raw materials	<b>23,232</b>	18,951
Work in progress	<b>1,217</b>	2,051
Finished goods	<b>255,595</b>	207,680
	<b>280,044</b>	228,682

Inventories recognised as expense during the year ended 30 June 2014 amounted to \$703.7 million (2013: \$652.5 million).

## NOTE 12 – OTHER ASSETS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Prepayments	<b>12,729</b>	8,695

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Leasehold improvements		
At cost	<b>6,174</b>	5,318
Accumulated depreciation and impairment losses	<b>(5,551)</b>	(4,576)
	<b>623</b>	742
Plant and equipment		
At cost	<b>137,405</b>	125,912
Accumulated depreciation and impairment losses	<b>(86,266)</b>	(64,012)
	<b>51,139</b>	61,900
Capital works in progress		
At cost	<b>5,778</b>	3,877
Accumulated impairment losses	-	-
	<b>5,778</b>	3,877
Total property, plant and equipment	<b>57,540</b>	66,519

#### Reconciliation

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

	CONSOLIDATED					TOTAL \$'000
	FREEHOLD LAND \$'000	FREEHOLD BUILDINGS \$'000	LEASEHOLD IMPROVE- MENTS \$'000	PLANT AND EQUIPMENT \$'000	CAPITAL WORKS IN PROGRESS \$'000	
<b>2014</b>						
Carrying amount at the beginning of the year	-	-	<b>742</b>	<b>61,900</b>	<b>3,877</b>	<b>66,519</b>
Additions/acquisitions	-	-	-	<b>1,759</b>	<b>21,024</b>	<b>22,783</b>
Transfers	-	-	<b>1,358</b>	<b>16,861</b>	<b>(18,219)</b>	-
Disposals	-	-	<b>(305)</b>	<b>(1,620)</b>	<b>(4)</b>	<b>(1,929)</b>
Depreciation	-	-	<b>(1,040)</b>	<b>(15,649)</b>	-	<b>(16,689)</b>
Impairment	-	-	<b>(149)</b>	<b>(12,057)</b>	<b>(947)</b>	<b>(13,153)</b>
Effects of movements in foreign exchange	-	-	<b>17</b>	<b>(55)</b>	<b>47</b>	<b>9</b>
Carrying amount at the end of the year	-	-	<b>623</b>	<b>51,139</b>	<b>5,778</b>	<b>57,540</b>
<b>2013</b>						
Carrying amount at the beginning of the year	16,499	1,384	1,446	58,111	4,908	82,348
Additions/acquisitions	-	-	368	3,183	13,754	17,305
Transfers	-	(1,150)	508	14,845	(14,203)	-
Disposals	(899)	(240)	-	(496)	(614)	(2,249)
Depreciation	-	-	(1,573)	(13,969)	-	(15,542)
Transfers to assets held for sale	(15,600)	-	-	-	-	(15,600)
Effects of movements in foreign exchange	-	6	(7)	226	32	257
Carrying amount at the end of the year	-	-	<b>742</b>	<b>61,900</b>	<b>3,877</b>	<b>66,519</b>

## NOTE 14 – INTANGIBLE ASSETS

	CONSOLIDATED				TOTAL \$'000
	GOODWILL \$'000	BRAND NAMES \$'000	SOFTWARE \$'000	OTHER INTANGIBLE ASSETS <sup>1</sup> \$'000	
<b>2014</b>					
Balance at 1 July 2013	176,090	403,365	3,461	1,177	584,093
Additions/acquisitions	10,008	-	227	1	10,236
Impairment	(142,317)	(99,980)	(1,526)	-	(243,823)
Amortisation	-	-	(476)	(43)	(519)
Effects of movements in foreign exchange	451	-	2	-	453
Balance at 30 June 2014	44,232	303,385	1,688	1,135	350,440
<b>2013</b>					
Balance at 1 July 2012	171,696	403,365	4,054	1,438	580,553
Additions/acquisitions	4,116	-	4	-	4,120
Impairment	-	-	-	-	-
Amortisation	-	-	(598)	(261)	(859)
Effects of movement in foreign exchange	278	-	1	-	279
Balance at 30 June 2013	176,090	403,365	3,461	1,177	584,093

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

### Impairment tests for CGUs containing goodwill and indefinite life intangible assets

The Consolidated Entity has five CGUs and the carrying amounts of goodwill and indefinite life intangible assets (ie brand names) identified in each CGU are as follows:

	CONSOLIDATED			
	GOODWILL		BRAND NAMES	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Underwear	600	-	273,041	273,041
Sheridan Tontine	34,890	34,441	30,344	30,344
Workwear	-	132,907	-	99,980
Brand Collective	-	-	-	-
Flooring	8,742	8,742	-	-
	44,232	176,090	303,385	403,365

### Cash generating units

Following a change in operating segments and CGUs in the year ended 30 June 2014, Homewares goodwill was split into Sheridan Tontine and Flooring based on management's assessment of the relative value of each segment. For the purpose of this analysis the comparatives have been re-presented in line with the current year assessment.

### Valuation techniques and impairment testing

The recoverable amounts of the CGUs and related goodwill and brand names were determined having regard to the fair value less costs of disposal ('FVLCD') and value in use approaches using a combination of internal and external sources of information and analysis including external valuation input in relation to the Workwear CGU. The FVLCD approach is considered more appropriate for each of the CGUs while the Company continues to stabilise and improve the performance of its business and manage market challenges and uncertainties.

The FVLCD is based on a capitalisation of maintainable earnings before interest and tax approach less an allowance for costs to sell for all CGUs and in its entirety is categorised as level 3 of the fair value hierarchy. Maintainable earnings were determined with regard to past experience, current performance and short term forecasts, and therefore are level 3 inputs of the fair value hierarchy. For descriptions of the levels of the fair value hierarchy, refer Note 23.

Maintainable earnings used to calculate FVLCD assumes that the Consolidated Entity's CGUs will benefit from the investments made in the current year to generate improved earnings outcomes from key brands. Future earnings outcomes, however, could be impacted by the material business risks detailed in the Operating and Financial Review on pages 11 and 12.

EBIT multiples were determined with the assistance of external input having regard to trading multiples of comparable entities and recent sale transactions for which information is readily available, and taking into account the higher share of key brands with relatively higher growth potential in the Underwear CGU and Sheridan Tontine CGU. This collectively resulted in narrower and / or higher EBIT multiple ranges being adopted for these CGUs as compared to previous testing. EBIT multiples are level 2 inputs of the fair value hierarchy.

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

The carrying value of the Sheridan Tontine CGU (\$125 million at 30 June 2014) represents an implicit EBIT multiple of 9.0 times based on current year EBIT (\$13.9 million before significant items). Having regard to this and the assessed recoverable amount, limited (if any) headroom exists in relation to the Sheridan Tontine CGU. Accordingly, an adverse percentage change in maintainable EBIT or the multiple applied to the Sheridan Tontine CGU to assess recoverable amount could potentially have a corresponding adverse percentage change on the recoverable amount resulting in an equivalent impairment loss.

### Goodwill and brand name impairment charges

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

Impairments of goodwill and brand names are recorded as other expenses in the Statement of Comprehensive Income (refer Note 4).

### NOTE 15 – RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		CONSOLIDATED LIABILITIES		NET	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade and other receivables	1,088	777	-	-	1,088	777
Inventories	2,123	1,521	-	-	2,123	1,521
Property, plant and equipment	7,085	1,769	-	-	7,085	1,769
Provisions for employee benefits	8,796	11,704	-	-	8,796	11,704
Other provisions <sup>1</sup>	12,511	7,542	-	-	12,511	7,542
Derivative financial instruments <sup>2</sup>	3,776	-	-	(8,568)	3,776	(8,568)
Other items	-	36	(411)	(20)	(411)	16
Tax assets/(liabilities)	35,379	23,349	(411)	(8,588)	34,968	14,761
Set off of tax	(411)	(8,588)	411	8,588	-	-
Net tax assets	34,968	14,761	-	-	34,968	14,761

1 Includes defined benefit obligation remeasurements recognised directly in equity

2 Includes derivative financial instruments recognised directly in equity

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

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Assets held for sale</b>		
Property, plant and equipment	-	15,600
Total assets held for sale	-	15,600
<b>Liabilities held for sale</b>		
Trade and other payables	-	4,125
Total liabilities held for sale	-	4,125

On 30 December 2013, the sale of the Wentworthville property was completed and as such assets and liabilities held for sale were derecognised from the Statement of Financial Position. The sale generated net proceeds of \$22.6 million during the period and a profit on sale of \$10.8 million. This profit has been included in significant items (refer Note 4).

### Acquisitions of controlled entities

On 18 November 2013, the Consolidated Entity acquired 100% of IncorporateWear Ltd for \$11.9 million in cash (net of cash acquired). The company is a supplier of workwear, corporate imagewear and uniforms in the UK and forms part of the Workwear segment. During the period, the Consolidated Entity made various other net asset acquisitions for a combined cash consideration of \$4.0 million.



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

	CONSOLIDATED
	2014 \$'000
Cash and cash equivalents	845
Trade and other receivables	4,763
Inventories	5,176
Other current assets	1,788
Property, plant and equipment	822
Deferred tax assets	111
Trade and other payables	(6,147)
Provisions	(617)
<b>Net assets acquired</b>	<b>6,741</b>
Goodwill	10,008
<b>Consideration</b>	<b>16,749</b>
Less: cash and cash equivalents acquired	(845)
<b>Consideration (net of cash acquired)</b>	<b>15,904</b>

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

#### Investment in joint venture

On 17 September 2013, the Consolidated Entity acquired a 50% equity interest in Iconix Australia LLC for \$7.8 million in cash. The company is incorporated in the USA and owns the right to use various outerwear trademarks in Australia and New Zealand. The investment is classified as a joint venture and is equity accounted for in accordance with AASB 11 *Joint Arrangements*.

The principal activity of the joint venture is the generation of royalty streams from the use of trademarks. Profits are distributed to its owners equally. The following table outlines the movements in the carrying amount of the interest in the joint venture:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Balance at 1 July	-	-
Acquisition	7,778	-
Share of profits	875	-
Distributions received	(231)	-
Effects of movements in foreign exchange	(130)	-
Balance at 30 June	8,292	-

#### NOTE 17 – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade creditors	111,547	108,032
Other creditors and accruals <sup>1</sup>	17,559	10,150
	<b>129,106</b>	118,182
<b>Non-current</b>		
Other creditors <sup>1</sup>	1,392	2,103

<sup>1</sup> Includes fair value of forward exchange contracts and interest rate swaps (2013: fair value of interest rate swaps)

#### NOTE 18 – INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Bank loans	344,750	346,002

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### Bank loans

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

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

The committed tranches and maturities under the banking facility are detailed in Note 23.

### Securitisation facility

The trade debtors which have been securitised represent the Company's Australasian trade debtors and have been presented within the Consolidated Entity's trade debtors (refer Note 10). Debtors under this arrangement are securitised to a third party financier in exchange for the advance of an agreed amount that does not exceed the value of the receivables as determined under the securitisation agreement. The Company retains the obligation to collect the outstanding receivables. The facility includes a number of undertakings that are typical of a facility of this type including a requirement to not dispose of any debtors which have been securitised under this arrangement.

### Bank overdrafts

Interest on bank overdrafts is charged at prevailing market rates.

## NOTE 19 – PROVISIONS

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
<b>Current</b>			
Employee benefits	27	27,109	36,952
Restructuring		19,461	3,300
Other		6,253	9,642
		<b>52,823</b>	<b>49,894</b>
<b>Non-current</b>			
Employee benefits	27	4,260	4,381
Other		17,174	8,753
		<b>21,434</b>	<b>13,134</b>

### Reconciliation

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

	RESTRUCTURING		OTHER	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Carrying amount at the beginning of the year	3,300	13,585	18,395	17,096
Provisions recognised	46,628	-	6,057	2,671
Provisions utilised	(30,467)	(10,285)	(1,025)	(1,372)
Carrying amount at the end of the year	<b>19,461</b>	<b>3,300</b>	<b>23,427</b>	<b>18,395</b>

### Restructuring

The provision for restructuring relates to employee termination benefits, onerous lease commitments and other restructuring costs. Expenses have been recognised in other expenses (refer Note 4) in the Statement of Comprehensive Income.

### Other

Other provisions relate to straight lining of leases, make good provisions on leased premises, supplier rebates and claims and other administrative proceedings.

## NOTE 20 – SHARE CAPITAL

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Share capital</b>		
<b>Ordinary shares, fully paid</b>		
912,915,695 shares at the beginning of the year (2013: 912,915,695)	<b>695,000</b>	809,000
762,712 shares transferred from treasury shares (2013: 0)	-	-
762,712 shares issued to employees (2013: 0)	-	-
4,310,596 shares issued (2013: 0) <sup>1</sup>	<b>2,328</b>	-
Share capital reduction	<b>(242,200)</b>	(114,000)
917,226,291 fully paid ordinary shares at the end of the year (2013: 912,915,695)	<b>455,128</b>	695,000
<b>Treasury shares, fully paid</b>		
No shares at the beginning of the year (2013: 0)	-	-
762,712 shares bought to allocate to employees (2013: 0)	-	-
762,712 shares transferred to ordinary shares (2013: 0)	-	-
No shares at the end of the year (2013: 0)	-	-
	<b>455,128</b>	695,000

<sup>1</sup> Shares issued as part of the Company's Dividend Reinvestment Plan

### 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.

The Company operates a Dividend Reinvestment Plan (DRP) under which shareholders can reinvest dividends payable via an issue of new ordinary shares in Pacific Brands Limited.

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 2014, the Trust held none of the Company's shares (2013: 0).

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### NOTE 21 – OTHER RESERVES

	CONSOLIDATED					
	EQUITY COMPEN- SATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	HEDGE RESERVE	DEFINED BENEFITS RESERVE	PROFITS RESERVE	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>						
Balance at 1 July 2013	5,429	(26,552)	19,991	(1,682)	37,477	34,663
Effective portion of net changes in fair value of cash flow hedges, net of tax	-	-	(7,420)	-	-	(7,420)
Net change in fair value of cash flow hedges transferred to inventories or profit and loss, net of tax	-	-	(21,381)	-	-	(21,381)
Defined benefit plan actuarial gains, net of tax	-	-	-	330	-	330
Foreign currency translation differences	-	3,630	-	-	-	3,630
Total comprehensive income/(loss)	-	3,630	(28,801)	330	-	(24,841)
Appropriation from retained earnings	-	-	-	-	47,097	47,097
On market purchase of performance rights	(595)	-	-	-	-	(595)
Dividends recognised	-	-	-	-	(41,077)	(41,077)
Cost of share based payments	186	-	-	-	-	186
Balance at 30 June 2014	5,020	(22,922)	(8,810)	(1,352)	43,497	15,433
<b>2013</b>						
Balance at 1 July 2012	5,329	(31,658)	772	(2,203)	-	(27,760)
Effective portion of net changes in fair value of cash flow hedges, net of tax	-	-	14,345	-	-	14,345
Net change in fair value of cash flow hedges transferred to inventories or profit and loss, net of tax	-	-	4,874	-	-	4,874
Defined benefit plan actuarial gains, net of tax	-	-	-	521	-	521
Foreign currency translation differences	-	4,801	-	-	-	4,801
Transfer of foreign currency translation differences on disposal of subsidiary	-	305	-	-	-	305
Total comprehensive income/(loss)	-	5,106	19,219	521	-	24,846
Cost of share based payments	100	-	-	-	-	100
Appropriation from retained earnings	-	-	-	-	83,126	83,126
Dividends recognised	-	-	-	-	(45,649)	(45,649)
Balance at 30 June 2013	5,429	(26,552)	19,991	(1,682)	37,477	34,663

The nature and purpose of reserves are:

#### Equity compensation reserve

The equity compensation reserve arises on the grant of performance rights to executives under the Performance Rights Plan and other compensation granted in the form of equity. Amounts are transferred out of the reserve and into share capital when the rights are exercised. Further information about equity compensation payments to employees is given in Note 27.

#### 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(V)).

#### Hedge reserve

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

#### Defined benefits reserve

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

## Profits reserve

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

## NOTE 22 – DIVIDENDS

Dividends recognised in the current year by the Company are:

	CENTS PER SHARE	TOTAL AMOUNT \$ MILLIONS	FRANKED/ UNFRANKED	DATE OF PAYMENT
<b>2014</b>				
Interim 2014 ordinary	2.0	18.3	Franked	2 April 2014
Final 2013 ordinary	2.5	22.8	Franked	1 October 2013
<b>2013</b>				
Interim 2013 ordinary	2.5	22.8	Franked	2 April 2013
Final 2012 ordinary	2.5	22.8	Franked	1 October 2012

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

The Directors have not declared a final dividend for the financial year ended 30 June 2014.

	COMPANY	
	2014 \$'000	2013 \$'000
<b>Dividend franking account</b>		
30% franking credits available to shareholders of the Company for subsequent financial years	<b>41,563</b>	58,948

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

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

In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of \$41.6 million (2013: \$58.9 million) franking credits.

## NOTE 23 – FINANCIAL INSTRUMENTS

### Overview

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

- market risk
- credit risk
- liquidity risk

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

### Capital management

The Consolidated Entity's objectives when managing capital are to safeguard the entity's ability to operate as a going concern as well as optimising its weighted average cost of capital in order to maximise value for shareholders in the medium to longer term.

The Consolidated Entity monitors its capital structure on an ongoing basis in light of overall business objectives and prevailing economic conditions. In order to obtain an optimal capital structure, the Consolidated Entity will from time to time adjust the dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. During the year the Company reinstated the Dividend Reinvestment Plan which resulted in an additional 4.3 million of new shares issued.

The capital position of the Consolidated Entity is monitored using Gearing, Net Debt and Interest Cover ratios, which align with externally imposed financial covenants. Gearing is defined as Net Debt / EBITDA before certain significant items. Net Debt is calculated as total interest bearing loans and borrowings (excluding capitalised borrowing costs) less cash and cash equivalents. The Net Debt ratio is defined as Net Debt / (Net Debt + Equity). Interest Cover is defined as EBITDA before certain significant items / Net Interest Expense. Net Interest Expense excludes any amortisation of deferred borrowing costs and unused line fees.

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

At balance date, expressed before significant items, Gearing was 2.3x (2013: 1.2x), the Net Debt ratio was 36% (2013:18%) and Interest Cover was 6.4x (2013: 7.6x). Gearing and Interest Cover reported to the Consolidated Entity's banking syndicate include certain cash significant items as required by the subscription agreement and resulted in ratios of 2.5x and 4.9x respectively, which were within covenant requirements. The Company has a process in place to monitor compliance at all relevant times.

### Fair values of financial assets and liabilities

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

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

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

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

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

### Trade and other receivables

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

### Derivatives

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

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

### Non-derivative financial liabilities

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

### Fair value versus carrying amounts

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

FAIR VALUE HIERARCHY LEVEL	CONSOLIDATED			
	30 JUNE 2014 CARRYING AMOUNT \$'000	FAIR VALUE \$'000	30 JUNE 2013 CARRYING AMOUNT \$'000	FAIR VALUE \$'000
<b>Assets carried at amortised cost</b>				
Cash and cash equivalents	95,657	95,657	186,884	186,884
Trade and other receivables	145,672	145,672	146,397	146,397
<b>Assets carried at fair value</b>				
Forward exchange contracts receivable	2	-	30,253	30,253
<b>Liabilities carried at amortised cost</b>				
Trade and other payables	118,289	118,289	117,898	117,898
Bank loans	344,750	344,750	346,002	346,002
<b>Liabilities carried at fair value</b>				
Interest rate swaps	2	743	2,387	2,387
Forward exchange contracts payable	2	11,466	-	-

### Market risk

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

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

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

#### Interest rate risk

The Company ensures that up to 50% of its exposure to changes in interest rates on its syndicated debt facility are hedged at any point time through the use of interest rate swaps.

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

	2014 WEIGHTED AVERAGE INTEREST RATE PA	2013 WEIGHTED AVERAGE INTEREST RATE PA
<b>Instruments with interest rate risk exposure</b>		
Cash and cash equivalents	2.1%	3.1%
Bank loans <sup>1</sup>	5.0%	6.1%

<sup>1</sup> After incorporating the effect of interest rate swaps. Refer 'Liquidity risk' for maturity profile of the above financial liabilities

#### Sensitivity analysis

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

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

	PROFIT/(LOSS) BEFORE TAX		EQUITY BEFORE TAX	
	100BP INCREASE \$'000	100BP DECREASE \$'000	100BP INCREASE \$'000	100BP DECREASE \$'000
<b>30 June 2014</b>	<b>(1,258)</b>	<b>1,258</b>	<b>1,648</b>	<b>(1,671)</b>
30 June 2013	(396)	396	2,774	(2,838)

#### Currency risk

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

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

However, the Consolidated Entity hedges up to 80% of its estimated foreign currency exposure in respect of forecast purchases up to 12 months forward by business. The Consolidated Entity uses forward exchange contracts and other derivatives to hedge its currency risk.

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

	2014			2013		
	WEIGHTED AVERAGE EXCHANGE RATE	AUD EQUIVALENT \$'000	FAIR VALUE \$'000	WEIGHTED AVERAGE EXCHANGE RATE	AUD EQUIVALENT \$'000	FAIR VALUE \$'000
<b>Maturing within one year</b>						
Buy US dollars	0.8980	302,777	(11,465)	0.9964	349,492	30,231

The net deferred costs and exchange gains and losses on hedges of anticipated foreign currency purchases and sales are recognised in other creditors and accruals in Note 17 (2013: other debtors in Note 10). The timing of their anticipated recognition as part of purchases and sales is:

	CONSOLIDATED NET GAINS/(LOSSES)	
	2014 \$'000	2013 \$'000
Within 6 months	(8,536)	18,371
6 – 12 months	(2,930)	11,882
More than 1 year	-	-

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

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

	2014 \$'000	2013 \$'000
Cash and cash equivalents	12,336	13,556
Trade debtors	3,655	1,950
Trade creditors	(44,055)	(42,226)
Forward exchange contracts	(11,465)	30,231
Net exposure	(39,529)	3,511

A 10% change in the value of the AUD against the USD at 30 June 2014 would have changed profit or loss before income tax and equity by the amounts shown below for the Consolidated Entity. The analysis is based off foreign currency exchange rate variances considered reasonable at year end but is not a forecast or prediction. This analysis assumes that all other variables, in particular interest rates, remain constant. Any foreign exchange exposures deemed to be translation risk exposures have been excluded from the analysis. The analysis is performed on the same basis as at 30 June 2013.

	PROFIT/(LOSS) BEFORE TAX 10% INCREASE \$'000	PROFIT/(LOSS) BEFORE TAX 10% DECREASE \$'000	EQUITY 10% INCREASE \$'000	EQUITY 10% DECREASE \$'000
<b>30 June 2014</b>	<b>(76)</b>	<b>76</b>	<b>(29,249)</b>	<b>29,249</b>
30 June 2013	519	(519)	(35,786)	35,786

### Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers. As at 30 June 2014, the Consolidated Entity does not hold any collateral (of financial or non-financial assets) that it is permitted to sell or repledge in the event of default.

### Exposure to credit risk

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

### Cash on deposit

Short term bank deposits are held with credible financial institutions.

### Trade and other receivables

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

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

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

The Consolidated Entity supplies five major customers which in combination account for 35.8% of sales revenue (2013: 38.5%) of which two customers individually account for greater than 10% of sales revenue.

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

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

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



## Impairment losses

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

	2014		2013	
	GROSS \$'000	IMPAIRMENT \$'000	GROSS \$'000	IMPAIRMENT \$'000
Not past due date	<b>166,525</b>	-	160,521	-
Past due 0 - 30 days	<b>5,729</b>	-	13,359	-
Past due more than 30 days	<b>11,094</b>	<b>1,569</b>	9,972	1,926

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

	CARRYING AMOUNT	
	2014 \$'000	2013 \$'000
Balance at 1 July	<b>1,926</b>	2,589
Impairment loss recognised	<b>(1,355)</b>	(1,785)
Allowance recognised in profit or loss	<b>990</b>	1,121
Effect of movements in foreign exchange	<b>8</b>	1
Balance at 30 June	<b>1,569</b>	1,926

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

## Liquidity risk

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

The Consolidated Entity forecasts and monitors cash flow requirements. Typically, the Consolidated Entity ensures that it has sufficient available funds to meet expected operational expenses and the servicing of financial obligations when they become due and payable. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In doing so the Consolidated Entity maintains a level of unused overdraft, securitisation and bank loan facilities, which amounted to \$62.5 million as at 30 June 2014 (2013: \$73.0 million), and cash and cash equivalents of \$95.7 million at 30 June 2014 (2013: \$186.9 million).

## Financing facilities

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Secured bank overdraft facility, reviewed annually and payable at call:		
Amount used	-	-
Amount unused	<b>35,000</b>	35,000
	<b>35,000</b>	35,000
Secured bank loan and securitisation facilities with various maturity dates through to 2019 which may be extended by mutual agreement:		
Amount used	<b>346,500</b>	346,500
Amount unused	<b>78,500</b>	78,500
	<b>425,000</b>	425,000

The Consolidated Entity has a \$250 million syndicated debt facility (2013: \$250 million) secured with a fixed and floating charge over the assets of the Consolidated Entity. On 24 October 2013, the Company announced that the existing \$250 million facility was converted into a new \$250 million facility with the following committed amounts and maturities:

- Tranche 1 revolving credit facility of \$125 million maturing 31 January 2017
- Tranche 2 revolving credit facility of \$125 million maturing 31 January 2019

The Consolidated Entity extended the maturity of its \$175 million securitisation facility from 31 July 2015 to 31 January 2016. Based on eligible receivables at 30 June 2014, \$124 million of the \$175 million securitisation facility is drawable.

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

The following are the contractual maturities of financial liabilities:

	CARRYING AMOUNT \$'000	CONSOLIDATED	
		LESS THAN 1 YEAR \$'000	1 – 5 YEAR(S) \$'000
<b>2014</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	118,289	117,119	1,170
Bank loans <sup>1</sup>	344,750	-	344,750
<b>Derivative financial liabilities</b>			
Interest rate swaps	743	521	222
Forward exchange contracts	11,466	11,466	-
<b>2013</b>			
<b>Non-derivative financial liabilities</b>			
Trade and other payables	117,898	116,052	1,846
Bank loans <sup>1</sup>	346,002	-	346,002
<b>Derivative financial liabilities</b>			
Interest rate swaps	2,387	2,130	257

1 Deferred borrowing costs of \$1.7 million are included in bank loans (2013: \$0.5 million)

### NOTE 24 – OPERATING LEASES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Non-cancellable operating lease expense commitments</b>		
Future operating lease commitments not provided for in the Financial Statements and payable:		
Within one year	51,475	51,757
One year or later and no later than five years	116,892	123,822
Later than five years	15,774	22,737
	<b>184,141</b>	<b>198,316</b>

The Consolidated Entity leases property under non-cancellable operating leases. Leases often provide the Consolidated Entity with a right of renewal at which time all terms are renegotiated. Lease payments generally comprise a base amount plus an incremental contingent rental. Contingent rentals are typically based on either movements in the Consumer Price Index or sales criteria. Where the incremental rentals are fixed, they are incurred evenly over the term of the lease. The Consolidated Entity has provided for these fixed increments (refer Note 19). During the year, an amount of \$62.8 million was recognised as an expense in the Statement of Comprehensive Income in relation to operating leases including certain outgoings (2013: \$55.8 million).

### NOTE 25 – CONTROLLED ENTITIES

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

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY	PLACE OF INCORPORATION
Pacific Brands (Australia) Pty Ltd	Australia	Yakka Pty Ltd	Australia
Pacific Brands Holdings Pty Ltd	Australia	CTE Pty Ltd	Australia
Pacific Brands Footwear Pty Ltd	Australia	Shared Apparel Services Pty Ltd	Australia
Shoe Warehouse Pty Ltd <sup>1</sup>	Australia	Sthgirw Workwear Pty Ltd	Australia
Pacific Brands Sport & Leisure Pty Ltd	Australia	Neat n Trim Uniforms Pty Ltd	Australia
Pacific Brands Clothing Pty Ltd	Australia	Dowd Corporation Pty Ltd	Australia
Bonds Industries Pty Ltd	Australia	Yakka (Wodonga) Pty Ltd	Australia
Sheridan Australia Pty Ltd	Australia	Icon Clothing Pty Ltd	Australia
Pacific Brands Services Group Pty Ltd	Australia	Pacific Brands (Shanghai) Business Service Company Ltd	China
Pacific Brands (Asia) Ltd	Hong Kong	Pacific Brands (Singapore) Pte Ltd	Singapore
Pacific Brands Holdings (Hong Kong) Ltd	Hong Kong	PacBrands USA Inc	USA
PT Pacific Brands Indonesia	Indonesia	PacBrands (UK) Ltd	UK
Sheridan NZ Limited	New Zealand	Sheridan UK Limited	UK
Pacific Brands Holdings (NZ) Ltd	New Zealand	IncorporateWear Ltd <sup>2</sup>	UK
Pacific Brands Workwear Group Pty Ltd	Australia	IncorporateWear Trustees Ltd <sup>2</sup>	UK

1 This entity was previously named Sachi Australia Pty Ltd

2 Acquired on 18 November 2013

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

CONTROLLED ENTITY	PLACE OF INCORPORATION	CONTROLLED ENTITY INTEREST 2014	CONSOLIDATED ENTITY INTEREST 2013
Pacific Brands UAE Trading LLC	United Arab Emirates	49%	49%

Although the Consolidated Entity owns less than half of Pacific Brands UAE Trading LLC, the Consolidated Entity has 100% of voting rights and rights to variable returns of the entity and therefore is deemed to control the entity.

On 30 October 2012, the Consolidated Entity divested its 50% interest in the Restonic business.

## NOTE 26 – NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
<b>Profit/(loss) after income tax</b>		<b>(224,468)</b>	73,841
Add/(less) non-cash items			
Depreciation and amortisation	3	17,208	16,401
Cost of share based payments	3	186	100
Gain on defined benefit plan settlement	3	-	(401)
Impairment of goodwill and brand names	4	242,297	-
Other asset impairments	4	23,110	-
Loss on sale of businesses and other assets		-	216
Profit on sale of properties		(10,674)	(777)
Profit from joint ventures	16	(875)	-
<b>Net cash from operating activities before change in assets and liabilities</b>		<b>46,784</b>	89,380
(Increase)/decrease in trade and other receivables		6,090	3,086
(Increase)/decrease in inventories		(51,053)	19,933
(Increase)/decrease in other assets		(2,749)	(1,777)
(Increase)/decrease in deferred tax assets		(8,005)	5,475
Increase/(decrease) in trade and other payables		(1,497)	(13,488)
Increase/(decrease) in net current tax liabilities		(23,810)	(7,402)
Increase/(decrease) in restructuring provisions		16,161	(10,285)
Increase/(decrease) in employee benefits and other provisions		(9,326)	3,893
<b>Net cash from/(used in) operating activities</b>		<b>(27,405)</b>	88,815

## NOTE 27 – EMPLOYEE BENEFITS

	NOTE	CONSOLIDATED	
		2014 \$'000	2013 \$'000
Aggregate liability for employee benefits, including on-costs:			
Current	19	27,109	36,952
Non-current	19	4,260	4,381
		<b>31,369</b>	41,333

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

	CONSOLIDATED	
	2014	2013
Future salary increases (per annum)	3.0%	3.0%
Discount rate (per annum)	3.6%	4.0%
Number of active defined benefit plan members	14	16
Weighted average duration of defined benefit plan (period)	7.9 years	8.4 years

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### A. Superannuation plans

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

Plan assets are held in trusts which are subject to supervision by the Australian Prudential Regulation Authority. Responsibility for the governance of the Plan rests with the trustee of the Plan. Funding levels are reviewed regularly to ensure that vested benefits are adequately covered by Plan assets. The Plan's actuary reviews the Plan's financial position on an annual basis and advises management of appropriate contribution levels. Based on the latest actuarial review performed on 30 June 2014, the Consolidated Entity expects to make contributions of \$0.3 million in the 2015 financial year.

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

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

#### Movements in the net defined benefit asset

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Present value of defined benefit obligation	6,108	6,649
Fair value of Plan assets	(6,969)	(6,759)
Net defined benefit asset at 30 June	(861)	(110)

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

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Current service cost	334	577
Net interest cost/(income)	(16)	25
Gain on settlement	-	(401)
	318	201

### B. Share based payments

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

#### Performance Rights Plan ('PRP')

##### General

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

##### Vesting conditions

###### Total shareholder return performance conditions

The performance conditions based on the relative total shareholder return ('TSR') of the Company are measured against a comparator group of companies. The comparator group of companies differs for each grant; explanation of the comparator groups of companies is contained on page 47 in the Remuneration Report. TSR is a measure of the return to shareholders provided by share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

###### Earnings per share performance conditions

The range of earnings per share ('EPS') growth reflects the Company's view of what is a reasonable target value, taking into account the Company's market position, upside potential and capital market expectations. EPS is calculated using earnings before significant items and using the number of ordinary shares on issue. Significant items are disclosed in Note 4.

## Valuation

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

	F14 GRANT (CEO)	F14 GRANT (OTHER)	F13 GRANT	F12 GRANT
<b>Fair value of performance rights and assumptions</b>				
Fair value at measurement date	\$0.49	\$0.38	\$0.42	\$0.42
Share price	\$0.72	\$0.62	\$0.59	\$0.57
Expected volatility	40%	40%	42%	68%
Performance right life (period)	3 years	3 years	3 years	3 years
Dividend yield (per annum)	7.0%	8.0%	7.5%	7.0%
Risk-free interest rate (per annum)	3.0%	2.9%	2.9%	3.1%

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

## Grant of performance rights

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

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

	F14 GRANT <sup>1</sup>	F13 GRANT <sup>1</sup>	F12 GRANT <sup>1</sup>
1 July 2012	-	-	3,498,428
Granted	-	4,525,476	-
Exercised	-	-	-
Forfeited	-	-	(2,294,416)
30 June 2013	-	4,525,476	1,204,012
Granted	<b>6,049,045</b>	-	-
Exercised	-	-	-
Forfeited	<b>(2,887,255)</b>	<b>(2,521,929)</b>	<b>(369,313)</b>
<b>30 June 2014</b>	<b>3,161,790</b>	<b>2,003,547</b>	<b>834,699</b>

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

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

VESTING DATE	MAXIMUM % OF F14 GRANT	MAXIMUM % OF F13 GRANT	MAXIMUM % OF F12 GRANT
30 June 2014	N/A	N/A	100%
30 June 2015	N/A	100%	100%
30 June 2016	100%	100%	N/A
30 June 2017	100%	N/A	N/A

## NOTE 28 – KEY MANAGEMENT PERSONNEL DISCLOSURES

### Key management personnel compensation

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

	CONSOLIDATED	
	2014 \$	2013 \$
Short term employee benefits	<b>4,791,212</b>	6,235,591
Non-monetary benefits	<b>253,661</b>	220,243
Post-employment benefits	<b>254,643</b>	299,808
Termination benefits	<b>1,400,000</b>	1,507,275
Share based payments	<b>234,981</b>	41,483
	<b>6,934,497</b>	8,304,400

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

## FINANCIAL STATEMENTS TO SHAREHOLDERS (CONTINUED)

### Individual director and senior executive compensation disclosures

Information regarding individual director and senior executive compensation, performance rights and share holdings is provided in the Remuneration Report on pages 42 to 55.

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

### Directors of related parties

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

### NOTE 29 – COMPANY DISCLOSURES

As at, and throughout the financial year ended, 30 June 2014, the parent company of the Consolidated Entity was Pacific Brands Limited.

	COMPANY	
	2014 \$'000	2013 \$'000
<b>Result of the Company</b>		
Profit/(loss)	<b>(199,797)</b>	46,120
Total comprehensive income/(loss)	<b>(199,797)</b>	46,120
<b>Financial position of the Company at year end</b>		
Current assets	<b>36,666</b>	177,815
Total assets	<b>464,083</b>	847,469
Current liabilities	<b>27</b>	7,155
Total liabilities	<b>27</b>	144,457
<b>Total equity of the Company comprising of:</b>		
Share capital	<b>455,128</b>	695,000
Other reserves	<b>5,066</b>	5,429
Retained earnings	<b>3,862</b>	2,583
Total equity	<b>464,056</b>	703,012

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

	COMPANY	
	2014 \$'000	2013 \$'000
<b>The aggregate amounts invested in/receivable from controlled entities are:</b>		
Amounts receivable other than trade debtors		
Current		
Wholly-owned controlled entity	<b>36,629</b>	177,778
Non-current		
Wholly-owned controlled entity	<b>427,416</b>	669,616

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

On 17 February 2014, the Company made the decision to reduce its share capital by \$242.2 million for an equivalent amount that was lost or not represented by available assets, reflecting impairment charges incurred during the half year ended 31 December 2013. This had the effect of reducing the share capital account and eliminating accumulated losses. The equity transaction was made in accordance with Section 258F of the Corporations Act 2001, did not impact the number of shares on issue and will not result in any gains or losses being recognised in future reporting periods. On 17 February 2014, the Company recognised \$20.0 million of dividend revenue it received from PBA. On the same day, the Company decided to appropriate \$18.3 million into a separate profits reserve for the purpose of future dividend payments to shareholders, and on 18 February 2014 subsequently declared a dividend of \$18.3 million to its shareholders (refer Note 22).

## NOTE 30 – EVENTS SUBSEQUENT TO BALANCE DATE

On 26 August 2014, the Consolidated Entity executed a binding agreement to sell the Workwear Group (comprising the entire Workwear segment) to Wesfarmers Industrial and Safety, a division of Wesfarmers Limited (ASX: WES), for gross proceeds (excluding costs of disposal) of \$180 million. The transaction is conditional upon receiving ACCC regulatory approval and certain other consents and approvals.

At 30 June 2014, the Consolidated Entity's carrying value of related net assets to be disposed was \$140 million. Subject to timing, costs of disposal and completion adjustments, the Consolidated Entity expects to recognise a profit on sale (including reversals of previous impairments) of approximately \$35 million in the financial year ending 30 June 2015 (no tax effect).

Refer note 8 for the results of the Workwear segment for the financial year ended 30 June 2014.

Additional related restructuring and other costs are expected in the year ending 30 June 2015, however, are not sufficiently certain to be estimated reliably at the date of this report.

## DIRECTORS' DECLARATION

1. In the opinion of the directors of Pacific Brands Limited ('Company'):
  - (a) the consolidated Financial Statements and notes and the Remuneration Report in the Directors' Report, set out on pages 39 to 93, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts and when they become due and payable
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Executive Chairman and the Chief Financial & Operating Officer for the financial year ended 30 June 2014.
3. The directors draw attention to Note 1(A) to the consolidated Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Melbourne this 26<sup>th</sup> day of August 2014.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Peter Bush', written in a cursive style.

**Peter Bush**  
Executive Chairman



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

### Report on the financial report

We have audited the accompanying financial report of Pacific Brands Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1A, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

### Auditor's responsibility

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

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

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

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

### Independence

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

### Auditor's opinion

In our opinion:


- (a) the financial report of the Group is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1A.

### Report on the remuneration report

We have audited the Remuneration Report included in pages 42 to 55 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### Auditor's opinion

In our opinion, the Remuneration Report of Pacific Brands Limited for the year ended 30 June 2014, complies with Section 300A of the Corporations Act 2001.



KPMG



Alison Kitchen  
Partner

Melbourne  
26 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Liability limited by a scheme approved under Professional Standards Legislation.

## SHAREHOLDERS' STATISTICS

As at 31 July 2014

### DISTRIBUTION OF ORDINARY SHAREHOLDERS AND SHAREHOLDINGS

SIZE OF HOLDING	NUMBER OF HOLDERS		NUMBER OF SHARES	
1 to 1,000	6,620	27.47%	3,409,117	0.37%
1,001 to 5,000	10,867	45.09%	26,659,915	2.91%
5,001 to 10,000	2,971	12.33%	22,704,773	2.48%
10,001 to 100,000	3,413	14.16%	97,211,793	10.60%
100,001 and over	230	0.95%	767,240,693	83.65%
Total	24,101	100.0%	917,226,291	100.0%

Included in the above total are 4,997 shareholders holding less than a marketable parcel of 885 shares.

### TWENTY LARGEST ORDINARY FULLY PAID SHAREHOLDERS

	SHARES	% OF TOTAL
JP Morgan Nominees Australia Limited	198,724,045	27.61
National Nominees Limited	151,454,526	21.04
HSBC Custody Nominees (Australia) Limited	138,347,012	19.22
Citicorp Nominees Pty Limited	137,548,856	19.11
BNP Paribas Noms Pty Ltd (DRP)	25,916,618	3.60
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	16,138,094	2.24
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	11,712,590	1.63
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	10,742,859	1.49
RBC Investor Services Australia Nominees Pty Limited (BKCust A/C)	5,006,153	0.70
Mr Joseph Miro Vucetic & Mrs Clara Gala (The JC Supernova S/F A/C)	3,500,000	0.49
Mr Joseph Miro Vucetic (The Vucetic Family A/C)	3,500,000	0.49
Mestjo Pty Ltd	3,422,846	0.48
QIC Limited	3,097,036	0.43
HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp A/C)	2,206,472	0.31
RBC Investor Services Australia Nominees Pty Limited (PISelect)	2,199,012	0.31
De Bruin Securities Pty Ltd	1,650,000	0.23
Yazad Super Pty Ltd (Yazad Super Fund A/C)	1,540,740	0.21
Barkfam Pty Ltd (BLB/JAB Super Fund A/C)	1,100,000	0.15
HSBC Custody Nominees (Australia) Limited	964,536	0.13
Bond Street Custodians Limited (Pure Indexed Equities A/C)	920,753	0.13

### SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders in the Company, and the percentage of fully paid ordinary shares in which each has an interest on the respective dates, as disclosed in substantial shareholder notices to the Company are as follows:

19-02-14	Allan Gray Australia Pty Ltd	18.51%
02-05-14	Lazard Asset Management Pacific Co	12.93%
16-04-10	Dimensional Fund Advisors LP	7.16%
26-11-12	Integrity Investment Management	6.52%

## SHAREHOLDERS' INFORMATION

### ANNUAL GENERAL MEETING

Tuesday 14 October 2014 10.00am  
Computershare Conference Centre  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria 3067  
Australia

### STOCK EXCHANGE LISTING

Pacific Brands shares are listed on the Australian Securities Exchange ('ASX') and New Zealand Stock Exchange ('NZX') and are traded under the code 'PBG'.

### PACIFIC BRANDS SHARE REGISTRY

#### Australia

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067  
Australia  
GPO Box 2975, Melbourne Victoria 3001  
Australia

#### New Zealand

Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna, Auckland  
New Zealand

#### Telephone

Australia: 1300 132 632  
New Zealand: +64 9 488 8777  
International: +61 3 9415 4184  
Facsimile: +61 3 9473 2500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

### TAX AND DIVIDEND PAYMENTS

For Australian registered shareholders who have not quoted their Tax File Number ('TFN'), exemption or Australian Business Number ('ABN'), the Company is obliged to deduct tax at the top marginal tax rate plus Medicare levy from unfranked and/or partially franked dividends. If you have not already provided your TFN/ABN, you may do so by contacting the Share Registry or by registering your TFN/ABN at the Share Registry's website at [www.computershare.com.au](http://www.computershare.com.au).

### DIVIDEND PAYMENTS

Any dividends will be paid in Australian dollars credited directly into your nominated bank account. If you have not nominated a bank account, a dividend cheque (less an administration fee of \$1.00) will be mailed to the address recorded on the share register. If you wish to elect to receive your dividends by way of direct credit but have not done so, you should complete an application form available by contacting the Share Registry or enter the details at the Share Registry's website at [www.computershare.com.au](http://www.computershare.com.au).

### CONSOLIDATION OF MULTIPLE HOLDINGS

If you have multiple issuer-sponsored holdings that you wish to consolidate into a single account, please notify the Share Registry in writing, quoting your full registered names and Security Reference Numbers ('SRNs') for these accounts and nominating the account to which the holdings are to be consolidated.

### CHANGE OF NAME AND/OR ADDRESS

For issuer-sponsored holdings, please notify the Share Registry in writing if you change your name and/or address. When advising the Share Registry of a change of name, please supply details of your new/previous name, your new/previous address, your SRN and supporting documentation evidencing your change of name. You can also change your address details online at the Share Registry's website at [www.computershare.com.au](http://www.computershare.com.au). Changes of address relating to shareholdings in a single name can be made over the phone by calling 1300 132 632 (Australia only). Please note that this does not apply to shareholdings held jointly or in a company name.

For CHES/broker-sponsored holdings, please notify your broker in writing if you change your name and/or address.

### SHARE ENQUIRIES

Shareholders seeking information about their shareholding or dividends should contact the Share Registry. Contact details are above.

### SHAREHOLDER DISCOUNT PROGRAM

Pacific Brands has a membership program ('My Pacific Brands') where shareholders have access to special offers, the latest products and deals at reduced prices both online and in our company owned retail stores. Shareholders have previously been provided with details of the program, but if you would like more information please contact the Company on +61 3 9947 4900.

### PACIFIC BRANDS' COMMUNICATIONS

Pacific Brands' website, [www.pacificbrands.com.au](http://www.pacificbrands.com.au) offers information about the Company, news releases, announcements to ASX and NZX and addresses by the Executive Chairman and Chief Financial & Operating Officer. The website provides essential information about the Company and an insight into Pacific Brands' businesses.

### REGISTERED OFFICE

ABN 64 106 773 059  
Pacific Brands Limited  
Level 1, Building 10  
658 Church Street, Richmond  
Victoria 3121  
Australia

Telephone: +61 3 9947 4900  
Facsimile: +61 3 9947 4951  
Email: [investorrelations@pacbrands.com.au](mailto:investorrelations@pacbrands.com.au)  
Website: [www.pacificbrands.com.au](http://www.pacificbrands.com.au)

### INVESTOR RELATIONS

Telephone: +61 3 9947 4900  
Email: [investorrelations@pacbrands.com.au](mailto:investorrelations@pacbrands.com.au)

### AUDITORS

KPMG  
147 Collins Street  
Melbourne Victoria 3000  
Australia

## **COMPANY DIRECTORY**

### **EXECUTIVE CHAIRMAN**

Peter Bush

### **CHIEF FINANCIAL & OPERATING OFFICER**

David Bortolussi

### **NON-EXECUTIVE DIRECTORS**

Stephen Goddard

Kiera Grant

James King

Helen Nash

Linda Bardo Nicholls AO

### **COMPANY SECRETARY**

John Grover

### **PACIFIC BRANDS LIMITED REGISTERED OFFICE**

Level 1, Building 10  
658 Church Street, Richmond  
Victoria 3121  
Australia

Telephone: +61 3 9947 4900

Facsimile: +61 3 9947 4951

Email: [investorrelations@pacbrands.com.au](mailto:investorrelations@pacbrands.com.au)

### **ACCESS PACIFIC BRANDS ON THE WEB**

All Pacific Brands announcements and reports, including an electronic version of this Annual Report are available online at [www.pacificbrands.com.au](http://www.pacificbrands.com.au)

## ABBREVIATIONS/DEFINITIONS

- 1H14/2H14/1H15/2H15 – First or second half as indicated of the relevant financial year
- B2B – business-to-business
- Cash conversion – OCFPIT/EBITDA before significant items
- CODB (Cost of doing business) – operating expenses (freight and distribution; sales and marketing; and administrative) below gross margin other than expenses that are individually significant as disclosed in Note 4 to the Financial Statements
- COGS – cost of sales
- DC – distribution centre
- DIFOT – delivery in full and on time
- DPS – dividend per share
- DTC – direct-to-consumer
- EBIT – earnings before interest and tax
- EBITDA – earnings before interest, tax, depreciation and amortisation
- EPS – earnings per share
- ETI – Ethical Trading Initiative
- F12/F13/F14/F15 – Financial years ending 30 June of the relevant financial year
- FX – Foreign exchange rate
- Gearing – Net debt (excluding deferred borrowing costs)/LTM EBITDA before significant items
- Gross margin – gross profit plus other income and share of profit of equity accounted investments
- Interest cover – LTM EBITDA before significant items/Net interest excluding amortisation of deferred borrowing costs and unused line fees
- Inventory turns, debtor days and creditors days – Statement of Comprehensive Income components are based on LTM; Statement of Financial Position components are calculated on period end balances
- JV – Joint venture
- Key brands – largest brands and/or those with the greatest growth potential
- LTM – last twelve months
- Net debt – interest-bearing loans and borrowings less cash and cash equivalents
- Net debt ratio – Net debt (excluding borrowing costs) / (Net debt (excluding borrowing costs) + Shareholders Funds)
- NPAT – net profit after tax
- OCFPIT (Operating cash flow) – cash flow from operations pre interest and tax
- Payout ratio – dividends declared/NPAT before significant items
- Portfolio brands – brands that play an important role in the overall portfolio but do not have the same size and/or growth potential as key brands
- ROCE (Return on Capital Employed) – LTM EBIT/period end total capital employed
- SFO – Sheridan factory outlet
- Significant items – other expenses and income that are individually significant as disclosed in Note 4 to the Financial Statements
- SME – small and medium enterprise
- Tangible ROCE – as for ROCE but using total capital employed less Intangible assets
- TWW – Totally Workwear

This page has been left blank intentionally

Hard Yakka



BONDS

WOLSELEY



Volley



極度乾燥(しなさい)  
Superdry.



SHERIDAN  
EST. 1967



JuliusMarlow





[www.pacificbrands.com.au](http://www.pacificbrands.com.au)

{being}

PACIFIC BRANDS