

PACIFIC B **R** ANDS

PACIFIC BRANDS LIMITED ABN 64 106 773 059

Notice of Annual General Meeting

23 OCTOBER 2007



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essentials...*

Notice of Annual General Meeting

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The 2007 Annual General Meeting of Pacific Brands Limited will be held as follows:

Date: Tuesday, 23 October 2007
Time: 10.00 am
Venue: Palladium C
Crown Towers
8 Whiteman Street, Southbank, Melbourne, Australia

General Business

1 Financial Report

To receive and consider the financial report of the Company for the financial year ended 30 June 2007 and the reports of the Directors and Auditor.

2 Election of Directors

(a) To elect Mr Patrick Handley as a Director.

Mr Patrick Handley retires in accordance with rule 8.1(d) of the Company's Constitution and, being eligible, offers himself for re-election.

(b) To elect Ms Dominique Fisher as a Director

Ms Dominique Fisher retires in accordance with rule 8.1(c) of the Company's Constitution and, being eligible, offers herself for re-election.

Other Business – Non-binding Advisory Vote

3 Adoption of Remuneration Report

To adopt the Remuneration Report as set out in the Annual Report for the financial year ended 30 June 2007.

Special Business

4 Approve the provision of Financial Assistance in connection with the Acquisition of the Yakka Group

To consider, and if thought fit, to approve the following resolution as a special resolution:

'**THAT** for the purposes of section 260B(2) of the Corporations Act 2001 (Cth) and for all other purposes that approval is given to:

- (a) each of Yakka (Aust.) Pty. Ltd., Yakka Pty. Limited, CTE Pty Ltd, Neat N' Trim Uniforms Pty. Ltd., Dowd Corporation Pty. Ltd., Shared Apparel Services Pty Ltd, Icon Clothing Pty. Ltd. and Wright's Workwear Pty. Ltd. ('**Yakka Companies**') acceding as guarantors to the Subscription Agreement dated 29 November 2001 between, among others, Pacific Brands Holdings Pty Ltd, Pacific Brands Holdings (NZ) Limited and Commonwealth Bank of Australia (as amended and restated from time to time) by signing a Guarantor Accession Deed and in doing so giving a guarantee and indemnity in respect of the repayment of the banking facilities provided to the Pacific Brands group of companies by its bankers ('**Yakka Guarantee**');
- (b) all elements of the Yakka Guarantee as constitute financial assistance by the Yakka Companies for the purposes of section 260A of the Corporations Act 2001 (Cth); and
- (c) the Company and each of the Yakka Companies executing any document necessary to give effect to the Yakka Guarantee.'

5 Grant performance rights to the Group General Manager, Operations under the Pacific Brands Limited Performance Rights Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That approval be given under Listing Rule 10.14 to the grant of 55,000 performance rights to Mr Stephen Tierney, in accordance with the rules of the Pacific Brands Limited Performance Share Plan and on the terms summarised in the Explanatory Notes included in this Notice.'

By order of the Board



John Grover
Company Secretary
21 September 2007

Explanatory Notes to Shareholders

Financial Report

The financial report for consideration at the meeting will be the full financial report, consisting of the reports of the Directors and Auditors and the annual financial report, including the financial statements of the Company for the year ended 30 June 2007.

Neither the Corporations Act 2001 nor the Constitution requires a vote of shareholders on the reports or statements. However, shareholders will be given opportunity to raise questions or comments on the reports and statements at the meeting. In addition, a reasonable opportunity will be given to members as a whole at the meeting to ask the Company's Auditor questions relevant to the conduct of the audit and the preparation and content of the Auditor's report.

Resolutions 2(a) and (b) – Re-election of Directors

Patrick Handley

Chairman, Independent Non Executive
BA (Econ), MBA (Finance) Age 62

Mr Handley has been Chairman of Pacific Brands Limited since incorporation in December 2003 and was Chairman of its predecessor, Pacific Brands Holdings Pty Ltd, since December 2001.

Mr Handley brings with him over 30 years of international financial services experience. Mr Handley was appointed a director of Vantage Private Equity Growth Limited in 2005 and Chairman of Calliva Group Holdings Pty Ltd in June 2007. He has previously been an Executive Director and Chief Financial Officer of Westpac Banking Corporation, Chairman and Chief Executive Officer of Country Savings Bank (USA), Chief Financial Officer of BancOne Corporation (USA) and a director of Suncorp-Metway Limited, AMP Limited (2003 to 2004) and HHG plc.

In addition, Mr Handley is currently a strategic adviser to PricewaterhouseCoopers and Chairman of the Advisory Board of Nomura Securities.

The Directors (other than Mr Handley) unanimously recommend that Mr R.P. Handley be re-elected as a director of the Company.

Dominique Fisher

Director, Independent Non-Executive
BA (Hons), Age 50

Ms Fisher joined the Board of Pacific Brands Limited in March 2007, bringing with her significant experience gained in information technology and telecommunications, electronic commerce, commercialisation of new technologies and the development and implementation of business strategy across a range of industries including roles as Chief Executive Officer and Chairman.

Ms Fisher is currently the Chairman of Circadian Technologies Ltd (CIR), Executive Chairman of WebAlive Pty Ltd, and Chairman of Sky Technologies Pty Ltd and the Australia Council Dance Board. She is also a board

member of property developer Leakes Rd Rockbank Pty Ltd, the Australian Council of Arts and the Prostrate Cancer Foundation of Victoria. She also runs her own business EC Strategies Pty Ltd.

Ms Fisher has previously been a non-executive director of Insurance Australian Group Ltd (IAG) and its predecessor companies for eight years. She is a past member of the advisory board to the Minister for Information Technology and Communications and a director of the Malthouse Theatre, Sydney Opera House Trust and a wide range of other community organisations.

The Directors (other than Ms Fisher) unanimously recommend that Ms D Fisher be re-elected as a director of the Company.

Non-binding advisory vote

Resolution 3 – Adoption of Remuneration Report

The Annual Report for the financial year ended 30 June 2007 contains a Remuneration Report, which forms part of the Directors' Report and sets out the remuneration policy for the Company and its controlled entities and reports the remuneration arrangements in place for executive directors, senior management and non-executive directors.

The Corporations Act 2001 requires listed companies to put an annual non-binding resolution to shareholders to adopt the remuneration report. In line with the legislation, this vote will be advisory only, and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Resolution 4 – Approve the provision of Financial Assistance in connection with the Acquisition of the Yakka Group

This explanatory statement is given to the shareholders of the Company for the purpose of section 260B(4) of the Corporations Act 2001 (Cth) ('Act') in connection with a resolution under s260B(2).

1. The Yakka Acquisition

1.1 As announced to the Australian Securities Exchange on 21 February 2007, the Company, through its wholly owned subsidiary, Pacific Brands Holdings Pty Ltd ('PB Holdings') acquired all of the issued capital of Yakka (Aust) Pty Ltd ('Yakka') and all of the issued capital of Icon Clothing Pty. Ltd. and Yakka (Kingsgrove) Pty. Ltd, pursuant to the terms of a Share Sale Agreement of the same date (the 'Yakka Acquisition').

1.2 On completion of the Yakka Acquisition on 2 April 2007, each of Yakka, Yakka Pty. Limited, CTE Pty Ltd, Neat N' Trim Uniforms Pty. Ltd., Dowd Corporation Pty. Ltd., Shared Apparel Services Pty Ltd, Icon Clothing Pty. Ltd. and Wright's Workwear Pty. Ltd. ('Yakka Companies'), and other subsidiaries of Yakka became wholly owned subsidiaries of PB Holdings.

Explanatory Notes to Shareholders

1.3 The Company and its subsidiaries (other than the Yakka Companies) are referred to in this explanatory statement as the **'Existing Group Companies'**.

2. Pacific Brands Funding Arrangements

2.1 In order to fund the Yakka Acquisition and other potential acquisitions and for other corporate purposes, PB Holdings and the Company's wholly owned New Zealand subsidiary Pacific Brands Holdings (NZ) Limited have the following facilities (the **'Finance Facilities'**) available to them:

- (a) senior term debt facilities of up to \$800,000,000, under a subscription agreement dated 29 November 2001 between, among others, PB Holdings, Pacific Brands Holdings (NZ) Limited and Commonwealth Bank of Australia (as amended and restated from time to time) (**'Subscription Agreement'**); and
- (b) working capital facilities of up to \$100,000,000 with various of the banks providing the senior term debt facilities.

2.2 The Company's Finance Facilities are all unsecured. However, the providers of these facilities do have the benefit of certain guarantees and indemnities provided by Existing Group Companies under the Subscription Agreement. In addition, PB Holdings and Pacific Brands Holdings (NZ) Limited have certain hedging arrangements which also have the benefit of the guarantees and indemnities of Existing Group Companies provided under the Subscription Agreement.

3. The Requirement for Guarantees to be provided by the Yakka Companies

3.1 Ever since the Subscription Agreement was first entered into in 2001, it has been a requirement of the Subscription Agreement that sufficient wholly owned subsidiaries of the Company must become guarantors of the Finance Facilities to meet specified thresholds in terms of the earnings and total assets of the Company and its subsidiaries. Accordingly, consistent with past acquisitions by the Company, and in order to obtain the funding for the Yakka Acquisition, Pacific Brands' financiers required the Yakka Companies (and certain other subsidiaries of Yakka in New Zealand) to become parties to the Subscription Agreement and by doing so to give a guarantee and indemnity in respect of the repayment of the Finance Facilities (the **'Yakka Guarantee'**).

4. The Requirement for Shareholder Approval

4.1 Section 260A of the Act only permits a company (ie each of the Yakka Companies) to financially assist a person (ie PB Holdings) to acquire shares in it or its holding company in certain limited circumstances, including where the assistance is approved by a special resolution of the shareholders of both the company and its listed holding company, in accordance with section 260B of the Act.

4.2 Entering into, and performing their obligations under and in relation to, the Yakka Guarantee will constitute financial assistance by the Yakka Companies requiring, among other things, the approval of the Company's shareholders in accordance with section 260B of the Act (**'Shareholder Approval'**).

4.3 PB Holdings has, in accordance with section 260B of the Act, given its approval to the Yakka Companies providing the Yakka Guarantee.

5. Reasons for the Financial Assistance

5.1 A key benefit to the Yakka Companies of being part of the Pacific Brands Group is access to capital for their corporate purposes, available through the Company's Financial Facilities. To enjoy this benefit, which is supported by guarantees from the Existing Group Companies, it is necessary for the Yakka Companies to provide corresponding financial support for the benefit of the Existing Group Companies. The Yakka Companies will also benefit from being subsidiaries of the Company and PB Holdings due to the expertise and financial discipline expected to be brought to the Yakka Companies by the Company and its subsidiaries.

6. Particulars of the Financial Assistance to be provided by the Yakka Companies

6.1 For the purposes of this explanatory statement:

- the Yakka Guarantee and each document contemplated by or referred to in paragraph 2 is a **'Finance Document'**; and
- each financier, agent, hedging counterparty, working capital financier from time to time under the Finance Documents is an **'Indemnified Party'**.

6.2 The significant obligations to be incurred by the Yakka Companies under the Yakka Guarantee include to:

- unconditionally and irrevocably guarantee the performance of the payment obligations from time to time of PB Holdings (and any other existing guarantors which are borrowers from time to time under the Finance Documents);
- indemnify each Indemnified Party against any liability or loss or cost incurred by them under the Finance Documents from time to time; and
- give representations, warranties and undertakings to the Indemnified Parties from time to time.

7. Effects of Financial Assistance

- 7.1 The directors of the Company do not currently have any reason to believe that PB Holdings and any of the other guarantors are or would be likely to default in their obligations in connection with the Finance Documents to which they are party.
- 7.2 If, however, any Indemnified Party becomes entitled to enforce any of its rights under any Finance Document due to a default of a borrower or guarantor, such enforcement may materially prejudice the interest of a Yakka Company. On enforcement, among other rights, an Indemnified Party may become entitled to appoint a liquidator to a Yakka Company.
- 7.3 Although there would be guarantees and indemnities from the Company and certain subsidiaries of the Company, the Indemnified Parties will become creditors of each of the Yakka Companies for a principal amount of up to the total of facility limits under the Finance Facilities from time to time. The guarantees and indemnities could be enforced against the Yakka Companies without the need for the Indemnified Parties to take enforcement action against any other subsidiary of the Company.
- 7.4 Although the directors believe that there are benefits accruing to the Yakka Companies in entering into the Yakka Guarantee, there is a possibility that the above factors may materially prejudice the interests of the Yakka Companies and its shareholders and its ability to pay its creditors. Accordingly shareholders are being asked to approve the resolution accompanying this explanatory statement as a special resolution.

8. Recommendation of Directors

The directors recommend that the shareholders vote in favour of the resolution approving the giving of financial assistance by the Yakka Companies for the reasons noted in paragraph 5.

9. Disclosure

The directors consider that this statement contains all material information known to the Company that could reasonably be required by the shareholders in deciding how to vote on the proposed resolution.

Resolution 5 – Grant of Performance Rights to Executive Director

Resolution 5 seeks shareholder approval for the grant of performance rights to Mr Stephen Tierney, an Executive Director of the Company, pursuant to the Pacific Brands Limited Performance Rights Plan ('PRP'), and otherwise on the terms and conditions set out in this notice. The proposed grant of performance rights are in respect of the 2008 financial year and will have an effective grant date of 1 July, 2007.

The Company's remuneration policy is to ensure that executive remuneration is competitive in attracting, motivating and retaining executives of high calibre and properly reflects the duties and responsibilities of each relevant executive. The remuneration structure used by the Company to achieve these objectives includes the combination of fixed annual remuneration and performance related remuneration (including participation in the PRP, which is only offered to executives who are able to influence the generation of shareholder wealth and therefore have a direct impact on the Company's performance). The Nomination and Remuneration Committee obtains independent advice from external specialists on the appropriateness of remuneration packages when compared to packages offered by comparable companies.

The ASX requires, under Listing Rule 10.14, that shareholders approve the grant of securities to a director. Accordingly, shareholder approval is sought for the grant of 55,000 performance rights to Mr Tierney on the terms set out in this notice. The granting of performance rights forms an important part of the Company's executive remuneration policy, details of which are set out in the Company's Remuneration Report.

Mr Moore (who has announced his retirement) and Mr Tierney are the only Directors who are entitled to participate in the PRP.

Subject to receipt of shareholder approval, the Board intends to grant the performance rights at the first Board meeting following the annual general meeting.

Tranches and Performance Conditions

The grant to Mr Tierney will comprise two equal tranches, with each tranche subject to a different performance condition as described below.

Tranche 1 – TSR performance condition

The performance condition applicable to Tranche 1, comprising 50% of the performance rights, is based on the Total Shareholder Return of Pacific Brands. Total Shareholder Return ('TSR') is, broadly, the return to shareholders provided by share price appreciation, plus reinvested dividends, expressed as a percentage of investment.

The TSR performance condition compares the TSR performance of the Company with the TSR performance of entities in a comparator group of entities over the performance condition measurement period.

Explanatory Notes to Shareholders

In determining the comparator group the Board applied the following criteria in selecting the comparator companies:

- ASX listed;
- in the consumer staples and discretionary sectors;
- at least 20 in number; and
- either side of the Company in the market capitalisation, such that the Company's market capitalisation at the start of the performance period approximates the median of the comparator group.

The 21 companies that meet these criteria, and which are listed below, compete with the Company for customers' spending, while representing alternatives to current and potential investors in the competition for capital in this sector.

TSR Comparator Companies
ABC. Learning Centres Limited, Austereo Group Limited, Amalgamated Holdings Limited, APN News & Media Limited, AWB Limited, Billabong International Limited, David Jones Limited, Futuris Corporation Limited, Flight Centre Limited, GUD Holdings Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Just Group Limited, Metcash Limited, Southern Cross Broadcasting Limited, Seek Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Tattersall's Limited, West Australia Newspapers Holdings Limited.

The comparator group is identical to the comparator group which applied to the 2006 grant of performance rights approved by shareholders at the Company's 2006 Annual General Meeting, but excluding Burns Philp & Company Limited and UNITAB Limited, which were removed from the comparator group for this proposed grant of performance rights as those companies have been delisted. Similarly, any companies that are delisted, merged or taken over during the vesting period will be removed from the comparator group and not replaced.

The level of TSR achieved by the Company over the vesting period will be given a percentile ranking having regard to the Company's performance compared with the performance of other companies in the comparator group.

The percentage of performance rights in Tranche 1 which vest at particular percentile rankings is as follows:

TSR growth – percentile ranking	Percentage of performance rights in tranche that vest
50th percentile or below	0%
51st percentile	50%
Between 51st and 75th percentile	Pro rata between 50% and 100% (2% increase for each higher percentile ranking)
75th percentile or above	100%

The use of a TSR based hurdle is regarded by the Company as appropriate as it:

- ensures an alignment between comparative shareholder return and reward for the executive;
- provides an external market performance measure in respect of share price growth and dividend; and
- measures and rewards the extent to which shareholder returns are generated relative to the performance of those companies with which the Company competes for capital, customers and talent.

Tranche 2 – EPS performance condition

The performance condition applicable to Tranche 2, which comprises the remaining 50% of the performance rights, is based on Pacific Brands' Earnings Per Share. Earnings Per Share ('EPS') means net profit after tax divided by the average number of shares on issue.

The growth in EPS over the vesting period, expressed as a compound per annum percentage, will determine the percentage of performance rights in the tranche which vest. EPS performance requirements are reviewed prior to each year's allocation of performance rights. The range of EPS growth reflects the Company's view of what is a reasonable target value. For this proposed grant, as with the grant of performance rights approved by shareholders at the Company's 2006 Annual General Meeting, the EPS compound growth requirement will start at 8.0%, but will not allow full vesting unless EPS growth reaches 12.0%. The Board believe the EPS growth requirements recognise both the reality of likely business cycle conditions as well as the significant upside potential the Company has for further earnings growth.

The requirements set by the Board for the proposed 2007 grant are as follows:

EPS growth achieved (compound p.a)	Percentage of performance rights in tranche that vest
Less than 8%	0%
8%	25%
Between 8% and 12%	Pro rata between 25% and 100% (1.875% increase for 0.1% additional EPS growth)
12% or above	100%

The Board has adopted EPS as a performance requirement because:

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

Other terms

1. The performance rights will be granted at no cost to Mr Tierney. Upon vesting, each performance right will entitle Mr Tierney to one share in the Company. Shares will be issued or acquired on market on vesting of the performance rights. No amount is payable by Mr Tierney upon vesting of the performance rights. The Company will fund the cost of acquisition or issue of the shares.
2. In general, the performance rights are not transferable.
3. Subject to the discretion of the Board, any entitlement to performance rights which have not vested will lapse if Mr Tierney resigns from employment with the Company or ceases employment for any other reason.
4. In general Mr Tierney will not be entitled to trade in shares allocated on vesting of the performance rights until the earliest to occur of:
 - a request from Mr Tierney to the Board to release the holding lock; or
 - 10 years after the date of grant of the shares allocated on vesting; or
 - six months following the date of cessation of employment with the company.
5. In the event of a takeover for the Company, performance rights may, at the discretion of the Board, vest on a pro rata basis in accordance with an assessment of performance, using the same performance criteria but with the performance period pro rated to the date of the takeover offer.

Other information

Prior to this award, the following performance rights have been issued to the Executive Directors under the PRP:

- Mr Moore – 500,000 performance rights granted effective 1 July 2004 for no consideration.
- Mr Moore – 125,000 performance rights granted effective 1 July 2005 for no consideration.
- Mr Moore – 122,093 performance rights granted effective 1 July 2006 for no consideration.
- Mr Tierney – 300,000 performance rights granted effective 1 July 2004 for no consideration.
- Mr Tierney – 75,000 performance rights granted effective 1 July 2005 for no consideration.
- Mr Tierney – 48,837 performance rights granted effective 1 July 2006 for no consideration.

Further details of these grants and the performance rights which have vested pursuant to previous grants are set out in the Remuneration Report.

No performance rights will be issued under this approval later than 12 months after the date of the Meeting.

Voting on resolution 5

In accordance with the Listing Rules, the Company will disregard any votes cast on resolution 5 by any Director and their associates.

However, the Company need not disregard a vote if it is cast by:

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Directors (with Mr Tierney abstaining) recommend that you vote in favour of these resolutions.

Voting Information

Voting by Proxy

- A shareholder entitled to attend and vote at the meeting has a right to appoint a proxy to attend and vote instead of the shareholder. A Proxy Form is enclosed with this Notice of Meeting. A proxy is entitled to vote on a poll and, provided that only one proxy is appointed, on a show of hands.
- A shareholder may appoint a person or a body corporate as their proxy. If a shareholder appoints a body corporate as proxy, the body corporate will need to ensure that it appoints an individual as corporate representative and provides satisfactory evidence of the appointment of its corporate representative. A proxy need not be a shareholder of the Company.
- A shareholder who is entitled to cast two or more votes may appoint two proxies. If you wish to appoint more than one proxy, please telephone Computershare Investor Services Pty Limited in Australia on 1300 132 632, in New Zealand on 09 488 8777, or international on + 613 9415 4184 for an additional Proxy Form.
- Where two proxies are appointed you should specify the proportion or number of votes each proxy is entitled to exercise. If the appointments do not specify the proportion or number of the shareholder's votes that each proxy may exercise, then each proxy may exercise half of the shareholder's votes. Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.
- To be effective, a Proxy Form and the original (or a certified copy) of the power of attorney or any other instrument under which it is signed, must be received by the Company c/- Computershare Investor Services Pty Limited by no later than 10.00 am on Sunday 21 October, 2007 at:
 - Postal address: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia.
 - Delivery address: Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia.
 - Or if by facsimile:
to 03 9473 2555 (international +613 9473 2555).

Voting Rights

The Board has determined that a shareholder's voting entitlement at the meeting will be taken to be held by the persons who are the registered holders at 10.00am (Melbourne time) on Sunday, 21 October 2007. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

On a poll, shareholders have one vote for every fully paid ordinary share held.

If you propose to attend and vote at the meeting, please bring the accompanying Chairman's letter or the enclosed Proxy Form with you. This will assist in registering your attendance.