

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 2008 and the auditor's report thereon. The information set out below is to be read in conjunction with the Remuneration Report set out on pages 57 to 70 which forms part of this Directors' Report.

DIRECTORS

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

R.P. Handley, Chairman

A.D. Cummins

D.G. Fisher

J.A.C. MacKenzie (appointed 27 May 2008)

P.R. Moore (retired 1 January 2008)

S.M. Morphet, Chief Executive Officer (appointed 1 January 2008)

M.G. Ould

M.A. Plavsic

S.J. Tierney, Chief Financial Officer

Particulars of directors' age, qualifications and other listed company directorships, experience and special responsibilities are detailed on page 39 of the Annual Report.

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 ¹
A.D. Cummins	316,293	
D.G. Fisher	15,321	
R.P. Handley	928,544	
J.A.C. MacKenzie	3,911	
S.M. Morphet	361,337	342,261
M.G. Ould	104,827	
M.A. Plavsic	70,000	
S.J. Tierney	393,126	165,712

¹ Details of the terms and conditions of issue of the performance rights granted to Mrs Morphet and Mr Tierney are set out on pages 61 to 66 in this Directors' Report.

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 2008 financial year are:

DIRECTOR	BOARD		AUDIT, BUSINESS RISK AND COMPLIANCE COMMITTEE		NOMINATION AND REMUNERATION COMMITTEE	
	HELD ¹	ATTENDED ²	HELD ¹	ATTENDED ²	HELD ¹	ATTENDED ²
A.D. Cummins	9	9	4	4	3	3
D.G. Fisher	9	9	4	4	3	3
R.P. Handley	9	9	4	4	3	3
J.A.C. MacKenzie	2	1	N/A	N/A	N/A	N/A
P.R. Moore	4	4	N/A	N/A	N/A	N/A
S.M. Morphet	5	5	N/A	N/A	N/A	N/A
M.G. Ould	5	9	4	4	3	3
M.A. Plavsic	9	9	4	4	3	3
S.J. Tierney	9	9	N/A	N/A	N/A	N/A

¹ This column shows the number of meetings held during the period the director was a member of the Board or committee.

² This column shows the number of meetings attended.

³ Mr Tierney also attended all meetings of the Audit, Business Risk and Compliance Committee by invitation. Mr Moore and Mrs Morphet each attended the two meetings of the Audit, Business Risk and Compliance Committee held during the relevant period each was a director of the Company.

⁴ Mrs Morphet also attended all meetings of the Nomination and Remuneration Committee by invitation. Mr Moore attended the one meeting of the Nomination and Remuneration Committee held while he was a director.

STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the 2008 financial year were the manufacturing, sourcing, marketing and distribution of consumer lifestyle brands across the underwear, socks, hosiery, intimate apparel, footwear, bed linen, bedding accessories, bedding, foams, corporate uniforms, workwear, streetwear, lifestyle apparel and sporting goods markets. All products are sold predominantly throughout the Asia-Pacific region. The consolidated entity also markets and distributes underwear, intimates, footwear and bed linen in the United Kingdom and Europe.

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

The Company's key strategies established to drive future shareholder value include:

- building brand leadership and consumer connections through targeted marketing, innovation and strong product development;
- operational excellence by leveraging scale across sourcing, logistics and technology;
- growth through strategic acquisitions to build strong category positions; and
- increased investment in attracting and retaining a creative, talented and motivated workforce.

These strategies have been applied to drive branded sales growth and demonstrate the power of our branded portfolio. Outside of its people, the Company's brands are its number one asset. The Company is focused on branded sales, margin growth, earnings growth and cash generation.

In the 2009 financial year, the Company will continue to focus on earnings growth, profit improvement and cash generation via:

- raising the performance bar – brand processes and people;
- profitable, branded sales growth;
- brand investment through relevant advertising and targeted marketing;
- innovative product development based on consumer insight and research – driving consumer needs and wants;
- increasing our points of presence through retail presentation and new geographies;
- continued emphasis on gross profit improvement;
- building "Business to Business" (corporate uniform) channels;
- leveraging of scale across the total business;
- maintaining flexibility and speed in the supply chain to meet the changing needs of the marketplace;
- creation of local manufacturing excellence;
- management of working capital and cash flow; and
- execution of strategically sound, value enhancing acquisitions.

Disclosure of information relating to developments in the business strategies and prospects for the consolidated entity for future financial years which would not, in the opinion of the directors, be unreasonably prejudicial to the consolidated entity is contained in the Chairman's Letter and the Chief Executive Officer's Report and the Review of Operations.

REVIEW AND RESULTS OF OPERATIONS

A review of the operations of the consolidated entity during the 2008 financial year and of the results of those operations is contained on pages 34 and 35 of the Annual Report.

DIVIDENDS

An interim dividend of 8.5 cents per share, amounting to \$42.7 million was paid on 1 April 2008.

The directors have declared a final dividend of \$42.7 million to be paid at the rate of 8.5 cents per share on 502,277,852 ordinary shares. The dividend is expected to be paid on 1 October 2008 to shareholders on the register at the record date of 29 August 2008. This dividend will be fully franked at the 30% corporate tax rate in Australia.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial periods.

LIKELY DEVELOPMENTS

Likely developments in the operations of the consolidated entity and the expected results of those operations are covered generally in the Review of Operations on pages 34 and 35 of the Annual Report.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial periods has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' REPORT (CONTINUED)

NON-AUDIT SERVICES

During the 2008 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; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional Independence*, 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 70 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	
	2008 \$	2007 \$
Statutory audit:		
Auditors of the Company		
– audit and review of financial reports (KPMG Australia)	1,259,600	1,128,000
– audit and review of financial reports (overseas KPMG firms)	377,400	291,000
	1,637,000	1,419,000
Services other than statutory audit:		
Other assurance services		
– other assurance services (KPMG Australia)	85,641	13,240
– other assurance services (overseas KPMG firms)	26,873	38,167
Other services		
– taxation compliance services (KPMG Australia)	171,294	209,800
– taxation compliance services (overseas KPMG firms)	14,461	9,357
	298,269	270,564

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.

In addition, 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.

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 policy extends from 1 December 2007 to 30 November 2008 and the premium was paid on 7 February 2008. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

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 all environmental regulatory requirements. The directors are not aware of any material breaches of environmental regulations during the financial year.

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 2008) and in accordance with that Class Order, amounts in the financial report and this Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

DIRECTORS' REPORT/REMUNERATION REPORT

1 REMUNERATION STRATEGY

The Board believes that a transparent and appropriately structured remuneration strategy can underpin a strong performance based culture and assist in driving above average returns. The Company's remuneration strategy has been constructed based on this belief and is designed to attract, retain and motivate appropriately qualified and experienced directors and senior executives. This Remuneration Report discloses the remuneration of, and provides an explanation of the remuneration strategies for key management personnel of the consolidated entity, including the directors and the five most highly remunerated executives of the Company and the consolidated entity.

A substantial proportion of the remuneration of executives is at risk and is based on the achievement of both internal (short term) performance hurdles set at the beginning of the financial year and the achievement of market based (long term) performance hurdles.

The fees paid to non-executive directors are set at levels which reflect both the responsibilities of, and the time commitments required from, each non-executive director to discharge their duties. Fee levels are set having regard to independent advice and the fees paid by comparable companies.

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

Overview of elements of remuneration

	ELEMENTS OF REMUNERATION	DIRECTORS		SENIOR EXECUTIVES	DISCUSSION IN REMUNERATION REPORT
		NON-EXECUTIVE	EXECUTIVE		
Fixed remuneration	Fees ¹	✓			Page 58
	Salary		✓	✓	Page 60
	Superannuation ²	✓	✓	✓	Page 60
	Other benefits		✓	✓	Page 60
At risk remuneration	Short term incentive		✓	✓	Page 60
	Long term incentive		✓	✓	Page 61
Post employment	Notice periods and termination payments		✓	✓	Page 68

¹ Non-executive directors are required to apply a minimum of 25% of their fee in acquiring shares in the Company under the terms of the Pacific Brands Non-Executive Director Share Plan.

² Non-executive directors fees are set inclusive of 9% statutory superannuation contributions.

2 COMPANY PERFORMANCE

As reported on page 5, the consolidated entity generated a record \$229.1 million in EBITA (earnings before interest, tax and amortisation) for the year ended 30 June 2008 (which was 18.1% higher than the prior year's result of \$194.0 million) and a reported net operating profit after tax pre amortisation of \$118.7 million (which was 10.7% higher than the prior year's amount of \$107.2 million).

The strategic direction of the Company has remained constant and continues to deliver solid results. Investment in brands, people and product innovation, a continuing drive for operational excellence and well targeted acquisitions all contributed to this strong performance.

A fully franked final dividend of 8.5 cents per share has been declared. This results in a fully franked 17.0 cent per share full year dividend which represents a 73% payout ratio to shareholders.

The following table sets out various measures of the consequences of Company's performance on shareholder wealth:

	2008	2007	2006	2005 ¹	2004 ²
Net sales revenue (\$m)	2,116.6	1,820.7	1,624.9	1,521.7	363.4
EBITA (\$m)	229.1	194.0	173.0	174.6	29.5
NPAT ³	117.1	106.0	101.2	100.9	11.8
EPS (cents) ⁴	23.2	21.1	20.1	20.1	2.3
Dividends per share (cents)	17.0	16.0	15.0	15.0	3.5
Year end share price (\$)	1.78	3.49	2.15	2.27	2.67
Return of capital (\$m)	0	1.87	0	0	0
TSR (%) ⁵	(44.9)	66.4	(1.1)	(12.4)	6.8

¹ The measures of financial performance for the 2005 financial year were restated in accordance with AIFRS.

² The measures of financial performance for 2004 relate to the period since the Company's incorporation on 12 December 2003, with trading commencing on 6 April 2004, through to 30 June 2004, and were restated in accordance with AIFRS.

³ Net operating profit after tax.

⁴ Earnings per share have been calculated based on the weighted average number of shares outstanding for the relevant period, currently being 502,277,852.

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

As part of the Board's commitment to maximising the performance of the Company and shareholder wealth, employee performance is measured annually against agreed performance objectives which will have been set prior to the commencement of the relevant financial year. So far as practical, objectives should be Specific, Measureable, Achievable, Relevant and Time bound ('SMART').

The performance of the Chief Executive Officer is reviewed by the Chairman on behalf of the Board. The performance of the Chief Financial Officer and all other senior executive is reviewed by the Chief Executive Officer. All performance reviews take place annually, shortly after the end of the financial year and, in respect of the 2008 financial year, occurred in July and August 2008. 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. Details about the Board and Non-executive Director performance review process are contained in Section 5 of the Corporate Governance Statement.

DIRECTORS' REPORT/REMUNERATION REPORT (CONTINUED)

3 NON-EXECUTIVE DIRECTORS' REMUNERATION

A. Board policy on remuneration

The disclosures in this section relate to the remuneration for the Company's non-executive directors who are regarded as 'key management personnel' for the purpose of Australian Accounting Standard AASB 124.

The focus of the Board is on long term strategic direction and the overall performance of the Company and accordingly non-executive director remuneration is not linked to Company performance and short term results. In order to better align the interests of non-executive directors and shareholders in relation to the long term performance of the Company, a minimum of 25% of each non-executive director's annual fee must be taken in the form of shares in the Company pursuant to the terms of the Non-Executive Director Share Plan. The plan enables non-executive directors to elect to apply up to 100% of their fees in acquiring shares in the Company. The Non-Executive Director Share Plan is not a performance based share plan, nor is it intended as an incentive component of non-executive director remuneration, so as to maintain the independence and impartiality of the non-executive directors. Shares acquired under the Non-Executive Director Share Plan must, in general, be held for the period the director holds office as a director and are purchased monthly, on-market, at the prevailing market price at the end of each calendar month.

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 ('ASX') Listing Rules, which provide that all non-executive directors are subject to shareholder re-election every three years.

Non-executive directors' fees, including any committee fees, are set by the Board within the maximum aggregate amount approved by shareholders. Currently this amount is \$1,000,000 per annum which has not varied since the time of the Company's initial public offering in April 2004. The Company intends to seek shareholder approval at its Annual General Meeting on 21 October 2008 to increase the maximum aggregate amount of non executive director remuneration by \$500,000 to \$1,500,000 per annum. This increase is being sought to ensure that directors' fees can be set out at a level which enables the Company to appoint and retain the best and most appropriate non-executive directors and to accommodate any increase in the number of non executive directors. The fees paid to non-executive directors are set at levels which reflect both the responsibilities of, and the time commitments required from, each director to discharge their duties. In that regard, it should be noted that all non-executive directors are required to be members of the two Board committees in order to be informed on all issues which are considered by the committees and which may subsequently come before the full Board and to facilitate in depth discussion on such issues.

The Nomination and Remuneration 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 Chairman is not present at discussions relating to his own fees.

The Board, through the auspices of the Nomination and Remuneration 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 and Remuneration Committee takes into account:

- the Company's existing remuneration policies;
- independent remuneration consultants' advice;
- fees paid by comparable companies; and
- the level of remuneration necessary to attract and retain directors of appropriate experience, qualifications and time commitment.

Details of the membership of the Nomination and Remuneration Committee and its responsibilities are set out in section 4 of the Corporate Governance Statement. The Nomination and Remuneration Committee Charter is available on the Company's website at www.pacificbrands.com.au.

The aggregate fees paid to the non-executive directors, including the Chairman, during the 2008 financial year were \$791,846 approximately 22% above the aggregate fee amount for the 2007 financial year.

The Company does not currently pay additional fees for membership of the Board's committees.

Superannuation contributions are made on behalf of the non-executive directors in accordance with the Company's statutory superannuation obligations and any election of a director to sacrifice part of his/her fee in favour of increased superannuation contributions. The sum of \$791,846 paid as directors' fees during the 2008 financial year is inclusive of such superannuation contributions.

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.

The Board has determined that retirement benefits are not payable to non-executive directors upon their retirement.

B. Remuneration

Details of non-executive directors' remuneration for the 2008 financial year are set out in the following table:

		SHORT TERM PAYMENTS		POST EMPLOYMENT	TOTAL ²
		CASH	SHARES ¹	SUPERANNUATION CONTRIBUTIONS	
		\$	\$	\$	\$
R.P. Handley (Chairman)	2008	200,229	75,000	24,771	300,000
	2007	166,858	62,500	20,642	250,000
A.D. Cummins	2008	28,092	60,000	31,908	120,000
	2007	43,830	52,500	8,670	105,000
D.G. Fisher ³	2008	80,092	30,000	9,908	120,000
	2007	18,328	6,865	2,267	27,460
J.A.C. MacKenzie ⁴	2008	7,906	2,962	978	11,846
	2007	–	–	–	–
M.G. Ould	2008	62,092	48,000	9,908	120,000
	2007	0	30,000	80,000	110,000
M.A. Plavsic	2008	11,250	30,000	78,750	120,000
	2007	17,520	26,250	61,230	105,000
Total	2008	389,661	245,962	156,223	791,846
	2007	279,908	190,615	176,937	647,460

¹ Relates solely to the purchase of shares under the Non-Executive Director Share Plan.

² Amounts disclosed for remuneration of directors exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts which covers, 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.

³ Ms D.G. Fisher was appointed as a director of the Company on 28 March 2007.

⁴ Mr J.A.C. MacKenzie was appointed as a director of the Company on 27 May 2008.

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The disclosures in this section relate to the remuneration for key management personnel of both the Company and the consolidated entity (being those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the financial year) other than the non-executive directors. This group of executives (referred to throughout this Remuneration Report as "senior executives") includes the five most highly remunerated executives of the Company and the consolidated entity during the financial year.

The names and positions of the senior executives of the Company and the consolidated entity, as at the date of this report, are listed in, among other places, the table on page 69 of this report.

The Board and the Nomination and Remuneration Committee believe that the performance of the Company depends on the quality of its people. The Board has adopted a remuneration policy which assists the Company to achieve its business strategy and goals and has the following objectives:

- ensuring alignment of executive remuneration with the short and long term objectives as set out in the Company's strategic business plans endorsed by the Board;
- providing a common interest between employees and shareholders by linking the rewards that accrue to management to the creation of value for shareholders;
- being competitive in the markets in which the Company operates in order to attract, motivate and retain high calibre employees; and
- being fully costed on a 'cost to company' basis including all applicable fringe benefits and other taxes.

The Nomination and Remuneration Committee obtains independent advice from external specialists on the level and mix of remuneration for comparable roles in comparable companies.

Alignment of executive remuneration with the Company's business strategy is achieved through both short and long term incentives. Key financial and strategic value drivers are identified, targets set, and rewards provided on their achievement. Value drivers include, in the case of short term incentives, net profit after tax ('NPAT') growth and the achievement of specified strategic objectives and, in the case of long term incentives, relative total shareholder return ('TSR') and earnings per share ('EPS') growth.

The mix of short and long term incentives varies with each executive's business focus. As much of the Company's business is subject to short retail cycles, it follows that many executives will have a balance between short term and long term incentives.

The Board believes that a company's remuneration policy needs to be contemporary and as such must be capable of adjustment over time to reflect changes in market conditions. For this reason, the Board has initiated a review of the fixed and performance related components of remuneration, (which are summarised below in respect of the 2008 financial year) to ensure that the current weighting between fixed and performance related components reflects market conditions. The review will also consider whether or not the current performance hurdles are sufficiently aligned with the ability of the relevant executives to drive the performance of the Company. The outcome of the review referred to above may result in changes to the weighting of executive directors and senior managements remuneration between fixed and performance related components and changes in the hurdles applicable to the performance based elements of such employees remuneration.

DIRECTORS' REPORT/REMUNERATION REPORT (CONTINUED)

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

The relative proportion of executive directors' and senior management's total remuneration packages for the 2008 financial year that is performance based is set out in the table below:

	% OF TOTAL TARGET REMUNERATION (ANNUALISED)			
	FIXED REMUNERATION	SHORT TERM INCENTIVES	PERFORMANCE BASED REMUNERATION LONG TERM INCENTIVES	TOTAL PERFORMANCE BASED REMUNERATION ²
Chief Executive Officer	34%	27%	39%	66%
Chief Financial Officer	38%	29%	33%	62%
Other senior executives ¹	59%	23%	18%	41%

¹ Percentages based on average remuneration for the relevant executives assuming incentives fully vest.

² The remuneration of those employees who ceased or commenced to be employed by the company part way through the financial year have not been taken into account as the inclusion of the remuneration of these employees would distort the relative proportions of fixed and performance based remuneration and give a misleading representation of the Company's remuneration policy.

Financial results are verified by reference to the Company's audited accounts. Relative TSR performance is verified by external advisers. The achievement of performance objectives is assessed by the Chief Executive Officer for direct reports and verified by the Board, while the Board assesses whether or not the Chief Executive Officer has met her performance objectives.

A. Fixed remuneration

The terms of employment for all executive management contain a fixed remuneration component comprising base salary, superannuation and motor vehicle (or motor vehicle allowance). The Company utilises the Hay points rating system to value individual roles.

Longer serving employees receive defined benefit superannuation as a legacy from the previous ownership of Pacific Brands. The cost of providing their superannuation benefit varies with each individual's salary level and years of membership of the plan. Longer serving employees will attract greater superannuation costs than more recent employees. This plan has been closed to new members for several years. Newer employees receive a superannuation benefit that allows them to control and vary their contribution levels above the mandated statutory minimum on a salary sacrifice basis.

The executive directors and a majority of the executives for whom remuneration is disclosed are members of the defined benefit plan. Hence, the expense associated with their superannuation benefit reflects most individuals' relatively long periods of service.

Executive fixed remuneration is reviewed annually, with effect from 1 July each year.

B. Short term incentives ('STI')

Both executive directors and all other members of the senior executive team participate in a STI program which involves linking specific targets (both financial and qualitative) with the opportunity to earn cash based on a percentage of the executive's base salary. In respect of the 2008 financial year, the Chief Executive Officer and the Chief Financial Officer both had the opportunity to earn a bonus equivalent to 100% of their respective base salary. In relation to other Australian members of the senior executive team, the opportunity generally comprised an amount of up to 50% of their base salary for target performance.

Payment of executive STI was conditional on the consolidated entity's earnings before interest and tax ('EBIT') being in excess of the budgeted EBITA growth of 17.6% (after fully providing for all STI payments) over the prior year. This is a threshold criterion which must be satisfied before the payment of any STI can be contemplated. Additional performance requirements need to be met for a senior executive to be entitled to the maximum STI incentive. Individual performance requirements relate to individual financial and non-financial objectives. The specified objectives must represent outcomes that can extend the Company's sustainable profit growth over time. These may vary with the individual executive and his/her responsibilities and can include financial, operational, acquisition, divestment, investment, workforce capability and succession planning goals. Targets for each objective are determined by the Chief Executive Officer (and, in the case of the Chief Executive Officer by the Board) according to the roles and responsibilities of the relevant executive.

The actual amount of any STI award is determined based on achievement of annual performance conditions. Performance is tested at the end of each financial year. The payment of a STI to the Chief Executive Officer is subject to the discretion of the Board notwithstanding achievement of the performance hurdles. Similarly, in the case of all other senior executives the payment of any STI is subject to the discretion of the Chief Executive Officer, in consultation with the Board, to take account of the overall level of performance of the senior executive.

In the 2008 financial year, the threshold criterion of budgeted EBITA growth of 17.6% and all other individual specified performance conditions were met, and accordingly cash bonuses were paid to all senior executives employed by the Company as at the end of the 2008 financial year, other than those senior executives who had not been employed with the Company for the entirety of the 2008 financial year. The service agreements for the Chief Executive Officer and the Chief Financial Officer provide that a percentage (determined at the discretion of the Board) of any STI to which they may become entitled is to be applied to acquiring shares ('Deferred Shares'). Specifically, the Chief Executive Officer is required to apply forty percent of any annual incentive to acquiring Deferred Shares, while the Chief Financial Officer is required to apply one third of any incentive towards the acquisition of Deferred Shares. The executives may elect to apply a greater percentage of any incentive to acquiring shares which are subject to the 'restriction' condition described below. Other senior executives receive their STI in the form of a cash payment.

In the case of the Chief Executive Officer and the Chief Financial Officer, the Deferred Shares are subject to a vesting period of two years, based on service, from the date of allocation. Once acquired, the Deferred Shares are held on trust, subject to a further restriction on dealing for a period of three years after the date of allocation of the Deferred Shares. If the executive is terminated for cause prior to the end of the two year vesting period, any entitlement to the Deferred Shares ceases. If the employment of the executive ceases in other circumstances, the executive will, in general, be entitled to receive their Deferred Shares. Deferred Shares allocated under this arrangement will generally be acquired on-market. The balance of any annual incentive award will be paid to the executive in cash.

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

Current STI programs relevant to executive directors and senior executives

	DATE OF GRANT	PERCENTAGE OF STI PAYABLE (%)	PERCENTAGE OF STI NOT AWARDED (%)	MINIMUM TOTAL VALUE OF STI (\$)	MAXIMUM TOTAL VALUE OF STI (\$)
Executive directors					
S.M. Morphet Chief Executive Officer ¹	30/11/2007	100	0	\$0	\$700,000
P.R. Moore former Chief Executive Officer ¹	01/07/2007	100	0	\$0	\$525,000
S.J. Tierney Chief Financial Officer ²	24/02/2007	100	0	\$0	\$436,800
Senior executives					
S.W. Audsley Chief Financial Officer ³	N/A	N/A	N/A	N/A	N/A
I.C. Barton Group General Manager, Home Comfort ⁴	30/11/2007	83%	17%	\$0	157,500
Y.K. Cheong Group General Manager, Supply & Operations ⁵	N/A	N/A	N/A	N/A	N/A
M.M. Clark Group General Manager, Workwear ⁶	N/A	N/A	N/A	N/A	N/A
M.S. Daniel Group General Manager, Workwear ⁷	16/10/2007	N/A	N/A	N/A	N/A
M.J. Ford Group General Manager, Footwear	16/10/2007	100	0	\$0	\$180,000
B.A. Hannagan Group General Manager, Underwear & Hosiery ⁸	16/10/2007	100	0	\$0	\$175,000
M.E. Keely Group General Manager, People & Performance	16/10/2007	100	0	\$0	\$175,000
M. Sonand Group General Manager, Outerwear & Sport	16/10/2007	100	0	\$0	\$150,000
R.A. Taylor Group General Manager, Home Comfort ⁹	16/10/2007	100	0	\$0	\$165,000

¹ P.R. Moore retired from the Company effective 1 January 2008 and S.M. Morphet was appointed to the role of Chief Executive Officer effective 1 January 2008.

² S.J. Tierney was appointed to the role of Chief Financial Officer effective 17 March 2008. Prior to this Mr Tierney held the role of Group General Manager, Operations.

³ S.W. Audsley resigned from the Company effective 5 October 2007.

⁴ I.C. Barton ceased in the role of Group General Manager, Home Comfort effective 30 November 2007 and resigned from the Company effective 30 April 2008.

⁵ Y.K. Cheong was appointed to the role of Group General Manager, Supply & Operations effective 10 March 2008.

⁶ M.M. Clark was appointed to the role of Group General Manager, Workwear effective 26 May 2008.

⁷ M.S. Daniel resigned from the Company effective 2 May 2008.

⁸ B.A. Hannagan was appointed to the role of Group General Manager, Underwear & Hosiery effective 29 January 2008.

⁹ R.A. Taylor was appointed to the role of Group General Manager, Home Comfort effective 1 December 2007.

C. Long term incentives ('LTI')

The Company's LTI arrangements are designed to link executive reward with the key performance drivers which underpin sustainable growth in shareholder value. Participation in the LTI arrangements is only offered to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles. In addition, the Board believes that the appropriateness of LTI arrangements cannot be viewed in isolation, but must be considered in the context of the total array of possible remuneration elements which may be provided to senior executives, taking account of the remuneration practices of competitor companies.

The Company's senior executive LTI plans are currently comprised of a performance rights plan ('PRP') introduced in 2004 as part of the Company's initial public offering, giving an entitlement to shares on satisfaction of the performance requirements. Grants are generally made annually to ensure there is a balance between the achievement of short term objectives and longer term goals. There have been grants of performance rights to senior executives pursuant to the terms of the PRP in 2004, 2005, 2006 and 2007. As noted above, the Board has initiated a review of the fixed and performance related components of remuneration so as to ensure alignment of the performance related components of remuneration and the ability of, and the incentives for, the relevant executives to drive the performance of the Company.

DIRECTORS' REPORT/REMUNERATION REPORT (CONTINUED)

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

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, or that no amount is payable upon allocation of a share once a performance right vests. In respect of the 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.

Performance hurdle selection

Eligible executives (including the executive directors) were first granted performance rights in 2004. Under the 2004 grant, vesting was based on relative TSR performance against the individual TSRs of the companies comprising the ASX 100 index at that time.

The use of a TSR based hurdle was 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 dividends; 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.

At the 2005, 2006 and 2007 Annual General Meetings of the Company, shareholders approved further grants of performance rights to the executive directors. Similar grant of performance rights were also made to other eligible senior executives at these times. Half of these grants of performance rights are subject to an EPS growth hurdle. The other half of each grant is subject to a relative TSR hurdle.

In moving from a purely TSR based measure (which formed the basis of the 2004 grant of performance rights), to a combination of TSR and EPS based performance measures (adopted in respect of each subsequent grant of performance rights), the Board determined that TSR alone did not always reflect the long term value created by senior executives in the measurement period. At the time of issue, the Board believed that, collectively, TSR and EPS performance was better correlated with executive performance over time.

Frequency of testing against performance hurdles

The 2004 and 2005 grants were divided into tranches corresponding to performance measurement periods of one year, two years, three years and four years. Any unvested tranche in any period is held over and subject to retesting against the performance criteria in following periods. The 2006 and 2007 grant of performance rights have the performance requirements tested only once, at the end of the 2009 and 2010 financial years, respectively.

Based on the financial performance of the Company in the 2008 financial year no performance rights vested in the executive directors and senior executives effective 1 July 2008.

The maximum percentage of remaining performance rights that may vest, subject to performance, in any one year are set out in the table below:

VESTING DATE	MAXIMUM % OF 2005 GRANT ¹	MAXIMUM % OF 2006 GRANT ¹	MAXIMUM % OF 2007 GRANT ¹
1 July 2009	82.5%	100%	0%
1 July 2010	0%	0%	100%
Maximum	82.5%	100%	100%

¹ No shares vested under any of the LTI grants in respect of the Company's performance in the 2005, 2006 or 2008 financial years. 17.5% of the 2005 grant of performance rights vested effective 1 July 2007.

² The percentage of performance rights which may vest on 1 July 2009 under the 2005 grant includes a certain percentage of the performance rights granted which did not vest on 1 July 2008 and which therefore carried forward to the next possible vesting date.

TSR performance conditions

Each year, the Board reviews and if necessary refines the peer group for TSR performance comparison. The 2004 grant used a comparison group of the ASX's 100 largest companies by market capitalisation and the 2005 comparison group was composed of a basket of 72 companies selected from the ASX 200 as comparable yield stocks. The comparison group for the 2006 and 2007 grants was comprised of companies which were:

- ASX listed;
- in the consumer staples and discretionary sectors; 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 comparison group. The companies that met these criteria compete with the Company for customers' spending, while representing alternatives to current and potential investors in the competition for capital in this sector.

The 2007 comparator group is identical to the comparator group which applied to the 2006 grant of performance rights, but excluding Burns Philp & Company Limited and UNITAB Limited which were removed from the comparator group for the 2007 grant of performance rights, as those companies had been delisted.

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

A summary table of comparator companies for unvested performance rights is provided in the table below:

2004: ASX 100	2005: HIGHEST YIELD COMPANIES IN ASX 200	2006: CONSUMER STAPLES AND DISCRETIONARY COMPANIES	2007: CONSUMER STAPLES AND DISCRETIONARY COMPANIES
All companies comprising the ASX 100 at the start of the performance period.	ABC Learning Centres Limited, Adelaide Brighton Limited, Adsteam Marine Limited, Alesco Corporation Limited, Amcor Limited, Ansell Limited, Aristocrat Leisure Limited, Austereo Group Limited, Australian Gas Light Company (The), Australian Pharmaceutical Industries Limited, AWB Limited, Baycorp Advantage Limited, Billabong International Limited, BlueScope Steel Limited, Boral Limited, Bradken Limited, Brambles Industries Limited, Burns Philp & Company Limited, Coates Hire Limited, Cochlear Limited, Coles Myer Limited, Colorado Group Limited, Corporate Express Australia Limited, Crane Group Limited, CSL Limited, CSR Limited, David Jones Limited, DCA Group Limited, Downer EDI Limited, Flight Centre Limited, Foodland Associated Limited, Foster's Group Limited, GRD Limited, GUD Holdings Limited, Gunns Limited, GWA International Limited, Harvey Norman Holdings Limited, Hills Industries Limited, Housewares International Limited, Invocare Limited, JB Hi-Fi Limited, Just Group Limited, McGuigan Simeon Wines Limited, Metcash Limited, MYOB Limited, Nufarm Limited, OAMPS Limited, OneSteel Limited, Orica Limited, Origin Energy Limited, Pacific Brands Limited, Pacifica Group Limited, PaperlinX Limited, Promina Group Limited, Qantas Airways Limited, Repco Corporation Limited, Ridley Corporation Limited, Rinker Group Limited, Seven Network Limited, Sigma Company Limited, Sims Group Limited, Smorgon Steel Group Limited, Sonic Healthcare Limited, Spotless Group Limited, STW Communications Group Limited, Tabcorp Holdings Limited, Ten Network Holdings Limited, Toll Holdings Limited, UNiTAB Limited, United Group Limited, Wattyl Limited, Wesfarmers Limited and Woolworths Limited.	ABC Learning Centres Limited, Austereo Group Limited, Amalgamated Holdings Limited, APN News & Media Limited, AWB Limited, Billabong International Limited, Burns Philp & Company 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 (Australia) Limited, Seek Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Tattersall's Limited, UNiTAB Limited and West Australia Newspapers Holdings Limited.	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 (Australia) Limited, Seek Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Tattersall's Limited and West Australia Newspapers Holdings Limited.

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. This is done in respect of each grant of performance rights.

The TSR performance conditions in relation to the 2004, 2005, 2006 and 2007 grants of performance rights are:

TARGET	PERCENTAGE OF SHARES AVAILABLE IN GIVEN YEAR THAT VESTS
The Company's annual TSR is less than the median TSR of the comparator companies	0%
The Company's annual TSR equals or exceeds performance of the median TSR of the comparator companies	50%
The Company's annual TSR ranks in third quartile of the comparator companies	Pro rata between 50% and 100% (2% increase for each higher ranking)
The Company's annual TSR ranks in fourth quartile of the comparator companies	100%

EPS performance conditions

As noted above, the EPS growth requirement was introduced in 2005 for half of the performance rights and is also a requirement in relation to the 2006 and 2007 grant of performance rights. The Board introduced this performance requirement because:

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

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, taking account of likely business cycle conditions as well as the upside potential the Company has for further earnings growth.

DIRECTORS' REPORT/REMUNERATION REPORT (CONTINUED)

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

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

PERCENTAGE OF SHARES IN TRANCHE AVAILABLE IN GIVEN YEAR THAT VESTS	2005 PERFORMANCE RIGHTS EPS TARGET	2006 AND 2007 PERFORMANCE RIGHTS EPS TARGET
0%	The Company's compound EPS growth (tested over 1, 2, 3 and 4 years) is less than 8.5%	The Company's 3 year compound EPS growth is less than 8.0%
25%	The Company's compound EPS growth (tested over 1, 2, 3 and 4 years) equals 8.5%	The Company's 3 year compound EPS growth equals 8.0%
Pro rata between 25% and 100%	The Company's compound EPS growth (tested over 1, 2, 3 and 4 years) is between 8.5% and 10.5%	The Company's 3 year compound EPS growth is between 8.0% and 12.0%
100%	The Company's compound EPS growth (tested over 1, 2, 3 and 4 years) equal to or exceeding 10.5%	The Company's 3 year compound EPS growth equal to or exceeding 12.0%

Testing

In relation to the 2004 and 2005 grants of performance rights, performance conditions were again tested at the end of the 2008 financial year. Based on the EPS growth and the relative TSR of the Company for the 2008 financial year, no performance rights vested on 1 July under either the 2004, or 2005 performance rights grants. The final testing of the performance hurdles in respect of the 2005 grant will occur on 30 June 2009.

Restrictions on performance rights which vest

In the case of the 2004 and 2005 grants of performance rights, executives are not entitled to trade in shares allocated on vesting of the performance rights until the earlier to occur of:

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

In the case of the 2006 and 2007 grants executives are not entitled to trade in shares allocated on vesting of the performance rights until the earliest to occur of:

- a request from the relevant executive 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 consolidated entity.

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.

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.

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 on the same performance criteria, but with the performance period pro rated to the date of the takeover offer.

A discussion of the Company's performance, specifically against the Company's earnings and the consequences of the Company's performance on shareholder wealth in the period from 2 April 2004 to 30 June 2008 is set out in section 1 of this report.

Vesting of rights

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.

The Company's guidelines for dealing in securities also 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, without the prior written approval of the Chief Executive Officer or the Board.

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

 Equity grants made to executive directors and senior executives¹

	NATURE OF COMPENSATION/ INSTRUMENT GRANTED	EFFECTIVE DATE OF GRANT	PERCENTAGE OF GRANT PAID/VESTED (%)	PERCENTAGE OF GRANT FORFEITED (%)	FUTURE FINANCIAL YEARS THAT GRANT WILL BE PAYABLE	MINIMUM TOTAL VALUE OF GRANT ¹ (\$)	MAXIMUM TOTAL VALUE OF GRANT ² (\$)
Executive directors							
S.M. Morphet	250,000 performance rights	01/07/2004	60	40	N/A	Nil	Nil
Chief Executive Officer	62,500 performance rights	01/07/2005	17.5	Nil	2009	Nil	69,609
	40,698 performance rights	01/07/2006	Nil	Nil	2009	Nil	57,792
	250,000 performance rights	01/07/2007	Nil	Nil	2010	Nil	570,000
P.R. Moore, ³ former Chief Executive Officer	500,000 performance rights	01/07/2004	100	Nil	N/A	Nil	Nil
	125,000 performance rights	01/07/2005	100	Nil	N/A	Nil	Nil
	122,093 performance rights	01/07/2006	Nil	100	N/A	Nil	Nil
S.J. Tierney, Chief Financial Officer	300,000 performance rights	01/07/2004	60	40	N/A	Nil	Nil
	75,000 performance rights	01/07/2005	17.5	Nil	2009	Nil	83,531
	48,837 performance rights	01/07/2006	Nil	Nil	2009	Nil	69,349
	55,000 performance rights	01/07/2007	Nil	Nil	2010	Nil	125,400
Senior executives							
S.W. Audsley ⁴	250,000 performance rights	01/07/2004	60	40	N/A	Nil	Nil
	62,500 performance rights	01/07/2005	17.5	82.5	N/A	Nil	Nil
	40,698 performance rights	01/07/2006	Nil	100	N/A	Nil	Nil
I.C. Barton ⁵	200,000 performance rights	01/07/2004	60	40	N/A	Nil	Nil
	50,000 performance rights	01/07/2005	17.5	82.5	N/A	Nil	Nil
	36,628 performance rights	01/07/2006	Nil	100	N/A	Nil	Nil
M.S. Daniel ^{6,7}	200,000 performance rights	01/07/2004	60	40	N/A	Nil	Nil
	42,442 performance rights	01/07/2006	Nil	100	N/A	Nil	Nil
	50,000 reward rights	01/07/2006	Nil	100	N/A	Nil	Nil
	48,000 performance rights	01/07/2007	Nil	100	N/A	Nil	Nil
M.J. Ford	200,000 performance rights	01/07/2004	60	40	2008	Nil	Nil
	50,000 performance rights	01/07/2005	17.5	Nil	2009	Nil	55,688
	40,116 performance rights	01/07/2006	Nil	Nil	2009	Nil	56,965
	45,000 performance rights	01/07/2007	Nil	Nil	2010	Nil	102,600
B.A. Hannagan ⁸	44,000 performance rights	01/07/2007	Nil	Nil	2010	Nil	100,320
	50,000 reward rights	01/07/2006	Nil	Nil	2009	Nil	90,000
M.E. Keely	200,000 performance rights	01/07/2004	60	40	2008	Nil	128,000
	50,000 performance rights	01/07/2005	17.5	Nil	2009	Nil	55,688
	31,977 performance rights	01/07/2006	Nil	Nil	2009	Nil	45,407
	44,000 performance rights	01/07/2007	Nil	Nil	2010	Nil	100,320
M. Sonand	35,000 performance rights	01/07/2007	Nil	Nil	2010	Nil	79,800
R. Taylor	41,000 performance rights	01/07/2007	Nil	Nil	2010	Nil	93,480

¹ A total of 2,500,000 performance rights were granted under the 2004 issue of performance rights and 1,500,000 of these performance rights vested with effect from 1 July 2007 based on the financial performance of the Company in the 2007 financial year. The balance of this grant of performance rights lapsed on 30 June 2008. A total of 530,000 performance rights were granted under the 2005 issue of performance rights and 91,874 of these performance rights vested with effect from 1 July 2007 based on the financial performance of the Company in the 2007 financial year. A total of 433,722 performance rights were granted under the 2006 issue of performance rights and 562,000 performance rights were granted under the 2007 issue of performance rights and to date none of these performance rights have vested. The terms and conditions attached to the 2004, 2005, 2006 and 2007 performance rights grants are set out on pages 62 to 64 in this Annual Report.

² The fair value of performance rights as at the date of their grant has been determined in accordance with AASB 124 applying AASB 2 Valuation Guidelines and Guidance Note GN510 issued by the Institute of Actuaries of Australia (further details of the valuation methodology can be found in Note 28(b) to the financial statements). The fair value in respect of the grant having an effective date of 1 July 2004 was \$1.60 per share. The fair value in respect of the grant having an effective date of 1 July 2005 is \$1.35 per share. The fair value in respect of the grant having an effective date of 1 July 2006 is \$1.42 per share. The fair value in respect of the grant having an effective date of 1 July 2007 is \$2.28 per share.

³ Mr P.R. Moore retired from the Company effective 1 January, 2008.

⁴ Mr S.W. Audsley resigned from the Company effective 5 October, 2007.

⁵ Mr I.C. Barton, resigned from the Company effective 30 April 2008.

⁶ Mr M.S. Daniel resigned from the Company effective 2 May 2008.

DIRECTORS' REPORT/REMUNERATION REPORT (CONTINUED)

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

⁷ Mr M.S. Daniel was the recipient of 50,000 Reward Rights granted with effect from 1 July 2006, as part of his remuneration when in the role of General Manager, Supply Chain. The terms of the Reward Rights, which lapsed upon Mr Daniel's resignation from the Company on 2 May 2008, were identical to the terms of the Reward Rights granted to Ms B.A. Hannagan and discussed in note 8, below.

⁸ Ms B.A. Hannagan was the recipient of 50,000 'Reward Rights' granted with effect from 1 July 2006, as part of her remuneration when in the role of General Manager, The Berlei Group. The Reward Rights were issued pursuant to the Company's Deferred Employee Share Plan (DESP), established with the approval of the Board in June 2006 to provide long-term equity incentives to certain senior management, not being senior executives, approved by the Chief Executive Officer. Subject to the satisfaction of performance and service conditions described below, the Reward Rights will vest and Ms Hannagan will be allocated 50,000 Reward Shares in the Company. The Performance Conditions applicable to the Reward Rights are measured over a period of 3 years from the effective date of grant of Reward Rights, as follows:

(a) 60% of the Reward Rights will be available to vest in accordance with the following schedule:

Actual EPS (compound Growth per annum)	% of available Reward Rights to vest
8.5%	25%
+0.1%	+3.75%
10.5%	100%

(b) 40% of the Reward Rights will be available to vest if Ms Hannagan discharges her obligations to the Company in accordance with annual key performance measures agreed with her manager, subject to the overriding discretion of the Chief Executive Officer.

If the target EPS does not reach 10.5% at the end of 3 years and some Reward Rights remain unvested, those unvested Reward Rights remain available for a further 2 years, and will be re-tested at that time. Therefore, unvested Reward Rights will be tested over a 5 year period from the grant date, so that if the threshold EPS of 8.5% per annum compound is achieved over the 5 year period, 25% of those previously unvested Reward Rights will vest. Vesting will again be scaled on a straight line basis to 100%, at the target EPS of 10.5% per annum on a compound basis.

During the financial year, the Company has not granted any options or rights in addition to the performance rights granted on 1 July 2007 (and summarised in the previous table).

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

The following table set out details of any movement in performance rights and other equity grants currently on issue to the Chief Executive Officer, Chief Financial Officer and senior executives and the number of rights held by such persons during the reporting period.

Number and value of performance rights held by executive directors and senior executives

	BALANCE AT 01/07/2007	GRANTED	EXERCISED ¹	LAPSED/ FORFEITED	BALANCE AT 30/06/2008	AGGREGATE VALUE TOTAL AT 30/06/2008
Executive Directors						
P.R. Moore²						
Number	747,093	Nil	625,000	122,093	Nil	
Value	\$1,142,122		\$968,750	\$173,372		Nil
S.M. Morphet						
Number	353,198	250,000	160,937	100,000	342,261	
Value	\$542,167	\$570,000	\$254,765	\$160,000		\$697,402
S.J. Tierney						
Number	423,837	55,000	193,125	120,000	165,712	
Value	\$650,598	\$125,400	\$305,719	\$192,000		\$278,279
Senior Executives						
S.W. Audsley³						
Number	353,198	Nil	160,937	192,261	Nil	
Value	\$542,167		\$254,765	\$287,402		Nil
B.A. Hannagan⁴						
Number	Nil	44,000	Nil	Nil	44,000	
Value	Nil	\$100,320				\$100,320
I.C. Barton⁵						
Number	286,628	Nil	128,750	157,878	Nil	
Value	\$439,512		\$203,813	\$235,699		Nil
R.A. Taylor						
Number	Nil	41,000	Nil	Nil	41,000	
Value	Nil	\$93,480				\$93,480
M.S. Daniel⁶						
Number	242,442	48,000	120,000	170,442	Nil	
Value	\$380,268	\$109,440	\$192,000	\$297,708		Nil
M.M. Clark						
Number	Nil	Nil	N/A	N/A	Nil	
Value	Nil					Nil
M.J. Ford						
Number	290,116	45,000	128,750	80,000	126,366	
Value	\$444,465	\$102,600	\$203,813	\$128,000		\$215,252
M.E. Keely						
Number	281,977	44,000	128,750	80,000	117,227	
Value	\$432,907	\$100,320	\$203,813	\$128,000		\$201,414
Y.K. Cheong						
Number	Nil	Nil	N/A	N/A	Nil	
Value	Nil					Nil
M. Sonand						
Number	Nil	35,000	Nil	Nil	35,000	
Value	Nil	\$79,800				\$79,800
Total – Executive directors and senior executives						
Number	2,978,489	562,000	1,646,249	1,022,674	871,566	
Value	\$4,574,206	\$1,281,360	\$2,587,438	\$1,602,181		\$1,665,947

¹ Based on the financial performance of the Company in the 2007 financial year 1,343,124 performance rights vested with effect from 1 July 2007. The same number of shares in the Company were acquired on-market and issued to the relevant executive directors and senior executives.

² Mr P.R. Moore retired from the Company effective 1 January 2008.

³ Mr S.W. Audsley resigned from the Company effective 5 October 2007.

⁴ Ms Hannagan was also granted 50,000 Reward Rights, effective 1 July 2006, at the time she held the role of General Manager, The Berlei Group. The notional value of these Reward Rights is \$90,000. No further Reward Rights have been granted to Ms Hannagan and no Reward Rights have been exercised or have lapsed or been forfeited. Accordingly the number and value of Reward Rights was unchanged at 30 June 2008.

⁵ Mr I.C. Barton resigned from the Company effective 30 April 2008.

⁶ Mr Daniel was also granted 50,000 Reward Rights, effective 1 July 2006, at the time he held the role of General Manager, Supply Chain. These Reward Rights were forfeited upon Mr Daniel's resignation from the Company effective 2 May 2008.

DIRECTORS' REPORT/REMUNERATION REPORT (CONTINUED)

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

Hedging and Margin Lending Arrangements

Any shares which issue upon the vesting of performance rights are restricted from trading, the Company's Guidelines for Dealing in Securities also prohibit executives from entering into a transaction to limit the economic risk of such shares, whether through a derivative, hedge or other similar arrangement without the prior written approval of the Chief Executive Officer or the Board. To date, no such approval has been sought or given.

In addition, directors are required to inform the Board annually of the existence of any lending arrangements in respect of shares in the Company which a director has a relevant interest in, where those shares are offered as security for the lending arrangement.

The Company treats compliance with these policies as a serious issue and takes appropriate measures to ensure the policy is adhered to, requiring 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.

D. Service agreements

The remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and the 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, car allowance and superannuation contributions, the provision of performance related cash bonuses (as disclosed on page 61 in this report), and participation in the Company's employee long term incentive scheme (as disclosed on page 65 in this report).

Each year, the Board agrees criteria for the evaluation of the Chief Executive Officer and reviews performance against those criteria at the end of the financial year. The Board similarly reviews the objectives of the other senior executives. Performance against those criteria is reviewed by the relevant senior executive's manager.

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 in the discussion below.

Duration of service agreements

The Chief Executive Officer is employed under a fixed term service agreement of three years which expires on 31 December 2010. Under the terms of the service agreement, the Chief Executive Officer's employment will terminate on the expiry date of the agreement unless terminated earlier or renewed. The Chief Financial Officer is also employed under a fixed term service agreement which expires on 31 December 2010. All other senior executives are employed under agreements that are ongoing unless 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 Company may terminate the employment of the Chief Executive Officer, Chief Financial Officer or any of the other senior executives on giving three months notice. The Company may make a payment in lieu of notice not to exceed one year's fixed annual remuneration plus a pro rata part of the current STI (cash bonus), based on the performance of the relevant executive against the annual target applicable at that time. In general, the Chief Executive Officer, Chief Financial Officer and other senior executives must give the Company at least three months notice of resignation. In the event that the Chief Executive Officer ceases to be the most senior executive in the consolidated entity or the Company ceases to be listed on the ASX, the Company will be deemed to have terminated the employment of the Chief Executive Officer and will be liable to make compensation payments.

Upon termination of employment for any reason, the Chief Executive Officer and the Chief Financial Officer are both prohibited from engaging in any activity that would compete with the Company for a period of one year, in order to protect the Company's business interests.

Sign-on payments

No payment was made to the Chief Executive Officer, the Chief Financial Officer or any of the other senior executives of the Company and the consolidated entity before they took office as part consideration for them agreeing to hold office.

E. Remuneration paid and other specific disclosures

Details of the remuneration paid to the Chief Executive Officer, the Chief Financial Officer, each of the five named executives of the Company and the consolidated entity with the highest remuneration during the 2008 financial year and the key management personnel (excluding the non-executive directors) are set out in the following table. All values are in Australian dollars unless otherwise stated.

4 EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION (CONTINUED)

 Remuneration for 2008 financial year
 Chief Executive Officer, Chief Financial Officer and other senior executives of the Company and the consolidated entity

		SHORT TERM EMPLOYEE BENEFITS		POST EMPLOYMENT BENEFITS			SHARE	TERM-	TOTAL		
		FIXED SALARY ¹	FEES	INCENTIVE PAYMENTS	NON-MONETARY BENEFITS ²	SUPER-ANNUATION BENEFITS	RETIREMENT PAYMENTS	OTHER		BASED	BENEFITS
										PERFORM-ANCE RIGHTS ³	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
S.M. Morphet, Chief Executive Officer ^{4,6}	2008	742,444		700,000	37,408	115,570				1,860,649	
	2007	356,202		100,000	54,874	68,071				685,775	
P.R. Moore, former Chief Executive Officer ⁴	2008	1,560,130		525,000	28,885	126,000	3,448,357			5,857,897	
	2007	1,192,603		250,000	53,134	252,000				1,960,992	
S.J. Tierney, Chief Financial Officer ⁵	2008	452,415		436,800	34,534	104,832				1,160,653	
	2007	441,955		50,000	32,265	100,800				752,973	
S.W. Audsley, Chief Financial Officer ⁶	2008	363,280		0	29,511	19,844			205,160	693,022	
	2007	365,468		100,000	20,493	67,364				659,953	
I.C. Barton, Group General Manager, Home Comfort ⁷	2008	593,600		131,250	26,474	63,000			501,120	1,377,533	
	2007	320,024		25,000	31,136	75,600				537,062	
Y.K. Cheong, Group General Manager, Supply & Operations	2008	148,743		0	11,173	12,066			0	171,982	
	2007										
M.M. Clark, Group General Manager, Workwear ⁸	2008	39,589		0	2,822	3,946			0	46,357	
	2007										
M.S. Daniel, Group General Manager, Yakka ⁹	2008	347,525		0	19,940	44,574			101,293	513,332	
	2007	364,014		50,000	14,950	31,047			63,303	523,313	
M.J. Ford, Group General Manager, Footwear	2008	321,917		180,000	38,169	136,400			97,923	774,409	
	2007	342,028		50,000	37,410	82,800			85,302	597,540	
B.A. Hannagan, Group General Manager, Underwear and Hosiery ¹⁰	2008	301,531		175,000	90,814	30,488			63,107	660,940	
	2007	249,450		0	47,965	23,278			29,667	350,360	
M.E. Keely, Group General Manager, People & Performance ¹¹	2008	333,221		635,880	26,880	84,000			93,349	1,173,330	
	2007	229,453		100,000	26,096	57,841			85,302	498,692	
M. Sonand, Group General Manager, Outerwear & Sport ¹²	2008	227,516		150,000	37,522	86,979			26,600	528,617	
	2007	102,045		25,000	13,761	8,688			0	149,494	
R.A. Taylor, Group General Manager, Home Comfort ¹³	2008	295,152		165,000	36,391	113,367			31,160	641,070	
	2007	265,000		25,000	26,196	51,675				367,871	
Total remuneration – senior executives	2008	5,727,063		3,098,930	420,523	941,066	3,448,357		1,117,572	15,459,791	
	2007	4,228,242		775,000	350,280	819,163	0		903,340	7,084,025	

¹ Includes movements in annual leave and long service leave provisions.

² 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. 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 124 applying AASB 2 Valuation Guidelines and Guidance Note GN510 issued by the Institute of Actuaries of Australia. The fair value in respect of the grant having an effective date of 1 July 2004 is \$1.60 per share. The fair value in respect of the grant having an effective date of 1 July 2005 is \$1.35 per share. The value in respect of the grant having an effective date of 1 July 2006 is \$1.42 per share. The value in respect of the grant having an effective date of 1 July 2007 is \$2.28. Part of the Chief Executive Officer's, Chief Financial Officer's and other senior executives' remuneration for the financial year ended 30 June 2008 consisted of performance rights which vested in the relevant executive in respect of the financial performance of the Company in the 2007 financial year.

⁴ S.M. Morphet replaced P.R. Moore as Chief Executive Officer effective 1 January 2008.

⁵ S.J. Tierney was appointed as Chief Financial Officer effective 17 March 2008.

⁶ S.W. Audsley resigned from the Company effective 5 October 2007.

⁷ I.C. Barton resigned from the Company effective 30 April 2008.

⁸ M.M. Clark was appointed as Group General Manager, Workwear effective 26 May 2008.

⁹ M.S. Daniel resigned from the Company effective 2 May 2008.

¹⁰ B.A. Hannagan replaced S.M. Morphet as Group General Manager, Underwear & Hosiery effective 29 January 2008.

¹¹ M.E. Keely was paid a retention bonus of \$460,880 pursuant to the terms of an agreement dated 7 August 2006.

¹² M. Sonand commenced employment with the Company on 2 January 2007.

¹³ R.A. Taylor replaced I.C. Barton as Group General Manager, Home Comfort effective 1 December 2007.

DIRECTORS' REPORT/REMUNERATION REPORT (CONTINUED)

F. Audit of remuneration report

This Remuneration Report, has been audited in conjunction with the audit of the Financial Statements forming part of the Annual Report.

Dated at Melbourne this 20th day of August 2008.

Signed in accordance with a resolution of the directors:



Pat Handley
Chairman



Sue Morphet
Chief Executive Officer



LEAD AUDITOR'S INDEPENDENCE DECLARATION

under Section 307C of the Corporations Act 2001

To: the Directors of Pacific Brands Limited


I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 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 relations to the audit.



KPMG

Melbourne
20 August 2008



Don Pasquariello
Partner