

Briscoe Group Limited

Notice of Special Meeting



Notice is hereby given that a Special Meeting of shareholders of Briscoe Group Limited (**Company**) will be held at the offices of Simpson Grierson, Level 27, Lumley Centre, 88 Shortland Street, Auckland on 1 October 2015, commencing at 9.30am to consider, and if thought fit, to pass the following special resolution of shareholders (**Special Resolution**).

Special Resolution

That, for all purposes (including section 129 of the Companies Act 1993), the shareholders approve the Company acquiring up to 100% of the ordinary shares in Kathmandu Holdings Limited (**Kathmandu**) not already held by the Company, under the takeover offer made in the offer document dated 22 July 2015 and sent to Kathmandu shareholders on 24 July 2015, as such offer may be extended and varied from time to time, and subject to the waiver of any conditions of the offer which may be waived, in each case as the board of directors of the Company thinks fit and whether before or after the date of this resolution.

(See the Explanatory Notes)

Majority Required

The resolution is a special resolution, requiring the approval of 75% of the votes of the shareholders entitled to vote and voting in order to be passed.

Voting by Proxy

All shareholders entitled to attend and vote at the meeting are entitled to appoint a proxy to attend and vote for them instead. A proxy need not be a shareholder of the Company.

A proxy form is enclosed and may be completed and returned using the reply-paid envelope provided. Alternatively, proxy votes can be lodged online at the Link Market Services Limited website:

<https://investorcentre.linkmarketservices.co.nz/voting/BGR>

You will require your CSN/Holder number and FIN to securely access the website.

For a proxy to be validly appointed, a proxy form must be received (either by post or online, as outlined above, or as otherwise permitted by the Company) no later than 9.30am on 29 September 2015. If the form is sent by post, it must be received by that time at the offices of the Company's Share Registrar, Link Market Services Limited, PO Box 91976, Victoria Street West, Auckland 1142 or Zurich House, Level 7, 21 Queen Street, Auckland, New Zealand.

Corporate representatives

A corporation which is a shareholder or an attorney of a shareholder may by resolution of its directors or other governing body authorise a person to attend the meeting on its behalf. That person may exercise the same powers on behalf of the corporation which the corporation could exercise if it were an individual shareholder of the Company. Further Information on how to vote using a corporate representative can be found on the proxy form under "Important Notes".

Attorney

A shareholder may appoint any person to be his or her attorney and to attend the meeting of the Company and vote on behalf of the shareholder. The attorney may vote and generally act for the shareholder for all intents and purposes as the shareholder could do if present in person or by proxy or representative. An attorney includes executors and an attorney appointed under an enduring power of attorney. Further information on how to vote using an attorney can be found on the proxy form under "Important Notes".

Voting restrictions

There are no voting restrictions in respect of the Special Resolution.

Quorum

No business may be transacted at the meeting unless a quorum is present. The quorum for the meeting is five shareholders having the right to vote at the meeting, present in person or by proxy, attorney or representative.

If a quorum is not present within 30 minutes after the time appointed for the meeting, the meeting shall be adjourned to the same day in the following week at the same time and place or to such other date, time and place as the board of directors of the Company may determine. If a quorum is not present within 30 minutes at any such adjourned meeting, the shareholders present in person or by proxy, attorney or representative are a quorum.

NZX Approval

This notice of meeting has been approved by NZX (through NZX Regulation). NZX takes no responsibility for any statement contained in this notice of meeting or any of the Explanatory Notes accompanying this notice of meeting.

EXPLANATORY MEMORANDUM

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1. Background

Summary of the Transaction

The Company currently holds 19.9% of the shares in Kathmandu. The Company seeks shareholder approval to acquire up to 100% of the shares in Kathmandu not already held by the Company under a full takeover offer in accordance with the Takeovers Code (**Offer**).

The Company made the Offer on the terms set out in the Offer document dated 22 July 2015 sent to Kathmandu shareholders on 24 July 2015. A copy of the Offer document sent to Kathmandu shareholders is available at www.briscoegroup.co.nz. The acquisition of shares under the Offer (**Transaction**) is subject to a number of conditions and shareholders are encouraged to read the Offer document in full to understand the Company's current intentions in relation to those conditions. Under the terms of the Offer, the Company can waive certain conditions.

The consideration under the Offer is 5 new Company shares for every 9 Kathmandu shares, plus a cash amount of NZ\$0.20 per Kathmandu share, that Kathmandu shareholders agree to sell to the Company. This consideration can be adjusted, under the terms of the Offer, for various corporate events which may affect Kathmandu.

As at 11 September 2015, the Company had acceptances under the Offer for 2.27% of the shares in Kathmandu, in addition to the 19.9% it currently holds.

Based on the Company's closing share price on 11 September 2015, and taking into account the Company's acquisition cost for the 19.9% of shares in Kathmandu that the Company currently owns, the acquisition cost equates to the Company paying a value of NZ\$365,459,450 for 100% of Kathmandu (plus transaction costs, including adviser fees). The terms and conditions of the Transaction are set out in the Offer document sent to Kathmandu shareholders, as varied in accordance with the Takeovers Code.

Companies Act 1993 - Approval

Under section 129 of the Companies Act 1993 (**Companies Act**), the Company must not enter into a major transaction unless the transaction is approved, or is contingent on approval, by a special resolution of the Company's shareholders. A major transaction includes the acquisition of, or an agreement to acquire, whether contingent or not, assets the value of which is more than half the value of the Company's assets before the acquisition.

The Transaction would constitute a major transaction for the purposes of section 129 of the Companies Act. Accordingly, the Transaction must be approved by a special resolution of the Company's shareholders.

2. About Kathmandu

General

Kathmandu is a retailer of quality clothing and equipment for travel and adventure in Australasia and the United Kingdom. The business opened its first store in 1987 in Australia, as a small specialist outdoor retailer, manufacturing many of its own products.¹ Today, Kathmandu has around 149² stores in Australasia, is listed on

¹ Kathmandu Holdings Limited company overview (www.nzx.com/companies/KMD) and Kathmandu Holdings Limited history (<http://www.kathmanduholdings.co.nz/about-us/our-history/>).

both the Australian Securities Exchange (**ASX**) and the main board equity security market operated by NZX Limited (**NZX**) and is currently indexed in the ASX300 and NZX50.³

The activities and recent trading position of Kathmandu are described in:

- the 2014 Annual Report (which included the audited financial statements for the period ending 31 July 2014);
- the 2015 Interim Report (which included the interim financial statements for the period ending 31 January 2015); and
- the financial information contained in section 3 of the Target Company Statement sent to Kathmandu Holdings Limited shareholders on 6 August 2015 which includes:
 - historical audited statements of financial performance for FY2014;
 - statements of financial performance for FY2015F (these comprise eleven months of unaudited actual trading results for Kathmandu (August 2014 to June 2015) and one month forecast operating results for Kathmandu); and
 - the directors' forecast statement of financial performance for FY2016F.

These are available at Kathmandu's Investor Relations website: <http://www.Kathmanduholdings.co.nz/investor-relations/reports/>.

Kathmandu has also released material announcements, in relation to the Offer and other matters, to the market via the NZX market announcement platform. These announcements are available at <https://nzx.com/markets/NZSX/securities/KMD/announcements>.

Kathmandu may make further announcements about the Transaction between the date of this notice of meeting and the meeting. Shareholders are encouraged to follow the announcements made by Kathmandu through NZX's market announcement platform, available at: <https://nzx.com/markets/NZSX/securities/KMD/announcements>

Kathmandu has indicated that its full year results to 31 July 2015 will be announced to NZX on 29 September 2015.

Kathmandu Financial Information

Extracts of actual published historical financial information for Kathmandu are shown in the section below. Shareholders are encouraged to consider the published historical financial statements (including notes and accounting policies which may affect a reader's interpretation of these extracts) in full.

They are available at <http://www.kathmanduholdings.co.nz/investor-relations/reports/>

2 Based on FY2014 figures contained in the Target Company Statement sent to Kathmandu Holdings Limited shareholders on 6 August 2015 (page 34).

3 Kathmandu Holdings Limited history (<http://www.kathmanduholdings.co.nz/about-us/our-history/>).

Kathmandu Income Statements
(NZ\$m)⁴

Income Statement	Year ended 31 July 2010	Year ended 31 July 2011	Year ended 31 July 2012	Year ended 31 July 2013	Year ended 31 July 2014	Half Year ended 31 January 2015
Sales	245.8	306.1	347.1	384.0	392.9	179.4
Cost of goods sold	(90.5)	(105.6)	(127.6)	(142.0)	(144.8)	(73.1)
Gross profit	155.3	200.6	219.5	242.0	248.1	106.3
Other income				0.9	1.4	
Store/selling expenses	(77.6)	(94.8)	(113.8)	(121.8)	(123.2)	(72.7)
Admin and general expenses	(29.3)	(41.8)	(48.9)	(57.7)	(62.1)	(33.0)
Earnings before interest and tax	48.5	64.0	57.0	63.4	64.3	0.6
Finance income	2.3	0.2	0.1	0.2	0.3	0.3
Finance expenses	(11.9)	(7.0)	(6.0)	(4.6)	(4.9)	(2.6)
Net finance costs	(9.7)	(6.8)	(5.8)	(4.4)	(4.6)	(2.4)
Costs associated with IPO	(16.8)					
Profit before income tax	22.0	57.2	51.1	59.0	59.7	(1.8)
Income tax expense	(12.6)	(18.2)	(16.3)	(14.8)	(17.5)	(0.1)
Net profit after income tax	9.4	39.1	34.9	44.2	42.2	(1.8)
Basic earnings per share (cents)	0.3*	19.5	17.4	22.1	21.0	(0.9)
Dividends declared (cents)	7.0*	10.0	10.0	12.0	12.0	3.0

* Kathmandu's IPO was in the 2010 year, during which changes to its capital structure as well as one-off IPO related costs impacted EPS. No interim dividend was declared during this year.

4 Rounding to millions may cause slight differences to published statements and/or minor addition discrepancies.

Kathmandu Balance Sheets
(NZ\$m)⁵

Balance Sheet	As at 31 July 2010	As at 31 July 2011	As at 31 July 2012	As at 31 July 2013	As at 31 July 2014	As at 31 January 2015
Assets						
Current assets:						
Cash and cash equivalents	4.7	3.6	1.8	2.3	7.2	1.8
Trade and other receivables	3.9	2.3	3.5	3.7	3.8	4.0
Derivative financial instruments				7.9		15.4
Current tax asset						6.2
Inventories	37.4	54.0	73.3	80.0	103.8	97.3
Total current assets	46.1	59.9	78.6	93.9	114.7	124.7
Non-current assets:						
Property, plant and equipment	28.0	32.8	41.9	43.4	48.4	50.5
Intangible assets	241.8	243.7	249.1	234.9	238.7	236.3
Derivative financial instruments					0.1	
Deferred tax	3.5	3.5	3.2	4.0	6.3	0.9
Total non-current assets	273.4	280.0	294.2	282.3	293.5	287.8
Total assets	319.4	339.9	372.8	376.2	408.3	412.5
Liabilities						
Current liabilities:						
Trade and other payables	16.9	21.0	29.3	33.0	37.5	31.1
Derivative financial instruments	4.8	10.5	3.1	0.1	3.0	0.1
Interest bearing liabilities				0.2	0.2	87.3
Current tax liabilities	4.3	6.7	6.3	5.5	2.7	
Total current liabilities	26.0	38.2	38.7	38.8	43.5	118.4
Non-current liabilities:						
Derivative financial instruments	0.3	0.3	0.8	0.6	0.2	0.5
Interest bearing liabilities	54.0	46.5	53.7	42.6	62.5	
Total non-current liabilities	54.3	46.8	54.5	43.2	62.7	0.5
Total liabilities	80.3	85.0	93.2	82.0	106.2	118.9
Equity						
Contributed equity - ordinary shares	197.0	197.0	197.3	197.4	198.2	200.2
Reserves	(1.3)	(4.5)	5.1	(4.7)	(15.7)	(6.4)
Retained earnings	43.4	62.4	77.3	101.5	119.6	99.8
Total equity	239.1	254.9	279.6	294.2	302.1	293.6
Total liabilities and equity	319.4	339.9	372.8	376.2	408.3	412.5

5 Rounding to millions may cause slight differences to published statements and/or minor addition discrepancies.

3. Combined Group

General

We believe that the iconic brands and retail operations of both Kathmandu and the Company's retail chains of Briscoes Homeware, Living & Giving and Rebel Sport are complementary and that combining the companies into one group (**Combined Group**) would generate significant strategic, operational and financial benefits for both Kathmandu and Company shareholders. We believe the Combined Group has greater potential than the businesses individually. Examples of potential incremental benefits include:

- **The Combined Group would be a significant Trans-Tasman retailer:** The aggregate revenue generated by the two companies for the 12 month period to January 2015 was in excess of NZ\$900 million.
- **Reduced volatility in sales and earnings:** The Company's peak sales occur in the lead up to Christmas and accordingly earnings are greatest in the six months ending January each year. Kathmandu's peak sales and earnings are strongly weighted to Easter and winter and are more volatile than those of the Company. Both businesses therefore complement each other. Combining the two businesses would result in lower volatility in operating earnings.
- **Improved debt position:** In its most recently released financial statements, Kathmandu reported net interest-bearing borrowings of NZ \$85.5 million.

The Company had no interest-bearing debt at its most recently completed year end on 25 January 2015 and reported a net cash position of NZ\$89.7 million, approximately NZ\$26 million of which was subsequently applied to settle liabilities payable in the last week of January.

On completion of the proposed takeover, the Combined Group is expected to have a more conservative gearing ratio than Kathmandu's, and a less conservative gearing ratio than the Company's, after funding the cost of the 19.9% of Kathmandu shares already purchased by the Company as well as the NZ\$0.20 per Kathmandu share of cash to be provided under the Offer. These outlays are to be funded by a combination of utilisation of the Company's cash reserves and drawing down borrowings from facilities in place. The Company believes this proposed level of gearing provides good balance sheet flexibility and efficiency.

- **Enhanced equity market presence:** The Combined Group will be significantly larger and potentially more liquid than either of the standalone companies, with potential for greater investor interest as a result of the following:
 - The Combined Group is expected to generate significantly higher annual revenues and earnings than either of the two companies individually.
 - The number of shareholders of the Company would rise from approximately 3,300 to approximately 8,300⁶ as a result of Kathmandu's shareholders being issued new shares upon accepting the Offer (assuming full acceptance).
 - Free float capitalisation⁷ of the Combined Group would be approximately NZ\$400 million compared to NZ\$280 million for Kathmandu, based on share prices at the time the Company announced its intention to make the Offer.

⁶ Based on Kathmandu's share register as at 7 July 2015.

⁷ Free float capitalisation is the market value of the number of shares that are freely tradable. Calculated as the sum of the Company's free float shares (as at 5 June) plus the number of shares issued under the Offer, multiplied by the one-month VWAP for the Company on 29 June 2015 of NZ\$2.88.

- The 78% majority shareholding in the Company held by interests associated with Managing Director Rod Duke would reduce to 55% of the Combined Group. The Company intends for Rod Duke to continue to be intimately involved in the business and with his 55% shareholding, his interests would be strongly aligned with the wealth enhancement interests of all shareholders.
- If the Offer is successful, the Company intends to seek a standard listing on the ASX⁸ alongside its NZX listing. Any such listing is likely to be sought under the "foreign exempt" listing category, the requirements for which have recently been changed to facilitate dual listings by companies listed on NZX. There is no guarantee that such a listing on ASX will be achieved.
- **Potential operational benefits from combining the companies:** If the Offer is successful, you will have the opportunity to benefit from the better performances we believe the Combined Group can achieve compared to what can be achieved by the Company alone. The Company directors see the operations of both businesses as being complementary in terms of the markets they serve and the products they offer. Having little crossover allows for a seamless integration process from a customer perspective. As such, on completion of the Offer, the Company directors intend that the Briscoes Homeware, Living & Giving and Rebel Sport retail chains and Kathmandu will continue to operate with their own brands and branding as part of the Combined Group.

We believe additional benefits from combining the businesses will be able to be realised by various Company operational strategies, structures and practices being adopted by the Kathmandu business. Similarly there are elements of the Kathmandu operations that could generate benefits if applied across the Combined Group.

Over time it is intended that executives and specialists from both companies would work together to obtain an understanding of the features, strengths and weaknesses of strategies, structures and practices across all areas of the businesses, and to achieve best practice across and enrich the Combined Group.

Areas in which potential operational benefits have been identified across both businesses include:

- Design, manufacture, distribution, ranging and promotion of merchandise
- Online operations
- Inventory management and logistics
- Operations management
- Support services
- Property development and property management
- External service providers
- Systems.

Combined Group Financial Information

This section contains an unaudited pro forma balance sheet, which has been prepared to provide you with an indication of the scale and size of the Combined Group as at 31 January 2015, as if the Company had acquired all Kathmandu shares on issue on that date.

The pro forma balance sheet presented in this section should be read in conjunction with the accounting policies of the Company and Kathmandu as disclosed in their most recent financial reports that were individually prepared in accordance with generally accepted accounting practice (GAAP) in New Zealand, International

8 Quotation is subject to approval by ASX (there is no guarantee that the Companies' application will be successful) and ASX takes no responsibility for any statement made in this notice of meeting.

Financial Reporting Standards (IFRS) and NZ equivalents to International Financial Reporting Standards (NZ IFRS), and with notes below.

**Unaudited Pro Forma Balance Sheet of the Combined Group
(NZ\$m)⁹**

Pro Forma Balance Sheet	Briscoe Group	Kathmandu	Pro Forma Adjustments			Pro Forma Combined Group
	25 January 2015	31 January 2015	Notes b(i), b(ii)	Note b(iii)	Note b(iv)	
Assets						
Current assets:						
Cash and cash equivalents	89.7	1.8	(26.4)	(63.3)		1.8
Trade and other receivables	3.8	4.0				7.8
Derivative financial instruments	3.7	15.4				19.1
Current tax asset		6.2			(4.1)	2.1
Inventories	73.5	97.3				170.8
Total current assets	170.7	124.7	(26.4)	(63.3)	(4.1)	201.6
Non-current assets:						
Property, plant and equipment	61.6	50.6				112.2
Investment in subsidiary				359.2	(359.2)	0.0
Intangible assets	1.5	236.3			65.6	303.4
Deferred tax	0.9	0.9				1.8
Total non-current assets	64.0	287.8	0.0	359.2	(293.6)	417.4
Total assets	234.7	412.5	(26.4)	295.9	(297.7)	619.0
Liabilities						
Current liabilities:						
Trade and other payables	74.3	31.1	(26.4)			79.0
Interest bearing liabilities		87.3	(87.3)	37.7		37.7
Current tax liabilities	4.1				(4.1)	0.0
Total current liabilities	78.4	118.4	(113.7)	37.7	(4.1)	116.7
Non-current liabilities:						
Derivative financial instruments		0.5				0.5
Interest bearing liabilities			87.3			87.3
Other	0.7					0.7
Total non-current liabilities	0.7	0.5	87.3	0.0	0.0	88.5
Total liabilities	79.1	118.9	(26.4)	37.7	(4.1)	205.2
Equity						
Contributed equity - ordinary shares	46.6	200.2		258.2	(200.2)	304.8
Reserves	3.9	(6.4)			6.4	3.9
Retained earnings	105.1	99.8			(99.8)	105.1
Total equity	155.6	293.6	0.0	258.2	(293.6)	413.8
Total liabilities and equity	234.7	412.5	(26.4)	295.9	(297.7)	619.0

9 Rounding to millions may cause differences to published statements and/or minor addition discrepancies.

Notes to the Unaudited Pro Forma Balance Sheet for the Combined Group

a. Basis of presentation of unaudited pro forma balance sheet

The unaudited pro forma balance sheet as at 31 January 2015 of the Combined Group is a pro forma consolidation of the audited Company balance sheet as at 25 January 2015, and the unaudited balance sheet included in Kathmandu's interim financial statements as at 31 January 2015, then adjusted as described below.

The unaudited pro forma consolidated balance sheet of the Combined Group is presented in New Zealand millions of dollars and has been prepared in accordance with the accounting policies of the Company.

b. Notes to the adjustments made in preparing the unaudited pro forma balance sheet

(i) Consolidation adjustments - different balance dates

The Company balance sheet as at 25 January 2015 has been adjusted to account for the approximately NZ\$26.4 million payment of liabilities made after balance date but on or before 31 January 2015. No other adjustments have been made to allow for differing balance dates.

(ii) Adjustment to classification of Kathmandu's interest bearing liabilities

In Kathmandu's unaudited 31 January 2015 balance sheet, the interest bearing liability of NZ\$87.3 million was classified as a current liability as the loan balance was repayable in full on the facility maturity date of 21 December 2015. According to the notes to the interim financial statements, subsequent to the 31 January 2015 balance date the Kathmandu Group entered into a new facility agreement on terms consistent with the existing facility agreement and with a new maturity date of 23 March 2018. An adjustment has been made to reclassify the balance outstanding at 31 January 2015 to a non-current liability, on the assumption that this new facility agreement would remain in place after the proposed acquisition by the Company.

(iii) Acquisition of Kathmandu Shares, issue of share capital and debt drawdown

The pro forma balance sheet assumes that the Company had acquired 100% of the shares of Kathmandu for NZ\$359.2 million on 31 January 2015, funded by then existing cash reserves and a drawdown of debt, together totalling NZ\$101.0 million, and an issue of 89.7 million Company shares for the balance, at an assumed issue price of NZ\$2.88 per Company share (being the one-month VWAP of the Company shares on NZX up to and including 29 June 2015, the trading day prior to the Company announcing its intention to make the Offer).

(iv) Goodwill arising on consolidation

The pro forma balance sheet incorporates goodwill arising on this proposed acquisition of NZ\$141.0 million. This has been calculated on the assumption that the book value of Kathmandu's identifiable net assets as reported in Kathmandu's unaudited balance sheet as at 31 January 2015 equate to fair values. The only adjustment made to Kathmandu's reported net assets has been to exclude purchased goodwill, estimated at NZ\$75.4 million, that was included within its total intangible asset balance of NZ\$236.3 million. The increase in goodwill within the pro forma adjustments of NZ\$65.6 million is the net of these two amounts.

(v) Other acquisition accounting adjustments

No other adjustments have been made in the pro forma balance sheet that may arise as part of the acquisition accounting process and related fair value exercise as they have not been able to be identified or quantified.

Pro Forma Income Statement and Statement of Cash Flows

The Company has not provided a pro forma consolidated income statement or pro forma consolidated statement of cash flows for the Combined Group for the latest periods for which financial statements of the Company and Kathmandu are available. The reasons for this included in the Offer document were:

- Kathmandu's historical trading performance for the year ended 31 July 2014 is presumed to have little relevance to Kathmandu's financial performance for the current financial year to 31 July 2015, given performance in the first half of the year to 31 July 2015 was significantly below the performance in the first half of the year to 31 July 2014.
- A pro forma consolidation of the companies' financial performance statements and statement of cash

flows for the latest periods for which published financial information is available would involve considerable subjectivity as it would require multiple adjustments and assumptions.

Following the dispatch of the Offer document, Kathmandu published in its Target Company Statement forecast information that included a net profit after tax of \$30 million for the year ended 31 July 2016, but then on 6 August 2015 made a preliminary announcement of its results for the year ended 31 July 2015 that included an indication of a net profit after tax of \$20m. This result (expected to be confirmed in Kathmandu's final results to be reported in late September 2015) is below what the Company was expecting.

On 26 August 2015 Kathmandu made a further announcement, that it was closely reviewing costs and structures in recognition of a significant reduction in profitability in FY2015, and that an internal review was being initiated by the new CEO which was likely to result in a 10% reduction in employee numbers in the company's two head offices.

Without the detailed results of actual performance for each of the two companies' current reporting periods (half year ended 26 July 2015 for the Company and full year ended 31 July 2015 for Kathmandu), which are due to be announced and published by the companies in coming weeks, in the opinion of the Company's directors, there continues to be insufficient information available about Kathmandu's performance for a meaningful and useful pro forma consolidation of the companies' financial performance statements and statement of cash flows to be compiled for the periods ending July 2015.

Forecast information

The Company has chosen not to provide forecast financial information in this notice of meeting in respect of the Combined Group, as the Company does not believe it has a reasonable basis on which to make forecasts of Kathmandu's future performance. While Kathmandu did publish forecast information in its Target Company Statement, the Company's directors believe that the forecasts are not achievable based on the inconsistency of the forecasts with Kathmandu's negative performance trends in recent years, the downturn being experienced in the retail markets, and the restructuring announcement made by Kathmandu on 26 August 2015.

4. Key Risks of the Transaction and Combined Group

The attention of shareholders is drawn to the "Key Risks" sections of the Offer document (page 34) and the simplified disclosure prospectus included in the Offer document (pages 11 to 13). These sections provide an overview of some of the key risks arising out of the Transaction and potentially impacting the Combined Group.

5. Consequences if the Special Resolution is Approved

If the Special Resolution to approve the Transaction is approved by the Company's shareholders, the Company intends to proceed with the Offer on the same terms as contained in the Offer document (or as otherwise amended as permitted by law).

Any shareholder who voted all their shares against the Special Resolution would be able to require the Company to purchase their shares (or arrange for their purchase) as described below under "Minority Buy-Out Rights".

Assuming the Transaction was successful, Company shareholders would have a shareholding in a larger business. In all cases, Company shareholders will have their overall percentage shareholding in the Company reduced (by the issue of further Company shares). Company shareholders will be able to acquire further shares on NZX at the prevailing market price if they wish to increase their shareholding percentage after the Transaction.

The rationale for the Company undertaking the Transaction is set out above. This also includes information about the composition of the Combined Group following the takeover of Kathmandu.

Following the Transaction, 70.79% of the Company shares will be held by current Company shareholders, with the remaining 29.21% held by Kathmandu shareholders who accept the Offer, assuming the Company acquires 100% of the shares in Kathmandu not already held by the Company.

It is possible that the Company may end up holding less than 100% of Kathmandu's shares under the Offer. This would happen, for example, if the board of the Company waived the 90% acceptance condition in the Offer (90% being the point at which compulsory acquisition of the remaining shares in Kathmandu would be triggered).

If the 90% acceptance condition was waived, but the Company had acceptances which would give it more than 50% of Kathmandu's shares, then the acquisition of shares under the Offer could proceed (assuming all other conditions of the Offer were satisfied or waived). This would leave the Company with a majority shareholding in Kathmandu, but may restrain it from achieving full integration of the businesses, and some of the potential benefits which are being targeted under the Offer.

See also the "Key Risks" sections of the Offer document referred to in section 4 above.

The Company has expressed its intention to apply to be listed on the ASX if the Offer is successful. There is no guarantee that such a listing on ASX will be achieved.

6. Consequences if the Special Resolution is not Approved

If the Special Resolution to approve the Transaction is not approved by the Company's shareholders, the Company will consider its options but the Transaction will not proceed, unless it is approved by a special resolution passed at a subsequent meeting (if any).

However, the Company notes the public statement and undertakings in favour of the Takeovers Panel issued by the R A Duke Trust stating that the R A Duke Trust will vote in favour of a resolution to approve the Transaction. The R A Duke Trust is the largest shareholder of the Company holding in excess of 78% of the Company's shares and so it therefore has the ability to pass the Special Resolution without further support.

The Company reserves its right to call any further special meeting to consider the same or similar transactions.

7. Minority Buy-Out Rights

Section 110 of the Companies Act confers minority buy-out rights on shareholders who vote all of their shares against the approval of a major transaction. Accordingly, a shareholder who votes all of their shares against the Special Resolution approving the Transaction is entitled to give notice to the Company, requiring the Company to purchase those shares in accordance with section 111 of the Companies Act. If a shareholder wishes to exercise this entitlement, they must contact the Company within 10 working days of the passing of the Special Resolution approving the Transaction.

If a shareholder exercises this entitlement, the Company must purchase that shareholder's shares (or arrange for their purchase) unless the Court grants an exemption on any of the grounds set out in sections 114 or 115 of the Companies Act.

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