



The PAS Group Limited

TARGET'S STATEMENT

***YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU
REJECT ABI'S OFFER***

To **REJECT** ABI's Offer **DO NOTHING**

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to how to deal with this document, please contact your legal, financial, taxation or other professional adviser.

Financial Adviser



Legal Adviser

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Key dates

Offer announced	22 September 2015
Date of Bidder's Statement	22 September 2015
Offer Period commences	7 October 2015
Date of Target's Statement	6 October 2015
Offer Period closes (unless Offer is extended or withdrawn)	9 November 2015

Important notices

Target's Statement

This document is a Target's Statement dated 6 October 2015 and is issued by The PAS Group Limited ACN 169 477 463 (**PAS**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement sets out the PAS Board's formal response to the offer made by Australia Brands Investment, LLC (**ABI**) in its Bidder's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with ASIC and given to ASX on 6 October 2015. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

ABI information in this Target's Statement

The information in this Target's Statement in relation to ABI has been prepared by PAS using publicly available information including the Bidder's Statement. PAS and its Directors are unable to verify the accuracy or completeness of that information. Accordingly, to the maximum extent permitted by law, PAS does not make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal advice. PAS is not licensed to provide financial product advice in relation to PAS Shares or any other financial products. This Target's Statement should not be relied on as the sole basis for any investment decision in relation to PAS Shares or ABI's Offer generally. The Directors encourage you to obtain independent legal, financial, taxation or other professional advice before deciding whether or not to accept ABI's Offer.

Forward looking statements

Some statements in this Target's Statement are in the nature of forward looking statements. You should be aware that these statements are predictions only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to PAS as well as general economic conditions and conditions in the financial markets, exchange rates, interest rates and the regulatory environment, many of which are outside the control of PAS and its Directors. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of PAS, any of its officers or any person named in this Target's Statement with their consent or anyone involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement or any events or results expressed or implied in any forward looking statement, except the extent required by law. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. PAS has no obligation to disseminate any updates or revisions to any statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless it is required to do so under Division 4 of Part 6.5 of the Corporations Act to update or correct this Target's Statement (i.e. for certain matters that are material from the point of view of a Shareholder) or under its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules.

Privacy statements

PAS has collected your information from the PAS share registry for the purpose of providing you with this Target's Statement. The type of information PAS has collected about you includes your name, contact details and information on your shareholding in PAS. The Corporations Act requires the name and address of Shareholders to be held in a public register.

Defined terms

Certain terms used in this Target's Statement have defined meanings, as set out in Section 8 of this Target's Statement.

No internet site is part of this Target's Statement

No internet site is part of this Target's Statement. PAS (<http://www.thepasgroup.com.au/>) maintains an internet site. Any references in this Target's Statement to this internet site is textual references only and the information contained on the site does not form part of this Target's Statement.

Chairman's letter

6 October 2015

Dear fellow PAS Shareholder

REJECT ABI's Offer for your Shares – ignore any documents sent to you by ABI

On 22 September 2015, Australia Brands Investment, LLC (**ABI**) announced an unconditional on-market takeover offer to acquire all PAS Shares that it or its associates do not already own for \$0.63 cash per Share (**ABI Offer** or **Offer**).

This document is our Target's Statement, which sets out the unanimous recommendations of your Directors to **REJECT** ABI's materially inadequate Offer and the reasons for that recommendation.

ABI is owned by Coliseum Capital Partners, L.P. (**Coliseum**), Coliseum Capital Partners II, L.P., Blackwell Partners, LLC, Series A and Coliseum Capital Co-Invest, L.P. Before announcing its Offer, ABI had an interest in approximately 19.23% of PAS Shares.

Your Directors believe that there are four key reasons why you should REJECT ABI's Offer.

1. ABI's Offer is materially inadequate and does not reflect fair value for your PAS Shares.
2. The timing of ABI's Offer is opportunistic and fails to reflect the value of a number of initiatives and growth strategies that are well underway.
3. By accepting ABI's Offer or selling your PAS Shares on market, you will lose the opportunity to participate in PAS' expected future growth.
4. By accepting ABI's Offer or selling your PAS Shares on market, you will lose the opportunity to receive the benefit of any subsequent higher offer from a third party or any increase by ABI in its own Offer (noting that ABI has declared its Offer Price of \$0.63 cash final and stated that this price will not be increased during the Offer Period in the absence of a competing offer).

Section 1.2 of this Target's Statement sets out in more detail each of these reasons for your Directors' unanimous recommendation to **REJECT** ABI's Offer. You should read these reasons carefully.

Each of your Directors who holds or controls PAS Shares intends to **REJECT** ABI's Offer in relation to those Shares.

TO REJECT ABI'S OFFER, SIMPLY IGNORE ALL DOCUMENTATION SENT TO YOU BY ABI.

Your Directors note that Coliseum has progressively increased its interest in PAS Shares since December 2014 to approximately 19.23% before announcing ABI's Offer. The emergence of Coliseum on PAS' share register in December 2014, together with Coliseum's on-market purchases of further PAS Shares over the past nine months and its decision to make an *unconditional* Offer are all matters that your Board believe reflect Coliseum's confidence in PAS' underlying business, its future earnings growth and profitability.

Your Board believes that Coliseum's significant investment experience, track record of working constructively with other management teams and in depth knowledge of PAS' business may provide a platform for enhancing value for all PAS stakeholders. Nevertheless, your Directors unanimously believe that ABI's Offer does not reflect fair value for your PAS Shares. PAS has a highly credentialed

management team that is well placed to generate strong future returns from PAS' unique portfolio of brands and assets. PAS has a number of initiatives and growth strategies that are well underway and which are expected to underpin PAS' outlook for improved performance. Details of those initiatives and growth strategies are set out in this Target's Statement. PAS is well managed and has achieved stable year on year sales growth, a high level of cash generation and growing returns. PAS Shares also offer an attractive dividend yield.

Your Directors consider that you will be better off retaining your PAS Shares, rather than exiting your investment in PAS for \$0.63 cash per Share by accepting ABI's Offer. Furthermore, your Directors are seeking to initiate discussions with a number of parties with a view to ascertaining their interest in making a competing takeover offer for PAS. While there is no assurance that these discussions will lead to a superior proposal that your Directors can recommend to PAS Shareholders, if you accept ABI's Offer, you will be unable to participate in any alternative superior proposal that may emerge.

I urge you to read this Target's Statement in its entirety and carefully consider ABI's Offer having regard to your own personal risk profile, investment strategy and tax position, and to seek independent legal, financial, taxation or other professional advice on the action (if any) that you should take in relation to ABI's Offer.

Your Directors will continue to keep you updated on all material developments with respect to ABI's Offer and any competing offer that may emerge.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rod H. Williams", written in a cursive style with a horizontal line underneath.

Chairman

What Do Your Directors Recommend?

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND
THAT YOU
REJECT ABI'S OFFER**

**The reasons for this recommendation are set out in
this Target's Statement**

To REJECT ABI'S Offer DO NOTHING

Ignore all documents sent to you by ABI

Why You Should Reject ABI's Offer

- 1. ABI's Offer is materially inadequate and does not reflect fair value for your PAS Shares**
- 2. The timing of ABI's Offer is opportunistic and fails to reflect the value of a number of initiatives and growth strategies that are well underway**
- 3. By accepting ABI's Offer or selling your PAS Shares on market, you will lose the opportunity to participate in PAS' expected future growth**
- 4. By accepting ABI's Offer or selling your PAS Shares on market, you will lose the opportunity to receive the benefit of any subsequent higher offer that may arise.**

Further details on each of these four reasons for REJECTING ABI's Offer are set out in Section 1.2 of this Target's Statement.

1. Reasons why your Directors unanimously recommend that you REJECT ABI's Offer

1.1 Directors' recommendation and intentions

As at the date of this Target's Statement, the Directors of PAS and their respective interests in PAS Shares are set out in the table below:

Name	Position	Shares held by or on behalf of Director
Rod Walker	Non Executive Chairman	160,853
Eric Morris	CEO and Managing Director	1,598,134
Jacque Naylor	Non Executive Director	53,043
David Fenlon	Non Executive Director	None
Jon Brett	Non Executive Director	150,000
Total		1,962,030

Brief profiles of each of your Directors are provided in Section 5.3 of this Target's Statement.

Your Directors unanimously recommend that you REJECT ABI's Offer.

Each of your Directors intends to **REJECT** ABI's Offer in respect of all PAS Shares held by him or her or in which he or she otherwise has a relevant interest.

The reasons for your Directors' unanimous recommendation to **REJECT** ABI's Offer are set out in Section 1.2 of this Target's Statement.

In evaluating ABI's Offer, your Directors encourage you to:

- read the whole of this Target's Statement, together with the Bidder's Statement;
- ensure you understand the consequences of accepting ABI's Offer, as noted in this Target's Statement and the Bidder's Statement;
- consider your alternatives as outlined in Section 3 of this Target's Statement;
- have regard to your individual risk profile, portfolio strategy, taxation position and financial circumstances; and
- seek independent legal, financial, taxation or other professional advice if you are in any doubt as to what you should do in response to ABI's Offer .

Your Directors will keep you informed of any material developments with respect to ABI's Offer and any competing offer that may emerge.

1.2 Reasons why you should REJECT ABI's Offer

1. ABI's Offer is materially inadequate and does not reflect fair value for your PAS Shares

Your Directors note that Coliseum has progressively increased its interest in PAS Shares since December 2014 to approximately 19.23% prior to announcing the Offer. The emergence of Coliseum on PAS' share register in December 2014, together with Coliseum's on-market purchase of further PAS Shares over the past nine months and its decision to make an *unconditional* Offer are all matters that your Board believe reflect Coliseum's confidence in PAS' underlying business, its future earnings growth and profitability.

Your Board believes that Coliseum's significant investment experience, previous track record of working constructively with other management teams and in depth knowledge of PAS' business may provide a platform for enhancing value for all PAS stakeholders. Nevertheless, your Directors unanimously believe that ABI's Offer does not reflect fair value for your PAS Shares and is materially inadequate based on an assessment of the value of PAS.

The PAS Board considers that PAS Shares are worth substantially more than the Offer Price of \$0.63 per Share. Your Board considers that the following factors, together with the strategic outlook and growth opportunities of PAS (see further details in Reason 3 below) support its view that the Offer is materially inadequate and does not reflect fair value for your PAS Shares.

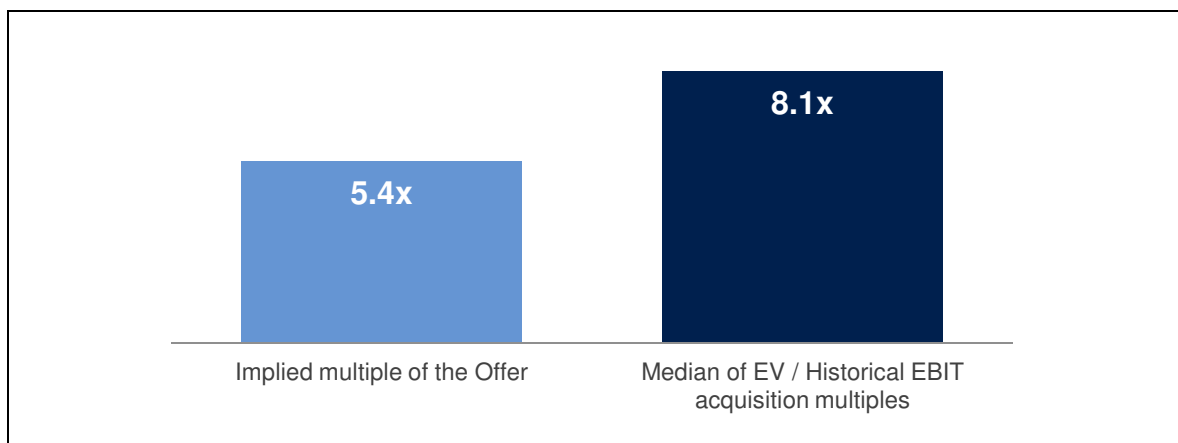
The Offer does not reflect the underlying value of PAS Shares

- There are a number of alternative methodologies available to assess the underlying value of assets or securities for the purpose of evaluating an acquisition proposal, including a takeover or other potential change of control transaction. A generally accepted valuation methodology, and one that your Directors believe is appropriate to PAS' circumstances, is the analysis of earnings multiples in comparison with comparable transactions.
- Adopting this methodology, based on PAS' FY15 underlying EBIT of \$13.6m, the Offer implies a FY15 EV/EBIT multiple of approximately 5.4x.¹ This multiple is materially below comparable transactions involving acquisitions of apparel, retail and wholesale businesses which have a median historical EV/EBIT multiple of 8.1x.²
- Even allowing for differences in the sizes of companies in these comparable transactions compared with PAS, the PAS Board believes the implied FY15 EV/EBIT of 5.4x is materially inadequate.

The FY15 EV/EBIT multiple implied by the Offer is materially below the multiples paid in comparable transactions

¹ Analysis of earnings multiples in comparable transactions involving apparel, retail and wholesale businesses over the five year period from 2011 to 2015. The implied Offer multiple is based on the FY15 underlying EBIT of \$13.6m, the Offer Price of \$0.63 and net cash of \$12.5m (as at 30 June 2015).

² Median EV/Historical EBIT multiples based on apparel, retail and wholesale transactions for control in the last five years where data is available. Transactions include Accent Footwear / RCG Corp (2015): 8.9x; Pacific Brands Workwear / Wesfarmers (2014): 8.2x; David Jones / Woolworths (2014): 15.1x; sass & bide / Myer (2013): 7.1x; Witchery Australia / Country Road (2012): 7.3x; Harris Scarfe / Pepkor (2012): 4.2x; Next Athleisure / Next Capital (2011): 8.1x; Rebel Group / Super Retail Group (2011): 9.2x; Retail Apparel Group / Navis Capital Partners (2011): 8.0x; and sass & bide / Myer (2011): 12.0x



The market price of PAS Shares prior to announcement of the Offer is not a reliable indicator of value

The PAS Board believes that the absence of a liquid and active market for PAS Shares means that the trading prices of PAS Shares prior to the announcement of ABI's Offer is not reflective of the fair value of PAS Shares.

The trading price of PAS Shares is affected by the relatively low liquidity of those Shares arising from a small register of less than 770 Shareholders, with shareholdings that are relatively concentrated among a small number of holders. By way of illustration, as at 21 September 2015 (being the last trading date before the Offer was announced), the top 20 Shareholders of PAS represented approximately 80% of the issued share capital of PAS.

These top 20 Shareholders include ones who entered into voluntary escrow agreements in relation to 31,880,112 PAS Shares, representing approximately 23.32% of all PAS Shares on issue as at the date of this Target's Statement. These escrowed shares have affected the liquidity of PAS Shares. The escrow period for these PAS Shares only expired on 28 August 2015, being the date on which PAS released its FY15 full year results to ASX.

The lack of an active market has resulted in low liquidity in PAS Shares. By way of illustration, the total volume of PAS Shares which traded in the 12 months prior to the announcement of the Offer (excluding the approximately 26.3 million shares acquired by ABI and its associates), as a percentage of total PAS Shares on issue, was only approximately 32%.

This low liquidity results in the trading price of PAS Shares being susceptible to significant fluctuations on small volumes. Accordingly, the market price of PAS Shares prior to the announcement of the Offer is not a reliable indicator of value.

ABI is not offering an adequate control premium

One of the reasons ABI cites as to why Shareholders should accept its Offer is that \$0.63 per Share 'represents a premium of approximately 21.2% to the closing price of PAS' Shares on 21 September 2015 of \$0.52, being the last full day of trading prior to the Announcement Date.'³

Similarly, ABI states that 'The Offer is approximately 20% and 19.5% higher than the volume weighted average price of PAS Shares for the 30 and 60 Trading Days, respectively, prior to the announcement of the Offer.'⁴

³ Bidder's Statement, page 6

⁴ Bidder's Statement, page 4

The PAS Board notes that these premiums are materially below the average premium offered by bidders in takeovers of Australian publicly listed companies. Market based research indicates that the average takeover premium in Australia is in the range of 30% to 40%, including for takeover bids where the bidder has a substantial pre-bid stake of up to 20%.⁵

In any event, the PAS Board does not believe that the trading price of PAS Shares prior to the announcement of ABI's Offer is an appropriate baseline from which to calculate any takeover offer premium. That is because the absence of a liquid and active market for PAS Shares means that the trading prices of PAS Shares prior to the announcement of ABI's Offer does not, in the opinion of the PAS Board, adequately reflect the underlying value of PAS and its business.

PAS Shares provide a high dividend yield

In FY15, PAS declared fully franked dividends totalling \$0.05 per Share. This implies the following FY15 dividend yields for PAS Shareholders:

- 9.6% - based on the last closing price prior to the announcement of the Offer of \$0.52.
- 7.8% - based on the 12 month VWAP up to 21 September 2015 (being the last day of trading prior to the announcement of the Offer) of \$0.641.
- 7.9% - based on the Offer Price of \$0.63 per PAS Share.

Accordingly, your Directors believe that PAS Shares offer an attractive yield and that the current and expected dividends for future years are not adequately reflected in the Offer Price of \$0.63 per Share. The Board has a stated objective of having a dividend payout ratio of 70% to 80%.

⁵ See for example, RSM Bird Cameron's Control Premium Study published in 2013 which concluded that, of the 345 completed transactions observed in the 7 years ended 30 June 2012, the average control premium paid by acquirers was between 26.5% (2 days pre-announcement) and 35.3% (20 days pre-announcement). See also Clayton Utz M&A Deal Trends and Developments published in 2014 which concluded that the average control premium for surveyed deals was 50%. See also Corrs Chambers Westgarth M&A Year in Review published in 2012 and 2013 which concluded that the average control premium for 56 deals observed in 2012 was 37% and the average control premium for 34 deals observed in 2013 was 50%.

2. The timing of ABI's Offer is opportunistic and fails to reflect a number of initiatives and growth strategies underway

The trading price of PAS Shares continues to be impacted by adverse external factors

PAS listed on ASX in June 2014 with an offer price of \$1.15 per Share. The PAS Board believes that the trading price of PAS Shares has not recovered from the adverse external factors encountered by PAS immediately prior to its June 2014 listing and throughout 2015. Those factors include the following:

- the slowdown in consumer confidence following the May 2014 Federal Budget which was widely regarded as having an adverse impact on consumer sentiment generally, in particular, on the discretionary retail segment;
- in the week prior to PAS' listing in June 2014, there were six major profit downgrades issued by ASX listed companies operating in the discretionary retail segment: Super Retail Group, RCG Corp, The Reject Shop, Pacific Brands, Kathmandu and Noni B;
- the decision by Target to produce its own private label branded product resulted in an accelerated reduction of PAS' wholesale revenue; and
- the Metalicus brand has also underperformed and has taken longer than expected to achieve its expected growth.

Collectively, your Directors believe that these factors together with the low liquidity of PAS Shares have had, and continue to have, a material impact on the market price of PAS Shares.

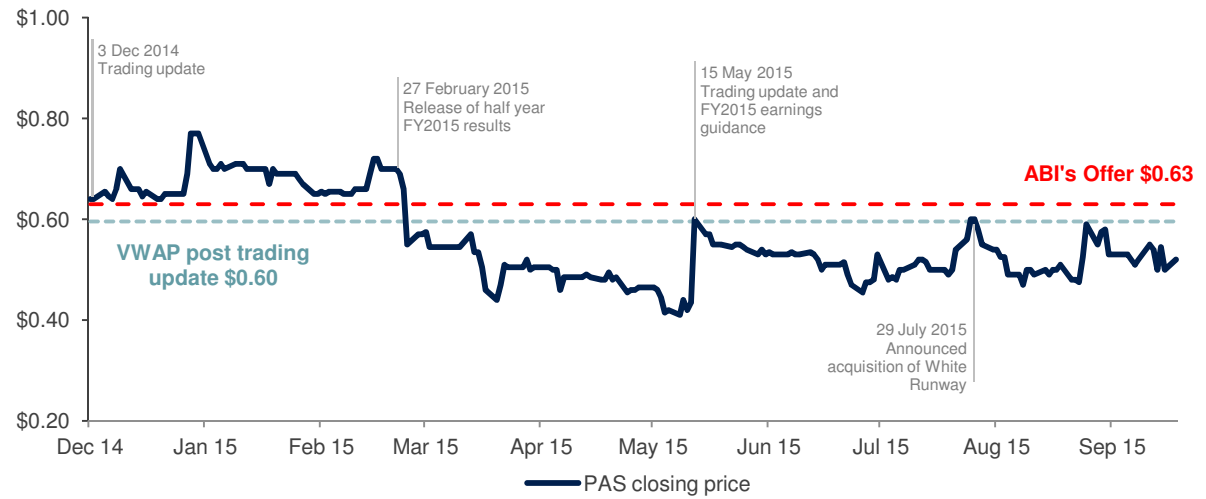
Despite these challenges, the business has made significant progress in executing its longer-term growth strategy and implementing efficiency enhancements across the business (see further Reason 3 below).

The timing of the Offer is selective

As noted earlier under Reason 1, the illiquid nature of PAS Shares means that the market price is susceptible to significant fluctuations on small volumes. In this regard, the Offer appears to have been selectively timed to coincide with a relatively low closing price for PAS Shares of \$0.52 on 21 September 2015 (being the last trading day before the Offer was announced). Specifically:

- On 3 December 2014, PAS provided a trading update which advised that FY15 earnings were expected to be 10% to 15% below the forecast provided in the IPO prospectus.
- For the subsequent period from 4 December 2014 to 21 September 2015 (being the last trading day before the Offer was announced), PAS Shares traded at a VWAP of \$0.60 - this is only approximately 5.4% below the Offer Price of \$0.63.
- As recently as 29 July 2015, the closing price of PAS Shares was \$0.60.

Viewed in this context, the Offer Price of \$0.63 per Share embodies a negligible premium. Equally importantly, your Directors consider that the Offer Price of \$0.63 per Share fails to reflect the value of a number of initiatives and growth strategies that are well underway (see Reason 3 for further details).

Recent PAS share price performance⁶

⁶ Sourced from IRESS. VWAP calculated based on the number of trading days. VWAP post trading update is calculated from 4 December 2014 to 21 September 2015.

3. By accepting ABI's Offer or selling your PAS Shares on market, you will lose the opportunity to participate in PAS' expected future growth

ABI's Offer fails to reflect the value of a number of initiatives and growth strategies that are well underway

By accepting ABI's Offer for all of your Shares or by selling all of your PAS Shares on market, you will exit your investment in PAS completely and lose the opportunity to participate in the expected further growth of PAS.

Your Directors consider that the timing of the ABI Offer is opportunistic (refer to Reason 2). Over the past 12 months, PAS and the broader retail sector have experienced a period of challenging trading conditions and subdued consumer sentiment.

PAS is well advanced with implementing initiatives and growth strategies that are value enhancing to the business. With a strong and experienced management team in place, your Directors expect these strategies to contribute significantly to PAS' financial performance in FY16 and future years.

PAS has made substantial progress in successfully executing its strategy to create value for Shareholders.

This strategy has the following seven elements:

Strategy	Demonstrable Achievements
New store roll out	Since listing on ASX in June 2014, PAS has grown its network of retail sites and opened 46 new retail stores. This is slightly ahead of its growth strategy.
Store improvement	Consistent with its growth strategy, PAS has refurbished or refreshed more than 40 stores since listing on ASX.
Product and brand extension	PAS has introduced a new sports equipment division to its Designworks division which now includes both equipment and footwear.
Licensing opportunities	A key focus of PAS' growth strategy was to transition the Designworks division away from the reliance on Target Private Brand to other brands and brand licensing. PAS has successfully achieved this strategy with the addition of a number of new brands to the licensing division, including the Everlast, Dunlop, Slazenger and Karrimor brands. PAS has also added several new licenses to its character licensing portfolio. These include major licenses such as <i>Hello Kitty</i> and <i>Star Wars</i> . New distribution channels have also opened up with both Toys R Us in Japan as well as Coles who are running regular displays of PAS licensed products. New brands and licences are consistently being added to the portfolio.
Online growth	PAS has achieved significant growth in its online business, with this channel growing 57.1% in FY15. This is on top of the 60.6% growth achieved in FY14. The online channel has continued its strong growth into FY16. A number of key initiatives have been implemented including <i>Click and Collect</i> and <i>Store to Door</i> . PAS will continue to enhance its online sales capabilities with a number of additional initiatives underway.

Strategy	Demonstrable Achievements
Loyalty programs	PAS has achieved strong growth in its loyalty programs which continue to provide valuable data to PAS for segmented targeted communication. A number of additional loyalty program initiatives are also underway.
Acquisitions	Acquisition of White Runway, an online occasion-wear business selling ready to wear and made to measure bridal party, mother of the bride and formal dresses. A number of other acquisition opportunities are currently being assessed.

The Board believes that the continuing successful execution of these strategies will underpin PAS' outlook for improved performance. The value of these strategies has not yet been fully realised. Consequently, if you accept ABI's Offer for all of your PAS Shares, you will exit your investment in PAS completely and lose the opportunity to participate in the future value that is expected to be created from the continuing successful execution of these strategies.

Market outlook

PAS is well placed to deliver growth in FY16 and future years due to the following key growth drivers:

- retail sales growth driven by 32 new stores opening, the annualisation of stores opened in FY15 and underlying growth of the targeted store improvement program and online initiatives;
- wholesale sales growth in the first half of FY16, broadly in line with the run rate achieved in the second half of FY15; and
- the recently acquired White Runway business is forecast to contribute additional sales to the retail segment.

Despite these key growth drivers, PAS remains cautious about the remainder of FY16 given the ongoing subdued level of consumer confidence in Australia and the ongoing challenges faced by the Metalicus brand. These and other risks associated with retaining an investment in PAS Shares are outlined in Section 5.8.

4. By accepting ABI's Offer or selling your PAS Shares on market, you will lose the opportunity to participate in future upside

Your Directors are seeking to initiate discussions with a number of parties with a view to ascertaining their interest in making a competing takeover offer for PAS.

While there is no assurance that these discussions will lead to a superior proposal that your Directors can recommend to PAS Shareholders, if you accept ABI's Offer for some or all of your PAS Shares or if you sell some or all of your Shares on market, you will lose the opportunity to obtain a higher price for your PAS Shares that may arise if:

- a superior offer is made by another bidder for your PAS Shares; or
- ABI increases its own Offer (noting that ABI has declared its Offer price of \$0.63 cash final and stated that this price will not be increased during the Offer Period in the absence of a competing proposal); or
- a higher price is available in due course on market.

If any third party or ABI makes a higher offer after you have disposed of your PAS Shares, **you will not receive the benefit of that higher price.**

2. Frequently asked questions

This Section answers some questions you may have about ABI's Offer. It is not intended to address all relevant issues for Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
ABI's Offer	
What is ABI offering for my PAS Shares?	<p>ABI is offering \$0.63 cash for every PAS Share you hold.</p> <p>ABI's offer is unconditional.</p>
Who is ABI?	<p>ABI is a new company incorporated in Delaware that was established for the purpose of acquiring PAS Shares under the Offer.</p> <p>ABI is owned by Coliseum Capital Partners, L.P., Coliseum Capital Partners II, L.P., Blackwell Partners, LLC, Series A and Coliseum Capital Co-Invest, L.P. in different ownership proportions.</p> <p>At the time of announcing its Offer, ABI and its associates had an interest in approximately 19.23% of PAS Shares.</p>
Did PAS have any knowledge of ABI's intention to make its Offer?	<p>No. ABI informed PAS of ABI's intention to make the Offer just before ABI lodged its Bidder's Statement with ASX and ASIC on 22 September 2015. ABI's Offer was unsolicited by PAS.</p>
What choices do I have in response to ABI's Offer?	<p>As a Shareholder you have the following three choices in respect of your PAS Shares:</p> <ul style="list-style-type: none"> • REJECT the offer and remain a PAS Shareholder⁷ – to REJECT ABI's Offer simply DO NOTHING – ignore all documents sent to you by ABI; • sell your PAS Shares on ASX (unless you have previously accepted ABI's Offer). If the prevailing market price on ASX for PAS Shares is equal to the Offer Price, by selling your PAS Shares on market you will be accepting the Offer; or • accept ABI's Offer. Once you accept, you are precluded from accepting any superior offer from a third party or from ABI (noting that ABI has declared its Offer price of \$0.63 cash final and stated that this price will not be increased during the Offer Period in the absence of a competing proposal). If you accept the Offer for all of your PAS Shares, you will exit your investment in PAS completely. In turn, you lose the opportunity to participate in the expected future growth of PAS. <p>There are implications for you in relation to each of these choices. An outline of these implications is set out in Section 3 of this Target's</p>

⁷ Note: even if you reject ABI's Offer, it is possible that your PAS Shares may be compulsorily acquired, so that you would not remain a PAS Shareholder. Compulsory acquisition of your PAS Shares would require ABI to acquire a relevant interest in at least 90% of all PAS Shares, either immediately after ABI's Offer closes or at a future point in time. See further Section 4.4 of this Target's Statement.

Statement.	
Will PAS remain listed on the ASX?	<p>That depends on the outcome of ABI's Offer.</p> <p>If ABI obtains greater than 90% of PAS, ABI states that it will seek to delist PAS from the ASX. Any proposal to delist PAS from the ASX will require ASX's consent and may be subject to conditions imposed by the ASX.</p> <p>If ABI obtains greater than 50% but less than 90% of PAS, ABI states that it intends to request that the PAS Board review the benefits and suitability of PAS remaining listed on ASX.</p>
Does ABI's Offer extend to PAS Options?	<p>The Offer does not extend to PAS Options.</p> <p>The impact of ABI's Offer on PAS Options is set out in Section 4.6 of this Target's Statement.</p>
How to respond to ABI's Offer	
What do your Directors recommend?	<p>Your Directors unanimously recommend that you REJECT ABI's Offer.</p> <p>The reasons for your Directors' recommendation are set out in Section 1.2 of this Target's Statement.</p> <p>If there is a change in this recommendation or any material developments in relation to ABI's Offer, PAS will keep you fully informed.</p>
What do your Directors intend to do with their own Shares?	<p>Each Director who holds or otherwise has a relevant interest in PAS Shares intends to REJECT ABI's Offer in relation to those PAS Shares.</p>
When do I have to make a decision?	<p>If you wish to follow your Directors' recommendation to REJECT ABI's Offer, you do not need to do anything. You should IGNORE all documents received from ABI.</p> <p>If you wish to accept ABI's Offer, you must do so before its scheduled closing date. ABI has stated that its Offer remains open until 4.00pm (Melbourne time) on 9 November 2015. It is possible that ABI may choose to extend the Offer Period in accordance with the Corporations Act. In addition the Offer Period may be extended automatically in certain circumstances.</p>
Will ABI increase its Offer?	<p>ABI has publicly stated in its Bidder's Statement that its Offer is final and will not be increased during the Offer Period in the absence of a competing proposal.</p>
What happens if I accept ABI's Offer and a superior offer is subsequently made by a third party for my PAS Shares?	<p>If you accept ABI's Offer, you will be legally bound to sell your PAS Shares and will not be able to withdraw your acceptance.</p> <p>Accordingly if you accept ABI's Offer, you will be unable to accept any other superior offer that may emerge.</p>

What happens if I do nothing?	<p>You will remain a PAS Shareholder.</p> <p>If ABI acquires 90% or more of PAS Shares, ABI states that it intends to compulsorily acquire your PAS Shares. See Section 4.4 of this Target's Statement for more details.</p> <p>If ABI acquires between 50% and 90% of PAS Shares, you will be a minority shareholder in PAS. The implications of this are described in Section 4.3 of this Target's Statement.</p>
If I accept ABI's Offer now, can I withdraw my acceptance later?	<p>No. If you accept ABI's Offer, you will be legally bound to sell your PAS Shares and you cannot later withdraw your acceptance.</p>
Can ABI extend the closing date of its Offer?	<p>Yes. ABI has stated that its Offer remains open until 4.00pm (Melbourne time) on 9 November 2015. It is possible that ABI may choose to extend the Offer Period in accordance with the Corporations Act.</p> <p>In addition the Offer Period may be extended automatically in certain circumstances. See Section 4.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>
Can I be forced to sell my PAS Shares?	<p>You cannot be forced to sell your PAS Shares unless ABI is legally allowed to proceed to compulsory acquisition of PAS Shares. This requires ABI to acquire at least 90% of all PAS Shares (under ABI's Offer or otherwise).</p> <p>If ABI does compulsorily acquire the outstanding PAS Shares you will receive the same consideration for your PAS Shares that you would have received under ABI's Offer but it will take longer for you to receive the Offer Price.</p> <p>For more information about compulsory acquisition refer to Section 4.4 of this Target's Statement.</p>
Can I accept ABI's Offer for only some of my PAS Shares?	<p>Yes. The terms of ABI's Offer allow you to accept ABI's Offer for some or all of your PAS Shares.</p>
When will I receive my cash if I accept ABI's Offer?	<p>The usual rules for settlement of on-market transactions on ASX will apply in respect of ABI's Offer. This means that if you accept ABI's Offer, ABI will pay you on a T+3 basis (being 3 Trading Days after the date of your acceptance).</p>
Will I need to pay brokerage or stamp duty if I accept the Offer?	<p>As ABI's Offer is an on-market offer, Shareholders may only accept the Offer through brokers or controlling participants who are members of ASX. You should ask your broker or controlling participant if any fees or charges will apply. Any fees or other charges of such broker or controlling participants will be the sole responsibility of the accepting PAS Shareholder.</p> <p>ABI will bear its own brokerage, if any, on the transfers of PAS Shares acquired through acceptance of the Offer.</p>

	No stamp duty or GST will be payable by you on the transfer of your PAS Shares under the Offer (other than GST payable to your broker in respect of any brokerage fees charged to you).
Are there any taxation implications of accepting ABI's Offer?	<p>A general outline of the tax implications for certain Australian resident PAS Shareholders of accepting ABI's Offer is set out in Section 6 of this Target's Statement. As that outline is general in nature and does not take into account your individual circumstances, you should not rely on that outline as advice for your particular circumstances.</p> <p>You should seek your own independent taxation advice as to the taxation implications applicable to your specific circumstances.</p>
Are there any conditions to ABI's Offer?	No, ABI's Offer is unconditional.
What are the risks associated with continuing to hold PAS Shares?	These risks are outlined in Section 5.8 of the Target's Statement.

3. Your choices as a PAS Shareholder

Your Directors unanimously recommend that you **REJECT** ABI's Offer.

You have the following three choices available to you.

1. REJECT ABI's Offer

To **REJECT** ABI's Offer you should **DO NOTHING**. This is the course of action unanimously recommended by your Directors.

You are not required to take any action to reject ABI's Offer. In particular you should not respond to any documentation sent to you by ABI or any other communication from ABI (including telephone solicitation or canvassing by ABI or its representatives).

If you decide to do nothing, you should be aware of the rights of ABI to compulsorily acquire your PAS Shares in certain circumstances. For information on compulsory acquisition, refer to Section 4.4 of this Target's Statement.

2. Accept ABI's Offer

PAS Shareholders who accept ABI's Offer:

- will not be able to participate in any superior offer that may be made by a third party
- will not receive the benefit of any subsequent increase by ABI in its own Offer (noting that ABI has declared its Offer Price of \$0.63 cash final and stated that this price will not be increased during the Offer Period in the absence of a competing proposal)
- will not benefit if the market price for PAS Shares on ASX trades above the Offer Price;
- may be liable to pay brokerage or other fees relating to the processing of your acceptance which will reduce the total consideration you receive; and
- may be liable to pay tax on the disposal of their PAS Shares which may have financial consequences for some PAS Shareholders. See Section 6 of this Target's Statement for further details of the tax consequences of ABI's Offer.

PAS Shareholders who wish to accept ABI's Offer should refer to the Bidder's Statement for how to do so.

3. Sell your PAS Shares on ASX

During the Offer Period, you may sell your PAS Shares on market through the ASX at the prevailing market price for cash (less any brokerage), provided you have not already accepted ABI's Offer for those Shares.

If the prevailing market price on ASX for PAS Shares is equal to the Offer Price, by selling your PAS Shares on market you will be accepting the Offer.

The latest trading price for PAS Shares may be obtained from the ASX website www.asx.com.au using the code *PGR*.

You should contact your broker for information on how to sell your PAS Shares through the ASX and your tax adviser to determine your tax implications from such a sale.

4. Information about ABI's Offer and other important issues

4.1 Summary of ABI's Offer

The Offer	<p>ABI is offering to acquire all of your PAS Shares.</p> <p>You may accept ABI's Offer for some or all of your PAS Shares.</p>
Offer Price	ABI is offering \$0.63 cash for every 1 PAS Share you hold.
Conditions	ABI's Offer is not subject to any conditions.
ABI has declared its Offer final	<p>ABI has publicly stated in its Bidder's Statement that its Offer is final and will not be increased during the Offer Period in the absence of a competing proposal.</p> <p>Accordingly, if a competing proposal emerges during the Offer Period, ABI may increase its Offer Price. However, if you have already accepted ABI's Offer, you will not receive the benefit of any improved Offer Price.</p> <p>In addition, ABI is not allowed by law to increase its Offer Price during the last 5 Trading Days of the Offer Period.</p>
Offer closing date	ABI's Offer is scheduled to close at 4.00pm (Melbourne time) 9 November 2015 unless ABI's Offer is extended or withdrawn.
Procedural aspects	<p>The Offer Period may be extended by ABI.</p> <p>The Offer Period may be required by law to be extended in certain circumstances.</p> <p>ABI's Offer may be withdrawn in limited circumstances.</p> <p>If you accept ABI's Offer, ABI is required to provide your Offer Price within three Trading Days after your acceptance.</p> <p>These and other procedural aspects of ABI's Offer are outlined in Section 4.5 of this Target's Statement.</p>

4.2 Risks associated with ABI's Offer

PAS Shareholders should be aware of the following key risks that arise from ABI's Offer.

(a) Risks associated with accepting ABI's Offer

If you choose to accept ABI's Offer, you will immediately become bound to sell your PAS Shares for \$0.63 each and will be paid for them on a T+3 basis. You will be responsible for brokerage and any other transaction costs, which may affect the total cash amount that you ultimately receive for your PAS Shares.

Furthermore, your Directors are seeking to initiate discussions with a number of parties with a view to ascertaining their interest in making a competing takeover offer for PAS.

While there is no assurance that these discussions will lead to a superior proposal that your Directors can recommend to PAS Shareholders, if you accept ABI's Offer, you will be unable to withdraw your acceptance of ABI's Offer and will be locked out from the opportunity to benefit from:

- the future value the PAS Board expects will be created from continuing to execute its initiatives and growth strategies, the value of which have not yet been fully realised;
- any potential increase in the PAS Share price;
- any potential superior proposal from a third party; and

- any potential increase in the Offer Price by ABI, noting that ABI has publicly stated in its Bidder's Statement that its Offer is final and will not be increased during the Offer Period in the absence of a competing proposal.

(b) Risks associated with rejecting ABI's Offer

If you choose to reject ABI's Offer, you will not receive the Offer Price for your PAS Shares. You will remain a PAS Shareholder and will continue to be subject to the risks associated with holding PAS Shares. A non-exhaustive summary of those risks is set out in Section 5.8 of this Target's Statement

You may also be subject to the matters set out in Section 4.3 of this Target's Statement if ABI acquires less than 90% of PAS.

4.3 Consequences of ABI acquiring less than 90% of PAS

If ABI acquires more than 50% but less than 90% of the PAS Shares, then ABI will acquire a majority shareholding in PAS.

In those circumstances, PAS Shareholders who do not accept ABI's Offer will become minority shareholders of PAS. This has a number of possible implications, including:

- ABI will be in a position to cast the majority of votes at a general meeting of PAS. This will enable it to control the composition of PAS' Board of Directors and senior management, and control the strategic direction of the businesses of PAS and its subsidiaries;
- the PAS Share price may fall immediately following the end of the Offer Period although this may be mitigated by the underlying attractiveness of PAS' business;
- the liquidity of PAS Shares may be lower than at present, and there is a risk that PAS could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity; and
- if the number of PAS Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then ABI may seek to have PAS removed from the official list of the ASX. If this occurs PAS Shares will not be able to be bought or sold on the ASX.

In addition if ABI acquires 75% or more of the PAS Shares it will be able to pass a special resolution at a meeting of PAS Shareholders. This would enable ABI, among other things, to pass amendments to PAS' constitution.

If ABI's Offer lapses or if ABI acquires less than 50% of PAS Shares, the trading price of PAS Shares may be higher or lower than the implied value of the Offer Price. If you remain a PAS Shareholder in this circumstance, you will continue to enjoy the rewards, and be subject to the risks, of being a PAS Shareholder.

4.4 Compulsory acquisition

(a) Compulsory acquisition following Offer

ABI states in its Bidder's Statement that if it becomes entitled to proceed to compulsorily acquire outstanding PAS Shares at the end of the Offer Period under Part 6A.1 of the Corporations Act, ABI intends to do so.

Under Part 6A.1 of the Corporations Act, ABI will be entitled to compulsorily acquire any PAS Shares in respect of which it has not received an acceptance of its Offer on the same terms as ABI's Offer if, during or at the end of the Offer Period:

- ABI and its associates have a relevant interest in at least 90% (by number) of the PAS Shares; and
- ABI and its associates have acquired at least 75% (by number) of the PAS Shares that ABI offered to acquire (excluding PAS Shares in which ABI or its associates had a relevant interest at the date of ABI's Offer and also excluding any PAS Shares issued to an associate of ABI during the Offer Period).

If these thresholds are met, ABI will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted ABI's Offer.

(b) Future compulsory acquisition by ABI

Even if ABI does not satisfy the compulsory acquisition threshold referred to in Section 4.4(a) of this Target's Statement, it is possible that ABI will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the PAS Shares. ABI would then have rights to compulsorily acquire PAS Shares not owned by it within six months of becoming the holder of 90%. The price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

(c) Challenging compulsory acquisition

PAS Shareholders have statutory rights to challenge any compulsory acquisition. However a successful challenge will require the relevant PAS Shareholders to establish to the satisfaction of a court that the terms of ABI's Offer do not represent *fair value* for the PAS Shares. If PAS Shares are compulsorily acquired, Shareholders who have their PAS Shares compulsorily acquired are not likely to receive payment for their PAS Shares until at least one month after the compulsory acquisition notices are dispatched to them.

4.5 Procedural aspects of ABI's Offer

Extension of Offer Period	<p>ABI may extend the Offer Period at any time until 5 Trading Days before the end of the Offer Period. An extension to the Offer Period may only be announced during those last 5 Trading Days of the Offer Period in limited circumstances prescribed by the Corporations Act.</p> <p>In addition there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period ABI's voting power in PAS increases to more than 50%.</p> <p>If this event occurs, the Offer Period is automatically extended so that it ends 14 days after the event occurs.</p> <p>The maximum duration of the Offer Period is 12 months.</p>
Withdrawal of Offer	<p>ABI may withdraw its Offer in respect of any unaccepted Offers at any time:</p> <ul style="list-style-type: none"> • with the written consent of ASIC and subject to the conditions (if any) specified in ASIC's consent; • where a Prescribed Occurrence occurs, if at the time of the Prescribed Occurrence ABI's voting power in PAS is at or below 50%; or • on the occurrence of an Insolvency Event in relation to PAS (regardless of ABI's voting power in PAS).
Effect of acceptance	<p>If you accept ABI's Offer then you will give up your right to sell your PAS Shares on market or to sell your Shares to any other person that may make a takeover bid, or to otherwise deal with your Shares in any manner.</p>
No ability to withdraw your acceptance	<p>If you accept ABI's Offer, you will be legally bound to sell your PAS Shares and you cannot later withdraw your acceptance.</p>

Timing for receipt of Offer Price if you accept	The usual rules for settlement of on-market transactions on ASX will apply in respect of ABI's Offer. This means that if you accept ABI's Offer, ABI will pay you on a T+3 basis (being 3 Trading Days after the date of your acceptance).
Effect of an increase in Offer Price for Shareholders who have already accepted	If ABI increases the Offer Price under its takeover bid, any PAS Shareholders who have already accepted ABI's Offer before that increase in the Offer Price will not be entitled to the benefit of that increase.

4.6 Effect of Offer on PAS' executive long term incentive plan

PAS operates a long term executive incentive plan (**LTI Plan**) as part of its remuneration strategy for executives. The LTI Plan commenced on 1 July 2014. The objective of the LTI Plan is to reward executives through aligning this element of remuneration with accretion in long-term shareholder wealth.

As the LTI Plan involves the acquisition of PAS Shares by executives, ABI's Offer may trigger rights to allow executive securityholders to participate in ABI's Offer in the same manner as other PAS Shareholders.

In summary ABI's Offer will have the following consequences.

(a) PAS Options

Under the LTI Plan, executives may receive the issue of unlisted options over PAS Shares at an exercise price equal to the then market value of the shares (**PAS Options**). PAS Options vest over a three-year period based on the achievements of total shareholder return and earnings per share performance targets, provided that the recipient is eligible.

As at the date of this Target Statement, the only holders of PAS Options are as set out in the table below:

Name	Number of PAS Options	Exercise price
Eric Morris (CEO and Managing Director)	2,623,688	\$1.15
Derrick Krowitz (former CFO and Company Secretary)	345,668	\$1.15
Brendan Santamaria (General Manager, Designworks)	749,625	\$1.15

Under the LTI Plan rules, the Board has a discretion to accelerate the vesting of PAS Options on issue if a takeover bid is made in respect of the PAS Shares or any other corporate control event occurs. As at the date of this Target's Statement, the Board has not yet made a decision on the exercise of this discretion.

(b) PAS Performance Rights

Under the LTI Plan, executives may receive the issue of rights to acquire PAS Shares where certain performance, service or other vesting conditions determined by the Board are satisfied (**PAS Performance Rights**). PAS Performance Rights vest on a 1:1 basis into PAS Shares and are granted to eligible executives for no consideration.

As at the date of this Target Statement, the only holders of PAS Performance Rights are as set out in the table below:

Name	Number of PAS Performance Rights
Matthew Durbin (Chief Financial and Operating Officer)	549,818
Brendan Santamaria (General Manager, Designworks)	368,318

In addition, PAS has announced that it is seeking Shareholder approval at its 2015 annual general meeting for the issue of 980,000 PAS Performance Rights to Eric Morris.

Under the LTI Plan rules, the Board has a discretion to accelerate the vesting of PAS Performance Rights on issue if a takeover bid is made in respect of the PAS Shares or any other corporate control event occurs. As at the date of this Target's Statement, the Board has not yet made a decision on the exercise of this discretion.

5. Profile of PAS

5.1 Introduction

PAS is a leading Australian apparel and sports equipment business with a diverse portfolio of brands, appealing to a broad customer market.

PAS listed on ASX in June 2014 and currently has approximately 770 Shareholders.

5.2 Business activities

PAS operates 275 vertically integrated retail sites across Australia offering the Black Pepper, Review, Metalicus and Yarra Trail brands.

Key wholesale brands include Black Pepper, Metalicus, Yarra Trail and a mixture of owned brands and licensed brands designed and distributed by the Designworks operation, including Everlast, Dunlop, Slazenger and Mooks. Designworks is one of Australia's largest in house design and production businesses.

PAS has a multi-channel sales offering through its branded retail stores and concessions, online channels and on a wholesale basis through a range of retailers including department stores, discount department stores and over 1,000 independent boutiques.

PAS recently acquired White Runway, a unique online occasion-wear business.

5.3 Directors

(a) Rod Walker (Chairman, Non Executive Chairman)

Rod Walker was appointed chairman of PAS in October 2011. Rod has had over 30 years' experience in a variety of businesses, working in Australia, the USA and Canada. Having had success as a CEO, Director and Chairman, particularly in the retail industry, he currently sits on several boards as both a Chairman and Non-Executive Director. He has led several companies through major acquisitions, mergers, record results and in some cases successful exits whilst also working with the CEOs on their personal development.

(b) Eric Morris (Managing Director, CEO)

Eric Morris has been CEO since the inception of PAS in 2005 and has led seven of PAS' acquisitions and the successful integration of PAS' eight businesses. Eric has over 35 years' industry experience having held senior executive positions in both major international and national companies.

(c) Jacquie Naylor (Non Executive Director)

Jacquie Naylor was appointed to the Board on 22 May 2014. Jacquie has over 30 years of experience in the consumer and retail industry, with a significant track record of board and executive positions. Jacquie sits on the board of the Melbourne Fashion Festival. She was an executive director of The Just Group Pty Ltd and owner director of the Husk Corporation fashion retail group.

(d) David Fenlon (Non Executive Director)

David Fenlon was a Director of the former PAS Group since April 2014 and he was appointed to the Board of PAS on 9 May 2014. David has held a number of Managing Director and senior executive positions across the retail industry and is currently Managing Director of Blackmores in Australia and New Zealand. Prior to this, David established and operated Simple Retail Consulting as the Managing Partner.

(e) Jon Brett (Non Executive Director)

Jon Brett was appointed to the Board on 22 May 2014. Jon has extensive experience in the areas of management, operations, finance and corporate advisory. Jon's experience includes several years as Managing Director of a number of publicly listed companies. Jon is currently on the Board of Vocus Communications Limited and Godfreys Group Limited, where he is the Chairman of the Audit and Risk Committee. Jon is also a Director of several unlisted companies and was formerly an executive Director of Investec Wentworth Private Equity Limited and the non-executive deputy president of the National Roads and Motoring Association.

5.4 Senior management

(a) Matthew Durbin (Chief Financial and Operations Officer)

Matthew Durbin joined PAS on 8 December 2014 as Chief Operations Officer and was appointed Chief Financial and Operations Officer on 5 February 2015. Matthew has over 26 years, retail industry experience having worked across strategy and finance, merchandise, financial services and stores at David Jones and Myer. Before joining PAS, Matthew held the position of Executive: Strategic Planning at David Jones where he was responsible for overall group strategy and business planning. Matthew is a qualified accountant (FCPA) and holds an MBA from the Australian Graduate School of Management.

(b) Kwong Yap (Company Secretary)

Kwong Yap was appointed as Company Secretary of PAS and its subsidiaries on 10 August 2015. Kwong joined PAS with extensive experience gained in General Counsel and Company Secretarial roles.

5.5 Current strategies

Section 1.2 (Reason 3) provides a summary of PAS' seven initiatives and growth strategies which the Board considers will underpin PAS' outlook for improved performance.

5.6 FY15 results summary

On 28 August 2015, PAS released to ASX its full year results for the year ended 30 June 2015.

The highlights of PAS' FY15 results include:

- sales up 3.1% to \$253.2 million;
- underlying EBITDA of \$20.2 million;
- underlying net profit after tax of \$8.8 million;
- underlying earnings of 6.4 cents per Share;
- cash on hand of \$12.5 million as at 30 June 2015; and
- total full year dividends of 5.0 cents per Share fully franked, with the final dividend being 3.1 cents per Share.

5.7 FY16 outlook

The Board believes that PAS is well placed to deliver growth in FY16 due to the following key growth drivers:

- retail sales growth driven by 32 new stores opening, the annualisation of stores opened in FY15 and underlying growth of the targeted store improvement program and online initiatives;
- wholesale sales growth in the first half of FY16, broadly in line with the run rate achieved in the second half of FY15; and

- the recently acquired White Runway business is forecast to contribute additional sales to the retail segment.

Despite these key growth drivers, PAS remains cautious about the year ahead given the continued lack of consumer confidence in Australia and the ongoing challenges faced by its Metalicus brand.

5.8 Key risks faced by PAS

Set out below is a summary of the key risks that PAS Shareholders will continue to be exposed to if they reject the ABI Offer and retain their current investment in PAS Shares. The risks identified in this Section are not exhaustive, and no assurances or guarantees of future performance of, profitability of, or payment of dividends by PAS are given.

Company specific risks

Retail environment and general economic conditions in PAS' reference markets may worsen	As a discretionary retailer, PAS' performance is sensitive to changes in economic and retail conditions in Australia, and the cyclical patterns of consumer spending. The apparel market is also becoming an increasingly global market through the impact of overseas retailers. PAS has a diversified business model and a clear strategy which ensures it remains highly competitive and attractive to customers in this changing landscape.
Prevailing fashions and consumer preferences may change	PAS' revenues are entirely generated from the retail and wholesale of clothing and accessories, which are sometimes subject to unpredictable changes in prevailing fashions and consumer preferences. PAS has a strong understanding of consumer preferences and its diversified offering allows PAS to adapt to changes in consumer demands.
Product sourcing, supply chain and foreign exchange rates	PAS' products are sourced and manufactured by a network of third parties, primarily in Asia. As a result, PAS is exposed to risks including, among others, political instability, costs and delays in international shipping arrangements and exchange rate risks. PAS is primarily exposed to movements in the AUD/USD exchange rates which it mitigates by utilising forward exchange cover.
Retail Sites	PAS had 275 Retail sites across Australia and New Zealand at 30 June 2015. The leases and concession agreements have a range of terms and option periods, although they are generally leases which PAS cannot readily terminate. PAS employs a dedicated resource to manage relationships with landlords, negotiate terms and seek new and profitable opportunities.
Wholesale customer relationships	PAS supplies a range of retailers with a large and diversified range of clothing and accessories on a wholesale basis. Any significant change in the procurement practices of wholesale customers could adversely impact the future financial performance of one or more of PAS' brands.
Exposure to Myer	Myer is a key concession and wholesale business counterparty. Myer has had a number of challenges particularly in the women's wear division.

Business risks

Economic risks	As with other companies conducting business in Australia, the performance of PAS is affected by general prevailing economic conditions. This includes an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, amongst other factors.
Investment risk	<p>The ability of PAS to pay dividends is dependent on its profitability and other factors.</p> <p>The price at which PAS Shares trade on ASX will fluctuate due to PAS specific factors such as the liquidity of PAS shares, profitability and dividends, and other general market factors, not directly related to the performance of PAS.</p>

6. Taxation consequences

6.1 Introduction

This Section provides a summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications for PAS Shareholders on disposing of their PAS Shares (through acceptance of ABI's Offer or having them compulsorily acquired by ABI) in return for cash consideration.

This Section is relevant for Australian resident and foreign resident PAS Shareholders who hold their PAS Shares on capital account. This information relates only to PAS Shares, and not to other rights held over PAS Shares. This Section does not consider the Australian tax consequences for PAS Shareholders:

- who hold their PAS Shares as trading stock or as revenue assets;
- who hold their PAS Shares as assets used in carrying on a business or as part of a profit making undertaking or scheme;
- who acquired their PAS Shares through an employee share scheme;
- who are Australian tax residents but who hold their PAS Shares as part of an enterprise carried on, at or through a permanent establishment in a foreign country;
- that are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- who are subject to the taxation of financial arrangements rules in relation to gains and losses on their PAS Shares.

The information in this Section is based on the Australian taxation law and practice in effect as at the date of this Target's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every PAS Shareholder. PAS Shareholders should seek independent professional advice regarding the taxation consequences of accepting ABI's Offer and disposing of their PAS Shares.

6.2 Taxation consequences of disposal of PAS Shares by Australian residents

A summary of the income tax consequences relevant for PAS Shareholders who dispose of their PAS Shares by way of transfer to ABI and that are Australian residents for tax purposes is outlined below.

Under ABI's Offer, PAS Shareholders will dispose of their PAS Shares to ABI in exchange for the Offer Price.

The disposal of PAS Shares to ABI under ABI's Offer will constitute a capital gains tax (**CGT**) event for PAS Shareholders. The CGT event will happen:

- at the time PAS Shareholders accept ABI's Offer; or
- if the PAS Shareholder does not accept ABI's Offer and the PAS Shares are compulsorily acquired by ABI, the time at which the PAS Shares are acquired.

PAS Shareholders will:

- make a capital gain if the capital proceeds received on the disposal of their PAS Shares are more than the cost base of those PAS Shares; or
- make a capital loss if the capital proceeds received on the disposal of their PAS Shares are less than the reduced cost base of those PAS Shares.

The capital proceeds received by a PAS Shareholder who accepts ABI's Offer (or has their PAS Shares compulsorily acquired by ABI) will be equal to the Offer Price.

The cost base (or reduced cost base) of PAS Shares in the hands of the PAS Shareholders will be broadly the original amount paid to acquire their PAS Shares and any non deductible incidental costs associated with the acquisition of the PAS Shares and the disposal to ABI.

PAS Shareholders may be entitled to reduce any capital gain on the disposal of their PAS Shares by applying the CGT discount (discussed below).

CGT Discount

The CGT discount should be available to PAS Shareholders who are individuals, trusts or complying superannuation funds and have held their PAS Shares for at least 12 months before the time of the CGT event resulting in the disposal of the PAS Shares by accepting ABI's Offer (or having their PAS Shares compulsorily acquired).

Broadly, the CGT discount rules enable the PAS Shareholders to reduce their capital gain (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and 33 1/3% for complying superannuation funds.

The CGT discount is not available to PAS Shareholders that are companies.

The application of the CGT discount rules to a PAS Shareholder that is a trustee of a trust is complex, particularly where distributions to beneficiaries of the trust are attributable to discounted capital gains. PAS Shareholders that are trustees of trusts should obtain specific tax advice.

Capital losses

A capital loss will arise where the capital proceeds received by the PAS Shareholders on the disposal of their PAS Shares are less than the reduced cost base of those shares.

A capital loss may be used to offset any other capital gains made by the PAS Shareholders for the relevant year of income or may be carried forward to offset capital gains in future income years. Specific loss recoupment rules apply to companies to restrict their ability to utilise capital losses in future years in some circumstances. PAS Shareholders should seek their own tax advice in relation to the operation of these rules.

6.3 Taxation consequences of disposal of PAS Shares by foreign residents

A summary of the Australian income tax consequences relevant for PAS Shareholders who dispose of their PAS Shares by accepting ABI's Offer (or having their PAS Shares compulsorily acquired) and who are foreign residents for tax purposes is outlined below.

Generally, a PAS Shareholder who is a foreign resident for Australian income tax purposes and who does not carry on business in Australia at or through a permanent establishment should be exempt from CGT on the disposal of their PAS Shares, unless, broadly:

- the foreign resident PAS Shareholder (together with its associates) hold 10% or more of the issued shares in PAS at the time of the CGT event resulting from the disposal of the PAS Shares or for any continuous twelve month period within two years preceding the time of the CGT event; and
- more than 50% of the market value of PAS is represented by real property in Australia (broadly, land situated in Australia).

Importantly, foreign resident PAS Shareholders must assess whether they are subject to CGT at the time of the CGT event resulting from the disposal of their PAS Shares. Foreign resident PAS Shareholders who are subject to CGT on the disposal of their PAS Shares will not be entitled to the CGT discount in relation to that portion of the capital gain which arises after 8 May 2012.

PAS Shareholders who are not resident in Australia for income tax purposes should note that the Australian tax consequences from the disposal of PAS Shares may be affected by any double tax agreement between Australia and their country of residence. Foreign resident PAS Shareholders should obtain specific tax advice.

6.4 Stamp duty and GST

ABI will pay the stamp duty (if any) payable in Australia on the transfers of PAS Shares under ABI's Offer.

No GST will be payable by a PAS Shareholder in respect of their sale of PAS Shares to ABI pursuant to ABI's Offer.

PAS Shareholders may be charged GST on costs (such as brokerage and advisor fees) that relate to their participation in ABI's Offer. PAS Shareholders may be entitled to input tax credits for such costs, but should seek independent advice in relation to their individual circumstances.

7. Additional information

7.1 Directors' interests and dealings in PAS Shares

(a) Interests in PAS securities

As at the date of this Target's Statement, the Directors' relevant interests in PAS Shares is as shown in Section 1.1 of this Target's Statement.

In addition, Eric Morris has 2,623,688 PAS Options. The approval of PAS Shareholders will be sought at PAS' Annual General Meeting on 22 October 2015 for a grant of 980,000 PAS Performance Rights to Mr Morris.

(b) Dealings in PAS Shares

No Director has acquired or disposed of a relevant interest in any PAS Shares in the 4 months ending on the date immediately before the date of this Target's Statement.

(c) Intentions of your Directors in relation to ABI's Offer

Each of your Directors who has a relevant interest in PAS Shares intends to **REJECT** ABI's Offer in relation to those PAS Shares.

7.2 Interests and dealings in ABI securities

(a) Interests in ABI securities

As at the date of this Target's Statement, no Director had a relevant interest in any securities of ABI.

(b) Dealings in ABI securities

No Director has acquired or disposed of a relevant interest in any securities of ABI in the 4 months ending on the date immediately before the date of this Target's Statement.

7.3 Benefits and agreements

(a) Directorships

As at the date of this Target's Statement, no Director of PAS is a director of ABI.

(b) Benefits in connection with retirement from office

As a result of ABI's Offer no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of PAS.

(c) Agreements connected with or conditional on ABI's Offer

There are no agreements made between any Director of PAS and any other person in connection with, or conditional on, the outcome of ABI's Offer other than in their capacity as a holder of PAS Shares.

(d) Benefits from ABI

None of the Directors has agreed to receive, or is entitled to receive, any benefit from ABI which is conditional on, or is related to, ABI's Offer, other than in their capacity as a holder of PAS Shares as outlined in Section 1.1 of this Target's Statement.

(e) Material interests of Directors in contracts with ABI

None of the Directors has any interest in any contract entered into by ABI.

7.4 Material litigation

PAS does not believe that it is involved in any litigation or dispute which is material in the context of PAS and PAS Group taken as a whole.

7.5 Issued capital

As at the date of this Target's Statement, PAS' issued capital comprises 136,690,860 PAS Shares.

As at the date of this Target's Statement, PAS also has 3,718,981 PAS Options and 918,136 PAS Performance Rights on issue.

7.6 ASX announcements

PAS is a *disclosing entity* under the Corporations Act and therefore has continuous disclosure obligations under that legislation and also under the ASX Listing Rules. PAS is required to immediately disclose to the market through ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of PAS' Shares.

PAS is in compliance with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. PAS' announcements are available free of charge from the ASX website at www.asx.com.au (ASX code: PGR).

The most recent financial information regarding PAS is the PAS FY15 full year results announced to ASX on 28 August 2015. A copy of this document is also available free of charge from PAS on request and is also available on PAS' website at <http://www.thepasgroup.com.au>

7.7 Material change in financial position of PAS

There has been no material change to the financial position of PAS since the release of the PAS FY15 full year results announced to ASX on 28 August 2015.

7.8 Takeover response costs

ABI's Offer will result in PAS incurring expenses that would not otherwise have arisen in FY16. These include legal, financial and other expenses from advisers engaged by PAS to assist in responding to ABI's Offer. The total cost of the takeover response depends on the outcome of ABI's Offer, the duration of ABI's Offer and required response activities, and the complexity of the issues addressed in the response. Therefore it is difficult to estimate the likely total cost to PAS.

7.9 Consents

Investec Australia Limited has consented to being named in this Target's Statement as the financial adviser to PAS and has not withdrawn that consent at the date of this Target's Statement.

Minter Ellison has consented to being named in this Target's Statement as the legal adviser to PAS and has not withdrawn that consent at the date of this Target's Statement.

Each person named in Section 7.9 of this Target's Statement as having given its consent to the inclusion of a statement or to being named in this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than a statement included in this Target's Statement with the consent of that person; and

- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

7.10 Reliance on ASIC class orders

As permitted by ASIC Class Orders 01/1543 and 07/429, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by ABI with ASIC or given to ASX and trading data on ASX. In accordance with these class orders, the consent of ABI or ASX (respectively) is not required for the inclusion of such statements or data in this Target's Statement. Any PAS Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting PAS.

In addition, as permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

7.11 No other material information

This Target's Statement is required to include all the information that PAS Shareholders and their professional advisers would reasonably require to make an informed assessment whether or not to accept ABI's Offer but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in the Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the only information that PAS Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept ABI's Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in releases by PAS and ABI to ASX before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated otherwise in this Target's Statement). However the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of PAS Shares;
- the matters PAS Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers to PAS Shareholders;
- the nature of ABI's Offer; and
- the time available to PAS to prepare this Target's Statement.

7.12 Approval of Target's Statement

This Target's Statement has been approved by a resolution passed by the Directors. All Directors voted in favour of that resolution.

Signed for and on behalf of PAS by:

A handwritten signature in black ink, appearing to read 'Rod Walker', with a horizontal line underneath the signature.

Rod Walker

Chairman

Date: 6 October 2015

8. Glossary and interpretation

8.1 Glossary

ABI	Australia Brands Investment, LLC
ABI's Offer or Offer	the on market takeover bid by ABI for all PAS Shares other than those already owned by ABI or its associates, as described in the Bidder's Statement
ASIC	the Australian Securities and Investments Commission
associate	has the same meaning as given to that term for the purposes of Chapter 6 of the Corporations Act (as modified by ASIC from time to time)
ASX	ASX Limited ABN 98 008 624 691 or, where the context otherwise requires, a financial market operated by it known as the Australian Securities Exchange
ASX Listing Rules	the listing rules of ASX, as amended or replaced
AUD	Australian dollars
Bidder's Statement	the bidder's statement by ABI dated 22 September 2015 setting out the terms and other information in relation to ABI's Offer
CGT	capital gains tax
Coliseum	Coliseum Capital Partners, L.P.
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Director	a director of PAS
EBIT	earnings before interest and tax
EV	enterprise value
FY14	the financial year from 1 July 2013 to 30 June 2014
FY15	the financial year from 1 July 2014 to 30 June 2015
FY16	the financial year from 1 July 2015 to 30 June 2016
GST	goods and services tax
Insolvency Event	means any of the events set out in section 652C(2) of the Corporations Act
LTI Plan	the PAS Long Term Incentive Plan described in Section 4.6 of this Target's Statement
Offer Period	the period during which ABI's Offer will remain open for acceptance in accordance with section 3.6 of the Bidder's Statement
Offer Price	the consideration offered by ABI under its Offer. As at the date of this Target's Statement, the Offer Price is \$0.63 cash for each PAS Share
PAS or PAS Group	The PAS Group Limited ACN 169 477 463
PAS Board or Board	the board of directors of PAS
PAS Option	an unlisted option issued under the LTI Plan
PAS Performance Right	a performance right issued under the LTI Plan

PAS Share or Share	a fully paid ordinary share in the capital of PAS
PAS Shareholder or Shareholder	a holder of PAS Shares
Prescribed Occurrence	means any of the events set out in section 652C(1) of the Corporations Act
relevant interest	has the meaning given in sections 608 and 609 of the Corporations Act
Target's Statement	this document, being the PAS Board's formal response to ABI's Offer
Trading Day	has the meaning given to that term in the ASX Listing Rules
voting power	has the meaning given in section 610 of the Corporations Act
VWAP	volume weighted average price

8.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

- the singular includes the plural and vice versa and words importing one gender include other genders;
- terms defined in the Corporations Act as at the date of this Target's Statement have the meanings given to them in the *Corporations Act 2001* (Cth) at that date;
- a reference to dollars, A\$, AUD, \$ and cents is a reference to Australian currency;
- a reference to a statute of any parliament or any section, provision or schedule of a statute of any parliament includes a reference to any statutory amendment, variation or consolidation of the statute, section, provision or schedule and includes all statutory instruments issued under the statute, section, provision or schedule;
- a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- a reference to a Section is a reference to a section of this Target's Statement;
- a reference to time is a reference to Melbourne time; and
- headings and bold type are used for reference only.

Corporate Directory

Directors

Rod Walker (Non Executive Chairman)
 Eric Morris (CEO and Managing Director)
 Jacquie Naylor (Non Executive Director)
 David Fenlon (Non Executive Director)
 Jon Brett (Non Executive Director)

Legal Adviser

MinterEllison
 Rialto Towers
 Level 17
 525 Collins Street
 Melbourne Victoria 3000

Company Secretary

Kwong Yap

Financial Adviser

Investec Australia Limited
 Level 23
 The Chifley Tower,
 2 Chifley Square,
 Sydney New South Wales 2000

Registered Office

17 Hardner Road
 Mount Waverley
 VICTORIA, 3149
 Phone: (03) 9902 5555
 Website: http://www.the_pasgroup.com.au

Share Registry

Link Market Services Limited
 Level 1, 333 Collins Street, Melbourne
 VICTORIA, 3000