

**TARGET COMPANY STATEMENT BY BENDON GROUP LIMITED PREPARED  
PURSUANT TO RULE 46 OF THE TAKEOVERS CODE IN RELATION TO A TAKEOVER  
OFFER DATED 9 FEBRUARY 2002 FROM PACIFIC RETAIL APPAREL LIMITED**

1. **Date**

The date of this target company statement ("**Statement**") is 22 February 2002.

2. **Offer**

The offer ("**Offer**") to which this statement relates is the full offer by Pacific Retail Apparel Limited ("**Pacific Retail**"), a wholly owned subsidiary of Pacific Retail Group Limited ("**PRG**"), to purchase all of the ordinary shares in Bendon Group Limited not already held or controlled by Pacific Retail as at the date of the Offer. The terms of the Offer are set out in the Offer document dated 9 February 2002, which was sent to the shareholders of Bendon Group Limited on 12 February 2002.

3. **Target company**

The name of the target company is Bendon Group Limited ("**BGL**").

**Directors of BGL**

The names of the directors of BGL are:

Ian Murray Parton (Chairman)  
Peter Francis Clapshaw  
Trevor Lionel Kerr  
Richard Redvers Smith  
Hugo Venter

5. **Ownership of equity securities of BGL**

Schedule 1 to this Statement sets out the number, designation and percentage of the equity securities of BGL held or controlled by each director or senior officer of BGL and their associates and any other person who, to the knowledge of BGL, holds or controls more than 5% of any class of equity securities of BGL (referred to in Schedule 1 as a "substantial security holder").

Schedule 2 to this Statement sets out the number of and price at which ordinary shares of BGL have, in a two year period ending 22 February 2002, been issued or provided to the directors and senior officers of BGL or their associates arising from the exercise of options issued to those persons prior to that two year period pursuant to an executive share option plan. All other options issued under that plan have been either exercised, cancelled or have expired.

Except as set out in Schedule 2, there are no other equity securities of BGL in which the directors and senior officers or their associates have obtained a beneficial interest under any employee share scheme or other remuneration arrangement in the two year period ending 22 February 2002.

6. **Trading in equity securities of BGL**

No equity securities were acquired or disposed of by a director or senior officer of BGL and their associates in the period 6 months before 21 February 2002 being the latest practicable date before the date of this Statement.

7. **Acceptance of Offer**

Unless, before they have accepted, a full takeover offer for all the BGL shares is made by another party at a price higher than \$1.90 per share and is otherwise on no less favourable terms than the Offer, Messrs Parton and Clapshaw (Directors) and Mr Tibbits (Company Secretary) advise that it is their intention to accept the Offer in respect of all of the BGL shares held or controlled by them as set out in Schedule 1.

However, consistent with the recommendation of the independent directors at paragraph 15 below, the afore mentioned intend to delay sending their acceptances under the Offer for as long as possible in order to give themselves the opportunity to assess:

- The likelihood of Pacific Retail being able to satisfy the minimum acceptance condition in the Offer; and
- The merits of any competing offer that may be made and compare any such offer to the Offer.

8. **Ownership of equity securities of Pacific Retail**

BGL does not hold or control any equity securities of any class of Pacific Retail. None of the directors or senior officers of BGL, or any of their associates, hold or control any equity securities of any class of Pacific Retail.

9. **Trading in equity securities of Pacific Retail**

Neither BGL nor any of the directors or senior officers of BGL, or any of their associates, acquired or disposed of equity securities of Pacific Retail during the 6 month period before 21 February 2002 being the latest practicable date before the date of this Statement.

10. **Arrangements between Pacific Retail and BGL**

BGL and Pacific Retail are parties to a deed of confidentiality dated 24 January 2002, which sets out the terms upon which information has and will be provided by BGL to Pacific Retail to enable Pacific Retail and its associates to undertake due diligence in respect of BGL in connection with the Offer.

Except for that deed of confidentiality, there is no other agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between Pacific Retail or any associate of Pacific Retail, and BGL or any related company of BGL, in connection with, in anticipation of, or in response to, the Offer.

11. **Relationship between Pacific Retail and directors and officers of BGL**

There is no agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between Pacific Retail or any associates of Pacific Retail, and any of the directors or senior officers of BGL or any related company of BGL in connection with, in anticipation of, or in response to, the Offer.

No director or senior officer of BGL is also a director or senior officer of Pacific Retail or any related company of Pacific Retail.

12. **Agreement between BGL and directors and officers**

Pursuant to clause 37.6 of BGL's constitution, the board of BGL has resolved to pay Peter Francis Clapshaw the sum of \$141,250 on his retirement after nine years in office, such payment to be the sum of his director's fees for three years and based on a cessation date of 31 March 2002. This sum has been accrued in the financial accounts for

**Schedule 2: Ownership of equity securities of BGL**

Name	I M Parton (Director)
Number	100,000
Details	100,000 ordinary shares were issued to Mr Parton on the exercise of 100,000 options at a price of \$1.25 per share. Mr Parton disposed of 100,000 shares on the 21 June 2000 for a consideration price of \$1.71 per share.
Name	R R Smith (Director)
Number	100,000
Details	100,000 ordinary shares were issued to Mr Smith on the exercise of 100,000 options at a price of \$1.27 per share. Mr Smith disposed of 100,000 shares on the 9 June 2000 for a consideration price of \$1.70 per share.
Name	H Venter (Director)
Number	100,000
Details	50,000 ordinary shares were issued to Mr Venter on the exercise of 50,000 options at a price of \$1.27 per share and 50,000 ordinary shares were issued to Mr Venter on the exercise of 50,000 options at a price of \$1.28 per share. Mr Venter disposed of 39,180 shares on the 12 June 2000 for a consideration price of \$1.74 per share and 60,820 shares between 12 and 14 June 2000 for a consideration price of \$1.70.
Name	R W Tibbits (Company Secretary)
Number	45,000
Details	45,000 ordinary shares were issued to Mr Tibbits on the exercise of 45,000 options at a price of \$1.17 per share. Mr Tibbits disposed of 1,500 shares on the 20 June 2000 for a consideration price of \$1.72 and 43,500 shares on 20 June 2000 for a consideration price of \$1.71.
Name	R B McKenzie (General Manager, Finance, Bendon Limited)
Number	25,000
Details	20,000 ordinary shares were issued to Mr McKenzie on the exercise of 20,000 options at a price of \$1.13 per share and 5,000 ordinary shares were issued to Mr McKenzie on the exercise of 5,000 options at a price of \$1.17 per share. Mr McKenzie disposed of 25,000 shares on the 26 January 2001 for a consideration price of \$1.74.

the past five years.

There are no other agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between BGL or any related company of BGL, and any of the directors or senior officers or their associates of BGL or its related companies, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13. **Interest of directors and officers of BGL in material contracts of Pacific Retail**

None of the following persons have any interest in any material contract to which Pacific Retail, or any related company of Pacific Retail, is a party:

- Any director or senior officer of BGL or their associates; and
- Any person who, to the knowledge of the directors or the senior officers of BGL, holds or controls more than 5% of any class of equity securities of BGL.

14. **Additional information**

In the opinion of the directors of BGL no information in the Offer document is incorrect or misleading. Furthermore, to the knowledge of the directors of BGL there is no additional information within the knowledge of BGL that would make the information in the Offer document correct or not misleading.

15. **Recommendation**

The directors are faced with a complex situation on which to advise shareholders.

The takeover offer from Pacific Retail is for all of the shares in BGL at \$1.90 per share. At present this offer closes for acceptance on 11 March 2002 although Pacific Retail can extend the date if it wishes. In essence it is conditional only upon Pacific Retail achieving a 50% shareholding in total. Pacific Retail already holds 19.05% of the shares so it needs acceptances for another 31% approximately for the offer to become unconditional. At that stage those shareholders who have accepted the offer would receive payment for their shares. Unless the date for acceptance is extended, payment would be not later than 1 April 2002 as specified in the takeover offer from Pacific Retail or 2 April 2002 under the Takeovers Code where 1 April 2002 is Easter Monday and not a "working day".

The Independent Advisers Report prepared by Grant Samuel & Associates Limited accompanying this Statement values BGL shares in a range of \$1.94 to \$2.19 each. Because the offer price from Pacific Retail of \$1.90 is below this range, Grant Samuel states that the offer is "not fair" and the directors (excluding Hugo Venter who abstained from voting) agree with this conclusion.

However in Section 6 of their report Grant Samuel outline various outcomes which could occur if Pacific Retail achieves acceptance of more than 50% but does not achieve a full takeover. The share price could settle at a level less than \$1.90 and there would be no assurance that Pacific Retail would continue the present BGL policy of paying out 75% of profits as dividends.

There is also the issue of the offer received from Intimate Brands Limited ("IBL"), a consortium comprising Hugo Venter the Managing Director of Bendon Limited (a wholly owned subsidiary of BGL) and certain AMP related companies. AMP holds 25.9% of the shares in BGL. The IBL offer is not a takeover offer for the shares in BGL, but an offer to purchase the shares of Bendon Limited, the operating subsidiary of

BGL. The offer is currently not on terms acceptable to the board.

The IBL offer is not subject to the provisions of the Takeovers Code, but before it could become unconditional it would need to be approved by shareholders at a shareholders' meeting.

Two resolutions would be required. The first would be a special resolution requiring a 75% majority of those voting at the meeting because the sale would constitute a major transaction under both section 129 of the Companies Act 1993 and rule 9.1 of the New Zealand Stock Exchange listing rules. The second would be an ordinary resolution requiring a 50% majority because the sale would constitute a material transaction with a related party under rule 9.2 of the listing rules. AMP as a related party would not be able to vote its 25.9% shareholding in respect of the second of these resolutions.

A comparison of the Pacific Retail offer with the IBL offer is not straightforward. If the IBL offer were to proceed the consideration shareholders would receive for their shares would come from two different sources - the price paid by IBL for Bendon Limited plus the cash already held within BGL. The price initially offered by the consortium was \$38.5 million for the shares in Bendon Limited. When available cash of approximately \$17.5 million was added to this sum it equated to approximately \$1.81 for each BGL share.

IBL has now increased its offer to \$42 million. A re-assessment of the cash likely to be available within BGL is between \$18.5 and \$19.4 million. This amount depends on BGL's trading profitability up to 31 March 2002 and further costs to be incurred between now and the date of liquidation. Available cash when added to the \$42 million offered for the shares in Bendon Ltd equates to approximately \$1.96 - \$1.99 for each BGL share. This is within the Grant Samuel value range, although at the lower end of it.

There are two major factors which the directors have had to take into account when comparing the two offers and in considering their recommendation to shareholders:-

- Whereas the Pacific Retail offer can be accepted by shareholders now, the IBL offer would have to be approved at a shareholders' meeting. The earliest date at which such a meeting could be held would be in April by which time the Pacific Retail offer could have closed for acceptance. The receipt by shareholders of the proceeds for their shares if the IBL offer were to proceed would be dependent upon the liquidation of BGL. The directors believe that this could be progressed quickly, subject to having a 'clean' offer, and that a payment of at least \$1.90 per share could be made to shareholders soon after the shareholders meeting. The balance of the estimated 6 - 9 cents per share would be paid out later when the liquidation was completed. This could take several months.
- The other factor is that the directors have received advice from the representatives of Pacific Retail that Pacific Retail would vote against any resolution to sell Bendon Limited to IBL (or any other purchaser). The board's financial adviser has been informed that certain other substantial investors will accept Pacific Retail's takeover offer or a more attractive alternative takeover offer. Given the combined shareholding in excess of 25% held by Pacific Retail and the other investors, the directors believe achievement of the necessary votes to approve the IBL offer is extremely unlikely.

The directors have urged IBL to make a takeover offer for the shares in BGL rather than its current offer for Bendon Limited only. This would present shareholders with a straightforward choice between two competing offers. At the date of this statement, IBL has not done this but has maintained its offer for the operating subsidiary.

#### Schedule 1: Ownership of equity securities of BGL

Directors	Number	Designation of equity securities	% of Equity Securities
P F Clapshaw	11,250	Ordinary shares.	0.04
I M Parton	7,500	Ordinary shares.	0.03
<b>Senior Officer</b>			
R W Tibbits (Company Secretary) and his associate	100,178	Ordinary shares	0.32
<b>Substantial Security Holders</b>			
AMP Henderson Global Investors (New Zealand) Limited (held through various parties) <sup>1</sup>	7,986,178	Ordinary shares	25.86
Pacific Retail Apparel Limited <sup>2</sup>	5,884,950	Ordinary shares	19.05
UBS Nominees Pty Limited (held through Phillips and Drew Fund Management Limited)	2,257,527	Ordinary shares	7.31

<sup>1</sup> These details were obtained from the company's most recent annual report and substantial security holder filings made prior to 18 January 2002.

<sup>2</sup> Pacific Retail Apparel Limited is a wholly owned subsidiary of Pacific Retail Group Limited. Logan Corporation Limited is a substantial security holder in Pacific Retail Group Limited. Logan Corporation Limited is a wholly owned subsidiary of Cullen Investments Limited. Eric John Watson is the sole shareholder of Cullen Investments Limited. For the purposes of the Takeovers Code, Pacific Retail Group Limited, Logan Corporation Limited, Cullen Investments Limited and Eric John Watson are each regarded as controlling the shares held by Pacific Retail Apparel Limited.



The highest closing market price on the NZSE of the listed equity securities of BGL during the six months before 18 January 2002 was \$2.10 on 31 July 2001. The lowest closing market price on the NZSE of the listed equity securities of BGL during the six months before 18 January 2002 was \$1.55 on 17 September 2001.

During the six month period referred to above, BGL did not issue any equity securities, change the equity securities on issue or make any distribution that could have affected the market prices above.

24. **Other information**

The following information is not required to be disclosed by the Takeovers Code but could reasonably be expected to be material to the making of a decision by shareholders of BGL to whom the Offer is made, to accept or reject the Offer:

- BGL is currently a party to discussions and negotiations with other parties that relate to or could result in the sale of the shares of Bendon Limited (subject to shareholder approval) or BGL.

25. **Approval of BGL's statement**

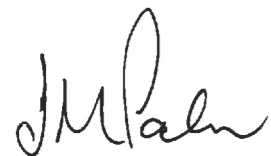
The contents of this Statement have been approved by the board of directors of BGL.

26. **Certificate**

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by BGL under the Takeovers Code.



R W Tibbits, Company Secretary and Chief Financial Officer (and in accordance with the Takeovers Code, the person fulfilling the role of Chief Executive Officer for Bendon Group Limited)



I M Parton, Chairman and Director



P F Clapshaw, Director

The present Pacific Retail offer is for a certain \$1.90 for each BGL share and the IBL offer if it were to succeed is for the equivalent of \$1.96 - \$1.99 per BGL share. Achievement of the extra 6 - 9 cents per share would be subject to some delay and uncertainty.

The directors have decided that the margin between IBL's offer and Pacific Retail's takeover offer is not significant enough to justify the submission of the IBL offer to a meeting of shareholders. To do so would be to pursue a course which Pacific Retail and certain investors have advised has no realistic prospect of success. For shareholders who decide to wait for the outcome of a shareholders meeting it could possibly jeopardise their ability to accept the Pacific Retail offer before it closes. The directors would have preferred to allow shareholders to decide between the Pacific Retail and IBL offers for themselves but the complexities created by the different mechanisms render this impracticable.

The directors (except for Hugo Venter who abstained from voting) are unanimously of the view that the Pacific Retail offer is "not fair" and does not reflect any premium for control or take sufficient account of the future prospects of the Bendon Limited business. However in the circumstances outlined above the directors do not believe they can responsibly advise shareholders to decline it.

The board's financial adviser has been in discussion with other interested parties. One of those parties has undertaken due diligence. Another party was not able to undertake due diligence within the statutory timeframe for preparing and despatching this Statement to shareholders. We have encouraged both interested parties to file notice of a competing takeover offer for BGL at a price within Grant Samuel's fair value range. To date neither party has chosen to follow this course of action. They both remain interested in BGL and have informed our adviser that they are in 'watching mode' over the next week or so as the current Pacific Retail offer plays itself out in the market.

**The independent directors recommend that shareholders delay acceptance of the Pacific Retail offer until near to its closing date. If by that time no better takeover offer for BGL has been made and communicated to you, the directors advise shareholders to accept the Pacific Retail offer despite the fact that the directors believe the offer price is not fair.**

Hugo Venter, a director of BGL, has abstained from making a recommendation because he is a member of a consortium seeking to purchase the ordinary shares of Bendon Limited.

16. **Actions of BGL**

There are no negotiations underway as a consequence of, in response to, or in connection with, the Offer that relate to or could result in:

- any extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving BGL or any of its related companies; or
- the acquisition or disposition of material assets by BGL or any of its related companies; or
- an acquisition of equity securities by, or of, BGL or any related company of BGL; or

- any material change in the equity securities on issue, or policy relating to distributions, of BGL;

other than as follows:

- The disclosure of information by BGL to Pacific Retail under the deed of confidentiality referred to in paragraph 10.
- The disclosure of information by BGL to third parties under deeds of confidentiality.
- BGL is currently a party to discussions and negotiations with other parties that relate to or could result in the sale of the shares of Bendon Limited (subject to shareholder approval) or BGL.

## 17. **Equity securities of BGL**

As at the date of this Statement BGL has issued 30,886,165 ordinary shares, being the only class of equity securities (as defined in the Takeovers Code) BGL has on issue. Subject to certain conditions in the constitution of BGL and the Listing Rules of the New Zealand Stock Exchange ("NZSE") where applicable, each ordinary share confers upon the holder the following rights in respect of capital, distributions and voting:

- The right to an equal share in distributions authorised by the board of directors of BGL.
- The right to an equal share in the distribution of the surplus assets.
- The right to one vote on any resolution at a meeting of shareholders of BGL.

There are no equity securities that are options or rights to acquire equity securities. The options issued under the executive share option plan have been either exercised, cancelled or have expired.

## 18. **Financial information**

Every shareholder of BGL to whom the Offer is made is entitled to obtain from BGL a copy of the most recent annual report for the year ending 31 March 2001 by making a written request to:

Mr R W Tibbits  
Company Secretary  
Bendon Group Limited  
PO Box 1134  
Auckland

A copy of the half yearly report for the six months ended 30 September 2001 is attached.

No interim report has been issued since the issue of the half yearly report for the six months ended 30 September 2001.

There are no known material changes in the financial or trading position, or prospects, of BGL since the 31 March 2001 annual report other than as disclosed in the accompanying half yearly report for the six months ended 30 September 2001 and the accompanying report by Grant Samuel and Associates Limited.

There is no other information about the assets, liabilities, profitability and financial affairs of BGL that could reasonably be expected to be material to the making of a decision by shareholders of BGL to whom an Offer is made, to accept or reject the Offer.

## 19. **Independent advice on merits of Offer**

Grant Samuel and Associates Limited, as independent adviser, has prepared a report on the merits of the Offer as required by rule 21 of the Takeovers Code. A copy of that report is attached to this Statement.

## 20. **Asset valuation**

In paragraph 5.5 of the accompanying report by Grant Samuel and Associates Limited, reference is made to land in New Lynn with a current book value of \$662,000. This land was valued at \$660,000 on 1 September 2001 by Quotable Value New Zealand Limited by reference to the sales of similar property in that area within 6 to 12 months of the date of valuation. The key assumptions are that the properties used for comparison, with or without adjustments, are sufficiently similar and that the relevant area can be identified.

A copy of the valuation referred to above is available for inspection at the registered office of BGL and a copy of the valuation will be sent to any shareholder of BGL to whom the Offer is made, on making a written request to:

Mr R W Tibbits  
Company Secretary  
Bendon Group Limited  
PO Box 1134  
Auckland

In paragraph 5.5, in preparing their report, Grant Samuel and Associates Limited valued this property on probabilities of 50% and 75% of receiving net proceeds of \$650,000.

## 21. **Prospective financial information**

Paragraphs 2.5, 2.6, 3.7 and 5.3 of the report by Grant Samuel and Associates Limited refer to prospective financial information and the principal assumptions on which this prospective financial information is based.

Other than the prospective financial information referred to above, this Statement does not refer to prospective financial information.

## 22. **Sales of unquoted equity securities under Offer**

The BGL equity securities which are the subject of the Offer are quoted on the NZSE.

## 23. **Market prices of quoted equity securities under Offer**

The closing price on the NZSE of the listed equity securities of BGL on 21 February 2002, being the latest practicable working day before the date on which this Statement is sent to the shareholders of BGL, was \$1.90.

The closing price on the NZSE of the listed equity securities of BGL on 17 January 2002 being the last day on which the NZSE was open for business before the date on which BGL received the takeover notice, was \$1.92.