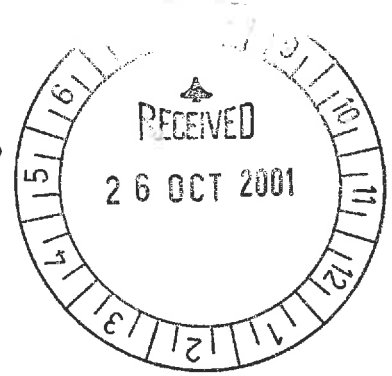




PACIFIC RETAIL GROUP

732-030

FILE COPY



25 October 2001

The Secretary  
Takeovers Panel

Dear Sir/Madam

Please find enclosed the Target Company Statement and Independent Advisers Report sent to shareholders today.

Yours sincerely

Neil Campbell  
General Manager Finance



## PACIFIC RETAIL GROUP

24 October 2001

The Shareholders & Optionholders  
Pacific Retail Group Limited

Dear Shareholder/Optionholder

### **Takeover Offer by Logan Corporation**

**Enclosed** with this letter is the target company statement, and independent adviser's report prepared by Arthur Andersen Corporate Finance Limited (a division of Andersen, formerly Arthur Andersen) in response to the takeover offer made by Logan Corporation for the shares and options in Pacific Retail Group. The Committee of Independent Directors recommends that you read both the target company statement and the independent adviser's report in their entirety.

The Committee of Independent Directors recommends that you reject Logan Corporation's offer. Full details of the Committee's recommendation are set out in paragraph 15 of the target company statement.

The Committee also recommends that shareholders and optionholders consult with their own financial adviser.

Yours sincerely

Richard Reilly  
Chairman, Committee of Independent Directors

# **TARGET COMPANY STATEMENT**

## **PACIFIC RETAIL GROUP LIMITED**

**Prepared in accordance with Rule 46 of the Takeovers Code**

**in relation to**

**the takeover offer**

**by**

**LOGAN CORPORATION LIMITED**

**Target company statement by Pacific Retail Group Limited prepared in accordance with Rule 46 of the Takeovers Code in relation to the takeover offer by Logan Corporation Limited**

**1. Date**

The date of this target company statement is 23 October 2001.

**2. Offer**

The offer (the "Offer") is a full offer by Logan Corporation Limited ("Logan") to purchase all of the fully paid ordinary shares and options in Pacific Retail Group Limited ("PRG") not already owned by Logan as at the date of the Offer. The terms of the Offer are set out in the offer document dated 12 October 2001, which was sent to shareholders by Logan on 15 October 2001.

**3. Target company**

**4. Directors of target company**

The name of the target company is Pacific Retail Group Limited

The names of the directors of PRG are Maurice Kidd, Stefan Preston, Nicholas Gordon, Mark Hotchin, Eric Watson, Richard Reilly and Ronald MacGregor (Jock) Irvine. In addition, Eric Watson has appointed Philip Newland as his alternate.

**5. Ownership of equity securities of target company**

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

Schedule 2 to this Statement sets out the number of equity securities of PRG that have, during the two year period that ends with the date of this Statement, been issued to the Directors and Senior Officers of PRG or their associates or in which the Directors and Senior Officers of PRG or their associates have, during the two year period ending on the date of this Statement, obtained a beneficial interest under the PRG Employee Share Option Plan. The information in Schedule 2 includes the price at which those securities have been issued or which, upon exercise of the relevant options, will be issued.

**6. Trading in target company equity securities**

Schedule 3 to this Statement sets out the number and designation of any equity securities of PRG acquired or disposed of by each Director or Senior Officer and their associates during the six-month period before 18 October 2001 (being the

latest practicable date before the date of this Statement), including the consideration for, and the date of, each such transaction.

#### 7. **Acceptance of offer**

Mark Hotchin and Stefan Preston, each a Director of PRG, advise that it is their intention to accept the Offer in respect of all of the fully paid ordinary shares in PRG held or controlled by them as set out in Schedule 1. Maurice Kidd and Eric Watson (and Philip Newland as alternate for Mr Watson) are associated with Logan and the shares held or controlled by each of them are in their capacity as directors or senior officers of Logan or Cullen Investments Limited, the parent company of Logan.

#### 8. **Ownership of equity securities of offeror**

The number, designation and percentage of equity securities of any class of Logan held or controlled by PRG or any of the Directors or Senior Officers of PRG and their associates are:

Name	Description	No of equity securities held or controlled	Type of security	Percentage of class
Eric Watson*	Director	200	Ordinary shares	100%

\*Logan is a wholly owned subsidiary of Cullen Investments Limited. Eric Watson is the sole shareholder of Cullen Investments Limited.

#### 9. **Trading in equity securities of offeror**

There have been no movements in the holding of equity securities of Logan during the six month period before 18 October 2001 (being the latest practicable date before the date of this Statement).

#### 10. **Arrangements between offeror and target company**

There are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between Logan (or any associates of Logan) and PRG (or any related company of PRG) in connection with, in anticipation of, or in response to, the Offer.

#### 11. **Relationship between offeror, and directors and officers of target company**

There are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between Logan (or any associates of Logan) and any of the Directors or Senior Officers of PRG (or any of the directors or senior officers of any related company of PRG) in connection with, in anticipation of, or in response to, the Offer.

Maurice Kidd, who is a Director of PRG, is also:

- (a) a director of Logan; and
- (b) a director of Cullen Investments Limited, the holding company of Logan.

Eric Watson, who is a Director of PRG, is also a director of Cullen Investments Limited, the holding company of Logan. Philip Newland, Mr Watson's alternate is Chief Executive of Cullen as well as a director of Logan and Cullen Investments Limited

## **12. Agreement between target company, and directors and officers**

No agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between PRG (or any related company of PRG) and any of the Directors or Senior Officers of PRG (or their associates) or any of the directors or senior officers (or their associates) or any related companies of PRG, 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.

### ***PRG's constitution***

PRG's constitution provides that Directors of PRG may receive a lump sum payment in connection with cessation of office. The total amount of the payment must not exceed the total remuneration of the Director, in his or her capacity as a Director, in any three years chosen by the Board. Should any Director cease to hold office as a result of the Offer being accepted by the requisite majority of shareholders, the Board may, at its discretion, make such lump sum payments to Directors.

### ***Employment Contracts***

Certain of the Senior Officers of PRG and senior officers of Pacific Retail Finance Limited (a wholly-owned subsidiary of PRG) are employed under employment contracts that provide for up to six months' notice, or payment in lieu of notice, in the case of redundancy. In addition, if the employment contracts of certain of these persons are terminated as a result of redundancy then those persons will be entitled to be paid compensation in one lump sum (based on total remuneration) of up to six months' pay.

None of these employment contracts have been entered into in connection with, in anticipation of, or in response to, the Offer.

## **13. Interests of directors and officers of target company in material contracts of offeror**

Maurice Kidd and Stefan Preston, both Directors of PRG, provide consulting services to Cullen Investments Limited. Philip Newland, an alternate Director of

PRG, is Chief Executive of Cullen Investments Limited. In addition, Stefan Preston has obtained loan finance from Cullen Investments Limited.

A company associated with Nicholas Gordon, a Director of PRG, has a material trading relationship with a subsidiary of Cullen Investments Limited.

Consistent with the above disclosure, the Committee also believes that it should make the additional disclosure that Mark Hotchin, a Director of PRG, beneficially owns 50% of the share capital of Elders Finance Limited ("Elders"). The remaining 50% of the share capital of Elders is owned by Cullen Investments Limited, the parent company of Logan. Elders has provided loan finance to Platinum Retail Limited, which is owned or controlled by Mr Hotchin.

Except as disclosed above, no Director or Senior Officer of PRG or their associates nor any person who, to the knowledge of the Directors or the Senior Officers of PRG, holds or controls more than 5% of any class of equity securities of PRG has any interest in any material contract to which Logan, or any related company of Logan, is a party.

#### **14. Additional information**

In the opinion of the Committee of Independent Directors of PRG, no additional information is required to be added to the offer document to make the information in the offer document correct or not misleading.

#### **15. Recommendation**

##### ***Independent Directors Responsible***

The Board of PRG has appointed a Committee of Independent Directors to attend to all matters associated with the Offer. The Committee is comprised of Richard Reilly and Jock Irvine.

Messrs Kidd, Preston, Gordon, Hotchin and Watson (and Philip Newland as Mr Watson's alternate) have actual or possible conflicts of interest in respect of the Offer and therefore are not members of the Committee and have abstained from making any recommendation to shareholders or optionholders as to whether to accept or reject the Offer.

##### ***Recommendation of Independent Directors***

In formulating its recommendation, the Committee of Independent Directors had given careful consideration to the independent adviser's report prepared by Arthur Andersen Corporate Finance Limited (a division of Andersen, formerly Arthur Andersen). As well, the Committee has taken advice from Northington Partners Limited, investment bankers.

The Committee is particularly cognisant of the valuation carried out by Andersen as part of its report. Andersen has valued the shares in PRG in the range of \$2.13

to \$2.95. The mid-point of this range is \$2.54 which Andersen has stated is the value which is the focus of its report.

Andersen notes that the mid-point of this range of \$2.54 is "substantially in excess of the Offer price of \$1.76". The values which Andersen has ascribed to the various tranches of options are also substantially greater than the offer prices. In determining these values for the shares and options, Andersen has factored in a discount of 30% to take account of the illiquidity of shares in PRG and the "minority" nature of the shares. Andersen has concluded that neither the Offer for the shares nor the options is fair but notes the Offer does provide an exit mechanism for security holders.

Having considered Andersen's report and the advice of Northington Partners, the Committee recommends that shareholders and optionholders reject the Offer. The Committee will not be accepting the Offer in respect of shares held by them.

Notwithstanding its recommendation, the Committee acknowledges that an individual shareholder's decision as to whether to accept the Offer will be influenced by his or her or its particular circumstances including a shareholder's perception of the possibility of the market price of shares in PRG falling below the offer price of \$1.76 if Logan does not achieve full ownership of PRG. As reflected in Andersen's report, the Committee is also aware that there is limited liquidity for shares in PRG and that PRG presently is not paying dividends.

The Committee also recommends that shareholders and optionholders should consult their own financial adviser.

## **16. Actions of PRG**

There are no material agreements or arrangements (whether legally enforceable or not) of PRG (or any related company of PRG) entered into as a consequence of, in response to, or in connection with, the Offer.

- (a) There are no negotiations under way as a consequence of, in response to, or in connection with, the Offer that relate to or could result in an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving PRG or any of its related companies; or
- (b) the acquisition or disposition of material assets by PRG or any of its related companies; or
- (c) an acquisition of equity securities by, or of, PRG or any related company of PRG ; or
- (d) any material change in the equity securities on issue, or policy relating to distributions, of PRG.



## 17. Equity securities of target company

PRG has 50,479,714 ordinary shares on issue. The rights of holders of the ordinary shares in respect of capital, distributions and voting are as follows:

- (a) the right to an equal share with other shareholders in dividends authorised by the board of directors of PRG;
- (b) the right to an equal share with other shareholders in the distribution of surplus assets on liquidation of PRG; and
- (c) subject to the prohibitions contained in the NZSE Listing Rules and PRG's constitution, the right to cast one vote on a show of hands or the right to cast one vote for each share held on a poll, in each case at a meeting of shareholders on any resolution, including a resolution to:
  - appoint or remove a director or auditor;
  - alter PRG's constitution;
  - approve a major transaction;
  - approve an amalgamation of PRG; and
  - put PRG into liquidation.

PRG has also issued options to acquire up to 1,389,444 ordinary shares to selected members of PRG's management team under the Pacific Retail Group Employee Share Option Plan. The material terms of those options are:

- (a) the options are exercisable by notice in writing to PRG at any time within five years after the date of issue, provided they have been held by the relevant employee for a period of 12 months prior to exercise (except those held by Peter Halkett, the Chief Executive, and John Milford, the General Manager Retail, which are required to be held for three years);
- (b) the prices at which Options may be exercised are as follows:

	<b>December 2004</b>	<b>13 March 2005</b>	<b>22 March 2005</b>	<b>20 July 2005</b>
Date of Issue	24 Dec 99	13 Mar 00	22 Mar 00	20 July 00
Date of Maturity	24 Dec 04	13 Mar 05	22 Mar 05	20 July 05
No. Issued	300,000	200,000	395,000	395,000
Bonus Issue	33,333	22,222	43,889	-
Total No. of Options Issued	333,333	222,222	438,889	395,000
Effective Exercise Price	\$1.467	\$1.557	\$1.557	\$1.390

- (c) upon exercise of an option, the employee shall be issued or transferred a fully paid ordinary share in PRG for each option. Such ordinary shares shall rank pari passu with the existing ordinary shares in PRG.

## **18. Financial information**

Shareholders and optionholders are entitled to obtain from PRG a copy of PRG's most recent annual report (being the annual report for the period ended 31 March 2001) (the "2001 Annual Report") by making written request of:

Mr Neil Campbell  
General Manager Finance  
Pacific Retail Group Limited  
PO Box 91141  
Auckland

Other than as contained in the report from Arthur Andersen Corporate Finance Limited, as independent advisers:

- (a) there have been no material changes in the financial or trading position or prospects of PRG since the 2001 Annual Report; and
- (b) there is no other information about the assets, liabilities, profitability and financial affairs of PRG that could reasonably be expected to be material in the making of a decision by shareholders or optionholders to accept or reject the Offer.

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

Arthur Andersen Corporate Finance 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**

None of the information provided in this Statement refers to a valuation of any asset of PRG.

## **21. Prospective financial information**

Pages 7, 16 and 17 of the report from Arthur Andersen Corporate Finance Limited, as independent adviser, sets out and discusses unaudited forecast financial information about PRG.

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

**22. Sales of unquoted equity securities under offer**

The ordinary shares in PRG which are the subject of the Offer, are quoted on the NZSE.

The options are not quoted and are generally not transferable.

**23. Market prices of quoted equity securities under offer**

The closing price on the New Zealand Stock Exchange of the ordinary shares in PRG that are the subject of the Offer:

- (a) on 18 October 2001, being the latest practicable working day before the date on which this Statement is sent to shareholders and optionholders in PRG was \$1.80; and
- (b) on 21 September 2001, being the last day on which the NZSE was open for business before the date on which PRG received the Logan takeover notice was \$1.45.

The highest and lowest closing market price of the listed ordinary shares in PRG on the NZSE during the six months before 24 September 2001, being the date on which PRG received the Logan takeover notice were as follows:

- (a) highest closing market price was \$1.73 (on 26 August 2001); and
- (b) lowest closing market price was \$1.28 (on 30 April 2001).

During the six month period referred to above, PRG did not issue any equity securities or make any changes to any equity securities on issue which could have affected the market prices of PRG shares referred to above.

The Independent Directors believe that the market price for PRG shares has been increased by the attention PRG has received since the Offer was announced.

**24. Other information**

The Committee of Independent Directors believes that shareholders and optionholders, when making decisions as to whether to accept or reject the Offer, and at what point any acceptance should be given, should be aware that the terms of the Offer state that, once given, acceptances may not be withdrawn by acceptors unless Logan fails to pay acceptors in accordance with the Takeovers Code. This means that while the Offer remains open, shareholders and optionholders who have accepted the Offer cannot accept any other offer that is made and are not entitled to withdraw their acceptances of the Offer, whether or not the Offer is varied by Logan in accordance with the Takeovers Code.

**25. Approval of target company statement**

This Statement has been approved by the Committee of Independent Directors of PRG who have delegated authority from the Board of Directors of PRG to deal with all matters relating to the Offer.

As disclosed above Messrs Kidd, Preston, Gordon, Hotchin and Watson (and Philip Newland as Mr Watson's alternate) are not members of the Committee of Independent Directors. As a result, they have not been asked to approve this Statement.

**26. Interpretation**

Words and expressions defined in the Takeovers Act or the Takeovers Code and not otherwise defined in this Statement have the same meaning when used in this Statement, and, in this Statement:

"\$" means New Zealand dollars;

"Takeovers Act" means the Takeovers Act 1993; and


"Takeovers Code" means the Takeovers Code approved by the Takeovers Code Approval Order 2000.

Where any information required by schedule 2 of the Takeovers Code is not applicable, no statement is made regarding that information.

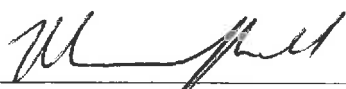
**27. Certificate**

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 PRG under the Takeovers Code.

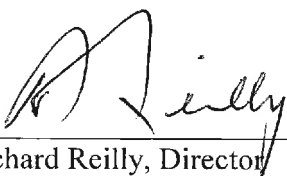
Signed by:



Peter Halkett, Chief Executive



Neil Campbell, General Manager Finance



Richard Reilly, Director



Jock Irvine, Director

## SCHEDULE 1

### Ownership of equities securities in PRG (paragraph 5 of this Statement)

Name	No. of equity securities held or controlled	Designation of equity security	Percentage of total no. of equity securities
<b>Directors</b>			
Nicholas Gordon	1,666,666	Ordinary shares	3.30%
Mark Hotchin <sup>1</sup>	2,098,518	Ordinary shares	4.16%
Richard Reilly	16,666	Ordinary shares	0.03%
Stefan Preston	261,388	Ordinary shares	0.52%
Eric Watson & Maurice Kidd <sup>2</sup>	34,306,305	Ordinary shares	67.96%
Philip Newland (alternate director)	Nil	Nil	Nil
Jock Irvine	11,111	Ordinary shares	0.02%
<b>Senior officers</b>			
Peter Halkett	67,045 333,333	Ordinary shares Dec 2004 options	0.13% 23.99%
John Milford	- 222,222	Ordinary shares 13 March 2005 options	- 15.99%
Kelly Wright	53,641 5,555 5,000	Ordinary shares 22 March 2005 options July 2005 options	0.11% 0.40% 0.36%
Neil Campbell	124,196 5,555 5,000	Ordinary shares 22 March 2005 options July 2005 options	0.25% 0.40% 0.36
Christopher Cardwell	40,230 5,555 5,000	Ordinary shares 22 March 2005 options July 2005 options	0.08% 0.40% 0.36
Jannene Cumming	53,641 5,555 5,000	Ordinary shares 22 March 2005 options July 2005 options	0.11% 0.40% 0.36
Michele Teague	40,230 5,555 5,000	Ordinary shares 22 March 2005 options July 2005 options	0.08% 0.40% 0.36
Craig Bull	40,230 5,555 5,000	Ordinary shares 22 March 2005 options July 2005 options	0.08% 0.40% 0.36

<sup>1</sup> These shares are held in the name of Platinum Retail Limited, a company controlled by Mr Hotchin.

<sup>2</sup> These shares are held by Logan Corporation Limited, a wholly owned subsidiary of Cullen Investments Limited, a company controlled by Mr Watson. Messrs Watson and Kidd are directors of both Logan Corporation Limited and Cullen Investments Limited.

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Craig Robertson	40,230 5,555 5,000	Ordinary shares 22 March 2005 options July 2005 options	0.08% 0.40% 0.36
<b>Substantial security holders</b>			
Logan Corporation Limited	34,306,305	Ordinary shares	67.96%
Axa Asia Pacific Limited	5,466,880	Ordinary shares	10.83%

## SCHEDULE 2

### Ownership of equities securities in PRG (paragraph 5 of this Statement)

Name	No. of equity securities held or controlled	Designation of equity security	Consideration	Date
<b>Directors</b>				
Nicholas Gordon	166,666	Ordinary shares	\$1.81	31/03/00
Mark Hotchin <sup>3</sup>	433,851	Ordinary shares	\$1.81	31/03/00
Richard Reilly	1,666	Ordinary shares	\$1.81	31/03/00
Stefan Preston	26,138	Ordinary shares	\$1.81	31/03/00
Eric Watson & Maurice Kidd <sup>4</sup>	3,179,057	Ordinary shares	\$1.81	31/03/00
Jock Irvine	1,111	Ordinary shares	\$1.81	31/03/00
<b>Senior officers</b>				
Peter Halkett	67,045	Ordinary shares	\$1.51	16/11/00
	333,333	options	\$1.47	24/12/00
John Milford	222,222	options	\$1.56	13/03/00
Kelly Wright	53,641	Ordinary shares	\$1.51	16/11/00
	5,555	options	\$1.56	22/03/00
	5,000	options	\$1.39	20/07/00
Neil Campbell	53,641	Ordinary shares	\$1.51	16/11/00
	5,555	options	\$1.56	22/03/00
	5,000	options	\$1.39	20/07/00
Christopher Cardwell	40,230	Ordinary shares	\$1.51	16/11/00
	5,555	options	\$1.56	22/03/00
	5,000	options	\$1.39	20/07/00
Jannene Cumming	53,641	Ordinary shares	\$1.51	16/11/00
	5,555	options	\$1.56	22/03/00
	5,000	options	\$1.39	20/07/00
Michele Teague	40,230	Ordinary shares	\$1.51	16/11/00
	5,555	options	\$1.56	22/03/00
	5,000	options	\$1.39	20/07/00
Craig Bull	40,230	Ordinary shares	\$1.51	16/11/00
	5,555	options	\$1.56	22/03/00
	5,000	options	\$1.39	20/07/00
Craig Robertson	40,230	Ordinary shares	\$1.51	16/11/00
	5,555	options	\$1.56	22/03/00
	5,000	options	\$1.39	20/07/00

<sup>3</sup> These shares are held in the name of Platinum Retail Limited, a company controlled by Mr Hotchin.

<sup>4</sup> These shares are held by Logan Corporation Limited, a wholly owned subsidiary of Cullen Investments Limited, a company controlled by Mr Watson. Messrs Watson and Kidd are directors of both Logan Corporation Limited and Cullen Investments Limited.



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**SCHEDULE 3**
**Trading in equity securities in PRG  
(paragraph 6 of this Statement)**

<b>Name</b>	<b>No of equity securities</b>	<b>Designation of equity securities</b>	<b>Acquisition Or Disposal</b>	<b>Consideration per share (\$)</b>	<b>Date (2001)</b>
Eric Watson & Maurice Kidd <sup>5</sup>	2,515,734	Ordinary shares	Acquisition	\$1.76	24/09/01 to 08/10/01
Mark Hotchin <sup>6</sup>	2,240,000	Ordinary shares	Disposal	\$1.76	08/10/01

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<sup>5</sup> These shares are held by Logan Corporation Limited, a wholly owned subsidiary of Cullen Investments Limited, a company controlled by Mr Watson. Messrs Watson and Kidd are directors of both Logan Corporation Limited and Cullen Investments Limited.

<sup>6</sup> These shares are held by Platinum Retail Limited, a company controlled by Mr Hotchin.