RCG CORPORATION

ABN 85 108 096 251

NOTICE OF EXTRAORDINARY GENERAL MEETING

To be held at 2:00 pm (Sydney time)
On Tuesday, 12 May 2015

Level 4, 60 Carrington Street
Sydney NSW 2000

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF ALL RESOLUTIONS.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE ACQUISITION OF THE SHARES IN ACCENT GROUP LIMITED IS IN THE BEST INTERESTS OF SHAREHOLDERS.

This Notice of Meeting should be read in its entirety. All Shareholders should refer to the Explanatory Statement and the Independent Expert's Report enclosed with this Notice of Meeting.

RCG Corporation Limited

Registered office:
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Waterloo, NSW 2017

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RCG CORPORATION LIMITED
ABN 85 108 096 251

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the Extraordinary General Meeting of Shareholders of RCG Corporation Limited ("**Company**") will be held at Level 4, 60 Carrington Street Sydney NSW 2000 on Tuesday, 12 May 2015 at 2:00pm (Sydney time) ("**Meeting**").

The following business will be transacted at the Meeting. The Explanatory Statement, which accompanies and forms part of this Notice of Meeting, describes in more detail the matters to be considered at the Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders of the Company at 7:00pm (Sydney time) on Sunday, 10 May 2015.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement will, unless the context requires otherwise, have the same meaning given to them in the glossary contained in the Explanatory Statement.

AGENDA

Resolution 1: Approval for the issue of Transaction Shares to the AGL Shareholders

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of all Resolutions (other than Resolution 6), for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be given to the issue of 142,857,124 Shares in the Company at an issue price of $0.70 to the AGL Shareholders on completion of the Transaction as partial payment under the Transaction in accordance with the terms of the Share Sale Agreement, and otherwise on the terms set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting."

Resolution 2: Appointment of Michael Hapgood as a director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of all Resolutions (other than Resolution 6), for the purposes of clause 21.2.2 of the Company's Constitution and for all other purposes, Michael Hapgood being eligible and having consented to act, be elected as a Director of the Company, effective on completion of the Transaction."

Resolution 3: Appointment of Craig Thompson as a director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of all Resolutions (other than Resolution 6), for the purposes of clause 21.2.2 of the Company's Constitution and for all other purposes, Craig Thompson being eligible and having consented to act, be elected as a Director of the Company, effective on completion of the Transaction."

Resolution 4: Appointment of Daniel Agostinelli as a director of the Company

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to the passing of all Resolutions (other than Resolution 6), for the purposes of clause 21.2.2 of the Company's Constitution and for all other purposes, Daniel Agostinelli being eligible and having consented to act, be elected as a Director of the Company, effective on completion of the Transaction."

Resolution 5: Approval of financial assistance in connection with the Transaction

To consider and, if thought fit, pass the following resolution as a special resolution:

"That, subject to the passing of all Resolutions (other than Resolution 6), for the purposes of sections 260B(1) and 260B(2) of the Corporations Act 2001 (Cth), approval is given for the financial assistance to be provided, from time to time (including upon any subsequent refinancing, variation or replacement of any facility, or the provision of further security in connection with any facility), by:

(a) the Australian AGL Subsidiaries in connection with the Transaction, pursuant to which shares in AGL will be acquired by the Company from the AGL Shareholders; and

(b) the Company and the RCG Subsidiaries in connection with the Transaction, pursuant to which the Transaction Shares will be issued by the Company to the AGL Shareholders,

as described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting."

Resolution 6: Subsequent approval for the issue of the Placement Shares

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval be given for the issue of 35,714,286 Shares in the Company at an issue price of $0.70 per Share on 30 March 2015 made by way of a placement to institutional and professional investors."

BY ORDER OF THE BOARD

Michael Hirschowitz
Company Secretary
10 April 2015

NOTES:

Voting Entitlements

Pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the Company's share register at 7.00pm (Sydney time) on Sunday, 10 May 2015.

Voting and required majority

In accordance with section 260B(2) of the Corporations Act, **Resolution 5** must be passed by at least 75% of all the votes cast by Shareholders entitled to vote on the Resolution (whether in person or by proxy, attorney or representative).

In the case of each other Resolution, the resolution must be passed by more than 50% of all votes cast by Shareholders entitled to vote on the Resolution (whether in person or by proxy, attorney or representative).

Subject to the voting exclusions, on a show of hands every Shareholder has one vote and, on a poll, every Shareholder has one vote for each Share held.

Voting Exclusion Statements

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on:

- **Resolution 1** by each AGL Shareholder and any other person who may participate, or who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if Resolution 1 is passed;
- **Resolution 6** by any person who participated in the issue of the Placement Shares,

including, in each case, their respective associates.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As Resolutions 1-5 are inter-conditional, a person whose votes are disregarded on Resolutions 2-5 will have their votes on Resolution 1 disregarded.

How to Vote

You may vote by attending the Meeting in person, by proxy or personal representative.

Proxies

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Meeting and return it to the Company's share registry, Computershare Investor Services Pty Limited, either:

- online at www.investorvote.com.au;
- by facsimile on +6 13 9473 2555;
- by post to GPO Box 242, Melbourne, VIC 3001; or
- by delivery to Level 4, 60 Carrington Street, Sydney, NSW,

so that it is received not later than 2:00pm (Sydney time) on Sunday, 10 May 2015. If the proxy form is signed by an attorney, please also enclose the authority under which the proxy form is signed (or a certified copy of the authority).

A proxy need not be a Shareholder of the Company.

A Shareholder entitled to cast two or more votes may appoint two proxies. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion of your voting rights. If you do not specify the proportion or number, each proxy may exercise one half of the votes.

Proxies given by corporate Shareholders must be executed in accordance with section 127 of the Corporations Act, their constitutions or by their attorney or duly authorised officer.

Personal Representative

To vote by personal representative, please forward the authority under which the personal representative has been appointed (or a certified copy of the authority) to the address set out above for the return of proxy forms so that it is received no later than 2:00pm (Sydney time) on Sunday, 10 May 2015.

Corporate Representatives

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act. The Company will require a certificate of appointment of corporate representative executed in accordance with section 127 of the Corporations Act. The certificate of appointment of corporate representative must be lodged with the Company before the Meeting or at the registration desk on the day of the Meeting. The Company will retain the certificate of appointment of corporate representative.

Voting intentions and undirected proxies

Subject to any voting restrictions and exclusions, where the person chairing the Meeting is appointed as proxy, he intends to vote all undirected proxy votes in favour of all Resolutions.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to assist Shareholders in considering the Resolutions set out in the Notice of Meeting.

This Explanatory Statement forms part of, and should be read in conjunction with, the Notice of Meeting. The Directors recommend that Shareholders read this Explanatory Statement (including the Appendices) and the Company's ASX Announcements dated 19 March 2015 in respect of the Transaction in full before making any decision in relation to the Resolutions.

Terms and abbreviations used in this Explanatory Statement will, unless the context requires otherwise, have the same meaning given to them in the glossary contained in this Explanatory Statement.

The Company has retained Lonergan Edwards & Associates to provide an Independent Expert's Report on the Transaction in order to assist all Shareholders in reaching their voting decision on the Resolutions, a copy of which is set out in Appendix A of this Explanatory Statement.

A copy of the Company's Investor Presentation in respect of the Transaction which was lodged with the ASX on 19 March 2015 is set out in Appendix B of this Explanatory Statement.

THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE TRANSACTION IS IN THE BEST INTERESTS OF SHAREHOLDERS.

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF ALL THE RESOLUTIONS.

BACKGROUND OF THE TRANSACTION

The proposed acquisition of Accent Group Limited

On 19 March 2015, the Company announced that it had entered into an agreement to acquire all of the shares in New Zealand company, Accent Group Limited (New Zealand company number 121819) ("**AGL**") ("**the Transaction**").

AGL is an importer, wholesaler and retailer of international footwear brands and related accessories. For the 12 months to the end of December 2014, AGL generated over $62 million of external wholesale sales through its exclusive distribution of the Vans, Skechers, Dr Martens, Timberland, Stance, K Swiss, Stance and Palladium brands primarily in Australia and New Zealand.

The AGL business also operates 97 stores, including mono-branded Skechers, Vans and Timberland stores, as well as the market-leading multi-branded sneaker business, Platypus Shoes. Its retail sales for the 12 months ended December 2014 were approximately $120 million. The business employs more than 1,500 people in Australia and more than 200 people in New Zealand.

The total consideration payable by the Company under the Transaction is expected to be between $180 million and $200 million, based on a 6 times normalised maintainable EBITDA of AGL for the financial year ending 30 April 2015. This consideration will be payable to the AGL Shareholders as follows:

(a) a $100 million equity placement to the AGL Shareholders via the issue of 142,857,124 Shares to the AGL Shareholders ("**Transaction Shares**"); and
(b) the balance by way of cash, which is expected to be between $80 million and $100 million.

What is the strategic rationale of the Transaction?

The Board believes that the acquisition of AGL is highly strategic for a number of reasons. These include but are not limited to:

- Earnings accretion – Significant earnings accretion as described in the Investor Presentation set out in Appendix B of this Explanatory Statement.
- Natural alignment – The acquisition is closely aligned with the Company's stated growth strategy. Moreover, the businesses are similar in many ways, making them easy to integrate and operate.
- Portfolio diversification – By more than doubling both the number of brands the Company distributes and the number of retail formats it operates, the Company will significantly diversify the

risk associated with reliance on any one brand or retail concept.

- Growth engine for the Company – AGL's businesses, particularly Platypus and Skechers, have experienced significant sales and profit growth over the last two years. Growth, both from existing stores and wholesale customers, and from the establishment of new stores, is expected to continue.
- Creation of a market leader in branded footwear – With over 270 stores and exclusive distribution rights for 13 brands, the Company will become a regional leader in the retail and distribution of branded footwear.
- Opportunities of scale – With a business more than double the size of its existing business, the Company will have greater flexibility and scale to explore both new revenue opportunities and potential cost-saving and efficiency improvements.
- Cross-branded distribution opportunities – The businesses already retail some of each other's brands on a relatively small scale. Under single ownership, further cross-branded distribution opportunities will be more fully explored to the mutual benefit of the brands, retail stores, franchisees and consumers.
- Enhanced vertical strategy – Both the Company and AGL have been pursuing a vertical distribution / retail strategy for some time. The Board believes that the merged entity will be in a position to accelerate the rollout of this strategy which will be more likely to bring greater certainty both for the brands it distributes and the retail channels it supports.
- New retail formats – With the combined stable of brands, existing retail network and management expertise, new retail formats will be easier to develop and rollout.

For further information on the strategic rationale of the Transaction, refer to the Investor Presentation set out in Appendix B of this Explanatory Statement.

How will the cash consideration under the Transaction be funded?

The cash component of the consideration (which is expected to be between $80 million and $100 million) that is payable by the Company to the AGL Shareholders under the Transaction will be funded from the following sources:

(a) approximately $25 million raised under the Placement, which was completed on 23 March 2015;
(b) approximately $25 million funded by an unsecured interest bearing vendor note advanced by the AGL Shareholders; and
(c) a $50 million secured senior debt facility.

How will the issue of the Transaction Shares impact on your shareholding in the Company?

Upon completion of the Transaction, the AGL Shareholders will have the following approximate shareholdings in the Company:

- Craig Thompson - 16.0%;
- Michael Hapgood - 6.4%;
- James William Duell - 6.4%;
- Daniel Agostinelli - 0.8%; and
- 2Como Pty Limited - 2.4%.

In aggregate, following completion of the Transaction, the Transaction Shares will represent approximately 32% of the total issued capital in the Company. Other than Daniel Agostinelli and 2Como Pty Limited, the AGL Shareholders are not associates of each other in respect of the Company. All of the shares in 2Como Pty Limited are owned by parties associated with Daniel Agostinelli.

The AGL Shareholders have agreed to enter into voluntary escrow arrangements with the Company under which they will be restricted from dealing with the Transaction Shares they hold on completion of the Transaction for a period of 2 years from completion of the Transaction. Further details of the voluntary escrow arrangements are set out in the notes to Resolution 1.

Why is the Company seeking Shareholder approval for the Resolutions?

The Transaction is subject to the satisfaction of a number of conditions which are set out in the Share Sale Agreement.

These conditions include:

- Shareholders approving all the Resolutions (other than Resolution 6);
- AGL obtaining written consents from third parties under key AGL contracts consenting to the Transaction; and
- no Director having withdrawn or adversely modified their recommendation of the Transaction or having made any public statement that they no longer recommend that Shareholders vote in favour of the Resolutions to approve the Transaction.

Accordingly, the Company is seeking Shareholder approval for the Resolutions (other than Resolution 6) in order to satisfy the shareholder approval condition under the Share Sale Agreement.

In addition, the Company is also seeking Shareholder approval in respect of Resolutions 1 and 5 as such matters require shareholder approval under the ASX Listing Rules and the Corporations Act, respectively.

Finally, the Company is seeking Shareholder approval in respect of Resolution 6 in order to replenish its ability under ASX Listing Rule 7.1 to issue further securities (up to 15% of its issued capital) without requiring shareholder approval.

Appointment of new AGL directors to the Company's Board

As part of the Transaction, and subject to Shareholders approving all Resolutions (other than Resolution 6) , it is proposed that Craig John Thompson, Michael John Hapgood and Daniel Agostinelli will each be appointed to the RCG Board.

Biographies of each person proposed to be appointed as directors to the Board are set out in the explanatory notes to Resolutions 2, 3 and 4.

Share Purchase Plan

Subject to completion of the Transaction, the Company will offer eligible Shareholders the opportunity to participate in a share purchase plan. The share purchase plan will allow eligible Shareholders the opportunity to subscribe for up to $15,000 worth of new Shares each without paying brokerage or other transaction costs. It is intended that the new Shares will be issued under the share purchase plan for no more than $0.70 per share.

The share purchase plan will provide eligible Shareholders the opportunity to subscribe for new Shares at the price at which Shares were offered to investors under the Placement and the Transaction Shares will be issued to the AGL Shareholders.

The Company is seeking to raise $10 million under the share purchase plan, with the capacity to accept oversubscriptions (at its discretion). The Company also reserves the right to scale back applications under the share purchase plan if the total value of funds raised exceeds $10 million.

The share purchase plan will not be underwritten. Proceeds from the share purchase plan will be used to fund the ongoing working capital requirements of the business.

The full terms and conditions, including eligibility to participate in the share purchase plan, will be provided to Shareholders following the Meeting.

Independent Expert's Report

The Company has received written confirmation from ASX that shareholder approval for the Transaction under ASX Listing Rule 11.1.2 is not required, nor is RCG required to meet the requirements in Chapters 1 and 2 of the ASX Listing Rules for the purposes of ASX Listing Rule 11.1.3 in relation to the Transaction.

Notwithstanding this, the Company has retained Lonergan Edwards & Associates to provide an Independent Expert's Report on the Transaction in order to assist all Shareholders in reaching their voting decision on the Resolutions (in particular, Resolutions 1 and 5). Whilst there is no regulatory requirement for an Independent Expert's Report, the Directors of the Company requested that Lonergan Edwards & Associates provides its opinion as an independent expert on the merits of the Transaction from the perspective of the Company's Shareholders. Specifically, the purpose of the Independent Expert's Report was to determine whether, in

Lonergan Edwards & Associates opinion, the Transaction is in the best interests of the Company's Shareholders. Lonergan Edwards & Associates is independent of the Company and AGL and has no other involvement or interest in the Transaction.

The Independent Expert has assessed whether the Transaction is in the best interests of Shareholders The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Transaction.

The Independent Expert has concluded that the Transaction is in the best interests of Shareholders.

It is recommended that all Shareholders read the Independent Expert's Report in full before making any decisions on how to vote on the Resolutions.

A copy of the Independent Expert Report is set out in Appendix A of this Explanatory Statement.

What is the financial impact of the Transaction on the Company?

Set out below in Table 1 is the unaudited pro forma consolidated statement of profit and loss for the 12 months ending 31 December 2014 to allow for the impact of the Transaction.

Table 2 sets out the unaudited pro forma consolidated statement of financial position for the 12 months ending 31 December 2014 to allow for the impact of the Transaction.

Table 3 sets out the historical financial performance of AGL for its FY13, FY14 and its 12 months until December 2014.

Table 1: Pro-forma consolidated statement of profit & loss for the 12 months ending 31 December 2014

$'000	RCG	AGL (note 1)	Pro forma adjustments (note 2)	Pro-forma consolidated
Total Group Sales (including franchised stores)	267,774	181,431		449,205
Total Revenue	**93,178**	**181,900**		**275,078**
EBITDA	**17,617**	**26,516**		**44,133**
Depreciation and Amortisation	(1,320)	(4,163)		(5,483)
EBIT	**16,297**	**22,353**		**38,650**
Interest received (paid)	850	-	(2,046)	(1,196)
Profit before taxation	**17,147**	**22,353**	**(2,046)**	**37,454**
Income tax expense	(4,790)	(6,963)	614	(11,139)
Net profit after Tax	**12,357**	**15,390**	**(1,432)**	**26,315**
Non-controlling interests	(123)	-		(123)
Attributable to owners of the company	**12,234**	**15,390**	**(1,432)**	**26,192**
No. of shares on issue (million) (note 3)	254,694		178,571	433,265
Basic Earnings per share (cents)	**4.80**			**6.05**

Notes:

1. The figures for each entity are the unaudited historical figures for the 12 months ending 31 December 2014. The figures and the calculations in this table have been reviewed by Deloitte Touche Tohmatsu.
2. Pro-forma adjustments have been made in respect of the finance costs that would have been incurred had AGL been acquired and paid for using the Transaction funding structure described on page 6 of this Explanatory Statement. No pro-forma adjustments have been made in respect of any potential synergies, additional costs or the impact of the amortisation of intangibles. There is expected to be a material non-cash charge associated with the amortisation of the value of the brand licences over the remaining contract terms. Whilst this will not have an impact on EBITDA, it is expected to have a material impact on the calculation of EPS.
3. The number of Shares on issue excludes Shares issued under the employee share scheme and other treasury shares. The pro-forma adjustment in respect of the number of Shares on issue is based on the issue of $125 million of Shares at $0.70 in respect of the Transaction, but excludes the dilutive effect of any Shares to be issued under the share purchase plan.

Table 2: Pro-forma consolidated statement of financial position as at 31 December 2014

$'000	RCG	AGL (note 1)	Pro forma adjustments (note 2)	Pro-forma consol.
Current assets				
Cash & equivalents	11,828	-	(1,432)	10,396
Receivables, inventory & other	28,355	51,497	-	79,852
Total current assets	**40,183**	**51,497**	**(1,432)**	**90,247**
Non current assets				
Tangibles	8,646	15,249	-	23,895
Intangibles	24,502	-	117,592	142,094
Total non current assets	**33,148**	**15,249**	**117,592**	**165,989**
Current liabilities	**(18,090)**	**(24,016)**	-	**(42,106)**
Non current liabilities	**(386)**	**(1,224)**	**(34,097)**	**(35,707)**
NET ASSETS	**54,855**	**41,506**	**82,062**	**178,423**
Issued Capital	70,860	1,269	123,731	195,860
Reserves and other	(16,004)	40,236	(41,668)	(17,436)
TOTAL EQUITY	**54,855**	**41,506**	**82,062**	**178,423**
Number of shares on issue (milion)	254,694			433,265
Net tangible assets per share (cents)	11.92			8.38
Gearing ratio	Nil			0.7
Debt to equity ratio	Nil			0.2

Notes:

1. The Company's figures as at December 2014 has been subject to half-year audit review. AGL's figures are unaudited. The figures and the calculations in this table have been reviewed by Deloitte Touche Tohmatsu.
2. The following pro-forma adjustments have been made to reflect the consolidated financial position of the group as if AGL been acquired on the basis of six times EBITDA for the 12 months to 31 December 2014:
   a) The cash equivalents have been reduced by the after tax value of the interest that would have been paid on the debt component of the purchase price.
   b) The value of intangibles has been increased to reflect the excess of the pro-forma purchase price over pro-forma net tangible assets. No amortisation of the intangibles has been reflected.
   c) The non-current liabilities have been adjusted to reflect the value of the debt component of the purchase price.
   d) Issued capital has been adjusted to reflect the value of the equity component of the purchase price. The impact of the share purchase plan has not been accounted for.
3. The actual post-acquisition statement of financial position is likely to be materially different from the pro-forma statement of financial position shown above. This is as a result of the expected purchase price being in the range of $180 million to $200 million, based on six times expected maintainable EBITDA of $30 million to $33 million. This will have an impact on key metrics including the gearing ratio, debt to equity ratio, and net tangible assets per Share. The impact on these metrics at different EBITDA values is shown in the table below:

	Pro-forma for 12 months to Dec 14		Expected Range (note d)			
AGL Maintainable EBITDA	**26,516**	**28,000**	**30,000**	**31,500**	**33,000**	**34,000**
Purchase price multiple	6	6	6	6	6	6
Purchase price	159,097	168,000	180,000	189,000	198,000	204,000
Funded as follows:						
Private equity placement	25,000	25,000	25,000	25,000	25,000	25,000
RCG equity issued to vendors	100,000	100,000	100,000	100,000	100,000	100,000
Unsecured vendor note	25,000	25,000	25,000	25,000	25,000	25,000
Secured senior bank debt	9,097	18,000	30,000	39,000	48,000	54,000
Total	159,097	168,000	180,000	189,000	198,000	204,000
Gearing ratio (note a)	0.7	0.8	1.1	1.2	1.3	1.4
Debt to equity ratio (note b)	0.2	0.2	0.3	0.3	0.4	0.4
Net tangible assets per share (note c)	8.4 cents	6.3 cents	1.5 cents	-5.4 cents	-14.4 cents	-24.7 cents

a) The gearing ratio has been calculated by dividing the aggregate of the pro-forma net cash, the vendor note and the amount of the secured bank debt by the pro-forma consolidated EBITDA.

b) Debt to equity has been calculated by dividing the aggregate of the pro-forma net cash, the vendor note and the amount of the secured bank debt by the total pro-forma value of the equity after the private placement, but before taking into account the impact of the share purchase plan.

c) The net tangible assets per Share have been calculated by subtracting the pro-forma consolidated intangibles from the pro-forma total net assets and dividing the result by the number of Shares that will be on issue after the completion of the Transaction, excluding treasury shares and the impact of the share purchase plan.

d) See transaction risks outlined on page 36 onwards of Appendix B and the disclaimer on page 1 of Appendix B.

4. Under AASB 3 the value of intangibles arising on this Transaction will be determined in part by reference to the Company's share price at the date of the completion of the Transaction, and not on the $0.70 share price of the Transaction Shares and the Shares to be issued under the share purchase plan. Therefore, the recorded value of the intangibles at completion will be increased or decreased by the difference between the closing share price of the Company's Shares on that date and $0.70 multiplied by the number of Shares being issued to the vendors (142,857,143).

Table 3: AGL historical financial performance for its FY13, FY14 and its 12 months until December 2014

AGL Historical results	FY13 (12 mths to April 13) AUD 000's	%	FY14 (12 mths to April 14) AUD 000's	%	12 Mths to December 14 AUD 000's	%
Wholesale sales						
Australia	60,419	48%	50,262	34%	48,362	27%
NZ	11,902	10%	13,319	9%	13,425	7%
Total wholesale sales	**72,321**	**58%**	**63,581**	**44%**	**61,787**	**34%**
Retail sales						
Australia	52,210	42%	77,427	53%	112,070	62%
NZ	153	0%	4,975	3%	7,574	4%
Total retail sales	**52,363**	**42%**	**82,402**	**56%**	**119,644**	**66%**
Total sales	**124,684**	**100%**	**145,983**	**100%**	**181,431**	**100%**
Cost of goods sold	(55,554)	-45%	(65,156)	-45%	(79,008)	-44%
Gross profit	**69,130**	**55%**	**80,827**	**55%**	**102,423**	**56%**
Other income	500	0%	400	0%	469	0%
Operating expenses	(49,483)	-40%	(63,347)	-43%	(76,375)	-42%
EBITDA	**20,147**	**16%**	**17,880**	**12%**	**26,517**	**15%**
Depreciation	(2,322)	-2%	(3,271)	-2%	(4,163)	-2%
EBIT	**17,825**	**14%**	**14,609**	**10%**	**22,354**	**12%**
Closing number of stores						
Platypus (Australia)	30		39		49	
Sketchers (Australia)	19		20		30	
Vans (Australia)	3		8		9	
Timberland (Australia)	1		2		2	
Platypus (NZ)	1		3		3	
Sketchers (NZ)	-		1		2	
Total stores	**54**		**73**		**95**	
Retail sales comp growth	**10%**		**13%**		**25%**	

Notes:

1. **Wholesale sales:** Wholesale sales revenue has declined primarily as a result of a market oversupply of some products in FY13 and the increasing proportion in distribution of AGL's brands through the expansion of its own store network.
2. **Retail sales**:
   a) Retail sales growth has been driven by a combination of rapid store rollout and double digit comp growth over the historical period. The comp growth rates are a result of both the global strength of AGL's brands and the refinement of the Platypus Shoes consumer offering.
   b) As at the end of February 2015 there were 97 AGL group stores. AGL anticipates opening an additional 9 stores prior to the end of April 2015. The Board believes that 15 - 20 new stores (across all brands) can be rolled out each year for the next 2 - 3 years. AGL has confirmed that it has entered into leases or concluded commercial negotiations for 5 new stores for the period beyond the end of April 2015.
   c) As previously explained, AGL's EBITDA for its financial year to 30 April 2015 is expected to be in the range of $30 million to $33 million, which is significantly more than the $26.5 million for the 12 months to 31 December 2014. The primary reason for the increase in the EBITDA is the combined impact of the comp store sales growth and the rollout of new stores.
   d) In considering its proposed acquisition of AGL, the Company has assumed that AGL's comp sales growth will be in the mid-single digit range for FY16 and beyond.
3. **NZ exchange rate conversion:** New Zealand dollars will be converted to Australian dollars by taking the midpoint cross rate as calculated by BNZ Treasury for each month of the 2015 financial year.

Directors' recommendation

It is the view of the Directors that the Transaction is in the best interests of Shareholders and the Directors unanimously recommend that Shareholders vote in favour of all of the Resolutions.

The Resolutions (other than Resolution 6) are interdependent, meaning that Shareholders must pass all of the Resolutions (other than Resolution 6) for the Transaction to proceed.

THE RESOLUTIONS

Resolution 1: Approval for the issue of Transaction Shares to the AGL Shareholders

Background

Resolution 1 seeks Shareholder approval to the issue of 142,857,124 Shares to be made to the AGL Shareholders as partial payment for the acquisition of AGL under the Transaction, of which further detail is set out in the 'Background' section on page 5 of this Explanatory Statement.

The issue of the Transaction Shares to the AGL Shareholders will represent a maximum of approximately 32% of the Company's total issued Shares immediately following completion of the Transaction. Other than Daniel Agostinelli and 2Como Pty Limited, the AGL Shareholders are not associates of each other in respect of the Company. All of the shares in 2Como Pty Limited are owned by parties associated with Daniel Agostinelli.

Following completion of the share purchase plan and assuming the Company issues $10 million of Shares under the share purchase plan, the AGL Shareholders' aggregate shareholding in the Company will reduce to approximately 31%.

In accordance with the Share Sale Agreement, the Company will only issue the Transaction Shares to the AGL Shareholders if all the Resolutions (other than Resolution 6) are approved by Shareholders and all other conditions to the Share Sale Agreement are satisfied or waived in accordance with the Share Sale Agreement.

The AGL Shareholders have agreed to enter into voluntary escrow arrangements with the Company under which they will be restricted from dealing with the Transaction Shares for a period of 2 years from completion of the Transaction.

Why is the Company seeking approval for the issue of the Transaction Shares?

In general terms, ASX Listing Rule 7.1 imposes a 15% cap on the number of shares that can be issued by the Company, without approval of shareholders, in any 12 month period ("**15% limit**"). However, the Company is permitted to issue shares (or other securities) in excess of the 15% limit if the issue is approved by shareholders. The purpose of Resolution 1 is for Shareholders to approve the issue of the Transaction Shares to the AGL Shareholders, as such issue would otherwise exceed the 15% limit. If Resolution 1 is approved by Shareholders, the Company will be able to issue the Transaction Shares to the AGL Shareholders even though the issue exceeds the 15% limit. Further, approving the issue of the Transaction Shares under Resolution 1 will mean that the issue will not be counted under the 15% limit. This will enable the Company to issue further Shares up to the 15% limit in the next 12 month period without Shareholder approval.

Shareholder approval for the issue of the Transaction Shares to the AGL Shareholders is a condition to completion of the Transaction. If Shareholders do not approve Resolution 1, the Transaction will not proceed.

In accordance with ASX Listing Rule 7.3, Shareholders are provided the following information:

The number of securities to be issued	142,857,124 Shares.
The date by which the securities will be issued	If Shareholders approve all Resolutions (other than Resolution 6), the Company expects to issue the Transaction Shares to the AGL Shareholders on 27 May 2015 and, in any event, no later than 3 months after the date of the Meeting.
The deemed issue price at which the securities will be issued	$0.70 per Share. The deemed issue price of each Share has been calculated on the basis of a 3.4% discount to the volume weighted average price for the Company's shares for the 5 days up to 18 March 2015.
Names of allottees (if known) or the basis upon which allottees will be	The Transaction Shares will be issued to the AGL Shareholders, being Craig Thompson, Michael Hapgood, James William Duell, Daniel Agostinelli and 2Como Pty Limited.

identified or selected	Each of the AGL Shareholders will receive the following Transaction Shares: • Craig Thompson - 71,428,562 Shares; • Michael Hapgood - 28,571,425 Shares; • James William Duell - 28,571,425 Shares; • Daniel Agostinelli - 3,571,428 Shares; and • 2Como Pty Limited - 10,714,284 Shares.
The terms of the securities	Fully paid ordinary shares in the capital of the Company which will rank, from the date of their issue, equally with all existing issued Shares with the exception that the shares will not participate in the dividend declared by the Company on 27 February 2015. However, the AGL Shareholders have agreed to voluntarily escrow their Transaction Shares for a period of 2 years from completion of the Transaction. The terms of the voluntary escrow arrangements are set out below.
Intended use of funds raised	No funds will be raised from the issue of the Transaction Shares. The Transaction Shares are being issued as partial payment for the acquisition of AGL under the Transaction.

A voting exclusion statement is included in the Notice of Meeting.

Resolution 1 is interdependent on Shareholder approval for all other Resolutions (other than Resolution 6). As Resolutions 1-5 are inter-conditional, a person whose votes are disregarded on Resolutions 2-5 will have their votes on Resolution 1 disregarded.

Escrow arrangements

As noted above, the AGL Shareholders have agreed to enter into voluntary escrow arrangements with the Company under which they will be restricted from dealing with the Transaction Shares for a period of 2 years from completion of the Transaction.

The restriction on 'dealing' is defined broadly and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Transaction Shares or encumbering or granting any security interest over the Transaction Shares.

There are limited circumstances in which the Transaction Shares may be released from escrow, namely:

- to allow the AGL Shareholders to accept an offer under a takeover bid in relation to their Transaction Shares;
- to allow the AGL Shareholders to participate in a buy-back or return of capital by the Company;
- to allow the Transaction Shares to be held by the AGL Shareholders for the purposes of participating in an amalgamation, merger, restructure, scheme of arrangement or other similar transaction;
- with the prior approval of the Company;
- where required by law or pursuant to the order of a court;
- if the dealing is to a company wholly owned by the AGL Shareholder, a trust in relation to which the AGL Shareholder is a beneficiary or to an affiliate of the AGL Shareholder who agrees to be bound by the escrow arrangement; or
- in order to grant a security interest over the Transaction Shares to a bona fide third party financial institution, provided that the security interests do not constitute the direct or indirect disposal of the economic interests that the AGL Shareholders have and the Transaction Shares remain in escrow.

ASIC has granted relief from the Corporations Act so that the takeovers provisions of the Corporations Act will not apply to certain relevant interests that the Company would otherwise acquire in the Transaction Shares by reason of the voluntary escrow arrangements in relation to those Shares described in this Explanatory Statement.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

Resolution 2: Appointment of Michael Hapgood as a director of the Company

Background

As announced by the Company on 19 March 2015, completion of the Transaction is conditional on, amongst other matters, Shareholder approval of Michael Hapgood as director of the Company.

Pursuant to clause 21.2.2 of the Company's Constitution, the Company is seeking Shareholder approval to the election of Mr Hapgood as a director of the Company, being eligible and having consented to act.

The Company confirms that Mr Hapgood has provided a signed consent to act as a director.

Michael Hapgood is a founding director and shareholder of AGL and has been the CEO of AGL since 1998. Michael is familiar with AGL's current and past activities and has been intimately involved in the development of all major strategic initiatives of the AGL business since its inception. Michael is highly experienced and has extensive experience and knowledge of working with global brands.

Resolution 2 is interdependent on Shareholder approval for all other Resolutions (other than Resolution 6).

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 2.

Resolution 3: Appointment of Craig Thompson as a director of the Company

Background

As announced by the Company on 19 March 2015, completion of the Transaction is conditional on, amongst other matters, Shareholder approval of Craig Thompson as director of the Company.

Pursuant to clause 21.2.2 of the Company's Constitution, the Company is seeking Shareholder approval to the election of Mr Thompson as a director of the Company, being eligible and having consented to act.

The Company confirms that Mr Thompson has provided a signed consent to act as a director.

Craig Thompson is a co-founder of AGL and has been AGL's Chairman since its inception. Craig is a widely experienced company director and has been intimately involved in businesses in multiple sectors. Craig has held directorships in listed and private companies in the media, insurance, finance, retirement village, retailing, and on-line trading sectors.

Resolution 3 is interdependent on Shareholder approval for all other Resolutions (other than Resolution 6).

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

Resolution 4: Appointment of Daniel Agostinelli as a director of the Company

Background

As announced by the Company on 19 March 2015, completion of the Transaction is conditional on, amongst other matters, Shareholder approval of Daniel Agostinelli as director of the Company.

Pursuant to clause 21.2.2 of the Company's Constitution, the Company is seeking Shareholder approval to the election of Mr Agostinelli as a director of the Company, being eligible and having consented to act.

The Company confirms that Mr Agostinelli has provided a signed consent to act as a director.

Daniel Agostinelli oversees all the day to day operations of AGL. Daniel has over 30 years retail experience and was formerly the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business. Daniel has been with AGL since 2006 and is the primary driver of AGL's day to day business operations and strategy execution. Resolution 4 is interdependent on Shareholder approval for all other Resolutions (other than Resolution 6).

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

Resolution 5: Approval of financial assistance in connection with the Transaction

Background

On completion of the Transaction, the Company will become the listed ultimate holding company of each member in the AGL Group.

In order to assist the financing of the cash consideration of the Transaction and for ongoing working capital purposes, the Company will enter into $90 million secured senior debt facilities with National Australia Bank (of which up to $50 million will be used to fund the Transaction and $40 million will be used for ongoing working capital purposes) ("**Facility Agreement**"). If the Transaction proceeds, each member of the RCG Group (other than the TAF Partnership Store Pty Ltd and its subsidiaries) and the AGL Group (collectively, the "**Obligors**") will provide cross-guarantees, security, indemnities and various undertakings in favour of the financier under the Facility Agreement.

Financial assistance

The provision by each member of the RCG Group and the AGL Group incorporated in Australia - being the Company, the RCG Subsidiaries and the Australian AGL Subsidiaries - of such cross-guarantees, security, indemnities and various undertakings contained in the Facility Agreement (and each related financing document) constitutes the giving of financial assistance in connection with the Transaction, within the meaning of Part 2J.3 of the Corporations Act.

Specifically, financial assistance is being given by the Australian AGL Subsidiaries in connection with the Company's acquisition of the shares in AGL. Financial assistance is also being given by the Company and the RCG Subsidiaries in respect of the issue of the Transaction Shares to the AGL Shareholders (as the issue of the Transaction Shares to the AGL Shareholders is connected to the acquisition by the Company of the shares in AGL and the corresponding financing arrangements with National Australia Bank).

Section 260A(1) of the Corporations Act provides that a company may financially assist a person to acquire shares in the company or a holding company of the company if the assistance is approved by shareholders under section 260B of the Corporations Act.

Furthermore, if, immediately after the acquisition, a company will be a subsidiary of another corporation that is listed in Australia, then the financial assistance must also be approved by special resolution passed under section 260B(2) of the Corporations Act at a general meeting of that corporation. The Company, following completion of the Transaction, will be the ultimate Australian holding company (for the purposes of section 260B(2) of the Corporations Act) of each of the AGL Australian Subsidiaries and the RCG Subsidiaries.

Why is the Company seeking approval for the financial assistance?

The reason for the giving of the financial assistance described above is to enable the Company to comply with certain of its obligations under the Facility Agreement, and in particular, the obligation to procure the Obligors to guarantee the obligations of the Company as borrower and certain other group companies under the Facility Agreement and to grant security in favour of the financier.

The Facility Agreement provides finance to the Company to enable it to partially fund the acquisition of AGL under the Transaction. The Facility Agreement also provides finance to the Company for ongoing working capital purposes.

Accordingly, pursuant to:

(a) section 260B(1) of the Corporations Act, it is proposed that the giving of financial assistance by the Company in respect of the issue of the Transaction Shares is approved by a special resolution passed at the Meeting;

(b) section 260B(2) of the Corporations Act, it is proposed that the giving of financial assistance by the Australian AGL Subsidiaries in respect of the Company's acquisition of the AGL shares is approved by the Company in its capacity as the ultimate listed Australian holding company of such Australian AGL Subsidiaries by a special resolution passed at the Meeting; and

(c) section 260B(2) of the Corporations Act, it is proposed that the giving of financial assistance by the RCG Subsidiaries in respect of the issue of the Transaction Shares is approved by the Company in its capacity as the ultimate listed Australian holding company of such RCG Subsidiaries by a special resolution passed at the Meeting.

Approval is also being sought for any financial assistance that may arise on any subsequent refinancing, variation or replacement of the Facility Agreement, or the provision of further security in connection with the Facility Agreement. This is to preserve the Company's right to refinance without seeking further whitewash approval.

Resolution 5 is interdependent on Shareholder approval for all other Resolutions (other than Resolution 6).

Effect of the proposed financial assistance

The substantial effect of the financial assistance on the Company, the RCG Subsidiaries and the Australian AGL Subsidiaries is that they have each guaranteed, and granted security over all of their respective assets and undertaking to secure, all amounts payable under the Finance Documents. If there is a default in the due and punctual payment of amounts owing under the Facility Agreement or if certain other events of default occur, the Company could be required to immediately pay on demand all amounts then owing by the Company under the Facility Agreement. To the extent such amounts are not repaid, guarantees and security granted by the RCG Group (including members of the AGL Group) may become enforceable by the financier. The financier may be entitled to exercise its rights in respect of indemnities granted by the Company and members of the RCG Group (including members of the AGL Group).

The advantages of the proposed financial assistance include the following:

(a) the Directors believe that the Facility Agreement is the most appropriate form of financing available, in order to partially finance the Transaction and the Transaction is in the best interests of the Company and each member of the RCG Group;

(b) if Resolution 5 is not approved, members of the RCG Group (including members of the AGL Group) may not be able to act as guarantors and security providers under the Facility Agreement (and related financing documentation) which will prevent the Company's ability to obtain these financing arrangements; and

(c) the financial assistance will enable the Company to comply with its obligations under the Facility Agreement and to ensure that such facilities remain available. If such obligations (including the obligation to grant guarantees and security) are not complied with, the financier under the Facility Agreement may be entitled to default the Company under the Facility Agreement which would jeopardise the Transaction.

The disadvantages of the proposed financial assistance include the following:

(a) the Obligors will become liable for the amounts due under the Facility Agreement;

(b) the operations of the RCG Group may become restricted by the representations and undertakings in the Facility Agreement;

(c) although the Directors consider this unlikely, the Company or certain other group companies may default under the Facility Agreement;

(d) in the event of a default, the financier may make a demand under the guarantees provided by the Obligors requiring immediate repayment of the amounts due under the Facility Agreement, which may result in a winding up of one or more of the members in the RCG Group; and

(e) in the event of a default, the financier will be entitled to enforce the security granted by the members of the RCG Group (which, upon completion of the Transaction, includes each member in the AGL Group) and accordingly take control of, and realise, all of the assets and undertaking of such companies.

The Directors have considered the giving of the financial assistance and are of the opinion that there are reasonable grounds to believe that it is in the best interests and for the commercial benefit of the RCG Group and the AGL Group. Furthermore, it is common for newly acquired subsidiaries to provide guarantees and undertakings of the type outlined above.

Other relevant information

The Directors consider that there is no other information that is known to the Company that is material to a Shareholder's decision on how to vote on Resolution 5, other than information which it would be unreasonable to require the Company to include in this Explanatory Statement as the Company has previously disclosed the information to its shareholders.

Notice to ASIC

A copy of this Notice of Meeting was lodged with the ASIC before being sent to the Shareholders of the Company, as required by section 260B(5) of the Corporations Act.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5 to approve the giving of financial assistance.

Resolution 6: Subsequent approval for the issue of the Placement Shares

Background

On 23 March 2015, the Company announced that it had completed a placement of 35,714,285 Shares ("**Placement Shares**") to institutional and professional investors at an issue price of $0.70 per Share ("**Placement**"). The funds raised from the Placement will be used to partially fund the cash component of the consideration payable under of the Transaction.

The issue of the Placement Shares did not require Shareholder approval as the number of Shares issued was below the Company's 15% limit under ASX Listing Rule 7.1.

What is the effect of ASX Listing Rule 7.1?

In general terms, ASX Listing Rule 7.1 imposes a 15% cap on the number of shares that can be issued by the Company, without approval of shareholders, in any 12 month period ("**15% limit**"). However, the Company is permitted to issue shares (or other securities) in excess of the 15% limit if those shares are issued in reliance on an exception to ASX Listing Rule 7.1 or the issue is approved by shareholders.

Why is the Company seeking approval for the issue of the Placement Shares?

ASX Listing Rule 7.4 provides that where a company subsequently approves an issue of securities, the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1, thereby replenishing the 15% limit and enabling it to issue further securities up to that limit without requiring shareholder approval.

Accordingly, the purpose of Resolution 6 is for Shareholders to approve, pursuant to ASX Listing Rule 7.4, the previous issue of the Placement Shares to restore the Company's ability to issue further securities within the 15% limit under ASX Listing Rule 7.1 during the next 12 months.

The Directors consider that it is appropriate and prudent for approval to be sought in respect of the Placement Shares, as this approval will enhance the Company's flexibility to raise further equity capital, should the Directors consider that it is in the best interests of the Company to do so.

If Shareholders do not approve Resolution 6, the issue of the Placement Shares will be included in the Company's 15% limit.

The Company confirms that the issue of the Placement Shares did not breach ASX Listing Rule 7.1.

In accordance with ASX Listing Rule 7.5, Shareholders are provided the following information:

The number of securities issued	35,714,285 Shares.
The price at which the securities were issued	$0.70 per Share. The issue price of each Share has been calculated on the basis of a 3.4% discount to the volume weighted average price for the Company's shares for the 5 days up to 18 March 2015.
The terms of the securities	Fully paid ordinary shares in the capital of the Company which ranked, from the date of their issue, equally with all existing issued Shares with the exception that the shares will not participate in the dividend declared by the Company on 27 February 2015.
The names of the persons to whom the securities were issued	Issued under an institutional placement to persons nominated by Bell Potter Securities who acted as lead manager and underwriter for the placement.
The intended use of the funds raised	Funds raised from the Placement will be used to partially fund the acquisition of AGL under the Transaction.

A voting exclusion statement is included in the Notice of Meeting.

Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

GLOSSARY

$	Australian dollars
AGL	Accent Group Limited New Zealand company number 121819
AGL Group	AGL and each of its wholly owned subsidiaries as at completion of the Transaction
AGL Shareholders	the shareholders of AGL, being Craig Thompson, Michael Hapgood, William Duell, Daniel Agostinelli and 2Como Pty Limited
ASX	ASX Limited
ASX Listing Rules	the Listing Rules of ASX
Australian AGL Subsidiaries	each of the following wholly owned subsidiaries of AGL: • Accent Group Pty Ltd ACN 001 742 552; • Platypus Shoes (Australia) Pty Ltd ACN 122 726 907; and • 42K Pty Limited ACN 169 043 145
Board	the current board of directors of the Company
Company	RCG Corporation Limited ABN 85 108 096 251
Constitution	the Company's constitution
Corporations Act	*Corporations Act 2001* (Cth)
Directors	the current directors of the Company
EBITDA	earnings before interest, tax, depreciation and amortisation
Explanatory Statement	the explanatory statement accompanying the Notice of Meeting
Financial Information	the pro forma historical financial information for the 12 months to 31 December 2014 to reflect the Company's structure and financial position following completion of the Transaction, as if AGL were acquired on 31 December 2014
Independent Expert	Lonergan Edwards & Associates
Independent Expert's Report	the report prepared by the Independent Expert and which is annexed to this Explanatory Statement in Appendix A
Investor Presentation	the investor presentation lodged with ASX on 19 March 2015 and which is annexed to this Explanatory Statement in Appendix B
Meeting	the extraordinary general meeting of Shareholders to be held at Level 4, 60 Carrington Street, Sydney NSW 2000 on Tuesday, 12 May 2015 at 2:00pm (Sydney time)
Notice of Meeting	this notice of extraordinary general meeting including the Explanatory Statement and the proxy form
Placement	the issue of the Placement Shares to institutional and professional investors at an issue price of $0.70 per Share on 30 March 2015
Placement Shares	35,714,285 Shares

RCG Group	the Company and each of its wholly owned subsidiaries including, upon completion of the Transaction, each member in the AGL Group.
RCG Subsidiaries	each of the following wholly owned subsidiaries of the Company: • The Athlete's Foot Australia Pty Ltd ACN 001 777 582; • T.A.F Constructions Pty Ltd ACN 097 684 430; • RCG Brands Pty Ltd ACN 125 433 972; • RCG Retail Pty Ltd ACN 144 955 117; and • TAF eStore Pty Ltd ACN 158 031 040
Resolutions	the resolutions set out in the Notice of Meeting, or any one of them, as the context requires
Share	a fully paid ordinary share in the capital of the Company
Share Sale Agreement	the share sale and purchase deed dated 19 March 2015 between the Company and the AGL Shareholders in respect of the Transaction
Shareholder	a holder of a Share
Transaction	the proposed acquisition of 100% of the issued capital in AGL by the Company
Transaction Shares	142,857,124 Shares to be issued to the AGL Shareholders as partial payment for the acquisition of AGL under the Transaction

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The Directors
RCG Corporation Limited
719 Elizabeth Street
Waterloo NSW 2017

30 March 2015

Subject: Proposed acquisition of Accent Group Limited and related issue of shares

Dear Directors

Introduction

1 On 19 March 2015 RCG Corporation Limited (RCG) announced that it had entered into an agreement to acquire all of the issued shares in Accent Group Limited (Accent). Accent is a New Zealand company which distributes and markets global footwear and apparel brands in Australia and New Zealand. Accent currently distributes leading global footwear brands including Dr. Martens, Palladium, Skechers, Stance, Timberland (Australia only) and Vans.

2 The consideration for the acquisition of Accent will be calculated as a multiple of 6 times the normalised EBITDA of Accent for the year ending 30 April 2015, less the net indebtedness of Accent on completion and any working capital adjustments. Based on Accent's actual results up to 28 February 2015, RCG management expects that the consideration (on a cash and debt free basis) for Accent will range between $180 million to $200 million (Total Consideration).

3 $100 million of the purchase price will be settled by the issue to the vendors of 142.85 million RCG shares at a price of $0.70 per share (the Share Consideration). The Share Consideration will be subject to a two year escrow restriction from completion.

4 The balance of the consideration (estimated at $80 million to $100 million) will be payable in cash (the Cash Consideration) and will be funded by:

(a) vendor finance (in the form of an unsecured vendor note) of $25 million[1], which will be repayable in two years from completion[2].

(b) an underwritten equity placement to raise approximately $25 million in new equity. This equity raising will also be undertaken at a price of $0.70 per RCG share[3]

1 Subject to adjustment as explained in Section I.
2 RCG may elect to repay all or part of the unsecured vendor note at any time before maturity.
3 RCG announced the successful completion of the equity raising on 23 March 2015.

(c) bank borrowings of between $30 million and $50 million (based on a total purchase price of $180 million to $200 million respectively).

5 For the purposes of this report, the acquisition of Accent and the related issue of shares to investors and the vendors of Accent is referred to as "the Proposal".

6 Implementation of the Proposal is subject to a number of conditions precedent being satisfied (including RCG shareholder approval of the related share issue), as outlined in Section I.

7 Following completion, RCG also intends to undertake a shareholder purchase plan (SPP) to provide existing RCG shareholders with the right to subscribe for up to $15,000 worth of new RCG shares (at a price of $0.70 per share). The SPP will only take place if the Proposal is implemented, but is not a condition of the Proposal. The SPP will raise up to $10 million (subject to RCG's discretion to accept oversubscriptions).

Purpose of report

8 ASX Listing Rule 7.1 requires[4] the prior approval of shareholders if a company proposes to issue in any 12 month period, equity securities exceeding 15% of its ordinary securities on issue at the commencement of the 12 month period. As RCG will issue significantly more than 15% of its shares on issue to implement the Proposal, RCG shareholder approval is required for the issue of the Share Consideration and the financial assistance provided in connection with the Proposal. Shareholder approval is also being sought for the appointment of Mr Craig Thompson, Mr Michael Hapgood and Mr Daniel Agostinelli to the Board of RCG.

9 ASX Listing Rule 7.3 sets out the disclosure requirements for the notice of meeting to be held to obtain shareholder approval for the share issue. Whilst there is no regulatory requirement for an Independent Expert's Report (IER), the Directors of RCG have requested that we provide our opinion on the merits of the Proposal from the perspective of RCG shareholders.

10 LEA is independent of RCG and Accent and has no other involvement or interest in the Proposal.

Summary of opinion

11 In our opinion, the Proposal is in the best interests of RCG shareholders.

12 We have formed this opinion because the Proposal is materially value accretive for RCG shareholders. We have formed this view on the basis that:

(a) the underlying value of RCG shares (on a portfolio or listed company basis) is likely to be some 22.9% to 25.3% higher if the Proposal proceeds

(b) the Proposal is significantly EPS accretive (which should also lead to higher dividends for RCG shareholders in the medium to long term)

(c) Accent is being acquired by RCG on an EBITDA multiple which is significantly below the EBITDA multiple implied by recent trading in RCG shares.

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4 Subject to a number of exceptions outlined in ASX Listing Rule 7.2.

13 Consistent with our view above, we also note that the RCG share price has increased materially since the announcement of the Proposal on 19 March 2015, as shown below:

	$ / share
VWAP from 23 March 2015 to 26 March 2015 (i.e. post announcement)	1.01
VWAP from 19 February 2015 to 18 March 2015 (i.e. 1 month prior to announcement)	0.74
Increase in share price	36.5%

Dilution

14 RCG shareholders should note that their collective ownership of RCG will be diluted to around 61%[5] as a result of the Proposal and subsequent share purchase plan (SPP). However, due to the size of the acquisition, in our view, such dilution is reasonable given RCG's preference to maintain a conservative gearing level.

Conclusion

15 Given the above, in our opinion, the advantages of the Proposal significantly outweigh the disadvantages. Consequently, we have concluded that the Proposal is in the best interests of RCG shareholders.

General

16 In preparing this report we have considered the interests of RCG shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

17 The ultimate decision whether to approve the Proposal should be based on each RCG shareholder's assessment of their own circumstances. If RCG shareholders are in doubt about the action they should take in relation to the Proposal or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Proposal and the reasoning behind our opinion, we recommend that RCG shareholders read the remainder of our report.

Yours faithfully

Craig Edwards	Martin Holt
Authorised Representative	Authorised Representative

[5] Assuming RCG shareholders subscribe for $10 million in new shares under the SPP.

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Appendices

I Key terms of the Proposal

18 On 19 March 2015 RCG announced that it had entered into an agreement to acquire all of the issued shares in Accent.

Consideration

19 The consideration for the acquisition of Accent will be calculated as a multiple of 6 times the normalised EBITDA of Accent for the year ending 30 April 2015, less the net indebtedness of Accent on completion and any working capital adjustments. Based on Accent's actual results up to 28 February 2015, RCG management expects that the Total Consideration for Accent will range between $180 million to $200 million (on a cash and debt free basis).

20 Of the Total Consideration payable:

(a) $100 million of the purchase price will be settled by the issue to the vendors of 142.85 million RCG shares at a price of $0.70 per share (the Share Consideration). The Share Consideration will be subject to a two year escrow restriction from completion

(b) the balance will be payable in cash (the Cash Consideration).

Payment terms

21 As completion is expected to occur prior to Accent's audited accounts for the year ending 30 April 2015 being available, the Total Consideration will be estimated at completion. On completion, RCG will issue the Share Consideration to the vendors and pay 80% of the Cash Consideration based on this estimate (the Initial Consideration).

22 The remaining 20% of the Cash Consideration (subject to any adjustment) must be paid on or before 30 August 2015 (following receipt of Accent's audited accounts for the year ending 30 April 2015). At this date, the Total Consideration may be adjusted by the aggregate of the following amounts:

(a) 6 times the difference between the estimated EBITDA (at completion) and the actual normalised EBITDA of Accent for the year ended 30 April 2015

(b) the difference between the estimated net indebtedness of Accent at completion of the transaction and the actual net indebtedness of Accent as at 30 April 2015

(c) the difference between the target final working capital of Accent for the year ended 30 April 2015 and the actual working capital of Accent as at 30 April 2015.

Funding

23 The Cash Consideration will be funded by:

(a) vendor finance (in the form of an unsecured vendor note) of $25 million[6], which will be repayable in two years from completion[7].

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6 Any adjustment to the purchase price (resulting from the matters in the preceding paragraph) that cannot be satisfied from the 20% of the Cash Consideration retained by RCG will result in a corresponding increase / decrease in the amount of the vendor note.

(b) an underwritten equity placement to raise approximately $25 million in new equity. This equity raising will also be undertaken at a price of $0.70 per RCG share[8]

(c) bank borrowings of between $30 million and $50 million (based on a total purchase price of $180 million to $200 million).

Conditions

24 The Proposal is subject to the satisfaction of a number of conditions precedent, including the following:

(a) RCG obtaining all shareholder approvals required under the *Corporations Act 2001* (Cth) and the ASX Listing Rules to give effect to the Proposal for the purposes of ASX Listing Rule 7.1 in relation to the issue of the Consideration Shares, section 260B(2) of the Corporations Act in relation to the Accent group granting financial assistance in respect of the Proposal and in relation to the appointment of Mr Craig Thompson, Mr Michael Hapgood and Mr Daniel Agostinelli to the RCG Board

(b) each of RCG and Accent obtaining approval by the principals (or as otherwise required) of Vans, Skechers, Saucony, Dr. Martens, Timberland, Merrell and CAT brands in the form required by any change in control or other related provisions of the relevant distribution agreements with those parties

(c) RCG obtaining all necessary regulatory approvals and/or waivers required to give effect to the Proposal

(d) Accent obtaining, and providing to RCG, in principle approval to the proposed change of control from an agreed proportion of the landlords of the leased premises of Accent and/or any particular leased premises that are material to the business of Accent.

25 Further information on these conditions is set out in the Explanatory Memorandum.

26 No break fee is payable by either RCG to Accent or Accent to RCG if the Proposal is not implemented.

Shareholder purchase plan

27 Following completion, RCG also intends to undertake a shareholder purchase plan (SPP) to provide existing RCG shareholders with the right to subscribe for up to $15,000 worth of new RCG shares (at a price of $0.70 per share). The SPP will only take place if the Proposal is implemented, but is not a condition of the Proposal. The SPP will raise up to $10 million (subject to RCG's discretion to accept oversubscriptions).

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[7] RCG may elect to repay all or part of the unsecured vendor note at any time before maturity.

[8] RCG announced the successful completion of the equity raising on 23 March 2015.

II Scope of our report

Purpose

28 Based on the estimated consideration for the Accent shares, the Proposal is expected to have the following impact on the ownership of the enlarged RCG group:

RCG shareholdings post implementation of Proposal (millions of shares)	Pre Proposal	Impact of Proposal and SPP(1)	Post Proposal and SPP(1)
Existing RCG shareholders	268.4	14.3	282.7
Share Consideration (held by Accent vendors)	-	142.9	142.9
Placement shares	-	35.7	35.7
Total shares on issue (post implementation)	268.4	192.9	461.3
% ownership:			
Existing RCG shareholders	100.0%		61.3%
Accent vendors	-		31.0%

Note:
1 The above table assumes RCG raises $10 million from existing RCG shareholders under the SPP.

29 Whilst the vendors of Accent are expected to collectively own approximately 31% of the enlarged capital of RCG, no individual vendor (including their associates) will acquire a relevant voting interest in more than 20% of the shares on issue in RCG. Accordingly, shareholder approval of the Proposal is not required under Section 606 of the *Corporations Act 2001 (Cth)* (Corporations Act).

30 However, ASX Listing Rule 7.1 requires[9] the prior approval of shareholders if a company proposes to issue in any 12 month period, equity securities exceeding 15% of its ordinary securities on issue at the commencement of the 12 month period. As RCG will issue significantly more than 15% of its shares on issue to implement the Proposal, RCG shareholder approval is required for the issue of the Share Consideration and the financial assistance provided in connection with the Proposal. Shareholder approval is also being sought for the appointment of Mr Craig Thompson, Mr Michael Hapgood and Mr Daniel Agostinelli to the Board of RCG.

31 ASX Listing Rule 7.3 sets out the disclosure requirements for the notice of meeting to be held to obtain shareholder approval for the share issue. Whilst there is no regulatory requirement for an IER, the Directors of RCG have requested that we provide our opinion on the merits of the Proposal from the perspective of RCG shareholders.

32 Our report has therefore been prepared for the benefit of RCG shareholders to assist them in considering the resolutions required in connection with the Proposal. Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to RCG shareholders. The sole purpose of our report is to determine whether, in our opinion, the Proposal is in the best interests of RCG shareholders.

9 Subject to a number of exceptions outlined in ASX Listing Rule 7.2.

33 The ultimate decision whether to approve the Proposal should be based on each RCG shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Proposal or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

34 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, Regulatory Guide 111 – *Content of expert reports* (RG 111).

35 RG 111 primarily focuses on "change of control" transactions. However, the Proposal is not a 'change of control' transaction (as defined in RG 111) because:

(a) RCG is proposing to acquire Accent

(b) existing RCG shareholders will collectively own approximately 61% of the enlarged capital following implementation of the Proposal (and the SPP), and will therefore collectively control the enlarged business; and

(c) no individual vendor[10] of the Accent business will acquire a relevant voting interest in more than 20% of the shares on issue in RCG following implementation of the Proposal.

36 As a result of the above, there is no regulatory requirement to provide an opinion on whether the Proposal is 'fair' and 'reasonable' to RCG shareholders (as this regulatory assessment is only applicable to change of control transactions). Further, in our opinion, an 'in the best interests' opinion is more appropriate given the nature of the Proposal.

37 There is no legal definition of the expression "in the best interests". However, RG 111 states that a proposal may be "in the best interests of the members of the company" if there are sufficient reasons for security holders to vote in favour of the Proposal in the absence of a superior proposal.

38 Our report therefore focuses on the advantages and disadvantages of the Proposal from the perspective of existing RCG shareholders. If the advantages of the Proposal outweigh the disadvantages then, in our opinion, the Proposal is in the best interests of existing RCG shareholders in the absence of a superior proposal.

39 Our report will therefore consider a range of both qualitative and quantitative factors including:

(a) the portfolio value of RCG shares prior to implementation of the Proposal

(b) the portfolio value of RCG shares following implementation of the Proposal (having regard to, inter-alia, the value of Accent, potential synergy benefits and the impact of the capital raising)

(c) the valuation implications of the Proposal, reflecting a comparison of the values in (a) and (b) above

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10 Including their associates.

(d) the impact of the Proposal on earnings per share, net tangible asset backing per share and gearing levels

(e) share market trading in RCG shares following the announcement of the Proposal

(f) the impact of the Proposal on the ownership and control of RCG

(g) the price at which new shares are to be issued to fund the cash consideration, and the extent to which existing RCG shareholders can participate in the capital raising

(h) the likely impact of the Proposal on the level of institutional ownership, share trading volumes and index weightings

(i) other qualitative and strategic issues associated with the Proposal and the extent to which, on balance, they may advantage or disadvantage existing RCG shareholders if the Proposal proceeds or is rejected.

Limitations and reliance on information

40 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

41 Our report is also based upon financial and other information provided by RCG and Accent. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

42 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposal from the perspective of RCG securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

43 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters.

44 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

45 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of

which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

46 In forming our opinion, we have also assumed that:

(a) the information set out in the Explanatory Memorandum is complete, accurate and fairly presented in all material respects

(b) if the Proposal becomes legally effective, it will be implemented in accordance with the terms set out in this report.

III Profile of RCG

Overview

47 RCG is an ASX listed company which owns and operates a number of footwear businesses in the performance, comfort and active lifestyle sectors. These include:

(a) RCG's retail businesses, The Athlete's Foot, Podium Sports (Podium) and Merrell; and

(b) RCG's wholesale and distribution subsidiary, RCG Brands Pty Limited (RCG Brands), which is the Australian distributor for the Merrell, Saucony, Cushe, CAT (Caterpillar), Sperry Top-Sider and InStride brands of footwear and apparel.

The Athlete's Foot

The Athlete's Foot	
	The Athlete's Foot (TAF) was established under licence in Australia in 1981. Since then it has grown to become Australia's largest specialist retailer of athletic footwear with 147 stores[11] operating across Australia and New Zealand, with stores in every state and territory. In August 2009, RCG signed new long term licence agreements for the TAF business in Australia and New Zealand under which it no longer pays ongoing licence fees to the United States (US) licensor for an effective term of 249 years.

RCG Brands

48 The RCG Brands business involves the wholesaling and distribution of Merrell, Caterpillar, Sperry Top-Sider, Saucony, InStride and Cushe branded footwear and apparel in Australia, and the operation of the Merrell and Podium retail stores.

RCG brands	
	Merrell is a leading outdoor performance footwear brand, which was founded in 1981 as a maker of high-performance hiking boots. Today, Merrell's wide selection of footwear and apparel includes everything from hiking boots and shoes to casual sandals and slip-ons, as well as athletic footwear and apparel. Since January 2010, RCG has held the Australian rights to distribute the Merrell brand of footwear and apparel under an agreement with Wolverine World Wide Inc, the owner of Merrell. Since launching in the Australian marketplace 10 years ago, Merrell has built a significant presence in the outdoor, comfort, active lifestyle, and performance markets. In December 2010, RCG opened its first Australian Merrell flagship store which has grown to 18 stores, with further growth expected.
	The Saucony brand is synonymous with high performance running and walking footwear and apparel and has recently become the second largest brand by volume sold through the running speciality channel in the US. RCG acquired the Saucony wholesale and distribution businesses in Australia and New Zealand in December 2013.

[11] The large majority of stores are franchised.

CAT	CAT footwear, apparel and workwear is designed to live up to the hard working reputation of the Caterpillar earthmoving equipment brand. The footwear range includes steel toe, waterproof, and safety work boots and casual shoes for men and women. CAT footwear, apparel and work wear is sold in more than 150 countries worldwide.
SPERRY TOP-SIDER	Sperry Top-Sider is the original and iconic boat shoe brand and has global sales of US$550 million. From 1 January 2014 RCG was awarded the exclusive distribution rights to Sperry Top-Sider in Australia and New Zealand.
cushe	Cushe is a brand of casual shoes. Cushe's aim is to make something a bit different, unique and set apart from the masses, challenging the boundaries of footwear design rather than following trends set by others.
podium sports	Podium is a nine store retail chain that operates athletic footwear and apparel clearance stores in outlet malls and Direct Factory Outlets (DFO's). The business was acquired from Authentics Australia Pty Ltd in December 2013 and is reported as part of the RCG Brands business.
InStride Taking Life InStride	InStride is a brand of comfort footwear often prescribed by podiatrists and other medical professionals and is now distributed exclusively through TAF. In August 2014, RCG entered into a distribution agreement with InStride Shoes LLC to become the exclusive distributor of the InStride brand in Australia.

Distribution agreements

49 A summary of RCG's key distribution agreements and their current expiry dates is set out below:

RCG – key distribution agreements			
Brand	**Licensor**	**Award date**	**Expiry date**
Merrell	Wolverine Worldwide, Inc	January 2010	December 2019
Saucony	Wolverine Worldwide, Inc	December 2013	December 2018
CAT Footwear	Wolverine Worldwide, Inc	April 2011	December 2015(1)
CAT Apparel	SRI Apparel	January 2012	December 2016
InStride	InStride Industries LLC	August 2014	December 2020
Sperry Top-Sider	Wolverine Worldwide, Inc	January 2014	December 2016
Cushe Footwear	Wolverine Worldwide, Inc	August 2010	December 2017(2)

Note:
1 An extension of this distribution agreement is being negotiated and is expected to be finalised shortly.
2 This contract has been renegotiated for a new term, but its extension has not yet been executed.

Financial performance

50 A summary of RCG's financial performance for the three years ended 30 June 2014 (FY14) and for the six months ended 31 December 2013 (1H14) and 2014 (1H15) is shown below:

RCG – summary of financial performance	FY12 Audited A$000	FY13 Audited A$000	FY14 Audited A$000	1H14 Reviewed A$000	1H15 Reviewed A$000
Sales to customers	25,871	34,144	58,937	21,804	38,872
Royalties and other franchise related income	15,402	15,779	16,344	7,483	7,340
Other revenue	982	742	880	425	517
Total revenue	**42,255**	**50,665**	**76,161**	**29,712**	**46,729**
EBITDA[(1)]	**13,395**	**15,085**	**16,889**	**7,095**	**7,823**
Depreciation and amortisation	(561)	(900)	(1,147)	(522)	(695)
EBIT[(1)]	**12,834**	**14,185**	**15,742**	**6,573**	**7,128**
Interest income	880	848	881	451	420
Profit before tax	13,714	15,033	16,623	7,024	7,548
Income tax expense	(4,186)	(4,518)	(4,853)	(1,993)	(1,930)
Profit after tax from cont. operations	9,528	10,515	11,770	5,031	5,618
Profit attributable to minority interests	-	-	(74)	-	(49)
Profit after tax from continuing operations attributable to RGC	**9,528**	**10,515**	**11,696**	**5,031**	**5,569**
Profit / (loss) from discontinued operations[(2)]	(340)	(4,677)	-	-	-
Profit after tax attributable to RGC shareholders	**9,188**	**5,838**	**11,696**	**5,031**	**5,569**

Note:
1 EBITDA and EBIT excludes interest income, but is calculated after deducting finance costs of around $0.2 million per annum (consistent with RCG's prior reporting).
2 The results for the discontinued business operation relate to the Shoe Superstore (SSS) business, which was placed into voluntary administration on 20 February 2013. RCG wrote off its investment in the SSS business in the year ended 30 June 2013 and expects no further financial or operational impact from it.

51 For statutory reporting purposes, RCG reports its results for both TAF and RCG Brands. As stated above, the RCG Brands business includes the results of the Merrell and Podium retail stores. Reported EBIT by segment is shown below:

RCG – summary of segment results (Continuing businesses only)	FY12 Audited A$000	FY13 Audited A$000	FY14 Audited A$000	1H14 Reviewed A$000	1H15 Reviewed A$000
EBIT by segment:					
The Athlete's Foot	11,675	11,613	12,309	5,412	5,178
RCG Brands	3,989	4,837	6,582	2,734	3,896
Corporate costs	(2,830)	(2,265)	(3,149)	(1,573)	(1,946)
Total EBIT	**12,834**	**14,185**	**15,742**	**6,573**	**7,128**

52 Further information on the results for each segment is set out below.

TAF

53 The results of TAF for the three years to FY14 and for 1H14 and 1H15 are summarised below:

The Athlete's Foot – summary of financial performance					
	FY12 A$000	FY13 A$000	FY14 A$000	1H14 A$000	1H15 A$000
Store numbers at year end					
Corporate stores	2	3	10	9	13
Online stores	1	1	1	1	1
Franchise stores	144	142	138	136	133
Total stores	147	146	149	146	147
Total sales (including franchised stores)					
Corporate stores	4,367	5,384	12,324	4,077	8,497
Franchised stores	197,986	199,737	198,394	90,184	86,337
Total sales	202,353	205,121	210,718	94,261	94,834
Revenue					
Sales to customers	4,367	5,384	12,324	4,077	8,497
Royalties and other franchise related income	15,402	15,779	16,344	7,483	7,340
Other income	930	704	792	399	457
Total revenue	20,699	21,867	29,460	11,959	16,294
EBIT	11,675	11,613	12,309	5,412	5,178
EBIT margin (% of total sales)	5.8%	5.7%	5.8%	5.7%	5.5%
Growth rates (%)					
Total sales (including franchised stores)	n/a	1.4%	2.7%	n/a	0.6%
Royalties and other franchise related income	n/a	2.4%	3.6%	n/a	(1.9%)
EBITDA	n/a	1.5%	6.6%	n/a	(2.9%)
EBIT	n/a	(0.5%)	6.0%	n/a	(4.3%)

54 As indicated above, TAF's revenues comprise sales by company owned stores and royalties and other franchise income from franchisees. EBIT margins as a percentage of reported revenue vary depending on the mix of revenue from each source, and can be misleading. Accordingly, the EBIT margins shown above reflect the EBIT generated by RCG as a percentage of sales made through both company owned and franchised stores. On this basis the EBIT margins have been consistent over the period, but declined in the six months ended 31 December 2014 due to, inter alia, tough market conditions and the impact of price discounting by some market participants.

55 Total store numbers since 30 June 2011 have been relatively stable over the period[12]. Under the Partnership Program the company acquired five franchised stores in FY14 (and a further store in the six months ended 31 December 2014) from existing franchisees and partnered (at

[12] TAF had 149 stores as at 30 June 2011.

an equity level) with new franchisees to drive the performance of these stores. The stores acquired under this program and RCG's equity interest is shown below:

RCG equity interest in Partner Stores	
Store location	**RCG equity interest**
TAF Booragoon	60%
TAF Rockhampton	80%
TAF Eastland	80%
TAF The Glen	60%
TAF Hornsby	80%
TAF Hobart	80%

RCG Brands

56 The results of RCG Brands for the three years to FY14 and for 1H14 and 1H15 are summarised below:

RCG Brands – summary of financial performance	FY12 A$000	FY13 A$000	FY14 A$000	1H14 A$000	1H15 A$000
Store numbers at year end					
Merrell	4	8	15	13	18
Podium	-	-	9	9	9
Total	4	8	24	22	27
Revenue					
Corporate store sales	1,794	5,607	16,842	5,296	12,634
Wholesale sales	22,962	23,153	29,771	12,431	17,741
Other income	6	38	88	26	60
Total revenue	24,762	28,798	46,701	17,753	30,435
EBIT	3,989	4,837	6,582	2,734	3,896
EBIT margin	16.1%	16.8%	14.1%	15.4%	12.8%
Growth rates (%)					
Corporate store sales	n/a	212.5%	200.4%	n/a	138.6%
Wholesale sales	n/a	0.8%	28.6%	n/a	42.7%
EBITDA	n/a	23.2%	37.7%	n/a	44.5%
EBIT	n/a	21.3%	36.1%	n/a	42.5%

57 The RCG Brands business has exhibited strong growth in revenues and profit, driven by:

(a) the opening of new Merrell stores (which is expected to continue)

(b) the acquisition of 9 Podium stores in December 2013; and

(c) the acquisition of new distribution rights (such as Saucony and Sperry Top-Sider).

58 The Podium retail business and the Saucony wholesale and distribution business in Australia and New Zealand were both acquired in December 2013. At the time RCG also secured a new five year exclusive Saucony distribution licence in Australia and New Zealand. At the

date of acquisition, these acquired businesses were expected to have an annualised positive impact on RCG's earnings per share (EPS) of approximately 10%. However, due to the timing of the acquisition, the full year benefits from the acquisitions are not expected to be realised until FY15. Similarly, the award of the exclusive distribution rights to Sperry Top-Sider from 1 January 2014 is expected to contribute positively to profit in FY15.

Financial position

59 The financial position of RCG as at 30 June 2014 and 31 December 2014 is shown below:

RCG – summary of financial position	30 Jun 14 $m	31 Dec 14 $m
Trade & other receivables	11.6	11.3
Inventories	13.2	14.8
Other current assets	1.4	0.4
Creditors, accruals and current provisions	(15.3)	(12.5)
Net working capital	**10.9**	**14.0**
Trade & other receivables	0.5	0.9
Property, plant and equipment	6.7	6.8
Intangible assets	11.2	11.1
Goodwill	11.7	13.4
Deferred tax assets	1.4	1.0
Provisions (non current)	(0.4)	(0.4)
Total funds employed	**42.0**	**46.8**
Cash & cash equivalents	16.1	11.8
Interest bearing liabilities	(4.3)	(5.6)
Foreign currency forward contracts	(0.8)	1.8
Net cash	**11.0**	**8.0**
Net assets	**53.0**	**54.8**
Less net assets attributed to minority interests	(0.7)	(1.4)
Net assets attributed to RCG shareholders	**52.3**	**53.4**

60 In relation to the above we note:

(a) non-current trade and other receivables ($869,000 as at 31 December 2014) represent loans to the minority shareholders in the TAF Partnership store entities

(b) intangible assets ($11.1 million as at 31 December 2014) relate to the cost of the TAF trademark and TAF licence. The cost of the TAF licence fee is being amortised over 249 years, being the effective term of the licence. No ongoing licence fees are payable to the US licensor

(c) goodwill primarily relates to TAF ($8.9 million as at 31 December 2014) and the Saucony and Podium acquisition ($4.3 million as at 31 December 2014)

(d) the net assets attributed to minority interests relate to the equity held by minority shareholders in the TAF Partnership store entities

(e) RCG has consistently held cash balances which exceed borrowings.

Share capital

61 As at 18 March 2015 (i.e. prior to the announcement of the Proposal), RCG had 268.4 million fully paid ordinary shares on issue. This includes 6.7 million ordinary shares issued under the Employee Share Scheme (ESS), which are subject to escrow restrictions until certain vesting conditions are met, and 7.0 million ordinary shares under an Employee Loan Plan (ELP).

62 In addition, RCG has 5.45 million options on issue at exercise prices ranging between $0.52 and $0.66 per share as summarised below:

RCG – options on issue			
Series	Options outstanding (000s)	Exercise price	Expiry date
10	750	$0.52	23 Aug 15
12	100	$0.52	23 Aug 15
13	1,000	$0.52	23 Aug 15
15	1,500	$0.66	14 Dec 16
16	2,100	$0.53	24 Aug 16
	5,450		

Significant shareholders

63 As at 28 February 2015 the only substantial shareholder in RCG[13] was Fidelity Management & Research Company Inc, who held approximately 8.05% of the shares on issue.

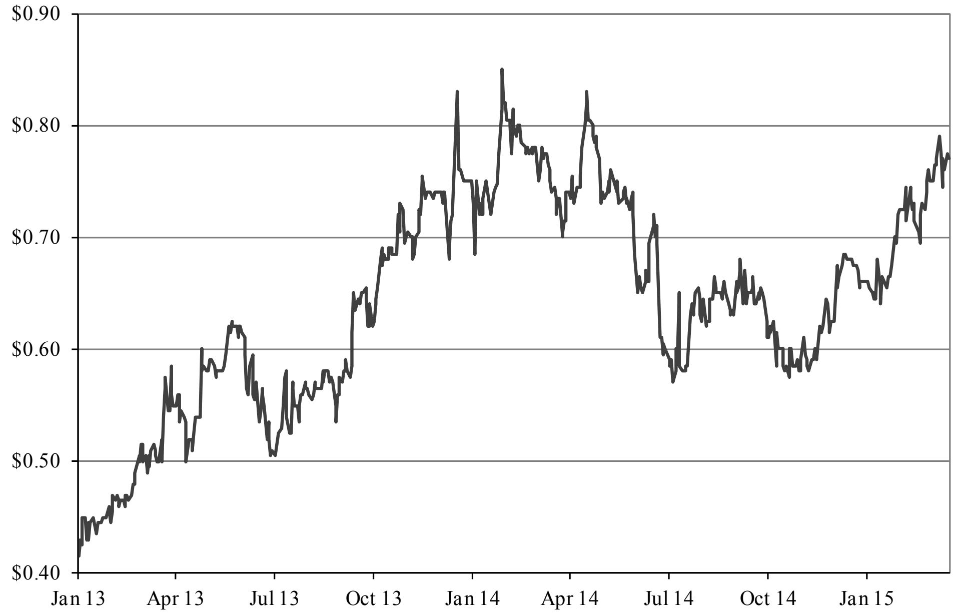
64 The RCG Board and related parties also have a significant aggregated interest in the company, holding 52.8 million shares (19.7%) in total as at 28 March 2015.

Share price performance

65 The following chart illustrates the movement in the share price of RCG from 2 January 2013 to 18 March 2015 (being the last trading day prior to the announcement of the Proposal):

[13] Based on the latest substantial shareholder notices received by RCG.

RCG – share price history
2 January 2013 to 18 March 2015



Source: Bloomberg.

66 In November 2013 shareholders associated with RCG's Board and senior management sold a block of RCG shares equal to approximately 11% of the total shares on issue at that date. This sale occurred at $0.75 per share via an after-market book build to institutional and sophisticated investors.

IV Profile of Accent

Overview

67 Accent is a private company (incorporated in New Zealand) established in 1988 by founding shareholders Mr Craig Thompson, Mr Bill Duell and Mr Michael Hapgood (Chief Executive Officer) to distribute and market global footwear and apparel brands into Australasia. Mr Daniel Agostinelli also became a shareholder in 2009.

68 Accent holds exclusive licence agreements to distribute leading global footwear brands in Australia and New Zealand, including Vans, Skechers, Dr. Martens, Palladium and K-Swiss. More recently the company has acquired the distribution rights for two more brands, Stance and Timberland (Australia only).

69 The retail division owns and operates a network of 97 stores (as at 28 February 2015) across four brand formats including mono-branded Skechers, Vans and Timberland stores, as well as the market leading multi-branded sneaker business, Platypus Shoes. Its retail sales for the 12 months ended 31 December 2014 were approximately A$120 million[14].

70 Accent's head office is based in Auckland, New Zealand and manages the various Group procurement, management and administrative functions. Accent's primary sales and marketing function (and its retail division) is based in Melbourne, Australia with distribution facilities located in Melbourne for Australia and in Auckland for New Zealand. The Group has sales offices and brand showrooms in Melbourne, Sydney, Brisbane and Auckland.

Brands

71 Brief descriptions of Accent's key brands are listed below:

Accent – key brands	
	Dr. Martens is a British footwear and clothing brand, which also makes a range of accessories (including shoe care products, clothing and luggage). The footwear is distinguished by its air-cushioned sole (dubbed Bouncing Soles), upper shape, welted construction and yellow stitching. The Dr. Martens distribution rights (in both Australia and New Zealand) were awarded to Accent in 1989, and the current term of the agreement expires in November 2015.
	K-Swiss dates back to 1966 with the creation of the first all-leather tennis shoe, the K-Swiss Classic. For almost 50 years, K-Swiss has made premium tennis shoes for on-court performance and off-court style. The distribution rights to K-Swiss (in both Australia and New Zealand) were awarded to Accent in 2013 and the current term of the agreement expires in December 2018.
	Palladium is a brand of boots known for their authenticity, premium materials and cutting edge styling. The Palladium distribution rights (in both Australia and New Zealand) were awarded to Accent in 2011, and the current term of the agreement expires in December 2018.

14 In addition, sales of approximately A$62 million were generated by Accent's wholesale business. Sales of brands for which Accent is the exclusive distributor accounted for around 78% of total sales in the 12 months ended 31 December 2014.

Platypus Shoes started as a small chain of sneaker focused stores and was acquired by Accent in 2007, at which time it had 13 stores. It has since grown to 55 stores (as at 28 February 2015) in Australia and New Zealand. Approximately 45% of sales are of Accent's licenced branded products, with the balance being third party brands.

Accent owns all of the Platypus stores and the Platypus brand. Platypus also commenced online sales through its website towards the end of FY14.

Skechers USA, Inc is a US based global leader in the lifestyle footwear industry. It designs, develops and markets lifestyle footwear that appeals to trend-savvy men, women and children.

The distribution rights to Skechers (in both Australia and New Zealand) were awarded to Accent in 1991, and the current term of the agreement expires in December 2021. In addition to operating an extensive Skechers wholesale business, Accent also owns and operates 36 Skechers mono-branded stores (as at 28 February 2015).

Stance is a brand of socks known for their original and bold designs. They are popular with the youth market and people wanting to draw attention to their footwear and to express their individuality.

The Stance distribution rights (in both Australia and New Zealand) were awarded to Accent in 2011, and the current term of the agreement expires in June 2015.

Founded on the strength of the iconic and innovative yellow boot in 1973, The Timberland Company has since built a reputation for making rugged outdoor gear, which has been expanded to include clothes, watches, glasses and leather goods as well as footwear. The brand has annual revenue of approximately US$1.5 billion worldwide.

The distribution rights to Timberland (in Australia only) were awarded to Accent in 2012, and the current term of the agreement expires in December 2015.

Vans is the original action sports shoe, footwear and clothing company grounded in youth, authenticity and individual style. Vans specialises in shoes, snow boots and clothing and is one of the leading youth lifestyle footwear brands in the world, with worldwide sales approaching US$2 billion annually.

The distribution rights to Vans (in both Australia and New Zealand) were awarded to Accent in 1992, and the current term of the agreement expires in December 2016. In additional to wholesaling the brand to premium retailers, Accent operates 10 mono-branded Vans stores (as at 28 February 2015).

72 A summary of the key distribution rights and their current expiry dates is shown below:

Accent – key distribution agreements

Brand	Original start date	Current term expiry date	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Skechers	1991	Dec-21										
Vans	1992	Dec-16										
Dr Martens	1989	Nov-15										
Timberland	2012	Dec-15					+ 2 year option period held by Timberland					
Palladium	2011	Dec-18										
Stance	2011	Jun-15				+ Automatically reviews each subsequent year						
K-Swiss	2013	Dec-18										

73 As noted above, a number of the distribution agreements reach the end of their current term within 18 months. However, the large majority of wholesale revenues in the 12 months to 31 December 2014 were generated by the Skechers and Vans brands. Whilst the current distribution agreement for Vans expires in December 2016 we note that:

(a) Accent has been the exclusive distributor in both Australia and New Zealand of the Vans brand for over 20 years

(b) Accent also owns and operates 10 Vans retail stores, and its Platypus Shoe stores are the biggest retailer of Vans branded shoes in Australia.

Retail stores

74 The Accent business has grown substantially in recent years. Growth in store numbers is shown below:

Accent – store numbers[1]	30 Apr 13 Actual	30 Apr 14 Actual	31 Dec 14 Actual	30 Apr 15 Estimate[2]
Australian stores				
Platypus	30	39	49	51
Skechers	19	20	30	33
Vans	3	8	9	10
Timberland	1	2	2	2
Total Australian stores	53	69	90	96
New Zealand stores				
Platypus	1	3	3	7
Skechers	-	1	2	3
Total New Zealand stores	1	4	5	10
Total stores	54	73	95	106

Note:
1 All stores are owned by Accent (i.e. no stores are franchised).
2 Based on actual stores as at 28 February 2015 plus planned store openings (net) in March and April 2015.

75 As at 28 February 2015, total store numbers were 97, of which 91 were in Australia and 6 were in New Zealand. In March and April 2015 a further 9 stores (5 in Australia and 4 in New Zealand) are planned to be opened. Further significant growth in store numbers is planned.

76 Five stores were closed during the period 1 May 2012 to 31 December 2014, and 2 further closures in April 2015 (due to lease expiry) and May 2015 are planned.

Financial performance

Reported results

77 A summary of Accent's financial performance for the 3 years ended 30 April 2014[15], the eight months ended 31 December 2013 and 2014 and the 12 months to 31 December 2014 is shown below:

Accent – summary of financial performance in NZ dollars	Year to 30 Apr 12 NZ$m	Year to 30 Apr 13 NZ$m	Year to 30 Apr 14 NZ$m	8 mths to 31 Dec 13 NZ$m	8 mths to 31 Dec 14 NZ$m	12 mths to 31 Dec 14 NZ$m
Sales revenue	**108.2**	**157.9**	**163.7**	**112.4**	**145.8**	**197.2**
Gross profit	61.7	87.6	90.7	62.7	83.7	111.8
Operating expenses	(42.0)	(62.3)	(70.7)	(48.4)	(60.2)	(82.5)
EBITDA	**19.7**	**25.3**	**20.0**	**14.3**	**23.5**	**29.3**
Depreciation & amortisation	(2.0)	(2.9)	(3.7)	(2.3)	(3.2)	(4.5)
EBIT	**17.7**	**22.4**	**16.4**	**11.9**	**20.3**	**24.8**
Net finance income (costs)	1.5	0.0	(0.3)	(0.3)	(0.3)	(0.2)
Discontinued investment	(0.6)					
Profit before tax	18.6	22.4	16.1	11.6	20.0	24.5
Income tax expense	(6.0)	(6.5)	(4.9)	(3.5)	(6.0)	(7.4)
Profit after tax	**12.6**	**16.0**	**11.2**	**8.1**	**14.0**	**17.2**

78 As Accent is a New Zealand incorporated company, its financial statements are prepared in New Zealand dollars. However, in the 12 months ended 31 December 2014 approximately 88% of sales revenue was generated from its Australian operations. Accordingly, in our opinion, it is more appropriate to analyse Accent's results in Australian dollars. A summary of these Australian dollar results is shown below:

Accent – summary of financial performance in Australian dollars(1)	Year to 30 Apr 13 A$m	Year to 30 Apr 14 A$m	8 mths to 31 Dec 13 A$m	8 mths to 31 Dec 14 A$m	12 mths to 31 Dec 14 A$m
Wholesale business revenue					
Australia	60.4	50.3	36.0	34.1	48.4
NZ	11.9	13.3	8.9	9.0	13.4
Total wholesale revenue	72.3	63.6	44.9	43.1	61.8
Retail business revenue					
Australia	52.2	77.4	50.3	84.9	112.1
NZ	0.2	5.0	3.0	5.6	7.6
Total retail revenue	52.4	82.4	53.3	90.5	119.6
Total revenue	**124.7**	**146.0**	**98.2**	**133.6**	**181.4**
EBITDA	**20.1**	**17.9**	**12.5**	**21.1**	**26.5**
Depreciation	(2.3)	(3.3)	(2.0)	(2.9)	(4.2)
EBIT	**17.8**	**14.6**	**10.5**	**18.3**	**22.4**

15 Accent's financial year ends on 30 April.

Accent – summary of financial performance in Australian dollars[1] (continued)	Year to 30 Apr 13 A$m	Year to 30 Apr 14 A$m	8 mths to 31 Dec 13 A$m	8 mths to 31 Dec 14 A$m	12 mths to 31 Dec 14 A$m
Closing store numbers (#)	54	73	71	95	95
Wholesale revenue (% of total)	58.0	43.6	45.7	32.3	34.1
Retail revenue (% of total)	42.0	56.4	54.3	67.7	65.9
EBIT margin (% of revenue)	14.3	10.0	10.7	14.0	12.6

Note:
1 Based on the actual Australian dollar results of the Australian businesses and the New Zealand dollar results of the New Zealand businesses converted at the average NZD : AUD exchange rate prevailing during the period.

79 In relation to the above results it should be noted that:

(a) the reduction in sales revenue in the wholesale business since FY13 reflects the high level of sales generated by one of the brands in that year. Wholesale sales of that branded product declined significantly in FY14 due to some retailers overstocking in the previous year in anticipation of higher demand. Consequently there was a significant fall in sales orders in FY14 as retailers tried to clear existing stock holdings

(b) the wholesale sales revenue generated by each of the other brands has increased since FY13

(c) in addition, a customer which accounted for around 5% of wholesale sales ceased purchases from the end of FY14

(d) gross profit margins (particularly in the wholesale business) are being impacted by the decline in the Australian dollar relative to the US dollar, as the majority of product is sourced in US dollars

(e) the (much larger) retail business has significantly increased revenues and profitability over the period. As noted above, this has been driven primarily by the rollout of new stores and same store sales growth

(f) the average number of retail stores during the 12 months to 31 December 2014 was 79 stores. However, Accent had 95 stores as at 31 December 2014, with store numbers forecast to increase to 112 by 30 April 2015 (being Accent's financial year end). Due to the impact and planned timing of new store openings during the year, we estimate that Accent will generate EBIT of around A$26.5 million in the year ending 30 April 2015

(g) the FY14 result was impacted by increased (recurring) head office costs of some A$2 million, which were incurred to support the expansion of the retail business.

Normalised results

80 Accent's historical accounting with respect to the treatment of lessor fit-out contributions and incentives is inconsistent with International Financial Reporting Standards (IFRS), as follows:

(a) Fit-out contributions – historically Accent has netted fit-out contributions received from landlords against the gross cost of its fit-out. This has resulted in the benefit of the fit-out contribution been recognised through lower depreciation charges rather than through reduced rental costs as required under IFRS.

(b) Rent free periods and rent escalation – historically Accent has recognised the benefit of rent free periods in the period when received, and rent cost escalations when incurred. However, under IFRS the total cost associated with the lease should be calculated and spread over the full term of the lease, resulting in a different apportionment of total lease costs to that adopted by Accent.

81 In FY15 the impact of the above adjustments on EBITDA is expected to be immaterial, with each adjustment largely offsetting the impact of the other adjustment. However, the adjustments are expected to have an adverse impact on EBITA of around A$0.5 million (relating to higher depreciation charges).

Financial position

82 The financial position of Accent as at 31 December 2014 is shown below. For the reasons stated above, the financial position has been shown in Australian dollars. In addition, as Accent is to be acquired by RCG on a cash and debt-free basis, a pro-forma balance sheet on this basis is also set out below:

Accent – summary of financial position	31 Dec 14(1) Actual A$m	31 Dec 14(1) Adjustments(2) A$m	31 Dec 14(1) Pro-forma A$m
Trade & other receivables	11.6	-	11.6
Inventories	39.9	-	39.9
Creditors, accruals and current provisions	(24.0)	-	(24.0)
Net working capital	**27.5**	-	**27.5**
Property, plant and equipment	15.2	-	15.2
Provisions (non current)	(1.2)	-	(1.2)
Total funds employed	**41.5**	-	**41.5**
Cash & cash equivalents	6.2	(6.2)	-
Shareholder loan	1.1	(1.1)	-
Borrowings	(6.1)	6.1	-
Net cash	**1.2**	**(1.2)**	-
Net assets	**42.7**	**(1.2)**	**41.5**

Note:
1 Based on an exchange rate of NZ$1.00 = A$0.954.
2 The Accent business is to be acquired on a cash and debt free basis.

83 The purchase price is also subject to an adjustment at completion as described above.

84 As at 31 December 2014 Accent held inventory equivalent to 2.5 months sales revenue (based on the level of sales revenue achieved in the 12 months to 31 December 2014). This stockturn would reduce to significantly less than 2.5 months if a full year revenue

contribution from stores opened during the year was included in revenue. In contrast, RCG held inventory as at 31 December 2014 equivalent to 2.3 months sales revenue (again based on sales revenue for the 12 months to 31 December 2014[16]).

Shareholdings

85 Accent currently has four shareholders. Their respective ownership interests are set out below:

Accent – shareholdings	
	%
Mr Craig Thompson	50%
Mr Bill Duell	20%
Mr Michael Hapgood	20%
Mr Daniel Agostinelli (and an associated entity)	10%

86 Accent's shares are not listed on any stock exchange and there have been no recent transactions in the company's shares.

16 Excluding royalty and other income from franchisees.

V Industry Overview

Overview

87 RCG and Accent operate within the Australian and New Zealand footwear industries. The industry is characterised by product segmentation, primarily based on use, with a wide range of footwear styles available to men, women and children. These include athletic shoes, casual shoes, work shoes, fashionable shoes, formal shoes, hiking boots and children's shoes. Retailers generally differentiate their brands based on the types of shoes they stock. RCG's The Athletes Foot is known for its athletic shoe range whilst Accent's product range transcends across a number of footwear categories.

Key drivers

88 The key factors driving the performance of the footwear retail industry include changes in the level of disposable income, household wealth, consumer confidence and macro economic factors such as general economic growth, interest rates and fluctuations in the Australian dollar.

Disposable income

89 A key determinant of demand for footwear is the level and change in real[17] household disposable income. There is a positive correlation between the change in real household disposable income and retail spending. Disposable income (i.e. an indication of household income available to support consumption) is determined by factors such as labour market growth, wage growth and changes in interest rates, taxation and social security. In this respect we note that:

(a) the Australian labour market has grown at 2% per annum in the last 10 years, driven by the combination of population growth of approximately 1.7% per annum and an increasing participation rate[18]

(b) Australia's unemployment rate increased to a seasonally adjusted 6.4% in January 2015, which is its highest level in almost 13 years. Previously, unemployment levels had remained at relatively low levels since the early 2000s, in part due to the private sector's significant investment in mineral resources related activity over this period and the strength of the Australian economy in general

(c) real wages rose by 2.5% from December 2013 to December 2014

(d) Reserve Bank of Australia (RBA) interest rates reached record lows of 2.25% in February 2015 after previously being held at 2.5% for 18 months. This has reduced the cost of borrowing and contributed to a rising stock market and higher house prices. This has also lead to increased household wealth (refer below)

(e) the recent reduction in global oil prices and the flow on impact on domestic petrol prices and transportation costs is likely to provide a substantial increase in disposable income (and hence consumer spending power).

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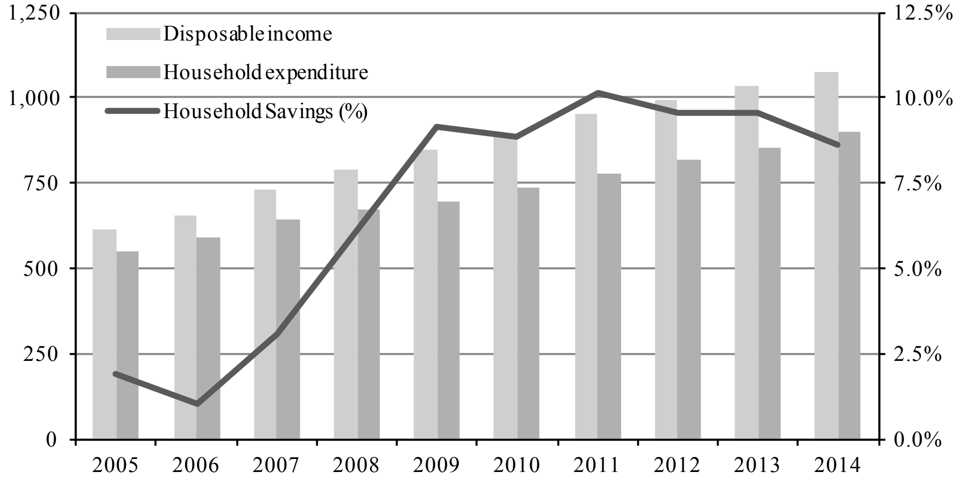
[17] That is after adjusting for inflation.

[18] Source: Australian Bureau of Statistics (ABS).

90 A chart showing the growth in nominal household disposal income, expenditure and savings over the 10 years to 31 December 2014 is shown below:

Household disposable income, expenditure and savings
10 years to 31 December 2014 (A$ billion)



Source: ABS, 5206 December 2014.

91 Nominal household disposable income has grown at a compound annual growth rate (CAGR) of around 5.8% per annum over the last 10 years. There has also been a notable increase in the household savings rate since the global financial crises (GFC), although this has since dipped from its peak in 2012.

Household wealth

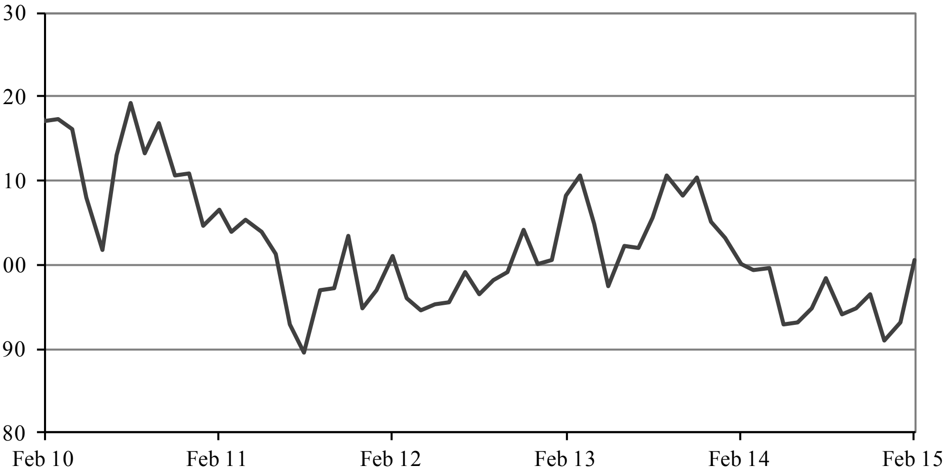
92 Household wealth is the value of all household assets less liabilities at a particular point in time. As stated above, the impact of low interest rates has, inter alia, increased the value of both the share market and house prices over recent periods, which have overshadowed slow wages growth. House price growth in particular has lowered household gearing levels, which has the potential to lead to increased consumer confidence and an uplift in household spending.

Consumer confidence

93 The Westpac Melbourne Institute Consumer Confidence Index (Consumer Confidence Index) is an average of five component indexes which reflect consumer evaluations of their household financial situation, anticipated economic conditions and buying conditions for major household items. Whilst indices of consumer confidence can potentially be misleading[19], they provide some insight into how consumers are interpreting the present economic environment and their expectations for the future. A score of 100 indicates that Optimists outweigh Pessimists and via-versa. The Consumer Confidence Index over the five years to February 2015 is as follows:

[19] Consumer confidence can vary materially between socio-economic groups resulting in different spending trends in the premium, mid and value retail segments.

Consumer Confidence Index
5 years to February 2015



Source: Westpac Melbourne Institute.

Macro economic factors

94 Whilst global economic growth is trending upwards, the combination of lower commodity prices, the slow transition of the Australian economy from mining sector led growth towards other sectors such as building and construction, as well as restricted government spending are adversely impacting the growth potential of the Australian economy. Concurrently, record low interest rates, a significant decline in the value of the Australian dollar[20] and higher export volumes are offsetting these impacts to some extent.

Australian footwear retail industry

Historical performance

95 The Australian retail industry generated $280 billion in revenue in 2014, up some 5.3% on 2013[21]. Food sales were the largest contributor to growth up 6.4% to $154 billion (with cafes and restaurants exhibiting the highest growth of all sectors), whilst non-food retail growth was 4.0% (to $126 billion) and the clothing, footwear and accessories subset (the ABS segment in which both RCG and Accent operate) showed growth of 3.2% (to $21.3 billion)[21].

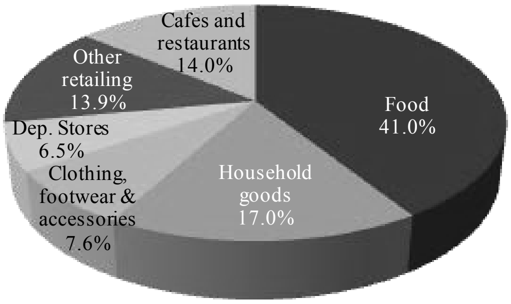
96 Clothing, footwear and accessories represented 7.6% of total retail sales and 6.9% of non-food retail sales. A breakdown of this sector in comparison to the total retail industry is set out below:

20 In recent months, the RBA has maintained a view that further declines in the value of the A$ would have an overall beneficial impact on the Australian economy.

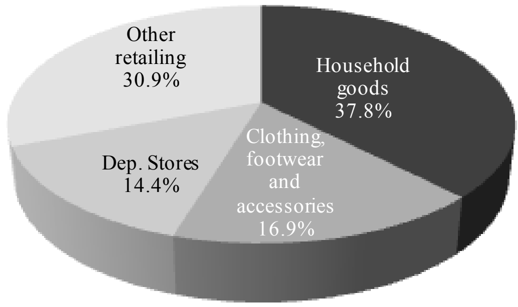
21 Source: ABS, 8501.

Australian retail industry – year to 31 December 2014

Sector contributions



Sector contributions (excluding food related)

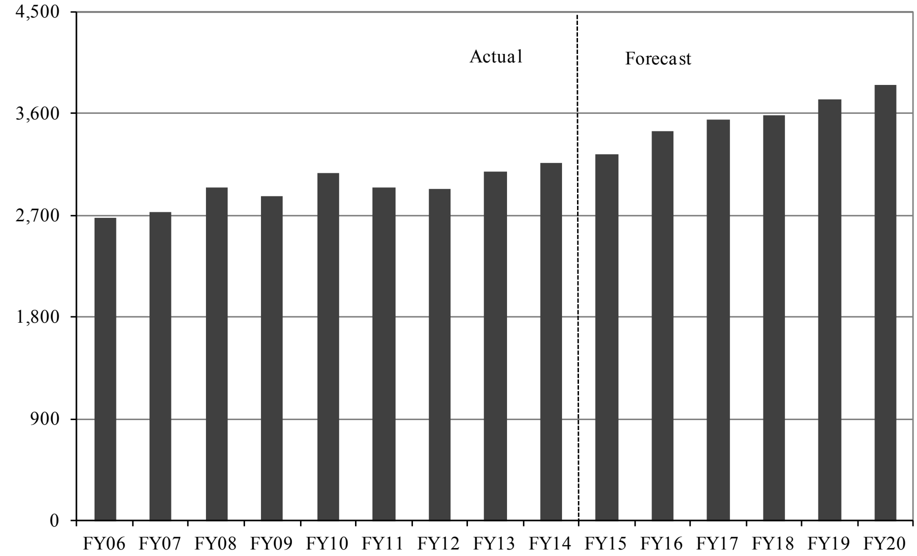


Source: ABS, 8501.

97 According to IBISWorld, retail footwear turnover was approximately $3.3 billion in the year to 30 June 2014 (FY14), an increase of 2.7% on the previous year[22]. The graph below shows IBISWorld's historical retail footwear revenue to FY14 and its estimated turnover for FY15 to FY19:

Sales revenue - footwear

A$m

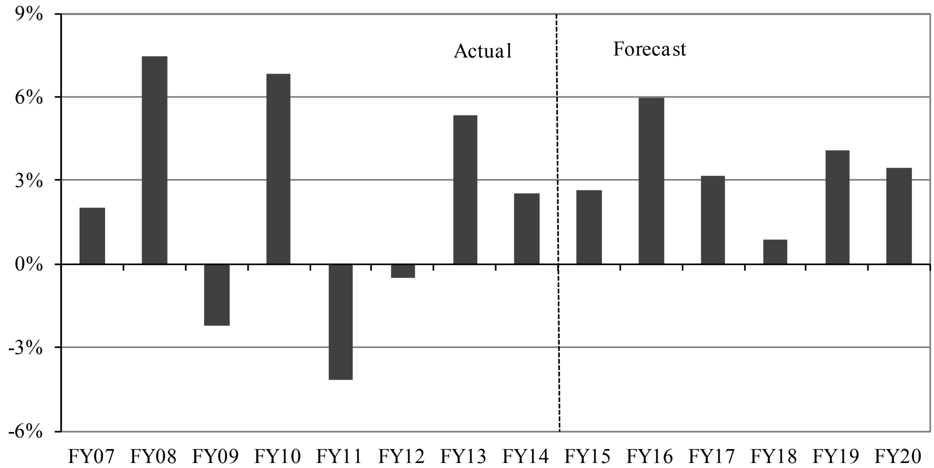


Source: IBISWorld – Footwear retailing in Australia, December 2014 (nominal).

98 The retail footwear industry is highly dependent on economic conditions and consumer confidence. In periods where these factors have been positive (FY08, FY10 and FY13), the retail footwear industry has responded with relatively high growth. However, in FY09, FY11 and FY12, instability in financial markets and volatile consumer sentiment resulted in subdued discretionary spending, fierce competition and a difficult retail environment in general. As a result, retail footwear industry growth in these years was negative, as shown in the chart below.

22 IBISWorld – Footwear Retailing in Australia, dated December 2014.

Sales growth – footwear retail
Actual versus forecast

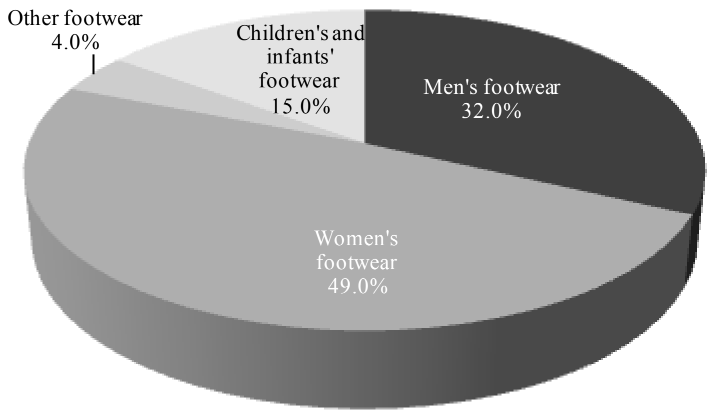


Source: IBISWorld – Footwear retailing in Australia, December 2014 (nominal).

Market segments and competition

99 The large number of brands makes for a highly competitive footwear industry, with competition generally based on one or more factors including price, range, style, quality, brands, service and location. Not surprisingly, the women's customer segment represents a disproportionately large percentage of Australian footwear sector sales as shown below:

Australian footwear retailing industry segmentation



Source: IBISWorld – Footwear retailing in Australia, December 2014.

100 The footwear retail industry has a low level of concentration, with the five largest companies generating less than 30% of total sector revenue (these include Fusion Retail Brands (6.8%), RCG Corporation (6.4%), Super Retail Group (6.1%), Betts Group (5.4%), and Accent Group

(4.8%)[23]). The majority of operators are small retail outlets, with just over half the industry participants generating revenue between $200,000 and $2.0 million per annum[23].

101 Retail footwear stores are currently facing competition from fashion apparel retailers who are increasingly offering footwear products to compliment their clothing offerings (retailers such as Country Road, Witchery and Sportsgirl have increased their ranges of footwear recently, whilst the entry of international retailers such as Zara and H&M have also added to competition). In addition, international online retailers have capitalised on the strength of the Australian dollar over the past five years (and cheaper overseas wholesale prices) to offer lower footwear prices than those available in Australia.

Recent trends

102 The Australian retail industry has been presented with a number of challenges in recent periods, with many ASX listed companies indicating mixed trading conditions over the first half of FY15, including the most recent Christmas and January trading period:

(a) Kathmandu's Chief Executive Officer (CEO) Mark Todd described trading conditions over the key period as disappointing due to heavy discounting and lower demand for summer and non-technical apparel categories (including in New Zealand)

(b) Oroton Group's CEO Mark Walton indicated that a renewed focus on improving margins with less discounting had resulted in lower sales for the first half of FY15

(c) Specialty Fashion Group reported a 27.5% fall in EBITDA to $22.6 million for the six months to 31 December 2014 compared to the previous corresponding period, with CEO Gary Perlstein identifying continued pressure on discretionary spending as one of the primary reasons for the fall

(d) Woolworths Holdings Limited (South Africa), who last year acquired the listed department store retail chain David Jones and the minority interest in specialty retailer Country Road that it did not own, recently reported that there were early signs of an improved retail environment in Australia

(e) Myer attributed challenging trading conditions to the highly competitive Australian retail environment, together with the overall effect of a weaker Australian dollar. Myer's first half EBITDA fell 15.6% compared with the previous half year period.

Online retailing

103 Online retail growth levels have significantly outpaced growth in traditional sales channels over the past five years. Australian retailers were generally slow to target online retailing as a market in itself, and as a result international companies were the first to exploit the Australian online retail market. International retailers also have the benefit of avoiding charging goods and service tax (GST) on sales of up to $1,000, which provides them with the ability to offset higher shipping charges.

104 According to the NAB Online Retail Sales Index report, Australian online retailers now account for 75.2% of online sales[24], however many apparel retailers are yet to derive a

[23] IBISWorld - Footwear Retailing in Australia, dated December 2014 and LEA analysis. Fusion Retail Brands owns the Diana Ferrari, Williams, Mathers and Colorado footwear brands. Super Retail Group owns the Rebel and Amart Sports stores.

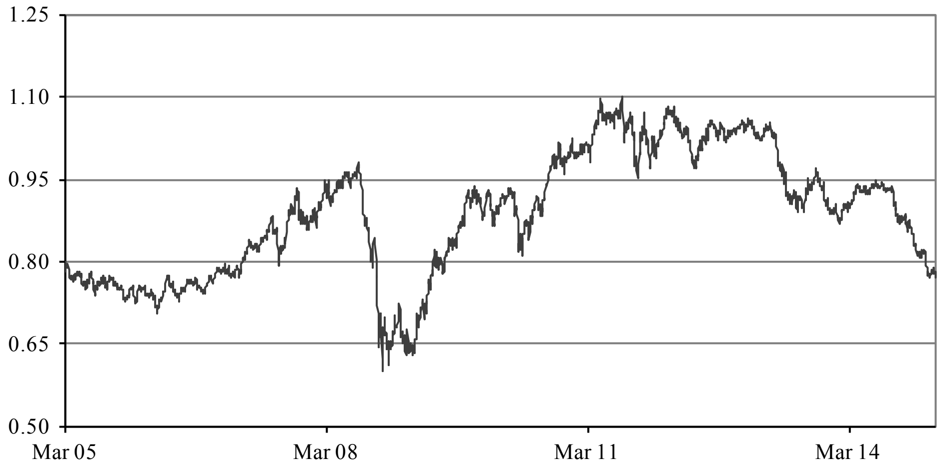
meaningful level of sales from this medium. Australia's online retail expenditure grew 11.9% to $16.2 billion in the year to 31 December 2014, representing approximately 6.8% of spending at traditional bricks and mortar retailers (excluding cafes, restaurants and takeaway food)[25]. This growth appears low compared to the 20% to 30% growth rates recorded in earlier years[26]. Based on the experience from more mature online markets such as the United Kingdom and United States, there would appear to be significant growth potential for Australian online footwear retailers.

105 Originally, consumers were reluctant to purchase footwear online, instead preferring to purchase footwear in store. However recently more online retailers such as the Iconic and Style Tread have started offering free shipping and returns to mitigate the risk that the consumer would purchase the wrong size. Consumers have also resorted to trying shoes on in store and then purchasing them online, at significantly lower prices.

Exchange rate

106 The majority of footwear imported from Asia is priced in US$. Further, the Chinese Yuan has historically been pegged to the US$, although in recent times a gradual appreciation in value against the US$ has been allowed. As a result, Australian footwear imports are primarily exposed to movements in the A$/US$ exchange rate, the history of which over the past 10 years is set out below:

A$/US$ exchange rate
10 years to 8 March 2015



Source: Bloomberg.

107 As illustrated, the value of the A$ relative to the US$ has been volatile over the above period, with a large decline subsequent to the GFC, before recovering due to factors including the resource sector based strength of the Australian economy. Post this period the A$ remained relatively high for a number of years, which served to lower the costs of imported products for many retailers. However this trend has reversed with the Australian dollar falling sharply since mid 2014, which is expected to place pressure on footwear retailers profit margins.

24 However, some 22% of sales are attributable to bulky items such as food and alcohol (as at 30 April 2014).

25 NAB Online Retail Sales Index, dated October 2014.

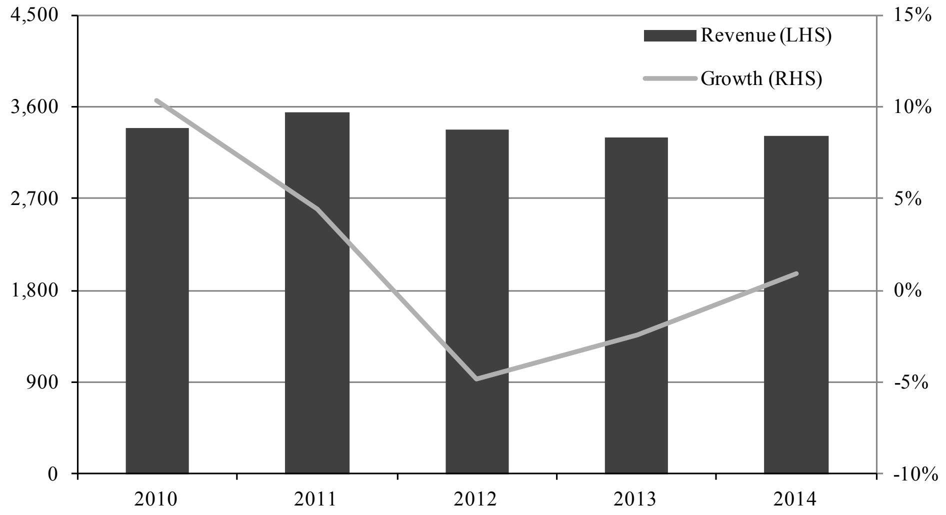
26 NAB Online Retail Sales Index, dated October 2014.

New Zealand retail industry

108 The New Zealand clothing retail industry is a subset of the total retail industry, which generated NZ$57.5 billion in the year to 31 December 2014 with the clothing, footwear and accessories sector contributing 5.8% or NZ$3.3 billion of this amount[27].

109 The New Zealand clothing, footwear and accessories sector grew over the two years to 31 December 2011, then declined in the two years to 31 December 2013 and has since experienced modest growth in the year to 31 December 2014, as shown in the chart below:

Sales – clothing footwear and accessories
5 years to 31 December 2014 (NZ$ billion)



Source: Statistics New Zealand, retail trade survey: March 2014 quarter.

110 Conditions in the clothing, footwear and accessories sector in New Zealand were difficult for apparel specialist retailers during 2012 to 2014, with outlet and selling space declining year on year[28]. Apparel specialist retailers with brick and mortar stores were negatively impacted by internet retailing, which is growing fast and cannibalising traditional retailers market share[29].

111 Gross domestic product (GDP) in New Zealand is forecast to grow at 3.5% for the year to 31 December 2015 and unemployment is forecast to decline below 6.0%[30], while the official cash rate has been increased from 2.5% to 3.5% between March 2014 and February 2015 in an attempt to contain inflation and return interest rates to a more normal longer-term level.

112 The retail (bricks and mortar) sector is facing significant competition from online specialists, and while interest rates have been raised recently, the New Zealand economy is performing strongly which is likely to have a positive flow on impact on retail sales as consumer confidence rises.

27 Source: Statistics New Zealand.
28 Euromonitor International.
29 Nielsen report.
30 New Zealand treasury.

VI Valuation implications of the Proposal

113 In order to assess the valuation implications of the Proposal we have considered:

(a) the value of RCG shares before and after implementation of the Proposal

(b) the EBITDA multiple of 6 times to be applied to Accent's earnings for the year ending 30 April 2015 under the Proposal, compared with the EBITDA multiples implied by share market trading in RCG shares prior to the announcement of the Proposal

(c) the impact of the Proposal on earnings per RCG share.

114 This analysis is set out below.

Value of RCG shares prior to the Proposal

Recent share trading

115 Share market trading in the one, three and six month periods prior to the announcement of the Proposal (on 19 March 2015) is summarised below:

RCG – recent share trading to 18 March 2015

Period	Low	High	VWAP $	Value traded ($000)	Volume traded (000)
1 month to 18 March 2015	0.69	0.79	0.74	4,635	6,250
3 months to 18 March 2015	0.64	0.80	0.73	13,365	18,428
6 months to 18 March 2015	0.57	0.80	0.67	29,213	43,372

Source: Bloomberg.

116 As indicated above significant share market trading in RCG shares has occurred over the last 6 months. This would indicate that the recent share trading range is a reasonably reliable indicator of the portfolio value of RCG shares.

117 Accordingly, our review of trading in RCG shares indicates that the listed market value of RCG shares ranged from A$0.70 to A$0.75 per share prior to the announcement of the Proposal.

Implied earnings multiples

118 We have also considered the EBITDA and EBITA multiples implied by the recent trading range of RCG shares (prior to the announcement of the Proposal) as shown below:

RCG - Valuation metrics before transaction			
		Low	**High**
Recent trading range	A$	0.70	0.75
Shares on issue	Millions	268.4	268.4
In the money options[(1)]	Millions	5.45	5.45
Fully diluted shares on issue	Millions	273.9	273.9
Market capitalisation	A$m	191.7	205.4
Net cash as at 31/12/14	A$m	(8.0)	(8.0)
Cash from in the money options[(2)]	A$m	(3.1)	(3.1)
Enterprise value	A$m	180.6	194.3
Average broker forecasts (FY15):			
EBITDA[(3)]	A$m	18.4	18.4
EBITA[(4)]	A$m	17.1	17.1
Implied earnings multiples:			
EBITDA		**9.8**	**10.6**
EBITA		**10.6**	**11.4**

Note:
1 RCG has 5.45 million options on issue which are all in the money based on our adopted range.
2 Number of in-the-money options multiplied by their exercise price. No present value (PV) adjustment has been made when assessing the amount to be received from exercising the options as the PV adjustment is not material to the calculation of the implied earnings multiples.
3 Adjusted by $0.3 million to exclude the EBITDA attributable to the minority shareholders in the Partnership stores.
4 Adjusted by $0.2 million to exclude the EBITA attributable to the minority shareholders in the Partnership stores.
Rounding differences exist.

119 The EBITDA and EBITA multiples implied by other listed companies operating in the retail apparel and/or footwear sectors are set out in Appendix C. A summary of these multiples is shown below:

Listed company multiples (excluding outliers)[(1)]				
	Low	**High**	**Average**	**Median**
EBITDA multiples:				
Australian apparel retailers	5.8	6.8	6.1	6.0
International footwear companies	8.1	16.7	11.8	10.4
EBITA multiples:				
Australian apparel retailers	7.7	9.5	8.4	8.0
International footwear companies	10.0	19.1	14.5	14.1

Note:
1 Based on average broker forecasts for FY15 as at 2 March 2015.

120 The overseas footwear companies are generally trading on higher multiples reflecting, inter alia:

(a) their substantial size (in market capitalisation terms) and ownership of their own brands. In contrast, RCG is a small company and largely distributes other companies' brands under exclusive licenses. Accordingly, we would expect RCG to trade on lower multiples than those implied by the overseas footwear companies

(b) the significantly lower level of interest rates prevailing in the US compared to Australia

(c) the improved outlook for the US economy (whereas the outlook for the Australian economy is more subdued due to, inter alia, the impact and flow-on effects of falls in commodity prices on mining related industries).

121 Based on the above, the overseas footwear company multiples are not considered appropriate valuation reference points for RCG.

122 In our opinion, the multiples for the Australasian apparel retailers are therefore more relevant. As indicated above the EBITDA and EBITA multiples implied by the recent trading in RCG shares are generally significantly higher than those for the Australasian apparel retailers. In our opinion, this implied premium reflects, inter alia:

(a) the strong growth in earnings achieved by RCG since the company was recapitalised by the current management in 2006. Earnings per share (EPS) have grown from 1.9 cents per share in FY07 to 4.6 cents per share in FY14

(b) the high dividend yield on RCG shares. In the last 12 months RCG has paid dividends totalling 4.5 cents per share (reflecting an above market average earnings payout ratio). As these dividends were fully franked the effective gross yield based on our assessed listed market value range for RCG shares is as follows:

RCG – Gross dividend yield implied by recent trading range	Low	High
Dividend per share (cents)	4.5	4.5
Attached franking credits (100%)	1.9	1.9
Gross dividend (cents)	6.4	6.4
RCG share trading range (cents)	75.0	70.0
Gross dividend yield	8.6%	9.2%

Given the current low level of interest rates, the above dividend yield is likely to be highly attractive to investors[31].

Conclusion on value of RCG shares prior to the Proposal

123 Based on the above, we have concluded that a valuation range of 70 to 75 cents per RCG share (prior to the announcement of the Proposal) is appropriate when considering the valuation implications of the Proposal.

[31] Whilst RCG's dividend payout ratio is high, we note that RCG is in a strong financial position and had no net debt as at 31 December 2014.

Value of RCG shares following implementation of the Proposal

Combined EBITA

124 If the Proposal is implemented, RCG will acquire 100% of Accent. The combined EBITA (before the amortisation of acquisition intangibles[32]) of both businesses for FY15 is estimated to be approximately A$43.1 million, as calculated below:

Combined EBITA – FY15	
	A$m
RCG[(1)]	17.1
Accent[(2)]	26.0
Combined EBITA	43.1

Note:

1 Based on average broker forecasts for the year ending 30 June 2015, adjusted to exclude $0.2 million in EBITA attributable to the minority shareholders in RCG's partnership stores.

2 LEA estimate for the year ending 30 April 2015 based on Accent's results for the 12 months to 31 December 2014, the average number of stores during the period (79), the higher number of stores as at 28 February 2015 (103) and Accent management's forecast for FY15. Refer Section IV for further information.

EBITA multiple

125 We have adopted the capitalisation of EBITA approach in order to derive a valuation for RCG shares following implementation of the Proposal. We have adopted this method because:

(a) long term forecasts are not available to enable a discounted cash flow (DCF) valuation methodology to be undertaken

(b) transaction evidence in the sector is generally expressed in terms of EBITDA or EBIT multiples

(c) in our view, the capitalisation of EBITA (rather than EBITDA) method is a more appropriate valuation methodology given the nature of RCG and Accent's operations[33].

126 When considering the impact of the Proposal on the EBITA multiple applied to RCG we note the following:

32 The amortisation of acquisition intangibles is ignored for valuation purposes as it does not reflect an ongoing cash cost of the business.

33 RCG and Accent's retail operations incur significant capital expenditures associated with new store openings and store refurbishments. EBITA is derived after deducting depreciation (which is a proxy for future capital expenditure).

Impact on EBITA multiple of the Proposal	
Factor	**Impact on multiple**
The combined business is significantly larger than the existing RCG business, with EBITA increasing from around A$17 million (RCG standalone) to around A$43 million (post the acquisition of Accent).	Larger companies generally trade on higher multiples than smaller companies provided future growth potential and other variables are similar. This is because larger companies are considered to be lower risk and have greater (and cheaper) access to debt and equity capital.
The combined business will have a more diverse brand portfolio which will reduce the reliance of RCG on brands licensed from Wolverine Worldwide, Inc (WWI).	The more diverse brand portfolio should reduce perceived investment risk, resulting in a higher multiple (other variables held constant).
Accent's retail business has grown strongly over recent years and further growth in store numbers is planned. In contrast, TAF store numbers have been relatively flat over the same period(1). Further, the full year earnings impact of recently opened stores by Accent is not yet reflected in current (FY15) results.	Higher earnings growth should translate to higher earnings multiples (other variables held constant).
Whilst the extent of cost savings / synergies arising from the combination of the two businesses has not yet been quantified by management, it is reasonable to assume that some cost savings / synergies will be achieved.	The expectation of cost savings arising from the business combination should translate to a higher multiple (recognising the value of potential synergies).
However, the increased retail presence of the combined business could result in customers of the wholesale businesses (i.e. other retailers) reducing purchases due to their perception that the combined business is a direct competitor. Similarly, some licensors may not want RCG to distribute competing brands.	These risks could be expected to lower the appropriate multiple.
Accent's brands are more likely to be impacted by changes in "fashion" trends than RCG's brands, potentially resulting in greater sales volatility.	Increased sales volatility would lower the appropriate multiple (other variables held constant).

Note:
1 RCG has grown Merrell store numbers from 4 as at 30 June 2012 to 18 as at 31 December 2014.

127 On balance, in our opinion, it is reasonable to assume that the EBITA multiple applied by share market investors to the combined RCG / Accent business should be no less than the EBITA multiple implied by share market trading in RCG prior to announcement of the Proposal.

128 Applying the same EBITA multiple to the combined RCG / Accent business as implied by the RCG share price range prior to the announcement of the Proposal results in the following business value:

	Paragraph reference	Low A$m	High A$m
Combined EBITA	124	43.1	43.1
EBITA multiple implied from pre-announcement trading	118	10.6	11.4
Enterprise value of combined businesses		456.9	491.3

Net debt

129 As the purchase price is based on normalised EBITDA for the 12 months to 30 April 2015, the final purchase price will not be known at the date of completion.

130 RCG management currently believe that the Total Consideration for Accent will range from A$180 million to A$200 million (on a cash and debt free basis). For the purposes of our analysis we have assumed that the higher end of this range will be payable (implying that EBITDA of A$33.3 million is achieved by Accent in the 12 months to 30 April 2015).

131 Following implementation of the Proposal (and assuming Total Consideration of A$200 million), RCG is expected to have net debt of approximately A$57.0 million, as calculated below:

Pro-forma net debt	A$m
Net cash in RCG as at 31 December 2014	(8.0)
Net debt of Accent as at 31 December 2014[1]	-
Debt funding used to acquire Accent[2]:	
Bank debt	50.0
Vendor finance	25.0
Cash raised from SPP[3]	(10.0)
Pro-forma net debt	57.0

Note:
1 Accent is being acquired on a cash and debt free basis, with an adjustment to the purchase price as described above.
2 Assuming an acquisition cost of A$200 million.
3 Assuming the SPP raises A$10 million.

Fully diluted shares on issue

132 The estimated number of shares on issue post implementation of the Proposal (and the SPP) is shown below:

Fully diluted shares on issue (post implementation of the Proposal)	Million shares
RCG existing shares on issue	268.4
Shares to be issued to Accent vendors[1]	142.9
Shares issued pursuant to placement and SPP[2]	50.0
In-the-money options	5.5
Fully diluted shares on issue	466.8

Note:

1 Calculated as:

Share Consideration (A$m)(3)	100.0
Issue price (A$ / share)	0.70
Shares to be issued to Accent vendors	142.9

2 Calculated as:

Amount raised in placement and SPP (A$m)	35.0
Issue price (A$ / share)	0.70
Shares issued as a result of placement and SPP	50.0

3 The Share Consideration component of the Total Consideration is fixed at A$100 million.

RCG share value post implementation of Proposal

133 Based on the above, the RCG share value post implementation of the Proposal is as follows:

	Paragraph reference	Low A$m	High A$m
Enterprise value	128	456.9	491.3
Net debt	131	(57.0)	(57.0)
Cash from in-the-money options(1)		3.1	3.1
Equity value		403.0	437.4
Fully diluted shares on issue	132	466.8	466.8
RCG value per share		$0.86	$0.94

Note:

1 Amount received upon exercise of options. No present value (PV) adjustment has been made but does not have a material impact on value.

Impact of Proposal on value

134 The above analysis indicates that implementation of the Proposal is likely to be significantly value accretive for RCG shareholders, as shown below:

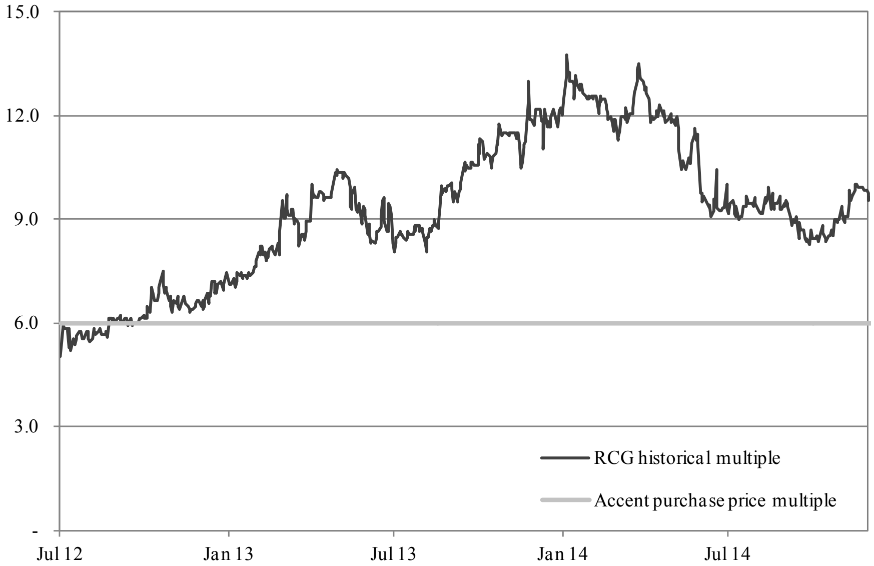
RCG value summary (per share)	Low A$m	High A$m
Value prior to implementation of the Proposal	0.70	0.75
Value post implementation of the Proposal	0.86	0.94
Value uplift	22.9%	25.3%

Acquisition multiple

135 As stated in Section I, the Proposal involves the acquisition of Accent for a price equivalent to 6 times the normalised EBITDA achieved by Accent in the year ending 30 April 2015.

136 We note that this acquisition multiple is materially lower than the EBITDA multiple implied by recent trading in RCG shares, as shown below:

RCG historical EBITDA multiple
1 July 2012 to 18 March 2015 (EV / EBITDA (x))



Source: Bloomberg, LEA analysis.

137 This is consistent with our opinion that the Proposal is materially value accretive for RCG shareholders.

Impact on earnings per share

138 RCG shareholders should also review the analysis set out the Explanatory Memorandum, which summarises the impact of the Proposal on earnings per share (EPS). This analysis indicates that EPS (per RCG share) is expected to increase by a material amount as a result of the Proposal.

139 Given the size of the increase in EPS it is reasonable to assume that the Proposal will:

(a) result in a higher RCG share price

(b) lead to higher dividends for RCG shareholders in the medium to long term.

Conclusion

140 Based on the above analysis, we have concluded that the Proposal is significantly value accretive for RCG shareholders.

VII Evaluation of the Proposal

Summary of opinion

141 In our opinion the Proposal is in the best interests of RCG shareholders. We have formed this opinion for the reasons set out below.

Valuation implications

142 As set out in Section VI, we have concluded that the Proposal is materially value accretive for RCG shareholders. We have formed this view on the basis that:

(a) the underlying value of RCG shares (on a portfolio or listed company basis) is likely to be some 22.9% to 25.3% higher if the Proposal proceeds

(b) the Proposal is significantly EPS accretive (which should also lead to higher dividends for RCG shareholders in the medium to long term)

(c) Accent is being acquired by RCG on an EBITDA multiple which is significantly below the EBITDA multiple implied by recent trading in RCG shares.

143 We also note that the RCG share price has increased materially since the announcement of the Proposal on 19 March 2015, as shown below:

	$ / share
VWAP from 23 March 2015 to 26 March 2015 (i.e. post announcement)	1.01
VWAP from 19 February 2015 to 18 March 2015 (i.e. 1 month prior to announcement)	0.74
Increase in share price	36.5%

Dilution

144 RCG shareholders should note that their collective ownership of RCG will be diluted to around 61%[34] as a result of the Proposal and subsequent share purchase plan (SPP). However, due to the size of the acquisition, in our view, such dilution is reasonable given RCG's preference to maintain a conservative gearing level.

145 RCG shareholders should also note that they will be given the opportunity to acquire up to a further $15,000 worth of RCG shares under a SPP. These shares will be issued at the same price per RCG share being paid by the Accent vendors and investors in the equity placement.

NTA and gearing

146 We set out below a pro-forma balance of RCG which reflects the impact of the Proposal (and the SPP):

[34] Assuming RCG shareholders subscribe for $10 million in new shares under the SPP.

Indicative pro-forma financial position (based on $200 million purchase price) as at 31 Dec 2014				
	RCG Actual A$m	Accent Actual A$m	Adjustments[1] A$m	RCG Pro-forma A$m
Trade & other receivables	11.3	11.6	-	22.9
Inventories	14.8	39.9	-	54.7
Other current assets	0.4	-	-	0.4
Creditors, accruals and current provisions	(12.5)	(24.0)	-	(36.5)
Net working capital	**14.0**	**27.5**	**-**	**41.5**
Trade and other receivables	0.9	-	-	0.9
Property, plant and equipment	6.8	15.2	-	22.0
Investment in Accent			-	-
Intangible assets	24.5	-	158.5	183.0
Deferred tax assets	1.0	-	-	1.0
Provisions (non current)	(0.4)	(1.2)	-	(1.6)
Total funds employed	**46.8**	**41.5**	**158.5**	**246.8**
Cash & cash equivalents	11.8	-	10.0	21.8
Interest bearing liabilities	(5.6)	-	(75.0)	(80.6)
Foreign currency forward contracts	1.8	-	-	1.8
Net cash (debt)	**8.0**	**-**	**(65.0)**	**(57.0)**
Net assets	**54.8**	**41.5**	**135.0**	**189.8**
Less net assets attributed to minority interests	(1.4)		-	(1.4)
Net assets attributed to RCG shareholders	**53.4**	**41.5**	**135.0**	**188.4**
Less intangibles	(24.5)			(183.0)
NTA	28.9			5.4
Shares on issue	268.4			461.3
NTA per share	$0.11			$0.01

Note:

1 Based on a purchase price of A$200 million. The total intangibles recognised on acquisition is therefore assumed to be $200 million less NTA of $41.5 million.

2 The above pro-forma balance sheet is indicative only and assumes that the RCG shares to be issued to the Accent vendors are priced at 70 cents per share for accounting purposes.

147 As noted above:

(a) the net tangible asset (NTA) backing per RCG share will fall as a result of the Proposal

(b) the gearing level of RCG post implementation of the Proposal will increase.

148 The reduction in NTA per share reflects the nature of the business being acquired, which like most retailers and wholesalers (including RCG) has a low level of NTA backing[35].

35 The value of retail / wholesale businesses like RCG and Accent is reflected in key assets such as the brands (and distribution rights thereto) and the established distribution / retail footprint.

149 As stated above, in our opinion, RCG's gearing level post implementation of the Proposal remains low, with net debt being only slightly more than one year's EBITA of the enlarged business.

Conclusion

150 Given the above, in our opinion, the advantages of the Proposal significantly outweigh the disadvantages. Consequently, we have concluded that the Proposal is in the best interests of RCG shareholders.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to RCG shareholders in connection with the Proposal.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $110,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 20 years and over 25 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of RCG to accompany the Explanatory Memorandum to be sent to RCG shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposal is in the best interests of RCG shareholders.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposal. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 LEA has had no prior business or professional relationship with RCG or Accent prior to the preparation of this report.

Indemnification

6 As a condition of LEA's agreement to prepare this report, RCG agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of RCG which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Appendix C

Listed retail companies

1 A summary of the earnings multiples and a brief company description of the Australian apparel retailers (given there are no ASX listed footwear companies), as well as the international footwear manufacturers and retailers, are set out below:

Listed company trading multiples[1]

	Enterprise value[2]	EBITDA multiples[3] Historical FY14	Forecast FY15	Forecast FY16	EBITA multiples[3] Historical FY14	Forecast FY15	Forecast FY16
	A$m	x	x	x	x	x	x
Australia / New Zealand apparel retailers							
Premier Investments[4]	1,444	14.3	12.1	11.1	18.0	15.7	14.0
Myer Holdings	1,444	5.7	5.8	5.7	9.0	9.5	9.2
Billabong International	669	12.7	10.2	7.2	nm	23.5	12.0
Pacific Brands	460	4.2	6.0	6.2	5.0	7.7	8.1
Kathmandu Holdings	359	5.0	6.8	5.6	5.7	9.1	7.3
Hallenstein Glasson	167	6.4	6.0	5.8	8.9	8.0	7.5
Specialty Fashion Group	118	3.0	4.1	3.3	6.6	16.9	8.4
OrotonGroup	111	5.9	6.0	5.4	8.4	7.9	7.3
Pumpkin Patch	97	7.3	6.3	5.4	nm	13.3	8.1
Merchant House Int.	6	2.1	6.0	na	3.2	na	na
International footwear retailers							
NIKE Inc	103,073	19.1	16.7	14.9	22.5	19.1	16.8
VF Corp	43,013	16.0	15.2	13.6	18.4	17.4	15.4
Adidas AG	20,406	11.1	10.4	9.3	16.2	13.8	12.1
Asics Corporation	6,861	19.2	15.6	14.0	23.5	18.7	16.9
Wolverine World Wide Inc	4,937	11.9	12.4	11.4	14.3	14.8	14.0
Skechers USA. Inc	4,230	13.1	9.6	8.1	16.2	11.3	8.9
Puma SE	3,110	12.2	10.3	8.8	17.1	14.1	11.5
Deckers Outdoor Corp	2,863	9.0	8.2	7.5	10.9	10.0	8.7
Crocs Inc	1,044	12.7	8.1	6.2	30.7	11.1	7.0

Note:
1 Enterprise value and earnings multiples calculated as at 2 March 2015.
2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), preference shares, convertible notes, net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and buybacks, excludes surplus assets and adjusts for the cash effect of special dividends.
3 Forecast earnings are based on Bloomberg broker average forecast (excluding outliers and outdated forecasts).
4 Adjusted to remove the impact of its associate investment in Breville Group.
Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements, LEA analysis.
na - not available. nm - not meaningful.

Appendix C

Australian / New Zealand apparel retailers

Premier Investments Limited

2 Premier Investments own a range of well known brands including Just Jeans, Jay Jays, Portmans, Jacqui E, Peter Alexander, Dotti and Smiggle, which it acquired as part of its acquisition of Just Group in August 2008. It is primarily a clothing retailer of casual and business clothing for men and women, but also sells stationery products through its fast growing Smiggle brand[36]. Premier also owns a 27.5% interest in electrical consumer products manufacturer Breville Group Limited.

Myer Holdings Limited

3 Myer Holdings is Australia's largest department store group with 67 stores in prime retail locations across Australia and New Zealand and annual revenue in FY14 over $3.1 billion. It offers a range of core product categories including womenswear; menswear; miss shop; childrenswear; intimate apparel; beauty, fragrance and cosmetics; homewares; electrical goods; toys; footwear; handbags and accessories; and general merchandise.

Billabong International Limited

4 Billabong International's core business is the marketing, distribution, wholesaling and retailing of apparel, accessories, eyewear, wetsuits and hard goods in the board sports sector. Its key brands include Billabong, Element, RVCA, Von Zipper, Honolua Surf Company, Kustom, Palmers Surf, Xcel, Sector 9, Nixon and Tigerlilly. The company's products are licensed and distributed in more than 100 countries and are available in approximately 10,000 stores.

Pacific Brands Limited

5 Pacific Brands is a wholesaler of underwear, work wear, footwear and outerwear and homewares. The company's operations are primarily based in Australia but also span New Zealand, the United Kingdom, Malaysia, China and Indonesia. Its notable brands include Bonds, Sheridan, Berlei and Tontine, Fairydown, Dunlop Flooring, Voodoo, Razzamatazz, Dunlopillo, Jockey and Holeproof Explorer.

Kathmandu Holdings Limited

6 Kathmandu Holdings is a leading retailer of clothing and equipment for travel and adventure. The company operates 149 retail stores throughout Australia (100), New Zealand (45) and the United Kingdom (4). Its product breakdown is approximately 60% apparel and 40% equipment. In November 2009 the company dual listed on the ASX and New Zealand Stock Exchange.

Hallenstein Glasson Holdings Limited

7 Hallenstein Glasson Holdings owns and operates retail stores that sell mens and womens apparel products and sportswear. The company operates 85 stores in New Zealand and 25 in Australia. Its brands include, Glasson's which is New Zealand's most visited womens

[36] There has been press speculation that the Smiggle business would be floated separately at a value of up to $500 million.

fashion store, Hallenstein's which is an iconic New Zealand menswear store and Storm which offers designer apparel for women.

Specialty Fashion Group Limited

8 Specialty Fashion Group is the largest retailer of womens fashion in Australia, with well over 1,000 stores and seven online businesses. The group has operations in Australia, New Zealand and the United States and its brands include Autography, City Chic, Crossroads, Katies, Millers and Rivers. Specialty Fashion Group also runs one of the largest womens customer communities in Australasia, with over 7 million members who account for over 80% of sales.

OrotonGroup Limited

9 OrotonGroup is an Australian luxury fashion accessories company that owns and operates over 50 retail leather, clothing and accessories stores throughout Australia, New Zealand, Singapore and Malaysia. OrotonGroup manufactures and markets its products under the Oroton, Brooks Brothers and GAP brands. Prior to July 2013 the company was also the exclusive licensee for the Ralph Lauren apparel brands.

Pumpkin Patch Limited

10 Pumpkin Patch retails a wide range of childrens apparel products from baby through to pre-teen, as well as maternity clothing. The company operates over 190 stores and wholesale operations in 24 markets globally including Australia, New Zealand, United Kingdom, United States, Asia and the Middle East. Its product range includes brands such as Pumpkin Patch Kid Culture, Urban Angel, Patch Maternity and Charlie & Me Clothing Company.

Merchant House International Limited

11 Merchant House International develops, manufactures and sells leather footwear, gifts and ornaments, home decoration items and kitchen textiles. Its products include casual and work footwear, holiday and Christmas ornaments and gifts and cotton towels and related accessories. The company exports its products to the United States, Canada and the United Kingdom.

International footwear retailers

Nike Inc

12 NIKE is the largest sportswear brand in the world. It is engaged in the design, development, marketing and selling of athletic footwear, apparel, equipment, accessories and services. The company sells its products through distributors and licensees across the world as well as NIKE owned retail stores and websites. The company's product offering is focused into eight categories, including running, basketball, football, men's training, women's training, action sports, sportswear and golf.

VF Corp

13 VF Corp is an apparel and footwear company with a diverse international portfolio of more than 30 brands including Wrangler, Vans, Eastpak, Timberland, Splendid, Horace Small, Nautica, Rustler and Ella Moss. The company's brands are organised into five product

categories: Outdoor & Action Sports, Jeanswear, Imagewear, Sportswear and Contemporary Brands. VF Corp's products are marketed to consumers shopping in specialty stores, upscale and traditional department stores, national chains and mass merchants.

Adidas AG

14 Adidas is a German multi-national corporation based in Bavaria, Germany. It designs and manufactures sports shoes, clothing and accessories and owns a range of other brands and assets including Reebok, the TaylorMade-Adidas golf company (including Ashworth), Rockport and 9.1% of FC Bayern Munich. Besides sports footwear and clothing, Adidas also produces other products such as bags, shirts, watches, eyewear and other sports related goods. Adidas is the largest sportswear manufacturer in Europe.

ASICS Corporation

15 ASICS is a Japan-based company primarily engaged in the manufacture and sale of sports products. The company operates through two business segments, being The Sports Product Manufacture and Sales segment and the Other segment. The Sports Product Manufacture and Sales segment is involved in the manufacture and sale of sports shoes, sportswear and sports equipment, including athletic machines and equipment. The Other segment is engaged in the manufacture and sale of outdoor products through its subsidiaries.

Wolverine World Wide Inc

16 Wolverine World Wide is one of the world's leading marketers of branded casual, active lifestyle, work, outdoor sport, athletic, children's and uniform footwear and apparel. The company's portfolio of highly recognised brands includes Merrell, Sperry Top-Sider, Hush Puppies, Saucony, Cat Footwear, Keds, Wolverine, Stride Rite, Sebago, Cushe, Chaco, Bates, HYTEST and Soft Style. Through a network of partners, the company annually markets approximately 100 million units of footwear, apparel and accessories around the world.

Skechers USA Inc

17 Skechers is a leader in the lifestyle footwear category. It designs, develops and markets more than 3,000 footwear styles for men, women and children and, through licensing agreements, also offers branded apparel, bags, eyewear and toys. The company's brands are sold through department and specialty stores, athletic and independent retailers and boutiques as well as catalogue and internet retailers. It designs and prices both the men's and women's categories to appeal primarily to younger consumers with broad acceptance across age groups.

Puma SE

18 Puma SE is a German-based company engaged in design and manufacture of sporting equipment, operating worldwide through subsidiaries, distributors, and direct sales. The company produces running, tennis, training, and basketball shoes and other products and divides its operations into three product groups: Footwear, Apparel, and Accessories. Its footwear range includes shoes for cross training, motor sports, running, soccer, tennis and other activities.

Appendix C

Deckers Outdoor Corporation

19 Deckers Outdoor Corporation designs and markets footwear and accessories such as handbags, headwear, and outerwear and accessories developed for both everyday casual lifestyle use and high performance activities. Its portfolio of brands includes UGG, Teva, Sanuk, Ahnu and HOKA ONE ONE. The company produces footwear for men, women and children and its products are sold in more than 50 countries and territories worldwide.

Crocs Inc

20 Crocs is engaged in the design, manufacture and distribution of casual lifestyle footwear, apparel and accessories for men, women and children. The company sells its products in more than 90 countries through domestic and international retailers and distributors and directly to end-user consumers through company operated retail stores, outlets, kiosks and web-stores. As of December 31, 2014, the company operated over 600 stores.

Appendix D

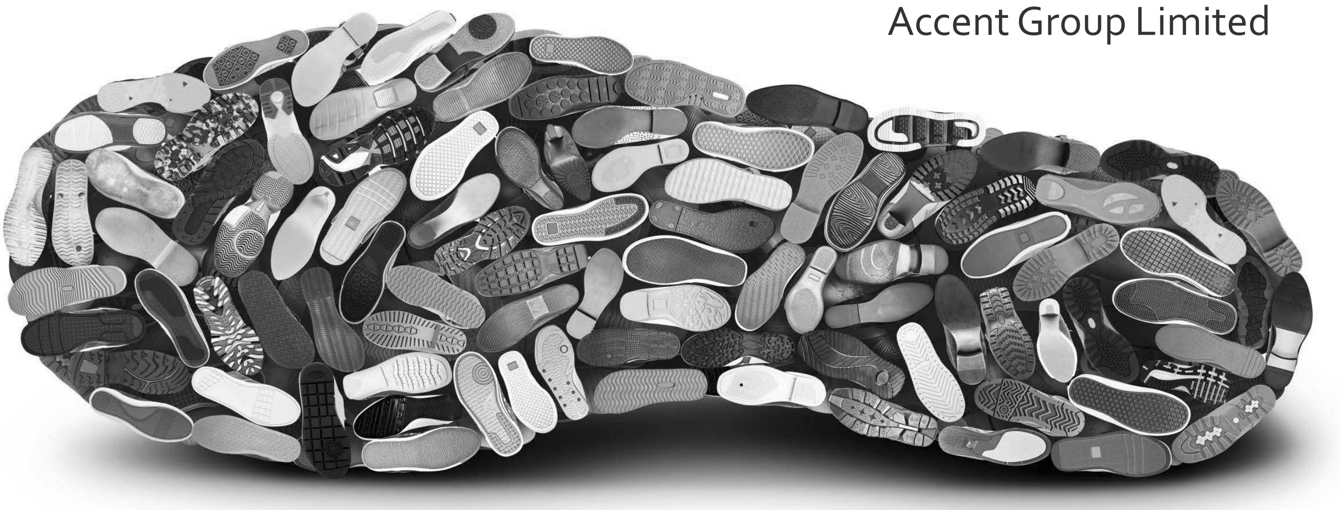
Glossary

Term	Meaning
Accent	Accent Group Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Cash Consideration	The Total Consideration less the value of the Share Consideration
Corporations Act	*Corporations Act 2001 (Cth)*
Corporations Regulations	*Corporations Regulations 2001*
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert’s report
Initial Consideration	The Share Consideration plus 80% of the estimated Cash Consideration
LEA	Lonergan Edwards & Associates Limited
NPV	Net present value
PE	Price earnings
Proposal	The proposed acquisition of Accent by RCG and the related issue of RCG shares
RCG	RCG Corporation Limited
RG 111	Regulatory Guide 111 – *Content of expert reports*
Share Consideration	The RCG shares to be issued to the vendors of the Accent business
SPP	Share purchase plan
Total Consideration	Six times the EBITDA of Accent for the year ending 30 April 2015
VWAP	Volume weighted average price

APPENDIX B - INVESTOR PRESENTATION

RCG CORPORATION

Proposed acquisition of Accent Group Limited



Important notice and disclaimer

RCG CORPORATION

This presentation has been prepared by RCG Corporation Limited (RCG) in relation to RCG's proposed acquisition of Accent Group Limited (AGL).

This presentation contains summary information about RCG and AGL which is current as at the date of this presentation. The information in this presentation is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor may require in evaluating a possible investment in RCG or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Cth). No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, RCG and its affiliates and related bodies corporate, and their respective officers, directors, employees and agents disclaim any liability (including, without limitation, any liability arising from fault or negligence for any loss arising from any use of this presentation (or its content) or otherwise arising in connection with it).

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This presentation has been prepared without taking into account any person's individual investment objectives, financial situation or particular needs. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek legal, accounting and taxation advice appropriate to their jurisdiction. An investment in RCG's shares is subject to known and unknown risks, some of which are beyond the control of RCG. RCG does not guarantee any particular rate of return or the performance of RCG. Investors should have regard to the key risks outlined in this presentation when making their investment decision.

Table of contents

1

Transaction highlights and overview

Transaction highlights: overview

RCG CORPORATION

Transaction Summary

- Subject to certain conditions, RCG is to acquire 100% of the shares in Accent Group Limited ("AGL"), a New Zealand company with operating subsidiaries in Australia and New Zealand.
- The purchase price is expected to be between \$180m and \$200m and is to be based on 6 times AGL's normalised maintainable EBITDA for the financial year ending 30 April 2015
- The purchase price is to be funded as follows:
  - \$25 million underwritten placement to professional and sophisticated investors[1]
  - \$100 million placement to the AGL vendors which will be subject to a two year escrow
  - \$25 million unsecured vendor note (subject to the adjustment described on page 9)
  - Up to \$50 million by way of secured senior bank debt

Impact of transaction on RCG

- As a combined entity on a pro-forma historical basis for the 12 months ending December 2014[2]:
  - EBITDA would have increased by approx. 150% to \$44.1m
  - EPS would have increased by approx. 26%
  - The debt to equity ratio[3] would have been 0.2 times
  - The gearing ratio[3] would have been 0.7 times
- Following completion of the transaction, RCG's existing shareholders will be offered an opportunity to acquire additional shares in RCG under a share purchase plan
- The directors believe that the transaction will be materially EPS and EBITDA accretive in FY16 (prior to any acquisition related amortisation, synergies and integration costs)[4]
- RCG does not expect the transaction to adversely impact its ability to pay dividends at or above historical levels (in cents per share).

1. This excludes the proceeds of a share purchase plan which will raise up to \$10 million (subject to RCG's discretion to accept oversubscriptions and scale back applications).
2. These calculations are based on unaudited pro-forma consolidated historical numbers for the 12 months ending 31 December 2014 adjusted for the expected change in finance costs, but excluding any acquisition related amortisation, synergies or integration costs .
3. Please see page 10 for the basis of this calculation.
4. This statement should be read in conjunction with the transaction risks outlined on page 36 onwards and the disclaimer on page 1.

Transaction highlights: about AGL & strategic rationale

RCG CORPORATION

About AGL

- AGL is an importer, distributor and retailer of international branded footwear and related accessories, with operations across Australia and New Zealand. Its business activities include:
  - Exclusive distribution of Skechers, Vans, Dr Martens, Timberland[1], K Swiss, Palladium and Stance in Australia and New Zealand. Ownership and operation of the Platypus Shoes retail chain as well as a number of mono-branded Skechers, Vans and Timberland stores in both Australia and New Zealand.

Strategic rationale

- Subject to completion of the transaction, the acquisition of AGL by RCG will result in the creation of a regional leader in the retail and distribution of branded footwear with over 270 stores and exclusive distribution rights for 13 international brands across Australia and New Zealand. The retail and distribution operations of the combined entity will look like this:

Company	Retail brands	Wholesale brands
RCG CORPORATION	The Athlete's Foot, MERRELL, podium sports	MERRELL, CAT, InStride, saucony, cushe Footwear, SPERRY TOP-SIDER
Accent Group	SKECHERS, PLATYPUS, VANS "OFF THE WALL", Timberland	SKECHERS, Dr. AirWair Martens, Timberland, VANS "OFF THE WALL", K-SWISS, STANCE, PALLADIUM

1. Timberland distribution agreement does not include New Zealand

Transaction highlights: overview

RCG CORPORATION

The Board believes that the acquisition of AGL is highly strategic for the reasons summarised below.

	Immediate financial benefit	Medium & long term financial benefits	
		Benefit of scale	New opportunity
Immediate EBITDA and EPS accretion[1]	✓		
Portfolio diversification	✓	✓	
Growth engine for RCG		✓	
Creates a market leader in branded footwear		✓	✓
Opportunities through increased size	✓	✓	
Cross-brand distribution opportunities		✓	✓
Enhanced vertical strategy		✓	
New retail formats		✓	✓
Complementary management skills			✓
Complementary geographical expertise		✓	✓
Cost and revenue synergies		✓	✓

1. The directors believe that the transaction will be materially EPS and EBITDA accretive in FY16 (prior to any acquisition related amortisation, synergies and integration costs). See transaction risks outlined on page 36 onwards and the disclaimer on page 1.

Transaction highlights: key metrics

RCG CORPORATION

Pro-forma for the 12 months to 31 Dec 2014[1]	RCG Standalone	Merged entity[2]	Impact
No. of stores	174 stores	269 stores	↑ 55%
No. of brands	6 brands	13 brands	↑ 117%
Total group sales	$267.7m	$450.0m	↑ 68%
Revenue	$93.1m	$276.4m	↑ 197%
EBITDA	$17.6m	$44.1m	↑ 151%
NPAT	$12.3m	$26.3m	↑ 113%
Basic EPS	4.8 cents	6.0 cents	↑ 26%
Gearing	Nil	0.7 times	↑ N/A

1. All the calculations and figures in this table are based on unaudited pro-forma consolidated historical numbers for the 12 months ending 31 December 2014. Subject to the completion of the transaction, AGL will be acquired with effect from 1 May 2015 and the purchase price will be based on a multiple of 6 times normalised maintainable EBITDA of AGL for its financial year ending 30 April 2015. See page 9 for more details.
2 . The merged entity pro-forma figures are based on the unaudited aggregate combined historical financial results of both businesses for the 12 months to 31 December 2014, adjusted for the expected change in finance costs, but excluding any potential synergies, additional costs and the impact of the amortisation of intangibles.

2

The transaction explained

The transaction explained

Purchase price calculation and adjustment mechanism

- AGL has an April year end. Prior to completion of the transaction, the parties will agree on an estimate of AGL's FY15 EBITDA and will calculate the purchase price accordingly. The purchase price will be equal to a multiple of 6 times AGL's normalised maintainable FY15 EBITDA. 20% of the cash consideration will be held back by RCG until AGL's FY15 audited financial accounts have been signed off, following which a purchase price adjustment will be made, if applicable.
- To the extent that the purchase price adjustment ("PPA") is a positive amount, the issue price of the vendor note will be increased. If the PPA is a negative amount, the purchase price will be reduced by decreasing the retention amount by that PPA and, in circumstances where the PPA is more than the retention amount, then the amount of the PPA above the retention amount will be reduced against the vendor note.
- Given that the purchase price is based on normalised maintainable EBITDA for the 12 months to 30 April 2015, the final purchase price will not be known at the time of completion. The table on the following page shows what the purchase price will be at different EBITDA amounts:

The transaction explained

RCG CORPORATION

Purchase price metrics at different EBITDA levels

	Pro-forma for 12 months to Dec 14		Expected Range[3]			
AGL Maintainable EBITDA	26,516	28,000	30,000	31,500	33,000	34,000
Purchase price multiple	6	6	6	6	6	6
Purchase price	159,096	168,000	180,000	189,000	198,000	204,000
Funded as follows:						
Private equity placement	25,000	25,000	25,000	25,000	25,000	29,000
RCG equity issued to vendors	100,000	100,000	100,000	100,000	100,000	100,000
Unsecured vendor note	25,000	25,000	25,000	25,000	25,000	25,000
Secured senior bank debt	9,096	18,000	30,000	39,000	48,000	50,000
Total	159,096	168,000	180,000	189,000	198,000	204,000
Gearing ratio[1]	0.7	0.8	1.1	1.2	1.3	1.4
Debt to equity ratio[2]	0.2	0.2	0.3	0.3	0.4	0.4

1. The gearing ratio has been calculated by dividing the aggregate of the pro-forma net cash, the vendor note and the amount of the secured bank debt by the pro-forma consolidated EBITDA
2. Debt to equity has been calculated by dividing the aggregate of the pro-forma net cash, the vendor note and the amount of the secured bank debt by the total pro-forma value of the equity after the private placement, but before taking into account the impact of the SPP.
3. See transaction risks outlined on page 36 onwards and the disclaimer on page 1.

The transaction explained

RCG CORPORATION

Institutional capital raising, equity placement, and share purchase plan

Share price

- Shares issued under the private placement, equity placement to the AGL vendors, and the share purchase plan will be issued at \$0.70[1]
- This price represents a discount of approximately 3.4% to the volume weighted average price of RCG's shares for 5 days up to the 18 of March 2015

Private placement

- \$25 million is to be raised through the issue of 35.7 million RCG shares under a private placement to sophisticated and professional investors. The private placement, which will be conducted on the date of this announcement, will be managed and fully underwritten by Bell Potter Securities Limited.
- The number of shares to be issued under the private placement will be within the 15% threshold contemplated by ASX Listing Rule 7.1 and therefore does not require shareholder approval.

Equity place-ment to vendors

- \$100 million in RCG shares will be issued to the AGL vendors as part consideration at the same price as the private placement and the share purchase plan[1].
- These shares will be subject to voluntary escrow for two years from their issue date.
- Immediately following completion of the transaction no AGL vendor will have an interest in more than 17% of RCG's shares.

Share purchase plan

- Subject to RCG obtaining shareholder approval for the transaction, RCG's existing shareholders will be given the opportunity to subscribe for shares at the discounted price of no more than \$0.70 under a share purchase plan. Under the terms of the SPP, shareholders registered on 18 March 2015 will each be entitled to subscribe for up to \$15,000 of RCG shares to raise up to a maximum of \$10 million (subject to RCG's discretion to accept oversubscriptions and scale back applications).

1. Shares issued under the share purchase plan will be issued at no more than \$0.70

The transaction explained

RCG CORPORATION

Debt funding	Vendor note	▪ The purchase price will be part-funded by an unsecured vendor note of \$25 million (the note is subject to the adjustment described on page 9). ▪ The vendor note is repayable by RCG two years from the date of issue, but RCG may elect to repay all or part of the note earlier at its discretion.
	Bank debt	▪ RCG has entered into a binding funding commitment letter with National Australia Bank ("NAB") whereby NAB has agreed (subject to the satisfaction of certain conditions precedent) to advance RCG up to \$50 million in debt financing to partially fund the purchase of AGL[1]. ▪ Based on the estimated final purchase price range, bank funding for the transaction will be in the range of \$30 million - \$48 million, which is less than 1 x the EBITDA of the combined entity.
Transaction timing and deal costs	Timing consider-ations	▪ AGL has an April year end and the purchase price is to be based on AGL's normalised maintainable EBITDA for the financial year ending 30 April 2015. ▪ Completion of the transaction is expected to take place on 26 May 2015. However, subject to completion of the transaction, RCG will acquire the business with an effective date of 1 May 2015.
	Impact of the two months	▪ The profit that AGL is expected to make in the two months between the end of April and the end of June will be offset against deal and acquisition costs and as a result no net P&L impact has been factored in to RCG's calculations.

1. RCG has a binding commitment letter from National Australia Bank for a \$90m facility, which includes up to \$50m to part fund the purchase of AGL and \$40m for working capital and other facilities.

The transaction explained

RCG CORPORATION

Approvals, conditions precedent and regulatory consider-ations

- RCG has received written confirmation from ASX that shareholder approval for the transaction under ASX Listing Rule 11.1.2 is ***not*** required[1], nor is RCG required to meet the requirements in Chapters 1 and 2 of the ASX Listing Rules for the purposes of ASX Listing Rule 11.1.3 in relation to the transaction.
- The Company does however require shareholder approval under ASX Listing Rule 7.1 to issue RCG shares to the vendors as such issue will exceed the 15% cap imposed by ASX Listing Rule 7.1. Completion of the transaction is conditional on obtaining this approval.
- Completion of the transaction is also conditional on obtaining shareholder approval in respect of the appointment of three of the existing AGL shareholders to the board of RCG (Michael Hapgood, Craig Thompson and Daniel Agostinelli). See page 33 for details of these individuals.
- Shareholder approval is also required in respect of financial assistance being provided in connection with the transaction pursuant to section 260B of the Corporations Act.
- Additional conditions precedent to the transaction include:
  - RCG and AGL receiving consent from various prescribed key third parties on terms acceptable to them (acting reasonably);
  - RCG obtaining necessary approvals from ASIC to enter into the proposed escrow deeds with the AGL vendors; and
  - No director of RCG having withdrawn or adversely modified their recommendation of the transaction or having made any public statement that they no longer recommend that RCG's shareholders vote in favour of the resolution to approve the transaction.

1. Notwithstanding that ASX has confirmed that shareholder approval for the transaction is not required under ASX Listing Rule 11.1.2, RCG has commissioned an Independent Expert (Lonergan Edwards and Associates Limited) to opine on whether the transaction is in the best interests of shareholders. The Independent Expert's Report will accompany the notice of extraordinary general meeting that will be sent to shareholders in connection with the transaction

The transaction explained

Post completion capital structure

The indicative capital structure of RCG post completion of the transaction is as follows:

Description	No. of shares
Existing unrestricted shares	254,693,625
Shares classed as treasury shares for accounting purposes[1]	13,715,000
Placement shares	35,714,285
AGL vendor shares (subject to two year voluntary escrow)	142,857,124
Total shares prior to share purchase plan	**446,980,052**
Shares expected to be issued under the share purchase plan[2]	14,285,714
Total after allocation under the share purchase plan[3]	**461,265,766**

1. Includes shares issued under RCG's Employee Share Scheme and other employee shares which are subject to escrow.
2. Assuming RCG raises $10 million under the share purchase plan at an issue price of $0.70 per share.
3. RCG also has 5,450,000 options over ordinary shares on issue.

3

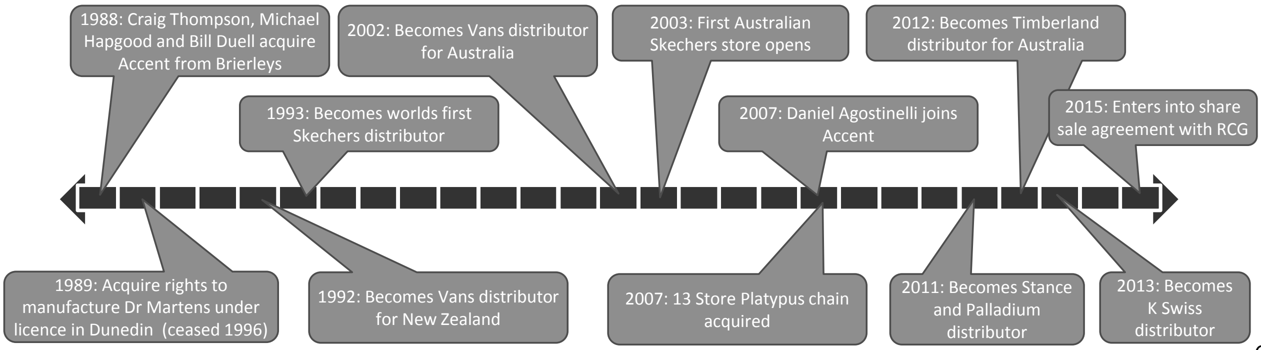
About AGL

About AGL

AGL is a New Zealand based company with operations in both Australia and New Zealand. It imports, distributes and wholesales seven international brands of footwear and related accessories, and has 97 stores (as at the end of February 2015) operating under four different retail brands. The business employs more than 1,500 people in Australia and more than 200 people in New Zealand.

For the 12 months to the end of December 2014, it generated over $62 million of external wholesale sales through its exclusive distribution of the Vans, Skechers, Dr Martens, Timberland, Stance, K Swiss, Stance and Palladium brands in Australia and New Zealand.

The business also operates 97 stores, including mono-branded Skechers, Vans and Timberland stores, as well as the market-leading multi-branded sneaker business, Platypus Shoes. Its retail sales for the 12 months ended December 2014 were approximately $120 million.



About AGL: the brands

- Platypus Shoes was acquired by AGL in 2007 when it had 13 stores.
- Having spent several years getting the format right, AGL embarked on a aggressive rollout strategy 2-3 years ago.
- There are 52 Platypus stores in Australia and New Zealand. Of these, 12 have been opened since the beginning of 2014, with plans to rollout more.
- Platypus is the market leader in multi-branded sneaker retail in Australia. It stocks a wide range of iconic and aspirational sneaker brands and is built around a USP of exciting, leading edge, ever changing sneaker fashion and culture.
- The brand encourages and embraces a staff commitment to “Make It Happen”.

- In 1966, the Van Doren Rubber Company opened up for business in Anaheim, California creating a simple canvas shoe that soon became a staple for skaters and surfers. Today Vans has extended out to street culture as the company continues to re-create the original “Classic”. With a strong heritage in action sports, Vans prides itself in being grounded in youth, authenticity and individual style.
- Vans is one of the leading youth lifestyle footwear brands in the world, with worldwide sales approaching $2 billion.
- AGL became the New Zealand Vans distributor in 1992 and the Australian distributor in 2002.
- In addition to wholesaling the brand to premium retailers, AGL operates 10 mono-branded Vans stores. The brand is also one of the key brands in the Platypus business.

About AGL: the brands

RCG CORPORATION

- Established in 1992 Skechers USA, Inc. is based in Manhattan Beach, California. An award-winning global leader in the lifestyle footwear industry, Skechers designs, develops and markets lifestyle footwear that appeals to trend-savvy men, women and children.
- The Skechers brand has experienced rapid growth over the last few years and was ranked last year as the fifth largest sports footwear brand in the US[1].
- AGL became the first distributor of Skechers in the world in 1993.
- In addition to operating an extensive Skechers wholesale business, AGL also owns and operates 33 Skechers mono-branded stores in Australia and New Zealand.
- The rollout of stores has been rapid, with no fewer than 10 stores rolled out since the beginning of 2014, with plans to rollout more.

- Dr Martens was founded in 1960 as a collaboration between Bill Griggs, an English boot maker, and Dr Martens and Dr Funck, a pair of German inventors who invented an air-cushioned sole in response to a skiing injury.
- In 1989 AGL obtained the right to be the first manufacturer outside the UK to manufacture Dr. Martens, which they did in their Dunedin factory for seven years.
- AGL is the exclusive distributor of Dr Martens in Australia and New Zealand

1= Sneakernomics, April 2014

About AGL: the brands

RCG CORPORATION

- Originally founded in 1952 as the Abington Shoe Company, the company was one of the first to use injection-moulding to create virtually waterproof boots. In 1973 it introduced an iconic waterproof range of boots called "Timberland", which were so successful that the company changed its name. The brand does approximately $1.5 billion in worldwide revenue.
- AGL became the Australian Timberland distributor in 2012.

- K-Swiss was founded in 1966 by two Swiss brothers, who moved to California to pursue their dream of starting their own footwear company. They drew inspiration from leather ski boots to create the first all-leather tennis shoe. This is how the K-Swiss classic sneaker was born, and it remains one of the most iconic and classic sneakers of all-time.
- AGL became the K Swiss distributor in 2013.

- Founded by Skullcandy founder Rick Alden in 2010, Stance is a brand of action-sports socks with cutting edge style, and the perfect accessory brand for the Platypus business.
- AGL became the Stance distributor in 2011.

- Palladium was founded 1920 as a tyre manufacturer and turned to footwear after World War II, designing the famous Pampa boot which was adopted by the French Foreign Legion. Today it is a brand that combines authenticity with cutting edge styling.
- AGL became the Palladium distributor in 2011.

4

Strategic rationale

Strategic Rationale

Natural Alignment

- RCG's strategy is "*to identify and acquire brands and/or businesses which are synergistic with its existing business. In particular, the Company's strategy is to acquire distribution and retail businesses in the footwear and active lifestyle space*".
- The Board believes that the acquisition of AGL is closely aligned with the strategic objectives of RCG and will provide RCG with significant opportunity.
- In addition to the strategic alignment, RCG and AGL operate similar businesses. Both businesses:
  - are distributors and retailers of international footwear brands in the athletic and active lifestyle space;
  - have wholesale arms that import and distribute footwear and related accessories; and
  - operate several different retail brands, in each case operating both fully vertical retail stores as well as multi-branded stores that purchase footwear from third party suppliers (who in many cases are the same suppliers).
- The Board believes that the two businesses similarities make them naturally aligned and their business operations should integrate easily and effectively.
- The Board believes that this natural alignment provides a number of other strategic benefits that flow from the transaction. These are outlined on the pages that follow.

Strategic Rationale

EBITDA and EPS accretion

- The table on page 7 shows what impact the ownership of AGL would have had on RCG for the 12 months to 31 December 2014 had RCG owned AGL for that period. As the table shows, on a pro-forma historical basis, the merged entity would have generated materially greater EBITDA and EPS than RCG did as a stand-alone business for that period[1].
- The directors believe that the transaction will be materially EPS and EBITDA accretive in FY16 (prior to any acquisition related amortisation, synergies and integration costs)[2].

Portfolio diversification

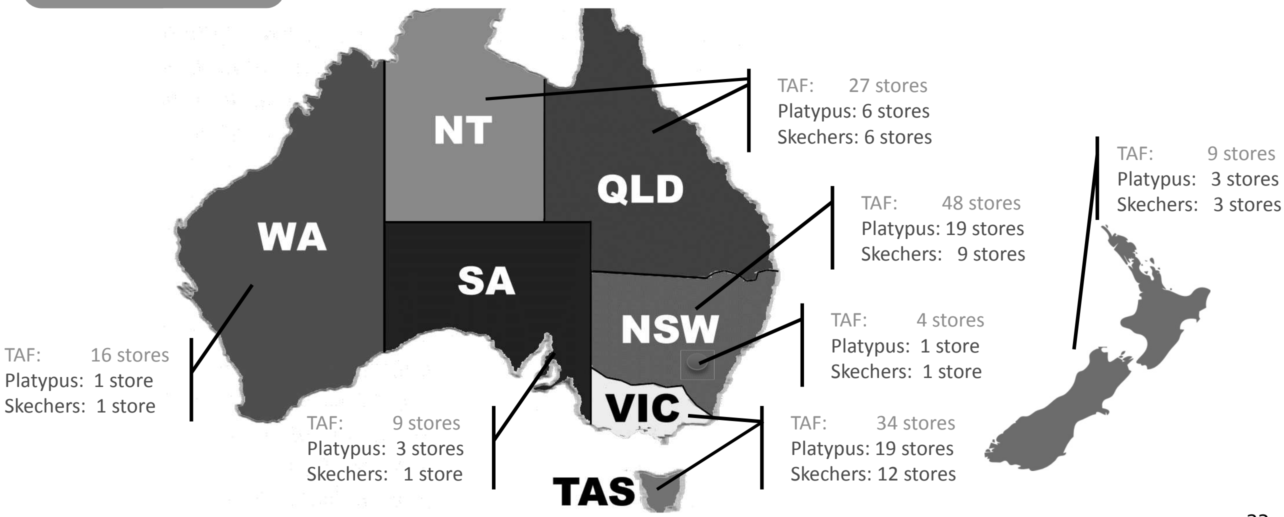
- By more than doubling both the number of brands it distributes and the number of retail formats it operates, RCG will significantly diversify the risk associated with reliance on any one brand or retail concept.
- Significantly, the reduction in risk is accompanied by an *increase* in expected return, not the decrease in return that usually accompanies risk reduction.

1. The merged entity pro-forma figures are based on the unaudited aggregate combined historical financial results of both businesses for the 12 months to 31 December 2014, adjusted for the expected change in finance costs, but excluding any potential synergies, additional costs and the impact of the amortisation of intangibles.
2. See transaction risks outlined on page 36 onwards and the disclaimer on page 1.

Strategic Rationale

A new growth engine for RCG

- AGL's businesses, particularly Platypus and Skechers, have experienced significant sales and profit growth over the last two years. This growth has come both through like-for-like sales growth and the opening of new stores, many of which are still in the establishment phase.
- Growth, both from existing stores and wholesale customers, and from the establishment of new stores, is expected to continue. The map below shows the potential opportunity for new sites relative to The Athlete's Foot:



Strategic Rationale

RCG CORPORATION

Creation of a market leader in branded footwear

- The acquisition of AGL by RCG will result in the creation of a regional leader in the retail and distribution of branded footwear with over 270 stores and exclusive distribution rights for 13 international brands across Australia and New Zealand.
- The Board believes that this will enable RCG to better respond to changes in the competitive landscape.
- Equally, with its extensive and varied retail network, and substantial wholesale customer base, the Board believes that RCG will become an attractive partner for other international brands seeking a distributor in Australia or New Zealand.

Opportunities through increased size

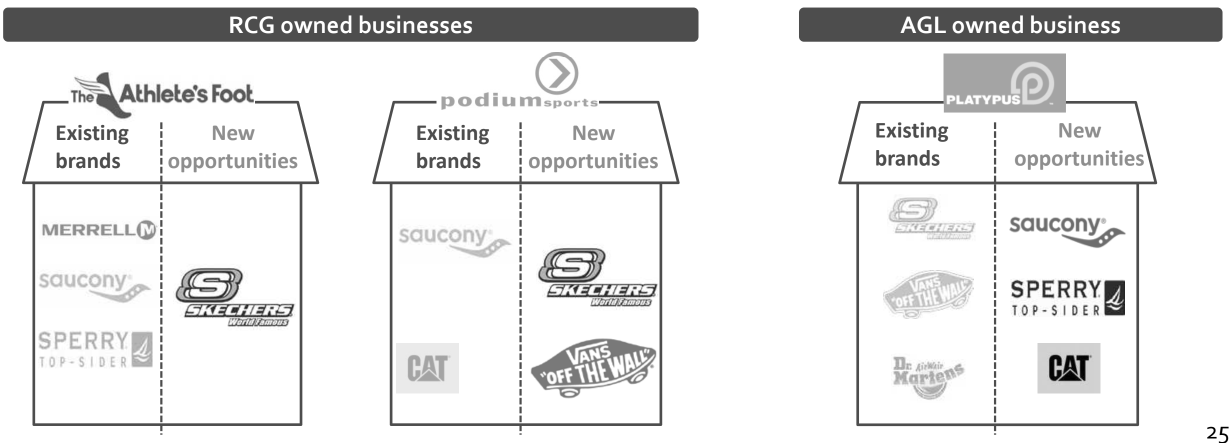
- The acquisition is expected to more than double the size of RCG in terms of turnover, sales volumes and profit.
- The Board believes that by virtue of its increased size RCG will:
  - have greater flexibility and scale to explore both new revenue opportunities and potential cost-saving and efficiency improvements; and
  - become an increasingly large and attractive strategic partner to its customers, suppliers and service providers.

Strategic Rationale

RCG CORPORATION

Cross-brand distribution opportunities

- Each of RCG's and AGL's businesses has a number of successful retail formats which could be complemented by additional product opportunities through the merger of the two businesses.
- The Skechers brand is already distributed by a number of TAF stores and the Platypus business has recently placed orders for some of RCG's brands. By closer association under the same roof, these and other distribution opportunities will be more fully explored to the mutual benefit of the brands, retail stores, franchisees and consumers.
- The graphic below shows some of the new and enhanced cross-brand distribution opportunities that potentially exist:



Strategic Rationale

RCG CORPORATION

Enhancement of vertical strategy

- The Board believes that the increase in the percentage of own brands available for sale through the multi-branded retail channel of both businesses will provide a greater level of protection, control, opportunity and profitability for the combined business.
- Both RCG and AGL have been pursuing a vertical distribution / retail strategy for some time. The Board believes that the merged entity will be in a position to accelerate the rollout of this strategy which will be more likely to bring greater certainty both for the brands it distributes and the retail channels it supports.

New retail formats

- Each of the two businesses has already been exploring the possibility of new retail formats. A number of existing barriers to rolling out new concepts are likely to be mitigated or removed altogether under the merged entity. Benefits in this regard include:
  - Access to the combined stable of brands.
  - Greater access to third-party brands and product ranges through each other's existing relationships.
  - With six or more retail formats, the combined entity will have more flexibility to use any particular site for the most appropriate format.
  - Opportunities to acquire the most appropriate sites at the best rents, making new formats more viable.
  - Greater capacity and opportunity to build and manage new retail concepts.

Strategic Rationale

RCG CORPORATION

Complementary management skills

- Both RCG and AGL have outstanding, long-term, senior management teams with proven track records of delivering exceptional results.
- The Board believes that as a combined group these teams will make a formidable unit. Further, the Board believes that AGL's skills in identifying and rapidly growing trending brands and leading edge retail will complement RCG's existing skills in managing and delivering low-risk sustainable growth over an extended period.

Complementary geographical expertise

- AGL's corporate office is located in Auckland, New Zealand. With a full infrastructure, including offices, showrooms and a sales team to support it, RCG's brands are likely to receive a significant boost in that market.
- RCG has significant retail experience in regional markets, which AGL will be able to leverage off to accelerate the growth of appropriate retail formats into those markets.

Cost and revenue synergies

- Additional opportunities may accrue to the combined group over time as a result of its scale and financial strength.
- No cost synergies or savings have been factored into the consideration of this transaction by the RCG board and none are expected in the short term. However, over the longer term as the business continues to grow, certain savings and efficiencies may become apparent.

RCG CORPORATION

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Pro-forma financial information

Pro-forma financial information

RCG CORPORATION

Pro-forma consolidated statement of profit & loss for the 12 months ending 31 December 2014

$'000	RCG[1]	AGL[1]	Pro-forma adjustments[2]	Pro-forma consolidated
Total Group Sales (including franchised stores)	267,774	181,431		449,205
Total Revenue	**93,178**	**181,900**		**275,078**
EBITDA	**17,617**	**26,516**		**44,133**
Depreciation and Amortisation	(1,320)	(4,163)		(5,483)
EBIT	**16,297**	**22,353**		**38,650**
Interest received (paid)	850	-	(2,046)	(1,196)
Profit before taxation	**17,147**	**22,353**	**(2,046)**	**37,454**
Income tax expense	(4,790)	(6,963)	614	(11,139)
Net profit after Tax	**12,357**	**15,390**	**(1,432)**	**26,315**
Non-controlling interests	(123)	-		(123)
Profit attributable to owners of the company	**12,234**	**15,390**	**(1,432)**	**26,192**
No. of shares on issue (million)[3]	254,694		178,571	433,265
Basic Earnings Per Share	**4.80 cents**			**6.05 cents**

1. The figures for each entity are the unaudited historical figures for the 12 months ending 31 December 2014. The figures and the calculations in this table have been reviewed by Deloitte Touche Tohmatsu.
2. Pro-forma adjustments have been made in respect of the finance costs that would have been incurred had AGL been acquired and paid for using the financing structure shown in the table on page 10. No pro-forma adjustments have been made in respect of any potential synergies, additional costs or the impact of the amortisation of intangibles. There is expected to be a material non-cash charge associated with the amortisation of the value of the brand licences over the remaining contract terms. Whilst this will not have an impact on EBITDA, it is expected to have a material impact on the calculation of EPS.
3. The number of shares on issue excludes shares issued under the employee share scheme and other treasury shares. The pro-forma adjustment in respect of the number of shares on issue is based on the issue of $125m of shares at $0.70 in respect of the acquisition, but excludes the dilutive effect of any shares to be issued under the SPP.

Pro-forma financial information

Pro-forma summary consolidated statement of financial position as at 31 December 2014

$'000	RCG[1]	AGL[1]	Pro-forma adjustments[2]	Pro-forma consolidated
Current assets				
Cash & equivalents	11,828	-	(1,432)	10,396
Receivables, inventory & other	28,355	51,497	-	79,852
Total current assets	**40,183**	**51,497**	**(1,432)**	**90,247**
Non current assets				
Tangibles	8,646	15,249	-	23,895
Intangibles	24,502	-	117,592	142,094
Total non current assets	**33,148**	**15,249**	**117,592**	**165,989**
Current liabilities	**(18,090)**	**(24,016)**	-	**(42,106)**
Non current liabilities	**(386)**	**(1,224)**	**(34,097)**	**(35,707)**
NET ASSETS	**54,855**	**41,506**	**82,062**	**178,423**
Issued Capital	70,860	1,269	123,731	195,860
Reserves and other	(16,004)	40,236	(41,668)	(17,436)
TOTAL EQUITY	**54,855**	**41,506**	**82,062**	**178,423**

1. RCG's figures as at December 2014 has been subject to half-year audit review. AGL's figures are unaudited. The figures and the calculations in this table have been reviewed by Deloitte Touche Tohmatsu.
2. The following pro-forma adjustments have been made to reflect the consolidated financial position of the group as if AGL been acquired on the basis of six times EBITDA for the 12 months to 31 December2014:
   a) The cash equivalents have been reduced by the after tax value of the interest that would have been paid on the debt component of the purchase price.
   b) The value of intangibles has been increased to reflect the excess of the pro-forma purchase price over pro-forma net tangible assets. No amortisation of the intangibles has been reflected.
   c) The non-current liabilities have been adjusted to reflect the value of the debt component of the purchase price.
   d) Issued capital has been adjusted to reflect the value of the equity component of the purchase price. The impact of the SPP has not been accounted for.

AGL historical financial performance

AGL historical results $000's	Actual results for the 12 months ending April 2013	April 2014	Dec 2014
Wholesale sales			
Australia	60,419	50,262	48,362
NZ	11,902	13,319	13,425
Total wholesale sales	**72,321**	**63,581**	**61,787**
Retail sales			
Australia	52,210	77,427	112,070
NZ	153	4,975	7,574
Total retail sales	**52,363**	**82,402**	**119,644**
Total sales	**124,684**	**145,983**	**181,431**
Cost of goods sold	(55,554)	(65,156)	(79,008)
Gross profit	**69,130**	**80,827**	**102,423**
Other income	500	400	468
Net operating expenses	(49,483)	(63,347)	(76,375)
EBITDA	**20,147**	**17,880**	**26,516**
Depreciation	(2,322)	(3,271)	(4,163)
EBIT	**17,825**	**14,609**	**22,353**
Number of retail stores			
Platypus (Australia)	30	39	49
Sketchers (Australia)	19	20	30
Vans (Australia)	3	8	9
Timberland (Australia)	1	2	2
Platypus (NZ)	1	3	3
Sketchers (NZ)	0	1	2
Total stores	**54**	**73**	**95**
Retail sales comp growth	**10%**	**13%**	**25%**

Wholesale sales

Wholesale sales revenue has declined primarily as result of a market oversupply of some products in FY13 and the increasing proportion in distribution of AGL's brands through the expansion of its own store network.

Retail sales

Retail sales growth has been driven by a combination of rapid store rollout and double digit comp growth over the historical period. The comp growth rates are a result of both the global strength of AGL's brands and the refinement of the Platypus Shoes consumer offering.

As at the end of February 2015 there were 97 AGL group stores. AGL anticipates opening an additional 9 stores prior to the end of April 2015. The Board believes that 15 - 20 new stores (across all brands) can be rolled out each year for the next 2 - 3 years. AGL has confirmed that it has entered into leases or concluded commercial negotiations for 5 new stores for the period beyond the end of April 2015.

In considering its proposed acquisition of AGL, RCG has assumed that AGL's comp sales growth will be in the mid-single digit range for FY16 and beyond.

6

Board and operating structure

Board and operating structure

It is envisaged that no changes will be made to the existing operating structure of either RCG or AGL in the short term and until such time as the combined management team is confident that any proposed changes will have corresponding benefits.

Assuming completion of the transaction, the existing RCG Board will be augmented by the addition of three of the existing AGL shareholders, two of whom are actively engaged in the day to day management of the business. Hilton Brett will remain CEO and Ivan Hammerschlag will continue as Non-Executive Chairman. The following AGL shareholders will be joining the RCG Board:

Michael Hapgood
AGL Executive Chairman[1]

- A founding director & shareholder of AGL, Michael has been the CEO since 1998.
- He is familiar with AGL's current and past activities and has been intimately involved in the development of all major strategic initiatives of the business since its inception.
- Michael is highly experienced and has extensive experience and knowledge of working with global brands.

Daniel Agostinelli
AGL CEO[1]

- Based in Melbourne, Daniel oversees all the day to day operations of AGL.
- He has over 30 years retail experience and was formerly the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business.
- Daniel has been with AGL since 2006 and is the primary driver of AGL's day to day business operations and strategy execution.

Craig Thompson
BCA, LL.B, Dip Acc, ACA
Non-executive Director[1]

- Craig is a co-founder of AGL and has been the Chairman since its inception.
- He is a widely experienced company director and has been intimately involved in businesses in multiple sectors.
- He has held directorships in listed and private companies in the media, insurance, finance, retirement village, retailing, and on-line trading sectors.

1 = These new titles under the proposed merged structure. Both Michael and Daniel have entered into executive service agreements, subject to completion of the transaction.

7

Indicative timetable

Indicative timetable

▪ Trading halt, transaction announcement and placement:	
▪ Transaction announcement and trading halt request	19 March 15 before 10:00am[1]
▪ Bookbuild opens	19 March 15 at 10:00am[1]
▪ Bookbuild closes	20 March 15 at 2:00pm[1]
▪ Trading halt lifted	23 March 15
▪ Settlement of placement	27 March 15
▪ Placement shares allotted and commence trading	30 March 15
▪ Notice of EGM dispatched to shareholders together with the Independent Expert's Report	10 April 15
▪ RCG shareholder meeting	12 May 15
▪ Effective date of acquisition of AGL	1 May 15
▪ Expected completion of acquisition of AGL	26 May 15
▪ Share purchase plan offer to open	29 May 15
▪ Share purchase plan offer to close	26 June 15

1. Sydney time

RCG CORPORATION

8

Key risks

Key risks of an investment in RCG

RCG CORPORATION

There are a number of risks inherent in the acquisition of AGL that could affect the future operational and financial performance of RCG and the value of RCG's shares. The following is a summary of some of the key risks. This is not an exhaustive list of the relevant risks. If any of the following risks materialise, RCG's business, financial condition and operating results are likely to be adversely impacted. Before investing in RCG, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on RCG, carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision. Additional risks and uncertainties that RCG is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect RCG's operating and financial performance and the value of RCG's shares.

Risks specific to the acquisition of AGL

- **Completion risk –** There is a risk that the transaction may not complete due to a failure to satisfy any of the conditions precedent (for example, a failure to obtain the required RCG shareholder approvals). Where the transaction is not completed, RCG intends to use the proceeds raised under the placement for other potential acquisitions or for general corporate purposes.
- **Integration risk -** There are risks that any integration between the businesses of RCG and AGL may be more complex than expected. A failure to fully integrate the operations of AGL, or a delay in the integration process, could impose unexpected costs that may adversely affect the financial performance and position of RCG.
- **Funding risk –** The availability of the debt facility from NAB is subject to various conditions precedent. However, the provision of debt finance is not a condition to the transaction. As such, there is a risk that RCG may have an obligation to pay the purchase price for AGL under the transaction but, due to the unavailability of the debt facility, does not have the necessary amount of funding available. In this instance RCG would need to seek to put in place new financing arrangements, the terms of which may be less attractive than the proposed transaction funding mix.
- **Debt funding –** The use of debt finance to fund the transaction means that RCG will be exposed to risks associated with gearing. For example, RCG will be more exposed to any movements in interest rates.
- **AGL's future earnings –** RCG has undertaken financial and business analysis of AGL in order to determine its attractiveness to RCG and whether to pursue the transaction. To the extent that the actual results achieved by AGL are weaker than those anticipated, there is a risk that the profitability and future earnings of the operations of the combined group may differ (including in a materially adverse way) from the current performance as reflected in this presentation. Future earnings could be materially impacted by the factors outlined on the following page:

Key risks of an investment in RCG

- **Factors which could have a material adverse impact on AGL's future earnings**:
  - **Foreign currency fluctuations –** AGL is exposed to fluctuations in the AUD/USD, AUD/NZD and NZD/USD exchange rates. A material movement in any of these exchange rates could potentially have a material impact on the profitability of the business. In particular, all of the brands that AGL distributes are purchased in USD and therefore fluctuations in the USD exchange rate may have a material impact on the landed cost of the items. For the financial year ending on 30 April 2015, AGL's purchases have been made at a weighted average exchange rate of USD/AUD of 0.89. For FY16, AGL has forward cover at an average rate of USD/AUD of 0.77 for approximately 22% of its expected USD purchases and has no cover in respect of the remainder. In conducting its financial and business analysis of AGL, RCG has assumed an average AUD/USD exchange rate of 0.75 for FY16[1] and has also made certain assumptions regarding increases in wholesale and retail prices that are likely to flow as a result. If the actual average USD exchange rate is materially lower than the expected rate and no further consequential adjustments are made to retail and wholesale prices, this could have a material adverse effect on AGL's earnings in FY16.
  - **Loss of distribution licence** - The loss of a major distribution licence, such as Vans or Skechers, could have a material impact on the profitability of AGL's business. The table below shows term of the current distribution agreements for all brands:

Brand	Start	End	FY13 – FY22
Skechers	Jan-07	Dec-21	
Vans	Jan-11	Dec-16	
Dr Martens	Nov-10	Nov-15	
Timberland	Jul-12	Dec-15	+ 2 year option period at option of Timberland
Palladium	Jan-14	Dec-18	
Stance	Jun-12	Jun-15	+ Automatically review s for each subsequent 1 year period (unless terminated)
Kswiss	Jun-14	Dec-18	

  - **Rates of sale and sales growth –** A number of factors could have a material impact on AGL's retail and wholesale sales and like-for-like growth rates. Such factors include, but are not limited to:
    - Significant changes in consumer sentiment and other macro-economic factors
    - Changes in trends associated with the retail categories that AGL operates in and/or brands it sells
    - Inappropriate selection of retail sites

1. NAB "Global FX Strategist" at 9 March 2015 forecasts the AUD/USD exchange rate to be 0.74 at December 2015, and 0.73 at March and June 2016. Westpac "Australia & NZ Weekly" for the week beginning 2 March 2015 forecasts the AUD/USD exchange rate to be 0.79 at December 2015 and 0.81 at March 2016 (no forecast is given for June 2016). 0.75 is considered by the Board to be a reasonable mid-point for FY16.

Key risks of an investment in RCG

- **Factors which could have a material adverse impact on AGL's future earnings, continued**:
  - **Failure to adequately manage growth** – The AGL store network has grown rapidly in recent years and the continued success and future profitability of the business depends on sustainably managing the recent and expected future growth. Failure to do so could have a material impact on the profitability of the business.
  - **Misstatement of historical financial information and reliance on information provided –** Although the annual financial statements of AGL are audited, the pro-forma financial information in this presentation in respect of AGL has not been subject to audit. A material unidentified misstatement of the recent financial performance of the business would potentially have flow-on effects into the future. RCG undertook a due diligence process in respect of AGL, which relied in part on the review of financial and other information provided by the AGL vendors. Despite taking reasonable efforts, RCG has not been able to verify the accuracy, reliability or completeness of all the information which was provided to it against independent data. Similarly, RCG has prepared (and made assumptions in the preparation of) the financial information relating to AGL on a stand-alone basis and also to RCG post-completion included in this presentation in reliance on limited financial information and other information provided by the AGL vendors. Some of this information was unaudited. RCG is unable to verify the accuracy or completeness of all of that information. If any of the data or information provided to and relied upon by RCG in its due diligence process and its preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of AGL and the combined group may be materially different to the financial position and performance expected by RCG and reflected in this presentation. Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the transaction have been identified and avoided or managed appropriately. Therefore, there is a risk that unforseen issues and risks may arise, which may also have a material impact on RCG (for example, RCG may later discover liabilities or defects which were not identified through due diligence or for which there is no protection for RCG (in the form of insurance, warranties, representations or indemnities)). This could adversely affect the operations, financial performance or position of RCG. Further, the information reviewed by RCG includes forward looking information. While RCG have been able to review some of the foundations for the forward looking information relating to AGL, forward looking information is inherently unreliable and based on assumptions that may change in the future.

Key risks of an investment in RCG

General Risks

- **Foreign exchange risk –** RCG distributes products that are purchased in USD and therefore fluctuations in the USD exchange rate may have a material impact on the landed cost of the items. For FY15 RCG's purchases have been made or hedged at a weighted average exchange rate of US/AUD of 0.90. For FY16, RCG has forward cover at an average rate of USD/AUD of 0.81 for approximately 64% of its expected USD purchases and has no cover in respect of the remainder. If the actual average USD exchange rate continues to fall and no further consequential adjustments are made to retail and wholesale prices, this could have a material adverse effect on RCG's earnings in FY16.
- **Loss of distribution licence –** The loss of a major distribution licence, such as Merrell, Saucony or Caterpillar, could have a material impact on the profitability of RCG's business.
- **Economic risks –** General economic conditions may negatively affect RCG's performance and the performance of RCG shares. Any protracted slow down in economic conditions or factors such as movements in inflation or interest rates and industrial disruption may have a negative impact on RCG's costs and revenue. These changes could adversely affect RCG's operations and earnings, and impact on RCG's share price.
- **Market conditions –** Investors should be aware that there are risks associated with any investment in a company listed on the ASX. The market value of RCG will fluctuate depending on the price at which RCG shares are traded on the ASX, and may rise above or below the current RCG share price depending on:
  - the financial and operating performance of RCG; and
  - external factors over which RCG and its directors have no control. These external factors (which are unpredictable and may be unrelated or disproportionate to the performance of RCG) include:
    - economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
    - changing sentiment in the local and international stock markets;
    - changes in domestic or international fiscal, monetary, regulatory and other government policies;
    - developments and general conditions in the various markets in which RCG operates (and proposes to operate); and
    - which may impact on the future value and pricing of shares.

Key risks of an investment in RCG

General Risks

- **Operational risk –** While RCG has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions, technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events.
- **Liquidity –** There can be no guarantee of an active market in the shares in RCG or that the price of the shares in RCG will increase. There may be relatively few potential buyers or sellers of RCG shares on the ASX at any time. This may increase the volatility of the market price of RCG shares. It may also affect the prevailing market price at which shareholders are able to sell their shares in RCG.
- **Competition –** RCG operates in an industry with many competitors. RCG competes on the basis of a number of factors, including the quality of products, reputation and price. However, there is no assurance that competitors will not succeed in offering products that are more economic or otherwise more desirable than those being offered by RCG.

9

International offer restrictions

International offer restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

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RCG Corporation Limited
ABN 85 108 096 251

000001 000 RCG
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FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
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For all enquiries call:
(within Australia) 1300 850 505
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Proxy Form

Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 2:00pm (Sydney Time) Sunday 10 May 2015

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form →

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of RCG Corporation Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of RCG Corporation Limited to be held at Level 4, 60 Carrington Street, Sydney, NSW 2000 on Tuesday, 12 May 2015 at 2:00 pm (Sydney Time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
1	Approval for the issue of Transaction Shares to the AGL Shareholders	☐	☐	☐
2	Appointment of Michael Hapgood as a director of the Company	☐	☐	☐
3	Appointment of Craig Thompson as a director of the Company	☐	☐	☐
4	Appointment of Daniel Agostinelli as a director of the Company	☐	☐	☐
5	Approval of financial assistance in connection with the Transaction	☐	☐	☐
6	Subsequent approval for the issue of the Placement Shares	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______ **Contact Daytime Telephone** ______ **Date** / /