

SPECIALTY FASHION | GROUP

ACN 057 569 169

NOTICE OF ANNUAL GENERAL MEETING

&

EXPLANATORY MEMORANDUM TO SHAREHOLDERS

A PROXY FORM IS ENCLOSED

Please read the Notice and Explanatory Memorandum carefully.

If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.

SFG|2013

Specialty Fashion Group Limited

ACN 057 569 169

Notice of Annual General Meeting

Notice is given that the annual general meeting of Specialty Fashion Group Limited (the Company) will be held at Museum of Sydney, Cnr Phillip and Bridge St Sydney, Level 2, AGL Theatre Room on Thursday 31st October 2013 at 10am. If you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form. The completed proxy form must be received by the Company by 10am on Tuesday 29th October 2013. Proxy forms can be lodged by fax on (02) 9287 0309, or on line at www.linkmarketservices.com.au or posted to:

Link Market Services Limited

Locked Bag A14, Sydney South, NSW 1235

Agenda Items

Ordinary Business

1 Financial report

To receive and consider the financial report of the Company and the reports of the directors and auditors for the year ended 30 June 2013.

2 Remuneration report: Resolution 1

To receive and consider the remuneration report as set out in the Annual Report for the year ended 30 June 2013, and if thought fit, to resolve (as a non-binding ordinary resolution) to adopt the remuneration report.

3 Election of directors: Resolution 2

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

Retirement by rotation and re-election

"That Ms Anne McDonald, being a director of the Company who retires by rotation under rule 6.1(f) of the Company's constitution, and being eligible, is re-elected as a director of the Company."

Information about Ms Anne McDonald is included in the Explanatory Memorandum.

4 Grant of share rights to Gary Perlstein: Resolution 3

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

"That for the purposes of ASX Listing Rule 10.14, approval is given for the grant of up to 200,000 share rights to Gary Perlstein pursuant to the Company's Employee Long Term Incentive Plan and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."

The Company will disregard any votes cast on Resolution 3 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme of the Company) and their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as 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.

Explanatory memorandum

Shareholders are referred to the explanatory memorandum accompanying and forming part of this notice of meeting.

Entitlement to vote

It has been determined that under the Corporations Regulation 7.11.37, for the purposes of the annual general meeting, shares will be taken to be held by the persons who are the registered holders at 7pm Sydney time on 29 October 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Proxies

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate.

If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act 2001 (Cth); and
- provides satisfactory evidence of the appointment of its corporate representative no later than 48 hours prior to commencement of the meeting.

If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this notice of meeting and to be effective must be received at the Company's registered office or Link Market Services Limited:

Locked bag A14, South Sydney, NSW 1235

OR by facsimile: 02 9287 0309

OR on line at www.linkmarketservices.com.au

by no later than 10am on 29 October 2013.

By Order of the Board

Dated: 27 September 2013



Alison Henriksen
Company Secretary

Specialty Fashion Group Limited

ACN 057 569 169

Explanatory memorandum to shareholders

This Explanatory Memorandum has been prepared to assist shareholders to understand the business to be put to shareholders at the annual general meeting.

Ordinary business

Annual financial report

The Corporations Act requires:

- the reports of the directors and auditors; and
- the annual financial report, including the financial statements of the Company for the year ended 30 June 2013,

to be laid before the annual general meeting. Neither the Corporations Act nor the constitution requires a vote of shareholders on the reports or statements. However, shareholders will be given ample opportunity to raise questions or comments on the management of the Company.

Also, a reasonable opportunity will be given to members as a whole at the meeting to ask the Company's auditor questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Resolution 1: Adoption of the Remuneration Report

The Directors' Report for the year ended 30 June 2013 contains a Remuneration Report. The Remuneration Report is set out on pages 11 to 17 of the 2013 Annual Report printed version and pages 37 to 43 of the electronic version available on our website.

The Remuneration Report discusses matters including (but not limited to):

- (a) board policies in relation to the nature and amount of remuneration paid to directors and executives;
- (b) the relationship between the board policies and the Company's performance;
- (c) the remuneration arrangements in place for the directors and key executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

Shareholders are asked to adopt the Remuneration Report. This vote is advisory only and is not binding on the directors or the Company. However, the Board will take the discussion at the meeting into consideration when determining the Company's remuneration policy.

Voting Exclusion Statement

A vote must not be cast (in any capacity) on the Resolution by or on behalf of a member of the Company's key management personnel ("KMP") and their closely related parties, details of whose remuneration are included in the Remuneration Report whether as a shareholder or as a proxy. However, a vote may be cast on the Resolution by a KMP, or a closely related party of a KMP if:

- a. the vote is cast as a proxy and the appointment is in writing and specifies how the proxy is to vote on the Resolution; and
- b. the vote is not cast on behalf of a KMP or a closely related party of a KMP.

Resolution 2: Election of directors

Retirement by rotation and re-election

Ms Anne McDonald retires by rotation and offers herself for re-election.

Anne McDonald (B.Ec, FCA, GAICD) joined the Specialty Fashion Group Board in April 2007. She is an independent non-executive director and Chair of the Audit Committee. Anne is currently a non-executive director of the listed companies GPT Group (2006 – present) and Spark Infrastructure Group (2009 – present). She is also a non-executive director of Westpac's Life Insurance and General Insurance Businesses. Anne chairs the Audit Committee for these entities. As part of her community work she was a director of St Vincent's Healthcare Group, which oversees the St Vincent's group of national hospitals and aged care facilities, from 2001 until 2010. Anne is a Chartered Accountant by training and was a partner with Ernst & Young for 15 years until 2005. During that time she served as a member of the Board of Ernst & Young Australia for seven years.

The Board (with Ms McDonald abstaining) recommends the reappointment of Ms McDonald to the Board of the Company.

Retirement of non-executive director Mr Joel Bloom

At the conclusion of the Annual General Meeting on Thursday 31st October 2013, Mr Joel Bloom will retire from the Specialty Fashion Group Board.

Resolution 3: To grant share rights to Gary Perlstein

As part of the Company's ongoing program to incentivise and retain its key employees, whilst delivering increased value to shareholders, it is proposed that share rights be granted to Gary Perlstein pursuant to the Company's Employee Long Term Incentive Plan (LTIP) which was introduced in September 2007.

The share rights will be granted for nil consideration, and the vesting date of the share rights is 30 June 2016. In order for the shares to vest, Gary Perlstein must meet the following performance conditions:

- Plan participants must have completed a continuous period of service and still be employed by the Company on the vesting date;
- a minimum 3 year cumulative EBITDA growth of 25% for the 3 years ending 30 June 2016, when compared to a benchmark cumulative base EBITDA of \$123.3 million; and
- a minimum 3 year cumulative ROCE of 20% for the 3 years ending 30 June 2016.

Under the terms of the LTIP the Board via a unanimous resolution of non participant directors retains a discretion to waive performance hurdles and vesting conditions if it considers such a waiver appropriate under the circumstances existing at that time.

ASX Listing Rule 10.14 provides that an entity must not permit a director of the entity to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition.

For the purposes of approving the grant of share rights pursuant to ASX Listing Rule 10.14, the Company must include the following information in the Notice of Annual General Meeting:

- Gary Perlstein is currently the only director entitled to participate in the LTIP.
- 200,000 of share rights will be granted to Gary Perlstein. The maximum number of shares that may be acquired on the vesting of share rights is 200,000 ordinary shares in the Company;
- No amount is payable by Gary Perlstein in respect of the grant or the vesting of share rights;
- No directors or their associates have previously received securities under the LTIP; and

The Company will grant the share rights to Gary Perlstein within 12 months of the shareholder approval.



By mail:
Specialty Fashion Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: 1800 649 905

SHAREHOLDER PROXY FORM

I/We being a member(s) of Specialty Fashion Group Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 10:00am on Thursday, 31 October 2013, at Museum of Sydney, Cnr Phillip and Bridge St, Sydney (Level 2, AGL Theatre Room) and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

Resolution 1

Adoption of the Remuneration Report

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 3

Grant of share rights to Gary Perlstein

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 2

Re-election of Director -
Ms Anne McDonald

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

STEP 3

IMPORTANT - VOTING EXCLUSIONS

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Item 3 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that Item and that votes cast by him/her for that Item, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in calculating the required majority if a poll is called on this Item.

The Chairman of the Meeting intends to vote undirected proxies in favour of Item 3.

STEP 4

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

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HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, 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 indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Tuesday, 29 October 2013**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Specialty Fashion Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**