



Arthur Barnett

E S T A B L I S H E D 1 9 0 3

**Target Company Statement
in response to the Takeover Offer
by Belwalsh Holdings Limited for
Arthur Barnett Limited**

3 September 2002



1 Date

This statement is dated the third day of September 2002.

2 Offer

Belwalsh Holdings Limited (the "Offeror" or "Belwalsh") has made an offer for all the fully paid ordinary shares of Arthur Barnett Limited ("ABL") on the following terms and conditions:

The consideration offered for each of the shares will be \$1.40 cash;

The offer is conditional upon acceptances by the shareholders of ABL being received by the Offeror prior to the end of the offer period which confers on the Offeror more than 90% of voting securities in ABL;

In addition, during the offer period, ABL must not:

- declare or pay any dividend, bonuses, other payments or distributions in respect of any of the shares;
- issue further shares, convertible notes or any voting securities of any description or permit any alteration to the rights, privileges and restrictions attaching to the shares;
- grant any option or right to subscribe for the issue of securities in ABL;
- make any alteration to the Constitution of ABL.

All shares in ABL transferred to the Offerors must be free from all liens, charges, mortgages, encumbrances and other adverse interests or claims of any kind, whatever, but must be transferred with all rights attaching to them.

If the offer is accepted and is declared unconditional by the Offerors payment will be made to shareholders not later than 7 days after the later of the closing date (intended to be 1 December 2002) and the date which the offer becomes unconditional.

3 Target Company

For the purposes of the Takeovers Code the target company is ABL.

4 Directors of ABL

The names of the directors of ABL are as follows:

Trevor Donald Scott (Chairman)

Bernice Eda Barnett

Michael Owen Coburn

Stuart James McLauchlan

Julian Charles Stanley Smith



5 Ownership of equity securities of ABL

The number, designation, and the percentage of equity securities of any class of ABL held or controlled by

- a) Each director or senior officer of ABL and their associates; and
- b) Any other person holding or controlling more than 5% of any class to the knowledge of ABL

are set out below:

Director	Shares held 31 July 2002	
	Directly	Associated
B E Barnett ⁽¹⁾	1,675	487,600
M O Coburn ⁽²⁾	6,587	630
S J McLauchlan ⁽³⁾	148,156	1,000
J C S Smith ⁽⁴⁾	4,489	6,727,966
T D Scott ⁽⁵⁾	-	989,952
Senior Officer		
M W Jacombs ⁽⁶⁾	-	22,270
Other Persons		
Fraser Smith Holdings Limited	6,724,770	
T D Scott No 2 Trust	989,952	
Jarden Custodians Limited	1,449,678	

- (1) The A W Barnett Family Trust, of which Mrs B E Barnett is a beneficiary, holds 487,600 shares.
- (2) The Coburn Family Trust, of which Mr M O Coburn is a trustee and beneficiary, holds 630 shares.
- (3) The Rosebery Trust, of which Mr S J McLauchlan is a beneficiary, holds 1,000 shares.
- (4) Fraser Smith Holdings Limited, of which Mr J C S Smith is a major shareholder and director, holds 6,724,770 shares. Mr JCS Smith is a non beneficial trustee of a trust that holds 3,196 shares.
- (5) The TD Scott No. 2 Trust, of which Mr T D Scott is a trustee and a beneficiary, holds 989,952 shares (71,026 of these shares are held in the name of Essex Castle Unlimited the nominee company of TDS cott & Co, Chartered Accountants). Mr Scott is also a trustee of certain trusts which hold shares in Fraser Smith Holdings Limited.
- (6) Mrs S F Jacombs, an associate of Mr M W Jacombs, holds 22,270 shares.

In the two year period prior to the date of this statement no equity securities of ABL have been issued to directors or senior officers of ABL and their associates and no directors or senior officers of ABL and their associates have obtained a beneficial interest in any equity securities of ABL under any employee share scheme or other remuneration arrangement.



6 Trading in ABL securities

There were no equity securities of ABL acquired or disposed of by any director or senior officer of ABL and their associates or any other person holding or controlling more than five percent of the class to the knowledge of ABL during the six-month period before the date of this statement.

7 Acceptance of Offer

Mrs BE Barnett, Mr MO Coburn and Mr SJ McLauchlan, ("Independent Directors") who personally own 1675, 6587, and 148156 shares respectively in ABL (in total 156,418 shares) have indicated that they intend to accept the offer.

The intentions of owners, or trustees, of shares associated to directors and senior officers cannot be determined until they have received and reviewed the formal offer document together with the Independent Advisor's Report and Independent Directors recommendation.

8 Ownership of equity securities of Offeror

Fraser Smith Holdings Limited, of which Mr J C S Smith is a major shareholder and director, holds 50% of the ordinary shares of the Offeror.

The TD Scott No 2 Trust, of which Mr T D Scott is a trustee and beneficiary, holds 50% of the ordinary shares of the Offeror.

9 Trading in equity securities of Offeror

Belwalsh was incorporated on 14 August 2002 with 500 shares allotted to each of Fraser Smith Holdings Limited and the trustees of TD Scott No 2 Trust. The Independent Directors have been advised that no equity securities of the Offeror have been acquired or disposed of since Belwalsh's incorporation.

10 Arrangements between Offeror and ABL

There have been no agreements or arrangements made, or proposed to be made, between the Offeror or any associates of the Offeror, and ABL or any related company of ABL, in connection with, in anticipation of, or in response to, the offer.

11 Relationship between Offeror, and directors and officers of ABL

Excluding an agreement between Mr TD Scott and Mr JCS Smith and the Offeror to accept the offer, there have been no agreements or arrangements made, or proposed to be made, between the Offeror or any associates of the Offeror, and any of the directors or senior officers of ABL or any related company of ABL, in connection with, in anticipation of, or in response to, the offer.

Mr TD Scott and Mr JCS Smith are directors of both ABL and the Offeror.

12 Agreement between ABL and directors and officers

There have been no agreements or arrangements made, or proposed to be made, between ABL, or any related company of ABL, and any of the directors or senior officers, or their associates, under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the offer.



Senior management contracts of employment contain provisions relating to compensation for loss of office. None of these contracts, or provisions, were made in connection with, in anticipation of, or in response to, the offer.

13 Interests of directors and officers of ABL in material contracts of Offeror

The following persons do not, to the knowledge of the Independent Directors, have any interest in any material contract to which the Offeror, or any related company of the Offeror is a party:

- a) any director or senior officer of ABL or their associates,
- b) any person who, to the knowledge of the directors or the senior officers of ABL, holds or controls more than five percent of any class of equity securities of ABL.

14 Additional Information

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

15 Recommendation

The Independent Directors are in a somewhat difficult position in that they accept that the value placed on the company by PricewaterhouseCoopers is a fair value but shareholders should also consider the following:

- The shareholders of Belwalsh already control 53% of ABL through existing relationships, which would make it difficult for another party to take control of ABL unless the principals of Belwalsh agreed to sell. The Independent Directors are unaware of any party or parties, other than Belwalsh, interested in making an offer for ABL at this time.
- Dividends paid by ABL over the last five years have been low and inconsistent. Future dividend prospects may be limited by the ABL's debt levels and relevant interest rates.
- A significant number of shares are held by a few shareholders which means that ABL shares are seldom traded in any significant volume. As a result the share price has languished well below asset backing over the last five years (refer section 3 of the PricewaterhouseCoopers report).
- ABL continues to carry reasonably high debt which in its present form will limit its ability to grow in the short to medium future.
- If the offer by Belwalsh is unsuccessful, the Independent Directors concern is that the share price will drift back to below 60% of asset backing as has been the case for the last two years.
- The Independent Directors have reflected as to the prospects of selling Meridian, owned by ABL's subsidiary Meridian Centre Limited and currently valued at \$58 million, and consider it is unlikely that a single investor would invest in retail property at this level in Dunedin despite Meridian being a steady performer.
- The principals of Belwalsh have indicated that they have no intention to sell or otherwise dispose of either the Arthur Barnett department stores or Meridian.



- The Independent Directors have no information which leads them to believe that Belwalsh will increase the price of its offer if the current offer fails to reach the 90% acceptance condition.

The Independent Directors concur with the conclusion reached by the Independent Advisors that *although the offer by Belwalsh Holdings Limited does not represent "full and fair value" it is unlikely that a better offer will be available in the near future.* Having considered all the issues the Independent Directors recommend that on balance shareholders should accept the offer.

The Independent Directors also recommend that Shareholders take their own advice from an independent financial or legal advisor in respect of the offer and consider that advice in light of their own circumstances.

Mr T D Scott and Mr J C S Smith have abstained from making a recommendation as in addition to being directors of ABL they are also directors of the Offeror.

16 Actions of ABL

ABL, or any of its related companies, have not entered into any material agreement or arrangement (whether legally enforceable or not) as a consequence of, in response to, or in connection with, the offer from the Offeror.

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

- a) an extraordinary transaction, such as a merger, amalgamation, or re-organisation, involving ABL or any of its related companies;
- b) the acquisition or disposition of material assets by ABL, or any of its related companies;
- c) an acquisition of equity securities by, or of, ABL or any related company of ABL;
- d) any material change in the equity securities on issue, or policy relating to distributions, of ABL.

Apart from those exceptions listed below no director or senior officer of ABL, or their associates, or any person who, to the knowledge of the Independent Directors or the senior officers of ABL, holds or controls more than five percent of the equity securities of ABL have any interest in any material contract to which the Offeror, or any related company of the Offeror, is a party.

Mr J C S Smith who is a director of ABL and the Offeror is also a shareholder and director of Fraser Smith Holdings Limited which is the parent company of Otago DailyTimes Print (Central Otago News Limited) and Allied Press Limited who provide advertising services printing and short-term finance to ABL.

Mr T D Scott is a director of both ABL and the Offeror and a partner in TD Scott & Co, Chartered Accountants who from time to time provide professional services and financial advice to ABL.

17 Equity securities of ABL

ABL has 14,488,750 ordinary shares on issue, which are the only class of equity securities ABL has on issue.



All shares in ABL rank equally in respect of voting capital and any distributions.

There are no equity securities that are options or rights to acquire any equity securities.

18 Financial Information

All shareholders of ABL are entitled to receive a copy of the most recent annual report of ABL. The most recent annual report issued relates to the year ended 1 August 2001.

All shareholders of ABL are entitled to receive a copy of the most recent half yearly report of ABL. The most recent half-yearly report issued relates to the period ended 1 February 2002. The financial information extracted from the half-yearly report is reproduced as Appendix 1.

19 Independent advice on merits of offer

PricewaterhouseCoopers are the Independent Advisors who have provided a report under rule 21 of the Takeovers Code and the Advisors report is attached to this statement.

20 Asset valuation

The major asset of Meridian Centre Limited, a subsidiary of ABL, is the Meridian Shopping Centre located in the heart of Dunedin. This property was last valued as at 31 July 2002 by independent valuers.

A copy of the valuation prepared by Colliers International New Zealand Limited is available for inspection at the corporate offices of Arthur Barnett Limited which are located on Car Park Level One, Meridian, 267 George Street, Dunedin. A copy of the valuation will be sent to any shareholder of ABL on request.

21 Prospective financial information

No prospective financial information is contained within this statement.

22 Sales of unquoted equity securities under offer

Not applicable as the equity securities of ABL are quoted on the New Zealand Stock Exchange ("NZSE").

23 Market prices of quoted equity securities under offer

The price of the last sale of ABL shares on the NZSE on the latest practicable working day before the date on which this statement was sent by ABL was \$NZ1-36 (2 September 2002).

The price of the last sale of ABL shares on the NZSE on the last day on which the NZSE was open for business before ABL received the takeover notice was \$NZ0-97 (7 August 2002).

The highest and lowest price for sale of ABL shares on the NZSE during the six months before ABL received the takeover notice was \$NZ0-99 (27/28 March 2002) and \$NZ0-71 (12 July 2002) respectively.

There were no equity securities issued or any change in the number of equity securities on issue during the six months before ABL received the takeover notice.

ABL paid a 3 cent per share dividend in April 2002 which may have affected the market prices referred to in this clause.



24 Other information

The Independent Directors are not aware of any other information, not already disclosed in this statement that could reasonably be expected to be material to the making of a decision by the shareholders of ABL to accept or reject the offer.

25 Approval of ABL statement

The contents of this statement have been approved by the Independent Directors of ABL. No Independent Director of ABL has withheld their approval to this statement.

26 Certificate

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

Signed by

.....
Mrs B E Barnett
Director
Arthur Barnett Limited

.....
Mr S J McLauchlan
Director
Arthur Barnett Limited

.....
Mr M O Coburn
Chief Executive Officer
Arthur Barnett Limited

.....
Mr M W Jacombs
Chief Financial Officer
Arthur Barnett Limited



APPENDIX ONE (Extracted from the Interim report sent to Shareholders in April 2002)

**ARTHUR BARNETT LIMITED
CONSOLIDATED STATEMENT OF
FINANCIAL PERFORMANCE**

	<i>Full Year</i>		
	<i>Six Months Ending</i>		<i>Ending</i>
	<i>1 Feb 02</i>	<i>1 Feb 01</i>	<i>1 Aug 01</i>
	\$000	\$000	\$000
<i>This statement has not been audited</i>			
Revenue			
Sales	11,225	11,650	22,233
Rental Income and Services	3,241	2,214	6,936
Other Revenue	645	635	643
TOTAL REVENUE	15,111	14,499	29,812
Operating Expenses			
Depreciation	511	696	1,378
Interest	1,968	1,743	3,459
Operating Expenses	12,003	11,469	24,467
TOTAL COSTS & EXPENSES	14,482	13,908	29,304
TRADING PROFIT BEFORE TAX	629	591	508
Income Tax	-	-	-
PROFIT AFTER TAX	629	591	508

**ARTHUR BARNETT LIMITED
CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

	<i>As at</i>		
	<i>1 Feb 02</i>		<i>1 Aug 01</i>
	<i>1 Feb 02</i>	<i>1 Feb 01</i>	<i>1 Aug 01</i>
	\$000	\$000	\$000
<i>This statement has not been audited</i>			
SHAREHOLDERS' FUNDS			
Issued and Paid Up Capital	15,219	15,219	15,219
Retained Earnings	2,436	1,889	1,807
Reserves	9,120	12,367	9,120
TOTAL SHAREHOLDERS' FUNDS	26,775	29,475	26,146
Liabilities			
Term Liabilities	39,000	36,000	-
Current Liabilities	6,256	10,791	45,417
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	72,031	76,266	71,563
ASSETS			
Fixed Assets	62,511	67,073	62,902
Current Assets	8,552	9,193	8,661
Intangible Assets	968	-	-
TOTAL ASSETS	72,031	76,266	71,563

CHANGES IN ACCOUNTING POLICY

The above unaudited accounts have been prepared in accordance with the accounting policies as stated in the published accounts of 1 August 2001. No changes have been made to these accounting policies.

**ARTHUR BARNETT LIMITED
CONSOLIDATED
CASH FLOW STATEMENT**

	<i>Full Year</i>		
	<i>Six Months Ending</i>		<i>Ending</i>
	<i>1 Feb 02</i>	<i>1 Feb 01</i>	<i>1 Aug 01</i>
	\$000	\$000	\$000
<i>This statement has not been audited</i>			
CASH FROM OPERATIONS			
Cash was provided from:			
Customers	16,086	15,695	30,131
Dividends Received	-	-	1
Interest Received	230	250	485
	<u>16,316</u>	<u>15,945</u>	<u>30,617</u>
Cash was disbursed to pay:			
Suppliers and Employees	13,607	14,322	25,950
Interest	1,881	1,718	3,512
	<u>15,488</u>	<u>16,040</u>	<u>29,462</u>
Net Cash Flows from / (used in) Operating Activities	828	(95)	1,155
CASH FROM INVESTMENTS			
Cash was provided from:			
Asset Disposals	-	100	132
Cash was disbursed to:			
Purchase of Other Assets	120	105	135
Net Cash Flows from / (used in) Investing Activities	(120)	(5)	(3)
CASH FROM FINANCING			
Cash was provided from:			
Bank Loans & Other Deposits	39,000	-	(76)
Cash was disbursed to:			
Bank Loans & Other Deposits	37,929	84	1,000
Capital Bond Issue Costs	1,056	-	-
Net Cash Flows from / (used in) Financing Activities	15	(84)	(1,076)
MOVEMENT IN CASH	723	(184)	76
Opening Cash Balance	(922)	(998)	(998)
Closing Cash Balance	(199)	(1,182)	(922)
CASH FLOW	723	(184)	76
Closing Cash Balances Represented by:			
Bank Overdraft	(207)	(1,198)	(932)
Cash on hand	8	16	10
	<u>(199)</u>	<u>(1,182)</u>	<u>(922)</u>