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WELLINGTON MERCHANTS LIMITED

(previously Kirkcaldie & Stains Limited)

Target Company Statement

In relation to a full takeover offer by Mercantile NZ Limited

9 September 2016

Prepared in accordance with rule 46 and Schedule 2 of the Takeovers Code

ACCEPT

The Directors of Wellington Merchants unanimously recommend that you ACCEPT Mercantile's Offer

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Letter to shareholders (from the Directors)

9 September 2016

Dear shareholders

The Directors of Wellington Merchants unanimously recommend that you ACCEPT Mercantile's Offer

On 23 August 2016, Mercantile NZ Limited ('Mercantile') made a conditional full takeover offer ('Offer') to purchase all of the fully paid ordinary shares in Wellington Merchants Limited ('Wellington Merchants' or 'the Company') that it does not already hold.

Mercantile has offered **NZD$3.45 per share, payable in cash** (subject to potential adjustments as detailed at clause 6 in the Offer Document).

The Offer follows an earlier unsuccessful conditional full takeover offer made by Mercantile on 15 March 2016, for $2.75 per share (subsequently increased to $3.00 per share), which lapsed on 13 June 2016 ('Initial Offer'). At that time the Company was called Kirkcaldie & Stains Limited, but on 18 July 2016 we changed the name of the Company to Wellington Merchants Limited.

Recommendation

After considering a full range of expert advice available to them, including the Independent Adviser's Report prepared by Northington Partners Limited and attached to this Target Company Statement, **the Directors of Wellington Merchants unanimously recommend that shareholders accept the Offer from Mercantile in the absence of a superior proposal**.

The reasons for this recommendation are set out in this Target Company Statement (see in particular the discussion at section 18). In short, the principal reasons for our recommendation include:

Offer sufficiently close to Company's calculated range

If the Offer does not proceed, the Directors will not undertake any new business venture but intend to wind up and liquidate the Company in the second calendar quarter of 2017. This provides shareholders with a reasonably certain counterfactual against which the Offer can be measured.

We have calculated a High and a Low Scenario which we believe to be realistically achievable in a winding up of the Company. The High Scenario contemplates a distribution to shareholders of $3.62 per share in a shareholder approved winding up of the Company and the Low Scenario a distribution of $3.53 per share. The basis and assumptions on which these scenarios have been prepared is discussed in detail in sections 18 and 21. Accordingly, the Offer Price of $3.45 per share represents a discount of 2.3% (or 8 cents) to the Low Scenario, and a discount of 4.9% (or 17 cents) to the High Scenario.

While the Company is reasonably confident of reaching the High Scenario, as the Company is believed to have only one outstanding contingent liability to be discharged, there will be some delay in moving to a winding up and making a distribution to shareholders and we cannot be certain that some unexpected claim will not arise during the course of a liquidation which has a negative impact on the quantum and timing of distributions.

In addition, the costs and benefits of obtaining a known quantity of cash now (through acceptance of the Offer) versus the less certain amount of cash (and timing) of a liquidation need to be considered. After consideration and on balance, the Directors believe that in the absence of a competing offer, or the circumstances of a particular shareholder, the known fixed sum offered by Mercantile can be considered attractive.

Concerns with Initial Offer addressed

Shareholders will recall that the Directors did not recommend acceptance of the Initial Offer at either NZD$2.75 or NZD$3.00.

That recommendation was due to a number of factors, including:

- the Initial Offer was priced too low given the substantial discount to the Company's expected high and low scenarios for distribution to shareholders (based on the factual situation at that time);
- the fact that the Initial Offer was subject a number of conditions, including a requirement that Mercantile receive 90% acceptances (although noting that condition could be waived); and
- the potential delay between a shareholder accepting the Initial Offer and the consideration for their shares being received (particularly for early acceptors).

We consider these factors to have been addressed by the terms of the Offer.

Likelihood of higher counteroffer considered to be low

We consider the prospect of receiving a superior alternative all-cash offer for shares in the Company to be relatively low. This is particularly considering the Independent Adviser's assessed valuation range, the fact that the Offer is considered to represent reasonable value by the Directors, and the fact that Mercantile's intention to make a takeover offer for the Company has been known since February this year.

Implications of Company becoming a subsidiary

Although the Offer is currently conditional on Mercantile receiving acceptances that would result in it holding or controlling over 50% of the Company, the Company's two largest shareholders (holding 39.09% of the Shares) have indicated to us (on a non-binding basis) that they are likely to accept the Offer. In addition, on 7 September 2016, we received notice from Mercantile that, as at the end of 6 September 2016, it had received acceptances in respect of 28,542 Shares, comprising 1.397% of the total issued equity securities of the Company. It is also expected that the Company's third largest controller of voting rights (being Mercantile's holding company) will transfer its Shares to Mercantile. If this were to occur, then with the acceptances already received Mercantile would obtain a majority shareholding in the Company. This would give Mercantile effective control over the Company's operations, other than in the case of transactions where Mercantile is excluded from voting under the NZX Listing Rules (such as transactions with related parties).

This perceived likelihood of Mercantile acquiring effective control is a factor which shareholders should consider. Presently the two major shareholders, if they are of one mind, will in practical terms have control of decisions on which they can vote, but when they disagree (or both cannot vote) the holdings largely cancel each other out, so that the remaining minorities can determine decisions. This would cease to be the case if both of the largest shareholders sell to Mercantile.

In addition, the Company's shares currently trade on the NZX in relatively low volumes. If the minimum acceptance condition referred to above is satisfied, this will likely lead to a further reduction in the liquidity of the Company's shares and make shares held by minority shareholders more difficult to sell.

We discuss these issues in more detail in this document.

To review the Offer and to discharge Wellington Merchants' obligations under the New Zealand Takeovers Code, each of the Directors gave consideration to whether they were independent of the Offer and concluded that all of them were independent of the Offer and could therefore all assess the Offer. The Directors then appointed Northington Partners Limited as the Independent Adviser.

The Independent Adviser has concluded that the Mercantile Offer is fully priced (see paragraph 2.2.1 of the Independent Adviser's Report). The Independent Adviser has also made a high and low assessment of value. Their high assessment is $3.44 and their low assessment is $3.39. Shareholders should note that the Independent Adviser's assessment of value is a present value assessment, whereas the Directors' range as to future value does not reflect the time value of money between the closing of the Offer and any distribution in a winding up.

We encourage you to read the Target Company Statement and Independent Adviser's Report (see in particular sections 2.3 and 2.7) that accompany this letter and to seek your own professional advice (including financial advice from an appropriately qualified adviser) so as to be able to consider the Offer in the context of your own circumstances.

The Offer is due to close on 6 October 2016. It may be declared unconditional prior to that date, in which case shareholders who intend to accept may be inclined to accept early in order to receive the benefit of early payment of the Offer Price. The independent directors will keep shareholders informed of any new information or changes in circumstances relevant to the Offer that arise before the Offer closes. The best place to access the latest such information is NZX's website www.nzx.com (by searching for the Company using its name or code 'KRK').

For further information please contact wellingtonmerchantsoffer@kensingtonswan.com.

Yours sincerely

Falcon Clouston
Chairman
On behalf of all the Directors

SUMMARISED TABLES

Board's High 2017 liquidation Scenario	**Board's Low 2017 liquidation Scenario**	**Mercantile's current cash Offer**
NZD$3.62 17 cents higher than the Mercantile Offer	NZD$3.53 8 cents higher than the Mercantile Offer	NZD$3.45

Independent Adviser's High Scenario	**Independent Adviser's Low Scenario**	**Independent Adviser's Midpoint**	**Mercantile's current cash Offer**
NZD$3.44 1 cent lower than the Mercantile Offer	NZD$3.39 6 cents lower than the Mercantile Offer	NZD$3.42 3 cents lower than the Mercantile Offer	NZD$3.45

Target Company Statement

(prepared pursuant to rule 46 and Schedule 2 of the Takeovers Code Approval Order 2000)

1 Date

1.1 This Target Company Statement ('Statement') is dated 9 September 2016.

2 Offer

2.1 This Statement relates to a full takeover offer ('Offer') by Mercantile NZ Limited ('Mercantile') to purchase all of the fully paid ordinary shares ('Shares') of Wellington Merchants Limited.

2.2 Mercantile has offered NZD$3.45 per Share, payable in cash.

2.3 The Offer closes at the end of 6 October 2016 (NZ time).

2.4 The terms of the Offer are set out in the offer document dated 23 August 2016 ('Offer Document'), which was despatched to shareholders on 26 August 2016.

3 Target company

3.1 The name of the target company is Wellington Merchants Limited (in this document either 'Wellington Merchants' or 'the Company'). The Company was called Kirkcaldie & Stains Limited prior to 18 July 2016.

4 Directors of Wellington Merchants

4.1 The Directors of Wellington Merchants are:

a Falcon Clouston;

b Michael Gerard Curtis; and

c Kerry Leigh Prendergast.

5 Ownership of equity securities of Wellington Merchants

5.1 None of the directors of Wellington Merchants (each a 'Director') hold equity securities in Wellington Merchants.

5.2 An associate of Director Michael Gerard Curtis, LQ Investments Limited, holds 398,000 shares in Wellington Merchants, being 19.48% of the total shares on issue.

5.3 Schedule 1 sets out:

a the number, designation, and percentage of the equity securities[1] of any class of Wellington Merchants held or controlled by LQ Investments Limited as the only associate of a Director of Wellington Merchants that holds equity securities in Wellington Merchants; and

b the number, designation, and percentage of the equity securities of any class of Wellington Merchants held or controlled by any other persons who hold or control 5% or

[1] For the purposes of the Takeovers Code and this Statement, the equity securities of Wellington Merchants are the Shares.

more of any class of equity securities of Wellington Merchants, to the knowledge of Wellington Merchants.

5.4 Other than as set out in paragraphs 5.1, 5.2 and Schedule 1, to the knowledge of Wellington Merchants, no other person holds or controls 5% or more of any class of equity security of Wellington Merchants.

5.5 Other than as set out in paragraphs 5.1, 5.2 and Schedule 1, no Director or senior officer of the Company ('Senior Officer'), and no associate of any Director or Senior Officer, holds or controls any equity securities of Wellington Merchants. In this regard it should be noted that, with the departure of the Company's acting Chief Executive Officer on 13 May 2016, the Company no longer has any Senior Officers. This reflects the fact that the Company is in the process of discharging all liabilities with a view to winding up in 2017.

5.6 There have been no equity securities of Wellington Merchants that have, during the two year period ending on 9 September 2016 (the date of this Statement), been issued to the Directors or Senior Officers or their associates. The Board notes that LQ Investments Limited's shareholding has not changed since 15 March 2006 (other than by virtue of its participation, along with all other shareholders, in the Court-ordered Share Cancellation and return of capital on 29 February 2016).

5.7 No Directors and Senior Officers or their associates have, during the two year period ending on 9 September 2016 (the date of this Statement), obtained a beneficial interest under any employee share scheme or other remuneration arrangement.

6 Trading in Wellington Merchants equity securities

6.1 No person referred to in paragraphs 5.1, 5.2, 5.3, or 5.5 (being any Director, Senior Officer, any associate of either, or any other person holding or controlling 5% or more of the Shares to the knowledge of Wellington Merchants) has, during the six month period before 7 September 2016 (being the latest practicable date before the date of this Statement), acquired or disposed of any equity securities of Wellington Merchants.

6.2 In addition, no such person has:

a a relevant interest in any derivative relating to the ordinary shares of the Company; or

b during that six month period, traded in any such derivative or acquired or disposed of a relevant interest in any such derivative.

7 Acceptance of the Offer

7.1 To the Board's knowledge, no Director, Senior Officer, or associate of either has accepted the Offer as at the date of this Statement.

7.2 The Board has received a non-binding communication which indicates that LQ Investments Limited, the only associate of a Director or Senior Officer (that associate being Michael Gerard Curtis), intends to accept the Offer in respect of all of the equity securities in Wellington Merchants held or controlled by LQ Investments Limited as set out in Schedule 1.

7.3 The Board has also received a non-binding communication which indicates that H & G Limited (being a person who holds or control 5% or more of any class of equity securities of Wellington Merchants, to the knowledge of Wellington Merchants) intends to accept the Offer in respect of all of the equity securities in Wellington Merchants held or controlled by H & G Limited as set out in Schedule 1.

7.4 While each of the communications referred to above is non-binding, it will become apparent if those shareholders do in fact accept the Offer. This is due to the fact that Mercantile is required to notify Wellington Merchants, the Takeovers Panel, and NZX on each occasion when the total level of acceptances received increases by 1% or more of the total issued Shares in Wellington Merchants, and must similarly give notice when the Offer becomes unconditional by reason of having received acceptances for more than 50% of the Shares in the Company. All NZX announcements relating to Wellington Merchants are available at www.nzx.com/companies/KRK/announcements.

7.5 The Directors are unaware of the intentions of any other specific shareholder. However, on 7 September 2016, the Company received notice from Mercantile that, as at the end of 6 September 2016, it had received acceptances in respect of 28,542 Shares, comprising 1.397% of the total issued equity securities of the Company.

7.6 If either LQ Investments Limited or H & G Limited does not accept the Offer, but Mercantile receives acceptances for more than 50% of all the ordinary shares, Mercantile could not in that event move to compulsorily acquire the outstanding shares as it will not be the holder of 90% or more of the voting rights in the Company. If both LQ Investments Limited and H & G Limited accept the Offer, and Mercantile acquires the Shares held or controlled by Mercantile Investment Company Limited (an Australian company and Mercantile's holding company), with the acceptances received by Mercantile as at the end of 6 September 2016 Mercantile will have received acceptances in respect of over 50% of the Shares (resulting in the Offer becoming unconditional).

7.7 See section 15 for more information on the implications of the Offer becoming unconditional and Mercantile holding more than 50% but less than 90% of the voting rights in the Company.

7.8 Shareholders are also referred to section 2.3 of the Independent Adviser's Report which discusses their view of the implications of Mercantile receiving acceptances for more than 50% but less than 90% of the voting rights in the Company.

8 Ownership of equity securities of Mercantile

8.1 Mercantile Investment Company Limited holds all 100 shares in Mercantile.

8.2 Neither Wellington Merchants, nor any Director or Senior Officer, nor any of their associates, hold or control any equity securities in Mercantile.

8.3 Mercantile Investment Company Limited is currently the beneficial owner of 203,138 shares in Wellington Merchants, being 9.94% of the total shares on issue in Wellington Merchants.

9 Trading in equity securities of Mercantile

9.1 None of Wellington Merchants, any Director or Senior Officer, or any of their associates, has acquired or disposed of any equity securities of Mercantile during the six month period before 7 September 2016 (being the latest practicable date before the date of this Statement).

10 Arrangements between Mercantile and Wellington Merchants

10.1 There are no agreements or arrangements (whether legally enforceable or not) made, or proposed to be made, between Mercantile (or any associates of Mercantile) and Wellington

Merchants (or any related company of Wellington Merchants) in connection with, in anticipation of, or in response to, the Offer.

11 Relationship between Mercantile and Directors and Senior Officers

11.1 There are no agreements or arrangements (whether legally enforceable or not) which have been made, or are proposed to be made, between Mercantile (or any associates of Mercantile) and any of the Directors or Senior Officers or any directors or senior officers of any related company of Wellington Merchants (including any payment or other benefit proposed to 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.

11.2 None of the Directors or Senior Officers are directors or senior officers of Mercantile or any related company of Mercantile.

12 Agreement between Wellington Merchants and Directors and Senior Officers

12.1 There are no agreements or arrangements (whether legally enforceable or not) that have been made, or are proposed to be made, between Wellington Merchants (or any related company of Wellington Merchants) and:

a any Directors or Senior Officers (or their associates); or

b any directors or senior officers (or their associates) of any related company of Wellington Merchants,

under which a payment or other benefit may be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office in connection with, in anticipation of, or in response to, the Offer.

13 Interests of Directors and Senior Officers in contracts of Mercantile or related company

13.1 No Director or Senior Officer, nor their respective associates, has any interest in any contract to which Mercantile (or any related company of Mercantile) is a party.

13A Interests of substantial security holders in material contracts of Mercantile or related company

13A.1 No person who, to the knowledge of the Directors or Senior Officers, holds or controls 5% or more of any class of equity securities of Wellington Merchants, has to the knowledge of the Board any interest in any material contract to which Mercantile (or any related company of Mercantile) is a party.

14 Additional Information

14.1 In the opinion of the Directors, 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

15.1 The Directors of Wellington Merchants (Falcon Clouston, Michael Gerard Curtis, and Kerry Leigh Prendergast) **unanimously recommend that shareholders accept the Offer from Mercantile in the absence of a superior proposal.**

15.2 The principal reasons for making this recommendation are derived from the combined effect of the following matters:

a the Mercantile Offer of $3.45 per share is sufficiently close to our High Scenario of $3.62 per share and our Low Scenario of $3.53 per share;

b while the Offer Price of $3.45 per share represents a discount of 2.3% (or 8 cents) to the Low Scenario, and a discount of 4.9% (or 17 cents) and the Company is reasonably confident of reaching the High Scenario, as the Company is believed to have only one outstanding contingent liability to be discharged, there will be some delay in moving to a winding up and making a distribution to shareholders and the Directors cannot be certain that some unexpected claim will not arise during the course of a liquidation which has a negative impact on the quantum and timing of distributions;

c the Directors' fundamental concerns with the Initial Offer (being that it was priced too low, it was subject to a number of conditions, and there was potential for significant delay between a shareholder accepting and receiving the consideration) have been addressed in the Offer;

d the Directors do not anticipate any superior alternative all-cash offer being made for shares in the Company;

e if the Company's three largest shareholders accept the Offer (as it is currently anticipated they will, as set out in section 7), Mercantile would be able to declare the Offer unconditional and become a majority shareholder (due to the fact that, as at the end of 6 September 2016, it has received acceptances in respect of 1.397% of the total issued equity securities of the Company). In most instances, this would give Mercantile effective control over the Company, and no future change of control transaction would be able to occur without Mercantile's agreement;

f if, as expected, effective control passes to Mercantile but acceptances are received for less than 90% of the Shares, non-accepting shareholders are likely to be shareholders in a very small company with very low liquidity, and subject in most respects to the decisions of the majority shareholder (i.e. Mercantile), including whether or not the Company would be put into liquidation; and

g the Directors' views as to price are supported by the views of the Independent Adviser.

15.3 Further detail of the reasons for our recommendation is set out in, and shareholders are urged to carefully read, section 18 of this Statement.

15.4 Shareholders are also referred to section 2.3 of the Independent Adviser's Report which discusses their view of the implications of Mercantile receiving acceptances for more than 50% of the voting rights in the Company.

15.5 None of the Directors are associates of Mercantile, and therefore none of the Directors have a conflict of interest in respect of the Offer which requires them to abstain from making any recommendation as to whether to accept or reject the Offer.

16 Actions of Wellington Merchants

16.1 Wellington Merchants entered into an agreement with the Independent Adviser, dated 23 August 2016, as a consequence of, in response to, and in connection with, the Offer, under which the Independent Adviser was appointed as the independent adviser for the purposes of preparing an independent adviser's report for the purposes of complying with rule 21 of the Takeovers Code.

16.2 Other than as set out in paragraph 16.1, there are no material agreements or arrangements (whether legally enforceable or not) of Wellington Merchants (or any related company of Wellington Merchants) entered into as a consequence of, in response to, or in connection with, the Offer.

16.3 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 reorganisation, involving Wellington Merchants (or any related company of Wellington Merchants);

b the acquisition or disposition of material assets by Wellington Merchants (or any related company of Wellington Merchants);

c an acquisition of equity securities by, or of, Wellington Merchants (or any related company of Wellington Merchants); or

d any material change in the equity securities on issue, or policy relating to distributions, of Wellington Merchants.

16.4 Shareholders are reminded that if the Offer does not proceed it is the Directors' current intention to wind up and liquidate the Company in the second calendar quarter of 2017.

16.5 The High and Low Scenarios assume that none of the actions outlined in paragraph 16.3 occur prior to a winding up of the Company (see paragraph 21.2 for a list of the other assumptions on which these Scenarios are based).

17 Equity Securities of Wellington Merchants

17.1 Wellington Merchants only has one class of equity securities on issue, being 2,042,942 Ordinary Shares. These are all fully paid ordinary shares. Subject to the constitution of Wellington Merchants and the NZX Listing Rules, the Ordinary Shares confer on the holders of the Ordinary Shares the right to:

a one vote on a poll at a meeting of Wellington Merchants on any resolution, including any resolution to:

i appoint or remove a director or auditor;

ii alter Wellington Merchants' constitution;

iii approve a major transaction;

iv approve an amalgamation of Wellington Merchants under the Companies Act 1993; or

v put Wellington Merchants into liquidation;

b the right to an equal share in dividends authorised by the Board of Wellington Merchants; and

c the right to an equal share in the distribution of the surplus assets of Wellington Merchants.

18 Financial Information

18.1 **Shareholders are urged to read this section carefully. It contains important information relevant to your consideration of Mercantile's Offer and your alternatives.**

Copies of financial reports

18.2 Every person to whom the Offer is made is entitled to obtain from Wellington Merchants a copy of Wellington Merchants' most recent annual report (being the annual report for the period ended 30 August 2015) (the 'Annual Report') by making a written request to:

Wellington Merchants Limited
C/- Kensington Swan Lawyers
Level 9
89 The Terrace
Wellington
New Zealand

or to: wellingtonmerchantsoffer@kensingtonswan.com

18.3 A copy of Wellington Merchants' most recent half-yearly report (being the half-yearly report for the six month period ended 28 February 2016) since the date of its last annual report accompanies this Statement.

18.4 No interim reports have been issued since Wellington Merchants' most recent half-yearly report.

18.5 Copies of these reports are also available on the NZX website: www.nzx.com/companies/KRK/announcements

Changes since the 2015 Annual Report

18.6 Since the 2015 Annual Report, Wellington Merchants has sold or otherwise disposed of most of its assets with a number of receivables outstanding. In particular:

a Wellington Merchants discontinued its retail operations on 16 January 2016. It now has no other business and the Board does not intend to commence any business or enter into any new commitment.

b Wellington Merchants settled the agreement for sale and purchase of assets ('David Jones Agreement') between David Jones Pty Limited ('David Jones') as purchaser and Wellington Merchants as vendor dated 4 June 2015 on 1 February 2016 and the Store lease was assigned to David Jones.

c Wellington Merchants made the Share Cancellation under which the Company cancelled four out of every five ordinary shares and made a total distribution of $19,353,376 ($2.3602 per share cancelled) to all shareholders on 29 February 2016.

d Wellington Merchants surrendered the lease of its former premises at Petone on 31 May 2016 for a payment of $400,000 plus real estate agent's commission of $50,000 plus GST (paid by the Company).

e As at 6 September 2016 the Company held cash or cash equivalents of $5,934,000.

f In addition to the above, $2 million in cash is being held by Kensington Swan in escrow on interest bearing deposit until 1 February 2017 in case of any claim made against Wellington Merchants under the David Jones Agreement. The Board has not been notified by David Jones of any claim and is not aware of any circumstances which would result in such a claim being likely.

g The remaining cash of the Company is likewise being held on interest bearing terms subject to the need to make provision for payments under the lease commitments discussed below and other sundry creditors.

h The Company has few available imputation credits and all its available subscribed capital has been returned to shareholders as a consequence of the distribution in February 2016. This means that the Company cannot presently make any further material distributions of its cash to shareholders in a tax effective manner. This could only occur in the course of a winding up of the Company (see further below at paragraph 18.21).

i Shareholders should accordingly presently assume that there will be no distributions to shareholders from the Company except on the winding up of the Company. This may, but is not presently considered likely to, occur before 1 February 2017.

j The current Board's present intention is to move promptly to a formal winding up following 1 February 2017 and seek an early distribution of the bulk of the remaining cash of the Company prior to 30 June 2017. If the Offer is successful, Mercantile will be in a position to control the composition of the Board and the Company's future, including whether the Company is wound up.

18.7 At the same time as the Company has been realising its assets into cash or cash equivalents, the Company's material liabilities have been reduced to those arising from its outstanding lease commitments. It is these liabilities which could reasonably be expected to be material to the making of a decision by shareholders to accept or reject the Offer.

Remaining liabilities

18.8 The Company has lease liabilities (direct or contingent) arising from three outstanding lease commitments:

a The 'Store lease' for the main store premises assigned to David Jones.

b The 'Thorndon Quay lease' for the Company's former home furnishings outlet.

c The 'Pantry lease' which was part of the main store premises but in fact located in an adjacent building and subject to a separate sublease from the owner of the ground floor of Central House, which was not assigned to David Jones.

Each lease requires a comment.

18.9 **The Store lease**: As shareholders are aware, the Company has assigned the Store lease to David Jones under the David Jones Agreement. When a lessee assigns its interest in a lease, the lessee remains liable for the ongoing performance of the obligations of the assignee under the lease in the event that the assignee does not perform those obligations. In this case Wellington Merchants could be liable to the lessor (Jones Cooper Partners Limited) in the event that David Jones failed to perform its obligations under the Store lease at any stage in the future during the current term of the lease. The Directors consider the likelihood of such an occurrence as low, and also note that even in that event, the Company would have contractual rights against David Jones to recover any loss suffered. The Company has no reason to doubt the financial strength of David Jones and its ability to meet its obligations under the Store lease and the David Jones Agreement.

More importantly, Robt. Jones Holdings Limited has written to the Company and confirmed that neither it nor Jones Cooper Partners Limited (the lessor of the Store lease) 'will oppose the voluntary liquidation of [Wellington Merchants]'.

Robt. Jones Holdings Limited in the same letter noted that: 'Should [Wellington Merchants] continue as an entity (including under a different name or ownership) the contingent liability…in the event of David Jones default shall remain'.

On the basis of this communication from Robt. Jones Holdings Limited the Directors do not believe shareholders need make any allowance for a possible liability in respect of the Store lease maturing into an actual liability in the event the Company is wound up within the timeframes expected (i.e. during the course of 2017). On the other hand shareholders should also note that if they were to remain a minority shareholder in the Company under the effective control of Mercantile, and Mercantile did not liquidate the Company, there would be a continuing contingent liability dependent on the continued performance of David Jones of its lease obligations.

18.10 **The Thorndon Quay lease**: This lease expires on 31 May 2017. If left to run to its expiry date the total rent and outgoings payable by the Company excluding the contribution from the sub-tenant are assessed to be approximately $100,000.

The Company has entered into an agreement to sub-lease the premises to which the Thorndon Quay lease relates for the remainder of the present term. This sublease contributes 73% of the rent payable by the Company. While the Company remains liable to the head-landlord, the Company does not believe any default by the sub-tenant would have a material effect on the Company's remaining assets over the six months to final expiry.

18.11 **The Pantry lease**: This lease expires on 22 December 2017. If left to run to its expiry date the total rent and outgoings are assessed to be approximately $150,000.

The premises of the Pantry lease are immediately adjacent to the premises of the Store lease. At the date of completion under the David Jones Agreement there was a void between the two premises and customers walked between the two spaces, with most unaware that they were in a different building held under separate leases with different landlords.

Under the David Jones Agreement, David Jones did not take an assignment of the Pantry lease, but agreed to reinstate the wall between the two premises within one month of completion. This would enable the Company to then assign those premises or otherwise deal with the premises in a manner similar to that proposed for the Thorndon Quay and Petone leases.

David Jones has as at the date of this Statement reinstated the wall as required by the David Jones Agreement. The Company is confident that it will be able to assign this lease in the short term on favourable terms.

The Board has assumed in its:

- High Scenario that the liability is discharged with the effect that the Company will not be required to pay rent or outgoings after 1 December 2016; and
- Low Scenarios that this lease runs its full term and that the Company continues to pay the contracted rent over this period.

See paragraphs 18.22 and 18.23 for more detail of the difference in the assumptions underlying the Low Scenario and High Scenario.

18.12 As noted above, the one other lease commitment noted in the Company's Target Company Statement in response to the Initial Offer (referred to as the 'Petone lease') has, since the date of that Target Company Statement, been addressed. The Petone lease was surrendered on 31 May 2016 for a payment of $400,000 plus real estate agent's commission of $50,000 plus GST.

Directors' plans to wind up the Company

18.13 In the absence of the Mercantile Offer, and assuming:

a no claim is made prior to 1 February 2017 under the David Jones Agreement;

b the Company's lease commitments have been resolved (see above); and

c no other proposal is put before shareholders or other event occurring which would involve the Company continuing,

the Board would have expected that shortly following 1 February 2017 it would move to promptly appoint liquidators to the Company in order that they conduct a solvent wind up of the Company and make an early distribution of surplus cash to shareholders in the second calendar quarter of 2017.

18.14 A special resolution of shareholders would be required to facilitate the winding up of the Company, that is to say a resolution passed by 75% of those entitled to vote and voting on the issue. This could either be a resolution to put the Company into liquidation, or a resolution to amend the Company's constitution to allow the Board to appoint liquidators at such time as the Company's affairs have been finalised. It is the Board's intention to propose the second course of action to shareholders in due course.

18.15 In this respect shareholders' attention is drawn to the statement appearing at paragraph 11.3 of Schedule A on page 10 of the Offer Document that:

> 'Mercantile intends to support the continuation of the winding up process, alongside the efficient investment and utilisation of [the Company's]' cash assets. Ultimately, Mercantile intends to seek the liquidation of [the Company] and return of [the Company's] surplus assets to shareholders'.

18.16 Mercantile has also stated at paragraph 11.4 of the Offer Document that:

> 'Other than as set out in paragraphs 11.1 to 11.3 above, Mercantile does not currently intend to make any material changes in the business activities, material assets, or capital structure [of the Company] ……'

18.17 Mercantile has reserved the right to make changes to this stated intention (see paragraph 11.4 of the Offer Document) but as at the last practicable date before date of this Target

Company Statement (being 7 September 2016) the Board has not received any indication from Mercantile that it intends to make any such changes to its stated intention.

18.18 The Board accordingly assumes that whether the Offer succeeds or fails Mercantile supports a winding up of the Company and the Board's present intention to make distribution of its cash to shareholders in the second calendar quarter of 2017 as part of a winding up of Wellington Merchants.

18.19 If Mercantile failed to achieve acceptances of more than 75% of the Shares, it may be unable to pass a resolution to wind up the Company without the support of other shareholders. In that event Mercantile may choose to instead use the Company to undertake another business activity. Shareholders should consider this possibility in deciding whether to accept the Offer.

18.20 Because there is no available subscribed capital and the Company has few imputation credits (see above at paragraph 18.6h), at this stage the Board believes the most efficient means to return the Company's surplus cash to shareholders is in the course of a solvent winding up of the Company.

18.21 In this respect, and as noted in the Target Company Statement in respect of the Initial Offer, the Board has received advice from PricewaterhouseCoopers confirming the Company's opinion that the sale of the Harbour City Centre generated a capital gain of $7,475,000 which would be classified as an 'available capital distribution' (and not a dividend) in a winding up. Accordingly any such distribution would be tax-free to shareholders with the exception of non-resident corporate shareholders (capital gains distributed to non-resident corporate shareholders are subject to non-resident withholding tax). This level of capital profit means that the Board's estimate of both the High Scenario and the Low Scenario referred to below could be distributed in a winding up without any liability to retain any withholding tax (except for non-resident corporate shareholders) and that for shareholders who are not non-resident corporate shareholders and hold their shares on 'capital account' this distribution would be received free of any tax liability in their hands.

Estimate of Company's net tangible assets ('NTA')

18.22 Based on the above, the Board is able to make an estimate of the amount of cash likely to be available to shareholders for distribution in a shareholder approved winding up of the Company commencing in the first half of calendar year 2017, and to compare those estimates against the price offered for your shares by Mercantile. In effect, this allows shareholders to make an assessment of the value of 'a bird in the hand' (i.e. the Mercantile Offer) against 'a bird in the bush' (i.e. the liquidation option in 2017). The Board has produced two estimates:

a the first assuming that the Company's obligation to pay rent and outgoings under the Pantry lease ceases with effect from 1 December 2016 and the costs of winding up (including professional fees, liquidators' fees, NZX fees and meeting costs) do not exceed $120,000 (being the Company's current forecast of such costs) (the 'High Scenario'); and

b the second assuming that the Company pays rent and outgoings under the Pantry lease for its full term and that the costs of winding up the Company are $80,000 higher than forecast (i.e. those winding up costs are $200,000) (the 'Low Scenario').

18.23 The assumptions regarding potentially increased costs of winding up are necessary as there will inevitably be costs associated with a winding up that require a degree of estimation.

Likewise, one cannot be entirely sure until the formal process of liquidation commences that every liability (actual or contingent) has been identified and accounted for.

18.24 The High Scenario contemplates the Company having approximately $7,400,000 in cash and cash equivalents on hand available for distribution in 2017. The Low Scenario contemplates approximately $7,200,000.

18.25 When applied on a per share basis the High Scenario, the Low Scenario and the price offered by Mercantile can be compared as set out in the table below.

Board's High 2017 liquidation Scenario	**Board's Low 2017 liquidation Scenario**	**Mercantile's current cash Offer**
$3.62 17 cents higher than the Mercantile Offer	$3.53 8 cents higher than the Mercantile Offer	$3.45

18.26 The shared assumptions on which both of these Scenarios are based are set out in paragraph 21.2 below.

Factors considered in making recommendation

18.27 In making their recommendation to sell, the Board has carefully considered the differential between the Mercantile Offer and the High and Low Scenarios, the assumptions underlying the Scenarios and the likelihood of those assumptions not being correct.

18.28 In addition, a key factor underlying the Directors' recommendation set out in 15.1 (as referenced in paragraphs 15.2a and 15.2b) is the Directors' assessment of the value to shareholders of being able to realise their Shares for cash now, rather than on a winding up of the Company during the second calendar quarter of 2017.

18.29 In particular, the Directors have carefully considered the counterfactual to Mercantile's offer succeeding – being the wind up of the Company in the second calendar quarter of 2017. There are three primary issues to consider in respect of this counterfactual:

a the actual gross amount of cash available to shareholders at the time of wind up;

b any threats to the full amount of cash being able to be distributed to shareholders (for example, contingent liabilities becoming actual liabilities during the liquidation); and

c the time it takes to realise the Company's cash.

18.30 Provided the assumptions set out in paragraph 18.13 prove to be correct, it is the Board's current intention that:

a a resolution would be passed during the first half of February 2017 and the Company put into liquidation;

b an initial substantial distribution of surplus cash would be made prior to 30 June 2017; and

c a final small distribution would be made no later than one month following the expiry of the Pantry lease in December 2017 (i.e. the end of January 2018).

No further information or material changes

18.31 Other than as set out above, elsewhere in this Statement or contained in the Independent Adviser's Report:

a there have been no known material changes in the financial or trading position or prospects of Wellington Merchants since the 2015 Annual Report except for a better than expected realisation of the Company's retail stock; and

b there is no further information about the assets, liabilities, profitability and financial affairs of Wellington Merchants that could reasonably be expected to be material to the making of a decision by offerees to accept or reject the Offer.

19 Independent advice on merits of the Offer

19.1 Northington Partners Limited was appointed the independent adviser to provide a report on the merits of the Offer as required by rule 21 of the Takeovers Code.

19.2 A copy of the Independent Adviser's Report is **attached** to this Statement.

19.3 The Independent Adviser's Report concludes that the Mercantile Offer is above the Independent Adviser's assessed value range of $3.39 (low) to $3.44 (high).

20 No Asset Valuation

20.1 Neither this Target Company Statement nor the Independent Adviser's Report refers to the valuation of any asset by a valuer.

21 Prospective financial information

21.1 This Target Company Statement contains prospective financial information in relation to the High Scenario and the Low Scenario of cash available for distribution to shareholders in a shareholder approved winding up of the Company in the first half of calendar year 2017. The principal assumptions underlying the difference in price between the High Scenario and Low Scenario are set out in paragraph 18.22.

21.2 Both the High Scenario and the Low Scenario have been calculated using the following principal assumptions:

a the Company will not be required to pay the present sub-tenant's rent or outgoings under the Thorndon Quay lease during the rest of its term;

b no claim arises under the David Jones Agreement;

c no other adverse claim is made, or proceeding brought, against the Company;

d the Mercantile Offer is not successful and Mercantile meets all the Company's costs associated with the Offer as required by the Takeovers Code;

e shareholders will support the winding up of the Company at the earliest opportunity following 1 February 2017 by the requisite majority;

f the Company has correctly calculated the capital gain on the sale of the Harbour City Centre;

g the Company's income tax obligations have otherwise been correctly calculated, and the Inland Revenue Department raises no objection to either those calculations or the treatment of the capital gain on the sale of the Harbour City Centre;

h the Company commences no other business activity, makes no distribution to any shareholder(s), issues no new securities, and does not buy back or cancel any of its own securities;

i no event described in paragraph 16.3 occurs; and

j no event beyond the control of the Company occurs which would adversely affect either the Company's assets or its ability to make a distribution to shareholders in the course of a winding up.

21.3 The Board has no reason to believe that any of the above assumptions is not a fair and reasonable assumption to make based on the information available to them at the date of this document.

22 Sales of unquoted equity securities under the Offer

22.1 The Ordinary Shares are quoted on the NZSX. Accordingly the Takeovers Code does not require any disclosure to be made in respect of clause 22 of Schedule 2 of the Code (which applies only to unquoted securities).

23 Market Prices of quoted equity securities under the Offer

23.1 The closing price on the NZSX of Wellington Merchants' Ordinary Shares:

a on 6 September 2016 (being the latest practicable working day before the date on which this Statement is sent) was NZD$3.44 per Share on the NZSX; and

b on 10 August 2016 (being the last day on which the NZX was open for business before the date on which Wellington Merchants received Mercantile's takeover notice) was NZD$3.22 per Share on the NZSX.

23.2 The highest and lowest closing market prices on the NZSX of Wellington Merchants' Ordinary Shares (and the relevant dates) during the six months before 11 August 2016 (being the date on which Wellington Merchants received Mercantile's takeover notice), were as follows:

a highest closing market price was NZD$3.26 per Ordinary Share (on 7 June 2016 to 11 July 2016); and

b lowest closing market price was NZD$1.56 per Ordinary Share (on 19 February 2016 to 25 February 2016).

23.3 During the periods referred to in this section 23, Wellington Merchants did not issue any equity securities or make any changes in any equity securities on issue or make any distributions which could have affected the market prices of Wellington Merchants' Ordinary Shares referred to above except in respect of the Share Cancellation detailed at paragraph 18.6c.

23.4 On 26 February 2016 (the date of Wellington Merchants' receipt of the takeover notice in respect of the Initial Offer), Wellington Merchants' share price rose to $2.87, and subsequently fluctuated but remained at $3.10 or more per Share up to 11 August 2016, being the date the takeover notice in respect of the Offer was received. On 11 August 2016 the price increased to $3.28. The price continued to rise to $3.44 per Share on 1 September 2016, and has remained at that price up to and including the close of 6 September 2016 (being the last practicable working day before the date on which this Statement is sent).

23.5 There is no other information about the market price of the Share that would reasonably be expected to be material to the making of a decision by the offerees to accept or reject the Offer. Shareholders are referred back to the discussion in section 18 above.

24 Other Information

24.1 Subject to the information set out elsewhere in this Statement (see in particular section 18), the Directors do not consider there is any other information that could reasonably be expected to be material to the making of a decision by the offerees to accept or reject the Offer.

25 Approval of target company statement

25.1 The contents of this Statement have been approved by the Board of Directors of Wellington Merchants.

26 Interpretation

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

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

26.3 Unless otherwise specified, the content of this Statement is stated as at the date of this Statement.

26.4 In this Statement:

‘**Board**’ means the board of Directors of Wellington Merchants;

‘**David Jones**’ means David Jones Pty Limited;

‘**David Jones Agreement**’ means the agreement for sale and purchase of assets between David Jones as purchaser and Wellington Merchants as vendor dated 4 June 2015;

‘**Director**’ means a director of Wellington Merchants;

‘**High Scenario**’ has the meaning in paragraph 18.22a;

‘**Independent Adviser**’ means Northington Partners Limited;

‘**Independent Adviser’s Report**’ means the report referred to in paragraph 19.1;

‘**Low Scenario**’ has the meaning in paragraph 18.22b;

‘**NZD$**’ or ‘**$**’ means New Zealand dollars;

‘**NZX**’ means NZX Limited;

‘**NZSX**’ means the NZX Main Board, being the licensed market on which the Shares are quoted;

‘**NZX Listing Rules**’ means the NZX Main Board / Debt Market Listing Rules;

‘**Offer**’ means the full takeover offer dated 23 August 2016 by Mercantile to purchase all the securities of Wellington Merchants;

‘**Offer Document**’ means the offer document dated 23 August 2016 and despatched to Wellington Merchants’ shareholders by Mercantile on 26 August 2016;

‘**Offer Price**’ means the consideration offered for the equity securities of Wellington Merchants outlined in paragraph 2.2;

‘**Ordinary Shares**’ or ‘**Shares**’ means the ordinary shares of Wellington Merchants;

‘**Pantry lease**’ means the lease of the premises at 26 Brandon Street, Wellington from the landlord Nicholas Guy Miller, Ronald Thornton Muir and Michael Jacobson (as trustees of the Nick Miller Family Trust) to Wellington Merchants;

‘**Petone lease**’ means the lease of the premises at 19 Regent Street from the now-current landlord Regent Rhubarb Limited to Wellington Merchants dated 6 August 2013;

‘**Senior Officer**’ means a senior officer of Wellington Merchants;

‘**Share Cancellation**’ means the cancellation by Wellington Merchants of four-fifths of all of its ordinary shares on issue which completed on 29 February 2016;

‘**Store lease**’ means the lease of the premises at 165-177 Lambton Quay from the landlord Jones Cooper Partners Limited to Wellington Merchants Limited which was assigned to David Jones under the David Jones Agreement;

‘**Takeovers Act**’ means the Takeovers Act 1993;

‘**Takeovers Code**’ means the Takeovers Code approved by the Takeovers Code Approval Order 2000; and

‘**Thorndon Quay lease**’ means the lease of the premises at 262 Thorndon Quay from the landlord Paulemas Properties Limited to Wellington Merchants dated 24 February 2015.

27 Certificate

27.1 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 the target company (Wellington Merchants) under the Takeovers Code.

Signed by:

Falcon Clouston
Person fulfilling the roles of Chief Executive Officer
and Chief Financial Officer[2]

Director
Michael Curtis

Director
Kerry Prendergast

[2] As noted in paragraph 5.5, Wellington Merchants no longer employs any Senior Officers. Accordingly, Falcon Clouston is signing this Statement on the basis that he is presently fulfilling the roles of Chief Executive Officer and Chief Financial Officer for the purposes of this Statement and the Takeovers Code only. He is not an employee of Wellington Merchants and remains an independent director for the purposes of the NZX Listing Rules.

Schedule 1 Ownership of equity securities of Wellington Merchants (see paragraph 5.3)[3]

Name	Holder ('H') or Controller ('C')	Number of equity securities held or controlled	Designation of equity security	Percentage of total number of equity securities in class
Directors - none				
Senior Officer - none				
Associates				
LQ Investments Limited	H	398,000	Ordinary Shares	19.48%
Other persons holding or controlling 5% or more of a class				
H & G Limited	H	400,673	Ordinary Shares	19.61%
Mercantile Investment Company Limited[4]	H & C[4]	203,138	Ordinary Shares	9.95%

[3] The information in this table is based on information known as at 7 September 2016.
[4] Mercantile Investment Company Limited is the registered holder of 122,717 Shares (being 6.01% of the class) and is the beneficial owner of 80,421 Shares (being 3.94% of the class) held in the name of New Zealand Central Securities Depository Limited. The information concerning Mercantile Investment Company Limited's holding and control of Shares has been derived from the substantial product holder notice provided to the Company on 7 September 2016.

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New Zealand

Wellington Merchants Limited

Independent Adviser's Report

Prepared Pursuant to Rule 21 of the New Zealand Takeovers Code in Relation to a Full Takeover Offer from Mercantile NZ Limited

September 2016

Statement of Independence

Northington Partners Limited confirms that it:

- Has no conflict of interest that could affect its ability to provide an unbiased report; and
- Has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Northington Partners Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Abbreviations and Definitions

Code	The Takeovers Code
David Jones	David Jones Pty Limited
FY	Financial Year
Mercantile	Mercantile NZ Limited
Northington Partners	Northington Partners Limited
NZ$	New Zealand dollars
NZX	NZX Limited
Offer	The offer from Mercantile dated 23 August 2016 for all of the equity securities on issue in WML
Offer Price	NZ$3.45 in cash for each WML share
Residual Liabilities	Residual liabilities of WML following the cessation of the Company's retail operations in January 2016
Takeover Notice	The notice from Mercantile on 11 August 2016 setting out Mercantile's intention to make the Offer
VWAP	Volume weighted average price
WML or Company	Wellington Merchants Limited

1.0 Background

1.1. Introduction

Wellington Merchants Limited (“**WML**” or “**Company**”) is a shell company with cash assets and few residual liabilities following the exit from its retail business operations earlier this year. The Company’s shares are quoted on the NZX Main Board, being the main board equity securities market operated by NZX Limited (“**NZX**”). Prior to a name change that took effect on 18 July 2016, WML was known as “Kirkcaldie & Stains Limited”.

Mercantile NZ Limited (“**Mercantile**”) is a wholly-owned subsidiary of Mercantile Investment Company Limited, an investment company dual listed on the ASX and NZX. An entity associated with Sir Ron Brierley is the largest shareholder in Mercantile Investment Company Limited.

On 11 August 2016, Mercantile sent WML a notice (“**Takeover Notice**”) setting out its intention to make a takeover offer for all the shares in WML it does not already own (“**Offer**”). The Offer is at a cash price of $3.45 per WML share (“**Offer Price**”).

The formal Offer received from Mercantile is dated 23 August 2016, with a closing date for acceptances of 6 October 2016 (unless that date is extended by Mercantile or the Takeovers Panel in accordance with the provisions of the Takeovers Code (“**Code**”)).

The current Offer follows an earlier Takeover Offer issued by Mercantile on 15 March 2016, which lapsed on 13 June 2016.

1.2. Key Condition

The Offer is subject to only one condition, being a minimum acceptance condition that requires Mercantile to achieve acceptances that will allow it to hold or control more than 50% of the total voting rights in WML. Mercantile cannot waive this condition.

1.3. Regulatory Requirements and Scope of this Report

WML is a “Code Company” for the purposes of the Code. Mercantile’s Offer and the Company’s response to the Offer must therefore comply with the provisions set out in the Code.

Rule 21 of the Code requires the directors of WML to obtain a report from an independent adviser on the merits of the Offer. The Company’s directors requested Northington Partners Limited (“**Northington Partners**”) to prepare the Rule 21 report, and our appointment was subsequently approved by the Takeovers Panel. Further details on the regulatory requirements and scope of this report are set out in Appendix 1.

This report will accompany the Target Company Statement to be sent to all WML shareholders and sets out our opinion on the merits of Mercantile’s Offer. This report should not be used for any other purpose and should be read in conjunction with the declarations, qualifications and consents set out in Appendix 5.

2.0 Assessment of the Merits of the Offer

2.1. WML's Current Position

During the last 2 years, WML embarked on a number of transformative transactions:

- On 7 October 2014, the Harbour City Centre building was sold (netting the Company approximately $17.1 million after repaying bank debt);
- On 1 February 2016, the lease for the Lambton Quay premises was assigned to David Jones Pty Limited ("**David Jones**"), together with the sale to David Jones of the name "Kirkcaldie & Stains";
- On 29 February 2016, the Company completed a court approved distribution of $19.353 million to the Company's shareholders (which involved the cancellation of four out of every five shares on issue in the Company); and
- Over the last six months, the Company has concluded negotiations to dispose of its obligations in respect of all but one of the leases that were in place upon the cessation of its retail operations.

Following the transactions noted above, WML is essentially a listed shell company with cash assets and very few residual liabilities ("**Residual Liabilities**"). A description of the key Residual Liabilities is set out in Section 3.1. WML is expected to incur various costs associated with extinguishing its Residual Liabilities, although the precise quantum of these costs and the timeframe for concluding the various negotiations remains uncertain.

Once all of WML's Residual Liabilities have been definitively quantified and/or extinguished, the Company will be left with residual cash assets. WML's current intention is for the residual cash to be distributed to shareholders via a liquidation of the Company. At this stage, the Company's best estimate is that the liquidation process will be completed in the second quarter of calendar year 2017.

2.2. Value of Mercantile's Offer

2.2.1. Assessed Value Range

Our valuation range is determined primarily on the basis of a liquidation scenario. Full details of our valuation approach and conclusions are set out in Section 3.0. In our opinion, the full underlying value of WML's shares is in a range between $3.39 and $3.44 per share, with a mid-point value of $3.42 per share. Our valuation is based on 100% of the equity in WML and therefore includes a premium for control.

Figure 1: Comparison of Mercantile Offer Price and our Assessed Valuation Range

Sources: Northington Partners' analysis, WML

Figure 1 compares Mercantile's Offer Price with our assessment of the full underlying value of WML's shares. The Offer Price of $3.45 exceeds the top end of our value range ($3.44 per share) and we therefore conclude that Mercantile's Offer is fully priced.

2.2.2. Offer Price Relative to Recent Share Price Performance

The Offer Price represents:

- A 7.0% premium to the closing price of $3.22 per WML share as reported on 10 August 2016, being the last trading day before Mercantile's Takeover Notice was filed with the NZX on 11 August 2016.
- A 7.0% premium to the volume weighted average price ("**VWAP**") of $3.22 per share for the month to 10 August 2016, and a 6.5% premium to the three month VWAP to 10 August 2016 of $3.24 per share.

We note that the Offer premium is broadly consistent with the offer premiums evidenced in other recent takeover offers. However, we believe the significance of the comparison is relatively limited in this case given WML is in the process of preparing for an orderly liquidation of the Company and the business should not be viewed as a going concern.

We also note that WML's shares are extremely illiquid, and the observed transaction prices for WML's shares are unlikely to consistently represent an accurate representation of the market's view on underlying value. Further details on WML's share price movements over the last 9 months and the liquidity of the Company's shares are set out in Appendix 2.

2.3. Possible Impacts on WML's Control Position

2.3.1. Majority Control Between 50.0% and 75.0%

If the single condition of the Offer is satisfied and the Offer is declared unconditional, Mercantile will hold or control more than 50.0% of the shares in WML. Pursuant to the terms of the Offer, it is not possible for Mercantile to increase its current shareholding to a level 50% or less of the shares outstanding.

If Mercantile did not receive acceptances to the Offer that allowed it to hold or control more than 50.0% of the total voting rights in WML, then the Offer would lapse and any person who had accepted the Offer would be released from the obligation to sell their shares.

However, we understand that the WML Board has received indications from the Company's two largest shareholders (together owning or controlling about 39.1% of the shares on issue) of their intention to accept the Offer. Together with the 9.94% of shares already owned by an associate of Mercantile, that means that Mercantile will hold and control approximately 49.3% of the shares on issue and will require further acceptances for a very low number of shares to reach the 50% threshold.

If Mercantile ends up with a shareholding level in the Company greater than 50.0% but less than 75.0%, then:

- Pending any decision (if ultimately made) to liquidate the Company, WML will continue to be listed on the NZX with Mercantile as a majority shareholder controlling more than half of the shares on issue.
- Provided Mercantile is permitted to vote, Mercantile will have effective day-to-day control of the Company by being able to pass ordinary resolutions unilaterally. Ordinary resolutions require support from more than 50.0% of the shareholders entitled to vote and voting on the resolution.

- Provided Mercantile is permitted to vote, Mercantile will be in a position to veto special resolutions of the Company (which require support from at least 75.0% of shareholders entitled to vote and voting on the relevant matter).
- Mercantile will have the ability to appoint a majority of directors to the board of WML. Mercantile has indicated in its Offer that it intends to seek Board representation in the event it does not attain sufficient acceptances to enable it to invoke the compulsory acquisition provisions of the Code (see Section 2.3.3 below).
- Although the liquidity of WML's shares has historically been low, liquidity would likely reduce even further, particularly if Mercantile was to end up with a shareholding level closer to the 75.0% end of the range.
- Pending any decision (if ultimately made) to liquidate the Company, Mercantile will be permitted to "creep" towards a 90% shareholding in WML over time by buying up to a further 5% of the shares on issue each year, commencing 12 months after the Offer closes.

Special resolutions typically relate to what can be thought of as "major transactions" for the subject company, and include proposals such as changes to the company constitution and acquisitions or divestments with transaction values that exceed certain thresholds. Of particular relevance to WML given its current intentions, a special resolution is required to liquidate the Company.

Under WML's current shareholding structure, no single shareholder is in a position to unilaterally determine if a special resolution is passed or not, although we note that the top two shareholders control 19.61% and 19.48%, respectively (see Appendix 3 for details of the top 10 shareholders). With a combined 39.09% shareholding, if the top two shareholders were to act in concert they could vote against and veto a special resolution.

In terms of passing special resolutions, the extent to which Mercantile would require support from other shareholders will depend on the size of its ultimate shareholding and the make-up of those shareholders who elect to accept the Offer.

For a scenario where Mercantile ends up with a shareholding level closer to the 50.0% end of the range:

- If both of the current two largest shareholders accept the Offer in respect of their entire shareholding, then Mercantile would require relatively widespread support from a range of other shareholders (who decided not to accept the Offer) to pass special resolutions.
- If only one of the current two largest shareholders ultimately accepts the Offer in respect of its entire shareholding (with the other large shareholder electing not to accept the Offer in respect of any of its shares), in practice it would likely become difficult for Mercantile to pass a special resolution without the support of the other remaining large shareholder. That is, the remaining large shareholder would only require the support of around 5.5% of the Company's shareholding base to vote with it against a special resolution in order for the special resolution to be defeated.

The closer Mercantile's shareholding is to 75.0%, the lower the level of support that will be required from other shareholders in order to pass special resolutions.

2.3.2. Majority Control Between 75.0% and 90.0%

If the single condition of the Offer is satisfied (so that the Offer is declared unconditional) and Mercantile ends up with a shareholding level in the Company greater than 75.0% but less than 90.0%, then:

- Pending any decision (if ultimately made) to liquidate the Company, WML will continue to be listed on the NZX Main Board, with Mercantile as a majority shareholder controlling more than 75.0% of the shares on issue but less than 90.0%.
- Mercantile will have effective control over the day-to-day operations of WML.

- Provided Mercantile is permitted to vote, Mercantile would control the outcome of any ordinary resolutions and special resolutions put to shareholders.
- Mercantile will have the ability to appoint a majority of directors to the board of WML.
- The liquidity of WML's shares would reduce significantly. The closer Mercantile gets to a 90.0% shareholding, the lower the liquidity of WML shares will be.
- Pending any decision (if ultimately made) to liquidate the Company, Mercantile will be permitted to "creep" towards a 90% shareholding in WML over time by buying up to a further 5% of the shares on issue each year, commencing 12 months after the Offer closes.

2.3.3. 90.0% Compulsory Acquisition Threshold

The Offer from Mercantile is for all the shares in WML. If the 90.0% threshold is reached, Mercantile will be entitled to implement the compulsory acquisition provisions of the Code to acquire the remaining shares it was not able to acquire under the Offer. Mercantile has indicated in its Offer that it intends to exercise this right if the compulsory acquisition threshold is reached. In this circumstance, the Company's shareholders who did not sell their shares into the Offer can require Mercantile to acquire them at the Offer Price.

After the compulsory acquisition procedure is completed, WML would be wholly owned by Mercantile and would delist from the NZX Main Board.

2.4. Factors that May Affect the Outcome of the Offer

The likely level of acceptances of the Offer is difficult to predict. However, we make the following observations:

- As noted above, the Company's two largest shareholders have indicated that they are likely to accept the Offer. Taking account of the shares already controlled by Mercantile, the Offer is very likely to meet the more than 50% minimum acceptance level and will therefore be declared unconditional;
- Given the Offer Price (relative to our assessment of underlying share value), the uncertain position faced by remaining shareholders if the Offer is declared unconditional but acceptances do not exceed the 90% threshold, and the low probability of an alternative offer emerging (see Section 2.5 below), we expect that a significant number of other shareholders will accept the Offer. In our view, there is therefore a good chance that acceptances will exceed the 90% threshold required for the compulsory acquisition of all remaining shares.

Mercantile has limited ability to vary the Offer in response to low acceptance levels. While it could elect to increase the Offer Price above $3.45 per share while the Offer remains open, the increased price would be available to all WML shareholders whether or not those shareholders had already accepted the Offer. In our view, an increase in the Offer Price is possible but very unlikely in the circumstances.

The Offer will close on 6 October 2016, unless the Offer is extended in accordance with the rules of the Code. The "maximum period" for which the Offer could remain open if extended by virtue of a variation of the Offer terms under Rule 24A of the Code is 90 days. This means Mercantile could not extend the Offer beyond 20 November 2016 if acceptances before that date are lower than targeted.

2.5. Likelihood of Alternative Offers

The most likely time for an alternative offer to emerge is while the Offer remains open. Another possibility is for an alternative offer to emerge if the Mercantile Offer lapsed (e.g. if the minimum acceptance condition was not satisfied). However, in our view, the likelihood of an alternative offer emerging is extremely low. Key reasons for this opinion are as follows:

- For an alternative offer to be more attractive than the Mercantile Offer, the value offered to WML shareholders would have to be higher than the $3.45 Offer Price. Indeed, we believe an alternative offer would have to be well above the Offer Price to provide sufficient incentive for WML shareholders to accept the alternative offer.

We believe that it is extremely unlikely that another party would value the WML shares above the Offer Price.

- If Mercantile declares the Offer unconditional, Mercantile will hold or control more than 50.0% of the shares in WML. Any alternative partial or full takeover offer after the point where the Offer was declared unconditional would require the support of WML shareholders, particularly Mercantile. For Mercantile to sell into such an alternative offer would constitute a significant about-turn given it has clearly signalled through the Offer that it wishes to acquire 100% of the shares in WML.

2.6. Prospects for WML Under Mercantile Control

If the Offer is declared unconditional, Mercantile will hold or control more than 50.0% of the shares in WML. In the event that Mercantile does not reach the compulsory acquisition threshold of 90.0%, then WML will remain listed on the NZX. In this circumstance, we expect (as indicated in Mercantile's Offer):

- Mercantile will seek representation on WML's Board of Directors and will participate in decisions relating to the Company's future;
- Mercantile will continue to support the planned liquidation process for the Company once all of WML's Residual Liabilities have been definitively quantified and/or extinguished; and
- Mercantile will not make material changes to WML's business activity, assets or capital structure.

Accordingly, unless Mercantile was to change its mind from what it has indicated in the Offer, the prospects for WML under Mercantile's control would largely be the same as they are currently.

2.7. Summary of Our Assessment

In our view, the key factors that WML shareholders should consider when determining whether or not to accept the Offer are as follows:

- We believe that the Offer Price is close to the value shareholders are likely to receive from an orderly liquidation of the Company, after incorporating an appropriate allowance for the anticipated delay before the net liquidation proceeds will be distributed. We have assessed a current value range of $3.39 to $3.44 per share, and the $3.45 Offer Price therefore exceeds the top end of our value range.
- The Company is confident that the forecast cash flows for the period between now and the anticipated liquidation date can be estimated with some certainty. We therefore suggest that the likelihood of a final liquidation payment above the top end of our estimated range is low.
- We believe that the Offer has merit. By accepting the Offer, shareholders will receive a cash payment close to the likely proceeds from a liquidation process (after allowance for time value), but with more certainty as to the quantum and timing of that payment.
- The potential upside from not accepting the Offer is very limited and the timing of any potential payment to shareholders who do not accept the Offer is uncertain, particularly if acceptances do not exceed the 90% threshold needed by Mercantile to allow the compulsory acquisition of all outstanding shares.

2.8. Acceptance or Rejection of the Offer

This report represents one source of information that WML shareholders may wish to consider when forming their own view on whether to accept or reject the Offer. It is not possible to contemplate all shareholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each shareholder is dependent on their own unique situation. If appropriate, shareholders should consult their own professional adviser(s).

3.0 Valuation of Wellington Merchants

3.1. Valuation Framework

Following the transaction with David Jones and the sale of the Harbour City Centre building, WML has become a non-operating company which has very few remaining assets other than the residual cash which has yet to be distributed to shareholders. The Company is no longer a going concern and we believe that the best way to maximise value is to pursue a liquidation process and return the net proceeds to shareholders. Our valuation framework is therefore based on a liquidation scenario.

A liquidation process effectively involves the collection of cash owed to the Company, the sale of any residual assets and the payment of all outstanding liabilities (including amounts owed to suppliers, employees, lessors and the IRD). WML also needs to meet any contingent obligations that it may have in relation to the transaction with David Jones.

Table 1 sets out the key assets and liabilities of the Company, along with some commentary on the likely value outcomes and the timeframe needed to conclude the process. This information is primarily sourced from projections prepared by WML.

Table 1: Summary of WML's Key Assets and Liabilities

Asset / Liability	Commentary
Assets	
Cash Balance	The Company held a balance of approximately $5.9m as at 31 August 2016.
Cash held in Escrow Account	Pursuant to the David Jones transaction, WML also deposited $2.0m in an escrow account to cover potential warranty claims by David Jones. The warranty period expires on 1 February 2017, with allowance for a review after the completion of the David Jones fit-out works (achieved in July 2016). WML believes that the probability of a claim is low, and therefore expects to recover the full $2.0m (plus accrued interest).
Other Receivables	The Company expects to receive about $260,000 from various sources between 31 August 2016 and the target liquidation in mid-2017.
Liabilities	
Creditors	As at 31 August, a total of approximately $350,000 was owed to a range of suppliers and other creditors. Full payment will be made over the next few months.
Operating Costs	The Company will incur a number of ongoing operating costs during the wind-down period. These include insurance, lease costs (see below), professional services and Board costs.
Property Costs	The Company has two remaining leases in place: • Thorndon Quay: Annual lease cost of $150,000, with expiry scheduled for May 2017. The premises are sub-leased for the remainder of the current term, and WML recovers approximately 73% of the total occupancy cost. • Brandon Street: Annual lease cost of $120,000, with expiry scheduled for December 2017. WML expects to assign this lease to another tenant before the end of 2016. We note that WML also has a contingent liability in relation to the assignment of the main store lease to David Jones. If David Jones does not perform its obligations under the lease, the lessor can

	potentially seek redress from WML. However, the Company believes that there is little likelihood of any liability being realised. The lessor has also confirmed in writing that if the Company pursues an orderly liquidation process, it will be released from any remaining obligations in relation to the lease assignment.
Liquidation Costs	Liquidation costs mostly relate to professional fees and will be dependent on the amount of time and effort needed to complete the process. We have made an allowance of $50,000 for these costs.

Source: WML Management, Northington Partners' analysis

3.2. Valuation Conclusion

Our valuation is based on a projection of the residual cash that will be available for distribution to shareholders at the completion of the liquidation process, and assumes the following:

- **Timeframe**: WML expects that the process will be completed in the second quarter of calendar year 2017. This reflects that the escrow period for the David Jones transaction terminates on 1 February 2017, and allows sufficient time for the collection of all other outstanding payments. As there is no tax-efficient way to distribute any of the remaining cash in the intervening period, we assume only one payment is made on the completion of the liquidation process. We conservatively assume a payment date of 1 June 2017.
- **Taxation**: WML expects that it can distribute approximately $7.5m of residual cash as a tax free capital gain. Based on our modelling of the likely amount of cash that will be available for distribution, we assume that shareholders (other than non-resident corporate shareholders) will not have any tax liability associated with the liquidation payment[1]. Our valuation assessment therefore makes no allowance for tax.
- **Discount Rate**: The projected cash payment in June 2017 has been discounted back to 10 October 2016, the approximate payment date under the Offer. This discounting process takes account of the difference in payment dates between the liquidation scenario and acceptance of the Offer. We have applied a post-tax discount rate of 5.0%, which we believe represents a conservative estimate of the risk profile of the projected cash flows under a liquidation scenario.

Table 2 summarises our valuation assessment, based on the forecast level of cash available for distribution at the completion of the liquidation process and after an allowance for the assumed delay before the payment can be made. Our contingency estimates relate primarily to uncertainties over the cost of lease surrenders, tax liabilities and the level of operating costs that will be incurred before the liquidation is completed.

[1] Distributions to non-resident corporate shareholders may be subject to non-resident withholding tax.

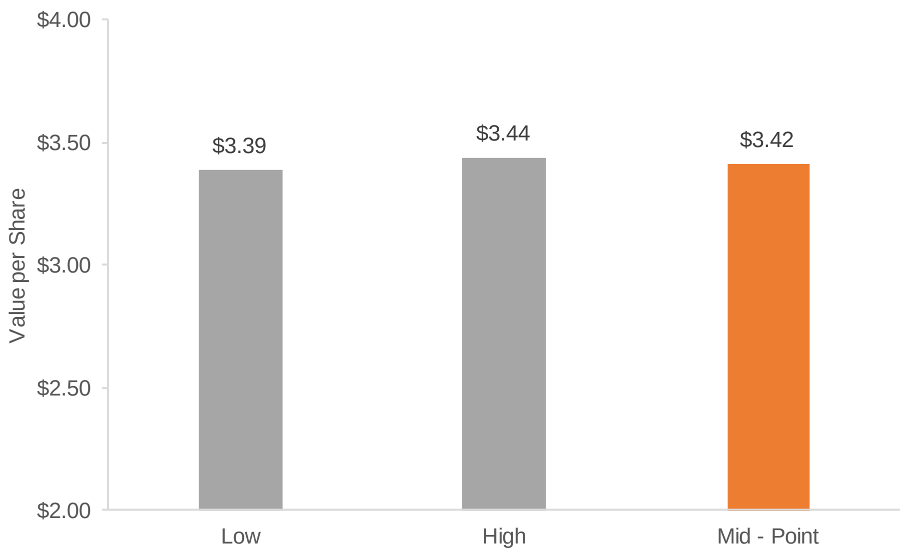
Table 2: Valuation Summary

	Low	High
Projected Cash Balance on 1 June 2017 (000s)	$7,303	$7,303
less Allowance for Contingent Costs (000s)	($150)	($50)
Value Available for Distribution (000s)	**$7,153**	**$7,253**
Number of Shares on Issue (000s)	2,043	2,043
Distribution per Share	**$3.50**	**$3.55**
Discount Factor (Approx. 8 months at 5.0%)	0.9692	0.9692
Current Value per Share	**$3.39**	**$3.44**

Source: Northington Partners' analysis

We conclude that the current value of the WML shares is between $3.39 and $3.44, with a mid-point of $3.42 per share.

Figure 2: Summary of Assessed WML Value per Share



Sources: Northington Partners' analysis, WML

We note that the low end of the assessed share price range assumes a total contingency of $0.15m (or approximately $0.07 per share). While it is difficult to be too prescriptive as to the final outcome, we believe that this contingency allowance is relatively conservative and that the risk of further downside is limited.

Appendix 1: Regulatory Requirements and Scope of this Report

Role of Takeovers Panel

The Takeovers Code ("**Code**") sets out rules governing the conduct of company takeovers in New Zealand. The provisions of the Code apply to any company that is a "Code Company" (as defined in the Code). WML is a "Code Company" by virtue of it being listed on the NZX Main Board.

The fundamental rule of the Code is set out in Rule 6 and prevents any entity (together with its associates) from becoming the holder or controller of more than 20% of the voting rights in a "Code Company" other than via one of several courses of action prescribed in Rule 7 of the Code.

Pursuant to Rule 7 of the Code, a person may (among other exceptions) become the holder or controller of more than 20% of a Code Company "by an acquisition under a full offer". A "full offer" requires the offeror to make an offer for all the equity securities in the Code Company that it does not already own.

Mercantile's Offer is a "full offer" for the purposes of the Code. The Offer and the response by WML to the Offer must comply with the provisions set out in the Code. Rule 21 of the Code requires the directors of WML to obtain a report from an independent adviser on the merits of the Offer.

WML's independent directors requested Northington Partners Limited ("**Northington Partners**") to prepare the independent adviser's report required by Rule 21 of the Code. Our appointment was approved by the Takeovers Panel on 19 August 2016.

Basis of Assessment

The exact meaning of the word "merits" is not prescribed in the Code and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered when assessing the merits of a takeover offer. Although the Takeovers Panel has published a guidance note about the role of an Independent Adviser, it has been careful not to limit the scope of the assessment and states that the relevant factors that should be taken into consideration will depend on the features of the proposed transaction as well as the prevailing circumstances of the parties involved. However, the Takeovers Panel suggests that a merits assessment is broader than a valuation assessment and will include other positive and negative aspects of a transaction.

Northington Partners has assessed the merits of the Offer by taking into account the following factors:

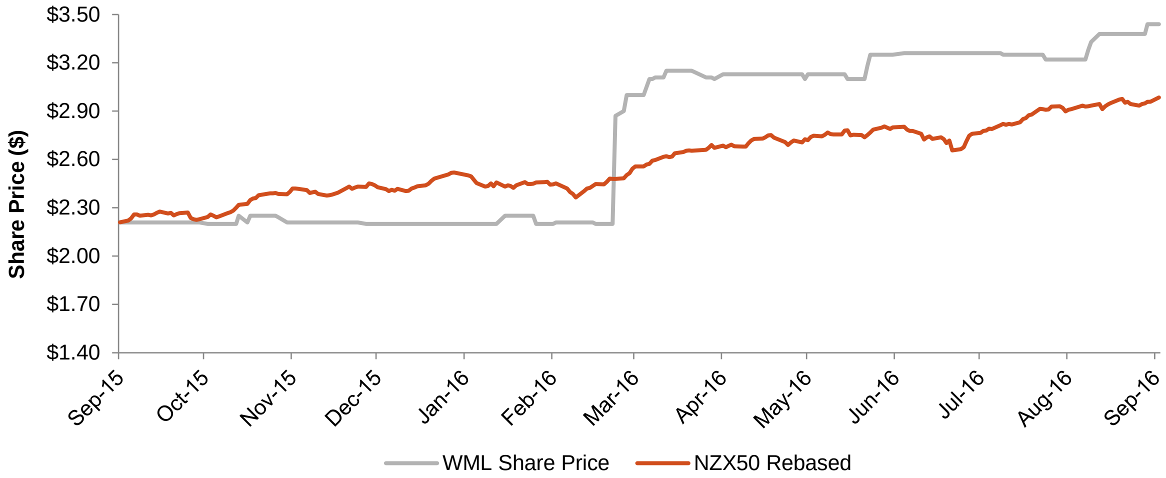
- A comparison of the Offer Price to the potential realisable value under the likely counterfactual, which we understand is an orderly liquidation process for WML. An assessment of the counterfactual will consider:
  - Cash on hand;
  - The potential costs of the liquidation process, including settlement of residual lease liabilities and warranty claims from the David Jones transaction;
  - Likely timing for the liquidation process, taking account of the uncertainties around the Residual Liabilities;
  - Any implied value for the listed shell after the cash distribution (which would be lost under a successful Offer from Mercantile); and
  - The risk that the eventual proceeds from the liquidation will be lower than the Offer Price due to delays and higher than expected contingent costs.
- Potential outcomes under the Mercantile Offer, especially given there is only one condition (being that Mercantile must receive greater than 50% acceptances).
- Possible consequences for shareholders if Mercantile holds more than 50% but less than 90% of the shares at the conclusion of the Offer process.
- The likelihood of alternative offers being made and the potential for shareholders to receive greater consideration for their shares than may be possible under either the Mercantile Offer or a liquidation process.
- Such other financial and non-financial considerations as may be appropriate in the circumstances.

Appendix 2: Share Price and Liquidity Analysis

The performance of WML's shares since September 2015 relative to the NZX50 Index is shown in Figure 3 below.

The impact of the takeover notice issued in February on the Company's share price can clearly be seen with the sharp spike on 26 February 2016. Since then the shares have traded from around $2.90 to the current level of $3.44.

Figure 3: WML Share Price Performance Relative to NZX50 Index over the last 12 months



Sources: Capital IQ, Northington Partners' analysis.

Details on the volume weighted average price of WML's shares during the 1 and 3 month periods preceding receipt of the Takeover Notice on 11 August 2016 are set out in Table 3 below.

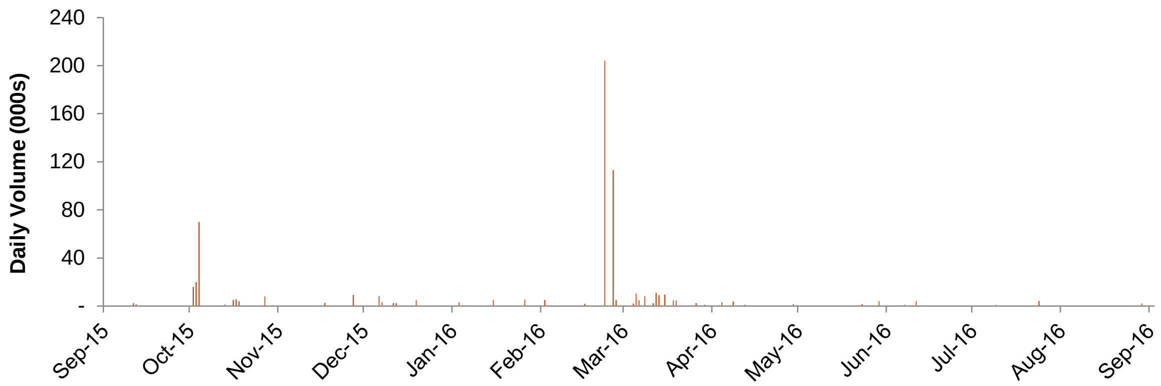
Table 3: WML Volume Weighted Average Price of Shares

	1 Month to 10 August 2016	3 Months to 10 August 2016
VWAP	$3.22	$3.24

Sources: Capital IQ, Northington Partners' analysis.

The Company's shares have historically suffered from low liquidity. Figure 4 below sets out the daily trading volumes in WML's shares during the last 12 months, showing numerous days without any trades and typically low volumes on the days when trading did take place.

Figure 4: WML Share Volume over the last 12 months



Source: Capital IQ.

Further details on the liquidity of WML's shares during the 1 and 3 month periods preceding receipt of the Takeover Notice on 11 August 2016 are set out in Table 4 below.

Table 4: WML Share Liquidity

	1 Month to 10 August 2016	**3 Months to 10 August 2016**
Total Shares on Issue	2,042,942	2,042,942
Average Daily Trading Volume	248	288
Average Share Turnover Ratio	**0.012%**	**0.014%**
Total Shares Traded	5,460	18,690
Total Share Turnover Ratio	**0.27%**	**0.91%**

Sources: Capital IQ, Northington Partners' analysis.

Appendix 3: Company Shareholder Details

Details on the top 10 shareholders in WML are set out in Table 5 below.

Table 5: Top 10 Company Shareholders

Shareholder	Number of Shares held	Shareholding percentage
H & G Limited	400,673	19.6%
LQ Investments Limited	398,000	19.5%
Mercantile Investment Company	122,717	6.0%
New Zealand Central Securities	103,377	5.1%
Paul Morton Ridley-Smith	66,000	3.2%
Milford Trust Limited	50,000	2.4%
UBS New Zealand Limited	37,886	1.9%
Derek Lloyd Harland	29,209	1.4%
Custodial Services Limited	28,850	1.4%
Custodial Services Limited	28,000	1.4%
Top 10 Shareholders	**1,264,712**	**61.9%**
Remaining shareholders	778,230	38.1%
Total Shares on Issue	**2,042,942**	**100.0%**

Source: WML.

Appendix 4: Sources of Information Used in this Report

Other than the information sources referenced directly in the body of the report, this assessment is also reliant on the following sources of information:

- Discussions with senior management personnel of WML.
- Analysis provided by management of WML on the estimated residual net assets of the Company once all Residual Liabilities have been definitively quantified or extinguished.
- Mercantile's Takeover Notice dated 11 August 2016 and the subsequent Offer document dated 23 August 2016.

Appendix 5: Declarations, Qualifications and Consents

Declarations

This report is dated 6 September 2016 and has been prepared by Northington Partners at the request of the independent directors of WML to fulfil the reporting requirements of Rule 21 of the Code. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to WML for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all of the shareholders of WML (other than any shareholder who is associated with Mercantile) that are being asked to consider the Offer, and Northington Partners consents to the distribution of this report to those people. Our engagement terms did not contain any term which materially restricted the scope of our work.

Qualifications

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D and Steven Grant B.Com, LLB (Hons). Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous independent reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

Independence

Northington Partners has not been previously engaged on any matter by WML or (to the best of our knowledge) by any other party to the proposed Offer that could affect our independence. None of the Directors or employees of Northington Partners have any other relationship with any of the directors or substantial security holders of the parties involved in the Offer.

The preparation of this independent report will be Northington Partners' only involvement in relation to the Offer. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

Disclaimer and Restrictions on the Scope of Our Work

In preparing this report, Northington Partners has relied on information provided by WML. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

Indemnity

WML has agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report, except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

WML has also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

Northington
Partners