



WILLIAMS & KETTLE LIMITED

NOTICE OF ANNUAL MEETING

Notice is given that the Annual Meeting of the shareholders of Williams & Kettle Limited will be held at the War Memorial Centre, Marine Parade, Napier on Thursday 28 November 2002 at 3pm.

BUSINESS

- 1 To receive and consider the Company's financial statements for the year ending 31 July 2002 with the reports of the Directors and Auditor
- 2 To elect Directors
In accordance with Clause 19.4 of the Company's constitution J H Bayly, R A Bonifant and B D Cushing retire by rotation and offer themselves for re-election
- 3 To re-appoint the Auditor
To record the re-appointment of Ernst & Young as Auditor of the Company and to authorise the Directors to fix their remuneration for the ensuing year
- 4 Approval of proposed share buy back
To consider and, if thought fit, pass the following resolution as an ordinary resolution

"That, the shareholders approve the acquisition by the Company, of not more than 1,472,857 shares in the capital of the Company from time to time, but prior to 12 months after the date that the Explanatory Memorandum was sent to shareholders "

Explanation

The reasons for this resolution and a list of shareholders who are not able to vote on this resolution are set out in the Explanatory Memorandum which accompanies this Notice of Meeting

- 5 To consider any other business that may properly be brought before the meeting

NOTES

- 1 All shareholders are entitled to attend and vote (except in respect of resolution 4 as is set out in the attached Explanatory Memorandum) at the meeting
- 2 Any shareholders entitled to attend and vote at the meeting may appoint another person as his or her proxy (or their representative in the case of corporate shareholders) to attend and vote on their behalf. A proxy need not be a shareholder of the Company
- 3 A form of proxy is enclosed with this notice. The constitution of the Company requires, so as to be valid, that any proxy form must be deposited at the registered office of the Company (Wilket House, Shakespeare Road, PO Box 344, Napier, New Zealand) or posted to the Company's share registrar, Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Auckland (Private Bag 92119, Auckland 1020) to be received not less than 48 hours before the time of the meeting

J R Wright
Group Company Secretary
14 October 2002



WILLIAMS & KETTLE

Williams & Kettle Limited, Head Office, Wilket House, Shakespeare Road, PO Box 344, Napier, New Zealand
Telephone (06) 835 8399 Facsimile (06) 835 2444 Email: enquiries@wilket.co.nz

14 October 2002

The Shareholders
Williams & Kettle Limited

Dear Shareholder

APPROVAL FOR SHARE BUYBACK

The Directors propose to implement a programme under which the Company will, at the Directors' discretion, buy back up to 10% of the shares of the Company on the Exchange at the prevailing market price at the time. The Company will give the Exchange three Working Days' notice prior to the commencement of the buy back. It is proposed that any buy back occur in the period between three Working Days after the annual meeting of the Company and 12 months after this document has been sent to shareholders.

During the past year, Williams & Kettle's shares have on occasions, traded well below what the Board considers to be a realistic market value. We believe that having the flexibility to buy back up to 10% of the Company's shares on the Exchange over a 12 month period will allow us to reduce these value gaps quickly when they occur so as to enhance value for all shareholders.

Shareholders are free to decide whether or not to sell their shares to the Company. However, certain shareholders and their associates who do not wish to participate in the buy back will be in breach of the Takeovers Code as a result of any increase in their shareholding percentage unless they are able to rely on an exemption to the Takeovers Code. To allow such shareholders to rely on an exemption, approval for the buy back will be sought from shareholders at the Annual Meeting on 28 November 2002. Further details of the Takeovers Code implications and the approvals required are contained in the Explanatory Memorandum.

The Explanatory Memorandum contains important information which the Company is required to provide you under the Companies Act, the Takeovers Code and the Class Exemption. Please read it carefully so that you are fully informed about the proposed buy back programme and the approvals sought under the Takeovers Code and the Class Exemption.

Should you have any queries, please contact our Group Company Secretary, James Wright on 06 835 8399.

Yours sincerely

J H Bayly
Chairman



WILLIAMS & KETTLE LIMITED

Important information for shareholders of Williams & Kettle Limited regarding the proposed share buy back of the Company's shares

EXPLANATORY MEMORANDUM REGARDING THE SHAREHOLDERS' RESOLUTION TO APPROVE A PROPOSED SHARE BUY BACK

14 October 2002

(This Explanatory Memorandum contains information which Williams & Kettle Limited is required by law to provide shareholders)

1. Introduction

- 1.1 The Companies Act requires Williams & Kettle to send shareholders a "Disclosure Document" for buy backs effected by on-market purchases, explaining the maximum number of shares that the Board has resolved to acquire, the nature and terms of the buy back, its implications for the Company and its shareholders and the nature and extent of any Director's interest in any of the shares that are the subject of the offer.
- 1.2 Set out below is a discussion of the buy back, its terms and the manner in which the buy back will be completed, including the procedures which will be put in place by the Board to ensure the interests of the Company and its shareholders are safeguarded. You should also read carefully the section on the Takeovers Code implications for shareholders set out in paragraph 8 below and in the Independent Adviser's Report which commences on page 8 of this Explanatory Memorandum.

2. Board Authorisation

- 2.1 In accordance with the requirements of the Companies Act, the buy back has been approved by the Board. In approving the buy back, the Board has resolved that:
- (a) **specified number of shares:** the Company will acquire, by means of offers on the Exchange to all shareholders, not more than 1,472,857 ordinary shares of the Company (being 10% of the Company's shares as at the date of this Explanatory Memorandum);

- (b) **best interests:** the buy back offer is in the best interests of the Company and its shareholders;
- (c) **fair and reasonable:** the terms of the buy back offer and the consideration offered for the shares under it are fair and reasonable to the Company and its shareholders;
- (d) **disclosure:** it is not aware of any information that will not be disclosed to shareholders
- (i) which is material to an assessment of the value of the shares, and
- (ii) as a result of which, the terms of the buy back offer and the consideration offered for the shares under it would be unfair to shareholders accepting the offer, and
- (e) **solvency test:** it is satisfied on reasonable grounds that the Company will satisfy the solvency test after each acquisition of shares under the buy back.

- 2.2 The text of the Board's resolutions approving the buy back, the reasons for the conclusions expressed in those resolutions and the details of the nature and extent of the relevant interests of the Directors in the shares subject to the buy back, are set out in paragraphs 6, 3 and 7 respectively.

3. Reasons for Buy Back

The Board made its decision to implement a buy back because

- (a) the shares have traded from time to time at

what the Board considered well below their realistic market value,

- (b) in the Board's view, where such "value gaps" arise, a buy back may be the best use of the Company's cash at that time and the best investment the Company can make for its shareholders;
- (c) it is keen to close such "value gaps" quickly when they occur;
- (d) it believes that having the ability to buy back up to 10% of the Company's shares on the market, from time to time, over a 12 month period will give the Board a tool to achieve these objectives.

4. Terms and Conditions of Buy Back

The Board has resolved to acquire on the Exchange by way of an offer to all shareholders, up to a maximum of 1,472,857 shares. Williams & Kettle will pay the prevailing market price for the shares. Shares purchased by the Company under the buy back will be cancelled automatically on acquisition and the number of issued shares reduced accordingly. The buy back offer is made to all shareholders.

5. Implementation of Buy Back

(a) Procedural Safeguards

The Board has considered the nature of the safeguards which should be adopted in order to ensure the buy back does not distort the market for Williams & Kettle shares. The Board has also sought to adopt procedures that would assist to provide an equal opportunity for both large and small shareholders to participate in the buy back, thereby ensuring that all shareholders are treated fairly and equally.

Briefly, the procedural safeguards which will be employed during the buy back are as follows:

- (i) shares cannot be purchased outside the bid/offer spread quoted on the Exchange's FASTER;
- (ii) the Company can only buy back shares through FASTER during normal trading hours (ie. there will be no off-market transactions); and
- (iii) a sub-committee of the Board will be established to determine when shares will be purchased.

(b) Disclosure of Material Information to Shareholders and Timing of the Buy Back

Williams & Kettle will not purchase shares if the Board (or the sub-committee of the Board, as the case may be) becomes aware of any information which has not been disclosed to shareholders and

- (i) which is material to an assessment of the value of shares, or
- (ii) as a result of which the terms of the offer and consideration offered for shares under the buy back would be unfair to shareholders accepting the offer.

As at the date of this Explanatory Memorandum, the Board is not aware of any information of this nature which has not been disclosed to shareholders.

The Board will not begin its on-market purchases prior to the later of:

- (aa) three Working Days notice having been given to the Exchange after the Annual Meeting of the Company on 28 November 2002, and
- (bb) 10 Working Days after this Explanatory Memorandum has been sent to shareholders.

The buy back can extend over a 12 month period from the date this Explanatory Memorandum has been sent to shareholders.

The Board will closely monitor compliance with the various information disclosure requirements and safeguards concerning the availability to shareholders of all price-material information about the Company and its business activities which is known to the Board.

If circumstances change and the criteria considered by the Board in approving the buy back programme are no longer satisfied, the Board will suspend the buy back offer.

(c) Taxation

Under the Income Tax Act 1994, the proceeds of purchases by a company of its own shares on a recognised stock exchange (except under arrangement with the shareholder) are not dividends for New Zealand taxation purposes.

The New Zealand taxation position of dealers or traders in shares who are taxable on the proceeds of the disposition of shares is not generally altered where a company is the buyer of its own shares.

Shareholders in doubt as to the taxation effects of the sale of shares by them, under the buy back, should consult an appropriately qualified taxation adviser

6. Text of Board Resolutions

The following is the full text of the relevant resolutions passed by the Board of Williams & Kettle on 9 October 2002

(a) Acquisition of shares on-market under section 63(1)(a) of the Companies Act 1993

Resolved that the Company acquires, through offers on the Exchange to all shareholders up to (but not more than) 1,472,857 shares in the Company

(b) Best interests of the Company and shareholders (section 63(1)(b))

Resolved that the acquisition of shares by the Company is in the best interests of the Company and its shareholders, for the following reasons:

- (i) the Company's shares have traded from time to time at what the Board considers well below their realistic market value. The Board believes that such "value gaps" should be closed quickly when they occur and, where such "value gaps" arise, a buy back may be the best use of the Company's cash at that time and the best investment the Company can make for its shareholders,
- (ii) shareholders have the option whether or not to participate in the buy back so they can decide whether to take some or all of their investment back in the form of cash, or to continue to hold shares,
- (iii) the payments to shareholders under the buy back will generally not be treated as dividends and, therefore, represent a tax-effective means of distributing surplus capital to shareholders,
- (iv) the purchase price payable by the Company for shares under the buy back will be equivalent to the market price of the Company's shares at the time of acquisition and the terms are therefore by definition "arms-length", and
- (v) financial flexibility will still be maintained in the Company's balance sheet following the buy back

(c) Fair and reasonable to the Company and

shareholders (section 63(1)(c))

Resolved that the terms of the offer and the consideration to be offered for the shares is fair and reasonable to the Company and its shareholders, for the following reasons:

- (i) the price being offered for the shares is equivalent to the market price at the time of the acquisition and therefore is a fair price to pay, both from the perspective of shareholders who choose to sell and those who choose to hold their shares,
- (ii) participation in the acquisition by the Company is completely optional for each shareholder and shareholders are able to get independent advice on whether or not they should participate in the offer, and
- (iii) the Company's balance sheet will still retain financial flexibility after completing the buy back

(d) Disclosure of information (section 63(1)(d))

Resolved that the Board is not aware of any information that will not be disclosed to shareholders.

- (i) which is material to an assessment of the value of the shares, and
- (ii) as a result of which, the terms of the offer and the consideration offered for the shares are unfair to shareholders accepting the offer

The Board.

- (iii) has received confirmation from senior management that it is not aware of any such information,
- (iv) will continually review the existence and availability to shareholders of information known to the Board which is material to an assessment of the value of the Company's shares, and
- (v) will ensure that the Company will introduce procedural safeguards designed to ensure it does not acquire shares during a period when any such material information which is known to the Company is not also available to shareholders

7. Directors' Interests

As at the date of this Explanatory Memorandum, the following Directors have a relevant interest in shares subject to this offer.

Director	Number of Shares	Nature of Relevant Interest under Section 146 of the Companies Act
J H Bayly	62,294	s 146(1)(a) – (e) s 146(2)(b) & (e)
B D Cushing	4,677,826	s 146(1)(a), (c) & (e) s 146(2)(b) & (d)
S J Cushing	5,185,038	s 146(1)(a) – (e) s 146(2)(a), (b) & (d)
R M Gough	46,250	s 146(1)(c) & (e) s 146(2)(a)
B J Martin	4,863,687	s 146(1)(a) – (e) s 146(2)(a), (b) & (d)
A R Train	5,370	s 146(1)(a)
G W Weenink	377,005	s 146(1)(b) & (d) s 146(2)(a)
H B N Williams	25,000	s 146(1)(a) – (e)

In some cases the above relevant interests relate to the same parcel of shares.

8. Takeovers Code Implications for Shareholders

Shareholders are free to decide whether or not to sell their shares to the Company. However, certain shareholders and their "associates" who decide not to participate in the buy back will be in breach of the Takeovers Code for any resulting increase in their percentage shareholding, unless they are able to rely on an exemption to the Takeovers Code.

Such shareholders would be those:

- (a) who hold 20% or more of the voting rights in the Company, or
- (b) who hold less than 20% of the voting rights in the Company, but who together with their associates, hold more than 20% of the voting rights in the Company.

9. Class Exemption

9.1 There are exemptions to the Takeovers Code for certain classes of transactions and classes of persons. There are two class exemptions for increases in percentage shareholdings as a result of share buy backs. One exemption exempts shareholders from complying with the Takeovers Code in respect of any increased percentage shareholding as a result of a share buy back but requires shareholders relying on this exemption to divest the increase within six months of the date of the increase.

9.2 The other exemption allows shareholders to retain increases in percentage shareholding provided the following requirements are met:

- (a) the buy back is approved by an ordinary resolution of the shareholders of the Company (excluding the shareholders seeking to rely on the exemption and their associates),
- (b) the notice of meeting to approve the buy back contains or is accompanied by:
 - (i) the identity of the persons seeking to rely on the exemption,
 - (ii) details of the shares to be bought back (eg the maximum number, percentage of voting securities this maximum number represents, and the percentage of voting securities in the Company that the shareholders seeking to rely on the exemption and their associates would hold or control, if all the shares sought are bought back),
 - (iii) the proposed consideration for the buy back (or the manner in which the consideration would be determined) and when the consideration is payable,
 - (iv) the reasons for the buy back,
 - (v) a statement to the effect that the increase in the shareholders' voting control will, if approved, be permitted as an exception to the Takeovers Code,
 - (vi) a report from an Independent Adviser on the buy back, and
 - (vii) a statement from the Directors as to whether they recommend approval or disapproval to the buy back.

This is the exemption ("Class Exemption") which the shareholders who would potentially breach the Takeovers Code if the maximum number of shares under the buy back are purchased and they do not participate, seek to rely on.

10. Shareholders seeking to rely on the Class Exemption

10.1 Set out in the table below is a list of shareholders who have advised the Company that they do not wish to participate in the buy back and, as a result of their shareholding and association with other shareholders, will, subject to the six month exemption discussed in paragraph 9.1 above, breach the Takeovers Code if the buy back occurs. This is because, while these shareholders are not acquiring any further shares in the Company, as a result of the Company repurchasing shares and cancelling the shares repurchased, the percentage shareholding of these non-participating shareholders increases.

Name of Shareholder	No. of Shares in Company (as at 14 October 2002)	Percentage voting control (as at 14 October 2002)	Percentage increase in Shareholders voting control if 10% of the Company's shares are repurchased (and the shareholder does not participate)
H & G Limited	3,749,300	25.46%	28.28%
Sir Selwyn Cushing	203,876	1.38%	1.54%
David Cushing	357,947	2.43%	2.70%
Ben Cushing	56,567	0.38%	0.43%
Brian Martin	165,000	1.12%	1.24%
Glennis Webber	7,000	0.05%	0.05%
Ashfield Farm Limited	45,749	0.31%	0.31%
Ashfield Properties Limited	99,200	0.67%	0.75%
Fairway Finance Limited	34,501	0.23%	0.26%
Makowai Farm Limited	116,090	0.79%	0.88%
Seajay Securities Limited	163,340	1.11%	1.23%
Selba Holdings Limited	54,473	0.37%	0.41%
Whakamarumaruru Station Limited	6,430	0.04%	0.05%
Trustees of the Ashfield Trust (SOH Deacon and B J Martin)	47,597	0.32%	0.36%
Trustees of the Cleckheaton Trust (J M Jenkins and S J Cushing)	83,641	0.57%	0.63%
Trustees of the G Cushing Settlement Trust (B J Martin and S J Cushing)	92,641	0.63%	0.70%
Trustees of the K D Cushing Trust (B J Martin and S J Cushing)	146,200	0.99%	1.10%

10.2 Accordingly, the shareholders set out in the table below wish to rely on the Class Exemption which will allow them to retain their increased percentage shareholding.

The potential maximum percentage of all voting securities that each of the above shareholders and their associates would hold, in aggregate, if 10% of the Company's shares are repurchased (and they do not participate) is 40.96%.

10.3 To permit the above shareholders to rely on the Class Exemption, the shareholders of the Company (excluding the shareholders seeking to rely on the Class Exemption and their associates) are requested to approve the proposed buy back by an ordinary resolution.

10.4 This resolution is also proposed for the purposes of Rule 7.5 of the New Zealand Stock Exchange Listing Rules (which is reflected in clause 3.9 of the Company's constitution). In essence, Rule 7.5 provides that the Company may not acquire its shares if there is a significant likelihood that the acquisition will result any person or group of associated persons materially increasing their ability to exercise, or direct the exercise, of effective control of the Company, unless the precise terms and conditions of the acquisition have been approved

by an ordinary resolution. While it is not believed that Rule 7.5 applies for the reasons set out in the Independent Adviser's report on page 11 of this Explanatory Memorandum, to the extent that Rule 7.5 applies, this resolution satisfies its requirements.

10.5 So as to comply with the requirements of the Class Exemption, the following information is provided:

- (a) the identity of the persons seeking to rely on the Class Exemption are set out in column 1 of the above table,
- (b) the shares to be bought back are up to 1,472,857 shares in the Company comprising 10% of the issued share capital of the Company as at the date of this Explanatory Memorandum. The percentage of the shares of the Company that the shareholders seeking to rely on the Class Exemption would hold, if all the shares sought are bought back, is set out in column 4 of the above table. The percentage of the shares of the Company that the shareholders seeking to rely on the Class Exemption and their associates would hold, if all the shares sought are bought back, is 40.96%.
- (c) the consideration for the buy back (or manner in which the consideration would be

determined) is the prevailing market price for shares of the Company on the Exchange at the time of purchase. Procedural safeguards in respect of this have been adopted by the Board as set out in paragraph 5(a) of this Explanatory Memorandum. The consideration is payable in accordance with normal settlement obligations for purchases on the Exchange of within three days of purchase,

- (d) the reasons for the buy back are set out in paragraph 3 of this Explanatory Memorandum,
- (e) the increase in the voting control of those persons seeking to rely on the Class Exemption will, if approved, be permitted as an exception to the Takeovers Code;
- (f) a report from an Independent Adviser on the buy back which commences on page 8 of this Explanatory Memorandum,
- (g) The Directors unanimously recommend to shareholders that they approve the resolution authorising the buy back for the reasons set

out in paragraph 3 of this Explanatory Memorandum.

10.6 While the following persons have no need to rely on an exemption to the Takeovers Code for any potential increase in their shareholding percentage in the Company as a result of the buy back, they may not vote on the resolution to approve the buy back as a result of being an associate of one or more of the persons listed in the table on page 6 (other than H & G Limited)

- W B Martin
- Datastore Systems (NZ) Limited
- Suesyd Enterprises Limited
- Trustees of the Balquidder Trust (B J Martin and K H Atkinson)
- Trustees of the Snidjers Family Trust (J & J Snidjers and B J Martin)

Williams & Kettle Limited
14 October 2002

Elizabeth M Hickey

CHARTERED ACCOUNTANT

14 October 2002

The Directors
Williams & Kettle Limited
PO Box 344
NAPIER 4015

Dear Sirs

Independent Adviser's Report for Williams & Kettle Limited

You have asked me to prepare the Independent Adviser's Report required by the Takeovers Code in respect of the proposed acquisition by Williams & Kettle Limited ("the company") of up to 10% (1,472,857) of its issued shares.

Background

All of the company's issued shares are fully paid ordinary shares with equal voting rights.

The company intends to repurchase the shares on-market through the New Zealand Stock Exchange in accordance with the procedure set out in section 63 of the Companies Act 1993. The consideration to be paid by the company for each share will be determined by the market price at the time.

The major shareholder of the company and its associates have advised the company that they will not participate in the buyback and wish to retain the increased voting control and proportionate holding that will result from the repurchase.

The major shareholder of the company, H & G Limited, is owned by Sir Selwyn Cushing and David Cushing and holds 25.46% of the voting shares in Williams & Kettle Limited. I am advised that the associates of H & G Limited are Sir Selwyn Cushing, D Cushing, B J Cushing, B Martin, G Webber, Ashfield Farm Limited, Ashfield Properties Limited, Fairway Finance Limited, Makowai Farm Limited, Seajay Securities Limited, Selba Holdings Limited, Whakamarumaru Station Limited, the Trustees of the Ashfield Trust, the Trustees of the Cleckheaton Trust, the Trustees of the G Cushing Settlement Trust, and the Trustees of the K D Cushing Trust. I am advised that H & G Limited and its associates (together "the Cushing interests") hold in aggregate 5,429,552 (36.864%) of the shares in the company on issue as at 14 October 2002.

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If the maximum number (1,472,857) of shares are repurchased by the company and the Cushing interests do not sell any shares in the company, then because of the decrease in the total number of shares on issue as a result of the buyback, the shareholding of the Cushing interests will increase from 36.864% to approximately 40.96% of the shares in the company.

The proportion of the company owned by the Cushing interests could be affected by the exercise of share options granted to key executives of the company. There are 235,000 options on issue, each convertible into one share, and exercisable at \$2.40 per share during the three month period that commenced on 25 September 2002, the day after the company announced its result for the year ended 31 July 2002. None of the executives holding options are associates of H & G Limited, so any exercise of share options will decrease the proportion of the company owned by the Cushing interests. If all 235,000 options were exercised the Cushing interests will increase to approximately 40.25% of the shares in the company.

The increase in the Cushing interests voting control is caught by the Takeovers Code. Williams & Kettle Limited is a "Code company". Under the Takeovers Code a holder or controller of 20% or more of the voting rights of a Code company cannot increase its voting rights except as permitted by the Code. The Takeovers Code (Class Exemptions) Notice (No 2) 2001 provides an exemption to the Code for buyback transactions that are approved by the shareholders of the company that are not associates of the Cushing interests. The exemption notice requires the preparation of an independent report by a suitably qualified person.

About this report

The purpose of this report is to satisfy the requirements of the Takeovers Code (Class Exemptions) Notice (No 2) 2001 for an independent adviser's report. Appendix 1 to this report sets out my qualifications and experience. The report should be considered in the context of the declarations and restrictions set out below.

This report considers the merits of the proposed buyback. The Takeovers Code does not define 'merits'. I have interpreted the 'merits' to be the balance of the benefits and the risks associated with the buyback transaction, and their effect, if any, on the shareholders of Williams & Kettle Limited that are not associates of the Cushing interests ("the voting shareholders").

Declarations and Restrictions

This report has been prepared solely for the voting shareholders of Williams & Kettle Limited. I consent to this report being issued to the shareholders of Williams & Kettle Limited.

I have prepared the report at the request of the independent directors of Williams & Kettle Limited. The terms of reference for this report did not restrict the scope of my work. I provided a draft of this report to the directors of Williams & Kettle Limited to confirm the factual accuracy of the report.

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The report fulfils the requirements of the Takeovers Code (Class Exemptions) Notice (No 2) 2001 in relation to the proposed share buyback. I will receive a fixed fee for the preparation of this report. The fee is not contingent on the outcome of the proposed buyback. I confirm that I have no conflict of interest that could compromise my independence or affect my ability to provide an unbiased report.

The report is based on information that is publicly available, and information provided to me in discussions with representatives of and advisers to Williams & Kettle Limited. I consider that I have had access to all relevant information. My opinion has been based solely on the facts provided to me: should these facts or circumstances differ, my conclusions may change. I reserve the right, but not the obligation, to amend this report should any further relevant information come to hand.

I have not audited or independently verified the information that has been provided to me. I do not undertake responsibility to any entity or person for any variance in the projected results of Williams & Kettle Limited, or any information provided to me, and relied upon by me in forming my opinion, which is subsequently found to be incomplete or untrue.

No part of this report may be extracted or reproduced without my prior written consent.

Consideration of the merits of the proposed transaction

The company proposes to acquire within a period of 12 months up to 1,472,857 (10%) of its issued fully paid ordinary shares on-market through the New Zealand Stock Exchange in accordance with the procedure set out in section 63 of the Companies Act 1993. The consideration to be paid by the company for each share will be determined by the market price at the time.

If the maximum number (1,472,857) of shares are repurchased by the company and the Cushing interests do not sell any shares in the company, then because of the decrease in the total number of shares on issue as a result of the buyback, the shareholding of the Cushing interests will increase from 36.864% to a maximum of approximately 40.96% of the shares in the company.

I am required to consider the merits, or otherwise, of the shareholders approving the proposed buyback, knowing that it could result in the increase in the Cushing interests. If the shareholders that are not associates of the Cushing interests do not approve the proposed buyback, the directors could nevertheless proceed with the buyback, but the Cushing interests would be required to divest within six months their increased percentage shareholding.

The current bid price for Williams & Kettle Limited shares on 14 October 2002 is \$4.05. The volume of shares traded is light, exceeding 15,000 on only three trading days in the period since 15 July 2002 (the most recent quarter).

The company will fund any buyback by further borrowing under its existing bank borrowing facilities.

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Benefits

- Share liquidity

As indicated above trading in Williams & Kettle Limited shares is generally light. It can be argued that during the periods in the next 12 months when the company is able, and chooses, to buyback shares on-market through the New Zealand Stock Exchange, Williams & Kettle Limited shares will be more liquid than they otherwise would have been, and therefore it will be easier for any voting shareholders to sell, if they choose to do so.

- Future earnings per share

Future earnings per share are dependent on future results. Assuming that the company maintains its profitability at the level achieved in the financial year just ended (year to 31 July 2002), and undertakes the proposed buyback, earnings per share will change. Earnings per share would be increased as a result of there being fewer shares on issue, but reduced by the impact of interest expense on funds borrowed to undertake the buyback. Because the buyback price is not known it is not possible to quantify the actual impact of the proposed buyback on earnings per share. However, the impact is positive assuming earnings are maintained and the buyback is made at the current market price of \$4.05.

- Compliance costs

As at 17 September 2002, 2,272 shareholders each hold less than 1000 shares. These shareholders own on average 331 shares each, and in aggregate 753,080 shares (5.11% of the shares on issue). To the extent that shareholders with a limited holding sell their entire holding in the buyback, there is likely to be some reduction in compliance costs for the company. Such a reduction is not likely to be significant.

Risks and disadvantages

- Increase in control by Cushing interests

I have considered whether the proposed buyback would increase the control of the Cushing interests over the company. As already noted the effect of the proposed buyback is to increase the proportionate shareholding of the Cushing interests from 36.864% to a maximum of approximately 40.96%.

Any shareholder that controls more than 25% of a New Zealand company has the ability to veto major transactions that require shareholder approval. That is, such a shareholder has negative control. H & G Limited holds more than 25% of the shares in the company. Sir Selwyn Cushing and David Cushing control substantial shareholdings in the company and are directors. I consider that the market is aware of the Cushing family interests and has already allowed for the extent of their control. Apart from the Cushing interests there are only four shareholders who hold more than 1% of the issued capital of Williams & Kettle Limited. The largest of these shareholdings was 3.28% as at 17 September 2002. Even at 36.864% the Cushing interests usually represent more than 50% of the votes actually cast at any general meeting of the company. The increase in the proportionate shareholding of the Cushing interests from 36.864% to a maximum of approximately 40.96% in my opinion does not markedly affect the control position.

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- Share liquidity after the proposed buyback
While the market for Williams & Kettle Limited shares will be slightly more liquid during the buyback period, it can be argued that after the buyback is completed there will be fewer shares on issue, and this could have a negative impact on the liquidity of the shares.
- Net tangible asset backing per share
The most recent annual financial statements for the company and its group are for the year ended 31 July 2002. Based on the values at which assets and liabilities are stated in the financial statements and the current number of shares on issue, each share has a net tangible asset backing of \$2.50.
The current market price of the Williams & Kettle Limited shares is \$4.05. To the extent that shares are repurchased at more than \$2.50 each, there will be a decrease in the net tangible asset backing per share.
- Gearing
The buyback will be funded by debt. The Williams & Kettle Limited group consolidated total liabilities to equity ratio as at 31 July 2002 was 54:46. As a result of increased borrowing to fund the buyback the debt gearing of the company will increase. Because the buyback price is not known it is not possible to quantify the impact on the total liabilities to equity ratio.

Conclusion

Because the actual buyback price is unknown, it is not possible to give the precise impact of the buyback on earnings per share, net tangible asset backing per share, or the company's gearing. Any impact on compliance costs will not be significant. It is my view that the market takes account of the extent of Cushing family interests in the company.

Any buyback will take place on-market through the New Zealand Stock Exchange at the then current market price. It is not compulsory for any shareholder to participate in the buyback. Shareholders will determine whether or not to sell their shares, and when to do so.

In my opinion there are neither significant benefits nor significant risks or disadvantages as a result of the proposed share buy back, and the proposed share buyback will not have any significant impact on the value of the voting shareholders' shares.

Yours faithfully



E M Hickey

Williams & Kettle Limited
14 October 2002

Appendix 1

Qualifications and experience

This report has been prepared by Elizabeth Hickey, Chartered Accountant of Auckland. Elizabeth Hickey has a Master of Commerce degree with honours in Accountancy from the University of Auckland and is a Fellow of the Institute of Chartered Accountants of New Zealand. She has experience in the New Zealand securities market and securities regulation as a member of the Securities Commission. She specialises in preparing independent opinions, primarily on financial reporting matters, and has advised on and undertaken due diligence for mergers and acquisitions, including a period in London with the Corporate Finance group of a Big 4 firm.