

**OFFER BY LIFE PHARMACY LIMITED  
FOR ALL OF THE SHARES IN  
PHARMACYBRANDS LIMITED  
AS PART OF THE MERGER OF  
LIFE PHARMACY AND PHARMACYBRANDS**

Dated 4 September 2009

**IMPORTANT**

IF YOU ARE IN DOUBT AS TO ANY ASPECT OF THIS OFFER, YOU SHOULD CONSULT YOUR FINANCIAL OR LEGAL ADVISOR.

IF YOU HAVE SOLD ALL YOUR SHARES IN PHARMACYBRANDS LIMITED TO WHICH THIS OFFER APPLIES, YOU SHOULD IMMEDIATELY HAND THIS OFFER DOCUMENT AND THE ACCOMPANYING ACCEPTANCE FORM TO THE PURCHASER, OR THE AGENT (EG THE BROKER) THROUGH WHOM THE SALE WAS MADE, TO BE PASSED TO THE PURCHASER.

PHARMACYBRANDS' TARGET COMPANY STATEMENT, TOGETHER WITH AN INDEPENDENT ADVISER'S REPORT ON THE MERITS OF THIS OFFER EITHER ACCOMPANIES THIS OFFER OR WILL BE SENT TO YOU WITHIN 14 DAYS AND SHOULD BE READ IN CONJUNCTION WITH THIS OFFER.

## **SUMMARY OF OFFER**

As part of a proposed merger between Life Pharmacy Limited and Pharmacybrands Limited, Life Pharmacy is making a full takeover offer for all of the shares in Pharmacybrands. The key terms of the offer are:

- (i) Life Pharmacy is offering 39.783 fully paid Life Pharmacy shares for every 1 Pharmacybrands share acquired;
- (ii) the offer is conditional upon Life Pharmacy receiving acceptances in respect of a sufficient number of shares in Pharmacybrands that confer 50% or more of the voting rights in Pharmacybrands and certain other usual conditions;
- (iii) the offer commences on the date of this offer and closes 5.00 pm on 5 October 2009 (unless extended).

The detailed terms and conditions of the offer are set out in this offer document.

## **HOW TO ACCEPT THIS OFFER**

To accept this offer you should complete the acceptance form (the *Acceptance Form*) enclosed with this document, in accordance with the instructions set out on the Acceptance Form, and then deliver or mail the Acceptance Form to:

Life Pharmacy Limited  
c/- Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna, North Shore City 0622

or

Private Bag 92 119  
Auckland Mail Centre  
Auckland 1142

You may only accept the offer in respect of all shares held by the same beneficial owner.

If you have sold all or some of your shares, please refer to the instructions on page 14 of this document.

Allotment of share consideration will be made within 3 business days of the later of receipt of your acceptance and the offer becoming unconditional.

## **IMPORTANT**

ACCEPTANCES MUST BE RECEIVED ON OR BEFORE 5.00 PM ON 5 OCTOBER 2009 (UNLESS EXTENDED)

IF YOU HAVE LOST YOUR PERSONALISED ACCEPTANCE FORM, OR IF YOU HAVE ANY OTHER QUESTIONS ON HOW TO ACCEPT THIS OFFER, PLEASE CONTACT COMPUTERSHARE IN AUCKLAND ON +64 9 488 8700

## OFFER TERMS

**To: The Shareholders of Pharmacybrands Limited**

Dear Shareholder

### THE MERGER OFFER

- 1 As part of a proposed merger between Life Pharmacy Limited (*Life Pharmacy*) and Pharmacybrands Limited (*Pharmacybrands*), Life Pharmacy offers to acquire all of the issued fully paid ordinary shares (the *Pharmacybrands Shares*) in Pharmacybrands on the terms and conditions set out in this document (the *Offer*).
- 2 The Offer is recommended by the board of directors of both Pharmacybrands and Life Pharmacy. In addition, Cape Healthcare Limited (an entity associated with Peter Merton and Zuellig Group which holds 66.1% of Pharmacybrands), and entities associated with each director (and a former director) of Pharmacybrands who holds shares in Pharmacybrands, have committed to accept the Offer in respect of all of their respective Pharmacybrands Shares. The total percentage of shares in Pharmacybrands subject to these pre-acceptances is 68.94%.
- 3 The Offer is for all of the Pharmacybrands Shares, together with all rights, benefits and entitlements attaching to them as at 1 August 2009 or which subsequently arise (including the right to all dividends and other distributions arising after or by reference to a date occurring on or after 1 August 2009).
- 4 The Offer is dated 4 September 2009, and subject to the terms of the Offer is open for acceptance until and including the closing date of 5.00 pm on 5 October 2009.

### CONSIDERATION

- 5 The consideration offered under the Offer is \$19.55 per Pharmacybrands Share, to be satisfied by the issue of 39.783 Life Pharmacy Limited fully paid ordinary shares for every 1 Pharmacybrands Share acquired (the *Life Shares*).
- 6 The Life Shares will be issued as fully paid ordinary shares at an issue price of \$0.491 per share and will rank pari passu with all other Life Pharmacy ordinary shares on issue at the date of allotment under this Offer.
- 7 Any entitlement to a fraction of a Life Share under this Offer will be disregarded.
- 8 A combined registered Prospectus and Investment Statement which sets out the terms of the Life Shares, and other important information in relation to the Offer, accompanies this offer document. No person referred to in this document or the Prospectus and Investment Statement guarantees the Offer, the Life Shares or the performance of Life Pharmacy.

### HOW TO ACCEPT THIS OFFER

- 9 To accept this Offer:

- 9.1 complete the enclosed Acceptance Form in accordance with the instructions set out in the Acceptance Form; and
- 9.2 deliver or mail the completed Acceptance Form in the enclosed reply paid envelope as soon as possible, but in any event prior to 5.00 pm on 5 October 2009 (subject to extension, as set out below). If the reply paid envelope has been mislaid, please deliver or mail your Acceptance Form to:

Life Pharmacy Limited  
c/- Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna  
North Shore City 0622

or

Private Bag 92 119  
Auckland Mail Centre  
Auckland 1142  
New Zealand

- 10 You may only accept this Offer in respect of all shares held by you.
- 11 Life Pharmacy may, in its sole discretion, treat any Acceptance Form as valid, notwithstanding that it does not comply with this paragraph, and may, in its sole discretion (consistently applied), rectify any errors in, or omissions from, any Acceptance Form, including inserting or completing details of the Pharmacybrands Shares held by the accepting shareholders (*Acceptors*) and filling in any blanks.
- 12 Acceptance of this Offer by each Acceptor constitutes a contract between that Acceptor and Life Pharmacy on the terms and subject to the conditions of this Offer. Other than in the circumstances set out in paragraph 31 on page 7 under the heading "Method of Settlement" (failure by Life Pharmacy to transfer the Life Shares within the specified time) you may not withdraw your acceptance during the time this Offer is open for acceptance, whether or not there has been any variation of this Offer in accordance with the Takeovers Code.
- 13 Life Pharmacy will not acknowledge receipt of your acceptance of this Offer.

#### **TERMS OF OFFER**

- 14 Unless this Offer is withdrawn in accordance with the Takeovers Code, or it lapses in accordance with its terms, this Offer remains open for acceptance until and including the closing date of 5.00 pm on 5 October 2009, or such later closing date(s) as Life Pharmacy may decide in accordance with the Takeovers Code (the *Closing Date*). Acceptances posted (and bearing a postage stamp) before 5.00 pm on the Closing Date, but received after that date, may be accepted by Life Pharmacy.
- 15 Under the Takeovers Code the latest date on which Life Pharmacy can declare this Offer to have become unconditional is the date which is 14 days after the Closing Date (excluding any extension of the Closing Date beyond the maximum period referred to in rule 24B of the Takeovers Code). However, under a Merger

Agreement between (inter alia) Life Pharmacy and Pharmacybrands dated 1 August 2009, Life Pharmacy has agreed to declare the Offer unconditional immediately upon receipt of valid acceptances in respect of not less than 50% of the shares in Pharmacybrands (subject to certain conditions). As at the date of this Offer, the latest statutory date by which this Offer is to become unconditional is 19 October 2009, but this date may change if the Closing Date of the Offer is extended in accordance with the above, in which case the latest statutory date on which Life Pharmacy can declare the Offer unconditional will become the date that is 14 days after the Closing Date. If this Offer is not declared unconditional, the Offer will lapse.

- 16 The terms set out in the Acceptance Form comprise part of this Offer. The Acceptance Form duly completed may be treated by Life Pharmacy as a valid acceptance of this Offer whether or not accompanied by any other document or identification number necessary to transfer the Pharmacybrands Shares.
- 17 This Offer is open for acceptance by any person who holds Pharmacybrands Shares, whether acquired on, before or after the date of this Offer, upon production of satisfactory evidence of such person's entitlement to those Pharmacybrands Shares.
- 18 By accepting this Offer, each Acceptor represents and warrants that:
  - 18.1 it is the sole legal and beneficial owner of the Pharmacybrands Shares in respect of which it has accepted the Offer, or is the legal owner and has the necessary power, capacity and authority to accept the Offer in respect of such Pharmacybrands Shares;
  - 18.2 it has the full power, capacity and authority to sell and transfer such Pharmacybrands Shares; and
  - 18.3 legal and beneficial title to all such Pharmacybrands Shares (together with all other interests and rights acquired in respect of such Pharmacybrands Shares under this Offer) will pass to Life Pharmacy free of all liens, charges, mortgages, encumbrances and other adverse interests and claims of any kind.
- 19 The Pharmacybrands Shares (together with all other interests and rights acquired in respect of such Pharmacybrands Shares under this Offer) are to be sold and acquired free from all liens, charges, mortgages, encumbrances and other adverse interests and claims of any kind.
- 20 Life Pharmacy may vary this Offer in accordance with the Takeovers Code.

#### **CONDITIONS**

- 21 The Offer and any contract arising from acceptance of it is conditional on Life Pharmacy receiving acceptances in respect of Pharmacybrands Shares that result in Life Pharmacy holding or controlling more than 50% of the voting rights in Pharmacybrands. Life Pharmacy may not waive this condition.
- 22 This Offer and any contract arising from acceptance of it is also subject to the conditions that (except as otherwise agreed in writing by Life Pharmacy) during the

period from 27 July 2009 until the last date by which the Offer must be declared unconditional by Life Pharmacy:

- 22.1 no dividends (other than the fully imputed \$1,200,000 dividend paid by Pharmacybrands on 31 July 2009), bonuses or other payments or distributions of any nature have been or will be declared, paid or made upon or in respect of any of the Pharmacybrands Shares or upon or in respect of any of the shares of any company in which it has an ownership interest;
- 22.2 no further shares, convertible securities or any other securities of any description of Pharmacybrands or any company in which it has an ownership interest (the *Pharmacybrands Group*) have been or will be issued or agreed to be issued (whether by way of bonus issue or otherwise) and there have been no, and will be no, alteration of rights, privileges and restrictions attaching to the shares of any member of the Pharmacybrands Group;
- 22.3 no share in Pharmacybrands has been or will be subdivided, consolidated or acquired by Pharmacybrands;
- 22.4 no share in Pharmacybrands or any shares or other securities in any company in which it has an ownership interest have been or will be made the subject of any option, or right, to subscribe for the issue of securities in Pharmacybrands or that company;
- 22.5 no alteration has been or will be made to the constitution of any member of the Pharmacybrands Group;
- 22.6 none of the assets of the Pharmacybrands Group have been or are disposed of, or made the subject to any option or contract to sell, except in the ordinary course of business;
- 22.7 no member of the Pharmacybrands Group has or will enter into or contract to enter into, or complete, any acquisition of any investment, company or asset, otherwise than in the ordinary course of business;
- 22.8 no material member of the Pharmacybrands Group has or will merge or amalgamate with any third party business or entity (or announced any intention to do so);
- 22.9 no member of the Pharmacybrands Group has or will vary or waive any material rights or powers under any material contract to which it is a party (except in favour of Life Pharmacy);
- 22.10 no member of the Pharmacybrands Group has or will enter into or contract to enter into, or complete, any transaction to which Listing Rule 9.1 and/or Listing Rule 9.2 of the NZSX Listing Rules would apply if that Pharmacybrands Group member was listed on the NZSX;
- 22.11 no receiver, manager, receiver and manager, or statutory manager has been or will be appointed in relation to the property or assets (or any part thereof) of any member of the Pharmacybrands Group and no proceedings or steps (including the calling of a meeting to consider the passing of a resolution to

appoint a liquidator) for the liquidation or administration of any member of the Pharmacybrands Group has been or will be commenced and no enforcement or other event which entitles, or will with the passage of time entitle, any person to take any or all of the foregoing actions has occurred;

- 22.12 no variation has been or will be made to the terms and conditions of employment/appointment of any officer or director of any member of the Pharmacybrands Group;
- 22.13 no action, claim, litigation or other form of proceedings that are or could be material to the Pharmacybrands Group have been or are notified or commenced against, or by, any member of the Pharmacybrands Group; and
- 22.14 no event has or will occur, or has or will fail to occur, that would prevent or restrict Life Pharmacy from issuing Life Shares under the Securities Act 1978 (other than where the occurrence of the event, or the failure of the event, is as a direct result of an act or omission solely in the power, or under the control, of Life Pharmacy or any associate (as that term is defined in the Takeovers Code) of Life Pharmacy).
- 23 Where any condition requires a preliminary determination as to whether a matter is material or not, or in the ordinary course of business or not, before the condition may be invoked, such preliminary determination must be made by a suitably qualified expert appointed by Life Pharmacy (but who is not an associate (as that term is defined in the Takeovers Code) of Life Pharmacy), prior to Life Pharmacy being able to invoke the condition.
- 24 The above conditions are for the benefit of Life Pharmacy and may be waived in whole or in part by Life Pharmacy at its absolute discretion, to the extent permitted by the Takeovers Code. Any waiver or consent given by Life Pharmacy in respect of any matter or thing shall apply only in accordance with its terms and shall not constitute a consent or waiver in respect of any similar matter or thing.
- 25 All of the conditions set out above are conditions subsequent, and acceptance of this Offer by an Acceptor shall constitute a contract by that Acceptor with Life Pharmacy subject to those conditions.

#### **METHOD OF SETTLEMENT**

- 26 Life Pharmacy will present all Acceptance Forms to Pharmacybrands for registration as soon as possible following this Offer being declared unconditional.
- 27 If:
- 27.1 this Offer is declared unconditional; and
- 27.2 the Acceptance Form is in order (or in Life Pharmacy's discretion is treated as valid or is rectified in accordance with paragraph 11),

then advice as to the allotment of Life Shares will be posted or provided in accordance with the authority contained in the Acceptance Form by the last date for remittance of the consideration referred to below.

- 28 The Life Shares will be allotted to each Acceptor not later than 3 business days after the later of:
- 28.1 the date on which an Acceptor's acceptance is received by Life Pharmacy; or
  - 28.2 the date this Offer becomes unconditional.
- 29 As at the date of this Offer, the last date by which the Life Shares must be allotted to persons accepting this Offer is 22 October 2009 but this date may change if the closing date is extended, and therefore the latest date Life Pharmacy can declare the Offer to have become unconditional similarly extends.
- 30 Life Pharmacy will by this date advise by post of the allotment of Life Shares to which each Acceptor is entitled under this Offer.
- 31 If the consideration for the Offer is not sent within the requisite period to any Acceptor, that Acceptor may withdraw acceptance of the Offer by notice in writing to Life Pharmacy, but only after the expiration of 7 days' written notice to Life Pharmacy of that Acceptor's intention to do so. This right to withdraw acceptance of the Offer will not apply if the Acceptor receives the Life Shares during that 7 day period.

#### **CHANGE OF CIRCUMSTANCES**

- 32 If, on or after 1 August 2009, Pharmacybrands declares or pays a dividend or makes any other distribution to its shareholders and Life Pharmacy waives the condition referred to in paragraph 22.1, the Life Shares which would otherwise have been allotted to such Acceptors shall be reduced by a proportion of Life Shares (each Life Pharmacy share valued at \$0.491 for this purpose) equal to the cash amount of such dividend or such other distribution.
- 33 If, on or after 1 August 2009, Pharmacybrands authorises, declares or makes any issue of shares or debentures or convertible notes or other securities or grants any other rights or interests in its shares to its shareholders by way of capitalisation of any part of its profits or reserves, or by way of bonus issue and Life Pharmacy waives the conditions referred to in paragraph 22.2, Acceptors of this Offer will be bound to transfer such shares or debentures or convertible notes or other securities or other rights and interests to Life Pharmacy, without any additional consideration.
- 34 If all or any of the Pharmacybrands Shares are consolidated or subdivided by Pharmacybrands on or after 1 August 2009 and Life Pharmacy waives the conditions referred to in paragraph 22.3, then this Offer will be interpreted to take into account such consolidation or subdivision and will be deemed to be for the shares or securities resulting from such consolidation or subdivision and the consideration per Pharmacybrands Share provided above will be increased or reduced, as the case may require, in proportion to such consolidation or subdivision so that the number of Life Shares allotted to each Acceptor is not changed, and Acceptors will be bound to transfer such consolidated or subdivided shares or securities to Life Pharmacy on the basis of the consideration so increased or reduced.



## **NOTICES**

- 35 Notice to Pharmacybrands and the Takeovers Panel:
- 35.1 declaring this Offer unconditional; or
- 35.2 advising that this Offer is withdrawn in accordance with the Takeovers Code or has lapsed in accordance with its terms,
- in each case, will be deemed to be notice to all offerees.
- 36 Notice of any variation of this Offer will be sent to Pharmacybrands, the Takeovers Panel and, except where not required in accordance with the Takeovers Code, to each offeree.

## **FURTHER INFORMATION**

- 37 Further information relating to Life Pharmacy, as required by Schedule 1 to the Takeovers Code, is set out in the Appendix, and forms part of this Offer.

## **INTERPRETATION**

- 38 In this document:
- 38.1 any reference to the Takeovers Code means the takeovers code recorded in the Takeovers Code Approval Order 2000 (SR 2000/210) as amended by any applicable exemption granted by the Takeovers Panel under the Takeovers Act 1993;
- 38.2 except if expressly defined in this document, or where the context requires otherwise, terms defined in the Takeovers Code shall have the same meaning in this document;
- 38.3 in the event of any inconsistency between this Offer and the requirements of the Takeovers Code, or any applicable exemption granted by the Takeovers Panel under section 45 of the Takeovers Act 1993, the Takeovers Code, or exemption (as applicable), shall prevail;
- 38.4 all sums of money referred to in this Offer are in New Zealand currency;
- 38.5 any reference to time in this Offer is to New Zealand time;
- 38.6 any reference to a business day means a day (other than a Saturday, Sunday or public holiday) on which registered banks are open for business in Auckland; and
- 38.7 this Offer and any contract arising from it shall be governed by and construed in accordance with the laws of New Zealand.

**APPENDIX: INFORMATION REQUIRED TO BE SPECIFIED IN TAKEOVER NOTICE  
BY SCHEDULE 1 TO THE TAKEOVERS CODE**

**DATE**

- 1 The Offer is dated 4 September 2009.

**LIFE PHARMACY AND ITS DIRECTORS**

- 2 Life Pharmacy:

Life Pharmacy Limited  
Level 1, Building B  
600 Great South Road  
Greenlane, Auckland

- 3 Directors of Life Pharmacy:

John Andrew Bagnall  
John Barry Bolland  
Andrew John Davidson  
Mark Steven Vuksich

**TARGET COMPANY**

- 4 Pharmacybrands Limited.

**ADVICE STATEMENT**

- 5 The advice statement required under this paragraph is set out on the cover page of the offer document.

**OFFER TERMS**

- 6 The terms and conditions of the Offer are set out on pages 2 to 8 of the offer document.

**OWNERSHIP OF EQUITY SECURITIES OF TARGET COMPANY**

- 7 The table below sets out the number, designation and percentage of equity securities of any class of Pharmacybrands held or controlled by:

7.1 Life Pharmacy as the Offeror; and

7.2 any related company of Life Pharmacy; and

7.3 any person acting jointly or in concert with Life Pharmacy; and

7.4 any director of any of the persons described in clauses 7.1 to 7.3.

<b>Name</b>	<b>Type of equity securities</b>	<b>Number of shares held or controlled</b>	<b>Percentage of shares</b>
Neil Webber Pharmacy Limited <sup>1</sup>	Ordinary shares	1,500	0.15%
St Lukes Pharmacy Holdings Limited <sup>2</sup>	Ordinary shares	3,000	0.29%
AH McAulay Limited <sup>3</sup>	Ordinary shares	1,500	0.15%
Bayfair Pharmacy Limited, North City Pharmacy 2005 Limited and Queensgate Pharmacy Limited <sup>4</sup>	Ordinary shares	4,500	0.44%
J-Mall Pharmacy Limited <sup>5</sup>	Ordinary shares	1,500	0.15%
Riccarton Mall Pharmacy 2000 Limited <sup>6</sup>	Ordinary shares	1,500	0.15%

1 Neil Webber Pharmacy Limited is owned by Life Pharmacy (49%), Neil Webber (a director of Life Pharmacy, 28.6%), Seema Rambisheswar (11.4%) and Anthony Yee (11.0%)

2 St Lukes Pharmacy Holdings Limited is owned by Life Pharmacy (49%), Mark Vuksich (a director of Life Pharmacy, 17%), Thomas Lai (17%) and Stuart Thompson (17%)

3 AH McAulay Limited is owned by Life Pharmacy (49%) and Arthur Hector McAulay (51%)

4 Bayfair Pharmacy Limited, North City Pharmacy 2005 Limited and Queensgate Pharmacy Limited, who are each associated with Gordon Ritson, each hold 1,500 shares in Pharmacybrands. Bayfair Pharmacy Limited is owned by Life Pharmacy (49%) and Gordon Ritson (51%) and Queensgate Pharmacy Limited is owned by Life Pharmacy (49%) and Gordon Keith Ritson (51%). Life Pharmacy has no shareholding in North City Pharmacy 2005 Limited

5 J-Mall Pharmacy Limited is owned by Life Pharmacy (49%), Elizabeth Ann Walker (25.5%) and Frank Benny Hayes Walker (25.5%)

6 Riccarton Mall Pharmacy 2000 Limited is owned by Life Pharmacy (49%) and Matthew James Fleet (51%)

Source: Companies Office website as at 15 July 2009

8 Apart from the persons named in the table above, no person referred to in paragraphs 7.1 to 7.4 holds or controls equity securities in Pharmacybrands.

9 To the knowledge of Life Pharmacy, the table below sets out the number, designation and percentage of equity securities of any class of Pharmacybrands held or controlled by any other person (not referred to above) who holds or controls more than 5% of that class:

<b>Name</b>	<b>Type of equity securities</b>	<b>Number of shares held or controlled</b>	<b>Percentage of shares</b>
Cape Healthcare Limited <sup>1</sup>	Ordinary shares	676,285	66.1%

1 Cape Healthcare Limited is owned by Peter Merton and C W M Trustee Company Limited as trustees of the Pentz Trust as to 49% and Elite Investment Holdings Limited as to 51%.

## **TRADING IN TARGET COMPANY EQUITY SECURITIES**

10 None of the persons referred to in paragraphs 7.1 to 7.4 have acquired or disposed of equity securities in Pharmacybrands in the six month period before the date of this offer.

## **AGREEMENT TO ACCEPT OFFER**

- 11 Cape Healthcare Limited, and entities associated with each of Ian Sharp, Graham Gyde, Peter McSweeney, Kenneth Orr and Stephen Tatton (directors or former directors of Pharmacybrands) have each entered into a pre-bid agreement with Life Pharmacy (the *Pre-Bid Agreements*) pursuant to which they have agreed to accept the Offer in respect of all of the shares they hold and control in Pharmacybrands, being a total number of shares of 705,285, which represents 68.94% of the issued shares of Pharmacybrands.

## **ARRANGEMENTS TO PAY CONSIDERATION**

- 12 Life Pharmacy confirms that resources will be available to it sufficient to meet the consideration to be provided on full acceptance of the Offer and to pay any debts incurred in connection with the Offer (including debts arising under rule 49 of the Takeovers Code).
- 13 A statement setting out the rights of each offeree under rule 34 of the Takeovers Code, to withdraw its acceptance for non-transfer by Life Pharmacy of the Life Shares, is set out in paragraph 31 on page 7 of the offer document under the heading "Method of Settlement".

## **ARRANGEMENTS BETWEEN LIFE PHARMACY AND TARGET COMPANY**

- 14 Life Pharmacy, Pharmacybrands and their respective boards of directors are party to a Merger Agreement dated 1 August 2009 to facilitate the merger between the two companies (the *Merger Agreement*). Under this agreement, subject to certain conditions: (a) Life Pharmacy agreed to make the Offer and Pharmacybrands agreed to support and facilitate the merger; (b) the boards of directors of both Life Pharmacy and Pharmacybrands agreed to recommend the merger; (c) the parties agreed to certain break fee and cost sharing arrangements; and (d) the parties agreed to mutual interim period covenants.
- 15 Prior to entering into the Merger Agreement, Life Pharmacy and Pharmacybrands had entered into a confidentiality deed and an exclusivity letter.

## **ARRANGEMENTS BETWEEN LIFE PHARMACY AND DIRECTORS AND OFFICERS OF TARGET COMPANY**

- 16 As part of the proposed merger:
  - 16.1 Shareholders of Life Pharmacy have been asked to approve the appointment of Peter Merton, William Meaney and Ian Sharp as directors of Life Pharmacy, with effect from the date the Offer is declared unconditional. Following completion of the Merger, Peter Merton will be appointed executive chairman at the first Life Pharmacy board meeting following completion of the merger.
  - 16.2 No specific offers of employment have been made as at the date of this Offer, and any such appointments will be a decision of the board of Life Pharmacy, however as part of the operational merger of Life Pharmacy and Pharmacybrands, the management team of Life Pharmacy is expected to

comprise senior officers and employees of both Life Pharmacy and Pharmacybrands.

- 17 Other than these arrangements, the Merger Agreement and the Pre-Bid Agreements, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Life Pharmacy or any associates of Life Pharmacy, and any of the directors or senior officers of Pharmacybrands or of any related company of Pharmacybrands (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.

**NO FINANCIAL ASSISTANCE**

- 18 No agreement or arrangement has been made, or is proposed to be made, under which Pharmacybrands or any related company of Pharmacybrands will give (directly or indirectly) financial assistance for the purpose of, or in connection with, the Offer.

**LIKELIHOOD OF CHANGES IN TARGET COMPANY**

- 19 Life Pharmacy does not intend to make any material changes in the underlying business of Pharmacybrands or its subsidiaries. Clearly, to realise some of the synergistic benefits perceived to be available from a merger of the two businesses of Life Pharmacy and Pharmacybrands, some restructure, consolidation and rationalisation measures will be implemented. No specific and detailed plans currently exist, in that regard. In the event that Life Pharmacy obtains control of 90% or more of the voting rights in Pharmacybrands, Life Pharmacy intends to proceed with the compulsory acquisition of the balance of the Shares in Pharmacybrands.

**NO PRE EMPTION CLAUSES IN TARGET COMPANY'S CONSTITUTION**

- 20 There is no restriction on the right to transfer equity securities to which the Offer relates contained in the constitution of Pharmacybrands which has the effect of requiring the holders of the securities to offer the securities for purchase to members of Pharmacybrands or to any other person before transferring the securities.

**ESCALATION CLAUSE**

- 21 There is no agreement or arrangement (whether legally enforceable or not), to which Life Pharmacy or any of its related entities are a party, under which any existing holder of equity securities in Pharmacybrands will or may receive in relation to, or as a consequence of, the Offer any additional consideration or other benefit over and above the consideration set out in the Offer, or any prior holder of equity securities in Pharmacybrands will or may receive any consideration or other benefit as a consequence of the Offer.

**NO INDEPENDENT ADVISER'S REPORT IN RELATION TO CLASSES OF SECURITIES**

- 22 An independent adviser's report is not required under rule 22 of the Takeovers Code (which relates to the fairness and reasonableness of the consideration and terms of the offer as between different classes of securities).

**CERTIFICATE**

- 23 To the best of our knowledge and belief, after making proper inquiry, the information contained in the offer document 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 Life Pharmacy under the Takeovers Code.
- 24 Signed by the persons named below or their respective agents authorised in writing.



\_\_\_\_\_  
Craig Wilson, Acting Chief Executive Officer



\_\_\_\_\_  
Craig Wilson, Chief Financial Officer



\_\_\_\_\_  
Mark Vuksich, Director



\_\_\_\_\_  
John Bolland, Director

## **PLEASE NOTE**

### **IF YOU HAVE SOLD ALL YOUR PHARMACYBRANDS SHARES**

Please send this Offer and all enclosures (including the Acceptance Form) at once to the new Pharmacybrands shareholder or the broker through whom you made the sale requesting that they be forwarded to the new Pharmacybrands shareholder.

### **IF YOU HAVE SOLD SOME OF YOUR PHARMACYBRANDS SHARES**

Please alter the total holding on the Acceptance Form to the number of Pharmacybrands Shares which you have retained and forward the amended Acceptance Form in the reply paid envelope supplied to:

Life Pharmacy Limited  
c/- Computershare Investor Services Limited  
Level 2, 159 Hurstmere Road  
Takapuna  
North Shore City 0622

or

Private Bag 92 119  
Auckland Mail Centre  
Auckland 1142  
New Zealand

Upon receipt of the amended Acceptance Form, Life Pharmacy Limited will recalculate the amount of shares comprising your consideration to reflect the number of Pharmacybrands Shares sold by you.

Please also request the person through whom you made the sale to advise the purchaser or purchasers of your Pharmacybrands Shares of this Offer and that copies of it are available from Life Pharmacy Limited at the above address and advise Computershare of the number of Pharmacybrands Shares sold and the broker concerned.

