

MERCANTILE NZ LIMITED

Kirkcaldie & Stains Limited
19 Regent Street
Petone
Lower Hutt, 5012

18 March 2016

By email: orsola@kirkcaldies.co.nz

The Takeovers Panel
Level 3, Solnet House
70 The Terrace
WELLINGTON 6011

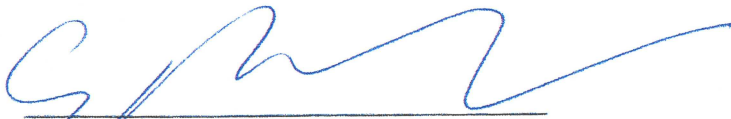
By courier and by email:
takeovers.panel@takeovers.govt.nz

Despatch notice under rule 45 of the Takeovers Code

We refer to the takeover notice given by Mercantile NZ Limited (**Mercantile**) to Kirkcaldie & Stains Limited (**K & S**) on 26 February 2016 in relation to Mercantile's proposed takeover offer for all of the fully paid ordinary shares in K & S (**Offer**).

Mercantile gives notice pursuant to rule 45 of the Takeovers Code that the Offer document has been sent to the offerees and a copy of the Offer document is **attached** for your records.

Yours faithfully
Mercantile NZ Limited



Gabriel Radzynski
Director

cc: NZX Limited
Level 2, NZX Centre
11 Cable Street
PO Box 2959
WELLINGTON
By email

cc: Registrar of Companies
Northern Business Centre
Private Bag 92061
Victoria Street West
AUCKLAND 1142
By email

CASH OFFER BY MERCANTILE NZ LIMITED TO ACQUIRE ALL OF THE ORDINARY SHARES IN KIRKCALDIE & STAINS LIMITED FOR \$2.75 PER SHARE

THIS IS AN IMPORTANT DOCUMENT

If you are unsure what action to take, you should consult your sharebroker, accountant, lawyer or other advisor.

Mercantile NZ Limited's offer closes at the end of 15 April 2016 (unless extended in accordance with the Takeovers Code).

FULL TAKEOVER OFFER

By Mercantile NZ Limited to acquire all of the ordinary shares in Kirkcaldie & Stains Limited for \$2.75 per share pursuant to the Takeovers Code.

OFFER OPENS: 15 March 2016

OFFER CLOSES: 15 April 2016

IMPORTANT

If you are in doubt as to any aspect of this offer, you should consult your financial or legal adviser.

If you have sold all your shares in Kirkcaldie & Stains 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.

Kirkcaldie & Stains Limited's 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.

Mercantile NZ Limited

15 March 2016

Dear Shareholder

We have pleasure in enclosing our offer of \$2.75 per share for all of the issued capital of Kirkcaldie & Stains Ltd (K & S) which we do not already own.

K & S has sold its retail business to David Jones Pty Ltd and its assets now comprise almost entirely of cash.

Shareholders should note the following three points –

1. \$2 million has been retained by David Jones for up to 12 months as security for claims arising from the sale of the business. It is not expected any such claims will arise but some slight uncertainty remains until the funds are repaid to K & S. The K & S Board is hopeful of receiving all or part of these funds earlier than the contracted period of 12 months.
2. There are 3 leases outstanding. The K & S Board is endeavouring to negotiate settlements for less than the amount provided in the accounts. It has announced a conditional arrangement for surrender of one lease for payments of \$450,000 plus GST.
3. The only real alternatives for shareholders are the possibility of a higher offer or a formal liquidation of the company. A higher offer will speak for itself but liquidation would be a very sad end for this iconic company and may not receive the necessary shareholder support.

Our recommendation to shareholders is to wait and see if any higher offer does emerge and, if not, to accept our offer before it closes (unless extended) on 15 April 2016.

Yours sincerely



RON BRIERLEY
CHAIRMAN

TERMS AND CONDITIONS OF THE OFFER

Mercantile NZ Limited (**Mercantile**) offers to purchase all of the ordinary shares in Kirkcaldie & Stains Limited (**K & S**) not already held by Mercantile (**K & S Shares**) for \$2.75 in cash per K & S Share on the terms and conditions contained in this offer document (**Offer**).

1. THIS OFFER

- 1.1** Mercantile offers to acquire the K & S Shares, including all rights, benefits and entitlements attached thereto on, after, or by reference to, the date on which Mercantile gave K & S notice of its intention to make this Offer (**Notice Date**) but excluding such rights, benefits and entitlements (**Scheme Benefits**) which accrue or have accrued or are payable under the scheme of arrangement pursuant to part 15 of the Companies Act 1993 between K & S, The Kirkcaldie & Stains Trustee Company Limited and the shareholders of K & S and approved by the High Court on 9 February 2016 (**Scheme**).
- 1.2** This Offer will remain open for acceptance until the end of 15 April 2016 or such later date (if any) as Mercantile may determine to extend it in accordance with the Takeovers Code (**Closing Date**).
- 1.3** This Offer is dated 15 March 2016 (**Offer Date**).

2. CONSIDERATION

- 2.1** The consideration offered by Mercantile for each K & S Share is \$2.75 in cash (subject to any further adjustment in accordance with paragraph 6).
- 2.2** The amount of consideration payable to each holder of K & S Shares who accepts this Offer (each an **Acceptor**) will be paid by cheque sent by ordinary mail or paid in cleared funds by electronic transfer (at the election of the Acceptor) no later than seven days after the later of:
- (a) the date on which that Acceptor's acceptance is received by Mercantile;
 - (b) the date on which this Offer becomes unconditional; or
 - (c) 15 April 2016.
- 2.3** If the consideration payable to an Acceptor is not sent to that Acceptor within the period specified in paragraph 2.2, that Acceptor may withdraw their acceptance of this Offer by notice in writing to Mercantile, but only:
- (a) after the expiration of seven days' written notice to Mercantile of that Acceptor's intention to do so; and
 - (b) if that Acceptor does not receive the consideration to which they are entitled during the seven day period referred to in paragraph 2.3(a).

3. TERMS OF THIS OFFER

- 3.1** Unless this Offer is withdrawn in its entirety with the consent of the Takeovers Panel in accordance with the Takeovers Code or unless this Offer lapses in accordance with its terms, this Offer will remain open for acceptance until and including the Closing Date.

- 3.2** The latest date on which Mercantile can declare this Offer unconditional (**Condition Date**) is 14 days after the Closing Date excluding, for the purposes of this paragraph 3.2, any extension of the Closing Date beyond 12 June 2016. If this Offer is not extended and the Offer period ends on 15 April 2016, then as at the date of this Offer, the latest date under the Takeovers Code by which Mercantile can declare this Offer unconditional is 29 April 2016, on the basis that the conditions in paragraphs 4 and 5.1 have been satisfied or waived.
- 3.3** If this Offer is not declared unconditional, or the outstanding conditions to it are not waived by Mercantile (to the extent waivable), by the Condition Date, then this Offer will lapse and Mercantile and every Acceptor will be released from their obligations under this Offer (and any contract arising from their acceptance of it).
- 3.4** This Offer is open for acceptance by any person who holds K & S Shares, whether acquired before, on or after the date of this Offer, upon production of satisfactory evidence of such person's entitlement to those K & S Shares. A holder of K & S Shares may accept this Offer in respect of all or any of their K & S Shares. Each acceptance must be free of all conditions of acceptance of any nature whatsoever.
- 3.5** Each Acceptor represents and warrants that:
- (a)** it is the sole legal and beneficial owner of the K & S Shares in respect of which it accepts this Offer, or it is the legal owner and has the necessary power, capacity and authority to accept this Offer in respect of those K & S Shares, and to sell and transfer all K & S Shares in respect of which it accepts this Offer; and
 - (b)** legal and beneficial title to all those K & S Shares in respect of which it accepts this Offer will pass to Mercantile free of all liens, charges, mortgages, encumbrances and other adverse interests or claims of any nature whatsoever, but together with all rights, benefits and entitlements attaching to them, including the right to all dividends, bonuses and other payments and distributions of any nature attaching to such K & S Shares arising on, after, or by reference to, the Notice Date (but excluding any Scheme Benefits), on payment of the purchase price pursuant to paragraph 2.
- 3.6** Mercantile may choose to engage the services of one or more Primary Market Participants (in terms of the NZX Participant Rules) or other financial advisory firms (**Brokers**) to contact holders of K & S Shares and receive acceptance forms for K & S Shares. If Mercantile chooses to do this, the key terms of engagement will be as follows:
- (a)** for each completed and valid Acceptance Form procured by a Broker, Mercantile may pay to that Broker a handling or procurement fee in respect of the K & S Shares the subject of the Acceptance Form (**Procurement Fee**). The amount of the Procurement Fee will be 0.75% of the consideration payable by Mercantile under this Offer to the relevant Acceptor in respect of the Acceptance Form received. The Procurement Fee will be subject to a minimum amount of \$50 and a maximum amount of \$750 for a single Acceptance Form inclusive of GST, if any;
 - (b)** the Broker will be paid, and receive, the Procurement Fee solely in connection with its services to Mercantile and must not, directly or indirectly, pass any or all of the Procurement Fee on to any Acceptor, or share the Procurement Fee with any Acceptor;

- (c) the payment of a Procurement Fee to a Broker in respect of an Acceptance Form procured by that Broker is in all respects conditional on the K & S Shares, which are the subject of that Acceptance Form, being validly transferred to Mercantile. No Procurement Fees will be payable if this Offer is not declared unconditional by Mercantile. In addition, the Acceptance Form must be delivered to Mercantile in accordance with paragraph 7 and, unless Mercantile in its sole discretion determines otherwise, must be stamped by the Broker (and only that Broker). A Procurement Fee will not be paid in respect of K & S Shares acquired by Mercantile through the compulsory acquisition provisions set out in Part 7 of the Takeovers Code;
- (d) Brokers are precluded from receipt of any Procurement Fee in respect of K & S Shares in which they or their associates have relevant interests (as defined in Part 5 of the Financial Markets Conduct Act 2013);
- (e) Mercantile may, in determining the Procurement Fee payable to a Broker, aggregate and/or disregard any acceptance of this Offer procured by that Broker if Mercantile believes that a party has structured holdings of K & S Shares for the purpose or with the effect of enabling parties to take advantage of the arrangements summarised in this paragraph 3.7; and
- (f) Mercantile will determine, in its sole discretion, any disputes relating to the payment of a Procurement Fee. The determination of Mercantile will be final and binding on all parties.

4. MINIMUM ACCEPTANCE CONDITION

This Offer, and any contract arising from acceptance of it, is conditional on:

- (a) Mercantile receiving acceptances by no later than the Closing Date in respect of such number of K & S Shares that would, upon this Offer being declared unconditional and the relevant K & S Shares being transferred to Mercantile, result in Mercantile holding or controlling more than 90% of the voting rights in K & S; or
- (b) if the condition in paragraph 4(a) is waived by Mercantile, then Mercantile receiving acceptances by no later than the Closing Date in respect of such number of K & S Shares that would, upon this Offer being declared unconditional and the relevant K & S Shares being transferred to Mercantile, result in Mercantile holding or controlling more than 50% of the voting rights in K & S.

5. FURTHER CONDITIONS OF THIS OFFER

5.1 This Offer, and any contract arising from acceptance of it, are subject to the conditions that, except pursuant to the Scheme or as otherwise agreed in writing by Mercantile, during the period from the Notice Date until the Condition Date:

- (a) no dividends, bonuses or other payments or distributions (within the meaning of the Companies Act 1993) of any nature whatsoever (including, for the avoidance of doubt, by way of share buyback, redemption or cancellation or any other form of capital reduction) are authorised, declared, paid or made upon or in respect of any of the K & S Shares;

- (b) no shares, convertible securities or other equity securities of any nature (including options, rights or interests in any ordinary shares) of K & S or any of its subsidiaries or joint venture entities (together the **K & S Group**), are issued, agreed to be issued or made the subject of any option or right to subscribe except pursuant to a transaction between K & S and wholly owned subsidiaries of K & S, or between wholly owned subsidiaries of K & S (**Intra-Group Transaction**);
- (c) there is no alteration of the rights, benefits, entitlements and restrictions attaching to any of the K & S Shares;
- (d) no member of the K & S Group enters into an agreement or arrangement, or completes or settles any agreement or arrangement to which Listing Rule 9.1 and/or Listing Rule 9.2 of the NZX Main Board Listing Rules apply, or would apply but for the granting of a waiver or exemption;
- (e) no member of the K & S Group enters into any major transaction (as defined in section 129(2) of the Companies Act 1993);
- (f) there is no alteration to the constitutional documents of any member of the K & S Group, or to any trust deed (or similar document) under which any securities have been issued to the public by any member of the K & S Group, other than amendments that are of a formal or technical, and not of a substantive, nature;
- (g) no member of the K & S Group disposes of, purchases, transfers, leases, mortgages, charges or grants a security interest over, grants an option or legal or equitable interest in respect of, or otherwise deals with a legal or beneficial interest in, any asset, business operation, property or subsidiary (or agrees, including by agreeing to materially vary any agreement, to do any of these things), in each case, having a value of an amount in excess of \$100,000 (either by a single act or series of related acts), otherwise than in the ordinary course of business or pursuant to an Intra-Group Transaction;
- (h) no member of the K & S Group undertakes or commits to any capital expenditure over \$100,000 (in aggregate), other than in the ordinary course of business or pursuant to an Intra-Group Transaction;
- (i) no member of the K & S Group enters into, or materially varies, any onerous, long-term or material contract, commitment or arrangement, other than in the ordinary course of business;
- (j) there is no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction in New Zealand or elsewhere or other legal restraint or prohibition making implementation of this Offer, or any aspect of it, void, unenforceable or illegal;
- (k) no liquidator, receiver, receiver and manager, statutory manager or similar official is appointed in respect of any member of the K & S Group or any of their respective assets;
- (l) no actions, claims, litigation or other form of proceedings that were not publicly notified or commenced prior to the Notice Date, are threatened, notified or commenced against, or by, any member of the K & S Group that have, or could reasonably be expected to have, a material adverse effect on the financial position, trading operations or assets or liabilities or prospects of the K & S Group, taken as a whole (**Material Adverse Effect**);
- (m) no board resolution or shareholders' resolution of any member of the K & S Group is passed to do or authorise the doing of any act or matter referred to in any of sub-paragraphs (a) to (l) (inclusive);

- (n) no resolution is passed for any amalgamation (other than pursuant to an Intra-Group Transaction) or liquidation of any member of the K & S Group;
- (o) no member of the K & S Group is involved in any merger, amalgamation or share buyback (other than pursuant to an Intra-Group Transaction) or scheme of arrangement (other than the Scheme) which becomes effective;
- (p) no proceedings or formal investigation are commenced by any regulatory authority in relation to any member of the K & S Group which has had, or could reasonably be expected to have, a Material Adverse Effect;
- (q) there has not occurred any event (including without limitation any natural disaster, accident, change of law, regulation or act of terrorism), change or condition that has, or could reasonably be expected to have, a Material Adverse Effect; and
- (r) there have not occurred any events, circumstances or conditions of the natures referred to in sub-paragraphs (a) to (q) (ignoring, for this purpose, any materiality or similar qualifications therein) which (while not causing a failure of any of the conditions set out in any such paragraphs), when aggregated with all other events, changes, circumstances or conditions of any of the natures referred to in such paragraphs (ignoring, for this purpose, any materiality or similar qualifications therein) that have occurred, have an overall impact which taken as a whole has, or could reasonably be expected to have, a Material Adverse Effect;

provided that "ordinary course of business" shall be deemed to include actions and activities which are necessary or desirable for the orderly winding up and termination of the business of the K & S Group, in the ordinary course.

5.2 The following actions by any member of the K & S Group shall be deemed to be material to the K & S Group taken as a whole and not to be in the ordinary course for the purposes of paragraph 5.1:

- (a) the making of (or agreeing to make) unusual or abnormal payments, or the incurring of (or agreeing to incur) unusual or abnormal commitments or liabilities (including contingent liabilities) except pursuant to an Intra-Group Transaction; and
- (b) the making of any unusual payment of income tax, including taxation in advance.

5.3 To the extent required by the Takeovers Code, where any condition requires a determination as to whether a matter is or could reasonably be expected to be material or not, is adverse or not, is onerous or not, is long term or not, is normal or not, is in the ordinary course of business or not, is consistent with past practices or not, or is of a formal or technical (and not substantive) nature or not, before the condition may be invoked, such determination must be made by a suitably qualified expert nominated by Mercantile (after consultation with K & S) who is independent of, and not an associate of, Mercantile.

5.4 The conditions in paragraphs 4(a) and 5.1 are for the sole benefit of Mercantile and, accordingly, each such condition may be waived, in whole or in part, by Mercantile, and on such terms as it decides, in its sole discretion. Any waiver or consent given by Mercantile 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.

- 5.5** Each condition set out in paragraphs 4 and 5.1 is a separate condition subsequent, and acceptance of this Offer by each Acceptor shall constitute a contract between that Acceptor and Mercantile subject to those conditions. This Offer will only proceed if all conditions in paragraphs 4 and 5.1 are satisfied or, to the extent permissible, waived.
- 5.6** Notwithstanding any other term of the Offer, Mercantile may not allow the Offer to lapse:
- (a) in unreasonable reliance on a condition of the Offer; or
 - (b) in reliance on a condition of the Offer that restricts K & S' activities in the ordinary course of K & S' business during the period commencing on the Notice Date and ending on the Condition Date.

6. CHANGE IN CIRCUMSTANCES

- 6.1** If, on or after the Notice Date, K & S authorises, declares, makes, or pays any dividend or any distribution (within the meaning of the Companies Act 1993) of any nature whatsoever (including, for the avoidance of doubt, by way of share buyback, redemption or cancellation or any other form of capital reduction), other than pursuant to the Scheme, and:
- (a) the condition in paragraph 5.1(a) is waived by Mercantile;
 - (b) this Offer is unconditional; or
 - (c) this Offer becomes unconditional,
- then, at the election of Mercantile (and subject to the terms of any waiver referred to in paragraph (a) above), each Acceptor will be bound to pay to Mercantile on demand the Distribution Amount, or the consideration which would otherwise have been paid to each Acceptor for their K & S Shares shall be reduced by the Distribution Amount. For the purposes of this paragraph 6.1, **Distribution Amount** means the amount of any dividend or the value of any other distribution on shares transferred to Mercantile pursuant to this Offer (for the avoidance of doubt grossed up to include the amount of any withholding taxes deducted, if applicable) that is received by, or properly payable to, the Acceptor.
- 6.2** If, on or after the Notice Date, K & S authorises, declares, or makes any issue of shares, convertible securities or other securities of any nature (including options, rights or interests in its ordinary shares), by way of bonus issue and:
- (a) the condition in paragraph 5.1(b) is waived by Mercantile;
 - (b) this Offer is unconditional; or
 - (c) this Offer becomes unconditional,
- then each Acceptor will, subject to the terms of any waiver referred to in paragraph (a) above, be bound to transfer any such shares, convertible securities, other securities or options, rights and interests issued in respect of those K & S Shares for which they have accepted this Offer to Mercantile, without any additional consideration.
- 6.3** If, on or after the Notice Date, K & S makes any issue of ordinary shares to any person other than by way of bonus issue and:
- (a) the condition in paragraph 5.1(b) is waived by Mercantile;
 - (b) this Offer is unconditional; or
 - (c) this Offer becomes unconditional,

then this Offer will be deemed to be extended to and include such ordinary shares and the consideration payable for them will be as provided in paragraph 2.1.

6.4 If, on or after the Notice Date, all or any of the K & S Shares are subdivided or consolidated by K & S, or the number of K & S Shares is otherwise reduced (other than pursuant to the Scheme), then:

- (a) this Offer will be interpreted to take into account that subdivision, consolidation or reduction and will be deemed to be for the K & S Shares resulting from that subdivision, consolidation or reduction;
- (b) to the extent it has not already been adjusted under paragraph 6.1, the consideration per K & S Share offered under this Offer will be increased or reduced, as the case may require, in proportion to that subdivision, consolidation or reduction; and
- (c) each Acceptor will be bound to transfer those K & S Shares, as subdivided, consolidated or reduced, to Mercantile on the basis of the consideration so increased or reduced.

7. HOW TO ACCEPT THIS OFFER

7.1 To accept this Offer, you need only:

- (a) complete the relevant Acceptance Form in respect of K & S Shares enclosed with this Offer in accordance with the instructions on the Acceptance Form; and
- (b) return the completed Acceptance Form by email, fax, post (in the reply-paid envelope which is enclosed with this Offer) or hand delivery **AS SOON AS POSSIBLE** after receipt of this Offer, but in any event so that it is received by Mercantile no later than the Closing Date. Completed Acceptance Forms should be sent or delivered to the appointed share registrar's address or email as set out on the Acceptance Form.

No acknowledgement of receipt of acceptances of this Offer will be issued. Any acceptance received by New Zealand Post, correctly stamped and addressed shall be deemed to be received by Mercantile.

7.2 Mercantile may, in its discretion, treat any Acceptance Form as valid notwithstanding that it does not otherwise comply with paragraph 7.1, or any instructions on the Acceptance Form, and may, in its discretion, rectify any errors in, or omissions from, any Acceptance Form to enable that form to constitute a valid acceptance of the Offer and to facilitate registration of the transfer of the relevant K & S Shares. Mercantile may, in its discretion, allow for acceptance in any other manner it wishes.

7.3 Acceptance of this Offer by each Acceptor constitutes a contract between that Acceptor and Mercantile on the terms and subject to the conditions of this Offer and the Takeovers Code. Other than in the circumstances set out in paragraph 2.3, an Acceptor may not withdraw their acceptance, whether or not there has been any variation of this Offer. Mercantile and every Acceptor shall be released from their obligations under this Offer, and arising from acceptance of this Offer, if this Offer:

- (a) is withdrawn with the consent of the Takeovers Panel; or
- (b) lapses as a result of any condition in paragraphs 4 and 5.1 not being satisfied or waived by the Condition Date.

8. METHOD OF SETTLEMENT

If:

- (a) this Offer is declared unconditional; and
- (b) an Acceptor's Acceptance Form is in order (or any error or omission from the Acceptance Form is rectified by Mercantile or the Offer is otherwise accepted by Mercantile under paragraph 7.2),

then either a cheque will be sent (by ordinary mail) or an electronic transfer of cleared funds will be made (at the election of the Acceptor) by Mercantile for the aggregate amount payable (calculated based on the consideration offered per K & S Share as set out in paragraph 2.1) to the Acceptor, by the date specified in paragraph 2.2. If an Acceptor does not select a method of payment, or the details that it provides are not sufficient to effect an electronic transfer, then that Acceptor will be paid by cheque or by direct credit to the Acceptor's existing New Zealand dollar denominated account already held with the appointed share registrar (if any).

9. NOTICES

9.1 Notices given to K & S, the Takeovers Panel and NZX:

- (a) declaring this Offer unconditional;
- (b) advising that this Offer is withdrawn in accordance with the Takeovers Code;
- (c) advising that a term or condition of this Offer has been waived; or
- (d) advising that this Offer has lapsed in accordance with its terms or the Takeovers Code,

will, in each case, be deemed to be notice to all K & S' shareholders when so given.

9.2 Notice of any variation of this Offer will be sent to K & S, the Takeovers Panel, NZX and, except where not required in accordance with the Takeovers Code, to each offeree under this Offer.

10. FURTHER INFORMATION AND MISCELLANEOUS

10.1 Further information relating to this Offer, as required by Schedule 1 to the Takeovers Code, is set out in the Schedule and forms part of this document.

10.2 In this Offer document:

- (a) any reference to the Takeovers Code means the New Zealand Takeovers Code in force at the relevant time;
- (b) except if expressly defined in this Offer document, or where the context requires otherwise, terms defined in the Takeovers Code have the same meaning in this Offer document;
- (c) references to dollars and \$ are references to New Zealand dollars and all amounts payable under this Offer are payable in New Zealand dollars;
- (d) headings are for ease of reference only and will not affect the interpretation of this Offer document or any Acceptance Form;

- (e) references to any statutory provision are to statutory provisions in force in New Zealand and include any statutory provision which amends or replaces it, and any by-law, regulation, order, statutory instrument, determination or subordinate legislation made under it;
 - (f) the singular includes the plural and vice versa;
 - (g) unless otherwise specified, material and materiality will have their respective ordinary and customary meanings; and
 - (h) a matter will be deemed to have a Material Adverse Effect if such matter (if quantifiable) has an impact of \$100,000 or more with respect to the assets, liabilities, financial position or performance, profits, losses or prospects of the K & S Group, taken as a whole.
- 10.3** This Offer may be varied by Mercantile in accordance with Rule 27 of the Takeovers Code or any exemption from Rule 27 granted under the Takeovers Act 1993.
- 10.4** This Offer and any contract arising from it shall be governed by and construed in accordance with the laws of New Zealand, and the parties to any such contract submit to the non-exclusive jurisdiction of the Courts of New Zealand.
- 10.5** Any reference to an Acceptance Form in this Offer document is a reference to an acceptance form attached to or accompanying this Offer document and the provisions set out in the Acceptance Form are part of the terms of this Offer.
- 10.6** If there is an inconsistency between the terms and conditions of this Offer and the provisions of the Takeovers Act 1993 or the Takeovers Code, the provisions of the Takeovers Act 1993 or the Takeovers Code (as the case may be) will prevail.

SCHEDULE A: TAKEOVERS CODE INFORMATION

The information required by Schedule 1 to the Takeovers Code, and not stated elsewhere in this Offer document, is set out below. Where any information required by Schedule 1 is not applicable, no statement is made regarding that information. All of the following matters are stated as at the Offer Date.

1. DATE

This Offer is dated 15 March 2016.

2. MERCANTILE AND ITS DIRECTORS

2.1 The name and address of Mercantile are:

Mercantile NZ Limited
Level 24
195 Lambton Quay
Wellington 6011

2.2 The directors of Mercantile are:

Sir Ronald Alfred Brierley
Gabriel Francois Radzynski

3. TARGET COMPANY

The target company is Kirkcaldie & Stains Limited.

4. OWNERSHIP OF EQUITY SECURITIES OF K & S

4.1 The table below sets out the number, designation, and percentage of equity securities of any class of K & S held or controlled by –

- (a) Mercantile; and
- (b) any related company of Mercantile; and
- (c) any person acting jointly or in concert with Mercantile; and
- (d) any director of any of the persons described in paragraphs (a) to (c); and
- (e) any other person holding or controlling more than 5% of the class, if within the knowledge of Mercantile.

Holder	Description	Number of K & S Shares	Type of Equity Security	Percentage of Class
H&G Limited	Person holding or controlling more than 5%	400,673	Ordinary Shares	19.61%
LQ Investments Limited	Person holding or controlling more than 5%	398,000	Ordinary Shares	19.48%
New Zealand Central Securities Depository Limited	Person holding or controlling more than 5%	216,535	Ordinary Shares	10.60%
Mercantile Investment Company Limited	Related company of Mercantile holding or controlling more than 5%	203,137	Ordinary Shares	9.94%

Notes:

- (1) The information for H&G Limited, LQ Investments Limited and New Zealand Central Securities Depository Limited has been derived from company information held in respect of K & S on the New Zealand Register of Companies, accessible at www.business.govt.nz/companies.
- (2) The information in the table above is based on information known at the Offer Date.

4.2 Except as set out in the table above, no person described in paragraphs 4.1(a) to 4.1(d) of this Schedule holds or controls equity securities of K & S.

5. TRADING IN K & S' EQUITY SECURITIES

5.1 The table below sets out the number, designation, and consideration per security of equity securities of any class of K & S acquired or disposed during the six month period before the Offer Date by –

- (a) Mercantile; and
- (b) any related company of Mercantile; and
- (c) any person acting jointly or in concert with Mercantile; and
- (d) any director of any of the persons described in paragraphs (a) to (c).

Holder	Date	Number of K & S Shares	Consideration (NZ\$) ¹	Acquisition or Disposition
ORDINARY SHARES				
Mercantile Investment Company Limited	8/10/2015	16,000	2.20	Acquisition
Mercantile Investment Company Limited	9/10/2015	90,000	2.20	Acquisition
Mercantile Investment Company Limited	4/12/2015	3,684	2.20	Acquisition
Mercantile Investment Company Limited	15/12/2015	3,333	2.20	Acquisition
Mercantile Investment Company Limited	18/12/2015	2,330	2.20	Acquisition
Mercantile Investment Company Limited	29/12/2015	5,000	2.20	Acquisition
Mercantile Investment Company Limited	11/01/2016	3,333	2.20	Acquisition
Mercantile Investment Company Limited	3/02/2016	5,250	2.20	Acquisition
Mercantile Investment Company Limited	19/02/2016	613,585	1.65	Acquisition
Sir Ronald Alfred Brierley ³	19/02/2016	613,585	1.65	Disposition

Notes:

- (1) Price per share in NZ\$ or weighted average price for multiple trades on a day.
- (2) Mercantile Investment Company Limited is the holding company, and thus a related company, of Mercantile. All the shares acquired by Mercantile Investment Company Limited are held by McNeil Nominees Pty Ltd as custodian, apart from the 613,585 shares acquired on 19/2/2016, which are held in Mercantile Investment Company Limited's own name.
- (3) Sir Ronald Alfred Brierley is a director of Mercantile and a director of Mercantile Investment Company Limited.
- (4) The information in the table above is based on information known at the Offer Date.

The total number of ordinary shares in K & S acquired by Mercantile Investment Company Limited during the six month period before the Offer Date was 742,515.

The total number of ordinary shares in K & S disposed of by Sir Ronald Alfred Brierley during the six month period before the Offer Date was 613,585.

5.2 Except as set out in the table above, none of the persons referred to paragraphs 5.1(a) to 5.1(d) have acquired or disposed of any equity securities in K & S during the six month period before the Offer Date.

6. AGREEMENTS TO ACCEPT OFFER

There are no persons who have agreed conditionally or unconditionally to accept the Offer.

7. ARRANGEMENTS TO PAY CONSIDERATION

- 7.1** Mercantile confirms that resources will be available to it sufficient to meet the consideration to be provided on full acceptance of this Offer and to pay any debts incurred in connection with this Offer (including the debts arising under Rule 49 of the Takeovers Code).
- 7.2** A statement setting out the rights of each offeree under Rule 34 of the Takeovers Code, to withdraw acceptance for non-payment by Mercantile of the consideration, is set out in paragraph 2.3 of the terms and conditions of this Offer.

8. ARRANGEMENTS BETWEEN MERCANTILE AND K & S

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Mercantile or any associates of Mercantile, and K & S or any related company of K & S, in connection with, in anticipation of, or in response to, this Offer.

9. ARRANGEMENTS BETWEEN MERCANTILE AND DIRECTORS AND OFFICERS OF K & S

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Mercantile or any associates of Mercantile, and any of the directors or senior officers of K & S or of any related company of K & S (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, this Offer.

10. FINANCIAL ASSISTANCE

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

11. INTENTIONS ABOUT MATERIAL CHANGES TO K & S

- 11.1** If Mercantile becomes entitled to invoke the compulsory acquisition provisions of the Takeovers Code, it intends to compulsorily acquire any outstanding K & S Shares and apply for the de-listing of K & S from NZX.
- 11.2** If Mercantile does not receive sufficient acceptances under this Offer to enable it to invoke the compulsory acquisition provisions of the Takeovers Code, Mercantile will in due course seek appropriate board representation on the K & S board and will participate in decisions relating to K & S and its future.
- 11.3** Mercantile understands that K & S has sold its retail business, which was its main operational business undertaking. As a result of this transaction, Mercantile understands K & S has few assets apart from cash, and is currently winding up its affairs. Mercantile intends to support continuation of the winding up process, alongside the efficient investment and utilisation of K & S' cash assets. Ultimately, Mercantile may seek a return of capital to shareholders, if an efficient and appropriate structure for such a return can be developed.

11.4 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 (including dividend policy, raising capital or taking on debt) of K & S or its subsidiaries, or any other changes to K & S or its subsidiaries that could reasonably be expected to be material to the making of a decision by an offeree to accept or reject the Offer, although Mercantile reserves the right to make changes to this intention.

11.5 Mercantile has not given any information to any regulatory body (in New Zealand or in an overseas jurisdiction) in relation to this Offer.

12. PRE-EMPTION CLAUSES IN K & S' CONSTITUTION

As at the Offer Date, there are no restrictions on the right to transfer equity securities to which this Offer relates that:

- (a) are contained in the constitution of K & S; and
- (b) have the effect of requiring the holders of the securities to offer the securities for purchase to members of K & S or to any other person before transferring the securities.

13. ESCALATION CLAUSES

As at the Offer Date, there are no agreements or arrangements (whether legally enforceable or not) under which:

- (a) any existing holder of equity securities in K & S will or may receive in relation to, or as a consequence of, this Offer any additional consideration or other benefit over and above the consideration set out in this Offer; or
- (b) any prior holder of equity securities in K & S will or may receive any consideration or other benefit as a consequence of this Offer.

14. CLASSES OF SECURITIES

No report is required under Rule 22 of the Takeovers Code (which, if the offer is for more than one class of financial products, requires a report by an independent adviser on the fairness and reasonableness of the consideration and terms of the offer as between different classes of financial products).

15. CERTIFICATE

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying the takeover notice 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 Mercantile under the Takeovers Code.



Sir Ronald Alfred Brierley

Fulfilling the role of Chief Executive
Officer
Mercantile NZ Limited



Gabriel Francois Radzynski

Fulfilling the role of Chief Financial
Officer
Mercantile NZ Limited



Sir Ronald Alfred Brierley

Director
Mercantile NZ Limited



Gabriel Francois Radzynski

Director
Mercantile NZ Limited

ACCEPTANCE FORM

FULL CASH TAKEOVER OFFER FOR ALL ORDINARY SHARES IN KIRKCALDIE & STAINS LIMITED

SHAREHOLDER (TRANSFEROR)

[Mailing house to personalise with name and address]

CSN / SHAREHOLDER NUMBER
XXXXXXXXXX

NUMBER OF KIRKCALDIE & STAINS LIMITED
SHARES HELD AS AT 14 MARCH 2016

XXXXXXXXXX

TOTAL CONSIDERATION (AT \$2.75 PER SHARE)
\$XXXX.XX

PLEASE REFER TO THE INSTRUCTIONS OVERLEAF FOR DIRECTIONS ON HOW TO COMPLETE THIS ACCEPTANCE FORM

Insert in the box below the number of ordinary shares in Kirkcaldie & Stains Limited (**K & S Shares**) in respect of which you accept the takeover offer by Mercantile NZ Limited (**Transferee**) dated 15 March 2016 (**Offer**).

NUMBER OF K & S SHARES YOU WISH TO SELL:

Note:

1. You may accept the Offer in respect of all or any K & S Shares held by you.
2. If you do not state the number of K & S Shares in respect of which you wish to accept the Offer, you will be deemed to have accepted the Offer in respect of all the K & S Shares held by you and to have stated that number in the box above.

BY SIGNING THIS ACCEPTANCE FORM THE TRANSFEROR HEREBY:

- (a) irrevocably accepts the Offer for the K & S Shares described above held by the Transferor; and
- (b) subject to the terms and conditions of the Offer, transfers the Transferor's K & S Shares to the Transferee; and
- (c) as set out on the reverse of this form, appoints the Transferee the attorney of the Transferor.

METHOD OF PAYMENT

Payment will be made either by cheque or by electronic transfer directly into the Transferor's bank account. Please select a Method of Payment by ticking the appropriate box below. Note that all payments will be made in New Zealand dollars.

Method of Payment (please tick one):

☐

CHEQUE

☐

ELECTRONIC PAYMENT

Note: If you do not select a Method of Payment, or the details that you provide are not sufficient to effect an electronic transfer, you will be paid by cheque or by direct credit to your existing nominated account already held with Link Market Services (if any).

Electronic Transfer Details: Please complete the details below if you wish to be paid by electronic transfer:

New Zealand Bank Account:

Account Name:

Bank	Branch	Account Number	Suffix No.
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Overseas Bank Account:

Account Name:

Bank Name:

Bank Address:

Swift Code/Sort Code/BSB Code:

(only overseas Transferors need to complete)

Other Information:

(Overseas Transferors to provide any other information required to effect an electronic transfer to them)

FOR AN INDIVIDUAL OR JOINT HOLDERS / ATTORNEY	For a COMPANY / BODY CORPORATE
Signed by the Transferor(s): _____ Signature _____ Signature	Signed by the Transferor(s) by: _____ Director _____ Director/ Duly Authorised Person
Dated and executed the _____ day of _____ 2016.	

ACCEPTANCE FORM

FULL CASH TAKEOVER OFFER FOR ALL ORDINARY SHARES IN KIRKCALDIE & STAINS LIMITED

SHAREHOLDER (TRANSFEROR)

[Mailing house to personalise with name and address]

CSN / SHAREHOLDER NUMBER
XXXXXXXXXX

NUMBER OF KIRKCALDIE & STAINS LIMITED
SHARES HELD AS AT 14 MARCH 2016

XXXXXXXXXX

TOTAL CONSIDERATION (AT \$2.75 PER SHARE)
\$XXXX.XX

PLEASE REFER TO THE INSTRUCTIONS OVERLEAF FOR DIRECTIONS ON HOW TO COMPLETE THIS ACCEPTANCE FORM

Insert in the box below the number of ordinary shares in Kirkcaldie & Stains Limited (**K & S Shares**) in respect of which you accept the takeover offer by Mercantile NZ Limited (**Transferee**) dated 15 March 2016 (**Offer**).

NUMBER OF K & S SHARES YOU WISH TO SELL:

Note:

1. You may accept the Offer in respect of all or any K & S Shares held by you.
2. If you do not state the number of K & S Shares in respect of which you wish to accept the Offer, you will be deemed to have accepted the Offer in respect of all the K & S Shares held by you and to have stated that number in the box above.

BY SIGNING THIS ACCEPTANCE FORM THE TRANSFEROR HEREBY:

- (a) irrevocably accepts the Offer for the K & S Shares described above held by the Transferor; and
- (b) subject to the terms and conditions of the Offer, transfers the Transferor's K & S Shares to the Transferee; and
- (c) as set out on the reverse of this form, appoints the Transferee the attorney of the Transferor.

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Payment will be made either by cheque or by electronic transfer directly into the Transferor's bank account. Please select a Method of Payment by ticking the appropriate box below. Note that all payments will be made in New Zealand dollars.

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☐

CHEQUE

☐

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New Zealand Bank Account:

Account Name:

Bank	Branch	Account Number	Suffix No.
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Overseas Bank Account:

Account Name:

Bank Name:

Bank Address:

Swift Code/Sort Code/BSB Code:

(only overseas Transferors need to complete)

Other Information:

(Overseas Transferors to provide any other information required to effect an electronic transfer to them)

FOR AN INDIVIDUAL OR JOINT HOLDERS / ATTORNEY	For a COMPANY / BODY CORPORATE
Signed by the Transferor(s): _____ Signature _____ Signature	Signed by the Transferor(s) by: _____ Director _____ Director/ Duly Authorised Person
Dated and executed the _____ day of _____ 2016.	