



Market Announcement

18 April 2016

Update to shareholders and the market regarding leases DO NOT SELL Recommendation remains unchanged

The Company sent its target company statement ('Target Company Statement') to shareholders on 1 April 2016 in response to the takeover offer dated 15 March 2016 for all of the issued capital of the Company made by Mercantile NZ Limited ('Mercantile').

At the time of the Target Company Statement, the directors recommended that shareholders do not accept the Mercantile Offer. That recommendation remains unchanged.

Petone lease

The Target Company Statement noted that the Company's Petone lease ('Petone Lease') represents the Company's most significant ongoing liability, and that the Company had entered into a conditional transaction for the surrender of the Petone lease which would have substantially mitigated that liability and brought it to an end. The Company subsequently announced that the condition to the transaction was not fulfilled and that the transaction was at an end. The Company undertook to provide an update.

All parties to the Petone transaction are disappointed that it did not proceed, and the proposed purchaser has been in ongoing discussions with the Company and the property owner to see how an alternative deal might be structured. Other interest in the Petone property has also been shown and continues. As at today, however, no transaction has been concluded.

In considering Mercantile's offer, it is important that shareholders understand how the Board calculated its range of values.

In particular, the Low Scenario of \$2.99 referred to in the Target Company Statement was calculated on the basis of a notional winding up of the Company, using the assumption that no deal would be done in respect of the Petone Lease at any stage in the next seven years and the Company would continue to pay rent on the Thorndon Quay and Pantry leases until the expiry of their terms.

In other words the Board took the worst case view of the Company being obliged to continue to pay rent and outgoings for the Petone Lease for the remaining term to 30 April 2023.

The Board is optimistic that it can secure a transaction which will substantially mitigate the Company's exposure under the Petone Lease.

Given the above, the Board therefore advises shareholders that its recommendation under the Target Company Statement for shareholders not to sell their shares to Mercantile still stands and has not changed as a consequence of the original Petone transaction not proceeding. If a transaction is concluded in respect of the Petone lease before the Mercantile offer closes, this would further support the Board's recommendation not to sell.

The Mercantile offer is presently expressed to close on 13 May 2016. This provides a reasonable period within which a transaction at Petone may eventuate, although the Board will not be entering into any transaction unless it is satisfied that it is in the best interests of shareholders and maximises the residual value which will be available to them in a winding up. In light of this, the Board's view is that shareholders might wish to defer any decision in respect of the Offer in the meantime. The Board will keep shareholders and the market informed.

Pantry lease

On 15 April 2016, the Company entered into a conditional deed of surrender of lease for the Pantry premises. The deed is conditional on the landlord entering a new lease with a prospective tenant, and separately on David Jones reinstating the wall between their premises and the premises of the Pantry lease by 31 May 2016. The landlord and the prospective tenant are currently negotiating the main terms of the new lease, and David Jones is making good progress with the consenting process for the reinstatement work. If a transaction is entered, the Low Scenario referred to in the Target Company Statement will increase by 9 cents to \$3.08 per share.

Thorndon Quay lease

There has been no change in respect of the Thorndon Quay lease.

Falcon Clouston
Chairman

ENDS

For further information:
Falcon Clouston
PO Box 1494
Wellington 6140