



Life Pharmacy Limited

Short-form prospectus and investment statement

For a three-for-two renounceable rights issue to holders of Existing Shares, of 56,773,567 new ordinary shares at an issue price of \$0.40 per share

The rights issued under this Prospectus and Investment Statement could be valuable to holders if they are exercised or sold, but they have no value if they are allowed to lapse.

This Prospectus and Investment Statement is an important document and requires early attention. It should be read in its entirety.

The date of this Prospectus and Investment Statement is 21 August 2008.

If you do not understand any part of this Prospectus and Investment Statement, or you are in doubt as to how to deal with it, you should consult a NZX advisor, or your accountant, solicitor or other professional advisor.

Important Information

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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This Offer Document is a combined Short Form Prospectus and Investment Statement. In addition to the information referred to above, important information can be found in other sections of this Offer Document.

Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser. Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- Relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- What types of investments the adviser gives advice about; and
- Whether the advice is limited to investments offered by one or more particular financial institutions; and
- Information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- Any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- The nature and level of the fees you will be charged for receiving the advice; and
- Whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

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Description of the Offer

The Issuer

Life Pharmacy Limited.

Offer Summary

Life is offering for subscription on a renounceable basis a maximum of 56,773,567 New Shares at an issue price of \$0.40 per New Share. The issue price for New Shares is payable in two tranches; an initial \$0.20 per New Share payable on application and the outstanding \$0.20 per New Share payable on 18 September 2009 (one year following allotment of the New Shares).

This Offer of New Shares is only being made to persons who are registered as Shareholders as at 5.00 pm on 21 August 2008. Each Shareholder will be entitled to three New Shares for every two Existing Shares which are registered in its name at this time. Any Existing Share registered in the name of a Shareholder after 5.00 pm on 21 August 2008 will not entitle that Shareholder to subscribe for any New Shares under this Offer. The extent of each Shareholder's entitlement to subscribe for New Shares under this Offer is recorded on the Entitlement Letter accompanying this Offer Document. Entitlements have been rounded to the nearest whole number.

Shareholder entitlement to Rights	The right to subscribe for three New Shares for every two Existing Shares
Oversubscription Facility	The entitlement to apply for up to 50,000 New Shares over and above your Entitlement
Rights exercise price	\$0.40 per New Share
Timing of payment	Initial \$0.20 per New Share payable on subscription, remaining \$0.20 per New Share payable on 18 September 2009
Maximum number of New Shares to be issued	56,773,567 partly paid ordinary shares
Maximum issue size	\$22,709,427
Shares on issue prior to the Offer	37,819,588 fully paid ordinary shares and 1,860,000 partly paid redeemable ordinary shares
Shares on issue on completion of the Offer	37,819,588 fully paid ordinary shares, up to 56,773,567 partly paid ordinary shares and 1,860,000 partly paid redeemable ordinary shares

Important Notice

This Offer Document is a combined Investment Statement and Short-Form Prospectus prepared for the purposes of the Securities Act 1978 and the Securities Regulations 1983 as at 21 August 2008. The purpose of the Investment Statement section of this Offer Document (under the section headed 'Answers to Important Questions' on page 21) is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to acquire the New Shares under the Offer. However investors should note that other important information about the New Shares and the Offer is available in the remainder of this Offer Document. If you are in any doubt as to how to deal with this Offer Document, please consult a NZX Firm or another financial or legal adviser immediately.

YOUR ATTENTION IS DRAWN IN PARTICULAR TO THE PROSPECTS AND FORECAST SECTION AT PAGE 12 AND THE SPECIAL TRADE FACTORS AND RISK SECTION AT PAGE 14 OF THIS OFFER DOCUMENT.

Important Document

This Offer Document contains an offer of renounceable Rights to Shareholders. You may choose to sell (renounce) any Rights which you do not accept. Any Rights you choose not to accept or renounce will lapse and you will receive no benefit from them. It is therefore important that you take action to either accept or renounce any Rights offered to you. If you are in any doubt as to how to deal with this Offer Document, please consult a Primary Market Participant or your financial or legal adviser immediately.

Registration

This Offer Document is dated 21 August 2008. A copy of this Offer Document, duly signed by or on behalf of the Directors and accompanied by copies of the documents required by section 41 of the Securities Act 1978 and regulations 4 and 7 of the Securities Regulations 1983 to be attached or to accompany the registered prospectus, has been delivered to the Registrar of Companies for registration under the Securities Act 1978.

A copy of the most recent financial statements of Life and all reports required by the Companies Act 1993 to be annexed or attached thereto have previously been sent to all Shareholders as at the time of despatch of those statements.

No Guarantee

No persons named or referred to in this Offer Document, nor any other person, guarantees the New Shares to be issued pursuant to the Offer, or any return on the New Shares.

Definitions

A number of terms used in this Offer Document have defined meanings which appear in the Glossary on page 26 or within the relevant section of this Offer Document in which the term is used. Any references to dollars or \$ in this Offer Document are to New Zealand dollars, unless specified otherwise. All references to time in this Offer Document are to New Zealand time.

Important Dates

This timetable is indicative only and Life reserves the right to vary the dates contained in this timetable, subject to the requirements of NZX.

Record date for Entitlements	21 August 2008
Rights issue opens	22 August 2008
Offer Document and Entitlement Letters sent to Shareholders	22 August 2008
Existing Shares quoted ex-entitlements and Rights trading commences	22 August 2008
Rights trading ceases	15 September 2008
Offer closes (last day for receipt of applications and renunciations)	17 September 2008
Allotment of New Shares and commencement of trading	18 September 2008
Despatch of FASTER statements for New Shares	by no later than 25 September 2008

Use of Proceeds

The proceeds of the Offer, after deduction of expenses, will be applied to reduce Life's external bank debt, provide adequate resources for future growth and working capital in the health, beauty and wellness sector, and invest in the future growth of pharmacy within New Zealand.

NZX Listing

Application has been made to NZX for permission to list the Rights, and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have duly been complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Quotation of the Rights is expected to occur on the NZSX Market on 22 August 2008 under NZX code LPLRA.

Application has been made to NZX for permission to list the New Shares, and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have duly been complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Quotation of the New Shares is expected to occur on the NZSX Market on 18 September 2008 under NZX code LPLCA.

Financial Statements

Life's most recent audited consolidated financial statements for the year ended 31 March 2008 were sent to Life's shareholders on 29 May 2008. Copies of these financial statements and reports can be obtained free of charge by any person to whom the Offer is made from Life Pharmacy Limited, Level 1, Building B, 600 Great South Road, Greenlane, Auckland and are also located under the 'Corporate' tab of Life's website, www.lifepharmacy.co.nz.

The New Shares

Every New Share will be entitled to one vote on a poll at a meeting of shareholders and the right to an equal share in dividends authorised by the Board and in any distribution of the surplus assets of Life, such rights being pro rated based on the amount to which the New Share is fully paid. For further information on the rights attaching to ordinary shares in Life, investors should refer to the Statutory Information section at page 19 and to Life's constitution.

Acceptance or Renunciation of Entitlement

If you are entitled to subscribe for New Shares pursuant to this Offer Document you may:

- accept your entitlement in full;
- apply for New Shares over and above your entitlement;
- sell your entitlement in full; or
- accept part of your entitlement and sell the remainder.

If Life receives, on or before 5.00 pm on 17 September 2008, both an acceptance and a renunciation by a Shareholder in respect of the same Rights, effect will be given to the renunciation in priority to the acceptance.

Accepting Your Entitlement in Full

If you wish to accept your entitlement in full, you should indicate this in the boxes in the section titled 'Number of New Shares accepted' in 'Section A' on the acceptance form included in the Entitlement Letter and send your completed acceptance form together with payment for the number of shares applied for to the Share Registrar, any Primary Market Participant or any other channel approved by NZX, in time to be received by the Share Registrar by 5.00 pm on 17 September 2008.

Oversubscription Facility

If you accept your entitlement in full, you are also entitled to apply for an additional number of New Shares through the Oversubscription Facility. You may apply for up to 50,000 Additional New Shares, but there is no guarantee that you will be allocated any or all of the Additional New Shares for which you apply.

To apply for Additional New Shares, please fill in the boxes in the section titled 'Application for Additional New Shares' in 'Section A' of the acceptance form included in the Entitlement Letter, sign the form and send payment in New Zealand dollars for the total amount of your Entitlement and Additional New Share application multiplied by the Offer Price.

The number of New Shares available under the Oversubscription Facility will equal the number of New Shares for which valid applications for the number of Entitlements are not received by 5.00 pm on 17 September 2008. If all Shareholders subscribe for their full Entitlement of New Shares, there will be no Oversubscription Facility.

If the number of New Shares in the Oversubscription Facility is insufficient to allocate the full number of Additional New Shares applied for under the Oversubscription Facility, Life reserves the right to ballot, reduce the upper limit of New Shares allocated or scale the applications in any other manner that it deems appropriate. Life's decision on scaling will be final.

No applicant for Additional New Shares will be allocated any greater number of Additional New Shares than the number for which they have applied and paid.

LPL Trustee has agreed to waive its first right in respect of the Offer to the extent necessary to allow other Shareholders to exercise their pro rata entitlement under the Offer and to participate in the Oversubscription Facility (other than in order to allow LPL Trustee to take up shares equal to its entitlement under the Offer). This first right is contained in the option granted to LPL Trustee on 18 June 2007 and was approved by shareholders on 26 July 2007. See the section entitled 'LPL Trustee Option' on page 9 for more information.

Selling Your Entitlement in Full

If you wish to sell your entitlement, this can be done on the NZX by instructing a Primary Market Participant to sell the number of Rights specified on the Entitlement Letter. You will need to provide both your FIN number and your Common Shareholder Number (CSN). Your CSN is stated in your Entitlement Letter. Trading via a Primary Market Participant will be effected through FASTER. Tradeability will depend on there being demand from prospective purchasers of Rights.

Rights trading on the NZX commences on 22 August 2008 and will cease at the close of business on 15 September 2008. If you wish to sell your Rights using this method you must do so before close of trading on 15 September 2008. Primary Market Participants are required to lodge renunciations with the Share Registrar not later than 5.00 pm on 17 September 2008.

Accepting Part of Your Entitlement and Selling the Remainder

There is no minimum number of New Shares which you must subscribe for under this Offer Document — you may accept as much or as little of your entitlement as you wish. If you wish to accept part of your entitlement and sell the remainder you need to:

- instruct a Primary Market Participant to sell the number of Rights you wish to renounce (further details on renouncing the Rights are provided in the section entitled 'Selling your Entitlement in Full' above); and
- indicate the number of New Shares and Additional New Shares (where applicable) you wish to apply for on the acceptance form included in the Entitlement Letter and send your completed acceptance form together with payment for the number of shares applied for directly to the Primary Market Participant through whom you sold your Rights.

Payment

Payment for the first tranche of the New Shares, plus any Additional New Shares (where applicable), must be made by sending a cheque or bank cheque for the appropriate amount, made payable to "Life Pharmacy Limited", crossed "not transferable" and for immediate value, together with your completed Entitlement Letter, to:

Share Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142

Payment for the second tranche of the New Shares, plus any Additional New Shares (where applicable), must be made by sending a cheque or bank cheque for the appropriate amount, made payable to "Life Pharmacy Limited", crossed "not transferable" and for immediate value, to the address above. Payment is not required until Life makes, nor will payment be accepted prior to Life making, a call on the shares by way of written notice to those Shareholders that participate in the Offer. Life will distribute this notice to those Shareholders who participate in the Offer no later than two weeks prior to payment becoming due.

Shareholder Default

The issue price for New Shares is payable in two tranches; an initial \$0.20 per New Share payable on application and the outstanding \$0.20 per New Share payable on 18 September 2009 (one year following allotment of the New Shares).

If a Shareholder does not pay the second tranche of \$0.20 per New Share on 18 September 2009, the following consequences apply:

- the Board may give 14 days' notice to the Shareholder requiring payment of the outstanding amount, together with interest on this amount, such interest rate to be fixed in the notice to the Shareholder or as the Board may determine;
- if the notice is not complied with the relevant shares may, before payment of the overdue amount has been made, be forfeited by resolution of the Board;
- these forfeited shares may then be sold or otherwise disposed of on such terms and in such manner as the Board determines;
- the proceeds of any sale or disposition of any share will be applied against payment of the outstanding amount and any interest, after deducting expenses of sale, shall be applied in and toward satisfaction of the unpaid balance of the outstanding amount and any interest; and
- the balance of any proceeds of sale, if any, will be returned to the shareholder.

Minimum Holdings

Life is aware that a number of Shareholders hold less than the "minimum holding" of shares specified in the NZSX Listing Rules. This is inefficient for Life and accordingly, in conjunction with this Offer, Life has given notice to each Shareholder holding less than 500 ordinary shares in Life as at the date of this Offer Document that if at the expiration of three months after the date of mailing of this Offer Document that Shareholder still holds less than 500 shares (being less than the minimum holding specified in the NZSX Listing Rules) the Board may exercise the power of sale of those shares set out in clause 9.6 of Life's constitution. If that power of sale becomes exercisable, then pursuant to clause 9.6 of Life's constitution:

- the Board may arrange for the sale of those shares through NZX or in some other manner approved by NZX;
- the Shareholder shall be deemed to have authorised Life to act on the shareholders behalf and to execute all necessary documents for the purposes of that sale;
- Life shall account to the Shareholder for the net proceeds of sale of the shares (after deduction of reasonable sale expenses), which shall be held on trust for the Shareholder by Life and paid to the Shareholder on surrender of any certificates for the shares sold; and
- the title of a purchaser of any shares sold pursuant to clause 9.6 of Life's constitution shall not be affected by any irregularity or invalidity in the exercise of the power of sale or the sale itself.

NZX has approved Life exercising its power of sale by compulsorily buying back the relevant shareholdings at \$0.40 per share – being the same price as the shares to be issued under the Offer. NZX was granted the discretion to grant such approval pursuant to clause 9.6(a) of Life's constitution. Life will hold any Shares it buys back from Shareholders as treasury stock. If the power of sale is exercised, you will not be required to sign any documentation; and you will receive a non-transferable cheque from Life reflecting the price payable for acquiring your shareholding.

Shareholders holding less than 500 shares in Life may increase their shareholding in Life by (among other things):

- acquiring further Life shares on-market (to do this you should contact your investment adviser or any other Primary Market Participant); or
- accepting your entitlement for New Shares in full and applying for a sufficient number of Additional New Shares under the Oversubscriptions Facility to reach the minimum holding.

Allotment and Mailing of Statements

The New Shares will be allotted, and statements for New Shares will be sent to Shareholders, no later than 25 September 2008.

LPL Trustee Option

On 18 June 2007 Life granted LPL Trustee an option to subscribe for such number of shares in Life that would result in LPL Trustee holding 50.01% of the shares in Life (the *LPL Option*). The LPL Option was granted in connection with a placement of 7,000,000 shares in Life to LPL Trustee on 26 July 2007 (the *Placement Shares*) and both the issue of the Placement Shares and the grant of the LPL Option were approved by shareholders by way of an ordinary resolution on 26 July 2007.

It is a term of the LPL Option that for the option exercise period (which expires on 26 July 2009), provided LPL Trustee continues to hold the Placement Shares, LPL Trustee is entitled to a first right to participate in any future capital raising of Life as to such number of shares as results in LPL Trustee being entitled to 50.01% of the offering (including any entitlements resulting from its actual shareholding in existing shares) (the *First Right*).

LPL Trustee has agreed to waive its First Right to the extent necessary to allow other Shareholders to exercise their pro rata entitlement under the Offer and to participate in the Oversubscription Facility, on the terms set out below.

LPL Trustee has given notice to Life that it will:

- exercise its rights under the LPL Option to subscribe for the number of New Shares equal to its full entitlement to shares under and pursuant to the terms of the Rights Issue (the *Initial Exercise*); and
- in addition, exercise its rights under the LPL Option to subscribe for the lesser of:
 - the maximum number of New Shares still unallocated under the Offer after all valid applications for New Shares under the Offer (including under the Oversubscriptions Facility) have been allotted, taking into account the Initial Exercise;
 - such number of New Shares as will result in LPL Trustee holding 50.01% of the shares on issue in Life immediately following such allotment to LPL Trustee (which, for the avoidance of doubt, will take account of all New Shares allotted or to be allotted under this Offer); and
 - its maximum entitlement under the First Right, taking into account the Initial Exercise.

If other Shareholders decide not to exercise their Rights or participate in the Oversubscription Facility, then LPL Trustee could acquire up to 50.01% of the Shares in Life and other Shareholders will be diluted accordingly.

No underwrite fee or other amount is payable by Life to LPL Trustee in respect of its above commitment.

Overseas Shareholders

This Offer is only available to Shareholders with registered addresses in New Zealand, whose names appear on Life's share register as at 5.00 pm on 21 August 2008.

Life is of the view that it is unduly onerous to make the Offer to Shareholders outside of New Zealand having regard to the low number of overseas Shareholders and the costs associated with complying with overseas legal requirements. The Rights offered under this Offer to which Shareholders who are resident in jurisdictions outside of New Zealand would otherwise receive will be issued to a nominee who will endeavour to sell those Rights, hold the proceeds on trust and account to those Shareholders on a pro-rata basis for the proceeds, net of costs.

Waivers and Exemptions

Life has been granted a waiver by NZX from NZSX Listing Rule 7.10.5 to enable Life to give Shareholders the right to apply for more New Shares than their entitlement, to the extent of any shortfall in the Offer. The waiver has been granted subject to the following conditions:

- (a) All shareholders who apply for Additional New Shares under the Oversubscription Facility in order to hold Shares in excess of the minimum holding (set at 500 Shares) are issued sufficient Shares to hold more than the minimum holding;
- (b) In the event that the number of Additional New Shares applied for under the Oversubscription Facility is greater than the number of Additional New Shares available, Life will either:
 - (i) scale applications down pro rata;
 - (ii) reduce the upper limit of Additional New Shares Shareholders may apply for; or
 - (iii) ballot the applications until the shares contained in the Oversubscription Facility are fully allotted; and
- (c) This Offer Document records that a waiver from NZSX Listing Rule 7.10.5 has been granted by NZX and details the conditions.

The Takeovers Code (Life Pharmacy Limited) Exemption Notice 2007 was granted on 17 July 2007 and exempts LPL Trustee and Life from certain procedural matters in respect of the approval of the LPL Option. In essence, this exemption allowed Life to obtain shareholder approval for the granting of the LPL Option to LPL Trustee without disclosing certain information required by the Takeovers Code. This information could not be disclosed as it can not be quantified until such time as LPL Trustee exercised its rights under the LPL Option (be it in whole or in part). This information related to the price payable for, and the particulars of, shares issued pursuant to the exercise of the LPL Option.

No Minimum Subscription

The Directors have not set a minimum level of subscriptions for the issue to proceed.

IT IS IMPORTANT THAT YOU TAKE ACTION TO ACCEPT OR RENOUNCE YOUR RIGHTS AS SOON AS POSSIBLE. ANY RIGHTS WHICH ARE NOT ACCEPTED OR RENOUNCED IN TIME WILL LAPSE AND YOU WILL RECEIVE NO BENEFIT FROM THEM AND YOUR SHAREHOLDING WILL BE DILUTED. IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH THIS OFFER DOCUMENT PLEASE CONSULT A PRIMARY MARKET PARTICIPANT OR YOUR FINANCIAL OR LEGAL ADVISER IMMEDIATELY.

Letter from the Chairman

Dear Shareholder

It is my pleasure to introduce the prospectus for Life Pharmacy's rights issue, announced on 7 August 2008.

The proceeds from the Offer will be applied to reduce Life's external bank debt, provide adequate resources for future growth and working capital in the health, beauty and wellness sector, and invest in the future growth of pharmacy within New Zealand. Further information on the prospects and forecast of Life Pharmacy is explained on page 12 of this Offer Document.

Under the terms of the Offer, for every two shares you currently hold you have the right to subscribe for a further three shares for \$0.40 per share. The purchase price for these new shares will be payable in two tranches; the first \$0.20 per share payable on subscription with the remaining \$0.20 per share payable on 18 September 2009 (being one year following allotment of the shares). The offer is planned to raise up to a maximum of \$22.7 million, dependent upon the level of take up. The Offer gives you the opportunity to maintain or increase your shareholding in Life Pharmacy under the Oversubscriptions Facility (see page 6 for details). If you do not wish to take up your entitlement under the Offer, you may be able to sell your Rights on the NZSX.

The Offer has the full support of LPL Trustee (backed by Andrew Bagnall). Under the terms of the Option Life granted LPL Trustee on 18 June 2007, LPL Trustee is entitled to a first right to participate in any future capital raising of Life for up to 50.01% of the offering. In this Offer, LPL Trustee has agreed to waive its entitlement under the Option to the extent necessary to allow other Shareholders to exercise their pro rata entitlement under the Offer and to participate in the Oversubscription Facility on the terms referred to on page 6. Accordingly, LPL Trustee will only take up its maximum entitlement under the Option if other Shareholders do not wish to fully participate in the Offer. If there is a low take up of the Offer from Shareholders, or the purchase of Rights on the market is weak, there is a risk that LPL Trustee's shareholding in Life could change significantly with the majority of other Shareholders having their shareholding diluted.

Life's group full year result to 31 March 2008 was a loss of \$0.57 million, compared to a loss of \$6.56 million a year ago. Net assets of the Life group were \$25.6 million (last year \$21.9 million). Trading continues to be tough in the current retail environment and whilst trading in our associates on a same store basis is slightly ahead of last year, and approximately 8% above last year in total for the first four months of the financial year, this is below expectations given the increase in promotional support. Dividend payments are expected to resume when profitability improves and this is predicated on the organisation investing and achieving growth and economies of scale, based on an investment plan over the next 3 to 4 years.

This Offer Document contains the information necessary for you to make an informed decision on the Offer. On behalf of your Board I encourage you to read it and take appropriate professional advice, and I hope that you will elect to participate in the Offer.

Yours faithfully



Liz Coutts
Chairman

About Life

Prospects and forecast of Life Pharmacy

Since Life listed on the NZSX in March 2005 the company has grown its business to provide retail support to the 36 pharmacies within the group, and in the case of 22 partially owned pharmacy stores, hold a 49% ownership stake of the individual pharmacy companies. Life operates a franchise operation to the 26 Life Pharmacy branded stores located in the major metropolitan centres in New Zealand and a further 10 Care Chemist branded stores located in the greater Auckland area. In the last four years Life has continued to develop its retail offer introducing additional benefits such as the Living Card loyalty programme, Tony Ferguson weight management programme as well as other marketing, operational and buying services leveraging the Life group's size.

In recent months Life has focused its strategy to grow franchise numbers across New Zealand. A new management team has been recruited, led by Philip Ingham (who joined Life in August 2007) the new CEO for Life, who has extensive knowledge and experience in the health and beauty sector across Europe and Asia. Backed by interests associated with Andrew Bagnall, Life is now well positioned to implement this growth strategy and this Offer is, from the Board's perspective, the most appropriate and fair mechanism to provide all Shareholders with the opportunity to participate in the equity raising exercise to fund the growth strategy.

On 2 May 2008 Life announced it intended to purchase the Care Chemist franchise business, a franchise pharmacy business with eight Care Chemist branded stores throughout the greater Auckland region. This purchase was completed on 30 May 2008, triggering the start of the franchise growth plan and clearly demonstrating Life's ambition to be a lead player in the pharmacy market and the recognition that pharmacists play a key role in the communities they serve across the country. Since the acquisition of the Care Chemist franchise business by Life, two new Care Chemist branded stores have opened. Life believes that the pharmacies that join the organisation will significantly benefit from belonging to the group through the benefits of a strong health, beauty and wellness operator and franchisor, backed by a strong leadership team, Board and cornerstone investor. Life's key strategic initiatives over the next three years are:

- 1 Driving growth in pharmacy numbers through broadening the scope of the Life group to also include community pharmacy. This involves further acquisition of both new and existing sites;
- 2 Driving sales through a stronger and broader promotional programme, which is more relevant to the current economic climate and our customers;
- 3 Lowering the cost of goods through increasing volumes and strong partnerships with key suppliers;
- 4 Improving business processes and sharing "best practice" to provide pharmacies in the Life group with the tools and expertise to create more business, be more efficient and profitable;
- 5 Developing points of competitive differentiation to which customers can relate, and which will encourage franchisee acquisition (for example, the Tony Ferguson weight management programme); and
- 6 Growing the capability of its highly motivated central office and store teams to provide continued development in consumer propositions, and consequently growth in sales, profit and shareholder value.

The achievement of the key strategic initiatives is dependent upon Life investing in the future growth programmes outlined above and the ability to operate more freely in the current restricted credit market. This Offer is being undertaken to provide additional equity funding for three main purposes:

- to reduce Life's external bank debt;
- provide adequate resources for future growth and working capital in the health, beauty and wellness sector; and
- to invest in the future growth of pharmacy within New Zealand.

Notwithstanding the opportunity and prospects outlined above there are a number of risk factors with investing in Life, these are detailed on pages 14 to 18 of this Offer Document. Key risks within Life Pharmacy include:

- Life's business plan makes various assumptions in respect of, and relies on, the growth of the number of pharmacies with which Life has an ownership interest or franchise relationship. Life's future performance will be materially adversely affected if these growth targets are not achieved.
- The current banking facility with The National Bank of New Zealand (part of ANZ National Bank Limited) is subject to a number of covenants. If Life breaches any of these covenants, The National Bank of New Zealand can review the banking facility and, at its sole discretion, call in the loan which would require Life to immediately repay the outstanding debt in full.
- Over the last three years Life has built up a deferred tax asset worth \$1.3m (as at 31 March 2008). The utilisation of this deferred tax asset is dependent upon Life's ability to generate taxable profits (in the region of \$4.3m) in the near future whilst maintaining shareholder continuity of at least 49%. Any change in the company's growth forecasts and its ability to achieve this, whilst maintaining the minimum shareholder continuity, could affect the ability of Life to utilise this asset.
- Life is required, under NZ IFRS, to undertake an impairment test on its investment in associate companies, coinciding with externally published financial information. The impairment test is based on an eight year cash flow cycle using the approved store budgets as the first year and the next seven years being forecast based on individual associate store assumptions. As with any forecast model assumptions are qualitative in nature. Any adverse performance in the stores performance versus budget or reduction in forecast assumptions may result in Life recognising impairment in its investment in associates in its financial statements.

The equity raised from the Offer will provide Life with a strong platform from which to invest in the future growth of the company. Life operates in a sector where there is considerable opportunity to grow and where there is a desire to step change the industry. Support from Government organisations, suppliers and customers is key to this and more importantly Life believes that this support can be achieved by increasingly leveraging the role that pharmacists play within the communities they serve. Life, with this additional equity, will be well placed to take full advantage of this opportunity. It is anticipated that during the investment phase returns will be minimal and it is unlikely that any dividend will be paid out in the short term.

Life acknowledges that its executive employees play an important role in the future growth of the company. In order to incentivise and retain such employees, Life has implemented an employee share ownership plan (ESOP). Under the ESOP, 960,000 partly paid redeemable ordinary shares have been issued to Life Pharmacy Trustee Company Limited, who will hold the shares on trust for the selected executive employees. The issue price of the shares is \$0.55 per share, partly paid to \$0.01 on subscription.

The employees may elect to redeem the redeemable ordinary shares (subject to certain timing requirements) by paying the unpaid amount owing on the redeemable ordinary shares to the trustee company, who in turn will pay Life the unpaid amount at which time the shares may be released to the employee as fully paid ordinary shares. Until such time as the redeemable ordinary shares are fully paid and converted to ordinary shares, the redeemable ordinary shares can participate in voting at shareholder meetings and dividends paid by Life in proportion to the amount for which they are paid up.

Risk factors

Prospective purchasers of New Shares should consider carefully the following risk factors, in addition to the other information in this Offer Document, before subscribing for New Shares.

Company-specific risks

Expansion Risk

The ability of Life to achieve its growth targets will in part depend on the ability of Life's systems and resources (for example, Life's IT systems, procurement and distribution systems, human resources support, management systems etc.) to support and maintain such growth.

Pharmacy Competition

Life's ability to maintain and grow its franchise base, and acquire direct interests in additional pharmacy businesses, faces competition from other pharmacy businesses, other investors and the opportunity for pharmacies to operate as independent pharmacies.

Retail Competition

Life and its associated pharmacies face material competition from other pharmacies, cosmetic and fragrance retailers (including major department stores, supermarkets and duty-free stores), retailers of over-the-counter products that compete on price (cut-price pharmacy chains and mail-order pharmacy sales) and other retail providers. This competition could impact on trading margins of Life and its associated pharmacies and affect Life's financial performance.

Trading Risk

As with any retail business, the financial performance of Life and its associated pharmacies depends on trading margins being maintained, and costs being controlled. Any reduction of such margins or increase in such costs could have a material adverse effect on Life's financial performance.

Economic factors that impinge upon disposable income, such as high interest rates and a weak labour market, could adversely affect consumer spending on health and beauty products.

Merchandising Trends

Life's continued success depends on its ability to anticipate and respond to changing consumer appetites and merchandising trends. Any changes in these trends or Life's responsiveness to them could negatively impact on Life's performance.

Product Liability Risk

Life, along with most retail outlets, has exposure to potential product failure or misuse from the range of products it sells to customers through the Life Pharmacy outlets. Any adverse event of this nature could impact Life's brand and reputation resulting in a decline in performance across the Life group.

This risk is further exacerbated in pharmacy operations where controlled drugs are dispensed from the pharmacist for the customer and restricted (pharmacy only) medicines are available for customer purchase. Whilst regulatory controls, standard operating procedures and the Government (Medsafe) licensing programme are in place to minimise this risk, the adverse impact on Life of any such event could adversely affect the financial performance of the company.

Seasonality / Promotional Risk

Life pharmacy sales are heavily dependent upon customer trends that are seasonal in nature and are also affected by promotionally sensitive product ranges. This makes it difficult to fully understand the underlying performance trends in fast moving consumer goods retail businesses and as a result may have an adverse impact on store performance through stock mismanagement and variability in monthly / weekly performance.

Brand Risk

Brands are a key asset of Life. In the event that any of these brands are tarnished or in any way lose their market appeal for consumers, Life's operating and financial performance could be materially adversely affected.

Funding Risk

Life's banking facilities are due for repayment by 30 June 2009, at which time such facilities will need to be repaid, renewed over or replaced. A failure to renew or replace these facilities on acceptable terms could have a material adverse effect on the financial performance and financial position of Life.

There are also various covenants and undertakings in Life's banking arrangements which need to be complied with. Failure to comply with the terms of the banking arrangements could result in such facilities being cancelled, which would have a material adverse effect on the financial position of Life.

Regulatory Risk

The pharmacy industry is exposed to government regulatory policies and funding arrangements that could have a direct or indirect bearing on Life's business operations or product and service offerings. Any changes in the regulatory environment may affect Life's ability to meet its business objectives.

Changes to the subsidies applied by Pharmac to dispensary goods, and any erosion of prescription dispensing fees that are negotiated periodically between the District Health Boards and the Pharmacy Guild (acting on behalf of all registered pharmacists), could endanger margins earned by Life pharmacies on sale of prescription products.

The regulatory environment for pharmacy ownership remains partially deregulated under the Medicines Act 1981. This Act requires that at all times more than 50% of the share capital of a company operating a pharmacy is owned by a pharmacist or pharmacists, and effective control of the company is vested with that pharmacist or those pharmacists. Regulatory change in either direction (full deregulation or returning to full regulation) will have an impact on Life's future franchise and pharmacy ownership model.

Put and Call Options

Life has in place call options in respect of the 51% shareholding in each associate pharmacy store company held by the pharmacist owners, and put options in respect of the 51% shareholding in all but two associate pharmacy store companies held by the pharmacist owners. The option is only exercisable upon legislative changes reducing or removing the limitations on non-pharmacist ownership and control of pharmacies. If Life or the pharmacist chooses to exercise their respective call option or put option, it/they must do so to the maximum extent permitted by law, however, Life may elect to defer the exercise date of the put option for up to 12 months after receipt of an exercise notice from the relevant pharmacist.

With the exception of two call options, the consideration payable by Life on exercise of the call option or put option may be either cash or ordinary shares in Life and the value to be attributed to each share in a pharmacy company is to be agreed between Life and the selling pharmacist shareholder.

The impact of legislative changes allowing total non-pharmacy ownership and control of pharmacies may result in a funding requirement for all (or part) of the consideration payable to the individual pharmacist shareholders.

Dependence on Key Personnel

Life and its associated pharmacies will continue to rely on their respective key personnel. The loss of key personnel could materially impact on the future performance of the business.

Franchisee / Affiliate Operational Risk

Life runs a franchise business and has direct 49% minority interests in a number of associate pharmacies. Life's ability to influence these businesses is limited. Life does not participate in the day to day running of these businesses and instead relies on the franchisees and majority holders. Life also has a 50% investment in LPL Investments Limited, the company that operates the two Life outlet stores in Onehunga and Te Rapa. The performance of these businesses will affect the performance of Life. In addition, failure of these businesses to comply with Life's procedures and standards could adversely impact customer loyalty, tarnish Life's brand and reputation and impact negatively on the operating and financial performance of Life as a result.

Performance of Stores

The majority of Life pharmacy stores operate in mall-based locations where premises are leased from landlords who offer lease terms that have fixed obligations. The typical cost of leases of this type are high in comparison to non-mall based locations and with the fixed nature of these costs any impact on trading in these locations may have a greater impact on the stores operating performance.

Franchisee / Affiliate Credit Risk

Life makes advances from time to time to its associated pharmacies and accordingly takes a credit risk in terms of the repayment of those advances. Inability to collect such advances could affect the financial position of Life.

Tax Losses

Life has existing tax losses recorded as an asset on its balance sheet. Life's ability to utilise these tax losses depends on Life maintaining the necessary shareholder continuity and generating taxable profits against which to off-set the losses. More details of this risk are set out on page 13.

Impairment Risk

Life's investment in associates is recognised in the Life group's financial statements by using the equity method and comprises the share of net assets acquired and the goodwill on acquisition. The investment carrying value is tested for impairment annually using an internal discounted cash flow model on a value in use basis. The model is based on an eight year cash flow cycle to coincide with a typical store refit cycle, using the approved store budgets as the first year. Subsequent cash flows for the next seven years are forecast on an individual associate store basis taking into account inflation and likely growth rates of that particular store and its location. The discount rate applied is 10.1% on the unleveraged post-tax forecast cash flows, including working capital movements and capital expenditure.

Any adverse changes in the actual performance of the associates in the first year, or future rates of growth, will reduce the calculated recoverable amount and this may result in the recognition of further impairment losses and a further write-down of the carrying amount of the investment in associates. The sensitivities in the impairment model are as follows:

- A movement of a positive 1% in the discount rate would decrease the calculated recoverable amount of the investment in associates by \$2,800,000;
- A movement of a reduction of 1% in the discount rate would increase the calculated recoverable amount of the investment in associates by \$3,500,000;
- A movement of a positive 1% in retail sales would increase the calculated recoverable amount of the investment in associates by \$3,171,000; and
- A movement of a reduction of 1% in retail sales would decrease the calculated recoverable amount of the investment in associates by \$3,192,000.

Interest Rate Risk

Life is currently repaying bank debt that is subject to changes in interest rates. Life's bank debt facility is on-lent to individual associate pharmacy stores whose interest rate policy is mirrored with Life Pharmacy. Any interest rate risk is therefore limited to 49% of Life's ownership on an individual store basis, but will affect the performance of the store(s).

Any change in interest rate will affect Life's weighted average cost of capital and therefore the individual store valuations.

Indirect Exchange Rate Risk

Life purchases the majority of its products and services in New Zealand dollars. Whilst Life has no direct exchange rate risk a significant number of suppliers that provide product to its stores are overseas domiciled and therefore they may be affected by currency risk causing price variability in New Zealand. Other major retailers may be less affected by this risk (e.g. fast moving consumer goods retailers such as supermarkets) due to their stronger buying power and foreign exchange policies.

General business risks

General Risks

General market and business risk results from the fact that there are economic and other circumstances, which threaten all businesses. Certain risks will affect most, if not all, businesses. Fluctuations in interest rates, exchange rates, economic growth, employment, commodity prices, house prices and business confidence are all examples of general market risks, which can impact both the financial markets and businesses operating in the "real" economy.

For example, any potential increase in interest rates may have an adverse impact on Life's financial position in that it may reduce the demand for Life's product and service offerings as the economy slows down as a result of interest rate pressures.

The economic uncertainties facing the global economy as well as domestic influences may affect the health, wellness and beauty sector in a manner or to an extent which has not been foreseen by Life.

Industry Risk

Life is exposed to general retail sector risks, including changes in consumer spending, adverse changes in consumer behaviour and tastes, seasonality and increased competition within particular segments and product offerings.

Taxation

Any change to tax law or the rate of company income tax has the potential to affect Shareholder returns. Changes to tax law or the rates of income tax applying to individuals and/or trusts similarly will impact after-tax Shareholder returns.

Other Risks

Forward Looking Statements

Certain statements in the Offer Document constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Life, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following general economic and business conditions: adverse product publicity, regulatory risk, seasonality, failure of new development initiatives, competition, adverse impact of currency and interest rate fluctuations, continued employment of key employees, success in maintaining and developing new markets, changes to tax legislation, sound labour relations and other factors presented in this Offer Document.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. In addition, under no circumstances should the inclusion of such forward-looking statements in this Offer Document be regarded as a representation or warranty by Life or any other person with respect to the achievement of the results set out in such statements, or that the underlying assumptions used will in fact be the case. Life disclaims any responsibility to

update any such risk factors or publicly announce the result of any revisions to any of the forward-looking statements contained in this Offer Document to reflect future developments or events, other than where it is required to do so by the Securities Act 1978, the Securities Regulations 1983 or the NZSX Listing Rules.

Factors that could cause such differences include, but are not limited to, those discussed in this section and in the “Answers to Important Questions” section under “What Are My Risks?” on page 23.

Shares Eligible for Future Sale

No prediction can be made as to the effect, if any, that future sales of Shares, or the availability of Shares for future sales, will have on the market price of the Shares prevailing from time to time. Sales of substantial numbers of Shares, or the perception that such sales may occur, may adversely affect prevailing market prices for the Shares.

Trading of Shares

The liquidity in Life shares is very low, which may impact an investor's ability to fully sell their Shares at a particular point in time.

Statutory Information

(Information Required by Securities Regulations 1983)

The following information is required by Regulation 4 (Short Form Prospectus) and the First Schedule to the Securities Regulations 1983 (the "Regulations") and forms part of this Offer Document.

1 **Main Terms of Offer**

Life Pharmacy Limited, a duly incorporated New Zealand company having its registered office at Level 1, Building B, 600 Great South Road, Greenlane, Auckland, is the issuer of the New Shares which are the subject of this Offer Document.

The securities offered are 56,773,567 partly paid ordinary shares in Life at a price of \$0.40 per New Share. The issue price for New Shares is payable in two tranches; an initial \$0.20 per New Share payable on application and the outstanding \$0.20 per New Share payable on 18 September 2009 (one year following allotment of the New Shares). Each Shareholder will be entitled to three New Shares for every two Existing Shares which are registered in its name as at the record date for the Offer.

In accordance with their terms of issue, the partly paid redeemable ordinary shares in Life are entitled to participate in the Offer on a basis proportionate to the amount paid up on those shares.

Each New Share confers on the holder the following rights, with each right pro rated based on the amount to which each New Share is fully paid:

- (a) the right to vote on a poll at a meeting of Life on any resolution, including, but not limited to any resolution to:
 - (i) appoint or remove a director or auditor;
 - (ii) alter Life's constitution;
 - (iii) approve a major transaction;
 - (iv) approve an amalgamation under section 221 of the Companies Act 1993; and
 - (v) put Life into liquidation;
- (b) the right to an equal share with other holders of ordinary shares in any distribution, including dividends, if any, authorised by the Board; and
- (c) the right to an equal share with the other holders of ordinary shares in the distribution of the surplus assets of Life.

2 **Prospects and Forecasts**

The trading prospects of Life and all special trade factors and risks (not likely to be known or anticipated by the general public which could materially affect the prospects of Life) are described on pages 12 to 18 of this Offer Document.

3 **Preliminary and Issue Expenses**

Issue expenses are estimated to amount to \$155,000. They include listing fees, legal fees, printing, postage, share registry, communication and advertising costs.

If you sell your Rights, you can expect to be charged brokerage by your Primary Market Participant. The rates of brokerage charged by Primary Market Participants vary and may be dependent on the value of the transaction. If you take up your Rights, there will not be any charges for you to pay.

4 **Other Terms of Offer and Securities**

All the terms of the Offer and all the terms of the New Shares are set out in this Offer Document, except for those implied by law or set out in a document that has been registered with a public official, is available for public inspection, and is referred to in this Offer Document.

5 **Financial Information**

A copy of Life's audited consolidated financial statements for the year ended 31 March 2008 sent to Life's shareholders and prepared in accordance with the requirements of the Financial Reporting Act 1993 have been registered with this Offer Document. Copies of these financial statements and reports can be obtained free of charge by any person to whom the Offer is made from Life Pharmacy Limited, Level 1, Building B, 600 Great South Road, Greenlane, Auckland or by going to Life's website, www.lifepharmacy.co.nz.

The Directors, after due inquiry by them in relation to the period between 31 March 2008 and the date of registration of this Offer Document advise that in their opinion:

- (a) no circumstances have arisen that would materially adversely affect the trading or profitability of Life and its subsidiaries or the value of the assets of Life and its subsidiaries; and
- (b) no circumstances have arisen that would materially adversely affect the ability of Life and its subsidiaries to pay its liabilities as they fall due within the next 12 months.

6 **Listing Securities on Registered Exchange's Market**

Application has been made to NZX for permission to list the Rights, and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have duly been complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

Application has been made to NZX for permission to list the New Shares, and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have duly been complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

Answers to Important Questions

(The information in this section is required by the Securities Act 1978. It should be read in conjunction with details set out under 'Important Information' on page 2.)

What sort of investment is this?

Shareholders are being offered the opportunity to subscribe for New Shares in Life. Life is offering, on a renounceable basis, a maximum of 56,773,567 New Shares at an issue price of \$0.40 per New Share to each of the registered holders of Existing Shares as at 5.00 pm on 21 August 2008, in the ratio of three New Shares for every two Existing Shares. The New Shares will be issued partly paid, with \$0.20 per New Share payable on subscription and the remaining \$0.20 per New Share payable on 18 September 2009.

Every New Share is entitled to one vote on a poll at a meeting of shareholders, and the right to an equal share in dividends authorised by the Board and in any distribution of the surplus assets of Life, such rights being pro rated based on the amount to which the New Share is fully paid.

Any New Shares that are not taken up under entitlements (if any) will be available to be taken up by those who apply for Additional New Shares under the Oversubscription Facility or by LPL Trustee under the option granted to it (see pages 6 and 9 respectively for further details).

Subject to availability and the allocation methodology described in the section entitled 'Acceptance or Renunciation of Entitlement' at page 6, each person seeking to take up any such Additional New Shares shall be issued the number of additional New Shares he or she has applied and paid for.

Any surplus application monies received will be returned to the relevant Shareholders by cheque within five working days of the New Shares being allotted. No interest will be payable on surplus monies returned to subscribers.

The New Shares will be allotted on 18 September 2008, and statements for New Shares will be sent to Shareholders no later than 25 September 2008.

Who is involved in providing it to me?

Life Pharmacy Limited is making the Offer of the New Shares to you.

Life's registered office and contact details are as follows:

Registered office: Level 1, Building B, 600 Great South Road, Greenlane, Auckland
Postal address: PO Box 17141, Greenlane, Auckland
Telephone: +64 9 580 1900
Facsimile: +64 9 580 1907
E-mail: invest@lifepharmacy.co.nz
Website: www.lifepharmacy.co.nz

Life (formerly called Beauty Direct and Online Limited) acquired the Life pharmacy business and assets in March 2005 from a private company now called PIMS 2005 Limited. Since the acquisition of the business, Life has operated as a retail pharmacy franchisor.

How much do I pay?

The New Shares are being offered at an issue price of \$0.40 per New Share to the registered holders of Existing Shares as at 5.00 pm on 21 August 2008 in the ratio of three New Shares for every two existing Shares. The issue price is payable in two tranches; \$0.20 per New Share is payable on subscription, with the remaining \$0.20 per New Share payable on 18 September 2009.

The extent of each Shareholder's entitlement to subscribe for New Shares is recorded on the Entitlement Letter accompanying this Offer Document.

Shareholders may apply for New Shares over and above their entitlements. Any New Shares that are not taken up under entitlements (if any) will be available to be taken up by those who apply for Additional New Shares under the Oversubscriptions Facility. The method of allocation of such shares applied for is described under the heading 'Acceptance or Renunciation of Entitlement' on page 6.

To subscribe for New Shares (including any additional New Shares not taken up by other Shareholders) you must pay \$0.20 per New Share applied for (the outstanding \$0.20 per New Share being payable on 18 September 2009), by sending a cheque or bank cheque for the appropriate amount, made payable to 'Life Pharmacy Limited', crossed 'not transferable' and for immediate value, together with your completed Entitlement Letter, to:

Share Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland 1142

The Offer may be accepted either in full or in part. The Directors have not set a minimum level of subscriptions for the issue to proceed.

Your completed Entitlement Letter and cheque or bank cheque must be received by the Share Registrar by not later than 5.00 pm on 17 September 2008.

The Offer is renounceable. Shareholders who do not wish to accept the Offer, or who wish to accept it in part only, may sell or transfer their entitlements in whole or in part.

What are the charges?

There are no charges payable by subscribers in connection with the Offer, other than the price of \$0.40 per New Share subscribed for. All expenses and overheads associated with the Offer are being met by Life.

If you sell your Rights, you can expect to be charged brokerage by your Primary Market Participant. The rates of brokerage charged by Primary Market Participants vary and may be dependent on the value of the transaction.

What returns will I get?

The New Shares will rank equally with Existing Shares in proportion to the amount to which the New Shares are paid up. The returns available from ordinary shares in Life will usually comprise any dividends and/or distributions paid by Life on any such ordinary shares. In addition, holders of ordinary shares will receive the benefit of any increase in the market price of their shares or bear any loss from the decline in the market price. In the event of the liquidation of Life, the holders of shares will be entitled to participate in the remaining surplus of assets (if any) after payment of all creditors.

Dividends

Life's current dividend policy is that 60% of net profit after tax will be distributed to shareholders by way of a dividend. Life's Board resolved against declaring a final dividend for the year ended 31 March 2008. Dividend payments are not expected to resume until profitability improves, which is predicated on Life investing and achieving growth and economies of scale, based on an investment plan over the next three to four years. The Board can, however, give no assurance that dividend declarations will be made or as to the levels of future dividends or the levels of imputation credits attaching to dividends. The payment or level of any future dividends is dependent on a number of factors including those stated under the heading 'What are my Risks?' and 'Special Trade Factors and Risk'.

Share Price Movements

Some of the key factors that determine share price movements are trends in the overall share market, the performance of Life against those overall trends, and influences on and attitudes to the industry in which Life operates.

Tax Implications on Returns

This summary of the tax implications associated with the shares addresses certain New Zealand tax consequences for New Zealand tax residents who are natural persons. All references to taxation (whether in this paragraph or elsewhere in this Offer Document) are of a general nature only and are not (and should not be interpreted as) legal or tax advice to any investor. There may be other tax considerations that may be relevant to a decision to purchase, sell or hold Shares. It is strongly recommended, therefore, that all prospective investors obtain professional advice relevant to their own particular circumstances.

Dividends - Dividends paid to Shareholders will be subject to New Zealand withholding tax and income taxes, but liability in respect of such taxes may be reduced or satisfied to the extent the dividends have imputation credits attached.

Sale of Shares - A profit on the sale of Shares could be subject to New Zealand income tax in certain circumstances. Gains on the sale of Shares by a New Zealand tax resident will be subject to New Zealand income tax if the seller is in the business of dealing in Shares or if the Shares were acquired for the purpose of sale or if the Shares were sold as part of a profit-making undertaking or scheme.

What are my risks?

The principal risk for investors is that they may not be able to recoup their original investment or that they may not receive the returns they expect. The reasons for this could include:

- the market price at which the shares can be sold is less than the price paid for them;
- there is no market for the shares;
- Life does not have funds available to pay dividends;
- the operational and financial performance of Life falls below expectations; and/or
- Life is placed in receivership, liquidation, voluntary administration or statutory management.

Many factors will affect the market price of the Shares, both specific to Life's business activities and of a more general nature, including:

- General economic conditions, including performance of the New Zealand dollar on world markets, inflation rates and interest rates;
- Variations in the global market for listed stocks (in general) or for New Zealand stocks (in particular);
- Changes to government policy, legislation or regulations;
- General operational and business risks;
- Rises and falls in the returns that are expected from alternative investments, including interest bearing securities and the shares of other listed companies;
- The financial performance of Life being worse than expected;
- Rises and falls in the actual or expected operational or financial performance of Life;
- Changes in the actual or perceived risk profile of Life; and
- Life's normal business risks and various special trade factor and other risks. A summary of these risks and special trade factors is set out on pages 14 to 18.

The New Shares will be issued partly paid to \$0.20 per New Share when issued to Shareholders. The remaining \$0.20 per New Share shall be payable on 18 September 2009.

In the event of Life becoming insolvent, the holders of New Shares will not be liable to pay money to any person, other than any amounts of the issue price of the New Shares that remain outstanding and unpaid which shall remain payable to Life.

If Life was put into liquidation, all secured creditors of Life, all preferential creditors of Life and all creditors of Life (in that order) would rank or could rank ahead of the holders of ordinary shares. In the case of liquidation, the holders of ordinary shares would be paid only after all creditors were satisfied, and those shareholders would then be entitled to all of the surplus assets which Life then had, rateably between them in accordance with the number of shares held by each shareholder.

Can the investment be altered?

The full terms of the Offer are referred to in the 'What Sort of Investment Is This?' section (and are set out on pages 4 to 10 of this Offer Document). Those terms may be altered by Life by an amendment to this Offer Document, details of which must be filed with the Registrar of Companies. However, those terms cannot be altered without investor consent once an application has been accepted. Other than the right of the Board to extend the closing date for the Offer, the date of the allotment of shares and the quotation date, the terms cannot be altered.

The rights attaching to the New Shares and the Existing Shares are governed by Life's constitution. That constitution may be altered by a special resolution of shareholders, subject to the rights of interest groups under the Companies Act 1993, or in certain circumstances by Court order. Section 117 of the Companies Act 1993 restricts Life from taking any action which affects the rights attached to the New Shares and Existing Shares unless the action has been approved by special resolution of shareholders whose rights have been affected by a special resolution may require Life to purchase its shares.

How do I cash in my investment?

Under the Companies Act 1993, Life can cancel its Shares under a reduction of capital, share buy-back or other form of capital restructuring. Subject to this, neither the shareholders, Life, nor any other person has any right to terminate, cancel, surrender, or otherwise make or obtain payment of the returns from the Shares, other than as referred to in this Offer Document under the section titled 'What Returns Will I Get' on page 22.

Investors can generally cash in their share investments by selling them through a sharebroker. All of the ordinary shares in Life are quoted on the NZX and are tradeable subject only to compliance with Life's constitution, applicable securities law and regulations and the development and continuation of an active trading market. Application has been made to NZX for permission to list the New Shares, and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have duly been complied with. However NZX accepts no responsibility for any statement in this Offer Document. Life is of the opinion that there may be a ready market for sales of the New Shares, although the Existing Shares have historically had very limited liquidity, and this may affect the timing and value of any future sale of Existing Shares and New Shares. No charges are payable to Life in respect of any sale, although brokerage may be payable to your broker.

Investors who currently hold New Zealand shares through the Share Registrar will have their Shareholder and FIN numbers applied to the New Shares. Investors who do not currently have a Common Shareholder Number or FIN number will receive both numbers by mail within five days of the allocation of the New Shares. Both numbers can be obtained after allocation, but prior to their receipt by mail, by contacting Computershare Investor Services Limited.

Who do I contact with enquiries about my investment?

Any enquiries about the Offer of New Shares made by Life in this Investment Statement and Prospectus can be directed to:

Jim Greenwood, Company Secretary or Craig Wilson, Chief Financial Officer
Life Pharmacy Limited
Level 1, Building B
600 Great South Road
Greenlane
Auckland
Telephone: +64 9 580 1900
Facsimile: +64 9 580 1907

Is there anyone to whom I can complain if I have problems with the investment?

Complaints about the New Shares can be made to Jim Greenwood, Company Secretary, Life Pharmacy Limited, at the address set out above.

There is no Ombudsman for this type of investment to whom complaints about the New Shares can be made.

What other information can I obtain about this investment?

Other information about the New Shares and Life is contained or referred to elsewhere in this Offer Document and in Life's annual report which includes the annual financial statements of Life for the year ended 31 March 2008. This Offer Document, annual reports, financial statements and other documents of, or relating to, Life (including Life's constitution) may, on request, be inspected without fee during normal business hours at Life's registered office at Level 1, Building B, 600 Great South Road, Greenlane, Auckland, and are filed on public register which may be inspected at the Companies Office website, www.companies.govt.nz.

Shareholders will be sent annually a copy of Life's annual report (containing a copy of Life's financial statements for the preceding financial year) and all other shareholder communications.

A request for any of the information referred to above can be made in writing or by telephone to Jim Greenwood, Company Secretary, Life Pharmacy Limited, at the address set out above.

This Offer Document has been signed by each of the Directors or his/her authorised agent in writing:

John Andrew Bagnall

Elizabeth Mary Coutts

Andrew John Davidson

Brian Philip Ingham

Stephen John Smith

Mark Steven Vuksich

Neil William Webber

Glossary

Additional New Shares	New Shares which a person applies for over and above its Entitlement pursuant to the Oversubscription Facility
Board	board of directors of Life
Directors	directors of Life
Entitlement	the number of New Shares which a person is entitled to subscribe for pursuant to the Rights held by that person
Entitlement Letter	the Entitlement Letter and acceptance form accompanying, and forming part of, this Offer Document
Existing Shares	the existing ordinary shares and redeemable ordinary shares (which participate in the Offer on a basis proportionate to the amount paid up on those shares) in Life on issue as at 5.00 pm on 21 August 2008
FASTER	the NZX's Fully Automated Screen Trading and Electronic Registration system through which NZX Firms are able to trade securities
Life and Life Pharmacy	Life Pharmacy Limited
LPL Trustee	LPL Trustee Limited
New Shares	the partly paid ordinary shares in Life to be issued pursuant to this Offer Document
NZ IFRS	New Zealand Equivalents to International Financial Reporting Standards
NZX	NZX Limited or the New Zealand Stock Market, as the context requires
NZX Firm	a firm of accredited brokers registered with NZX
Offer	the offer to Shareholders of three New Shares for every two Existing Shares on the terms set out in this Offer Document
Offer Document	this combined Short-Form Prospectus and Investment Statement
Oversubscription Facility	the feature of the Offer which entitles a person who accepts its Entitlement in full to also apply for an additional number of New Shares, details of which are set out on page 6
Primary Market Participant	any company, firm, organisation or corporation designated as a Primary Market Participant from time to time by NZX pursuant to the NZX Participant Rules
Rights	the entitlement to subscribe for New Shares pursuant to the Offer
Share Registrar	Computershare Investor Services Limited
Shares	the ordinary shares in Life
Shareholders	the holders of Existing Shares

Directory

Registered Office

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

Telephone: +64 9 580 1900
Facsimile: +64 9 580 1907
E-mail: invest@lifepharmacy.co.nz

Management

B P Ingham
Chief Executive Officer
Philip.ingham@lifepharmacy.co.nz

C Wilson
Chief Financial Officer
Craig.wilson@lifepharmacy.co.nz

Websites

For corporate information on Life Pharmacy Limited, employment opportunities, details on current Life Pharmacy in-store promotions and online beauty retails offers visit www.lifepharmacy.co.nz

Auditors

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
Auckland City
Auckland

Legal Advisers

Chapman Tripp
Level 35, 23 - 29 Albert Street
Po Box 2206
Auckland 1140

Bankers

ANZ National Bank Limited
The National Bank Tower
209 Queen Street
Auckland City
Auckland

Board

E M Coutts BMS, CA
Chairman

A J Davidson
Independent Director

S J Smith B.Com, Dip Bus (fin), CA
Independent Director

J A Bagnall (J B Bolland Alternate Director)
Non-Executive

M S Vuksich MPS
Non-Executive

N W Webber MBA, MPS
Non-Executive

B P Ingham
Executive

Company Secretary

J H Greenwood BCom, FCA
Life Pharmacy Ltd
PO Box 17 141
Greenlane
Auckland

Share Registrar & Investors Enquiries

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