



ALLIANCE

FARMERS' PRODUCE

SINCE 1948

PRODUCT DISCLOSURE STATEMENT



For an offer of ordinary nominal value shares in Alliance Group Limited

This is a replacement product disclosure statement, which replaces the product disclosure statement dated 23 November 2017.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose. Alliance Group Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

3 DECEMBER 2018

1. KEY INFORMATION SUMMARY (KIS)

What is this?

This is an offer of Ordinary Shares in Alliance Group Limited (*Alliance*). Ordinary Shares give you a stake in the ownership of Alliance. You could receive a return reflecting the performance of the Alliance Group (being Alliance and its subsidiaries) through distributions including rebates, refunds, bonuses (including pool payments) or dividends declared by the board of directors of Alliance (the *Board*).

If Alliance runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

About the Alliance Group

Alliance is a co-operative company, owned by suppliers of livestock. The Alliance Group is involved in the purchase of livestock (currently lamb, sheep, deer, cattle and calves) from its Transacting Shareholders and other suppliers, the processing of that livestock and the sale of the resulting meat and animal-related co-products to markets throughout the world.

We have carried out these principal activities since 1960.

Purpose of this Offer

The purpose of this Offer is to facilitate the offer and allotment of Ordinary Shares to persons who are, or who are intending to be, Transacting Shareholders of Alliance (*Transacting Shareholder* has the meaning given to that term in section 4 of the Co-operative Companies Act 1996). Money raised under the Offer will be used as general funds (including for working capital requirements and ongoing investment in infrastructure) rather than for a specific activity.

Key terms of the Offer

Description of the equity securities	Ordinary Shares (being ordinary nominal value shares in Alliance).
Price	\$1.00 per Ordinary Share. This is the nominal value of the Ordinary Shares set out in the constitution of Alliance (the <i>Constitution</i>).
Intended date Offer opens	19 December 2016.
Intended date Offer closes	This is a continuous offer of Ordinary Shares. Alliance reserves the right to refuse to accept any application or to suspend or to cease offering Ordinary Shares at its discretion.
Liabilities, fees and charges	See section 5 (" <i>Key features of Ordinary Shares</i> ") below for details. This includes the "Standard Shareholding" requirements obligation to subscribe for further Ordinary Shares in order to reach, or maintain, the required Standard Shareholding. There are no entry, administration, management, termination or other charges payable by you in respect of the Ordinary Shares.

<p>“Standard Shareholding” requirements</p>	<p>Each Transacting Shareholder (a shareholder who supplies livestock to Alliance) is required to have a Standard Shareholding. The <i>Standard Shareholding</i> is the shareholding that each Transacting Shareholder is required to hold, as determined by a formula which is based on the amount of livestock that has been supplied in the past, or is expected to be supplied in the future, by that Transacting Shareholder. This Standard Shareholding is subject to our minimum and maximum limits (currently 1,000 and 1,600,000 Ordinary Shares respectively) and can be amended from time to time by our Directors. In accordance with our stock procurement conditions, a portion of livestock purchase payments may be applied by us to pay for Ordinary Shares to make up in full or in part your Standard Shareholding from time to time.</p> <p>Further details on Alliance’s Standard Shareholding requirements are set out in the “Standard Shareholding” section on page 17.</p> <p>You are not required to be a Transacting Shareholder to supply livestock to Alliance. Alliance also takes supply of livestock from non-Transacting Shareholders on commercial terms.</p>
<p>Rebates and other distributions</p>	<p>The primary way in which you may receive returns in connection with your Ordinary Shares is through your eligibility to participate in, or receive, distributions of profit by us based on your:</p> <ul style="list-style-type: none"> • supply of livestock to us; and • shareholding in Alliance. <p><i>Distributions of profit based on supply of livestock</i></p> <p>You may receive returns on your investment through distributions of profit by us based on your supply of livestock to us. These distributions could include rebates, refunds, bonuses (including pool payments) or other similar payments.</p> <p><i>Distributions of profit based on shareholding</i></p> <p>You may also receive returns on your investment through the payment of dividends. Dividends may be paid to you in addition to any distributions of profit due to you based on supply. The amount of any dividend paid is determined by our Directors after the completion of each financial year of Alliance (being 30 September each year).</p> <p>The board currently has a practise of paying any distributions of profit based on your supply of livestock rather than based on your shareholding.</p> <p>There is no guarantee that any distribution of profit (whether based on supply or by way of dividend) will be made in respect of a particular financial year.</p> <p>Further details on distributions of profit by Alliance can be found in the “Distributions of Profit” section on page 18.</p>
<p>Surrender or transfer of Ordinary Shares</p>	<p><i>Transfer of Ordinary Shares</i></p> <p>You may be able to transfer your Ordinary Shares to a person who is, or is likely to become, a Transacting Shareholder of Alliance. This is subject to the Board’s right to delay or refuse to register a</p>

	<p>transfer of Ordinary Shares under the Constitution. The general method of disposing of Ordinary Shares is to surrender the Ordinary Shares to Alliance, as described on page 4.</p> <p><i>Surrender of Ordinary Shares</i></p> <p>As a Transacting Shareholder you are able to receive the nominal value for your shareholding by surrendering your Ordinary Shares to us, as further described in Section 5 (“<i>Key features of Ordinary Shares</i>”). Upon a surrender of Ordinary Shares, we will be the person legally liable to pay for your surrendered Ordinary Shares.</p>
--	--

How you can get your money out

Alliance does not intend to quote these Ordinary Shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Ordinary Shares.

In general, persons investing in shares in a co-operative company do so in order to transact with the company and to be entitled to distributions (including rebates) or other payments based on their trading with the company, rather than to obtain capital gains on the value of the shares. Holders of Ordinary Shares are unlikely to be able to transfer or surrender their Ordinary Shares for more than the nominal value of \$1.00 per Ordinary Share.

See also the “Surrender or transfer of Ordinary Shares” section on page 3 for a description of how your Ordinary Shares may be transferred or surrendered.

Key drivers of returns

Alliance considers the following current and future aspects of Alliance Group’s business have the most impact on the financial performance of the business:

- (a) Procurement of livestock: Alliance’s ability to secure sufficient livestock at sustainable prices and at times that meet market requirements;
- (b) Operating efficiency: Operational efficiency in processing livestock to meet market requirements and management of inventory levels;
- (c) Product and market mix: Different products and markets yield higher return and profitability than others; and
- (d) Foreign exchange rates: The relative strength of the New Zealand dollar against other currencies can materially impact Alliance’s financial performance and profitability.

Section 2 (“*Alliance Group and what it does*”) outlines these in more detail, along with the key strategies and plans for these aspects of the business.

Key risks affecting this investment

Alliance considers that the most significant risk factors that could affect the returns received from holding these Ordinary Shares are:

- *Livestock prices and availability:* We will be adversely impacted if livestock procurement prices increase and we are not able to pass all of the relevant price increase onto our customers. The

price of livestock may increase as a result of increased demand from competitors, industry overcapacity or a diminished supply of livestock (including as a result of adverse climatic conditions or natural events which are beyond our control). This could adversely impact us and result in lower margins. This may in turn reduce the distributions that are potentially available to Transacting Shareholders.

- *Exchange Rates:* We export the vast majority of our products to overseas purchasers. Alliance is therefore exposed to movements in exchange rates that cannot be reliably predicted. Our financial performance may be adversely impacted by material or prolonged adverse movement in exchange rates.
- *Commodity market prices:* Our financial performance is influenced by variations in international and domestic prices for our products. The commodity price for red meat products has historically been subject to significant volatility. As we export the vast majority of our products to overseas markets, our profitability can be significantly affected by variations in international prices for our products. Those international prices may be materially different to the price we have paid to procure that livestock from New Zealand producers. Factors that can influence the sale price for our products internationally include the level of world inventories, world economic development and growth, movements in relative exchange rates and competition from alternative product sources. These events could reduce our profitability and the distributions that are potentially available to Transacting Shareholders.
- *Food safety and diseases:* Levels of sales by Alliance may be affected by food safety compliance failures. Furthermore, an outbreak of disease affecting livestock (such as “Foot and Mouth” disease) could have a material adverse effect on our operations, reputation and profitability.

This summary does not cover all of the risks of investing in Ordinary Shares. You should also read Section 7 (“*Risks to Alliance Group’s business and plans*”). That section includes the mitigation strategies adopted by Alliance in relation to particular risks.

Where you can find Alliance Group’s financial information

The financial position and performance of Alliance Group are essential to an assessment of this Offer. You should also read Section 6 of this PDS (“*Alliance Group’s financial information*”).

Table of Contents

1.	Key Information Summary	2
	Letter from the Alliance Board Chairman	7
2.	Alliance Group and what it does	8
3.	Purpose of the Offer	13
4.	Terms of the Offer	14
5.	Key features of Ordinary Shares	15
6.	Alliance Group's financial information	20
7.	Risks to Alliance Group's business and plans	21
8.	Tax	27
9.	Where you can find more information	28
10.	How to apply	29
11.	Contact information	30
	Glossary	31

Letter from the Alliance Board Chairman

On behalf of Alliance, I am pleased to be able to offer you the opportunity to subscribe for ordinary nominal value shares in Alliance.

We are a leader in procuring, processing and marketing the world's best quality red meat products. As New Zealand's major farmer owned red meat co-operative, our aim is to maximise returns to our committed farmer shareholders and support them to operate profitable and sustainable farms.

We are a global company based in New Zealand and proud to be a farmer owned co-operative. This means profits we make are either reinvested back into the company or delivered back to our farmer shareholders.

This offer of ordinary nominal value shares in Alliance enables farmers to become transacting shareholders of Alliance. As a transacting shareholder of Alliance, you may be entitled to distributions from Alliance from time to time and are entitled to vote on such matters as director elections and resolutions put to a general meeting of shareholders.

This Product Disclosure Statement provides an overview of Alliance and details of the ordinary nominal value shares in Alliance being offered. We recommend you read it carefully. If you have any queries, please contact us or your professional advisors.

On behalf of the board, I welcome your interest in becoming a shareholder in Alliance or increasing your shareholding in the company.

M J Taggart

Chairman

Alliance Group Limited

2. ALLIANCE GROUP AND WHAT IT DOES

Overview

Alliance Group and its operations

Alliance is a co-operative company, owned by suppliers of livestock and we are involved in the purchase of livestock (currently lamb, sheep, deer, cattle and calves) from its Transacting Shareholders and other suppliers, the processing of that livestock and the sale of the resultant meat and animal-related co-products to markets throughout the world. Alliance operates in the red meat processing and export industry in New Zealand and overseas.

We have carried out these principal activities since 1960.

Alliance Group comprises the following significant subsidiaries and joint ventures as at the date of this product disclosure statement (PDS).

Subsidiary companies	Place of incorporation	Alliance interest	Principal activity
Alliance Foods Limited	New Zealand	100%	Non-trading
Pacific Foods Limited	New Zealand	100%	Non-trading
Alliance Group Asia Limited	New Zealand	100%	Non-trading
New Zealand Holdings (UK) Limited	United Kingdom	100%	Meat sales

Joint venture companies	Place of incorporation	Alliance interest	Principal activity
Alpine Origin Merino Limited	New Zealand	50%	Development of merino lamb
High Health Alliance Limited	New Zealand	50%	Development of high health premium lamb
Porkcorp New Zealand Limited	New Zealand	50%	Pork processing and marketing

Key aspects of the business

Alliance considers the following current and future aspects of its business have the most impact on the financial performance of the business. The key strategies and plans for these aspects of the business are also included.

Current and future aspects of Alliance's business that drive financial performance	Key strategies and plans
<p>Procurement of livestock</p> <p>Our ability to secure sufficient livestock at sustainable prices and at times that meet market requirements is a key driver of our operational efficiency, sales revenue and profitability.</p>	<p>Alliance has established its Co-operative Principles, which include providing for the needs of farmer shareholders to be at the heart of every decision we make.</p> <p>We use a team of livestock representatives and area managers, along with other sources for the purpose of procuring livestock.</p>

	We have an established livestock procurement policy which is reviewed from time to time to ensure it continues to meet our procurement requirements.
<p>Operating performance and processing efficiency</p> <p>The operational efficiency of our plants when processing livestock to meet market requirements is important in ensuring that our margins are maintained or enhanced.</p>	We have a strategy to improve operating performance including processing efficiency. This strategy includes a drive to reduce costs and enhance revenue generating activities throughout Alliance. A project management office helps monitor execution of cost saving and revenue enhancing initiatives as part of a continuous improvement programme.
<p>Product and market mix</p> <p>Different products and markets yield higher returns and profitability than others. The mix of products and the markets into which those products are sold are key to our profitability.</p>	Alliance Group regularly develops new product items and reviews its product mix. In addition, Alliance maintains a spread of markets to reduce exposure to any one market, and reviews demand from emerging new markets, in order to maximise market returns.
<p>Foreign exchange rates</p> <p>The relative strength of the New Zealand dollar against other currencies materially impacts our financial performance and profitability.</p>	<p>We operate a treasury policy overseen by a treasury management committee in order to manage the potential impact of currency fluctuations on our business as an exporter. We also regularly receive independent advice from an external treasury advisor.</p> <p>Our treasury policy prescribes measures and instruments to be used to mitigate the impact of currency and interest rate fluctuations. All measures and instruments used are prescribed in the treasury policy approved by the Board.</p>

Directors

Alliance's Board comprises the following individuals:

Murray James Taggart	Chairman Shareholder elected director Member of Remuneration & Nominations Committee Member of Audit & Risk Committee	Graeme Roderick Milne	Appointed director Member of Audit & Risk Committee Member of Remuneration & Nominations Committee
Sarah Miranda Brown	Appointed director	Donald George Morrison	Shareholder elected director Member of Audit & Risk Committee
Jared Guy Collie	Shareholder elected director	Hilary Dawn Sangster	Shareholder elected director Member of Audit & Risk Committee
Russell Graham Drummond	Shareholder elected director	Peter Martin Schuyt	Appointed director Chairman of Audit & Risk Committee
Jason Andrew Miller	Shareholder elected director	Vanessa Cynthia May Stoddart	Appointed director Chair of Remuneration & Nominations Committee (retiring from the board in April 2019)

Senior Managers

Alliance's senior managers comprise the following individuals:

David Surveyor <i>Chief Executive</i>	Cameron Mathewson <i>Chief Financial Officer</i>
Mark Blandford <i>Chief Information Officer</i> (resigned from the company effective 11 January 2019)	Peter Russell <i>General Manager Marketing</i>
Gijs Faber <i>General Manager Supply Chain</i>	Chris Selbie <i>General Manager People & Safety</i>
Danny Hailes <i>Company Secretary</i>	Heather Stacy <i>General Manager Livestock & Shareholder Services</i>
Nigel Jones <i>General Manager Strategy</i>	Willie Wiese <i>General Manager Manufacturing</i>
Shane Kingston <i>General Manager Sales</i>	

Substantial shareholders and relevant interests held by directors and senior managers, etc

There are no Alliance shareholders that, during the 20 working day period prior to the date of this PDS, held relevant interests in 5% or more of the Ordinary Shares on issue.

All Ordinary Shares held by Alliance's directors or senior managers have been acquired by the directors or senior managers in their capacity as Transacting Shareholders of Alliance. Their shareholding details are not material information.

Option to acquire securities of Alliance

No option to acquire securities has been granted to, or is proposed to be granted to, any person by or on behalf of Alliance.

Other equity securities of Alliance

The Constitution permits the Board to issue other classes of equity securities that would rank equally with, or in priority to, the Ordinary Shares without a special resolution of the holders of the Ordinary Shares. However, the Companies Act requires the Board to be satisfied that the terms and consideration of any such issue are fair and reasonable to Alliance and all existing shareholders. There is no current proposal to issue equity securities of another class.

Director remuneration and benefits

The table below sets out the total of the remuneration and the value of other benefits received by each director of Alliance, in respect of Alliance or any other member of the Alliance Group during FY2018.

All services provided by each director or proposed director of Alliance during the most recent period were provided in their capacity as a director.

Director	Total remuneration and value of other benefits received
Sarah Miranda Brown*	\$36,150
Jared Guy Collie	\$68,750
Russell Graham Drummond	\$68,750
Jason Andrew Miller	\$68,750
Graeme Roderick Milne	\$68,750
Donald George Morrison	\$68,750
Hilary Dawn Sangster	\$68,750
Peter Martin Schuyt**	\$66,250
Vanessa Cynthia May Stoddart	\$76,000
Murray James Taggart (chairman)	\$171,250

*Appointed March 2018

**Appointed December 2017

Employee remuneration over \$100,000 per annum

There were 150 employees or former employees of Alliance, not being directors of Alliance, who, during FY2018, received remuneration and other benefits in their capacity as employees, that in value was or exceeded \$100,000 per annum. The table below sets out the number of such employees or former employees in brackets of \$10,000:

Remuneration	No of Employees	Remuneration	No of Employees
\$100,000-\$110,000	57	\$210,001-\$220,000	2
\$110,001-\$120,000	18	\$250,000-\$260,000	1
\$120,001-\$130,000	12	\$261,000-\$270,000	1
\$131,000-\$140,000	12	\$290,001-\$300,000	1
\$141,000-\$150,000	7	\$310,001-\$320,000	1
\$151,000-\$160,000	9	\$320,001-\$330,000	2
\$161,000-\$170,000	5	\$350,001-\$360,000	1
\$171,000-\$180,000	6	\$380,001-\$390,000	2
\$181,000-\$190,000	3	\$410,001-\$420,000	2
\$191,000-\$200,000	1	\$520,001-\$530,000	2
\$201,000-\$210,000	4	\$1,340,001-\$1,350,000	1

Material interests in Alliance (or any of its subsidiaries)

No director or senior manager of Alliance has any direct or indirect material interest in Alliance or any of its subsidiaries. All Ordinary Shares held by Alliance's directors or senior managers have been acquired by the directors or senior managers in their capacity as Transacting Shareholders of Alliance. Their shareholding details are not material information.

No director or senior manager of Alliance has any direct or indirect material interest in any agreement entered into on behalf of, or in respect of, Alliance or any of its subsidiaries outside of the senior managers' employment agreements with Alliance, which are material to the senior managers.

Other material governance disclosures

The Constitution sets out the process under which Alliance shareholders elect between six and eight of the Alliance directors.

Provided the total number of Alliance directors does not exceed 10, the Board has the right to appoint up to four directors, who, in the opinion of the Board are capable of rendering special services in relation to the affairs of the Company, for a maximum period of three years. Such appointed directors may be reappointed by the board. The Board may also, from time to time, appoint a suitable person to be the Managing Director of Alliance for such term (not exceeding 5 years), at such remuneration, and generally on such terms and conditions as they may think fit. The Board may also, from time to time, remove or dismiss such Managing Director and appoint another in their place.

As at the date of this PDS the Board has not appointed a person to the role of Managing Director of Alliance; however, it has appointed a Chief Executive.

3. PURPOSE OF THE OFFER

The purpose of this offer is to facilitate the Offer and allotment of Ordinary Shares to persons who are, or who are intending to be, Transacting Shareholders of Alliance. There is no specific intended use of the money raised under the Offer. Instead funds will be used as general funds (including for working capital requirements and on-going investment in infrastructure) rather than for specific activities. The use of funds raised under the Offer will not change depending on the total amount that is raised.

4. TERMS OF THE OFFER

Description of the equity securities	Ordinary Shares (being ordinary nominal value shares in Alliance)
Price	\$1.00 per Ordinary Share. Please see further details below
Intended date Offer opens	19 December 2016
Intended date Offer closes	This is a continuous offer of Ordinary Shares. Alliance reserves the right to refuse to accept any application or to suspend, or to cease, offering Ordinary Shares at its discretion
Liabilities, fees and charges	See KIS (page 2)
Shareholding requirements	See "Standard Shareholding" (page 17)
Rebates and other distributions	See KIS (page 2)
Surrender or transfer of Ordinary Shares	See Section 5 (" <i>Key features of Ordinary Shares</i> ")

Price of Ordinary Shares

The price of the Ordinary Shares is set at \$1.00 per Ordinary Share. This is the nominal value of the Ordinary Shares set out in the Constitution. The Constitution can be obtained from the offer register at www.business.govt.nz/disclose.

The nominal value of the Ordinary Shares can only change by way of an amendment to the Constitution by a special resolution of the Alliance shareholders and with the prior approval of the Board. No independent or objective mechanism was used to set the price of the Ordinary Shares.

5. KEY FEATURES OF ORDINARY SHARES

Many of the key features of the Ordinary Shares are set out in the KIS or in Section 4 (“*Terms of the Offer*”).

These include:

- shareholding requirements in Alliance – see KIS (page 3);
- entitlements to rebates and other distributions – see KIS (page 3); and
- transfer and surrender of Ordinary Shares – see KIS (page 3) and below.

The key features of the Ordinary Shares not set out in the KIS or Section 4 (“*Terms of the Offer*”) are outlined below.

Rights attaching to Ordinary Shares

In addition to the key terms applying to Ordinary Shares already set out in the KIS and in Section 4 (“*Terms of the Offer*”), each Ordinary Share will confer on you the right to:

- attend and vote at a meeting of shareholders, including the right to cast one vote on a poll on a resolution;
- be sent certain information, including notice of meetings and company reports, sent to shareholders generally;
- exercise all other rights conferred on a Transacting Shareholder by the Companies Act, the Co-operative Companies Act, and the Constitution (including in relation to the election of Alliance directors);
- share in distributions including rebates, refunds or bonuses (including pool payments) based on the supply of livestock to Alliance, and an equal share in distributions based on the number of Ordinary Shares, in each case approved by the Board; and
- an equal share in the distribution of the surplus assets of Alliance on liquidation.

Surrender of Ordinary Shares

An investment in Ordinary Shares may be cashed in by a surrender of Ordinary Shares either at your option or at our option. In each case a surrender is always subject to the statutory requirement that we continue to meet the requirements of the solvency test after that surrender.

Surrender of Ordinary Shares at your option

Subject to us complying with applicable laws, you may require us to accept or surrender any or all of your Ordinary Shares in accordance with section 20 of the Co-operative Companies Act. In summary, we are required to accept a surrender of Ordinary Shares under the Co-operative Companies Act on the happening of one of the following events:

- the death of the Transacting Shareholder where his/her personal representative has ceased to be a Transacting Shareholder;
- where a shareholder has not been a Transacting Shareholder during the immediately preceding five year period or such other period as may be determined by our Board; or

- where the shareholder has disposed of or changed the use of the shareholder’s property and other assets with the result that the shareholder does not have the capacity to continue to be a Transacting Shareholder.

In addition, in accordance with section 20 of the Co-operative Companies Act you may offer to surrender all or any of your shares if you have ceased to be a Transacting Shareholder, however we are not under any obligation to accept that request.

Surrender of Ordinary Shares at our option

In addition to your right to require us to accept a surrender of Ordinary Shares in certain circumstances, and your ability to offer to surrender Ordinary Shares, as set out above, we may require you to surrender all or any of your Ordinary Shares in the following circumstances:

- where you have ceased to be a Transacting Shareholder;
- where you have failed to comply in a material respect with the requirements of transactions with us contained in any contract between the two of us;
- where our Board forms the view that you, or a person having a “relevant interest” (as that term is defined in the FMC Act) in any of your Ordinary Shares, is a person who is in direct or indirect competition with us;
- where you hold Ordinary Shares in excess of your Standard Shareholding; or
- where you have satisfied our Board that your financial circumstances are such that it would relieve undue hardship to you if we required a surrender of your Ordinary Shares.

Further information about the surrender of Ordinary Shares at your option or at the option of Alliance is set out in the Constitution and the Co-operative Companies Act.

Consideration for surrendered Ordinary Shares

Amount of consideration payable

The price payable by us to you for each Ordinary Share surrendered will be the lesser of:

- the nominal value of each Ordinary Share at the date the surrender takes effect; or
- the amount paid up on each Ordinary Share, if it is less than the nominal value of the Ordinary Shares; or
- if our Board procures an independent valuation, a price arrived at by independent valuation (subject to arbitration) provided that the price may not exceed the nominal value of the Ordinary Shares concerned, or, if less, the amount paid up on those Ordinary Shares.

In addition to the above, the consideration payable for the surrender may be an amount agreed by you and Alliance, provided that it is less than the nominal value of the Ordinary Shares at the date of surrender, or the amount paid up on the Ordinary Shares.

Timing of payment of consideration

Under the Constitution, consideration payable by us to you for any surrender of Ordinary Shares is payable at a date decided by our Board, being a date which is:

- no later than 12 months after the surrender takes effect upon your death or where you have not been a Transacting Shareholder during the immediately preceding five year period (as described in the first two bullet points under “Surrender of Ordinary Shares at your option” above); and
- no later than 5 years in any other case.

No interest shall be payable by us on any surrender proceeds due (unless otherwise resolved by our Board).

Sale of Ordinary Shares

You may sell your interest in Ordinary Shares to another person subject to the Board’s right of delay or refusal of transfer. Pursuant to the Constitution, our Board may delay or refuse to register a transfer of Ordinary Shares in prescribed circumstances, including where:

- the other person is not, and is not likely to become, a Transacting Shareholder of Alliance;
- we have a lien on an Ordinary Share(s) being transferred;
- a call is due and unpaid or any other money is due to us and unpaid in respect of the Ordinary Share(s);
- the Board is of the opinion that the proposed transferee is, or is directly or indirectly associated with the ownership, management or operation of, a commercial competitor of Alliance; or
- the transfer would result in you holding less than your Standard Shareholding requirement.

Standard Shareholding

Calculation of Standard Shareholding

The Standard Shareholding is currently calculated on the basis of 12 Ordinary Shares for each stock unit supplied.

The Standard Shareholding requirement of a Transacting Shareholder is recalculated annually to reflect changes in supply patterns of that Transacting Shareholder.

For calculating the Standard Shareholding:

- one lamb equals one stock unit;
- one sheep equals one stock unit;
- one calf equals one stock unit;
- one deer equals four stock units; and
- one cattle beast equals twelve stock units.

When calculating each Transacting Shareholder’s Standard Shareholding we will, at our sole discretion, determine their stock supply. This stock supply will normally be based on the average supply for the immediately preceding three years.

Minimum and maximum shareholding

The maximum shareholding which may be held by any shareholder is currently 1,600,000 Ordinary Shares.

The minimum shareholding that must initially be purchased by a Transacting Shareholder prior to supplying to us (and which must be retained by all Transacting Shareholders) is 1,000 Ordinary Shares

or such lesser number as our Directors may from time to time, in their sole discretion, accept. These Ordinary Shares must be paid for in cash.

Subject to the Constitution, Ordinary Shares may be allotted by our Board to make up in full or in part the Standard Shareholding calculated initially on becoming a shareholder and then annually for a Transacting Shareholder. To pay for these allotted Ordinary Shares our Board may apply the whole or any part of any rebate, refund, bonus (including pool payments), livestock purchase payment (provided the terms of supply permit) or other similar payment due to that Transacting Shareholder by us.

Our Directors have a policy of retaining up to one half of any rebates, refunds or bonuses (including pool payments) payable to a Transacting Shareholder to pay for the allotment of any additional Ordinary Shares to that Transacting Shareholder. If less than 1,000 Ordinary Shares are held, all the rebate, refund or bonus (including pool payment) is retained until the minimum Standard Shareholding of 1,000 Ordinary Shares is held.

Worked examples of a Transacting Shareholder's Standard Shareholding can be found on Alliance's register entry on www.business.govt.nz/disclose.

You are not required to be a Transacting Shareholder to supply livestock to Alliance. Alliance also takes supply of livestock from non-Transacting Shareholders on commercial terms.

Distributions of profit

Distributions of profit based on supply of livestock

Any return on your investment through distributions of profit will be predominantly affected by the level of your supply of livestock to us. These distributions could include rebates, refunds, bonuses (including pool payments) or other similar payments.

Distributions of profit based on supply are normally determined by our Directors on or about the completion of each financial year of Alliance, being 30 September each year. Distributions of profit based on supply are not calculated based on the number of Ordinary Shares you hold.

The key factors that may affect whether distributions of profit based on the supply of livestock are paid by us for any financial year and, if they are, what amount you will receive are:

- our profitability for the relevant financial year;
- any reserves and/or retentions our Board determines to make in the relevant financial year;
- the supply option(s) you selected for supplying livestock to us during the relevant financial year;
- the volume, type and, depending on the supply option selected, quality of livestock you supply to us during the relevant financial year;
- our net operating cash flow; and
- our ability to obtain any necessary approvals from our financiers to such distributions.

From time to time we may make bonus share issues from reserves. Bonus share issues may be made on the basis of either your supply of livestock to us over one or more financial years or of the number of shares in Alliance you hold.

The supply options available to you from time to time are set out in the latest version of our livestock procurement conditions, a copy of which can be obtained from an Alliance livestock representative or

from our Farm Alliance website via www.alliance.co.nz. These options may be changed by us at any time.

There is no guarantee that a distribution of profit based on supply will be made in respect of a particular financial year. The quantum and composition of any distribution of profit based on supply are at the discretion of our Board. The amount of any distribution of profit based on supply is not quantifiable as at the date of this PDS.

Distributions of profit based on shareholding

You may also receive returns on your investment through the payment of dividends. Dividends may be paid to you in addition to any distributions of profit due to you based on supply. The amount of any dividend paid is determined by our Directors after the completion of each financial year of Alliance (being 30 September each year).

The key factors that may affect whether dividends are paid on your Ordinary Shares, and in what amounts, are:

- our current profitability and liquidity; and
- our ongoing capital requirements.

In particular, our Directors will determine what (if any) dividend is appropriate after providing for any distributions of profit based on the supply of livestock (discussed above).

The amount of any dividend is calculated in relation to the number of Ordinary Shares you hold at the time the dividend is payable. As noted above, from time to time we may also make bonus share issues from reserves based on the number of shares in Alliance you hold.

The board currently has a practise of paying any distributions of profit based on your supply of livestock rather than based on your shareholding.

Timing of payments

Any distributions of profit (whether based on supply or by way of dividend) are normally paid by us during December each year, in respect of the then preceding financial year ended 30 September. The company may elect at its discretion to pay any distributions at any other time.

There is no guarantee that any distribution of profit (whether based on supply or by way of dividend) will be made in respect of a particular financial year, and will be declared only after meeting appropriate solvency requirements.

No amount of returns are quantifiable as at the date of this PDS nor are any returns on the Ordinary Shares promised or guaranteed.

6. ALLIANCE GROUP'S FINANCIAL INFORMATION

Key financial information about Alliance Group, including relevant full financial statements, is available on the offer register at www.business.govt.nz/disclose. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

Selected financial information

The offer register contains a table outlining selected financial information for the most recent Financial Year of Alliance Group as well as the two preceding Financial Years.

The selected financial information included in the table comprises:

- Revenue from continuing operations
- Profit before rebate and tax from continuing operations
- Rebates
- Profit after rebate and tax from continuing operations
- Bonus share issue
- Loss after rebate and tax from discontinued operations
- Profit/(loss) for the year attributable to equity holders
- Total assets
- Cash and cash equivalents
- Total liabilities
- Total debt
- Net cash flows from operating activities.

The offer register will be updated from time to time to ensure an up-to-date table outlining this information is available.

Full financial statements

The offer register contains full audited financial statements of Alliance Group for the most recent Financial Year of Alliance as well as the two preceding Financial Years.

7. RISKS TO ALLIANCE GROUP'S BUSINESS AND PLANS

This section sets out a description of the circumstances that Alliance is aware of that exist or are likely to arise that significantly increase the risk to Alliance's financial position, financial performance, or stated plans.

Included in this section are:

- Alliance's assessment of the nature, likelihood and potential magnitude of the impact of these circumstances; and
- the strategies that exist, or that have been adopted by Alliance, to reduce or manage the risk of this impact arising.

This section is based on an assessment undertaken by Alliance at the date of this PDS.

Livestock prices and availability	
Description of risk	We will be adversely impacted if livestock procurement prices increase and we are not able to pass all of the relevant price increase onto our customers. We procure all of our livestock from within New Zealand but export the vast majority of our products to overseas markets. The price we pay for livestock may increase as a result of increased demand from competitors, industry overcapacity or a diminished supply of livestock (including as a result of adverse climatic conditions or natural events in our catchment regions which are beyond our control).
Assessment of nature, likelihood and potential magnitude of risk	<p>Competition in the red meat industry for livestock may have a material impact on our ability to procure livestock at a competitive price. Livestock availability to Alliance may also reduce if, for example, returns from producing and selling livestock decrease, or if returns from other land-use options which may be available to landowners increase.</p> <p>Changes to these factors may result in lower margins, profitability and cash flows for us.</p> <p>Furthermore, adverse environmental conditions (particularly if they occur over a prolonged period and widespread area) may materially impact the availability of livestock and the price we must pay to procure that livestock. A significant climatic event in our livestock catchment regions (for example an unseasonal snow storm or a widespread drought) could have a material effect on the survival of livestock and their availability for supply. The potential magnitude of this risk depends on the type of event and its locality (and the importance of that locality as a livestock catchment region).</p>
Mitigation strategies	<p>We closely monitor competitor activity in procurement and processing. Weekly meetings are held to review and, where appropriate, change pricing to adapt to current market conditions. Regular sales and operations planning meetings are also held. An established Livestock Procurement and Pricing Policy sets disciplines around our price setting.</p> <p>To mitigate the impact of adverse climatic conditions or natural events, Alliance has a geographic spread of livestock catchment regions and processing plants throughout the South Island and lower North Island of New Zealand.</p>

Exchange rates	
Description of risk	We export the majority of our products to overseas purchasers. We are therefore exposed to movements in exchange rates that cannot be reliably predicted.
Assessment of nature, likelihood and potential magnitude of risk	<p>Our business, financial condition and performance may be adversely impacted by material and/or prolonged adverse movement in the exchange rate between the New Zealand dollar and foreign currencies which our sales are made in.</p> <p>In particular, the strength of the New Zealand dollar against the US dollar, euro dollar, pound sterling, Japanese yen, Canadian dollar and the Australian dollar materially impacts our business, financial condition and performance.</p> <p>Because of the relative volatility of the New Zealand Dollar, this risk has a reasonable likelihood of materialising.</p>
Mitigation strategies	We have a treasury policy in place to assist with managing our foreign exchange rate risk. We often use derivative financial instruments to hedge some of our exposure to foreign exchange risks arising from our operational activities. While our treasury policy helps to mitigate this risk, our profitability is affected by exchange rate movements. We regularly receive external treasury advice.
Commodity market prices	
Description of risk	Our financial performance is materially influenced by variations in international and domestic market prices for our products. Our revenue is directly impacted by the prevailing commodity prices for red meat, both internationally and domestically. In particular, international commodity prices may be materially divergent from the market prices we have paid to procure livestock from within New Zealand.
Assessment of nature, likelihood and potential magnitude of risk	<p>Our profitability and performance can be materially affected if market prices for our products in our key markets decline or are low. The price for red meat products has historically been subject to significant volatility. As we export the vast majority of our products to overseas markets our profitability can be significantly affected by variations in international prices for our products. This is particularly the case because we are usually unable to secure long term fixed pricing for our products.</p> <p>As we procure all of our livestock from within New Zealand, there may at times potentially be a significant difference between the price we have paid for procuring that livestock in New Zealand and the prices we receive from selling the resulting red meat products internationally.</p> <p>Major factors that can influence demand and supply, and therefore market prices, include:</p> <ul style="list-style-type: none"> • the level of world inventories; • the rate of world economic development and growth; • movements in relative exchange rates between the currencies of major importing and exporting countries; and • competition from alternative product sources.

Mitigation strategies	<p>We aim to mitigate this risk in a number of ways, including through the following:</p> <ul style="list-style-type: none"> • maintaining positive key customer account relationships; • maintaining our branding, which is associated with producing a range of quality products, and maintaining high customer service levels; • having diversity of markets and products; • maintaining a treasury policy and taking external treasury advice; and • managing inventory levels, including aligning procurement and processing with sales demand.
Food safety and diseases	
Description of risk	<p><i>Food safety</i></p> <p>Our operations, reputation, and profitability are at risk of food safety compliance failures identified by either the Ministry for Primary Industries in New Zealand or by regulatory authorities in countries which import our products.</p> <p><i>Disease</i></p> <p>As with all livestock, outbreaks of disease could occur. Our businesses may be impacted by any such outbreak of exotic or other diseases (such as “Foot and Mouth” disease) affecting livestock either in New Zealand or overseas.</p>
Assessment of nature, likelihood and potential magnitude of risk	<p><i>Food safety</i></p> <p>Non-compliance with food safety requirements could adversely affect our ability to process and export product and could have a materially negative effect on the reputation of Alliance Group. The effects from non-compliance with food safety requirements could also include legal action and financial penalties from disaffected parties, claims from customers and a loss of customers.</p> <p><i>Disease</i></p> <p>An outbreak of disease affecting any of the livestock species in New Zealand may result in the required destruction of livestock with the disease or those suspected to have been in contact with an infected animal, and may force us to suspend export of products from the infected species and possibly other or all meat exports. The export of such products to certain foreign markets may also be prohibited. Any such event may have a material adverse effect on our business, financial condition and/or performance.</p>
Mitigation strategies	<p><i>Food safety</i></p> <p>We employ specialist food safety systems management and auditing staff. We also have a farm assurance programme, which is independently audited and is designed to ensure that our suppliers consistently meet high food safety standards in their farming practices.</p> <p>We operate licensed meat export processing plants with on-plant veterinarians employed by the Ministry of Primary Industries and independent meat inspectors employed by AsureQuality Limited. We</p>

	<p>also operate risk management plans and other independently audited management systems. Regular customer audits are also undertaken.</p> <p><i>Disease</i></p> <p>Measures taken by the New Zealand Government to assist in keeping diseases which may affect the New Zealand agricultural industry out of New Zealand (including the biosecurity measures and policies of the Ministry for Primary Industries), assist in mitigating the chance of an outbreak of disease.</p>
Market access / trade restrictions	
Description of risk	As a meat exporter we are affected by trade restrictions and product sales quota, including those imposed by the United States and the European Union. We can also be affected by future trade restrictions imposed by countries we export to.
Assessment of nature, likelihood and potential magnitude of risk	These trade restrictions may force us to sell our products into alternative markets at lower prices, which could adversely affect our margins and/or performance. In addition, inter-governmental arrangements may impact upon our ability to access overseas markets. A failure by us or a New Zealand regulatory or governmental authority to comply with the regulatory requirements of an overseas market may result in temporary or permanent restrictions on our ability to access that overseas market, which may have a material adverse effect on our business, financial condition and performance.
Mitigation strategies	We employ technical experts, maintain verifiable management systems and submit to independent audits carried out by the Ministry of Primary Industries and our customers to ensure that we comply with overseas market access requirements and product sales quota. We also engage with the Ministry of Primary Industries and its officials including through our membership of the New Zealand Meat Industry Association over market access requirements.
Environmental and ethical issues	
Description of risk	<p><i>Environmental and ethical issues</i></p> <p>Our business and operations may also be impacted by customer and consumer views on environmental and ethical issues and any limitations on our business and operations to address those issues (including with respect to water usage and agricultural emissions, discharges to land and water, animal and plant genetics, animal welfare concerns and concerns related to the potential environmental impacts of shipping our products over long distances associated with New Zealand agricultural goods). These issues are of particular relevance to us as we export the vast majority of our products to countries (in particular the United Kingdom and other European Union countries) with consumers which have a heightened awareness of animal welfare issues and the effects of red meat production on the environment.</p>

Assessment of nature, likelihood and potential magnitude of risk	Consumers are increasingly influenced by the actual and perceived effect of food production on the environment, and the welfare of animals raised and processed for human consumption. Environmental and ethical issues (both general and specifically relating to Alliance's business and operations and any perceived deficiencies in our operating practices) may impact the marketing of, and returns for, agricultural products in New Zealand and/or internationally which may have a material adverse effect on our performance or profitability.
Mitigation strategies	We review from time to time and regularly obtain advice on environmental resource management policy and plan changes. We have officials from the Ministry of Primary Industries based at our processing plants who monitor and review animal welfare practices at our processing plants.
Compliance with resource consents	
Description of risk	We operate a number of activities that must comply with resource consents and plans issued under the Resource Management Act 1991 and other environmental laws, enforced by local authorities.
Assessment of nature, likelihood and potential magnitude of risk	We are subject to different conditions under these resource consents at each of our plants, some of which require significant capital costs to meet the conditions of those consents within a set timeframe. Failure to comply with these consents and/or plans, or a failure to obtain required consents may materially impact our operations (including our ability to operate) and reduce our profitability, for example through the imposition of fines or other penalties and/or through damage to Alliance's brand and reputation.
Mitigation strategies	We have systems in place to monitor compliance with the consents required for our manufacturing systems. Furthermore, we employ specialist environmental resource management staff to ensure that we are aware of our resource management obligations, and to ensure that we remain in compliance with these obligations. We have in place the ISO 14001 environmental management system to assist us to minimise and manage how our operations affect the environment and comply with environmental laws. This environmental management system is independently audited and verified.
Health and safety	
Description of risk	As an employer, Alliance has obligations under the Health and Safety at Work Act 2015 which it must comply with. Alliance operates a number of work environments (including plants with employees performing livestock processing activities) which have a heightened risk of a serious harm accident occurring in the workplace.
Assessment of nature, likelihood and potential magnitude of risk	As a livestock processor our operations involve activities which may result in a serious harm accident occurring. In particular our operations have a heightened risk of a serious harm accident occurring due to the use of dangerous processing machinery, the labour-intensive nature of our processing operations (where fatigue can contribute to the risk of accidents occurring), the presence of live animals (which may act

	<p>unpredictably), and the use of chemicals and high temperature water as part of these operations.</p> <p>A failure by Alliance to meet its obligations under the Health and Safety at Work Act 2015 (including in connection with an accident occurring in the workplace) could result in enforcement action being taken against Alliance. These enforcement actions could include prohibiting us from carrying out processing activities until remedial action is taken to ensure our workplace is safe, infringement notices or prosecution. Any such enforcement actions could have an adverse impact on our business operations and our financial condition and performance.</p>
<p>Mitigation strategies</p>	<p>We have in place a workplace health and safety management system which is designed to identify, assess and manage health and safety issues arising from operational activities.</p>

8. TAX

Tax can have significant consequences for investments. If you have queries relating to the tax consequences of investing in Ordinary Shares, you should obtain professional advice on those consequences.

9. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to Alliance Group and the Ordinary Shares is available on the offer register (for example, the Constitution and Alliance's financial statements). The website for the offer register is www.business.govt.nz/disclose.

A copy of the information on the offer register is available on request to the Registrar of Financial Service Providers.

Further information relating to Alliance is available on the New Zealand companies register (administered by the Companies Office) at www.companiesoffice.govt.nz/companies.

In addition, further information relating to Alliance is available free of charge on Alliance's website at www.alliance.co.nz

10. HOW TO APPLY

Applications to subscribe for Ordinary Shares can be made by completing a shareholder application form which may be obtained by contacting our share registrar on either 0800 35 44 35 (toll free) or 03 214 2700. Alternatively, you may email us at shares@alliance.co.nz to request an application form.

Completed forms can be returned to the Alliance Share Registry by post or email. Please see the contact information on page 30 in Section 11 ("*Contact information*").

11. CONTACT INFORMATION

Issuer (Alliance Group Limited)	Address: 51 Don Street, Invercargill 9810 Telephone: (03) 214 2700 Email: executive@alliance.co.nz
Securities Registrar (Alliance Group Limited)	Address: 51 Don Street, Invercargill 9810 Telephone: (03) 214 2700 Email: shares@alliance.co.nz

12. GLOSSARY

In this PDS the following defined terms have the meanings set out next to them, except where the context requires otherwise.

Defined term	Meaning
Alliance	Alliance Group Limited (New Zealand registered company 154786).
Alliance Group	The Alliance group of companies, comprising Alliance and its subsidiaries as at the date of this PDS.
Board	Board of directors of Alliance acting as a board.
Companies Act	Companies Act 1993 (as may be amended or replaced from time to time).
Constitution	The constitution of Alliance (as may be amended or replaced from time to time). A copy of the current constitution is contained in the online register available at www.business.govt.nz/disclose .
Co-operative Companies Act	Co-operative Companies Act 1996 (as may be amended or replaced from time to time).
Director	A director of Alliance from time to time.
FMA	Financial Markets Authority.
FMC Act	Financial Markets Conduct Act 2013 (as may be amended or replaced from time to time).
FY2018	Alliance financial year for the 12 months ending 30 September 2018.
Offer	The offer of Ordinary Shares by Alliance to persons who are, or immediately after allotment will be, Transacting Shareholders.
Ordinary Shares	Ordinary nominal value shares in Alliance.
PDS	This Product Disclosure Statement dated 3 December 2018 relating to the Offer.
Standard Shareholding	The standard shareholding that each Transacting Shareholder is required to hold, as calculated by Alliance based on the amount of livestock that has been supplied in the past or is expected to be supplied in the future to Alliance by the Transacting Shareholder.
Transacting Shareholder	Has the meaning given to that term in section 4 of the Co-operative Companies Act.
We, our, and us	Alliance Group Limited.



ALLIANCE
FARMERS' PRODUCE

SINCE 1948

Alliance Group Limited
51 Don Street, Invercargill 9810
PO Box 845, Invercargill 9840
0800 354 435
03 214 2700
executive@alliance.co.nz

WWW.ALLIANCE.CO.NZ