

PRODUCT DISCLOSURE STATEMENT

For an offer of Transactor Shares in EastPack Limited

Issued by EastPack Limited Dated 21 April 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.companiesoffice.govt.nz/companies/disclose, offer number OFR11921.

EastPack Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advisor to help you to make an investment decision.





PRODUCT DISCLOSURE STATEMENT



EastPack
WORLD CLASS ORCHARD TO MARKET

1. Key Information Summary (KIS)

What is this?

This is an offer of Transactor Shares in EastPack Limited (*EastPack*). Transactor Shares give you a stake in the ownership of EastPack.

You could receive a return reflecting the performance of the EastPack through rebates or other distributions declared by the board of directors of EastPack (*the Board*).

If EastPack 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 EastPack Group

The EastPack Group is a grower owned co-operative company that operates a kiwifruit and avocado packing and cool storage business, manages and leases orchards, and provides on-orchard management services. It is currently the largest kiwifruit post-harvest operator in New Zealand handling approximately 28% of New Zealand's kiwifruit production. The Company has seven packing facilities located in Northland, the Western Bay of Plenty and Eastern Bay of Plenty.

Purpose of this offer

The purpose of this offer is to facilitate the offer and allotment of Transactor Shares to persons who are, or who are intending to be suppliers of kiwifruit to EastPack, and therefore become Transacting Shareholders of the Company. 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	Transactor Shares (being nominal value shares in EastPack).
Price	<p>\$1.00 per Transactor Share.</p> <p>This is the nominal value of the Transactor Shares set out in the constitution of EastPack (<i>the Constitution</i>).</p>
Who this offer applies to	Transactor Shares may only be held by suppliers of kiwifruit or other fruit to EastPack. Unless approved by the Board every person wishing to supply fruit to EastPack must become a Transacting Shareholder before doing so. See also 'Shareholding Quota' below.
Intended date offer opens	2 May 2017.
Intended date offer closes	This is a continuous offer of Transactor Shares. EastPack reserves the right to refuse to accept any application or to suspend or to cease offering Transactor Shares at its discretion.
Liabilities, fees and charges	<p>Annual Charges</p> <p>The constitution provides for the company to make a series of charges for services on Transactor Shareholders in each year to cover the cost of grading, packing, cool storage, transport and any associated services for kiwifruit or other produce of its shareholders and all other expenses of the Company. Such charges may not exceed the fair market cost of providing such services as determined by the Board, and are charged based on the volume and grade of fruit processed by EastPack. Details of these charges are published annually in the 'EastPack Grower Guide', a copy of which is available from the Company on request.</p>

Shareholding Quota

Under the Constitution each Transacting Shareholder must hold a specified number of Transactor Shares. The number of shares that must be held is determined by the 'shareholding quota' (*Shareholding Quota*).

As at the date of this PDS the Shareholding Quota is one Transactor Share for every tray of class 1 kiwifruit supplied by the relevant shareholder to the Company in a processing year (as determined by the Board). The Board's current policy is to determine the number of trays packed by a Transacting Shareholder by averaging the three highest annual volume(s) of production achieved by that shareholder over the previous four years' production.

Where a shareholder transacts with the Company other than by the supply of kiwifruit, the Board can from time to time determine a quota policy appropriate to that type and volume of transaction.

If the Board determines that a Transacting Shareholder holds insufficient Transactor Shares (as determined in accordance with the relevant Shareholding Quota), that Transacting Shareholder must increase their shareholding over time to meet such quota (for example through retention of rebates or Grower contributions otherwise payable). Allotment of the additional shares is made under the terms of the Constitution (without the need for the relevant shareholder to submit any application for such shares).

The purchase price for the additional Transactor Shares (being their nominal value of \$1.00 per share) is payable as and when determined by the Board. In particular, the Board is entitled to apply rebates otherwise payable to the Transacting Shareholder towards payment for these further Transactor Shares before any balance is paid to that Transacting Shareholder. Current Company policy is to deduct the payment for such shares from rebates that would otherwise be paid to the relevant under shared Growers.

Similarly, if at any time a Transacting Shareholder holds more Transactor Shares than it is required to hold in accordance with the Shareholding Quota then EastPack may require that shareholder to surrender the excess.

How you can get your money out

EastPack does not intend to quote these Transactor 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 Transactor Shares.

The Constitution also allows for the surrender of Transactor Shares to the Company, including the circumstances where a Transacting Shareholder may be required to surrender their Transactor Shares. The most common situation for surrender of Transactor Shares is where a partial surrender is required to ensure that the shareholder does not hold shares materially in excess of their Shareholding Quota, or where a full surrender is required as the shareholder has ceased to be a supplier of fruit to EastPack. All share surrenders require the approval of the Board. Payment for surrendered shares (generally at nominal value, i.e. \$1 a share) is made by the Company following expiry of a 'wait period'. As at the date of this PDS the wait period is three years. Please see Sections 5 and 7 for further detail.

Key drivers of returns

EastPack considers that the following current and future aspects of the EastPack Group's business have the most impact on the financial performance of the business:

- **Volume of Fruit packed and cooled:** EastPack's ability to maintain and grow volumes of kiwifruit and avocados packed and cooled, stored and loaded out for sale.
- **Packing Price:** In a competitive kiwifruit packing industry, maintaining packing, cooling and storage prices to sustain profitability.
- **Cost of capital:** EastPack is required to invest in significant infrastructure to provide the necessary services and achieve an adequate return on the investment.
- **Balance Sheet Revaluations:** The valuation of key specialised assets such as plant and land and buildings.

Section 2 (The EastPack 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

EastPack considers that the most significant risk factors that could affect the returns received from holding Transactor Shares are as follows:

- **Failure to return a profit:** EastPack is currently structured to pack in excess of 40 million trays of kiwifruit. If volumes drop significantly and/or competitive pricing for packing is strong, EastPack may not be able to deliver a profit.
- **New Zealand kiwifruit industry:** Volume of kiwifruit packed and cooled and pricing for services provided are affected by prevailing global and national economic conditions and may also be affected by unforeseeable or extreme events affecting the New Zealand horticultural industry. Economic factors include a downturn in market returns for the fruit, while extreme events could include significant climatic events (such as widespread hail) or outbreaks of disease (such as Psa – *Pseudomonas syringae* pv. *actinidiae*). These events and circumstances could lower demand for EastPack's services, and impact on potential rebates available to the holders of Transactor Shares.
- **Biosecurity risk:** Some of the pests and diseases present overseas could have a severe impact on our orchards and post-harvest facilities if they got through New Zealand's biosecurity checkpoints. Market access restrictions as a result of a biosecurity event could significantly affect economic returns for the kiwifruit industry. For example, the brown marmorated stink bug (*Halyomorpha halys*) is rated as one of the greatest biosecurity threats facing New Zealand and could significantly impact kiwifruit production, whilst fruit fly has the potential to impact both kiwifruit production and market access for kiwifruit. EastPack operate three post-harvest facilities within Te Puke, which make up approximately 70% of total EastPack production. A biosecurity issue such as finding fruit fly or other pests within the Te Puke area or wider kiwifruit growing regions, could result in EastPack being unable to pack fruit for growers or send fruit to Zespri.
- **Staff:** EastPack is required to employ over 2,500 seasonal staff to complete its packing operations. To meet this requirement the Company draws on locals without full time employment and annually employs in excess of 450 staff through the New Zealand Government Recognised Seasonal Employer (RSE) Policy and Tourist Work Visas. The RSE Policy and Tourist Work Visa, regulates supply of temporary labour from overseas. Changes to the RSE Policy or other employment related policy, reducing the supply of temporary labour from abroad, or the inability to source required labour locally, could impact significantly on the ability to pack fruit as required, potentially reducing efficiency and the volume of fruit packed.

- **Capital/Funding Constraints:** As a co-operative, EastPack has greater limitations on its ability to raise equity capital if it wished to invest in a large-scale project or initiative. This would likely require EastPack to rely on raising debt finance if it intended to make such an investment, and therefore the Company would be more dependent on the availability of debt finance at the relevant time.
- **Deregulation of the Kiwifruit Industry:** The export of kiwifruit is governed by the kiwifruit export regulations, which creates a single marketer of kiwifruit for exports (Zespri Group Limited (*Zespri*)). Should deregulation of the kiwifruit industry occur; this will create significant restructuring within the post-harvest sector and could have a significant impact on the returns growers currently receive for kiwifruit. EastPack would need to develop new marketing arrangements for kiwifruit and financial returns could be reduced.

This summary does not cover all of the risks of investing in Transactor Shares. You should also read Section 7 of the PDS (Risks to the EastPack Group's Business and Plans). That Section includes the mitigation strategies adopted by EastPack in relation to particular risks.

Where you can find EastPack Group's financial information

The financial position and performance of the EastPack Group are essential to an assessment of this offer. You should also read Section 6 (EastPack Group's financial information).

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Letter from the EastPack Board Chairman

On behalf of the EastPack Board, I am pleased to offer you this opportunity to subscribe for Transactor Shares at nominal value in EastPack.

EastPack provides fruit packing and cool storage services to the kiwifruit and avocado industries in the main North Island production areas for these products with operations in Northland and the wider Bay of Plenty. EastPack also lease or manage in excess of 850 hectares of kiwifruit orchards and provide contract services to orchardists. It is by volume currently the largest kiwifruit packing and cool storage company in New Zealand packing approximately 28% of New Zealand's kiwifruit production.

This offer of Transactor Shares in EastPack enables those subscribing to become transactor shareholders of EastPack. Transactor shareholders of EastPack may be entitled to rebates paid by EastPack from time to time.

This Product Disclosure Statement provides an overview of the EastPack Group and details of the Transactor Shares in EastPack being offered. We recommend that you read it carefully. If you have any questions, please contact us or your professional advisors.

On behalf of the Board, I welcome your interest in becoming a transactor shareholder in EastPack or increasing your shareholding in the company.

John Loughlin



Chairman
EastPack Limited

2. The EastPack Group and what it does

Overview

EastPack Group and its operations

EastPack Limited is the parent company of the EastPack Group and undertakes the majority of activities within the EastPack Group. Other activities are undertaken through the subsidiary and associate companies identified below.

The main services provided by EastPack Group are the coordination and packing of kiwifruit and avocados and subsequent coolstorage of the fruit prior to it being sent to Zespri and other fruit marketers for sales offshore or sold to New Zealand and Australian distributors.

EastPack Kiwifruit Operations Limited lease, manage or provide contracting services to, in excess of 850 hectares of kiwifruit orchards. This represents approximately 7% of productive kiwifruit orchards in New Zealand.

EastPack has carried on business in the above sectors since 1980. EastPack has invested in excess of \$70 million in the two years preceding the issue of this PDS in land, buildings, plant and machinery in order to adequately service the growing kiwifruit industry.

The EastPack Group comprises the following significant subsidiaries as at the date of this PDS.

Subsidiary Companies	EastPack's Interest	Principal Activity
Southlink Supply Ltd	100%	Administration services and industry representation in respect of produce supplied.
EastPack Kiwifruit Operations Ltd	100%	Involved in the management of leased orchards.
EastPack Avocado Company Ltd	100%	An avocado supplier.

EastPack also holds interests in the following entities.

Company	EastPack's Interest	Principal Activity
The Nutritious Kiwifruit Company	50%	Sales of kiwifruit in Australia
Kiwi Produce Ltd	20%	Contract packer, processor and marketer of fruit
Tauranga Kiwifruit Logistics Ltd	34%	Manages port logistics for the export of kiwifruit

EastPack also has a number of wholly and partly owned non-operating subsidiaries.

Acquisitions and dispositions

The EastPack Group has made no acquisitions in the past 3 years. In 2013, EastPack Limited and Satara Limited (two post-harvest kiwifruit operators) merged to form EastPack Limited. EastPack Satara Limited (a 100% owned subsidiary of EastPack, which was formed as part of the merger) was legally amalgamated with EastPack in 2015.

Key aspects of the business

The New Zealand kiwifruit industry is regulated by the single market channel of Zespri. New Zealand's kiwifruit growers who wish to export fruit to countries other than Australia must do so through Zespri's single point of entry into such markets. Zespri's primary roles are that of marketing and selling kiwifruit in overseas markets as well as driving innovation in new varieties and technology.

Recently both the kiwifruit industry and EastPack have experienced significant growth in volume. This growth is in part driven by the recovery of the industry from the effects of the Psa (*Pseudomonas syringae* pv. *Actinidiae*) outbreak and increasing orchard productivity. As at the date of this PDS, the Company expects new plantings of kiwifruit in response to rising global demand, together with orchardists moving to higher yielding kiwifruit varieties, to further increase industry volumes over future years.

EastPack considers the following current and future aspects of the EastPack Group's 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 EastPack's business that drive financial performance	Key strategies and plans
<p>Volume of Sales</p> <p>EastPack's ability to maintain and grow sales volumes of current and new services with its existing and new customers is a key driver of revenue and profitability for the EastPack Group.</p>	<p>EastPack invests in its relationships with existing customers including through the work of its Grower Services Managers. With expected growth in kiwifruit volumes, EastPack is investing in providing additional capacity to pack and store kiwifruit. EastPack also identifies and seeks to engage with potential new customers in the New Zealand market.</p>
<p>Price and Margin</p> <p>EastPack's profitability is driven by the price it is able to charge for the services it provides. EastPack operates in a competitive post-harvest industry. Should competition for supply result in reduced packing charges, the profitability of EastPack will be impacted.</p>	<p>EastPack seeks to maintain a competitive packing price within the kiwifruit industry. In order to do so EastPack strives to operate its packing operations as efficiently as possible to allow margins to be maintained or improved. The Company has invested significant capital in both technology and capacity and works hard to provide strong service to meet its customers' needs.</p>
<p>Labour Supply</p> <p>EastPack is required to employ over 2,500 seasonal staff to support the packing operations. Shortage of staff can lead to increased labour costs or could impact the ability to pack kiwifruit in the required timeframe.</p>	<p>EastPack invests in building a strong employment brand to attract staff and seeks to maintain good employee engagement. EastPack pays competitive wage rates and has a strong focus on its employees' career development. EastPack invests in its relationships with governments both in New Zealand and overseas to assist its ability to bring seasonal staff into New Zealand from overseas. The Company also invests in automation to reduce dependence on labour where possible.</p>

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<p>Packing and Storage Capacity</p> <p>EastPack is required to pack kiwifruit for its Growers in a short timeframe, and lack of capacity could result in Growers packing with alternative operators or Growers receiving poor service from EastPack. This could result in loss of customers and reduced profitability.</p>	<p>EastPack has invested heavily in 2016 and 2017 in capital infrastructure to support peak demand requirements and have best practice technology in place to support good fruit management.</p>
<p>Balance sheet revaluations</p> <p>From time to time EastPack may need to revalue its key assets, including inventory and land and buildings. When this occurs, the EastPack Group's profitability may be affected.</p>	<p>Close management of inventory by EastPack minimises the need to revalue inventory. EastPack regularly assesses the recorded value of its land and buildings.</p>

Directors

EastPack is currently governed by six shareholder elected directors and two additional directors appointed by the board (see 'Other material governance disclosures' at the end of this Section 2). As at the date of this PDS EastPack's Board comprises the following individuals.



John Loughlin

Chairman, Independent Director, appointed 2014

BCA, MBA, FCA, INFINTZ (fellow), FNZIM, ANZIIIF (fellow), AFINST D

Committees

- Member, Audit and Risk Committee
- Member, Health and Safety Committee
- Member, Directors remuneration Committee

John has extensive board experience including directorships with Zespri Group Limited, AgResearch Limited and, Port of Napier Limited and Toll NZ Limited. John is currently chairman of Powerco Limited, Tru-Test Corporation Limited and Firstlight Foods NZ Limited, and is a director of Augusta Capital Limited. John holds an MBA and BCA from Victoria University of Wellington.

John was the chairman of finance company Allied Nationwide Finance Limited, now known as NFA Limited (in liquidation) (referred to below as *Allied*), from 1 May 2007 to 23 August 2010. Allied was placed in receivership on 20 August 2010 as part of the finance company collapses in New Zealand at that time and subsequently went into liquidation on 31 October 2012. He ceased to be the chairman and a director of Allied on 23 August 2010. On 2 September 2013, the Financial Markets Authority (FMA) issued a formal warning letter to John Loughlin and the other directors of Allied stating that, in the FMA's view, the directors of Allied likely breached the Securities Act 1978 by failing to adequately disclose the ability of Allied's parent, Allied Farmers Limited, to provide financial support and Allied's own ability to meet its financial obligations. The FMA advised that, having taken into account the possible availability of defences, FMA's enforcement policy and public interest considerations, the FMA did not intend to take formal enforcement action at that time. However, the FMA considers that Allied should have made better disclosure, to ensure that investors were aware of the risks associated with their investment in Allied.



Adrian Gault

Elected 2009

BAGSci, IOD Directors Certificate

Committees

- Member, Audit and Risk Committee
- Member, Health and Safety Committee

Adrian has many years of agriculture and horticulture experience and is the Chairman of Kiwifruit Vine Health. He holds a Bachelor of Agricultural Science and is a Nuffield Scholar (2000), he has also completed the Fonterra Governance Leadership programme. Adrian owns and operates kiwifruit orchards in the Bay of Plenty region.



Michael Montgomery

Elected 2000

Committees

- Member, Health and Safety Committee

Michael has been involved in the kiwifruit industry as a grower and a post-harvest operator since 1981. Michael is chairman of TKL Logistics Ltd, which manages wharf and transport services for kiwifruit in the Bay of Plenty, he is a past member of NZKGI (*New Zealand Kiwifruit Growers Incorporated*) and completed the Kelloggs Rural Leadership Training Programme in 2002. He owns and operates orchards in the Bay of Plenty and Hawke's Bay.



Murray McBride

Elected 2009

IOD Directors Certificate, IOD Audit and Risk Certificate

Committees

- Chairman, Health and Safety Committee

Murray has been involved in the kiwifruit industry since 1979. He managed the McBride family post-harvest facility and purchased his first orchard in 1990. Since then, Murray has been heavily involved in developing gold orchard plantings and is renowned in the industry as a leader in this field. Murray is an elected member of EastPack Entity Trust and has been a member of the Zespri Gold Development Group, NZKGI, and IAC.



Mark Hudson

Elected 1992

BSocSc

Committees:

- Member, Health and Safety Committee

Mark has been involved in the kiwifruit industry since 1982; he owns and manages orchards in the Edgecumbe region. He holds a BSocSc degree in economics and accounting. Mark has been a member of NZKGI for ten years and he is the current chairman of EastPack Kiwifruit Operations Limited (*EKO*).



Mark Giles

Independent Director, appointed 2014

B Ag Econ

Committees

- Member, Remuneration and Appointments Committee
- Member, Health and Safety Committee

Mark joined EastPack as an independent director in 2014. Mark has a broad range of skills and successful track-record throughout a diverse business life, predominantly within the ICT sector. His leadership has spanned across large multinationals to home grown New Zealand companies and the not for profit sector. Mark has extensive international general management, sales and marketing experience and served on a number of boards including that of Vodafone New Zealand, Vodafone Mobile New Zealand, and Alcatel New Zealand. Mark is currently an independent director at ITM Co-operative Limited, and chairman of Coretex Limited and Techspace Consulting Limited. Mark holds a Bachelor of Agricultural Economics from Massey University.



Hendrik Pieters

Elected 2013

Committees

- Chairman, Remuneration and Appointments Committee
- Member, Health and Safety Committee

Hendrik has held several senior leadership roles within the New Zealand kiwifruit industry throughout the past 30 years. Hendrik is a director of Kiwifruit New Zealand, the kiwifruit industry regulator. He and his family own and operate orchards in the Te Puke region.



Michael Maltby

Elected 2008

BCom CA

Committees

- Chairman, Audit and Risk Committee
- Member, Health and Safety Committee

Michael has been a kiwifruit grower since 1983 and joined the Satara Board in 2008. Michael holds a Bachelor of Commerce and is a chartered accountant, having spent 14 years with KPMG before establishing his own IT consultancy business in 2004. He and his wife operate their family orchard in the Te Puke region.

Senior Managers

EastPack's senior managers comprise the following individuals.

Hamish Simson *BCom*

Chief Executive

Hamish is an experienced executive with a number of leadership roles at CEO, general manager, and executive director levels.

Merv Dallas *BCom CA*

Chief Financial officer

Merv has held a number of senior financial roles, has worked in Europe, Australia, Asia and the Pacific Islands, and was CFO at Zespri for nine years.

Braden Hungerford *BAv*

General Manager – Grower & Orchard Performance

Braden has vast experience in operations management, product and orchard development, and has a number of successful orchards

Phil Karl *DipDairyTech*

General Manager – Operations

Phil joined EastPack after many years in the Dairy Industry. Phil is a capable operations leader with extensive experience across the supply chain.

Richard Fraser-Mackenzie *BCom CA*

General Manager – Supply & Logistics

Richard is skilled in logistical management and has previously worked for Zespri in a commercial role.

Heather Burton *DipBus (HR Management)*

General Manager – Human Resources

Heather has a wealth of expertise in all aspects of human resources and health and safety.

Anthony Pangborn *BCom Ag*

General Manager – Fruit Optimisation

Anthony is passionate about fruit optimisation and the quality chain. He has completed the Kellogg rural leadership programme.

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

A table of substantial shareholders of the Company and of relevant interests in shares held by directors and senior managers of EastPack can be found on the Offer Register in the document entitled "Information incorporated by reference in Product Disclosure Statement for an offer of Transactor Shares in EastPack Limited".

The table of relevant interests in shares held by directors and senior managers of the Company does not include details of any Transactor Shares acquired by such persons in their capacity as Growers of the Company, except to the extent (if at all) that the details of any such holding are considered to be material information.

Other equity securities of issuer

EastPack's shares are divided into two classes: Transactor Shares and Investor Shares. As at the date of this PDS there are a total of 29,825,154 Investor Shares on issue.

Investor Shares always carry 40% of the total voting power of all shares on issue and Transactor Shares carry 60%. The votes attaching to each class of shares are divided proportionally between the shareholders holding shares of that class to make up the total voting block.

The Board has the power to set and vary a limitation on the number of Investor Shares that may be held by any Shareholder. As at the date of this PDS it is the Board's current policy to offer Investor Shares to holders of Transactor Shares who hold less than four Investor Shares per tray of achieved sustainable production of kiwifruit, as such production is determined by the Board (*the Share Entitlement*). The maximum number of Investor Shares which each offeree is eligible to apply for is the difference between the number of Investor Shares (if any) which they already hold and their Share Entitlement. The number of trays of sustainable production is calculated by averaging the relevant Shareholder's average annual volumes of production over three of the previous four years (i.e. discarding the year during this 4 year period during which the relevant Shareholder's production was at its lowest).

Investor Shares are issued under the terms of the Companies Act 1993. The Board does not require the consent of the Transactor Shareholders (whether by special resolution or otherwise) to the issue of Investor Shares. Unlike the Transactor Shares (which have a nominal value of \$1.00 a share) Investor Shares do not have a par or nominal value. This means that there is no pre-set fixed price at which Investor Shares must be issued or bought back by the Company. Investor Shares may not be transferred to a person who is not a holder of Transactor Shares and the Board may refuse to permit their transfer in certain other circumstances as set out in the Constitution.

Rebates and dividends

EastPack has the ability to distribute profits both by way of rebates and dividends. Transactor Shares have the right to share in rebates (if any) awarded by the Company, but do not have the right to share in any dividends.

In contrast Investor Shares have the right to share in dividends (if any) awarded by the Company, but do not have the right to share in any rebates.

Dividends are paid from the residual net profit and are payable as determined by the Board.

The residual net profit is derived after taking into account rebates payable with respect to Transactor Shares. Under the Constitution, no dividend shall be paid unless and until a rebate is paid on Transactor Shares of not less than 20 cents per tray of kiwifruit supplied (and such equivalent in respect of other fruit as determined by the Board).

Rights on liquidation

If EastPack is put into liquidation, the assets (if any) available for distribution among the shareholders, after payment of creditors, must be distributed by the Company in the following order of priority:

- First, to all shareholders (of whatever class) in proportion to the amount paid up on their shares in the Company. If there are insufficient assets to repay such amount in full, the available assets would be divided between the shareholders in proportion to the amounts paid up on their shares.
- Second, in payment to the Transactor Shareholders of up to \$1.00 per Transactor Share.
- Third, any remaining balance is paid to the Investor Shareholders (in proportion to the amounts paid up on their Investor Shares).

Director remunerations and benefits

The table below sets out the total of the remuneration and the value of other benefits received by each director of EastPack, in respect of EastPack or any other member of the EastPack Group during the most recent period (being the financial year ended 31 December 2016).

All services provided by each director of EastPack during such period were provided in their capacity as a director.

Director	Total remuneration and value of other benefits received
John Loughlin (Chairman)	\$89,300
Adrian Gault	\$41,500
Mark Giles	\$41,500
Mark Hudson	\$44,500
Murray McBride	\$41,500
Michael Maltby	\$41,500
Michael Montgomery	\$44,500
Hendrik Pieters	\$41,500

Employee remuneration over \$100,000 per annum

There were 24 employees or former employees of EastPack, not being directors of EastPack, who, during the most recent period (i.e. the financial year ended 31 December 2016), 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	Number of employees
\$100,000 – \$109,999	3
\$110,000 – \$119,999	3
\$120,000 – \$129,999	4
\$130,000 – \$139,999	4
\$140,000 – \$149,999	1
\$150,000 – \$159,999	2
\$190,000 – \$199,999	1
\$200,000 – \$209,999	2
\$210,000 – \$219,999	1
\$230,000 – \$239,999	1
\$240,000 – \$249,999	1
\$470,000 – \$479,999	1

Material interests in EastPack (or any of its subsidiaries)

Particulars of direct or indirect material interests that any of the directors, proposed directors, senior managers or proposed senior managers of the Company (or any person associated with them) have had in the Company or any of its subsidiaries (or in any agreement entered into on behalf of or in respect of the Company or any of its subsidiaries) in each case at any time between 1 January 2014 and 21 April 2017 (being the date of this product disclosure statement) are as follows:

Director / Senior Manager	Number of Investor Shares held	Percentage of Investor Shares held	Number of Transactor Shares held	Percentage of Transactor Shares held
Michael Montgomery	1,680,000	5.6%	407,713	2.3%
Hendrik Pieters	492,032	1.6%	139,929	0.8%
Murray McBride	414,238	1.4%	404,473	2.3%
Adrian Gault	350,655	1.2%	193,745	1.1%
Mark Hudson	160,736	0.5%	86,661	0.5%
Michael Maltby	124,889	0.4%	49,217	0.3%

In addition certain other directors or senior managers also hold Transactor Shares and/or Investor Shares in EastPack Limited. However where not included in the above table the Company considers that such holdings are neither material to the Company nor the relevant individual.

Some directors and senior managers transact with the Company on the Company's normal commercial terms. None of such transactions are material to either those individuals or the Company. Details of directors' transactions have been recorded in the EastPack annual report for relevant period (see the financial statements contained on the offer register at www.companiesoffice.govt.nz/companies/disclose offer number OFR11921).

The Company's senior managers also have such direct or indirect material interests in their employment agreements with EastPack, which are material to those senior managers.

Other material governance disclosures

The Constitution states that, unless otherwise agreed at a Company meeting, the Board will consist of between 6 and 9 directors. Not less than 6 directors shall be elected by the shareholders (*Shareholder Director*). Unless otherwise determined by the shareholders each such Shareholder Director must be a shareholder of the Company (or the shareholder of a company that itself holds shares in EastPack). At least 4 of the Shareholder Directors must hold Transactor Shares and at least 2 must hold Investor Shares. In addition to the Shareholder Directors, the Board has the right to appoint up to two further directors who may or may not be shareholders of the Company. Any casual vacancy occurring among the directors may be filled up by the Board, but any person so appointed shall hold office only for the remainder of the term for which the vacating director would have held office if no vacancy had occurred.

3. Purpose of the offer

The purpose of this offer is to facilitate the offer and allotment of Transactor Shares to persons who are, or who are intending to be, Transacting Shareholders of EastPack. Transactor Shares are primarily allotted via the Company's rebate mechanism where part or all of any rebate otherwise payable to growers is converted to shares as opposed to being paid in cash. Therefore, the Company does not generally receive new funds for Transactor Shares but instead retains funds that it would otherwise pay out. There is no specific intended use of the funds raised under the offer. Instead, funds will be used as general funds (including for working capital requirements and ongoing 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. The purpose of Transactor Shares is to allow ownership to refresh over time as well as provide capital. As orchards change hands, the rules relating to subscription for and surrender of Transactor Shares are intended to allow shareholders to come and go.

4. Terms of the offer

Description of the equity securities	Transactor Shares (being nominal value shares in EastPack).
Price	\$1.00 per Transactor Share This is the nominal value of the Transactor Shares set out in the Constitution.
Who this offer applies to	See KIS (page 4).
Intended date offer opens	2 May 2017.
Intended date offer closes	This is a continuous offer of Transactor Shares. EastPack reserves the right to refuse to accept any application or to suspend or to cease offering Transactor Shares at its discretion.
Liabilities, fees and charges	See KIS (page 6).
Shareholding Quota	See KIS (page 7) and Section 5 (Key features of Transactor Shares).

The Constitution (referred to above) can be obtained from the offer register at www.companiesoffice.govt.nz/companies/disclose offer number OFR11921.



5. Key features of Transactor Shares

EastPack is a co-operative company with Transactor Shares and Investor Shares. This offer is for Transactor Shares.

Because EastPack is a co-operative company, there are some differences in the way the Transactor Shares work when compared with shares in a non-co-operative company. The key features of the Transactor Shares that distinguish those shares from those applying to ordinary shares in a company generally are described below.

Nature of Transactor Shares

Transactor Shares are co-operative shares issued under the Co-Operative Companies Act. They have a fixed nominal value of \$1.00 and may only be issued to growers of kiwifruit or other produce approved by the Board wishing to become shareholders of the Company.

The number of Transactor Shares which a Transacting Shareholder is required to hold is determined by reference to the Shareholding Quota (see the KIS page 7 and below).

Unless otherwise approved by the Board all persons wishing to supply fruit to or otherwise transact with EastPack must first become shareholders of the Company.

So long as the Company has the processing capacity to handle the fruit, every shareholder is required to supply the whole of their crop(s) of fruit to EastPack (unless otherwise agreed with the Board). The quantity of fruit to be supplied, and the services of the Company to be utilised, by each shareholder (and the terms applying) are as determined by the Board from time to time.

Shareholding Quota

The Shareholding Quota is used to determine the number of Transactor Shares that must be held by each Transacting Shareholder. As at the date of this PDS the Shareholding Quota is one Transactor Share for every tray of class 1 kiwifruit supplied by the relevant shareholder to the Company in a processing year (as determined by the Board). The Board's current policy is to determine the number of trays packed by a Transacting Shareholder by averaging the three highest annual volume(s) of production achieved by that shareholder over the previous four years' production. Where a shareholder transacts with the Company other than by the supply of kiwifruit, the Board can from time to time determine a quota policy appropriate to that type and volume of transaction.

If the Board determines that a Transacting Shareholder holds insufficient Transactor Shares (as determined in accordance with the relevant Shareholding Quota), that Transacting Shareholder is required to increase their shareholding to meet the quota.

The purchase price for such additional Transactor Shares (being their nominal value of \$1.00 per share) is payable as and when determined by the Board. The Board's current policy is to give Transacting Shareholders the choice of paying for such additional shares immediately in cash or over time by way of a percentage deduction from rebates otherwise falling due to the relevant Transacting Shareholder. Such shares are issued over time as they are paid for. Allotment of the additional shares is made under the terms of the Constitution (without the need for the relevant shareholder to submit any application for such shares).

Similarly, if at any time Transacting Shareholder holds more Transactor Shares than it is required to hold in accordance with the shareholding quota then EastPack may require that shareholder to surrender the excess.

See the KIS (page 7) for further detail.

Rebates and other distributions

EastPack's Constitution provides for two forms of distribution to shareholders – rebates and dividends. Rebates (if any) are payable in respect of Transactor Shares only and are not payable in respect of Investor Shares. Dividends (if any) are payable in respect of the Investor Shares only and are not payable in respect of Transactor Shares.

Neither rebates nor dividends are guaranteed. Dividends and rebates are at the discretion of the directors of the Company and will be declared only after meeting appropriate solvency requirements. The Constitution also requires the Board to set aside from the Company's revenue (prior to declaration of any rebates or dividends) appropriate costs, expenses and other items (both incurred and anticipated), as well as appropriate amounts for meeting contingencies etc, as the Board considers necessary or desirable.

When declared, rebates are divided amongst the Transactor Shareholders in proportion to the number of trays of kiwifruit (or appropriate quantities of other fruit attracting packaging charges) supplied – i.e. rather than by the number of Transactor Shares held.

The rebate per tray supplied is decided by the Board and the Company's current practice is to divide rebate payments (if any) between interim and final payments. If any shareholder does not hold their full quota of Transactor Shares, any rebate otherwise due to that shareholder may, at the Board's discretion, be fully or partially credited against the amount outstanding in respect of those shares remaining to be purchased by that shareholder.

Under the Constitution, the maximum rebate payable to the Transactor Shareholders in any year is 30 cents per tray supplied in respect of kiwifruit (and such equivalent amount in respect of other fruit supplied as determined by the Board).

Details of payment of rebates by EastPack since 1 January 2014 can be found on the offer register at www.companiesoffice.govt.nz/companies/disclose, offer number OFR11921, in the document entitled "Information incorporated by reference in Product Disclosure Statement for offer of Transactor Shares in EastPack Limited".

No dividend may be paid to the Investor Shareholders in any year unless and until a rebate of not less than 20 cents per tray of kiwifruit supplied (and such equivalent amount in respect of other fruit as determined by the Board) has been paid to the Transacting Shareholders.

For further information on rebates/dividends please see Section 6 of the PDS (EastPack Group's financial information).

Liquidation

If EastPack is put into liquidation, the assets (if any) available for distribution among the shareholders after payment of creditors, must be distributed by the Company in the following order of priority:

- First, to all shareholders (of whatever class) in proportion to the amount paid up on their shares in the Company. If there are insufficient assets to repay such amount in full, the available assets would be divided between the shareholders in proportion to the amounts paid up on their shares.
- Second, in payment to the Transacting Shareholders of up to a further \$1.00 per Transactor Share.
- Third, any remaining balance is paid to the Investor Shareholders (in proportion to the amounts paid up on their Investor Shares).

Voting rights

The Transactor Shares always carry between them 60% of the total voting power of all shares on issue and the Investor Shares carry 40% (regardless of the number of shares of each class in issue from time to time). The votes attaching to each class of shares are divided proportionally between the shareholders holding shares of that class to make up the total voting block.

Pre-emptive rights

Where included, pre-emptive rights confer on existing shareholders the right to purchase shares offered for sale in, or new shares proposed to be issued by, the relevant company in preference to non-shareholders. The grant of such rights to EastPack's shareholders would not be compatible with the Shareholding Quota system operated by the Company. Accordingly pre-emptive rights do not apply to either the issue or transfer of Transactor Shares.

Transfer and Surrender of Transactor Shares

Transactor Shares can be sold and transferred only between existing Transacting Shareholders or (with the approval of the Board) to a third party, eligible to be a Transacting Shareholder.

The usual method of disposing of Transactor Shares is to surrender the Transactor Shares to EastPack.

Transactor Shares may be surrendered by agreement where a shareholder has ceased to be a Grower.

Alternatively EastPack may require Transactor Shares to be surrendered in the circumstances set out at clause 9.2 of the Constitution. These include where:

- the holder has ceased to be a Grower;
- the holder has materially breached the requirements relating to transactions with the Company contained in any contract between the Company and the shareholder;
- the shareholder has failed to enter into a written contract with the Company recording the terms on which fruit is supplied to the Company or the Company's services are utilised by the shareholder (where required to do so by the Board);
- the shareholder has failed to pay any charges payable under the Constitution (see the KIS page 6) ;
- the Board is of the view that:
 - that shareholder (or a person or company to whom they are related or associated) is, or is likely to become, a competitor of the Company; or
 - that shareholder has never been a Transacting Shareholder; or
 - that shareholder is bringing the Company into disrepute or causing significant loss or disruption to the business of the Company; or
- the surrender relates to shares held in excess of the number which the shareholder is required to hold in accordance with the Shareholder Quota;
- In particular it is the Board's policy to require Transactor Shares to be surrendered where any of the following three circumstances apply:
 - the Transactor Shares are held by a personal representative of a deceased shareholder, as part of his or her estate, and the personal representative is not a Transacting Shareholder of EastPack;
 - the holder has ceased to be a Transacting Shareholder of EastPack; or
 - the holder has no capacity to transact because they have disposed of (sale or lease), or changed the use of all or part of the orchard.

The Constitution sets out the surrender process in further detail.

Price payable on surrender

The price payable on surrender of any Transactor Shares is usually their nominal value (i.e. \$1.00 per Transactor Share) or the amount paid-up on such shares if less.

The Board may however resolve to adopt a different price if the Board considers that payment of the above price on all shares that may be surrendered within any period would cause the Company to fail the solvency test under the Companies Act. Where such an alternative price is required to be set then the Board is required to nominate a fair and reasonable price for the surrender of the Transactor Shares, having regard to the factors set out at clause 10.3 of the Constitution.

Under the Constitution, EastPack is required to pay for any surrender of Transactor Shares no later than five years after the date of such surrender. The Board seeks to refund surrendered shares as soon as prudently possible to do so, and determines the wait period applying from time to time to the repayment of surrendered shares by considering the then financial position of the Company and economic outlook for the kiwifruit industry and the Company. As at the date of this PDS the wait period for payment for surrendered Transactor Shares is up to 36 months. After the outbreak of Psa (refer Section 7) in 2010 the Board increased the wait period to five years due to the uncertain economic future of the kiwifruit industry. The Board have signalled its intention that in 2018, should the economic and financial outlook remain strong, the wait period for surrendered shares would further reduce from three to two years.

If a Transacting Shareholder has exited the industry by sale of their orchard, then the Company's current policy (as at the date of this PDS) is to pay quarterly interest payments on the amount payable in respect of the surrendered shares. The interest rate is determined by reference to the average interest rate payable by EastPack to its bank as at the end of the preceding financial year. Under such policy, if the Board determines that such payment of interest will cause undue harm to the Company's financial position or interests, the Board may suspend the payment of interest until it is satisfied that payment will no longer cause undue harm. Interest accrues at a penalty rate during any period of suspension.

If a Transacting Shareholder has ceased to pack with EastPack but has not exited the industry, they will not be eligible for such quarterly interest payments.

EastPack is entitled to set off any amounts payable by EastPack on the surrender of Transactor Shares, against other amounts due and payable to EastPack by the Transacting Shareholder (and/or any entity related to the holder).

Restriction on surrender

Any surrender is subject to EastPack being able to comply with any legal restrictions on surrender, including being able to meet the solvency test under the Companies Act after the surrender.

6. EastPack Group's financial information

A table providing key financial information about the EastPack Group (contained in a document entitled "Information incorporated by reference in Product Disclosure Statement for an offer of Transactor Shares in EastPack Limited") and full financial statements, are available on the offer register at www.companiesoffice.govt.nz/companies/disclose offer number OFR11921.

If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

7. Risks to the EastPack Group's business and plans

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

Included in this Section are:

- EastPack'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 the EastPack Group, to reduce or manage the risk of this impact arising.

This Section is based on an assessment undertaken by the EastPack Group at the date of this PDS.

Volume of Fruit Processed

Description of risk
<p>The volume of fruit processed through EastPack facilities (and therefore EastPack's profitability) is affected by matters such as weather conditions, seasonal variations, pests and disease, and economic conditions affecting the New Zealand agricultural and horticultural sectors. As well as business as usual fluctuations, there is always the potential for such items (and other unforeseeable matters) to give rise to extreme events affecting the sector.</p> <p>85% of New Zealand kiwifruit production is grown in the Bay of Plenty, which creates concentration of risk in the Bay of Plenty.</p>
Assessment of nature, likelihood and potential magnitude of risk
<p>Likelihood: Moderate</p> <p>Impact: Moderate to significant</p> <p>Because EastPack and its customers operate in the New Zealand horticultural industry, any impact on the industry resulting from seasonal impacts, economic conditions, climate change, pests and disease or extreme events can affect the demand for EastPack services and EastPack's profitability. Different varieties of kiwifruit also have different characteristics that can impact on timing of harvest, packing windows and other operational matters.</p> <p>The potential magnitude of this risk depends on the type of event. For example, an outbreak of a serious disease such as Psa could have significant ramifications for the New Zealand kiwifruit industry as a whole. Whilst Psa is now endemic in New Zealand, it has been able to be largely managed. However a resurgence could occur. A prolonged drought or other event such as volcanic eruption affecting one area of the country may have a material but more localised impact.</p> <p>Economic factors</p> <p>Economic factors that could result in lower sales of EastPack's services include a downturn in the kiwifruit sector arising from a reduction in prices achieved in market by Zespri. The economic viability of orchards is dependent upon orchard productivity and the returns achieved in market by Zespri. A number of factors could impact upon productivity including the viability and availability of sprays and chemicals, weather events and pests and disease.</p> <p>Extreme events</p> <p>Poor horticultural conditions could drive volumes of kiwifruit down which would impact on the volume of kiwifruit packed and stored by EastPack.</p> <p>Demand for EastPack and services might also be affected by outbreaks of disease affecting crops, or other biosecurity risks such as fruit fly in New Zealand. EastPack has further risk in this respect with approximately 68% of EastPack's production centralised across 3 sites in Te Puke. If for example a fruit fly was discovered in the Te Puke area at harvest time, this could seriously impact EastPack's ability to pack and store a significant portion of its growers' fruit.</p>

Other biosecurity risks such as the brown marmorated stink bug could impact significantly upon kiwifruit production, whilst fruit fly has the potential to impact both kiwifruit production and market access for kiwifruit.

Current Psa strategies such as availability of sprays may not always be sufficient to minimise the impact, or may not be sufficient to overcome a Psa resurgence in sustained extreme climatic conditions.

There have been fruit fly and other pest incursions in New Zealand in recent years, in part as a result of increasing global trade.

Mitigation Strategies

Economic factors

EastPack works closely with Zespri and industry organisations to mitigate and anticipate this risk.

EastPack maintains the strategy of seeking to operate as efficiently as possible, managing at scale and investing in people capability with a view to providing consistent results. EastPack seeks to ensure that a reasonable proportion of annual fixed costs is avoidable. While the extent to which this can be achieved is limited, taking such steps can mitigate volume fluctuation to a small degree.

EastPack continues to plan and invest in buildings, plant and coolstorage to ensure that the Company has sufficient capacity to meet both peak and seasonal packing requirements, based on expected future volumes of fruit.

Extreme events

EastPack's business operates across the kiwifruit growing regions of New Zealand. This reduces the risk of adverse climatic events having an overall material effect on EastPack's performance. This risk is not eliminated if such events impact on a substantial area of New Zealand or there are multiple weather events in New Zealand in a short period of time.

Strict border protection policies administered by the New Zealand Government and industry Crop Protection Programme including Kiwifruit Vine Health (KVH), aim to prevent and mitigate pest and disease incursion. However, the risk of such an incursion can never be eliminated.

If an incursion were to occur, EastPack would take all steps available to it to control its fixed costs including those significant fixed costs associated with capital expansion.

Whilst the likelihood of finding a fruit fly in Te Puke during harvest season is considered low, EastPack has developed strategies to manage an event through packing at other pack houses and is developing the capability and knowledge to treat fruit through applications such as cold disinfestation, albeit this could well result in an earnings reduction.

EastPack maintains insurance of types and to an extent it considers appropriate for the industry in which it operates. However, this does not fully insure EastPack against all extreme events that could adversely affect EastPack's business.

Volume of Fruit Declines Due to Lower Market Share

Description of risk
<p>The volume of fruit processed declines due to lower market share.</p> <p>A deterioration in EastPack's relative performance in terms of packing and coolstoring a grower's fruit is the most likely reason for this to occur.</p>
Assessment of nature, likelihood and potential magnitude of risk
<p>Likelihood: Moderate</p> <p>Impact: Moderate</p> <p>The business has over recent years performed competitively with returns to growers at or close to industry average performance. Also current industry growth would likely mitigate the impact of such a reduction in market share.</p> <p>However, if a decline in market share were to occur then the impact on the business and its profitability could be significant.</p> <p>This is because EastPack has invested significantly in capital expenditure and increased its debt levels and the business has significant fixed costs. Therefore, the volume of fruit processed in any year is of particular importance.</p>
Mitigation Strategies
<p>EastPack endeavours to provide excellent and consistent results and service for our Growers. By doing so and also through the provision of worthwhile financial shareholdings the Company seeks to preserve its Growers' loyalty and ongoing commitment.</p> <p>Through such steps, the Company also seeks to grow the business by attracting additional Growers.</p> <p>EastPack regularly invests in new technology to provide higher efficiencies and timeliness of service and has a commitment to continuous improvement, all of which is intended to lead to better competitive performance.</p>

Cost and Availability of Labour

Description of risk

EastPack is required to employ over 2,500 seasonal staff each year to facilitate the packing of kiwifruit. Labour shortages can impact the ability to pack the fruit supplied to EastPack and cost of labour is a key driver of the Group's profitability.

Assessment of nature, likelihood and potential magnitude of risk

Likelihood: Moderate

Impact: Moderate

Kiwifruit production is currently increasing in New Zealand with new plantings of kiwifruit and the establishment of higher productive varieties of kiwifruit. This will require additional staff in the future, to meet the production requirements. The availability of staff for seasonal work is impacted by a significant number of factors, and EastPack employs in excess of 450 staff annually from overseas under the New Zealand Government Recognised Seasonal Employer (RSE) Policy and Tourist Work Visa.

EastPack's business may be adversely impacted by significant changes in labour rates and correspondingly the prices at which EastPack sells its services to its customers to cover any cost increase. These could have a material impact on the EastPack Group's financial performance.

If immigration rules change, then the ability to bring seasonal staff from overseas could be impacted resulting in staff shortages, and put pressure on local labour rates to attract sufficient staff.

Mitigation Strategies

EastPack aims to mitigate this risk in a number of ways, including through the following:

- EastPack invests in building a strong employment brand and building good employee engagement to build a base of seasonal staff who regularly return to EastPack each year for seasonal work.
- EastPack has a robust recruitment process and has and continues to develop links with a number of organisations and agencies to attract seasonal employees to work at EastPack.
- EastPack invests in strong relationships with both New Zealand government to ensure support for employing overseas staff and with offshore governments to source staff. Strong support is provided to the overseas staff when in New Zealand.
- EastPack looks to be competitive in its wage rates to support the recruitment of required staff.
- EastPack is investing in new technologies to automate the packing operations further and reduce the dependence on seasonal staff.
- Should staff shortages occur, alternative strategies could be employed to pack fruit differently to spread the peak labour demand over a longer period.

These approaches may have some adverse cost consequences for the Company.

Staff

Description of risk
<p>The Company relies on employees to perform a number of operational tasks that impact the performance of the business, which gives rise to the possibility of human error.</p> <p>People may also change employers, and the growth in the kiwifruit industry has increased competition for key people.</p>
Assessment of nature, likelihood and potential magnitude of risk
<p>Likelihood: Moderate</p> <p>Impact: Moderate</p> <p>The kiwifruit post-harvest business relies significantly on staff with skill and experience to operate the machinery to pack fruit and the ability to assess fruit attributes correctly to ensure it is packed, cool stored and shipped to the correct protocols. Whilst automation and technology is improving, staff will always be required in the operations and the technology advancement is requiring higher skilled staff to operate the machinery and equipment.</p> <p>Staff not completing tasks as required could result in fruit being handled incorrectly and additional costs being incurred. Any error that resulted in food safety being perceived to have been compromised could have a serious impact on the Company.</p> <p>Employing, retaining, and developing key staff is important for the operations of EastPack and the loss of any significant key staff would have an adverse effect on the operations of the business.</p>
Mitigation Strategies
<p>EastPack has achieved a strong culture and team of motivated and effective people across all its sites. Being one of the larger post-harvest operators results in the ability to have a number of staff at each level of the organisation and provide succession-planning opportunities for staff. The Company has standard operating procedures across all sites and this allows staff to move between sites.</p> <p>Maintaining and improving this culture and our people's ability and performance is critical and a key focus for management. Training and staff development is a key focus for the business which allows for opportunities.</p> <p>EastPack is building a strong employment brand and is aiming to be an Employer of Choice.</p>

Kiwifruit Single Desk Marketing System

Description of risk
<p>The kiwifruit industry operates under a “single desk” marketing structure and change in this structure may reduce industry revenues, orchard returns and industry stability.</p>
Assessment of nature, likelihood and potential magnitude of risk
<p>Likelihood: Low Impact: High</p> <p>In other fruit industries in New Zealand and overseas where similar “single desk” marketing structures have been removed, instability has arisen within that industry and financial returns for growers and other industry participants have reduced as a result of that instability.</p> <p>The above in turn poses a risk to the return EastPack clients get for their fruit and also to EastPack profitability, particularly if volume reduced as a result of such changes.</p> <p>Deregulation could change the risk profile and profit margins for EastPack.</p>
Mitigation Strategies
<p>The current single point of entry (<i>SPE</i>) marketing structure is not entirely without disadvantage (e.g. as Zespri is the sole exporter of kiwifruit from New Zealand, it is accordingly a significant debtor of the Company, and the Company could be significantly impacted were Zespri to find itself in financial difficulties). However, EastPack strongly supports the current SPE marketing structure and through engagement with its Growers and shareholders will continue to help ensure this structure remains.</p> <p>Should deregulation occur, EastPack would need to develop new marketing arrangements for kiwifruit in offshore markets. This could be done by partnering with a deregulated Zespri or another horticultural products trader, or marketing directly.</p>

Capital/Funding Constraints

Description of risk
As a co-operative, EastPack has greater limitations than other companies do on its ability to raise equity capital if it wished to invest in a large-scale project or initiative.
Assessment of nature, likelihood and potential magnitude of risk
<p>Likelihood: Low</p> <p>Impact: Moderate</p> <p>This would likely require EastPack to rely on raising debt finance if it intended to make such an investment, and therefore the Company would be more dependent on the availability of debt finance at the relevant time.</p>
Mitigation Strategies
<p>EastPack has a degree of flexibility to raise additional equity capital while maintaining its co-operative status. The Company also aims to keep debt levels at manageably low levels to improve this flexibility.</p> <p>In the event that EastPack sought to invest in a major project, the Company would adopt strategies at that time which enabled it to finance the investment in a sustainable manner.</p>

New Competitors Entering the Industry

Description of risk
With the expansion in kiwifruit volumes, new competitors may be attracted to enter into the kiwifruit post-harvest sector and existing competitors may look to expand by increasing their market share.
Assessment of nature, likelihood and potential magnitude of risk
<p>Likelihood: Low</p> <p>Impact: Moderate</p> <p>New post-harvest operations can be easily established and key personnel can be recruited to manage these operations. However, grower loyalty is high to the existing kiwifruit service providers, and key staff are generally also loyal to their current employers.</p> <p>The replacement cost of new facilities is high relative to current returns and capital utilisation is low due to the seasonal nature of the industry.</p> <p>There have been no new entrants for at least 10 years and a number of post-harvest participants have left the industry in this time.</p>
Mitigation Strategies
The Company seeks to mitigate this risk by providing good results and service to its grower clients. Such customers generally remain loyal. The company has strategies in place to retain key staff, through development, recognition and reward.

Loss of Key Site(s)

Description of risk
A key production site or group of sites could be lost due to calamity such as a major fire, earthquake or other event.
Assessment of nature, likelihood and potential magnitude of risk
<p>Likelihood: Moderate Impact: High</p> <p>In 2016, the Quarry Road site processed 37% of EastPack's total volumes and 55% of EastPack's volume that is packed in Te Puke. Most cool stores utilise EPS Foam, which is highly flammable. A major fire at this site could seriously impact this sites operational capability.</p> <p>EastPack has 3 sites within a 2-kilometre radius in Te Puke that in 2016 processed 68% of EastPack's kiwifruit volumes. A significant event such as a localised earthquake or volcanic eruption in the Te Puke region could impact the ability of the Te Puke sites to operate to capacity.</p> <p>The Company's current computer systems operate on a site-specific basis. Should one site's system fail for whatever reason, that site will be unable to operate for a period of time until restored, however other sites should be largely unaffected.</p>
Mitigation Strategies
<p>The Company has put in place a number of fire protection strategies, including segregation of buildings to compartmentalise fire risk, increasing sprinkler coverage and improving firefighting water availability on site.</p> <p>Site risk assessments are completed regularly by staff to identify, manage and mitigate risks identified.</p> <p>The Company has disaster recovery and business continuity plans in place to minimise risk of a significant computer failure.</p>

Ability to Sell or Surrender Transactor Shares or Loss of Value

Description of risk

Transactor Shareholders may be unable to recoup the original investment in shares and/or not receive the rebates due in respect of those shares. This could happen for a number of reasons, including:

- EastPack is a co-operative company. Accordingly the Transactor Shares may only be held by Transacting Shareholders and are not listed on the NZX or other similar market. In addition Transactor Shares must be held in accordance with the Shareholding Quota (i.e. Transacting Shareholders may not acquire more Transactor Shares than they are required to hold under the Shareholding Quota). This means that the potential market for the sale of Transactor Shares is more limited than that for shares in a non-co-operative company.
- If EastPack's operational and financial performance is worse than expected, the underlying value of the Company could be reduced. In such an event it is possible that in future the nominal value of the Transactor Shares could be reduced by amendment to the Constitution by special resolution of the shareholders.
- If the valuation of EastPack's asset base reduces through wider economic impact or the inability to use specialised assets employed, the value of the Company will be impacted.
- You are unable to surrender your Transactor Shares because the Company is in financial difficulties (see further below).
- EastPack is placed in receivership or liquidation. If this occurs shareholders may receive nothing, or less than their original investment.
- If the directors of the Company determine that the Company will not meet the solvency test (as defined in the Companies Act 1993) after the directors have resolved to pay a rebate, or if the directors resolve not to pay a rebate.

The above risk is specific to the shareholder rather than the business.

Further if a significant number of Transacting Shareholders wished to surrender Transactor Shares at or around the same time this could impact on the ability of the Company to pay for such shares and/or otherwise impact on its financial position.

Assessment of nature, likelihood and potential magnitude of risk

Likelihood: Low

Impact: Moderate

EastPack Limited is a co-operative company and requires all suppliers of fruit to EastPack to hold Transactor Shares.

Potentially such shares can either be transferred between EastPack Transacting Shareholders (for example where a potential purchaser can be found who is required to increase their shareholding in accordance with the Shareholding Quota) or surrendered to the Company (a shareholder may apply to surrender Transactor Shares if it no longer packs fruit with EastPack).

However such ability to sell shares and the terms of any such sale will be dependent upon the demand for those shares at that time. EastPack cannot assure shareholders that there will be any or sufficient such demand if and when a shareholder wishes to sell. Further if there were a large reduction in kiwifruit volumes supplied to EastPack and/or the Company was in financial difficulty, the Company might be unable to pay Transacting Shareholders who have surrendered their shares, or be unable to do so without negatively impacting its financial position.

Mitigation Strategies

EastPack shareholders can (with the prior consent of the Board) purchase shares from one another. Board approval is required for any transfer of Transactor Shares, but in the absence of special circumstances this would typically be granted where the purchaser is already (or will as a result of the sale become) a Grower. Shares are most commonly sold (rather than surrendered) on the sale of the relevant Transacting Shareholder's orchard.

A share sale has the advantage that it may enable the vendor to receive immediate payment for the shares (payment by the Company on surrender of Transactor Shares is typically deferred for 3 to 5 years from the date of surrender (see below)). However any such share sale relies on the potential vendor finding an 'under shared' Transacting Shareholder who wishes to purchase their shares. Further, the price payable for such shares on sale may be lower than that payable on surrender (e.g. the purchaser may seek to apply a discount to reflect earlier payment).

With respect to the surrender of shares the Company has a number of options open to it to assist cash flow management. First as noted above the Company, as per its current policy, has three years to pay for any surrendered shares. The Company could also extend this surrender period to up to 5 years (the maximum period allowed for under its Constitution). Further the Board has the ability to pay less than the nominal value for surrendered shares in the circumstances outlined in the Constitution (see Section 5 (Key features of Transactor Shares), under 'Rebates and other distributions' (page 31 for more detail)).

By way of example, prior to the discovery of Psa in New Zealand, EastPack had a policy of repaying surrendered shares within 1 year of the surrender date. With the significant reduction in kiwifruit volumes following Psa the Board adjusted its policy to 5 years to allow for the recovery from Psa. It subsequently in 2016 reduced the surrender period to 3 years.

The above strategies have the benefit of allowing the Company to better manage its potential liability for share surrenders (which benefit both the Company and its continuing shareholders). Such strategies may however result in a Transacting Shareholders who wishes to exit receiving a delayed and/or reduced payment for their shares.



8. Tax

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

9. Where you can find more information

Further information relating to EastPack and the Transactor Shares is available on the offer register (for example, the Constitution and EastPack's financial statements). The website for the offer register is www.companiesoffice.govt.nz/companies/disclose offer number OFR11921.

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

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

Shareholders of EastPack also receive annual reports and audited financial statements for the Company. Such information and other further information relating to EastPack is available free of charge on EastPack's website at www.eastpack.co.nz

10. How to apply

Applications to subscribe for Transactor Shares should be made by completing the shareholder application form available at www.eastpack.co.nz

If you are not able to access the shareholder application form online, you may contact the EastPack Company Administrator on 07 573 0926 or admin@eastpack.co.nz and they will send you a copy.

Completed forms can be returned to the EastPack Company Administrator by post or email. Please see the contact information below in Section 11 (Contact information).

11. Contact information

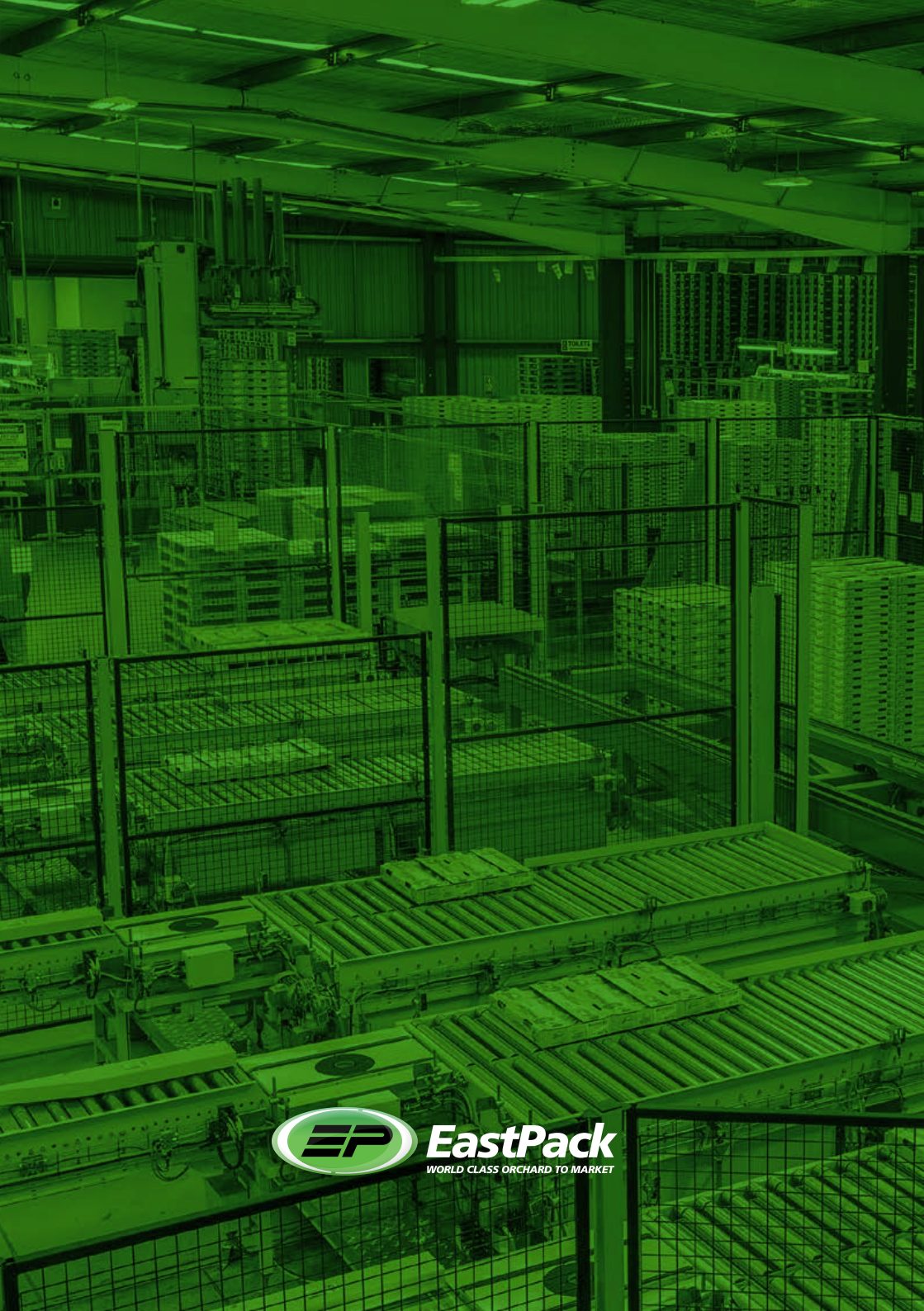
EastPack Limited (issuer) & EastPack Share Register

Physical Address	EastPack Limited c/- Company Administrator 1 Washer Road Te Puke 3119
Postal Address	PO Box 243 Te Puke 3153
Telephone	07 573 0900
Email	admin@eastpack.co.nz
Web	www.eastpack.co.nz

Glossary

Defined Term	Meaning
Board	Board of Directors of EastPack.
Companies Act	Companies Act 1993 (as may be amended or replaced from time to time).
Constitution	Constitution of EastPack (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.companiesoffice.govt.nz/companies/disclose offer number OFR11921.
Co-operative Companies Act	Co-operative Companies Act 1996 (as may be amended or replaced from time to time).
EastPack or the Company	EastPack Limited (NZ registered company 199417).
EastPack Group or the Group	The EastPack group of companies, comprising EastPack and its subsidiaries as at the date of this PDS.
Grower	A grower supplying fruit to EastPack.
Investor Shares	Shares in EastPack having no nominal value, issued under the Companies Act.
PDS	Product Disclosure Statement.
Shareholding Quota	The formula used to determine the number of Transactor Shares required to be held by a Transacting Shareholder of EastPack, based on that Transacting Shareholder's co-operative activity within the EastPack Group.
Transactor Shares	Nominal value shares in EastPack issued under the terms of the Co-Operative Companies Act.
Transactor Shareholder	Means a holder of Transactor Shares.
Zespri	Zespri Group Limited (NZ registered company 1027483).





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