

PRODUCT
DISCLOSURE
STATEMENT

DMS Progrowers Ltd

For an offer of Class A shares in DMS Progrowers Limited

Dated 31 October 2019

**THIS DOCUMENT REPLACES THE PRODUCT DISCLOSURE STATEMENT
DATED 23 JANUARY 2017**

The issuer under this offer is DMS Progrowers Limited and the offerors are DMS Progrowers Limited and DMS Horticulture Limited.

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, offer number OFR11778. DMS Progrowers 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 make an investment decision.

1 KEY INFORMATION SUMMARY

What Is This?

This is an offer of Class A shares in DMS Progrowers Ltd (“**DMS Progrowers**”). The A Shares give you a stake in the ownership of DMS Progrowers Limited. You may receive a return if dividends are paid or if DMS Progrowers increases in value and you are able to sell your A Shares at a higher price than you paid for them.

If DMS Progrowers 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 DMS Progrowers Limited

DMS Progrowers Limited was established in 1991 and its business has been operating for over 25 years. DMS Progrowers and its subsidiaries specialise in orchard management, packing and coolstorage of kiwifruit and avocados and also provide other post-harvest facilities.

Purpose of this Offer

The main purpose of the offer is to raise funds to help fund continued packing and coolstorage expansion by the Company and to allow DMS Progrowers’ customers (“**Growers**”) to own a portion of the entity that they grow, pack and store their kiwifruit and/or avocados with. The offer also has the secondary purpose of allowing DMS Horticulture Limited (one of the Offerors) to sell down its current shareholding in the Company.

Key terms of the Offer

Description of Shares	Offer of Class A Shares in DMS Progrowers.
Who this offer applies to	<p>In the case of the new A Shares the subject of this Offer (i.e. the Shares being offered by DMS Progrowers): to kiwifruit growers (whether or not suppliers of the Company).</p> <p>In the case of the existing A Shares (i.e. the Shares being offered by DMS Horticulture Limited): to the public (including but not limited to kiwifruit and avocado growers).</p>
Offer Price	The Shares were initially offered at \$1 per Share. Such price applies to all Shares applied for prior to 1 July 2017. After such date the price per Share is not fixed.
Offer Opening Date	1 February 2017
Closing Date	This is a continuous offer of Shares. The offer therefore has no closing date, but DMS Progrowers is not obliged to accept applications and can suspend offering A Shares at any time.

Returns on A Shares	<p>Class A Shares may receive dividends as determined by the Directors.</p> <p>Growers with Class A Shares may also receive rebates from profits as determined by the Directors based on the volume of fruit they supply.</p> <p>Please see Section 5 – “KEY FEATURES OF DMS PROGROWERS’ SHARES”, for further details.</p>
Concurrent offer of B Shares	<p>The share capital of the Company is made up of Class A Shares and Class B Shares.</p> <p>As at the date of this PDS (i.e. 31 October 2019) there are 9,913,550 B Shares in issue, representing 50.1% of the total share capital of the Company.</p> <p>All of the B Shares are held by DMS Group Limited (“DMS Group”). DMS Group has a management contract with DMS Pro growers and is owned by interests associated with Paul Jones and Craig Greenlees, the founders of DMS Pro growers.</p> <p>Under the Company’s constitution the Company is not permitted to issue new A Shares without offering to issue an equivalent number of new B Shares to the B shareholder(s).</p> <p>Accordingly the Company proposes to offer such B Shares to DMS Group Limited (“DMS Group”) as new A Shares are subscribed for under this offer. The offer price for the B Shares will be the same as that of the A Shares.</p> <p>Although DMS Group is under no obligation to subscribe for such B Shares, it is anticipated that DMS Group will likely wish to maintain its current 50.1% ownership of DMS Pro growers.</p>

How pricing of DMS Pro growers shares is fixed

The price for each A Share is \$1.00 per Share from the offer opening date to 1 July 2017.

From and after 1 July 2017 the price per Share is not fixed, and the price will be as determined by the Board from time to time as being fair and reasonable to existing shareholders. The predominant factor historically used by the Board in determining Share value is DMS Pro growers’ net tangible assets (“**NTA**”). Traditionally Shares have had a NTA backing of around \$1 per share and Class A shares have traded at or near to NTA per share. As at 31 January 2019 the NTA was (per the Company’s annual financial statements) \$1.50 per share.

Other factors that will also be considered in pricing include the Shares’ earnings and dividend returns, and the risks of the business.

Please refer to Section 4 of this PDS - “TERMS OF THE OFFER” on page 23 for more details.

How can you get your money out?

DMS Progrowers does not intend to quote these A 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 A Shares.

Key drivers of returns

DMS Progrowers considers the current and future aspects of its business that have, or may have, the most impact on its financial performance to be as follows:

1. Maintaining and increasing the volume of fruit (being kiwifruit and avocado) processed in each year. This is particularly important given that the business has a high proportion of fixed costs.
2. Controlling costs and protecting margins. Again this is particularly important to DMS Progrowers given its high proportion of fixed costs.
3. Market pay-out for Growers (e.g. from Zespri): If returns are insufficient, this will impact Growers' abilities to pay for post-harvest services and the growth of the industry, which in turn may affect competitor pressures on pricing for services.

The key strategies and plans the Company has in place for these aspects of the business are as follows:

1. Looking to retain existing Growers and so maintain a stable client base by focusing on its performance in growing (where applicable), picking, packing and coolstoring Growers' fruit to seek to maximise the Company's clients' return for the fruit on their orchards.
2. Further increasing fruit processing volumes by increasing its client base and assisting existing clients to increase production on their orchards.
3. Employing, developing and maintaining the best people. DMS Progrowers continues to place a high value on its staff in a wide variety of roles in the business, in recognition of its belief that its staff are key to achieving the best possible results for its Growers and thereby maintaining its client base.
4. Continuing to place a strong emphasis on prudent control of costs.

More information about the key drivers of returns, strategies and plans of DMS Progrowers are provided in Section 2 of this PDS – “DMS PROGROWERS AND WHAT IT DOES”, and in particular under the heading “Current and future aspects of DMS Progrowers business that may have the most impact on DMS Progrowers financial performance”.

Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about DMS Progrowers' future performance and returns is suitable for you. The price of these A Shares should reflect the potential returns and the particular risks of these A Shares. DMS Progrowers considers that the most significant risk factors that could affect the value of the A Shares are:

#	Risk	Company's Assessment of Risk
1	<i>The volume of fruit processed declines due to lower market share</i>	<p>DMS Progrowers' business has significant fixed costs and therefore the volume of fruit processed in any year is important. If such a decline were to occur then the impact on the business and its profitability could be significant.</p> <p>The best way for DMS Progrowers to avoid this risk is to focus on its performance in terms of packing and coolstoring its Growers' fruit so as to achieve excellent results for the Company's grower clients and encourage customer loyalty.</p>
2	<i>The volume of fruit processed declines due to significantly lower industry volumes</i>	<p>The size of the national crop of kiwifruit and avocados could decline due to a number of factors including climatic factors, pests and disease, and lower market return reducing supply.</p> <p>If it were to occur then this could have a severe impact on the business and its profitability – particularly given the inability to foresee and so plan for a risk of this nature.</p> <p>The best way for DMS Progrowers to mitigate this risk is strongly controlling fixed costs including those significant fixed costs associated with capital expansion.</p>
3	<i>Lack of market for Shares in DMS Progrowers</i>	<p>Because DMS Progrowers' Shares are not listed on the NZX or another exchange, there may not be a market for shareholders to sell their Shares should they wish to do so.</p> <p>DMS Progrowers seeks to mitigate this risk by making itself available to act as an intermediary to facilitate such transactions.</p> <p>However DMS Progrowers' Shares may not be readily saleable at all or at a price that reflects the offer price. This could result in losses to a shareholder who wishes to sell Shares.</p>
4	<i>Loss of key staff</i>	<p>Key people may change employers, and the growth in the kiwifruit and avocado industry has increased competition for key people.</p> <p>Given the non-homogeneous nature of the fruit, the industry is particularly dependent on the skill of the people operating our specialist machinery and equipment. Further, DMS Progrowers' people's ability to assess fruit quality, both at packing and coolstorage, is critical to the success of the business and maximising Grower return. DMS Progrowers continually endeavours to make itself the preferred place of employment in the NZ</p>

		kiwifruit and avocado industry.
5	<i>Reliance on seasonal labour</i>	DMS Progrowers uses a large seasonal workforce, including 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. These provide a cost effective workforce for DMS Progrowers. Changes to the RSE Policy or other employment related policy reducing the supply of temporary labour from abroad, would be detrimental to DMS Progrowers, potentially increasing seasonal labour costs and reducing efficiency and facility utilisation.

This summary does not cover all of the risks of investing in the A Shares. You should also read Section 7 of this PDS (“RISKS TO DMS PROGROWERS’ BUSINESS AND PLANS”) and the paragraphs contained under the sub-heading “Current and future aspects of DMS Progrowers’ business that may have the most impact on DMS Progrowers’ financial performance” in Section 2 of this PDS – “DMS PROGROWERS AND WHAT IT DOES”.

Where you can find DMS Progrowers’ financial information

The financial position and performance of DMS Progrowers are essential to an assessment of this offer. You should also read Section 6 of this PDS (“DMS PROGROWERS’ FINANCIAL INFORMATION”).

In addition you should read the financial information relating to the Company contained on the Disclose Register (see www.business.govt.nz/disclose, offer number OFR11778) in the document entitled “Information incorporated by reference in Product Disclosure Statement for an offer of A Shares in DMS Progrowers Limited”.

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Letter from the chairman

Dear Investor

On behalf of the Directors of DMS Progrowers Limited, it is our pleasure to provide you with the opportunity to invest in shares in DMS Progrowers Limited, a company dedicated to the growing, packing, coolstorage and other post-harvest management of kiwifruit and avocados, with the goal of maximising the profitability of its Grower clients.

In 1989, Paul Jones and Craig Greenlees established Direct Management Services to manage Kiwifruit orchards and soon thereafter began providing post-harvest services to those managed kiwifruit orchards. Since then the business has expanded to include the management of and provision of post-harvest services to avocado orchards. Direct Management Services was incorporated as DMS Progrowers Limited, the company you are now being offered a shareholding in.

The purpose of this offer is to allow Kiwifruit and Avocado Growers the opportunity to invest in DMS Progrowers Limited. It is the view of the Directors that historically and quite probably into the future given good management, the post-harvest operations of DMS Progrowers Limited have offered higher returns on investment than orcharding. Therefore, collectively as a Board of Directors, we believe it makes good sense for Kiwifruit and Avocado Growers to have a tangible interest in both the management and profitability of such facilities and in particular the postharvest facility that processes their valuable fruit.

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Yours faithfully

Peter De Luca

CHAIRMAN

DMS Progrowers Limited

2 DMS PROGROWERS AND WHAT IT DOES

An overview of DMS Progrowers' business

DMS Progrowers is a leading kiwifruit and avocado orchard management and post-harvest operator based in the Bay of Plenty. Founded in 1991, DMS Progrowers has been operating in the orchard management and post-harvest business for over 25 years.

DMS Progrowers' brand promise has been to "Increase Grower Profit". Industry data for onshore fruit loss and net storage earnings shows that over the last five seasons DMS Progrowers has consistently performed on an above average basis when assessed by reference to kiwifruit packing and cool stores in the Bay of Plenty¹. DMS Progrowers has over 600 hectares of leased and managed orchards in the Bay of Plenty. The leases range from ground rentals to profit sharing options, combined with management options which are offered on a per hectare rate. All managed and leased orchards are also harvested, packed and cool stored by DMS Progrowers.

Growers' kiwifruit is supplied to Zespri via DMS Progrowers Supply Entity Limited. DMS Progrowers manages logistics and supply to Zespri of all kiwifruit on behalf of DMS Progrowers Supply Entity Limited. Avocado Growers' avocados are sold through DMS Progrowers to AVOCO² for export and local market.

The Nature of Operations and the Main Activities of DMS Progrowers

The array of kiwifruit and avocado services provided by DMS Progrowers spans the following:

- Consulting and orchard assessment relating to orchard purchase(s)
- Orchard leasing
- Orchard management
- Harvesting and packing of fruit
- Coolstorage of fruit
- Crop inventory management
- Provision of technical advice and support
- Advice pertaining to conversion of orchards to new kiwifruit varieties
- Facilitating the syndication of investment orchards

¹ This assessment is made by reference to NZ industry data for onshore fruit loss and net storage earnings (each assessed on a variety by variety basis). Performance varies from year to year and from variety to variety. However for the two main varieties of Hayward Green and G3 Sungold, DMS Progrowers has performed better than average for each of the last 5 years.

² The New Zealand Avocado Company Ltd

Capital Expenditure – Packing Capacity

In 2018 DMS Progrowers ran into capacity constraints when growers provided DMS Progrowers a total of 13 million trays to process. Accordingly in order to cope with demand DMS Progrowers sub-contracted excess packing to two fellow G4 post-harvest operators. In order to reduce future reliance on third party operators DMS Progrowers is currently working on plans for a second packhouse for its Te Puke site. The Company acquired land for this purpose in October 2019 for \$7m. This is currently intended to be commissioned in 2021 and as at the date of this PDS is expected to cost approx. \$12m (in addition to the cost of the site). The purpose of this offer is in part to provide additional financial resources for this project and other expansion projects that may be desirable in the future.

Group Companies

The Company has a number of wholly owned subsidiaries. However these are either non-trading or hold assets that are not material in the context of the group as a whole.

Relationship between DMS Progrowers and DMS Group

In an agreement dated 18 July 2018, DMS Progrowers and DMS Group (a company owned in equal portions by the families of Paul Jones and Craig Greenlees) agreed to have DMS Group manage the business of DMS Progrowers. This arrangement (which replaced prior management arrangements entered into between DMS Progrowers and DMS Group) continues until it is lawfully terminated under that agreement or DMS Group ceases to hold a majority of the B Shares. As at the date of this PDS, DMS Group holds all of the B Shares.

This agreement provides for DMS Group to receive the following from DMS Progrowers as payment for its services:

- Reimbursement on the 20th day of each month for all out-of-pocket expenses incurred by DMS Group in carrying out its management functions (including, for example, the costs of promotions, stationery, telephones and postage).
- On 30th of June each year, a management fee equal to 6 cents for each tray equivalent of kiwifruit packed by DMS Progrowers.
- On 30th of November in each year, a management fee equal to 5 cents per each tray equivalent of kiwifruit coolstored by DMS Progrowers.
- On 31st of August in each year, a bonus equal to 25% of the super profit made by DMS Progrowers during the year to 31st of January. Super profit is calculated as profit before interest, distributions and tax, minus 15% return on capital employed including bank debt and shareholders' equity.

- A special dividend equal to the aggregate rebate paid to holders of A Shares.³

“G3 Champions”

Following the outbreak of PSAv, DMS Progrowers has championed the Sungold or G3 variety as a more PSAv-resistant kiwifruit alternative. DMS Progrowers remains a leading proponent of the G3 variety and has marketed itself as such. DMS Progrowers and its Growers have produced G3 for several seasons now.

Thus far, the results have been even better than expected. The G3 variety has proven to be sufficiently PSAv-resistant, as well as being of good size, taste and yield, resulting in yields and returns comparable to the previous Gold variety (Hort 16A) prior to PSAv.⁴

DMS Progrowers’ clients who have converted existing kiwifruit crops to the G3 variety have experienced relative ease with the conversion process and most importantly, the G3 fruit taste is proving to be desirable to consumers globally.

Avocado Production

Much like its kiwifruit operations, DMS Progrowers is also a professional avocado orchard manager and post-harvest operator, providing a full range of services to Avocado Growers. DMS Progrowers has built strong working relationships with both its exporter and local marketer.

The full range of services offered includes orchard advice, orchard management and packing.

Avocados are packed at the DMS Te Puna site, which features a modern grader that incorporates soft fruit handling systems. The fruit is washed with a water blaster to maximise packouts.

In summary, DMS Progrowers’ services provided in respect of avocados include the following:

- Orchard management and lease options – ranging from 50 to 7,500 trees
- Provision of technical advice and support – advice on reducing bi-annual bearing
- AvoGreen pest monitoring
- Maturity testing
- Picking and packing for export and local market
- Cost-effective picking – seeking to save dollars per bin
- Outlet for processing fruit through Avocado Oil New Zealand Limited

³ This special dividend replaces (from (and including) the year ended 31 January 2019) an additional management fee equal to 24 cents per tray equivalent packed.

⁴ Average G3 orchard gate returns for Industry of c. \$138,000/ha in 2018 (as against c. \$90,000/ha from 16A in 2011). Also significantly greater industry volumes in 2018 i.e. \$66m vs \$29.9m.

Orchard Investment

For over 25 years, DMS Progrowers has been managing absentee-owner orchards. These corporate orchards range in size from small to very large (such as orchards in excess of 30 canopy hectares).

Often the larger orchards are a syndication of like-minded individuals who rely on the expertise of DMS Progrowers and its staff in managing these orchards on their behalf.

DMS Progrowers provides regular management reports, annual reports, General Meeting management, and accounts/tax returns.

DMS Progrowers considers itself to be a leading service provider for those who wish to own an orchard outright or through syndication. Many DMS Progrowers clients have sought and obtained the advice of DMS Progrowers with respect to potential orchard purchases and DMS Progrowers has facilitated many orchard syndications through networking like-minded Growers and investors.

People & Culture

DMS Progrowers places a high value on its people and recognises that those people and the culture they are part of, amongst its core competencies.

It believes that empowerment of its people to be the best they can be positively impacts the work environment at DMS Progrowers and increases the likelihood that its clients will be happy with the services provided. DMS Progrowers has made significant investments in the development and up-skilling of its people.

DMS Progrowers has a strong focus on building the best team available to grow, pack and coolstore its clients' crops. DMS Progrowers' company culture is built around six core values, which are the following:

- Together We Achieve
- Positive Attitude
- Show Initiative
- Passion For Success
- Consistent Customer Focus
- Our Peoples Wellbeing

DMS Progrowers' view is that an emphasis on the above core values has empowered its people and provided the framework for a culture conducive to meeting clients' demands and "Increasing Grower Profit".

DMS Progrowers has introduced a drug and alcohol policy to eliminate both from our sites and stresses the importance of Health and Safety in the workplace through stringent compliance with our Health and Safety requirements and elimination of workplace hazards.

The quality and talent of both DMS Progrowers' permanent team and our seasonal workforce continues to lift each year. We attribute this to our focus on empowerment and up-skilling of our people, as well as leadership at various levels of DMS Progrowers' business.

Industry Collaboration

To also help “Increase Grower Profit”, DMS Progrowers has a formal alliance with competing kiwifruit post-harvest operators, Trevelyans, Apata and OPAC. “G4 Kiwi” involves all four members working closely together to improve the member businesses, their service to their respective clients and their service to Zespri. The combined New Zealand market share of the kiwifruit industry of these four members is over 30%.

All four members have, when results for all kiwifruit varieties are consolidated, performed better overall in both the 2017 and 2018 seasons than the New Zealand industry average (assessed by reference to fruit loss, and net accountability payment). We see significant advantages to our business from this close alliance.

In 2014, a marketing alliance to handle kiwifruit for the Australian market was formed – the Nutritious Kiwifruit Company (“**NutriKiwi**”). This group combines the supply from DMS Progrowers, Trevelyans, OPAC and Eastpack, comprising approx 50% of New Zealand total industry volume. This alliance was established with the goal of lifting Grower returns in a de-regulated environment.

Much like G4 Kiwi, NutriKiwi has proven successful in 2017 and 2018 and DMS Progrowers anticipates that it is likely to continue to raise Grower returns from the Australian market in the foreseeable future.

DMS Progrowers also has a shareholding in joint venture packaging supplier, UPNZ Limited, which imports pocket packs for its members. This venture has successfully reduced packaging cost to DMS Progrowers and its Grower clients.

DMS exports its avocados through AVOCO, who are the single biggest exporter of NZ avocados with over 62% of the national crop exported through AVOCO. Australia is the main market for NZ avocados with AVOCO exporting 80% of their volume to Australia and selling through major retailers Coles & Woolworths. The remaining 20% of fruit is exported to Asian countries, like China. This is an exciting emerging market for NZ avocados with the potential for future growth. AVOCO are committed to furthering the international success of the New Zealand avocado industry.

The Kiwifruit Industry

New Zealand’s kiwifruit industry is regulated through 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 promoting and selling kiwifruit in overseas markets as well as driving innovation in new varieties and technology.

Current and future aspects of DMS Progrowers' business that may have the most impact on DMS Progrowers' financial performance

Volume of fruit Processed

DMS Progrowers has significant fixed costs and therefore the volume of fruit processed in any year is important. However, the business has historically had a stable client base and subject to the seasonal vagaries and risks to horticulture production, the business can expect relatively stable volumes from year to year.

Recently both the industry and DMS Progrowers have experienced significant growth in volume. This growth is in part driven by the recovery of the industry from the PSAv outbreak. The success of Zespri Sungold has generated considerable new plantings and conversion from Hayward throughout the industry. This, combined with the superior yield of the Sungold variety means that DMS believes that volumes are likely to further increase as these plantings and conversions come into production.

Performance with Growers' fruit

Performance with the Growers' fruit is important in terms of results for clients. DMS Progrowers through its performance in growing (where applicable), picking, packing and coolstoring the Growers' fruit, seeks to ensure that the Grower receives the highest possible return for their fruit or on their orchard. Through doing this, DMS Progrowers increases their chance of retaining that Grower as a client for future years.

Outbreak of pest or disease

A further outbreak of pest or disease such as PSAv or something similar would detrimentally impact DMS Progrowers' financial performance. Since the outbreak of PSAv, DMS Progrowers and the kiwifruit industry more broadly, have become more equipped to mitigate the risk of PSAv and other diseases.

People

Employing, developing and retaining the best people for a wide variety of roles in the business is critical to the performance of the business.

Cost control

Controlling assets employed along with variable and fixed costs, as in any business, is important to DMS Progrowers, especially given the significant level of assets associated costs.

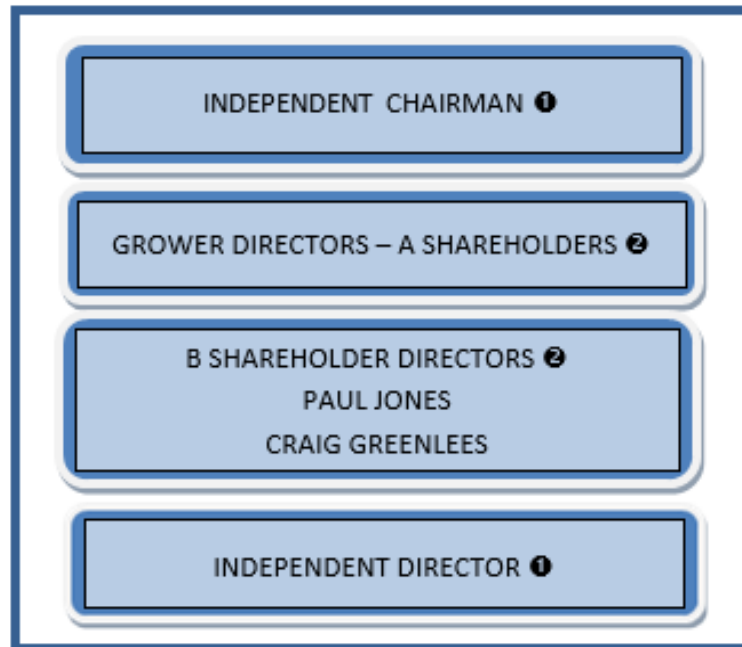
Market pay-out to Growers

The returns for the fruit are primarily the responsibility of Zespri, the kiwifruit industry's marketer and are the risk of Growers. However, if returns are insufficient, this will impact the ability of Growers to pay for post-harvest services and the growth of the industry which may in turn affect competitor pressures on pricing for services.

DMS Progrowers Limited – Organisation Chart

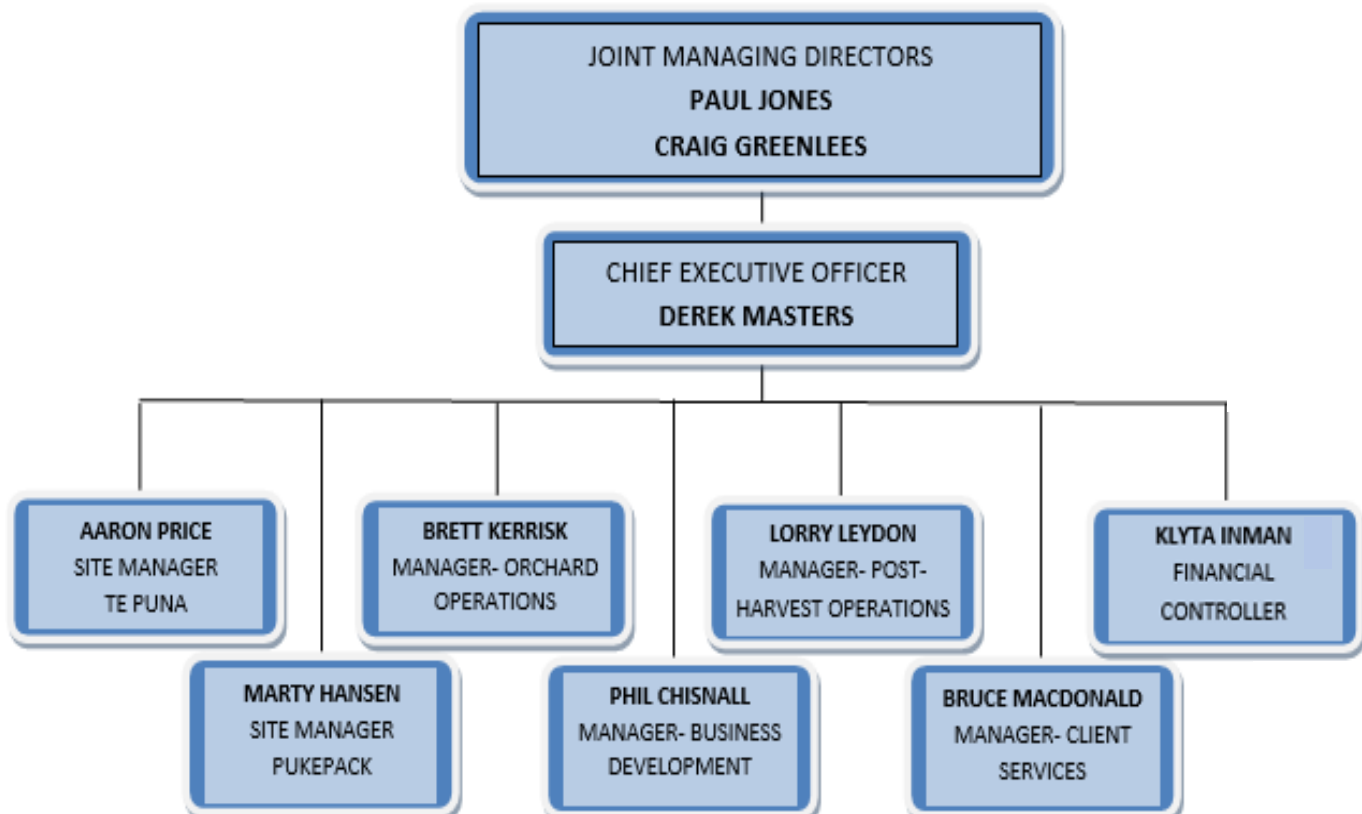
Board of Directors

DMS Progrowers' Board of Directors comprises six Directors in total and is structured as follows:



Executive Management Team

The most significant members of DMS Progrowers management are identified in the chart below:



Directors, Senior Managers and Individual Relevant Parties

PETER DE LUCA (LLB, M ComLaw (Hons))

DMS PROGROWERS CHAIRMAN (Appointed by the Board)

Peter was appointed as independent chairman for DMS Pro growers in September 1999. Peter has been a Senior Partner in Hamilton commercial law firm, Tompkins Wake and is an experienced Company Director across a range of sectors. In legal practice, his areas of expertise include company law and corporate governance. Peter is a chartered member of the Institute of Directors having been a member since 1993 and is a past chair of the board of the Waikato branch of the organisation.

CRAIG GREENLEES (BMS (Hons) CA ANZIM)

DIRECTOR (Appointed by the Class B shareholders)

Craig has been involved in the kiwifruit industry as an orchard owner and manager since 1983. Along with Paul Jones, Craig is a founder of DMS Pro growers and a founder and co-owner of DMS Group. Craig became active in industry politics in the early 1990s and was subsequently selected as one of its leaders to chair Zespri for six years. Craig served on the Zespri Board for 15 years, standing down in mid-2014.

Craig's primary focus within DMS Pro growers is on financial, supply chain, client relations, industry matters and other investments.

Craig and his family have a significant investment in the kiwifruit industry, not only in post-harvest but are also significant owners and managers of orchards.

PAUL JONES (BFSc (Hons))

DIRECTOR (Appointed by the Class B shareholders)

Paul, along with Craig Greenlees, is a founder of DMS Pro growers and a founder and co-owner of DMS Group and has been involved in the kiwifruit business for over 25 years as a Grower and manager.

Paul has led the orchard management team of DMS with a focus on orchard productivity and Grower profit. He is also actively involved in post-harvest operations and client relations. Paul has been a member of the New Zealand Kiwifruit Growers Incorporated (KGI) Forum since it was formed in 1995 and has served on numerous work groups and committees with the representative body. Paul was elected as a Zespri director in 2014.

Paul and his family also have a significant investment in the kiwifruit industry as significant orchard owners and managers as well as their post-harvest investment.

ANTHONY (TONY) LEICESTER

DIRECTOR (Appointed by the Class A shareholders)

Tony's background is with Challenge Corporation Wellington, in roles such as senior management, marketing, sales and staff development, prior to his purchasing a nine hectare kiwifruit orchard in

the Hawke's Bay in 1992. Appointed to the DMS Progrowers Board in October 2011, Tony is also a committee member of the DMS Supply Entity Group and was voted onto KGI as their representative in 2009.

JOHN COOK (Dip Ag)

DIRECTOR (Appointed by the Class A shareholders)

John has corporate experience in all facets of the kiwifruit industry value chain over the past 30 years and has owned top producing orchards in Te Puke since 1996. He also has experience in Australian multi-variety fruit orchards from growing, packing and marketing, both domestically and internationally. John is an experienced company director and a member of the New Zealand Institute of Directors.

LAIN JAGER

DIRECTOR (Appointed by the Board)

Lain grew up alongside the Waiwhakaiho river under the slopes of Mt Taranaki in New Plymouth. He completed a Masters Degree in Social Sciences at the University of Waikato in Hamilton in 1993 before working for the Sheraton Hotel Chain in Auckland and Rotorua and Fletcher Challenge Steel and Wire in Otahuhu in the early years of his career. Lain joined Zespri in 1999 as Human Resources Manager, was appointed GM Supply Chain in 2004 and Chief Executive Officer of Zespri in December 2008.

Lain completed his time as Zespri CEO in December of 2017 and is now involved with a number of investment projects mostly in the Agriculture and Tourism industries. Lain acts as a strategic advisor to a number of CEO's and is a director of a number of companies including Spring Sheep Dairy NZ Management Limited.

DEREK MASTERS (NZCE (Mech), NZDIP, Bus)

CHIEF EXECUTIVE OFFICER

Derek commenced working for DMS Progrowers in 2008 in the position of Chief Operating Officer. Derek came to DMS Progrowers having previously worked for over 20 years in both privately owned and international corporations, primarily in the manufacturing and fast moving consumer goods sectors. His strengths lie in developing cohesive teams working together to create better production systems and processes, with a strong focus on quality products and service. Derek was appointed CEO in late September 2017.

AARON PRICE

MANAGER – DMS TE PUNA

Aaron has grown up within the local agricultural and horticultural industries working his way through most areas of the orchard and packhouse. Aaron has gained an extensive understanding of the industry from growing, harvesting, packing, cool chain, right through to loadout and into the marketplace. Aaron is passionate about his role as site manager at the DMS Te Puna site where he has been based since 2004.

MARTY HANSEN
MANAGER – DMS PUKEPACK

Marty has been in the kiwifruit industry for 10 years. He commenced work with DMS in 2008 as Production Manager at Pukepack and was appointed site manager in July 2015. Prior to kiwifruit he was in the automotive industry, four years of which was self-employed. Marty is focused on achieving the best results for DMS Growers, team culture, empowering the staff and living the DMS core values.

PHIL CHISNALL
MANAGER – BUSINESS DEVELOPMENT

Phil has been involved in the horticultural industry for 30 years. Phil joined DMS Progrowers in June 2002, for the first four and a half years as orchard manager for the Tauranga side of the business. Phil was appointed site manager for DMS Te Puna packhouse in January 2006 and has now progressed to the role of Business development of the Avocado Business unit. Phil is passionate, competitive and driven to achieve outstanding results for DMS Progrowers.

BRUCE MCDONALD
MANAGER – CLIENT SERVICES

Prior to joining DMS Progrowers, Bruce had over 25 years involvement in the real estate industry culminating at senior management level in a publicly-listed company. He joined DMS Progrowers in 2006 to manage the Client Services team with a focus on growth and providing a high level of communication and service to DMS Progrowers' clients. Bruce is committed to the industry and has a personal investment in the avocado sector.

BRETT KERRISK (B Hort)
MANAGER - ORCHARD OPERATIONS

Brett joined DMS Progrowers in 2010 after having spent five years as a Rural Lending Manager with Rabobank in Pukekohe. His experience also includes the position of technical representative for Bay of Plenty Fertiliser Ltd, specialising in horticultural crops. Brett has also worked for Franklin Rural Management, setting up and managing large scale farms including dairy equity partnerships. Brett has spent some years as a kiwifruit grower in south Auckland and in the position of orchard operations manager has strengthened DMS Progrowers' orchard management team whilst providing a full management service to the DMS corporate entities.

LORRY LEYDON (BCS)
MANAGER - POST HARVEST OPERATIONS

Lorry has been involved with DMS since 2008 in a number of roles including technical support, laboratory manager, harvest manager, client services and more recently into post-harvest operations. Lorry's excellent communication skills and extensive insight into the DMS business and industry has been invaluable in supporting both DMS management and growers and the industry in general.

Lorry's involvement in industry at KVH and ISG level is important to the business and has strengthened our relationship with the wider kiwifruit industry.

KLYTA INMAN
FINANCIAL CONTROLLER

Klyta commenced working for DMS in February 2004 in an accounting role. Having previously worked in Tokoroa for an accountant, she brought an array of skills and experience that has contributed to the successful functioning of the Accounts team. Attention to detail, improving accounting systems and developing the accounting skills within the DMS Team is her key focus.

Existing shareholdings in DMS Progrowers

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

Issue of other equity securities

As further described in Section 5 – "KEY FEATURES OF DMS PROGROWERS SHARES" the Company's constitution provides for two classes of shares. Class A Shares (the subject of this offer) and Class B Shares.

The A Shares and the B Shares rank equally both on liquidation and as regards payment of dividends, except that:

- Only the holders of A Shares are entitled to receive rebates.
- Only the holder(s) of B Shares are entitled to receive management fees and special dividends.
- The holders of the A Shares (as a class) and the holders of the B Shares (as a class) are each entitled to appoint two directors of the Company.

The Board is entitled to issue further A Shares (to kiwifruit growers) and B Shares (to existing holders of B Shares only) from time to time, without a special resolution of the shareholders (or either class of shareholders), provided that the Board may not:

- Issue any B Shares without issuing an equivalent number of A Shares; or
- Issue any A Shares without offering to issue an equivalent number of B Shares to the holders of the B Shares.

The Company can issue such further Shares when the Board considers this to be fair and reasonable to the Company and to all shareholders at the time.

No pre-emptive rights apply to either the issue or transfer of A Shares.

Further, and in contrast to the position on issue of A Shares (see above), purchasers of A Shares on transfer are not required to be kiwifruit growers (and so can include avocado growers).

Pre-emptive rights do apply to both the issue and transfer of B Shares (but in favour of the Class B shareholder(s) only).

Interests of Directors and Senior Managers

Directors' remuneration and other benefits

Directors' remuneration comprising fees, salaries and other benefits paid or payable during the year ended 31 January 2019 was \$110,989 (2018: \$87,655). Directors' fees paid or payable were as follows:

	Group
P M De Luca	53,405
A Leicester	20,042
J Cook	20,042
L Jager	17,500

C S Greenlees and P R Jones were not paid Directors' fees. However, a management fee was paid to DMS Group (a company jointly owned by their family interests) as described in Section 5 of this PDS "KEY FEATURES OF DMS PROGROWERS SHARES"). DMS Group is also entitled to receive dividends as the holder of B Shares. See further below.

Employees' remuneration and other benefits

For the year ended 31 January 2019, the number of employees (including former employees) whose remuneration exceeded \$100,000 were:

\$100,000 to \$109,999	4
\$110,000 to \$119,999	-
\$120,000 to \$129,999	3
\$130,000 to \$139,999	2
\$140,000 to \$149,999	1
\$190,000 to \$199,000	1
\$200,000 +	-

Material interests

Particulars of direct or indirect 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 February 2016 and 31 October 2019 (being the date of this product disclosure statement) unless otherwise stated as are follows:

Shareholdings and other interests:

- C S Greenlees and/or P R Jones hold interests in the following entities which themselves hold shares in the Company (shareholdings given as at the date of this product disclosure statement):

B Shares

DMS Group Limited	9,913,550 B Shares
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A Shares

DMS Horticulture Limited	1,944,120 A Shares
Fruit Force Partnership	495,832 A Shares
Managatarata Orchards Limited	540,983 A Shares
Progeny Kiwifruit Ltd	518,192 A Shares
Miscellaneous	664,527 A Shares
TOTAL:	4,163,654 A Shares

- As at the date of this produce disclosure statement, A Leicester owns 61,200 A Shares in the Company.
- J Cook owns interests in the following entities which themselves hold shares in the Company (shareholdings given as at the date of this product disclosure statement):

Waimea Kiwi Limited	14,473 A Shares
Hay Wood Limited	36,981 A Shares
TOTAL:	51,454 A Shares

- The directors of the Company, apart from the Chairman, each have interests in a number of entities (e.g. as above) which have their kiwifruit packed by the Company at standard rates. For example, the total value of such transactions in years ended 31 January 2019 and 2018 were \$9,388,256 and \$10,561,414 respectively.
- DMS Horticulture Limited is a wholly owned subsidiary of DMS Group. Accordingly C S Greenlees and P R Jones also have an interest in any transactions between DMS Horticulture Limited and the Company. Prior to 31 January 2017 the Company received interest from DMS Horticulture Limited on an outstanding capital note of \$3 million. Interest was charged at 12%. This note was repaid on 31 January 2017.
- In prior years funds have been regularly transferred between the Company and DMS Horticulture Limited for working capital requirements. For example as at 31 January 2018 the net amount payable to DMS Horticulture Limited was \$8,595,126 (2017: \$64,571). As at 31 January 2019 the net balance payable was \$0.

- In 2016 the Company purchased DMS Orchard Leasing & Management Limited (“**DMS OLM**”) from DMS Horticulture Limited. Per the terms of this transaction DMS Horticulture Limited was entitled to the benefit of the net after tax profit of DMS OLM relating to crop harvested in the 2015 season. As at 31 January 2018 a provision of \$1,129,991 was recognised in relation to this liability. This amount was included within the net amount payable to DMS Horticulture Limited referred to in the preceding paragraph.
- Funds are also regularly transferred between the Company and DMS Group for working capital purposes. Advances by DMS Group are made at 12% interest and repayable on demand. For example the net balance payable by the Company to DMS Group Limited on 31 January 2019 was \$13,748,567 (2018: \$3,266,518).

Management fees and services

- DMS Progrowers pays management fees and management bonus (as described above) to DMS Group each year (for general management, marketing, accounting and administration services supplied pursuant to the terms of the management agreement entered into between the two companies). For example aggregate management fees and management bonus paid in the years ended 31 January 2019 and 31 January 2018 were \$3,738,461 and \$2,007,595 respectively. In years ending 31 January 2018 and earlier, DMS Group was also paid an additional special management fee (2018: \$2,199,140). For the year ended 31 January 2019 (and onward) such special management fee has been replaced by a special dividend (2019: \$2,697,394).
- The Company provides labour to DMS Avocados Ltd (a company in which P R Jones and C S Greenlees have an interest). For example such labour totalled \$266,457 for year-end January 2019 (2018: \$362,137).
- DMS Progrowers leases land and buildings, and provides goods and services to Avocado Oil New Zealand Limited. DMS Progrowers is a shareholder of, and C S Greenlees a director of, Avocado Oil New Zealand Limited. Aggregate lease and services income was \$309,346 for year-end January 2019 (2018: \$303,144).
- The Company purchases packaging from UPNZ Limited. DMS Progrowers is a shareholder of, and C S Greenlees a director of, UPNZ Limited. Packaging purchases totalled \$592,674 year-end January 2019 (2018: \$891,261).
- DMS Progrowers Supply Entity Limited (“**DMS Supply**”) receives income from Zespri on behalf of the Company’s growers and makes payments to the Company for packing, coolstorage and other services. Shares in DMS Supply are held by its directors in trust on behalf of the growers. DMS Supply’s directors include 5 grower nominated representatives plus C S Greenlees and P R Jones.

- The Company receives services (via DMS Supply) from G4 Kiwi Supply Limited. DMS Pro growers owns shares in, and C S Greenlees is a director of, G4 Kiwi Supply Limited.

Governance disclosures

The Company's Constitution provides for the Company to have at least five and no more than six directors. The Class A shareholders are together entitled to appoint two out of the Company's five directors, and the Class B shareholder(s) (i.e. DMS Group) likewise has the right to appoint two directors. The fifth and sixth (if any) directors are appointed (and may be removed) by the Board. A Director may be removed from office at any time by a 75% resolution of the shares of the class which is able to appoint him or her.

The Board can fill any casual vacancies. The Constitution also contains a process for retirement by rotation of the Directors appointed by the shareholders.

3 PURPOSE OF THE OFFER

The purpose of the offer is to:

- provide Growers with A Shares in the Company, allowing them to own a portion of the entity that they grow, pack and store their kiwifruit and/or avocados with; and
- assist the expansion of DMS Pro growers' business by providing funding to allow increase of its packing capacity, and other future expansion.

The offer also has the secondary purpose of allowing DMS Horticulture Limited (one of the Offerors) to sell down its current shareholding in the Company.

Packing capacity

DMS needs to expand its packing capacity to match growing fruit supply. This currently includes a proposed second packhouse for its Te Puke site. Further funding may also become desirable to fund other future expansion as required.

The use of the money raised under the offer will not change based on how much money is raised because alternative funding sources of retained earnings and debt are available if required.

4 TERMS OF THE OFFER

The terms of the offer of A Shares in this PDS are set out in the Key Information Summary at pages 1 to 5.

The terms of the A Shares are also governed by the constitution of DMS Progrowers, a copy of which may be obtained from the Disclose Register (see www.business.govt.nz/disclose, offer number OFR11778).

Under this offer:

1,500,000 existing A Shares are being offered by way of sale by DMS Horticulture Limited; and

new A Shares are also being offered by way of issue by the Company.

The initial price for the A Shares (of \$1 per share) (being the price for A Shares applied for under this offer prior to 1 July 2017) was set by the Board predominantly by reference to the Company's net tangible asset backing.

Other factors taken into account were:

- Earnings;
- Dividends;
- Risk of the business.

It is proposed that the price for A Shares applied for after 30 June 2017 will be calculated on a consistent basis with the above.

No independent or objective mechanism was or is proposed to be used to set the price for the A Shares.

5 KEY FEATURES OF DMS PROGROWERS SHARES

DMS Progrowers is a company under the Companies Act with Class A and B ordinary shares. This offer is for A Shares.

Other than rebate and fee entitlements (see further below) the key features of the Shares are generally the same as those that apply to ordinary shares in a company.

Class A Shares

There is no restriction on who can own A Shares but generally they are owned by existing or previous Growers who process fruit with the Company.

Class A shareholders who process fruit with the Company are entitled to a rebate on the price of services provided by the Company as declared by the Directors from time to time. This rebate is calculated by reference to the number of the shareholders' trays packed with DMS Progrowers (and is not affected by the number of Shares owned).

Class B Shares

Currently all B Shares are owned by DMS Group. DMS Group is owned equally by the families of Paul Jones and Craig Greenlees.

B Shares can only be issued to existing holders of B Shares.

If the Company issues A Shares (including pursuant to this offer) it must offer an equal number of B Shares at the same price to the Class B shareholder(s). The Class B shareholder(s) are not obliged to accept that offer.

Unlike Class A shareholders, Class B shareholders are not entitled to any rebate. However the Class B shareholder (DMS Group Limited) has entered into a management agreement with the Company under which it is entitled to various management fees and a special dividend (see also the Constitution) as described in Section 2 of this PDS – “DMS PROGROWERS AND WHAT IT DOES”, under the heading “Relationship between DMS Progrowers and DMS Group”.

The amount of the special dividend payable on each B Share in any year is equal to the average rebate payable on each A Share that year (ignoring for these purposes any A Share that did not receive a rebate because, for example, the relevant Class A shareholder does not process fruit with DMS). Such dividend may not exceed the total of all rebates made to Class A shareholders in that year. This special dividend replaces an additional management fee payable in previous years of 24 cents per tray equivalent packed.

Appointment of Directors

The Company's constitution provides for the Company to have at least five and not more than six directors. The Class A shareholders are together entitled to appoint two out of the Company's five directors, and the Class B shareholder(s) likewise has the right to appoint two directors. The fifth and sixth (if any) directors are appointed by the Board.

DMS Progrowers' distribution policy - both Dividends and Rebates

The distribution policy of DMS Progrowers (both historically and currently) is, to over the medium term (i.e. two to five years) distribute all (if any) cash profits arising in the ordinary course of business to shareholders either as rebates or dividends.

The split of distributions between rebates and dividends is determined by the Directors taking into account market returns on similar shares or investment (relevant to dividends) and kiwifruit postharvest market conditions (relevant to rebates) including competitor pricing, industry growth or otherwise, and competitor relative performance with their growers fruit. The Directors endeavour to maintain both dividends and rebates at relatively constant levels in the medium term, but must also take into account levels of profit, cash commitments including to the Company's bank, and all legal requirements including company solvency requirements as contained in the Companies Act.

A critical distinction between dividends and rebates is that dividends are paid on all issued A Shares in the same amount regardless of class and whether (and the extent to which) the relevant shareholder packs crop with DMS Progrowers. In contrast rebates are calculated solely by reference to the volume of crop packed for that Class A shareholder by DMS Progrowers (i.e. regardless of the number of A Shares owned).

In place of a rebate the B Shares are entitled to a special dividend. The special dividend is calculated so as to be equivalent to the average amount of the rebate paid in respect of each A Share in respect of which a rebate is made, provided that the special dividend is reduced, as necessary, to ensure that the aggregate of the dividends paid on the B Shares does not exceed the aggregate of the rebates made to the holders of the A Shares.

Example:

DMS Progrowers declares a net dividend of 5 cents per Share and a rebate of 30 cents per tray.

Shareholder X has 10,000 shares but does not pack any crop with DMS Progrowers. X will be entitled to a dividend of \$500 (i.e. \$0.05 x 10,000) but will receive no rebate.

Shareholder Y has 2,000 shares and packs 15,000 trays with DMS Progrowers. Y will be entitled to a dividend of \$100 (i.e. \$0.05 x 2,000) and will also receive a rebate of \$4,500 (i.e. \$0.30 x 15,000).

DMS Group Limited is the sole shareholder of the Class B Shares. DMS Group will receive a dividend of 5 cents for every Class B Share held (DMS Group Limited held 9,913,550 B

Shares as at 31 October 2019 representing 50.1% of the Shares in the Company). DMS Group will also receive a special dividend calculated as described above.

In addition DMS Group will also receive remuneration under its management agreement as described in Section 2, “DMS PROGROWERS AND WHAT IT DOES”.

While anyone, Grower or not, can own A Shares, this distribution policy reflects the intention that generally A Shares should be held by DMS Pro growers’ supplying Growers.

Also, while it is intended that shareholders who are kiwifruit growers will pack with DMS Pro growers current terms do not make this compulsory (other than as regards eligibility for the rebate).

Details of dividends declared on the A Shares since 1 February 2013 can be found on the Offer Register in the documents entitled “Information incorporated by reference in Product Disclosure Statement for an offer of A Shares in DMS Pro growers Limited”.

For further information relating to dividends which have been offered, refer to Section 6 – “DMS PROGROWERS’ FINANCIAL INFORMATION”.

Dividends and rebates are payable at the discretion of the Board, are not guaranteed and will be declared only after meeting appropriate solvency requirements.

6 DMS PROGROWERS’ FINANCIAL INFORMATION

Key financial information about DMS Pro growers Limited (contained in documents entitled “Information incorporated by reference in Product Disclosure Statement for an offer of A Shares in DMS Pro growers Limited”) and full financial statements are available on the Disclose Register at www.business.govt.nz/disclose, offer number OFR11778.

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

7 RISKS TO DMS PROGROWERS' BUSINESS AND PLANS

Introduction

Before making an investment you should consider the risks for that investment including their likelihood and the impact they may have on your investment.

This Section 7 describes risks associated with an investment in DMS Pro growers' Shares. For further information on risks associated with this investment, please refer to "1 – KEY INFORMATION SUMMARY" under the subheading: "Key risks affecting this investment".

Specific risks associated with an investment in DMS Pro growers' Shares including our assessment of their significance of these risks, their likelihood and potential impact, and any steps we have taken or can take to mitigate them are as follows:

#	<u>Risk</u>	<u>Assessment of Risk</u>	<u>Steps taken to mitigate Risk</u>
		Comments <i>(including likelihood / impact)</i>	
1	<p><i>The volume of fruit processed declines due to lower market share</i></p> <p>A deterioration in DMS Pro growers' performance in terms of packing and coolstoring a Grower's fruit is the most likely reason for this to occur.</p>	<p><i>Likelihood: Low</i> <i>Impact: High</i></p> <p>The business has over recent years performed well in comparison to other processors (see Section 2 "DMS PROGROWERS AND WHAT IT DOES"). Also current industry growth would likely help to 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 DMS Pro growers' business has significant fixed costs and therefore the volume of fruit processed in any year is of particular importance.</p>	<p>DMS Pro growers endeavours to provide excellent and consistent results and service for our Grower clients. 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>

2	<p><i>The volume of fruit processed declines due to significantly lower industry volumes</i></p> <p>The size of the national crop could decline due to a number of factors including climatic factors, pests and disease, and lower market return reducing supply.</p> <p>Kiwifruit / Avocado as an agricultural business is particularly exposed to a risk of pest and disease incursion (for instance, the Queensland Fruit Fly).</p>	<p><i>Likelihood: Low</i></p> <p><i>Impact: High</i></p> <p>Past experience suggests that the likelihood of industry volumes significantly declining is relatively low. However it is hard to foresee when such an event might occur or predict its severity. This is because such a decline may arise from unknown factors (such as disease).</p> <p>The potential impact of such an event on the business and its profitability could be significant, particularly given the difficulty in predicting and therefore planning for such an occurrence.</p> <p>As DMS Progrowers' business has significant fixed costs, a major reduction in the volume of fruit processed in any year as a result of such an event would likely have a significant impact on the Company.</p> <p>The arrival of <i>Pseudomonas syringae</i> pv <i>actinidiae</i> (PSAv) in New Zealand is an example of such a risk which did have a significant impact on kiwifruit volumes and the kiwifruit industry generally.</p>	<p>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.</p> <p>If an incursion were to occur DMS Progrowers would take all steps available to it to control its fixed costs including those significant fixed costs associated with capital expansion.</p> <p>DMS Progrowers seeks to further mitigate this risk by maintaining an appropriate debt/equity ratio (to put it in a better position to weather such a downturn) and achieving a high utilisation of existing capital assets while pacing the scale of capital expansion to minimise the size of step costs.</p> <p>Finally, the NZ kiwifruit industry is currently in a significant growth phase. This growth phase is expected to continue in the medium term (although the extent of that growth is expected to level off as the industry continues its recovery from the PSAv outbreak). Such growth in terms of hectares under cultivation could potentially mitigate or absorb a reduction in per hectare production.</p>
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3	<p><i>Lack of market for Shares in DMS Progrowers</i></p> <p>Because DMS Progrowers' Shares are not listed on the NZX or similar, there may not be a market for shareholders to sell their Shares should they wish to do so.</p> <p>This is a risk specific to the shareholder rather than the business.</p>	<p><i>Likelihood: Moderate</i> <i>Impact: Moderate</i></p> <p>The sale of any shares is dependent upon demand for those shares. DMS Progrowers cannot assure shareholders that there will be such demand if and when a shareholder wishes to sell.</p> <p>Such risk is increased by the lack of a secondary market for DMS Progrowers' shares. Shareholders may not be able to sell their shares as readily as, or at prices that will enable them to realise a yield comparable to that of, similar investments with a developed secondary market.</p> <p>Industry growth together with the growth in DMS Progrowers market share, has created a demand by Growers for shares. According the market for DMS Progrowers Shares is currently quite liquid.</p> <p>However this trend may not continue. For example during the incursion of PSAv there were no buyers for DMS Progrowers' Shares at prices sellers were willing to sell at.</p> <p>Such illiquidity may result in the Shares not being readily saleable (or not readily saleable other than at a reduced price). Where a Shareholder is seeking to sell their Shares at a time of low demand they are more likely to suffer a loss on such sale.</p>	<p>DMS Progrowers' shareholders can purchase shares from one another. Where shareholders wish to sell shares, DMS Progrowers is available as an intermediary to help facilitate such transactions.</p> <p>Also, the major shareholder, DMS Horticulture Limited, endeavours to create greater share liquidity by buying and selling small quantities of Shares, usually at the current Offer Price, during normal market conditions.</p>
4	<p><i>Loss of key staff</i></p> <p>People may change employers, and the growth in the kiwifruit and avocado industry has increased competition for key</p>	<p><i>Likelihood: Moderate</i> <i>Impact: Moderate</i></p> <p>Although the kiwifruit and avocado post-harvest business involves the utilisation of specially developed machinery and equipment, the non-homogeneous nature of the fruit means the business is very</p>	<p>Presently DMS Progrowers has achieved a strong culture and team of motivated and effective people.</p> <p>Maintaining and improving this culture and our people's ability and performance is critical and a key focus for management.</p>

	people.	<p>dependent on the skill of the people operating that machinery and equipment. Further, the success of the business and DMS Pro growers' ability to maximise Grower return, relies heavily on the Company's peoples' ability to assess fruit quality, both at packing and coolstorage.</p> <p>Employing, developing and retaining key staff is important for the business of DMS Pro growers and the loss of any significant key staff would have an adverse effect on the business.</p>	<p>DMS Pro growers continually endeavours to make itself the preferred place of employment in the NZ kiwifruit Industry.</p> <p>In this regard we believe our moderate size is an advantage.</p>
5	<p><i>Reliance on seasonal labour</i></p> <p>DMS Pro growers uses a large seasonal workforce, including those through the New Zealand Government Recognised Seasonal Employer (RSE) Policy and Tourist Work Visa. The RSE Policy and Tourist Work Visa regulates supply of temporary labour from overseas.</p>	<p><i>Likelihood: Moderate</i> <i>Impact: Moderate</i></p> <p>The RSE Policy and Tourist Work Visa helps provide a cost effective workforce for DMS Pro growers. Changes to that or any other employment related policy which reduced the availability of temporary labour from abroad would be detrimental to DMS Pro growers. For example the resulting shortage in supply of seasonal labour would increase seasonal labour costs, and likely reduce efficiency and facility utilisation.</p> <p>Further given the make-up of the Company's labour force and its reliance on such seasonal labour DMS Pro growers' expenses could be significantly increased by an increase to the minimum wage.</p>	<p>Any such changes would likely affect DMS Pro growers and its competitors similarly. For so long as the industry remains buoyant with good grower returns any such cost increase could most probably be passed onto our clients.</p>
6	<p><i>Retention of the Single Point of Entry (SPE) Kiwifruit Marketing Structure through Zespri</i></p> <p>Any modification of this marketing structure may reduce industry revenues, orchard returns and</p>	<p><i>Likelihood: Low</i> <i>Impact: Moderate</i></p> <p>In other fruit industries in NZ and overseas where similar SPE structures have been removed financial returns have generally reduced as a result (at least initially).</p> <p>Also, there would likely be a loss of industry stability particularly during the initial restructuring phase.</p>	<p>DMS Pro growers strongly supports the current SPE marketing structure and through engagement with its Growers and shareholders will continue to help ensure this structure remains.</p>

	industry stability.	The above in turn poses a risk to the return DMS Progrowers' clients get for their fruit and also to DMS Progrowers' own profitability, particularly if volume reduced as a result of such changes.	
7	<p><i>Lower Market Return to Growers</i></p> <p>The supply and demand of kiwifruit and avocado overseas and foreign exchange rates in particular, as well as many other factors, impacts the global revenues of the kiwifruit and avocado industry as a whole.</p>	<p><i>Likelihood: Moderate</i> <i>Impact: Moderate</i></p> <p>Although market returns are not the Company's responsibility, they do affect the orchard gate return of Growers who are DMS Progrowers' clients.</p> <p>Medium term fluctuations or cycles in Grower returns have historically had only a low impact on DMS Progrowers as a service provider. However if the impact is sufficiently high it has the potential to affect the Company's Growers' ability to pay for DMS Progrowers' services and to ultimately affect supply volume.</p>	As Growers as well and postharvest operators, DMS Progrowers works closely with Zespri and other industry organisations to mitigate and anticipate this risk. The mitigation of this risk is similar to 2 above, in particular controlling fixed costs and efficient capital utilisation.
8	<p><i>Loss of Market Access for Kiwifruit and Avocados</i></p> <p>Pest and disease, and trade or political restrictions may restrict access for NZ kiwifruit / avocado to particular markets.</p>	<p><i>Likelihood: Low</i> <i>Impact: Moderate</i></p> <p>The likelihood of such an event is hard to predict however if the loss of market access were significant it could adversely affect the volume and/or value of NZ kiwifruit/ avocado exports.</p> <p>The impact of this could be similar to a lower national crop as referred to in item 2 above.</p>	<p>The primary mitigation to this risk is a diversity of markets through Zespri, the NZ kiwifruit industry's marketer, AVOCO, who markets the crop in over 60 countries globally.</p> <p>See 2 above.</p>

9	<p><i>New Competitors entering the Industry or Existing Competitors Expanding</i></p> <p>Attractive returns in our business sector in an expanding industry may attract new competitors.</p>	<p><i>Likelihood: Low</i> <i>Impact: Moderate</i></p> <p>There are no insurmountable barriers to entry in the kiwifruit/avocado postharvest sector.</p> <p>New facilities can be established and key personnel recruited. However, it is a specialist industry where management skills and experience are very important, and grower loyalty to existing service providers is high.</p> <p>Also, the replacement cost of new facilities is high relative to current returns.</p>	<p>The Company seeks to mitigate this risk by providing good results and service to its grower clients. Such customers generally remain loyal, as outlined in 1 above.</p>
10	<p><i>The volume of fruit processed fluctuates due to moderately lower or fluctuating industry volumes</i></p> <p>The size of the national crop could decline or fluctuate due to a number of factors including seasonal variation, climatic risks (such as hail, frost, storms, dry or cold weather), pests and disease.</p>	<p><i>Likelihood: Moderate</i> <i>Impact: Low</i></p> <p>Although significant fluctuations in industry volumes are relatively rare (see item 2 above) small to moderate annual fluctuations in industry volume are quite common (e.g. where due to seasonal climatic, pest or disease issues).</p>	<p>Ensuring a reasonable proportion of annual fixed costs is avoidable, while limited in scale, can mitigate this fluctuation to a small degree.</p> <p>The best mitigation is an effective and efficient business that is profitable and able to absorb such fluctuations.</p>

8 TAX

Tax can have significant consequences for investments.

If you have any queries relating to the tax consequences of investing in the Shares, you should obtain professional advice on those consequences.

9 WHERE YOU CAN FIND MORE INFORMATION

Offer register

Further information relating to DMS Progrowers and the Shares (including the Company's constitution and financial statements) is available on the Disclose Register at www.business.govt.nz/disclose (Offer ref: OFR11778). A copy of such information is available on request to the Registrar of Financial Service Providers.

Further information relating to DMS Progrowers is also available on the public register at the Companies Office of the Ministry of Business, Innovation and Employment. This information can be accessed on the Companies Office website at www.companiesoffice.govt.nz/companies under DMS Progrowers company number (526044).

Further information about DMS Progrowers is also available free of charge on its website, <http://www.dms4kiwi.co.nz/>.

You will receive annual reports and annual audited financial statements for DMS Progrowers, and other communications as and when required to update you on progress. You will also receive a notice stating the availability of such communications and how to obtain copies.

The information referred to in the paragraph above will be made available to you, free-of-charge, upon written request to DMS Progrowers (see the contact details in Section 11).

10 HOW TO APPLY

You should read this PDS carefully before applying for Shares.

You can apply for Shares by filling in the Offer Application Form available online at www.dms4kiwi.co.nz and returning it to the office of DMS Progrowers in the manner set out in the Offer Application Form.

11 CONTACT INFORMATION

Contact details of the Company and the Selling Shareholder

DMS Progrowers Limited (or DMS Horticulture Limited c/- DMS Progrowers Limited)

PO Box 13210,
195 Devonport Road
Tauranga 3141
Phone +64 7 578 9107

Email: klyta.inman@dms4kiwi.co.nz

Web (DMS Progrowers): <http://www.dms4kiwi.co.nz/>

12 GLOSSARY

TERM	MEANING
A Shares	Class A Shares of DMS Progrowers
Board	The board of directors of DMS Progrowers
B Shares	Class B Shares of DMS Progrowers
Companies Act	The Companies Act 1993
Constitution	DMS Progrowers Limited's constitution
DMS Group	DMS Group Limited
DMS Progrowers or the Company	DMS Progrowers Limited
Disclose Register	The online register for offers of financial products under the Financial Markets Conduct Act 2013
Director	A director of DMS Progrowers Limited
Growers	DMS Progrowers' customers.
NTA	Net Tangible Assets (usually expressed on a per share basis)
Nutrikiwi	Nutritious Kiwifruit Company
Offer Register	The register containing information on this offer in this PDS available at www.business.govt.nz/disclose , offer number OFR11778.
PDS	This Product Disclosure Statement
Selling Shareholder	DMS Horticulture Limited
Shares	Shares of DMS Progrowers (being Class A Shares and/or Class B Shares as the context requires).