

Product Disclosure Statement

Offer of Shares
in Dairy Goat Co-operative (N.Z.) Limited

Issued by Dairy Goat Co-operative (N.Z.) Limited
Dated 29 May 2019

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/disclose. Dairy Goat Co-operative (N.Z.) Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1. Key information summary

What is this?

This is an offer of nominal value shares in a co-operative company, DGC. The Shares give you a stake in the ownership of DGC. You could receive a return reflecting the performance of DGC through the payments you will receive on your supply of dairy goat milk to DGC. If DGC 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 DGC Group

DGC is a goat farmer owned co-operative company registered under the Co-operative Companies Act 1996.

The DGC Group specialises in developing, manufacturing, marketing and supplying branded goat and cow milk nutritional powders for infants and children. The goat nutritional powders are derived from the Milk that is supplied to DGC by its Supplying Shareholders (or by non-shareholder suppliers at the Board's discretion). DGC supplies its product in New Zealand and internationally.

Purpose of this Offer

The purpose of this Offer is to allow Supplying Shareholders who have supplied milk during the 2018/2019 Season in excess of their Share Entitlement Milk (i.e. Contract Milk) to subscribe for additional Shares, as specified in more detail at section 5 of this PDS (Terms of the Offer).

Investment by Eligible Shareholders in this Offer will enable them to have some or all of the Milksolids included in Contract Milk supplied by them during the 2018/2019 Season (**Relevant Portion**) treated as Share Entitlement Milk and paid for at the Share Entitlement Milk Price for the 2018/2019 Season. The *Relevant Portion* will be 1 kilogram of such Milksolids per Share subscribed for and issued under this Offer. Depending on the amount of Shares subscribed for and issued under this Offer, the Relevant Portion may be some or all of the Eligible Shareholder's Contract Milk supplied to DGC.

There is no specific intended use of the subscription monies for the Shares issued pursuant to this Offer. Funds will be used as general funds (including for working capital requirements and ongoing capital investment in manufacturing plant and infrastructure) rather than for specific activities.

Key terms of the Offer

Key Terms	Description
Description of the Shares	The nominal value shares in DGC with each Share having a right to supply Share Entitlement Milk to DGC as a right attached to that Share.
Price	\$24 per Share (being the nominal value per Share currently specified in the Constitution). \$23 of the price for each Share subscribed for will be payable upon issue and \$1 of each such Share will be unpaid and uncalled upon issue. The Board has the right to call the unpaid \$1 on all Shares at any time. The Constitution provides that the nominal value of the Shares can be changed by the Board from time to time.
Offer Opens	12 June 2019.
Offer Closes	28 June 2019.
Maximum number of Shares being offered	272,618 Shares, being 4.76% of the Shares in DGC immediately after the issue.
Fees or Charges	Each Share will have \$1 left uncalled and unpaid following the payment of \$23 upon issue. The Board has the right to call the unpaid \$1 on all Shares at any time. There is no entry, administration, termination or other charges payable in respect of the Shares.

How you can get your money out

DGC does not intend to quote these 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 Shares.

A Supplying Shareholder is entitled to surrender all or any of its Shares to DGC if:

- the Supplying Shareholder has ceased to supply Milk to DGC and the Board has resolved to accept a surrender of all or any of the Supplying Shareholder's Shares;
- the Supplying Shareholder is a natural person who has died, and their estate has ceased to supply Milk to DGC;
- the Supplying Shareholder has not supplied Milk to DGC during the immediately preceding 5 years, or such other period as may be determined by the Board; or
- the Supplying Shareholder has disposed of, or changed the use of, the Supplying Shareholder's property and other assets with the result that the Supplying Shareholder does not have the capacity to continue as a Supplying Shareholder.

DGC is entitled to require a Supplying Shareholder to surrender all or any of its Shares to DGC if:

- the Supplying Shareholder has ceased to supply Milk to DGC and, in the reasonable opinion of the Board, is unlikely to resume doing so;
- the Supplying Shareholder has failed to comply in any material respect with the requirements of any contract relating to transactions with DGC, including the terms and conditions of the supply of Milk by that Supplying Shareholder to DGC; or
- the Board resolves that surrender is in the best interests of DGC because the Supplying Shareholder is bringing DGC into disrepute or is causing significant loss or disruption to the business of DGC, and prior approval to such surrender has been given by an ordinary resolution of Supplying Shareholders.

If a Supplying Shareholder's level of shareholding exceeds the number of Shares required to be held by that Supplying Shareholder in accordance with the DGC *share standard* specified at section 6 of this PDS (Key features of the Shares):

- the Board may require that Supplying Shareholder to surrender to DGC all or any of the Shares so held in excess; and
- the Board may at any time resolve to accept an offer by that Supplying Shareholder to surrender all or any of the Shares so held in excess.

In the event of a surrender, a Supplying Shareholder will be paid the nominal value of the Shares at the time of surrender (to the extent paid up) or in some circumstances a lesser amount, as described in more detail in section 6 of this PDS (Key features of the Shares).

Key drivers of returns

The table below briefly summarises what DGC considers to be the current and future aspects of the DGC Group's business that have, or may have, the most impact on the financial performance of the business and the key strategies and plans for those aspects of the business.

Key Drivers	Description	Key strategies and plans
Volume of sales	DGC's ability to extend supply of infant nutritional goat milk powder to new international customers, and to maintain and grow sales volume with existing international customers, will be a key driver of future revenue growth.	<ul style="list-style-type: none"> • DGC has a structured market development programme in place. DGC has launched in 10 markets in the last 5 years. • DGC regularly engages with key partners to review market conditions, sales progress and to agree on market development strategies.
Specialist in-market partners	DGC operates a business model of establishing long-term sales and distribution partner relationships in its export markets. DGC relies on the market knowledge and local	<ul style="list-style-type: none"> • Market research is carried out when searching for and engaging potential in-market partners who must meet DGC's selection criteria. • Long term contracts are established with

	expertise of distributor partners.	<p>selected partners.</p> <ul style="list-style-type: none"> DGC regularly engages with key partners to review market conditions, sales progress and to agree on market development strategies.
Ingredient price fluctuations	Movements in the price of infant formula ingredients (excluding goat milk) such as lactose and specialist vegetable oils, which are largely sourced outside of New Zealand, are among DGC's largest input costs and can be subject to international supply and demand patterns, and changing prices.	<ul style="list-style-type: none"> DGC has multiple long-term supply contracts in place. DGC secures dual supply sourcing where possible. An on-going strategic procurement program is in place which focuses on driving cost efficiencies. Key ingredient prices are monitored on an on-going basis.
Increased efficiency of the business	As part of its commitment to maintain a sustainable long-term future, DGC continues to look for new growth opportunities and ways to improve manufacturing and process efficiencies that strengthen the performance of the business.	<ul style="list-style-type: none"> DGC runs a structured business improvement program. This encourages the identification and implementation of business process improvements which drive efficiency. DGC has implemented a wellness program which promotes staff health, wellness and resilience. DGC monitors key performance indicators which highlight important aspects of the business operations.
Exchange Rate	A significant portion of DGC revenues from product sales are in currencies other than New Zealand Dollar. As a result, certain revenues and expenses will be affected by changes in foreign currency exchange rates.	<ul style="list-style-type: none"> A treasury policy has been put in place by the Board to allow DGC to take appropriate forward currency cover. Regular treasury meetings are held with external advisers to monitor global trends and determine hedging decisions.
Milk Supply	DGC relies on the supply of raw Milk from its Supplying Shareholders to enable it to meet changing sales demand.	<ul style="list-style-type: none"> DGC has a Supplying Shareholder services team employed to support DGC farmers, including a specialist DGC dairy goat veterinarian. The On-Farm Risk Management Group, made up of Supplying Shareholders, assist in the identification of on-farm risks that are critical to the collective success of DGC. DGC models long-term future sales prospects in order to predict Milk supply needs. Incoming Milk supply is capped to the Supplying Shareholders' Share Entitlement Milk but if additional Milk is required due to growing sales DGC has a Contract Milk supply mechanism to support additional sales demand.
Research	It is important to undertake robust product and nutrition research to support DGC's long term growth.	<ul style="list-style-type: none"> DGC employs qualified and skilled staff working in the science, product development and market access areas. DGC is involved in the government's Primary Growth Partnership initiative which is a multi-

		year programme of clinical, market and on-farm research to maintain its global market leadership position in the goat milk infant formula category.
Expansion of manufacturing facilities	It is important that DGC is able to expand its manufacturing facilities in order to assist with future growth.	<ul style="list-style-type: none"> A parcel of land has been purchased by DGC for the possible location of future manufacturing facilities. The cost for development of the site, and construction of manufacturing facilities, is likely to be significant if DGC decides to proceed with that development and construction. Concept planning has been undertaken along with resource consent discussions with local body authorities. At this point, no commitment to further expenditure has been made.

Key risks affecting this investment

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

Risk Factors	Description
Distributor Risk	DGC has three large distributor partners that collectively account for greater than 70% of its total sales revenue over nine markets. If one or more of those distributors stopped purchasing or distributing DGC products or ceased trade this would affect the DGC Group's financial performance.
Product Recall	If DGC's products were found to be unfit for consumption due to contamination, or non-compliance resulting in product recalls, this could cause serious damage to DGC's reputation as well as loss of future revenue, or future market access.
Biosecurity Outbreak	Biosecurity events, such as a serious outbreak of a disease that affects agricultural exports, could significantly disrupt DGC's business and cause reputational harm to DGC.
Market Risk	DGC's largest three export markets represent greater than 50% of DGC's sales revenue. If market access to a key market ceased, or changed in a material way, due to changes to laws, regulations or policies, this may adversely affect sales, costs, DGC's relative competitive position, or other aspects of DGC's financial or operational performance.
Quality Compliance	Infant formula is a highly regulated product. This requires continual monitoring of international regulations and capital investment to ensure the on-going compliance of DGC's operational assets and processes in order to meet changing regulatory and quality standards. Maintaining compliance can have cost implications and failing to comply could impact DGC's ability to access key markets.

Each of the risk factors identified above is of particular significance to DGC and to the Shares because if any of those risks eventuate then that will likely result in a reduced Share Entitlement Milk Price being paid to Supplying Shareholders.

This summary does not cover all of the risks of investing in the Shares. You should also read Section 8 of this PDS (Risks to the DGC Group's business and plans).

Where can you find the DGC Group's financial information

The financial position and performance of the DGC Group are essential to an assessment of this Offer. You should also read Section 7 of this PDS (The DGC Group's financial information).

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2. The DGC Group and what it does

Overview

DGC is a world leading dairy goat co-operative which develops, manufactures and exports premium, niche, and consumer packaged nutritional powders in the dairy goat milk nutritional market segment. DGC also manufactures, markets and supplies quantities of cow milk nutritional powders for infants and children. DGC is one of the world's leading suppliers of dairy goat milk product, serving international markets via its marketing partners and joint venture relationships. The markets that DGC exports to are located primarily in Asia, Europe and Oceania.

The Dairy Goat Co-operative was formed in 1984 from an amalgamation of goat milk suppliers around New Zealand. DGC was incorporated in 1989 to undertake the operations of the Dairy Goat Co-operative. The DGC Group's growth has largely been attributable to development and ongoing commercialisation of DGC's goat milk based formula products in the late 1980s and early 1990s.

Since entering and establishing itself in markets such as New Zealand, Australia and Taiwan, the DGC Group's export markets have continued to grow and DGC's formula products are now well established in around 27 countries around the globe.

Since 2003, DGC has developed its own manufacturing facilities including spray drying, dry blending, can forming and canning. These plants are all located on the same Hamilton site alongside DGC's head office.

DGC has two wholly owned subsidiaries, Dairy Goat Europe S.L. and Dairy Blenders Limited. The most significant members of the DGC Group are DGC and Dairy Goat Europe S.L. (incorporated in Spain). Dairy Goat Europe S.L. markets DGC's products in Europe and handles European client relationships for DGC. Dairy Blenders Limited was initially incorporated as a joint venture company to carry out dairy blending. DGC acquired 100% of the shares in Dairy Blenders Limited in June 2011 and the operations previously undertaken by Dairy Blenders Limited are now carried out in full by DGC.

DGC has entered into a contract to acquire a parcel of land for the possible location of future manufacturing facilities. The cost for development of the site, and construction of manufacturing facilities, will be significant if DGC decides to proceed with that development and construction. Concept planning has been undertaken along with resource consent discussions with local body authorities. At this point, no commitment to further expenditure has been made.

Key aspects of the DGC Group's business

DGC considers that the following current and future aspects of the DGC Group's business have, or may have, the most impact on the financial performance of the business. The key strategies and plans for these aspects of the business are also briefly described below.

Key Aspects	Key Strategies and Plans
<p>Volume of sales</p> <p>DGC's ability to extend supply of infant nutritional goat milk powder to new international customers, and to maintain and grow sales volume with existing international customers, will be a key driver of future revenue growth.</p>	<ul style="list-style-type: none"> DGC has a structured market development programme in place. DGC has launched in 10 markets in the last 5 years. DGC regularly engages with key partners to review market conditions, sales progress and to agree on market development strategies.
<p>Specialist in-market partners</p> <p>DGC operates a business model of establishing long-term sales and distribution partner relationships in its export markets. DGC relies on the market knowledge and local expertise of distributor partners.</p>	<ul style="list-style-type: none"> Market research is carried out when searching for and engaging potential in-market partners who must meet DGC's selection criteria. Long term contracts are established with selected partners. DGC regularly engages with key partners to review market conditions, sales progress and to agree on market development strategies.

<p>Ingredient price fluctuations</p> <p>Movements in the price of infant formula ingredients (excluding goat milk) such as lactose and specialist vegetable oils, which are largely sourced outside of New Zealand, are among DGC's largest input costs and can be subject to international supply and demand patterns, and changing prices.</p>	<ul style="list-style-type: none"> • DGC has multiple long-term supply contracts in place. • DGC secures dual supply sourcing where possible. • An on-going strategic procurement program is in place which focuses on driving cost efficiencies. • Key ingredient prices are monitored on an on-going basis.
<p>Increased efficiency of the business</p> <p>As part of its commitment to maintain a sustainable future for the long-term. DGC continues to look for new growth opportunities and ways to improve manufacturing and process efficiencies that strengthen the performance of the business.</p>	<ul style="list-style-type: none"> • DGC runs a structured business improvement program. This encourages the identification and implementation of business process improvements which drive efficiency. • DGC has implemented a wellness program which promotes staff health, wellness and resilience. • DGC monitor key performance indicators which highlight important aspects of the business operations.
<p>Exchange Rate</p> <p>A significant portion of DGC revenues and expenses from product sales are in currencies other than New Zealand Dollar. As a result certain revenues and expenses will be affected by changes in foreign currency exchange rates.</p>	<ul style="list-style-type: none"> • A treasury policy has been put in place by the Board to allow DGC to take appropriate forward currency cover. • Regular treasury meetings are held with external advisers to monitor global trends and determine hedging decisions.
<p>Milk Supply</p> <p>DGC relies on the supply of raw Milk from its Supplying Shareholders to enable it to meet changing sales demand.</p>	<ul style="list-style-type: none"> • DGC has a Supplying Shareholder services team employed to support DGC farmers, including a specialist DGC dairy goat veterinarian. • The On-Farm Risk Management Group, made up of Supplying Shareholders, assist in the identification of on-farm risks that are critical to the collective success of DGC. • DGC models long-term future sales prospects in order to predict Milk supply needs. • Incoming Milk supply is capped to the Supplying Shareholders' Share Entitlement Milk but if additional Milk is required due to growing sales DGC has a Contract Milk supply mechanism to support additional sales demand.
<p>Research</p> <p>It is important to undertake robust product and nutrition research to support DGC's long term growth.</p>	<ul style="list-style-type: none"> • DGC employs qualified and skilled staff working in the science, product development and market access areas. • DGC is involved in the government's Primary Growth Partnership initiative which is a multi-year programme of clinical, market and on-farm research to maintain its global market leadership position in the goat milk infant formula category.
<p>Expansion of manufacturing facilities</p> <p>It is important that DGC is able to expand its manufacturing facilities in order to assist with future growth.</p>	<ul style="list-style-type: none"> • DGC has entered into a contract to acquire a parcel of land for the possible location of future manufacturing facilities. The cost for development of the site, and construction of manufacturing facilities, will be significant if DGC decides to proceed with that development and construction. Concept planning has been undertaken along with resource consent discussions with local body authorities. At this point, no commitment to further expenditure has been made.

Directors, senior managers and individual related parties

The directors of DGC at the date of this PDS are:

Director	Position/Status
Campbell Grant Storey	Chair/Elected Director
Mark Braden Neil Dewdney	Appointed Director
Anthony Richard Egan	Appointed Director
Richard Wilhelmus Egging	Elected Director
Andrew Athol Erb	Elected Director
Kevin Joseph Roache	Elected Director
Howard John Tiddy	Elected Director

The Senior Managers of DGC at the date of this PDS are:

Senior Manager	Position
David Aranui Hemara	Chief Executive Officer
Matt Gilbert Carlson	General Manager Marketing & Brands
Brent Myles Prankerd	General Manager Manufacturing
Nathan Aaron Ruffell	General Manager Strategy & Commercial
Antony Craig Smith	General Manager Customers
Renzo Guido Vettori	General Manager Corporate

Substantial shareholders and relevant interests held by directors and senior managers

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

All Shares held by directors have been acquired in their capacity as Supplying Shareholders of DGC. None of the senior managers hold any Shares.

Interests of directors

Directors' remuneration for the year ended 31 May 2018 is outlined on the table below.

Director	Total Value of Remuneration (NZ\$000s)
Campbell Grant Storey	91
Mark Braden Neil Dewdney	23
Anthony Richard Egan	41
Richard Wilhelmus Egging	37
Andrew Athol Erb	37
Kevin Joseph Roache	37
Howard John Tiddy	37

Richard Westlake resigned from the Board effective from 30 April 2019.

Interests of senior managers

The following number of employees (not being directors) who received remuneration, including benefits, of at least \$100,000 in the year ended 31 May 2018 are outlined in the table below.

Remuneration	Number of Employees
\$100,000 - \$109,999	10
\$110,000 - \$119,999	10
\$120,000 - \$129,999	4
\$130,000 - \$139,999	6
\$140,000 - \$149,999	3
\$160,000 - \$169,999	2
\$170,000 - \$179,999	1
\$180,000 - \$189,999	1
\$190,000 - \$199,999	3
\$200,000 - \$209,999	1
\$290,000 - \$299,999	1
\$300,000 - \$309,999	1
\$330,000 - \$339,999	1
\$370,000 - \$379,999	1
\$720,000 - \$729,999	1

It is anticipated that members of the Board who are Supplying Shareholders will subscribe for Shares pursuant to this Offer. Any such subscription is strictly in their capacity as a Supplying Shareholder.

Other material governance disclosures

Restrictions on ability to control composition of the Board

The Board of DGC must consist of no more than nine directors comprising:

- up to six elected directors who are Supplying Shareholders (or members/representatives of Supplying Shareholders), elected by the Supplying Shareholders (**Ward Directors**); and
- up to a further three appointed directors. Appointed directors are proposed by the Board and subject to ratification by Supplying Shareholders (**Appointed Directors**). Current practice of the Board is to propose persons who are independent of any Supplying Shareholder for the position of an appointed director; and
- one managing director (who may be a Ward Director or an Appointed Director or another person), proposed by the Board and subject to ratification by Supplying Shareholders (**Managing Director**).

One-third of the Ward Directors (or if the number of Ward Directors is not a multiple of three, the number nearest one-third) must retire at each annual meeting of DGC. Each retiring Ward Director is eligible for re-election. Elections for Ward Directors are conducted by way of a postal ballot. For the election of Ward Directors, a Supplying Shareholder has a number (up to five) of votes which is determined by the quantity of Milksolids supplied in the immediately preceding Season from the farm from which the Supplying Shareholder currently supplies Milksolids. DGC current practice is that a Supplying Shareholder will be entitled to vote for the Ward Directors for the ward in which the Supplying Shareholder supplies Milksolids. There are currently two wards, and the Constitution provides that there must be at least two wards in total. The following table sets out the voting entitlements.

Production (Milksolids)	Number of Votes
2,500 kg – 4,999 kg	1
5,000 kg – 9,999 kg	2
10,000 kg – 14,999kg	3
15,000 kg – 19,999 kg	4
20,000 kg plus	5

Appointed Directors serve a term not exceeding three years. At the expiry of their initial term an Appointed Director is eligible to be proposed by the Board for re-appointment for a further term of three years. DGC's current practice is that an Appointed Director is eligible for further re-appointment for further terms of three years.

A Managing Director (if and when appointed) serves a term not exceeding three years.

The appointment (and re-appointment) of Appointed Directors and the appointment of a Managing Director is ratified by ordinary resolution of Supplying Shareholders at the annual meeting of DGC. Where the vote is by show of hands or voice, each Supplying Shareholder has one vote. Where the vote is by poll, a Supplying Shareholder has a number (up to five) of votes which is determined by the quantity of Milksolids supplied in the immediately preceding Season from the farm on which the Supplying Shareholder currently supplies Milksolids. The table above sets out the voting entitlements where the vote is by poll.

The Board determines how many Ward Directors there will be (between 2 and 6).

The Board determines who is proposed to be up for ratification as an Appointed Director and as Managing Director.

In relation to the election of Ward Directors:

- If the number of nominations received are less than or equal to the number of vacancies, there is no vote to elect the Ward Directors, the nominated persons are automatically appointed.
- Current DGC practice is that Supplying Shareholders vote for the Ward Directors in respect of the ward or wards (if more than one) in which the Supplying Shareholder supplies Milk.

Committees

The Board uses committees to facilitate effective decision-making and operates the following formally constituted committees:

- **Audit and Finance Committee** - assists the Board in overseeing the integrity of DGC's financial statements, and the independence and performance of DGC's auditor.
- **Risk Committee** – has the responsibility for the risk management policies and oversight of the risk management framework of DGC's operations.
- **On-Farm Risk Management Group** – provides the Board recommendations that enable DGC to manage on-farm risks that are critical to the collective success of DGC.
- **Farm Focus Group** – assists the Board to identify and progress farm productivity issues on behalf of DGC.
- **Farm Research Governance Committee** – provides high level guidance to on-farm research and ensure alignment of research with DGC aspirations.

Directors of DGC make up all the members of the Audit and Finance Committee and the Risk Committee. Membership of each of the other three committees noted above consists of Shareholders, senior management and a director of DGC.

Constitution provisions which impact on shareholder exercise of powers

Under the Constitution, a Shareholder who is not a Supplying Shareholder has no voting rights.

3. Purpose of the Offer

The purpose of this Offer is to allow Supplying Shareholders who have supplied Milk during the 2018/2019 Season in excess of their Share Entitlement Milk (i.e. Contract Milk) to subscribe for additional Shares, as specified in more detail at section 5 of this PDS (Terms of the Offer).

Investment by Eligible Shareholders in this Offer will enable them to have some or all of the Milksolids included in Contract Milk supplied by them during the 2018/2019 Season (**Relevant Portion**) treated as Share Entitlement Milk and paid for at the Share Entitlement Milk Price for the 2018/2019 Season. The *Relevant Portion* will be 1 kilogram of such Milksolids per Share subscribed for and issued under this Offer. Depending on the amount of Shares subscribed for and issued under this Offer, the Relevant Portion may be some or all of the Eligible Shareholder's Contract Milk supplied to DGC.

Retrospective Payments will be made by DGC to such Eligible Shareholders on 15 August 2019 and 16 September 2019 to ensure that the price paid to them for their Relevant Portion is the relevant Share Entitlement Milk Price for the 2018/2019 Season.

There is no specific intended use of the money to be raised under the Offer. Funds will be used as general funds (including for working capital requirements and ongoing capital investment in manufacturing plant and infrastructure) rather than for specific activities.

There is no minimum amount which needs to be raised under this Offer prior to the Shares on offer being issued. This Offer is not underwritten.

4. Key dates and Offer process

Event	Key date
Offer opens	12 June 2019
Offer closes	28 June 2019
Date of issue of Shares	15 July 2019
Subscription payment due for Shares	15 July 2019
Expected date of first payment for Share Entitlement Milk supplied during the 2019/2020 Season (being 1 June 2019 to 31 May 2020)	15 July 2019
Payment dates for Retrospective Payments	15 August 2019 and 16 September 2019

5. Terms of the Offer

The terms of the Offer are set out below.

Terms	Description
The Offer	This Offer is for 272,618 Shares in DGC. See section 1 of this PDS (Key information summary) for a summary of the terms of the Offer.
Key dates	See section 4 of this PDS (Key dates and Offer process) for more information about key dates in respect of the Offer.
Description of the Shares	Shares, being nominal value shares in DGC with each share having a right to supply 1 kilogram of Share Entitlement Milk to DGC as a right attached to that share. Each Share currently has a nominal value of \$24.
Eligibility and description of the number of Shares that may be applied for	<p>Under this Offer, Shares will only be issued to Eligible Shareholders.</p> <p>Each Eligible Shareholder is entitled to subscribe for such number of the New Shares up to their <i>New Share Entitlement</i>. An Eligible Shareholder's New Share Entitlement is specified in the Application Form that accompanies this PDS. The New Share Entitlement of an Eligible Shareholder is calculated in two parts as follows:</p> <p>A. First Part: An Eligible Shareholder's New Share Entitlement includes a number of New Shares that is equal to the lesser of:</p> <ol style="list-style-type: none"> i. 5% of that Eligible Shareholder's shareholding in DGC as at 12 April 2019; and ii. the volume of Contract Milk supplied by that Eligible Shareholder during the 2018/2019 Season, on a 1 kilogram of Milksolids of Contract Milk per share basis (Contract Milk Share Amount). <p>B. Second Part: The Second Part relates to the balance of remaining New Shares that do not form part of the First Part (Remaining New Shares). An Eligible Shareholder's New Share Entitlement will include Remaining New Shares if their Contract Milk Share Amount is greater than 5% of their shareholding in DGC. The number of Remaining New Shares included in such an Eligible Shareholders' New Share Entitlement is a number equal to the lesser of:</p> <ol style="list-style-type: none"> i. that Eligible Shareholder's Contract Milk Share Amount which exceeds 5% of their shareholding in DGC; and ii. a <i>specified percentage</i> of that Eligible Shareholders shareholding in DGC as at 12 April 2019 where that <i>specified percentage</i> will be determined by the Board (in its absolute discretion), once the total volume of Contract Milk supplied during the 2018/2019 Season is known, to ensure as many of the New Shares as possible are able to be subscribed for by Eligible Shareholders whilst ensuring a generally equitable entitlement to subscribe for the Remaining New Shares. <p>An Eligible Shareholder may subscribe for a lesser amount of New Shares than their relevant New Share Entitlement by specifying that lesser amount in the Application Form.</p>

<p>Price</p>	<p>The issue price of each Share is \$24 (being the nominal value per Share currently specified in the Constitution). \$23 of the price for each Share subscribed for will be payable on issue and \$1 of each such Share will be unpaid and uncalled upon issue.</p> <p>The Board has the right to call the unpaid \$1 on all Shares at any time.</p>
<p>Determination of price</p>	<p>The Constitution provides that the nominal value of the Shares can be changed by the Board from time to time.</p> <p>The Constitution provides that the Board has discretion in determining the nominal value of the Shares. The \$24 nominal value/subscription price for the Shares under this Offer (with \$1 uncalled and unpaid on issue) was set on the basis that DGC Supplying Shareholders had previously resolved to issue milk supply rights at \$23 up until 31 May 2019 as recommended by the Board. The following factors were considered by the Board when making that recommendation:</p> <ul style="list-style-type: none"> • Major guiding factor - the current and future capital needs of the Co-operative, balancing value for both Supplying Shareholders and the needs of the business. • Fair value entry and exit for Supplying Shareholders, taking into account the: <ul style="list-style-type: none"> ○ affordability of Shares for farms; and ○ ability of DGC to attract extra Milk when required. • The value of the milk supply rights that were issued under previous (now obsolete) versions of DGC's constitution. • The capital value of DGC (i.e. net assets divided by number of Shares).
<p>Retrospective Payments</p>	<p>Investment by Eligible Shareholders in this Offer will enable them to have some or all of the Milksolids included in Contract Milk supplied by them during the 2018/2019 Season (Relevant Portion) treated as Share Entitlement Milk and paid for at the Share Entitlement Milk Price for the 2018/2019 Season. The <i>Relevant Portion</i> will be 1 kilogram of such Milksolids per Share subscribed for and issued under this Offer. Depending on the amount of Shares subscribed for and issued under this Offer, the Relevant Portion may be some or all of the Eligible Shareholder's Contract Milk supplied to DGC. Retrospective payments will be made by DGC to such Eligible Shareholders on 15 August 2019 and 16 September 2019 to ensure that the price paid to them for their Relevant Portion is the relevant Share Entitlement Milk Price for the 2018/2019 Season.</p>
<p>How to apply</p>	<p>See section 11 of this PDS (How to apply) for details on how to apply for the Shares.</p>

DGC's Constitution and the Co-operative Companies Act 1996 sets out the terms of the Shares. You can find a copy of DGC's Constitution on the offer register at <https://disclose-register.companiesoffice.govt.nz/disclose>.

6. Key features of the Shares

DGC is a co-operative company, so there are some differences in the way the Shares work when compared with shares in a non-co-operative company.

The key features of the Shares are described below.

Rights conferred by Shares

In addition to rights to vote, to dividends and to a share in surplus assets on the winding up of DGC, each Share will confer on the Supplying Shareholder an entitlement to supply Share Entitlement Milk to DGC.

Share standard

Supplying Shareholders must comply with the *share standard* set out in the Constitution. The share standard requires each Supplying Shareholder to hold a number of Shares as determined by the Board. That determination is based on the amount of Share Entitlement Milk supplied by that Supplying Shareholder in the previous Season, or the amount the Board estimates will be supplied by the Supplying Shareholder in the present Season. However a Supplying Shareholder must:

- hold a minimum of 10,000 Shares; and
- not hold Shares in excess of 5% of the total forecast supply to DGC from Supplying Shareholders as determined by the Board for each Season. Such determination is based on Supplying Shareholder's transactions with DGC during the previous and current Season up to the date of determination.

Where the Board determines that a Supplying Shareholder does not hold enough Shares to meet the share standard, the Board may require that Supplying Shareholder to subscribe for more Shares. Where the Board determines that a Supplying Shareholder holds more Shares than required by the share standard, the Board may require that Supplying Shareholder to surrender the excess Shares.

Supply and price of Milk

The supply of Milk to DGC by a Supplying Shareholder shall be supplied in accordance with the Constitution, and is subject to the terms and conditions of supply as established by the Board from time to time. The provisions of the terms and conditions of supply related to:

- how the price for Milk is determined and when payment is made; and
- the fact that DGC has a lien over Shares, distributions and any other amounts payable to a Supplying Shareholder for goods supplied to a Supplying Shareholder and any other debts, liabilities or obligations the Supplying Shareholder has to DGC,

cannot be amended by the Board without the approval of a special resolution of Supplying Shareholders.

Ward directors and appointed directors

Directors of DGC are either ward directors or appointed directors. The Constitution also provides for a managing director to be appointed, who may be a ward director, or an appointed director, or another person.

Ward directors are directors who are elected by Supplying Shareholders to represent each of the current two wards, being Waikato and Taranaki. Ward directors must be either a Supplying Shareholder, a member of a partnership or company who is a Supplying Shareholder, or a representative of a trust who is a Supplying Shareholder. That Supplying Shareholder must also hold not less than 5 Shares, and have supplied not less than 5,000 kilograms of Milksolids in the previous Season.

The Board determines the number of ward directors but that number shall not be less than 2 and not exceed 6. Ward directors are elected by the Supplying Shareholders by way of postal ballot in the 7 days prior to, or on, the day of the annual meeting of DGC. Appointed directors, of which there must not be more than 3, are not required to be Supplying Shareholders, or related to a Supplying Shareholder in the same way that ward directors are. Appointed directors are proposed by the Board and the appointment of appointed directors must be ratified by an ordinary resolution of Supplying Shareholders at the annual meeting of DGC. A managing director is not required to

be a Supplying Shareholder, or related to a Supplying Shareholder in the same way that ward directors are. The managing director is proposed by the Board and the appointment of the managing director must be ratified by an ordinary resolution of Supplying Shareholders at the annual meeting of DGC.

Restrictions on the transfer of Shares

Shares may not be transferred by a Shareholder to:

- any person who is not a Supplying Shareholder;
- any person who has not had their application to become a Supplying Shareholder accepted by the Board; or
- another Shareholder without the prior written approval of the Board.

The Board may refuse to register a transfer of Shares in certain circumstances, which include:

- the transfer is to a person prohibited from holding Shares as set out above;
- the Board is not satisfied that the transfer will facilitate the provision of Share Entitlement Milk to DGC;
- DGC having a lien on the Shares, or the Shares not being fully paid up;
- the form of transfer is not accompanied by any evidence which the Board reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the Shares;
- the Board, in its absolute discretion, believing that the proposed transferee:
 - is not a desirable person to become a Supplying Shareholder; or
 - is likely to bring DGC into disrepute or is likely to cause significant loss or disruption to the business of DGC, or it is otherwise not in the best interests of DGC to register the transfer;
- the transfer would cause DGC to become subject to any regulatory or statutory control;
- the transferee has failed to comply with any request by DGC to identify the beneficial owner of the Shares subject to the transfer, including the execution of a statutory declaration as to beneficial ownership;
- the Board being unable to determine to its satisfaction the identity of the person in which the true beneficial ownership of the Shares reside;
- the Board resolving that there has been an irregularity in the way in which the vendor of the Shares has acquired, or proposes to deal with, those Shares;
- the Board determining the Shares are subject to one or more security interests which:
 - were not granted in the manner permitted under the Constitution; or
 - were granted in the manner permitted under the Constitution but will not be discharged; or
 - were granted in the manner permitted under the Constitution but the transfer is not in compliance with the requirements of the Board resolutions for security interests to be granted in respect of Shares;
- the transferor and/or the transferee and/or an aspect of the transaction to which the transfer relates is or will result in a breach of the Constitution; or
- the Board determines that the Shares are subject to a guarantee scheme (referred to below) and:
 - the transferor is in breach of any aspect or requirement of the guarantee scheme; and/or
 - the transfer of the Shares in question will result in the transferor and/or the transferee being in breach of any aspect or requirement of the guarantee scheme.

Temporary transfer of Shares

Given the unpredictable nature of the production and supply of Milk to DGC, a Supplying Shareholder may have supplied more or less Milk to DGC in a Season than their amount of Share Entitlement Milk. Rather than accept a lower payment, or in certain circumstances, no payment, for Contract Milk, a Supplying Shareholder who has supplied more Milk to DGC in a Season than the amount of their Share Entitlement Milk may temporarily purchase Shares from one or more other Supplying Shareholders that have produced less Milk than the amount of their Share Entitlement Milk provided that the Shares will be transferred back to the original Supplying Shareholder by no later than 1 June (i.e. the first day of the new Season that immediately follows the temporary transfer), and that the Board does not refuse to register the transfer on any of the grounds noted above.

Surrender of Shares

The following outlines the circumstances in which the Shares may be surrendered under the Co-operative Companies Act 1996 and the Constitution.

A Supplying Shareholder is entitled to surrender all or any of its Shares to DGC if:

- the Supplying Shareholder has ceased to supply Milk to DGC and the Board has resolved to accept a surrender of all or any of the Supplying Shareholder's Shares;
- the Supplying Shareholder is a natural person who has died, and their estate has ceased to supply Milk to DGC;
- the Supplying Shareholder has not supplied Milk to DGC during the immediately preceding 5 years, or such other period as may be determined by the Board; or
- the Supplying Shareholder has disposed of, or changed the use of, the Supplying Shareholder's property and other assets with the result that the Supplying Shareholder does not have the capacity to continue as a Supplying Shareholder.

DGC is entitled to require a Supplying Shareholder to surrender all or any of its Shares to DGC if:

- the Supplying Shareholder has ceased to supply Milk to DGC and, in the reasonable opinion of the Board, is unlikely to resume doing so;
- the Supplying Shareholder has failed to comply in any material respect with the requirements of any contract relating to transactions with DGC, including the terms and conditions of the supply of Milk by that Supplying Shareholder to DGC; or
- the Board resolves that surrender is in the best interests of DGC because the Supplying Shareholder is bringing DGC into disrepute or is causing significant loss or disruption to the business of DGC, and prior approval to such surrender has been given by an ordinary resolution of Supplying Shareholders.

If a Supplying Shareholder's level of shareholding exceeds the number of Shares required to be held by that Supplying Shareholder in accordance with the DGC *share standard* specified in this section 6 of this PDS (Key features of the Shares):

- the Board may require that Supplying Shareholder to surrender to DGC all or any of the Shares so held in excess; and
- the Board may at any time resolve to accept an offer by that Supplying Shareholder to surrender all or any of the Shares so held in excess.

In the event of a surrender, a Supplying Shareholder will be paid the nominal value of the Shares at the time of surrender (to the extent paid up) or in some circumstances a lesser amount.

A Supplying Shareholder may be paid a lesser amount than the nominal value at the time of surrender where the Board estimates that other Shares will be required to be surrendered in the next two Seasons and the Board is of the opinion that paying nominal value on surrender of all of those Shares will have a more than minor impact on DGC. In that circumstance, where the Board then resolves that the consideration on surrender should be set other than at nominal value, the Board is required to fix a fair and reasonable consideration to be paid for the Shares (which shall not exceed the nominal value at the time) taking into account the following matters, as set out in clause 9.3 of the Constitution:

- the Board's estimate of the value of the Shares as if DGC has passed a resolution to be wound up voluntarily;
- the Board's estimate of the value of the Shares on the assumption that DGC would continue to operate as a going concern, where it is reasonable for the Board to make that assumption;
- the amounts (if any) which have been paid by DGC on any previous occasions when this procedure has been utilised;
- the future prospects of DGC having regard to the likelihood or otherwise of the continuation in the normal course of satisfactory supplies of Milk or Milksolids;
- the ability of DGC to pay the consideration and the effect of the payment on the remaining Supplying Shareholders;
- whether the failure of DGC is imminent; and
- any other matter which the Board reasonably considers to have a bearing on the value of the Shares.

If a Supplying Shareholder, or DGC, disagrees with the amount fixed by the Board as fair and reasonable consideration, the Supplying Shareholder or DGC as the case may be may refer the matter to arbitration under the Arbitration Act 1996. The amount determined at arbitration may not exceed the nominal value at the time of surrender (to the extent paid up).

The time frame for payment to a Supplying Shareholder on a surrender of any Shares will be set by the Board, but shall be paid on a date:

- not more than 24 months after the surrender in the case of a surrender on the death of a Supplying Shareholder or a Supplying Shareholder not supplying Milk to DGC in the immediately preceding 5 years or other period as determined by the Board (see above); and

- not more than 7 years after the surrender in all other circumstances.

Nominal value of Shares

The Constitution provides that the Board may from time to time change the nominal value of the Shares. The nominal value of the Supplying Shareholders' Shares will increase or decrease in accordance with that change made by the Board. Nothing in the current Constitution requires that there be an amount payable by, or to, a Supplying Shareholder by reason of an increase or decrease in nominal value in respect of any Shares that they hold at the time of the change in nominal value.

Calls on Shares

Subject to the terms on which any particular Shares are issued, the Board may at any time make such calls as it thinks fit for any amount unpaid on Shares. Subject to the terms on which any particular Shares are issued, the Board will specify the time and terms of payment of any call. If a call is unpaid at the time specified for payment interest shall be payable on the amount called at the rate reasonably determined by the Board. DGC may commence proceedings for recovery of a call against a Supplying Shareholder.

Security interests on Shares

A Shareholder may only grant a security interest in respect of the Shares held by that Supplying Shareholder where:

- the security interest is granted to a registered bank; and
- DGC has certified that it is reasonably satisfied that the debt secured by the security interest will be primarily used to fund the Supplying Shareholder's goat farming business to supply Milk to DGC or the acquisition of a goat farming business to supply Milk to DGC by a new Supplying Shareholder.

Guarantee scheme

A Supplying Shareholder may, where permitted by the Board, participate in the guarantee scheme established under the Constitution. The guarantee scheme provides that DGC can guarantee money borrowed by a Supplying Shareholder from an approved bank to fund the Supplying Shareholder's subscription to new Shares to be issued by DGC. The framework of the guarantee scheme is determined by the Board from time to time.

DGC is not providing a guarantee under the guarantee scheme in relation to the Shares being offered under this Offer.

Capital contributions

The Board may require new Supplying Shareholders to make a non-refundable capital contribution to DGC. The Board can vary the amount and terms of payment of any such capital contribution as it sees fit.

Milk payment policy

A Supplying Shareholder has the ability to receive returns on their shareholding in DGC through the payment by DGC to Supplying Shareholders for Share Entitlement Milk or Contract Milk supplied by Supplying Shareholders to DGC. Section 7 of this PDS (The DGC Group's financial information), includes details of such returns (ie distributions) made to Supplying Shareholders in previous Financial Years.

Returns are not guaranteed, are at the discretion of the Board, and will be declared only after meeting financial and solvency considerations that the Board considers appropriate, and meeting the solvency test as required by the Companies Act 1993. The Board will determine in its discretion the price to be paid for Milk supplied by Supplying Shareholders in each Season. As at the date of this PDS, DGC's practice is that the price is stated as a separate price for each of the individual Milk-solid components (being protein, fat and lactose), and the price paid will be as follows:

- Share Entitlement Milk will receive the maximum price declared;
- Contract Milk will receive such proportion of the maximum price declared or a specified amount as determined by the Board in its discretion. That proportion or specified amount may be 0% or \$0.

In determining the price to be paid for Share Entitlement Milk and Contract Milk, the Board must have regard to what it considers to be all relevant matters in accordance with its usual and past practice in setting such pricing. Such matters include, but are not limited to, the net amount received from the sale of products of that Milk and from all other activities of DGC, any dividends received or receivable by DGC and any transfers from reserves as the Board, in its absolute discretion, determines are desirable, less the costs of the operations of DGC.

The costs of the operations of DGC include, but are not limited to, all manufacturing costs, the costs directly attributable to the other activities of DGC, the liabilities of DGC, any transfers to reserves as the Board, in its absolute discretion, determines are desirable, and any distribution paid or accrued in respect of Shares.

The Board may accept, but is not obliged to accept, the supply of Contract Milk.

If Contract Milk is accepted by DGC, all Contract Milk provided by a Supplying Shareholder will be supplied pursuant to a contract between the Supplying Shareholder and DGC, the terms and conditions of which are fixed by the Board. Pursuant to those terms and conditions the Board may (by way of non-exclusive example) specify:

- a maximum amount of Contract Milk which the Supplying Shareholder may provide to DGC; or
- that the price for the supply of Contract Milk in an amount above a certain proportion of the Supplying Shareholder's Share Entitlement Milk will be \$0.

7. The DGC Group's financial information

These tables provide key financial information about the DGC Group. Full financial statements are available on the offer register at www.companiesoffice.govt.nz/disclose. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

The full financial statements have been prepared in accordance with GAAP.

Selected financial information

The table below outlines selected audited financial information for DGC covering the last three accounting periods of the DGC Group ending 31 May and the interim periods from 31 May 2017 to 28 February 2018 and 31 May 2018 to 28 February 2019.

	FY2015/16	FY2016/17	Interim period from 31 May 2017 to 28 February 2018	FY2017/18	Interim period from 31 May 2018 to 28 February 2019
	\$M	\$M	\$M	\$M	\$M
Revenue	177.593	188.001	169.156	234.697	168.077
Profit before distribution	98.826	103.195	111.663	132.298	99.229
Distribution to Shareholders	93.613	101.290	84.096	121.864	89.885
Profit after distribution and tax	5.213	1.905	19.848	7.323	6.728
Total assets	259.803	244.244	-	230.189	-
Cash and Bank Balances	0.595	2.121	-	1.150	-
Total Liabilities	121.800	94.424	-	74.363	-
Total Debt	50.721	37.121	-	-	-
Net cash flow from operating activities	(13.801)	17.695	-	36.721	-

Prospective financial information for the next two Financial Years following the most recently completed accounting period (being FY 2017/2018)

	FY2018/19 \$M	FY2019/20 \$M
Revenue	226.760	248.088
Profit before distribution	120.659	136.182
Distribution to Shareholders	114.485	126.133
Profit after distribution and tax	4.445	7.235
Total assets	243.526	287.221
Total Liabilities	208.830	245.290
Net cash flow from operating activities	(1.804)	12.842

Principal assumptions used for preparing the prospective financial information for the next two Financial Years that immediately follow the most recently completed accounting period (being FY 2017/2018)

- **Distribution to Suppliers** - The final distribution to suppliers, per kilogram of Milksolids of Share Entitlement Milk, is assumed to be \$19 for the Financial Year ended 31 May 2019 and \$19 for the Financial Year ended 31 May 2020. Any change to this rate will alter the final distribution amount to be paid to suppliers.
- **Income Tax Expense** - This has been calculated using a rate of 28 cents as per the relevant IRD rate.
- **Inventories** - Milksolids cost included within inventories is valued at the weighted average price of Milksolids with reference to the international market, adjusted for margins, foreign exchange rates and estimated cost of production being \$8.20 per kilogram of Milksolids.
- **Property, Plant and Equipment** - Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.
- **Capital Commitments** - Capital commitments are assumed to be \$16m as at 31 May 2019.

Information about these assumptions can be obtained in the "Notes to the Prospective Financial Statements" section of the prospective financial statements for the Financial Years ended 31 May 2019 and 31 May 2020, which are both available on the offer register.

Full financial statements

The offer register contains full audited financial statements of DGC covering the last three accounting periods.

8. Risks to the DGC Group's business and plans

Supplying Shareholders should, before subscribing for the Shares consider the risks associated with this investment.

The table below sets out the circumstances that DGC is aware of that exist, or are likely to arise, that significantly increase the risks to DGC Group's financial position, financial performance or stated plans. The DGC Group has included its assessment of the significance of these risks and the likelihood of any impact arising from these circumstances, the potential magnitude of that impact, and any steps it has taken, or that it proposes to take, to mitigate them.

The likelihood of risk arising is rated using the following scale:

- "1" means "highly likely";
- "2" means "possible"; and
- "3" means "unlikely".

The magnitude of impact, following DGC's mitigation steps, is also rated using the following scale:

- "1" means "significant";
- "2" means "moderate"; and
- "3" means "low".

The Shares entitle Supplying Shareholders to supply Milk to DGC. The value of the final payment for the Milk is determined by DGC's financial performance in any one year. Accordingly, if any of the risks below eventuated then that will likely impact DGC's financial performance and therefore the Share Entitlement Milk Price.

The risks are based on the knowledge and assessment of the Board as at the date of this PDS and it is possible that other risks may emerge in the future.

Risk	Description	Steps Taken To Mitigate Risk	Likelihood of risk occurring	Magnitude of impact
Distributor Risk	DGC has three large distributor partners that collectively account for greater than 70% of its total sales revenue over nine markets. If one or more of these distributors stopped purchasing or distributing DGC products or ceased trade this would affect the DGC Group's financial performance.	<ul style="list-style-type: none"> • DGC strives to minimise exposure to any one customer by developing new international markets. • DGC regularly engages with key partners to maintain a good working relationship and review market conditions and sales progress. 	2	1
Product Recall	If DGC's products were found to be unfit for consumption due to contamination or non-compliance resulting in product recalls, then that could cause serious damage to DGC's reputation as well as loss of future revenue, or future market access.	<ul style="list-style-type: none"> • Extensive regular product testing is carried out to ensure product is safe prior to release. • Independent external quality system audits are carried out regularly. • DGC maintains certification to Food Safety Standards (FSSC22000) and the Ministry for Primary Industries' Risk Management Program. 	2	1

Risk	Description	Steps Taken To Mitigate Risk	Likelihood of risk occurring	Magnitude of impact
		<ul style="list-style-type: none"> Product traceability records are maintained to enable product recall if required. Extensive product retention samples are stored. 		
Biosecurity Outbreak	Biosecurity events, such as a serious outbreak of a disease that affects agricultural exports, could significantly disrupt DGC's business and cause reputational harm to DGC.	<ul style="list-style-type: none"> The On-Farm Risk Management Group, made up of Supplying Shareholders to assist in the identification of on-farm risks that are critical to the collective success of DGC. DGC has a Shareholder services team, including a specialist DGC dairy goat veterinarian, to advise farmers on best practices to minimise biosecurity risks. The Board implement guidelines and operational on-farm policies to mitigate potential known biosecurity risks. DGC maintains a Risk Organism Response Plan which outlines procedures to be followed in a risk organism outbreak event. 	2	1
Market Risk	DGC's largest three export markets represent greater than 50% of DGC's sales revenue. If market access to a key market ceased, or changed in a material way, due to changes to laws, regulations or policies, this may adversely affect sales, costs, DGC's relative competitive position, or other aspects of DGC's financial or operational performance.	<ul style="list-style-type: none"> DGC strives to minimise exposure to any one market by developing new international markets. DGC has a skilled team who monitor ongoing regulatory changes and market access requirements. 	2	2
Quality Compliance	The infant formula market is a heavily regulated market which requires DGC to continually monitor international regulations and capital investment to ensure the ongoing compliance of DGC's operational assets and processes in order to meet changing regulatory and quality standards. Maintaining compliance can have cost implications and failing to	<ul style="list-style-type: none"> DGC maintains certification to Food Safety Standards (FSSC22000) and the Ministry for Primary Industries' Risk Management Program. Independent external quality system audits are carried out regularly. Regular product testing is carried out to ensure product is safe prior to release. 	3	1

Risk	Description	Steps Taken To Mitigate Risk	Likelihood of risk occurring	Magnitude of impact
	comply could impact DGC's ability to access key markets.			
Single Manufacturing Site	DGC currently operates one processing site in Hamilton. A natural disaster, fire, major equipment failure or utility outage could adversely impact DGC's ability to manufacture.	<ul style="list-style-type: none"> Where possible, back-up systems are implemented to support critical processes. DGC operates two spray dryers on the site which provides a level of back-up. Spare parts are procured to support critical equipment. Boilers and air heaters are dual energy capable. DGC maintains a business continuity plan which is regularly reviewed. Extensive fire monitoring and protection systems are installed in order to protect critical assets. 	3	1
Exchange Rate	A significant portion of DGC revenues and expenses from product sales are in currencies other than New Zealand Dollar. As a result, certain revenues will be affected by changes in foreign currency exchange rates.	<ul style="list-style-type: none"> A treasury policy has been put in place by the Board to allow DGC to take forward currency cover within defined parameters. Regular treasury meetings are held with external advisers to monitor global trends and determine hedging strategy. The finance team monitor currency movements on a daily basis. 	2	2
New Zealand International Trade	If a New Zealand company was involved in a food security issue which damaged the reputation of New Zealand food manufacturers, or a foreign country implemented trade sanctions against New Zealand businesses, this could impact DGC's ability to access key markets and in turn the performance of the business.	<ul style="list-style-type: none"> DGC is committed to continue to grow the awareness of its consumer brands around the world. Overtime this is reducing the reliance and connection to the New Zealand Inc. brand. 	2	2

Risk	Description	Steps Taken To Mitigate Risk	Likelihood of risk occurring	Magnitude of impact
Single Product Company	DGC is completely reliant on one product – goat milk infant nutritionals. An incident which damages the DGC brand could impact DGC's ability to operate in the infant nutritionals market.	<ul style="list-style-type: none"> • As described above, DGC has a key focus on ensuring safe, high quality products are marketed. • Being a single product company allows DGC to remain focused on delivering a niche, premium, world leading high quality product. • DGC has a team of specialists with extensive knowledge of the infant nutritional industry and international regulations. • There remains a significant opportunity to grow the global goat infant nutritional market and DGC is positioning itself to be a part of this. 	2	2

9. Tax

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

10. Where you can find more information

Offer register

Further information relating to DGC and the Shares is available on the offer register at www.companiesoffice.govt.nz/disclose. Such information includes:

- the Constitution;
- the sale and purchase agreements for lots 56, 58, 59, 60, 61, 93, 94, 95, 96 and 97 Chalmers Road, Te Rapa;
- full financial statements for the Financial Years ending 31 May 2016, 31 May 2017 and 31 May 2018;
- interim financial information for the periods 1 June 2017 to 28 February 2018 and 1 June 2018 to 28 February 2019; and
- prospective financial information for the periods 1 June 2018 to 31 May 2019 and 1 June 2019 to 31 May 2020.

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

Companies Office

Further information relating to DGC is also available on the New Zealand Companies Register (administered by the Companies Office) at www.companiesoffice.govt.nz

DGC's website

Further information about DGC is available from its website at www.dgc.co.nz.

11. How to apply

In agreeing to subscribe for Shares you do so in accordance with the conditions and rules of the Constitution.

Applications to subscribe should be made by completing the Application Form that accompanies this PDS.

Completed forms can be returned to DGC by post or email. Please see the contact information in Section 12.

12. Contact information

If you require further information please contact DGC at:

Postal Address

Dairy Goat Co-operative (NZ) Limited
PO Box 1398
Hamilton 3240

Email

Renzo.Vettori@dgc.co.nz

Phone

07 839 2919

Web

www.dgc.co.nz

13. Glossary

Unless the context otherwise require, terms used in this PDS will have the meaning set out below and any capitalised terms not defined below will have the meaning given to those terms in the Constitution.

Term	Meaning
2018/2019 Season	The dairy season that began on 1 June 2018 and ends on 31 May 2019.
Application Form	The application form that accompanies this PDS.
Board	The board of directors of DGC.
Constitution	The Constitution of DGC (as may be amended or replaced from time to time) which can be viewed at www.companiesoffice.govt.nz/disclose .
Contract Milk	All milk supplied to DGC by a Supplying Shareholder in excess of that Supplying Shareholder's Share Entitlement Milk.
DGC	Dairy Goat Co-operative (N.Z.) Limited, registered at the New Zealand Companies Office with company registration number 421398.
DGC Group	DGC, Dairy Blenders Limited and Dairy Goat Europe S.L.
Eligible Shareholders	Supplying Shareholders who have supplied Contract Milk during the 2018/2019 Season, being milk supplied over and above the Share Entitlement Milk.
Financial Year	A period of 12 months ending on expiration of the 31st day of May.
Milk	The milk of a goat which when supplied by a Supplying Shareholder is either supplied to DGC as Share Entitlement Milk or Contract Milk.
Milksolids	The total protein, fat and lactose solids in the relevant Milk supplied to DGC.
New Shares	The 272,618 new Shares being offered by DGC under this PDS.
New Share Entitlement	The relevant number of the New Shares that an Eligible Shareholder is entitled to subscribe for as specified in the Application Form that is provided to that Eligible Shareholder and which has been calculated as described in section 5 of this PDS (Terms of the Offer).
Offer	The offer of Shares under this PDS.
PDS	This product disclosure statement.
Retrospective Payments	The payments which include the additional amount that Eligible Shareholders who subscribe for Shares under this Offer shall be entitled to receive for their

	Relevant Portion of Contract Milk supplied during the 2018/2019 Season as described in section 3 of this PDS (Purpose of the Offer).
Season	The period from 1 June to 31 May.
Share Entitlement Milk	1 kilogram of Milksolids supplied to DGC by a Supplying Shareholder in each Season for each Share held.
Share Entitlement Milk Price	The price that a Supplying Shareholder is entitled to receive for the supply of Share Entitlement Milk.
Shares	Nominal value shares in DGC with each share having a right to supply Share Entitlement Milk to DGC as a right attached to that share.
Shareholder	A person whose name is registered in the share register of DGC as the holder for the time being of one or more shares in DGC.
Supplying Shareholder	A Shareholder who is a 'supplying shareholder' as defined in section 34 of the Co- operative Companies Act 1996.
\$	New Zealand Dollars.