



6 August 2010

Mr Sam Lewis
Chairman
AFFCO Holdings Limited
Private Bag 3301
HAMILTON

By email
sam.lewis@affco.co.nz

Dear Sam

NOTICE OF DESPATCH OF TAKEOVER OFFER

We refer to the takeover notice given by Talley's Group Limited to AFFCO Holdings Limited on 20 July 2010 in relation to Talley's full takeover offer for all of the equity securities in AFFCO that Talley's does not already hold or control.

Talley's hereby gives notice pursuant to rule 45 of the Takeovers Code that the Offer Document has been sent to AFFCO shareholders.

Pursuant to rule 45(1)(a)(ii) of the Takeovers Code, a copy of the Offer Document is **attached** to this notice.

For and on behalf of
Talley's Group Limited

Andrew Talley
Director

Copy to: Takeovers Panel
Level 3, Solnet House
70 The Terrace
WELLINGTON

By email
kerry.morrell@takeovers.govt.nz

NZX Limited
Level 2, NZX Centre
11 Cable Street
WELLINGTON

By email
announce@nzx.com

TALLEY'S GROUP LIMITED

FULL CASH OFFER FOR AFFCO HOLDINGS LIMITED

37 CENTS PER SHARE

IMPORTANT

If you are in doubt as to any aspect of this offer, you should consult your financial or legal adviser.

If you have sold all your shares in AFFCO Holdings Limited to which this offer applies, you should immediately hand this offer document and the accompanying acceptance form to the purchaser or the agent (e.g. the broker) through whom the sale was made, to be passed to the purchaser.

AFFCO Holdings Limited's target company statement, together with an independent adviser's report on the merits of this offer either accompanies this offer or will be sent to you within 14 days and should be read in conjunction with this offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

SUMMARY OF THIS OFFER

Talley's Group Limited ("**Talley's**", "**we**" or "**us**") is offering to acquire all your ordinary shares in AFFCO Holdings Limited ("**AFFCO**"). The key terms of our offer are:

Offer price for AFFCO shares	37 cents per share in cash.
Payment Date	If you accept this offer you will be paid no later than seven days after the later of: <ul style="list-style-type: none">• the date on which your acceptance is received by us; or• the date on which our offer becomes unconditional; or• 6 September 2010.
Brokerage Costs	You will not pay any brokerage costs if you accept our offer.
Conditions	This offer is conditional. The main conditions are that: <ul style="list-style-type: none">• there is no material adverse change at AFFCO; and• AFFCO's business must continue to be carried on in the ordinary course. Importantly, the offer is not conditional on a minimum level of acceptances.
Closing Date	This offer closes on 6 September 2010, unless extended in accordance with the Takeovers Code.

THIS IS A SUMMARY ONLY OF THIS OFFER. DETAILED TERMS AND CONDITIONS OF THIS OFFER ARE SET OUT ON THE FOLLOWING PAGES OF THIS DOCUMENT. YOU SHOULD READ THESE CAREFULLY.

IMPORTANT CONTACTS

This is an important document and requires your urgent attention.

If you have any questions about this offer you should contact the share registrar for the offer:

Computershare Investor Services Limited

Level 2

159 Hurstmere Road

Takapuna

Private Bag 92119

Auckland, New Zealand

Telephone: +64 9 488 8777

Facsimile: +64 9 488 8787

Alternatively, you may also contact your financial or legal adviser.

HOW TO ACCEPT THIS OFFER

Closing Date	<p>This offer closes on 6 September 2010 (unless extended in accordance with the Takeovers Code).</p> <p>If you wish to ACCEPT this offer, you must ensure that your acceptance is sent AS SOON AS POSSIBLE, but in any event so that it is received by Talley's on or before the closing date.</p>
How to ACCEPT	<p>Complete the enclosed Acceptance and Transfer Form in accordance with the instructions set out on that form.</p> <p>Fax, hand deliver or post the form to:</p> <p>Talley's Group Limited c/- Computershare Investor Services Limited Level 2, 159 Hurstmere Road Takapuna Private Bag 92119 Auckland, New Zealand Telephone: +64 9 488 8777 Facsimile: +64 9 488 8787</p> <p>A reply-paid envelope is enclosed.</p>
If you have sold all your AFFCO shares	<p>Please hand or send this offer document and all enclosures (including the Acceptance and Transfer Form) immediately to:</p> <ul style="list-style-type: none">• the purchaser or purchasers of your shares; or• the broker through whom you made the sale requesting that this offer document and all enclosures be forwarded to the new AFFCO shareholder.
If you have lost your Acceptance and Transfer Form	<p>Please contact Computershare Investor Services Limited on 09 488 8777. Computershare Investor Services Limited will provide you with a new Acceptance and Transfer Form.</p>

TERMS AND CONDITIONS OF FULL TAKEOVER OFFER FOR AFFCO HOLDINGS LIMITED ORDINARY SHARES

Talley's Group Limited ("**Talley's**") offers to purchase, on the terms and conditions set out in this Offer Document, all of AFFCO Holdings Limited's ("**AFFCO**") fully-paid ordinary shares that Talley's does not own ("**AFFCO Shares**") as at the date of this Offer Document ("**Offer**").

1. THIS OFFER

- 1.1 Talley's offers to acquire the AFFCO Shares, including all rights, benefits, and entitlements attached thereto on, after, or by reference to, 11 June 2010 ("**Effective Date**").
- 1.2 This Offer will remain open for acceptance until 6 September 2010 or such later date (if any) as Talley's may determine to extend it in accordance with the Takeovers Code ("**Closing Date**").
- 1.3 This Offer is dated 6 August 2010.

2. PRICE

- 2.1 The price offered by Talley's for each AFFCO Share is **37 cents** in cash, subject to any adjustment in accordance with paragraph 5.1 or paragraph 5.4 below.
- 2.2 If this Offer becomes unconditional, Talley's will pay the price set out in paragraph 2.1 above to each AFFCO Shareholder who accepts this Offer (each, an "**Accepting AFFCO Shareholder**") no later than seven days after the later of:
 - (a) the date on which that Accepting AFFCO Shareholder's acceptance is received by Talley's; or
 - (b) the date on which this Offer becomes unconditional; or
 - (c) 6 September 2010.
- 2.3 The price payable to each Accepting AFFCO Shareholder will be paid by cheque sent by ordinary mail or paid in cleared funds by electronic transfer (at the election of the Accepting AFFCO Shareholder). Accepting AFFCO Shareholders who elect to receive payment by electronic transfer may be charged fees by their bank or financial institution.
- 2.4 If the price payable to an Accepting AFFCO Shareholder is not sent to that Accepting AFFCO Shareholder within the period specified in paragraph 2.2, that Accepting AFFCO Shareholder may withdraw their acceptance of this Offer by notice in writing to Talley's, but only:
 - (a) after the expiration of seven days' written notice to Talley's of that Accepting AFFCO Shareholder's intention to do so; and
 - (b) if that Accepting AFFCO Shareholder does not receive the price to which they are entitled during the seven day period referred to in paragraph 2.4(a).

3. TERMS OF THE OFFER

Terms and key dates

- 3.1 Unless this Offer is withdrawn in its entirety with the consent of the Takeovers Panel in accordance with the Takeovers Code and every person is released from every obligation incurred under the terms of this Offer, or unless this Offer lapses in accordance with its terms, this Offer remains open for acceptance until and including the Closing Date.
- 3.2 Under the Takeovers Code, the latest date on which Talley's can declare this Offer unconditional is 14 days after the Closing Date (excluding, for the purposes of this paragraph 3.2, any extension of this Offer under Rule 24B of the Takeovers Code). Consequently:
- (a) If this Offer is not extended and the Offer period ends on 6 September 2010, then the latest date under the Takeovers Code by which Talley's can declare this Offer unconditional is 20 September 2010.
- (b) If this Offer is extended, the latest date by which Talley's can declare this Offer unconditional is the date that is 14 days after the end of the Offer period as extended (excluding any extension of this Offer under Rule 24B of the Takeovers Code). If the Offer period is extended, Talley's will specify in the variation notice the new date by which it must declare this Offer unconditional.
- 3.3 If this Offer is not declared unconditional, or if the conditions to it are not waived by Talley's (to the extent waivable), by the latest date contemplated by paragraph 3.2, this Offer will lapse and Talley's and every Accepting AFFCO Shareholder will be released from their obligations under this Offer (and the contract arising from their acceptance of it).
- 3.4 This Offer is open for acceptance by any person who holds AFFCO Shares, whether acquired before, on or after the date of this Offer, upon production of satisfactory evidence of such person's entitlement to those AFFCO Shares. A holder of AFFCO Shares may accept this Offer in respect of all or any of their AFFCO Shares. Each acceptance must be free of all conditions of acceptance of any nature whatsoever.

Transfer of title to AFFCO Shares

- 3.5 Legal and beneficial title to all AFFCO Shares in respect of which an Accepting AFFCO Shareholder has accepted the Offer will pass to Talley's free of all liens, charges, mortgages, encumbrances and other adverse interests or claims of any nature whatsoever, but together with all rights, benefits and entitlements attaching to them, including, without limitation, the right to all dividends, bonuses and other payments and distributions of any nature attaching to such AFFCO Shares arising on, after, or by reference to, the Effective Date, contemporaneously with the price being sent to the Accepting AFFCO Shareholder pursuant to paragraph 2 of this Offer.

Accepting AFFCO Shareholder warranties

- 3.6 By accepting this Offer, each Accepting AFFCO Shareholder represents and warrants to Talley's that:
- (a) it is the sole legal and beneficial owner of the AFFCO Shares in respect of which it has accepted this Offer, or is the legal owner and has the necessary power, capacity and authority to accept this Offer in respect of such AFFCO Shares;
- (b) it has full power, capacity and authority to sell and transfer all AFFCO Shares for which the Accepting AFFCO Shareholder has accepted the Offer; and
- (c) legal and beneficial title to all AFFCO Shares for which the Accepting AFFCO Shareholder has accepted the Offer will pass to Talley's in accordance with paragraph 3.5.

Accepting AFFCO Shareholder covenants

3.7 Each Accepting AFFCO Shareholder:

- (a) will not, and will not attempt to, directly or indirectly, sell, transfer, or dispose of (or agree to do any of those things), any or all of the AFFCO Shares in respect of which the Accepting AFFCO Shareholder has accepted this Offer (other than for acceptance of this Offer itself);
- (b) irrevocably authorises Talley's to instruct AFFCO and its share registrar to refuse, during the Offer period, to register any transfer of any or all of the AFFCO Shares in respect of which the Accepting AFFCO Shareholder has accepted this Offer, except for transfers to Talley's pursuant to this Offer; and
- (c) will pay to Talley's on demand, any cost or expense incurred, or loss or damage suffered, by Talley's in connection with, or as a result of, that Accepting AFFCO Shareholder's failure to comply with paragraph (a).

4. CONDITIONS OF THIS OFFER

4.1 This Offer, and each contract arising from acceptance of it, are subject to the conditions that, except as otherwise agreed in writing by Talley's, during the period from the Effective Date until the latest date on which Talley's can declare this Offer unconditional (as contemplated by paragraph 3.2):

- (a) no dividends, bonuses or other payments or distributions (including, without limitation, any share buybacks) of any nature have been or will be declared, paid, or made, upon or in respect of, any of the AFFCO Shares;
- (b) no further shares, convertible securities, other securities of any nature (including options, rights or interests in any ordinary shares) of AFFCO and any of its subsidiaries (together the "**AFFCO Group**"), have been or will be by any member of the AFFCO Group issued, agreed to be issued or made the subject of any option or right to subscribe;
- (c) there has not been and will be no alteration of the rights, benefits, entitlements and restrictions attaching to any of the AFFCO Shares or other securities (if any) of any member of the AFFCO Group;
- (d) no action, claim, litigation, prosecution, regulatory investigation, regulatory action of any nature or other form of proceedings that, as at the Effective Date, were not publicly notified are publicly notified, commenced or taken:
 - (i) against, or by, any member of the AFFCO Group and that are material to the AFFCO Group, taken as a whole;
 - (ii) against or in respect of Talley's in connection with the Offer;
- (e) there not having occurred any event, change, circumstance, or condition that has had, or could reasonably be expected to have, a material adverse effect on the business, financial or trading position, assets or liabilities, profitability or prospects of the AFFCO Group, taken as a whole (including without limitation any natural disaster, accident, change of law, regulation, announcement of change in governmental or regulatory policy or act of terrorism);
- (f) there is no person exercising or purporting to exercise or stating an intention to exercise any rights or failing to give any required waiver or consent under any provision of any agreement or other instrument to which any member of the AFFCO Group is a party, or by or to which any member of the AFFCO Group or any of their assets may be bound or be subject, which results, or could result, to an extent which is material in the context of the AFFCO Group taken as a whole, in:

- (i) any moneys borrowed by any member of the AFFCO Group becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
 - (ii) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder; or
 - (iii) the interest of any member of the AFFCO Group in any firm, joint venture, trust, corporation, partnership, or other entity (or any arrangements relating to such interest) being terminated or modified;
- (g) there is no outbreak or reported potential outbreak of animal disease in New Zealand, of whatever nature, that threatens or is reasonably likely to threaten the export of red meat from New Zealand or causes or is reasonably likely to cause the AFFCO Group taken as a whole to materially reduce its export activities;
- (h) the businesses of the AFFCO Group are carried on in the normal and ordinary course, including without limitation:
- (i) no unusual or abnormal payments, commitments or liabilities (including contingent liabilities) which are material or could be material to such companies are made or incurred (or agreed to be made or incurred) by any of those companies;
 - (ii) no member of the AFFCO Group disposes of, purchases, transfers, leases, charges, mortgages, grants a lien or other encumbrance over, grants an option or legal or equitable interest in respect of, or otherwise deals with any interest in a material asset, business, operation, real property or subsidiary (or agrees, including agreeing to materially vary any agreement, to do any of these things or makes an announcement in respect of any of them); and
 - (iii) no onerous, long term or material contracts, commitments or arrangements, or any major transactions (as defined in section 129(2) of the Companies Act 1993) are entered into, or materially varied, by any member of the AFFCO Group;
- (i) there is no alteration to the constitution of any member of the AFFCO Group or to any trust deed (or similar document) under which any securities have been, or may in the future be, issued by any member of the AFFCO Group;
- (j) no liquidator, receiver, receiver and manager, statutory manager, voluntary administrator, or similar official is appointed in respect of any member of the AFFCO Group or any or their respective assets;
- (k) no board resolution or shareholders' resolution of any member of the AFFCO Group is passed to do or authorise the doing of any act or matter referred to in any of paragraphs (h) to (j) (inclusive) above.
- 4.2 To the extent required by the Takeovers Code, where any condition requires a determination as to whether a matter is or could reasonably be expected to be material or not, is adverse or not, is onerous or not, is long term or not, is normal or not, is in the ordinary course of business or not, is consistent with past practices or not, or is of a formal or technical (and not substantive) nature or not, before the condition may be invoked, such determination must be made by a suitably qualified expert nominated by Talley's who is independent of, and not an associate of, Talley's (in terms of the Takeovers Code).

- 4.3 The conditions in paragraph 4.1 are for the sole benefit of Talley's and, accordingly, each such condition may be waived by Talley's in its sole discretion.
- 4.4 Each condition set out in paragraph 4.1 is a separate condition subsequent, and acceptance of this Offer by each Accepting AFFCO Shareholder shall constitute a contract between that Accepting AFFCO Shareholder and Talley's subject to those conditions. The Offer will only proceed if all conditions in paragraph 4.1 are satisfied or waived (to the extent possible).

5. CHANGE IN CIRCUMSTANCES

- 5.1 If, on or after the Effective Date, AFFCO declares, makes, or pays any dividend or any distribution of any nature whatsoever and either the condition in paragraph 4.1(a) is waived by Talley's or this Offer is or becomes unconditional, then, at the election of Talley's (and subject to the terms of any such waiver), either:
- (a) each Accepting AFFCO Shareholder will be bound to pay to Talley's on demand an amount equivalent to such dividend or the value of such other distribution (in each case inclusive of withholding taxes deducted, if applicable) that is received by, or is properly payable to, that Accepting AFFCO Shareholder and relates to AFFCO Shares in respect of which that Accepting AFFCO Shareholder has accepted this Offer; or
 - (b) the price which would otherwise have been paid to each Accepting AFFCO Shareholder for their AFFCO Shares shall be reduced by an amount equivalent to such dividend, payment or the value of such other distribution that is received by, or is properly payable to, that Accepting AFFCO Shareholder and relates to AFFCO Shares in respect of which that Accepting AFFCO Shareholder has accepted this Offer.
- 5.2 If, on or after the Effective Date, AFFCO authorises, declares, or makes any issue of shares, convertible securities or other securities of any nature (including options, rights or interests in its ordinary shares), by way of bonus issue and either the condition in paragraph 4.1(b) is waived by Talley's or this Offer is or becomes unconditional, then Accepting AFFCO Shareholders will, subject to the terms of any such waiver, be bound to transfer, in respect of those AFFCO Shares for which they have accepted this Offer, any such shares, convertible securities, other securities or options, rights and interests to Talley's, without any additional consideration.
- 5.3 If, on or after the Effective Date, AFFCO makes any issue of ordinary shares to any person other than by way of bonus issue and either:
- (a) the condition in paragraph 4.1(b) (to the extent that it applies to the issue) is waived by Talley's; or
 - (b) this Offer is or becomes unconditional,
- then this Offer will be deemed to be extended to and include such ordinary shares and the price payable for them will be as provided in paragraph 2.1.
- 5.4 If, on or after the Effective Date, all or any of the AFFCO Shares are subdivided or consolidated by AFFCO then:
- (a) this Offer will be interpreted to take into account that subdivision or consolidation and will be deemed to be for the AFFCO Shares resulting from that subdivision or consolidation;
 - (b) the price per AFFCO Share offered under this Offer will be increased or reduced, as the case may require, in proportion to that subdivision or consolidation; and
 - (c) Accepting AFFCO Shareholders will be bound to transfer those subdivided or consolidated AFFCO Shares to Talley's on the basis of the price so increased or reduced.

6. HOW TO ACCEPT THIS OFFER

6.1 To accept this Offer, you need to:

- (a) complete the Acceptance and Transfer Form in respect of AFFCO Shares enclosed with this Offer Document ("**Acceptance Form**") in accordance with the instructions on the Acceptance Form; and
- (b) return the completed Acceptance Form by hand delivery, fax or post (in the reply-paid envelope which is enclosed with this Offer) **AS SOON AS POSSIBLE** after receipt of this Offer, but in any event so that it is received by Talley's no later than the Closing Date, to:

Talley's Group Limited

c/- Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland
New Zealand

If calling from within New Zealand:

Telephone: 09 488 8777

Facsimile: 09 488 8787

If calling from outside New Zealand:

Telephone: +64 9 488 8777

Facsimile: +64 9 488 8787

No acknowledgement of receipt of acceptances of this Offer will be issued. Acceptances received after the Closing Date, but which bear a postmark or other evidence of postage or despatch on or prior to the Closing Date may be accepted by Talley's.

- 6.2 Talley's may, in its discretion, treat any Acceptance Form as valid notwithstanding that it does not otherwise comply with paragraph 6.1, or any instructions on the Acceptance Form, and may, in its discretion, rectify any errors in, or omissions from, any Acceptance Form to enable that form to constitute a valid acceptance of this Offer and to facilitate registration of the transfer of the relevant AFFCO Shares.
- 6.3 Acceptance of this Offer by each Accepting AFFCO Shareholder constitutes a contract between that Accepting AFFCO Shareholder and Talley's on the terms and subject to the conditions of this Offer and the Takeovers Code. Other than in the circumstances set out in paragraph 2.4, acceptances are irrevocable and an Accepting AFFCO Shareholder may not withdraw their acceptance during the Offer period, whether or not there has been any variation of this Offer. Talley's and every Accepting AFFCO Shareholder shall be released from their obligations under this Offer, and arising from acceptance of this Offer, if this Offer:
 - (a) is withdrawn with the consent of the Takeovers Panel; or
 - (b) lapses as a result of any condition in paragraph 4.1 not being satisfied or waived by the latest date that Talley's may declare this Offer unconditional (as contemplated by paragraph 3.2).

7. METHOD OF SETTLEMENT

7.1 If:

- (a) this Offer is declared unconditional or the conditions to it are waived by Talley's (to the extent waivable); and
- (b) an Accepting AFFCO Shareholder's Acceptance Form is in order (or any error or omission from the Acceptance Form is rectified by Talley's or is otherwise accepted by Talley's as valid under paragraph 6.2),

then, at the election of the Accepting AFFCO Shareholder, Talley's will either send a cheque (by ordinary mail) or make an electronic transfer of cleared funds for the aggregate amount payable (unless adjusted under paragraphs 5.1 or 5.4) in accordance with paragraph 2.1 above to the Accepting AFFCO Shareholder, by the date specified in paragraph 2.2. If an Accepting AFFCO Shareholder does not select a method of payment, or the details that it provides (including those already held by AFFCO's share registrar) are not sufficient to effect an electronic transfer, then that Accepting AFFCO Shareholder will be paid by cheque.

- 7.2 All cheques, electronic funds transfers, Acceptance Forms and other documents to be delivered, sent by or transferred to an Accepting AFFCO Shareholder will be delivered, sent by, or transferred to, that Accepting AFFCO Shareholder at that Accepting AFFCO Shareholder's own risk.

8. NOTICES

- 8.1 Notices given to AFFCO, the Takeovers Panel and NZX Limited:

- (a) declaring this Offer unconditional; or
- (b) advising that this Offer is withdrawn in accordance with the Takeovers Code; or
- (c) advising that this Offer has lapsed in accordance with its terms or the Takeovers Code, will, in each case, be deemed to be notice to all AFFCO Shareholders when so given.

- 8.2 Notice of any variation of this Offer will be sent to AFFCO, the Takeovers Panel, NZX Limited and, except where not required in accordance with the Takeovers Code, to each AFFCO Shareholder under this Offer.

9. FURTHER INFORMATION AND MISCELLANEOUS

- 9.1 Further information relating to this Offer, as required by Schedule 1 to the Takeovers Code, is set out in Schedule A to this Offer and forms part of this Offer Document.
- 9.2 In this Offer Document:
- (a) any reference to the Takeovers Code means the takeovers code approved in the Takeovers Code Approval Order 2000 (SR 2000/210) as amended (including by any applicable exemption granted by the Takeovers Panel under the Takeovers Act 1993);
 - (b) except if expressly defined in this Offer Document, or where the context requires otherwise, terms defined in the Takeovers Code have the same meaning in this Offer Document;
 - (c) references to amounts of money are to New Zealand currency and to times are to New Zealand time;
 - (d) headings are for convenience only and do not affect the interpretation of this Offer Document or any Acceptance Form; and
 - (e) the singular includes the plural and vice versa.
- 9.3 This Offer may be varied by Talley's in accordance with Rule 27 of the Takeovers Code.
- 9.4 This Offer and any contract arising from it shall be governed by and construed in accordance with the laws of New Zealand, and the parties to any such contract submit to the non-exclusive jurisdiction of the Courts of New Zealand.
- 9.5 The provisions set out in the Acceptance Form are part of the terms of this Offer.
- 9.6 If there is an inconsistency between the terms and conditions of this Offer and the provisions of the Takeovers Act 1993 or the Takeovers Code, the provisions of the Takeovers Act 1993 or the Takeovers Code (as the case may be) will prevail.

SCHEDULE A

INFORMATION REQUIRED BY SCHEDULE 1 TO THE TAKEOVERS CODE

The information required by Schedule 1 to the Takeovers Code, and not stated elsewhere in this Offer, is set out below. Where any information required by Schedule 1 is not applicable, no statement is made regarding that information. The following matters are stated as at the date of this Offer.

1. DATE

This Offer is dated 6 August 2010.

2. OFFEROR AND ITS DIRECTORS

2.1 The name and address of the offeror are:

Talley's Group Limited
Port Motueka
PO Box 5
Motueka
New Zealand

2.2 The directors of the offeror as at the date of this Offer are:

James Rory Ryder
Andrew Ivan Talley
Michael Anthony Talley
Milan Daniel Talley
Peter Ivan Talley

3. TARGET COMPANY

3.1 The target company is AFFCO Holdings Limited.

4. OWNERSHIP OF EQUITY SECURITIES OF AFFCO

4.1 The table in Schedule B sets out a statement of the number, designation and percentage of equity securities of any class of AFFCO held or controlled by:

- (a) Talley's;
- (b) any related company of Talley's;
- (c) any person acting jointly or in concert with Talley's;
- (d) any director of any of the persons described in paragraphs (a) to (c); and
- (e) any other person holding or controlling 5% or more of the class, to the knowledge of Talley's.

4.2 Except as set out in the table in Schedule B, no person referred to in paragraphs 4.1(a) to (d) of this Schedule holds or controls equity securities of AFFCO.

5. TRADING IN AFFCO EQUITY SECURITIES

5.1 Except as set out in Schedule C, no person referred to in paragraphs 4.1(a) to (d) of this Schedule has acquired or disposed of equity securities in AFFCO during the 6-month period before the date of this Offer.

6. AGREEMENTS TO ACCEPT OFFER

- 6.1 On 11 June 2010, Talley's entered into a pre-bid agreement (the "**Pre-Bid Agreement**") with Toocooya Nominees Limited ("**TNL**") under which TNL agreed to accept this Offer in respect of its entire holding of AFFCO Shares, being 118,564,307 AFFCO Shares.
- 6.2 The material terms of the Pre-Bid Agreement are as follows:
- (a) Talley's agreed, subject to satisfaction of certain conditions, to make the Offer;
 - (b) TNL has irrevocably agreed to accept this Offer in respect of its entire holding of AFFCO Shares;
 - (c) TNL is required to provide its acceptance of this Offer on the fifth working day after the date of this Offer;
 - (d) until such time as TNL has accepted this Offer and this Offer is declared unconditional, Talley's has agreed that TNL may exercise and/or control the exercise of voting rights attached to its shares in AFFCO; and
 - (e) unless the agreement is terminated or until it is completed, TNL will not acquire further shares in AFFCO and will not dispose of or deal in any way with any of its shares in AFFCO, except this Offer.
- 6.3 Other than as disclosed above, no person has agreed conditionally or unconditionally to accept this Offer as at the date of this Offer.

7. ARRANGEMENTS TO PAY CONSIDERATION

- 7.1 Talley's confirms that resources will be available to it sufficient to meet the consideration to be provided on full acceptance of this Offer and to pay any debts incurred in connection with this Offer (including the debts arising under Rule 49 of the Takeovers Code).
- 7.2 A statement setting out the rights of offerees under Rule 34 of the Takeovers Code is set out in paragraph 2.4 of this Offer Document.

8. ARRANGEMENTS BETWEEN TALLEY'S AND AFFCO

- 8.1 As at the date of this Offer, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Talley's or any of its associates and AFFCO or any related company of AFFCO, in connection with, in anticipation of, or in response to, this Offer, other than:
- (a) the Pre-Bid Agreement (see paragraphs 6.1 and 6.2 of this Schedule);
 - (b) correspondence dated 20 July 2010 by or on behalf of Talley's and TNL recording that:
 - (i) TNL will, as soon as practicable after receipt of payment for the AFFCO Shares that are acquired from it by Talley's under the Offer, procure that Chris Spencer and Arthur Young resign as directors of AFFCO, with immediate effect;
 - (ii) Messrs Spencer and Young will, on resignation, have no claim against AFFCO, except for unpaid directors' fees;
 - (iii) Talley's will be supportive of AFFCO maintaining directors' indemnities and insurance for Messrs Spencer and Young for a reasonable run-off period;
 - (c) in late July 2010, AFFCO gave its prior written approval, pursuant to rule 44(1)(b)(ii) of the Takeovers Code, to Talley's making minor typographical variations to the terms of the Offer.

9. ARRANGEMENTS BETWEEN TALLEY'S AND DIRECTORS AND OFFICERS OF AFFCO

- 9.1 Except as set out in paragraph 9.2, as at the date of this Offer, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Talley's or any of its associates, and any of the directors or senior officers of AFFCO or of any related company of AFFCO (including any payments or other benefits proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, the Offer.
- 9.2 Paragraph 8.1(b) of this Schedule summarises certain arrangements between Talley's and TNL regarding the resignation of Chris Spencer and Arthur Young as directors of AFFCO.

10. FINANCIAL ASSISTANCE

- 10.1 No financial assistance (directly or indirectly) is to be provided by AFFCO, or any related company of AFFCO, for the purpose of, or in connection with, this Offer.

11. LIKELIHOOD OF CHANGES IN AFFCO

- 11.1 If Talley's becomes entitled to invoke the compulsory acquisition provisions of the Takeovers Code, it may elect to move to compulsory acquisition of all outstanding AFFCO Shares and cease quotation of the AFFCO Shares on, and delist AFFCO from, the NZSX trading platform operated by NZX Limited.
- 11.2 If Talley's declares the Offer unconditional but does not receive sufficient acceptances to the Offer, or otherwise elect, to invoke compulsory acquisition, Talley's will continue to participate in decisions relating to AFFCO, and its future, through the board (and may seek greater board representation).

12. PRE-EMPTION CLAUSES IN AFFCO'S CONSTITUTION

- 12.1 As at the date of this Offer, there is no restriction on the right to transfer any equity securities to which this Offer relates that:
- (a) is contained in the constitution of AFFCO; and
 - (b) has the effect of requiring the holders of those securities to offer the securities for purchase to members of AFFCO or to any other person before transferring those securities.

13. ESCALATION CLAUSES

- 13.1 There is no agreement or arrangement (whether legally enforceable or not) to which Talley's or any of its related entities are parties, under which:
- (a) any existing holder of equity securities in AFFCO will or may receive in relation to, or as a consequence of, this Offer any additional consideration or other benefit over and above the consideration set out in this Offer; or
 - (b) any prior holder of equity securities in AFFCO will or may receive any consideration or other benefit as a consequence of this Offer.

14. CLASSES OF SECURITIES

14.1 No report is required under Rule 22 of the Takeovers Code (which, if the offer is for more than 1 class of securities, requires a report by an independent adviser on the fairness and reasonableness of the consideration and terms of the offer as between different classes of securities).

15. CERTIFICATE

15.1 To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Offer is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by Talley's under the Takeovers Code.



Andrew Ivan Talley¹
Person fulfilling the role of Chief Executive Officer
for the purposes of the Offer
Talley's Group Limited



James Rory Ryder
Chief Financial Officer
Talley's Group Limited



Michael Anthony Talley
Director
Talley's Group Limited



Peter Ivan Talley
Director
Talley's Group Limited

¹ While Talley's has no Chief Executive Officer, Andrew Talley, who is a director of Talley's, has fulfilled the role of Chief Executive Officer for the purposes of the preparation of this Offer and, as the most relevant senior executive of Talley's, has taken responsibility for the factual accuracy of this statement.

SCHEDULE B OWNERSHIP OF AFFCO EQUITY SECURITIES

Name	Description	Number of equity securities held or controlled	Type of equity security	Percentage of class
Talley's Group Limited ²	Offeror / Person holding or controlling more than 5%	267,035,475*	Ordinary Shares	52.83%
Andrew Ivan Talley ³	Director of Offeror / Director of related company of Offeror (AFFCO)	267,035,475*	Ordinary Shares	52.83%
Michael Anthony Talley ⁴	Director of Offeror / Director of related company of Offeror (AFFCO)	267,035,475*	Ordinary Shares	52.83%
Peter Ivan Talley ⁵	Director of Offeror / Director of related company of Offeror (AFFCO)	267,035,475*	Ordinary Shares	52.83%
Milan Daniel Talley ⁶	Director of Offeror	267,035,475*	Ordinary Shares	52.83%

² Talley's is the offeror and holds and controls more than 5% of the shares in AFFCO.

³ Andrew Talley is a director of Talley's and, together with Peter Talley and John Fitchett, as trustees of the Ancich Trust, he holds and controls 26.5% of the shares in Talley's. While Andrew Talley does not hold or control any shares in AFFCO, Talley's holds and controls 267,035,475 ordinary shares in AFFCO, being 52.83% of AFFCO's issued share capital. Andrew Talley is also a director of certain subsidiaries of Talley's (which are related companies of Talley's); a director of AFFCO and certain of its subsidiaries (which are related companies of Talley's); and a director of Open Country Dairy Limited (" **OCD** ") and its subsidiary (which may be related companies of Talley's).

⁴ Michael Talley is a director of Talley's and holds 3% of the shares in Talley's in his own name. In addition, Michael Talley, together with James Ryder, Guy Mannering and Graeme Malone, as trustees of the Majac Trust, holds and controls 20.5% of the shares in Talley's and, together with Milan Talley, James Ryder and Graeme Malone, as trustees of the Milan Trust, he holds and controls 26.5% of the shares in Talley's. While Michael Talley does not hold or control any shares in AFFCO, Talley's holds and controls 267,035,475 ordinary shares in AFFCO, being 52.83% of AFFCO's issued share capital. Michael Talley is also a director of certain subsidiaries of Talley's (which are related companies of Talley's); and a director of AFFCO (which is a related company of Talley's).

⁵ Peter Talley is a director of Talley's and holds 3% of the shares in Talley's in his own name. In addition, Peter Talley, together with James Ryder and John Fitchett, as trustees of the Pitapiscos Trust, holds and controls 20.5% of the shares in Talley's and, together with Andrew Talley and John Fitchett, as trustees of the Ancich Trust, he holds and controls 26.5% of the shares in Talley's. While Peter Talley does not hold or control any shares in AFFCO, Talley's holds and controls 267,035,475 ordinary shares in AFFCO, being 52.83% of AFFCO's issued share capital. Peter Talley is also a director of certain subsidiaries of Talley's (which are related companies of Talley's); and an alternate director of AFFCO (which is a related company of Talley's).

⁶ Milan Talley is a director of Talley's and, together with Michael Talley, James Ryder and Graeme Malone, as trustees of the Milan Trust, he holds and controls 26.5% of the shares in Talley's. While Milan Talley does not hold or control any shares in AFFCO, Talley's holds and controls 267,035,475 ordinary shares in AFFCO, being 52.83% of AFFCO's issued share capital. Milan Talley is also a director of certain subsidiaries of Talley's (which are related companies of Talley's).

Name	Description	Number of equity securities held or controlled	Type of equity security	Percentage of class
James Rory Ryder ⁷	Director of Offeror	267,035,475*	Ordinary Shares	52.83%
Robert William Carter	Director of related company of Offeror (AFFCO)	339,356	Ordinary Shares	0.07%
Samuel Lewis ⁸	Director of related company of Offeror (AFFCO)	488,092	Ordinary Shares	0.10%
Michael John McCredie	Director of related company of Offeror (AFFCO)	62,500	Ordinary Shares	23.55%
Christopher Albert Spencer	Director of related company of Offeror (AFFCO)	61,600	Ordinary Shares	0.01%
Arthur William Young ⁹	Director of related company of Offeror (AFFCO) / Person holding or controlling more than 5%	119,064,307	Ordinary Shares	23.55%
Toocooya Nominees Limited ¹⁰	Person holding or controlling more than 5%	118,564,307	Ordinary Shares	23.46%
Michael Spencer, Arthur William Young and Allan John Wadams as trustees of the Toocooya Trust (" Toocooya Trust ")	Person holding or controlling more than 5%	118,564,307	Ordinary Shares	23.46%
Dacey Balle and Paulette Balle as trustees of The Sixteenth of April Family Trust (" April Trust ") ¹¹	Director of related company of Offeror (OCD)	3,429	Ordinary Shares	0.0007%

Sources: AFFCO's 2009 Annual Report, information provided on behalf of TNL on 6 July 2010, information provided on behalf of AFFCO on 27 July 2010, and information provided on behalf of the April Trust on 30 July 2010.

*Each of these disclosures relate to the same shares, being Talley's shareholding in AFFCO on the date of this Offer.

⁷ James Ryder is a director of Talley's. Together with Michael Talley, Guy Mannering and Graeme Malone, as trustees of the Majac Trust, he holds and controls 20.5% of the shares in Talley's and, together with Peter Talley and John Fitchett, as trustees of the Pitapiscas Trust, he holds and controls 20.5% of the shares in Talley's. While James Ryder does not hold or control any shares in AFFCO, Talley's holds and controls 267,035,475 ordinary shares in AFFCO, being 52.83% of AFFCO's issued share capital. James Ryder is also a director of certain subsidiaries of Talley's (which are related companies of Talley's).

⁸ Sam Lewis is also a director of certain subsidiaries of AFFCO (which are related companies of Talley's); and a director of OCD and its subsidiary (which may be related companies of Talley's).

⁹ Arthur William Young is a trustee of the Toocooya Trust and therefore controls the 118,564,307 shares in AFFCO held by TNL. Arthur Young also holds 500,000 AFFCO Shares jointly with Helen Melrose as a trustee of the Maranella Trust.

¹⁰ TNL holds 118,564,307 shares in AFFCO as nominee for the trustees of the Toocooya Trust.

¹¹ Dacey Balle is a director of OCD which may be a related company of Talley's.

SCHEDULE C TRADING IN AFFCO EQUITY SECURITIES

Name	Type of equity security	Date of acquisition or disposition	Number acquired or (disposed of)	Consideration per security	Total number acquired or disposed of during 6-month period
Talley's Group Limited	Ordinary Shares	3 February 2010	62,416*	\$0.37	62,416
Andrew Ivan Talley ¹²	Ordinary Shares	3 February 2010	62,416*	\$0.37	62,416
Michael Anthony Talley ¹²	Ordinary Shares	3 February 2010	62,416*	\$0.37	62,416
Peter Ivan Talley ¹²	Ordinary Shares	3 February 2010	62,416*	\$0.37	62,416

*All disclosures relate to the same acquisition, being the acquisition by Talley's on 3 February 2010, as noted in the table.

¹² While Andrew Talley, Michael Talley and Peter Talley have not acquired AFFCO Shares in their personal capacities, they are directors of and shareholders in Talley's (refer to Schedule B).

ACCEPTANCE AND TRANSFER FORM

CSN/Holder Number:	Number of AFFCO Shares held: (as at 30 July 2010)
	Total consideration: (at \$0.37 per AFFCO Share)

IMPORTANT

This form, and the accompanying Offer Document, are important documents and require your immediate attention. Please read them carefully.

WHAT IS THIS FORM FOR?

This form is to be used to accept the offer dated 6 August 2010 (“Offer”) by Talley’s Group Limited (“Talley’s”) to acquire all of the fully paid ordinary shares in AFFCO Holdings Limited (“AFFCO”) that Talley’s does not already own.

If you wish to accept the Offer, please complete and return this form in accordance with the instructions on this form. If you do not wish to accept the Offer you do not need to take any action.

TERMS OF ACCEPTANCE AND POWER OF ATTORNEY

By signing this form, you:

- accept the Offer for the aggregate number of AFFCO Shares set out above under the heading “Number of AFFCO Shares held” (“AFFCO Shares”), subject to the terms and conditions of the Offer, and transfer title to your AFFCO Shares to Talley’s. You authorise Talley’s to use your CSN/Holder Number to effect that transfer;
- without limitation to any other matter set out in the Offer Document, you undertake, represent and warrant to Talley’s on the basis set out in paragraphs 3.6 and 3.7 of the Offer Document;
- confirm to Talley’s that this form has been duly and validly completed and signed; and
- as from the date of beneficial ownership to your AFFCO Shares passing to Talley’s in accordance with the terms of the Offer, authorise and appoint Talley’s (with power of substitution by Talley’s in favour of such person(s) as Talley’s may appoint to act on its behalf) as your attorney and agent to act for you and do all matters of any kind or nature whatsoever in respect of or pertaining to your AFFCO Shares and all rights and benefits attaching to them as Talley’s may think proper and expedient and which you could lawfully do or cause to be done if personally acting as a legal or beneficial owner of the applicable AFFCO Shares.

Talley’s agrees to take your AFFCO Shares subject to the terms and conditions of the Offer.

SIGN HERE TO ACCEPT THE OFFER

FOR AN INDIVIDUAL / JOINT SHAREHOLDERS / HOLDER OF POWER OF ATTORNEY	FOR A COMPANY
<i>Your signature(s) / signature(s) of your attorney(s):</i>	<i>Signed on your behalf by:</i> <i>Director/Authorised Signatory(ies)</i>
Dated and signed on the _____ day of _____ 2010	
Daytime contact phone number _____	

METHOD OF PAYMENT

Payment will be made by either electronic transfer directly into your New Zealand bank account, or by cheque. Please select a Method of Payment by ticking the appropriate box below. All payments will be made in New Zealand dollars.

Method of Payment (please tick one): **CHEQUE** **ELECTRONIC TRANSFER**

If you do not select a Method of Payment, or the details that you provide are not sufficient to effect an electronic transfer into a New Zealand bank account, you will be paid by cheque.

If you select electronic transfer as your Method of Payment, please complete the Electronic Transfer Details overleaf.

Electronic Transfer Details:

Account Name:

Account Number: *Bank / Branch* - *Account Number* - *Suffix*

Bank Name:

Branch & Address:

CERTIFICATE OF NON-REVOCAION OF POWER OF ATTORNEY

If this form is signed under a power of attorney by one or more individuals, the attorney(s) signing must sign the certificate of non-revocation of power of attorney set out below. If the attorney is a body corporate, it must sign and attach a certificate of non-revocation of power of attorney in the form set out in the Property Law Act 2007.

I, of
(Full name of attorney) *(Place and country of residence, and occupation)*

certify:

1. That by deed day / , of
 dated the day of / , of
(Place and country of residence, and occupation) *(Place and country of residence of person for whom attorney is signing)*

appointed me his/her/its attorney.

2. That I have not received any notice of any event revoking the power of attorney.

Signed at this day of 2010

(Signature of attorney)

NOTES AND INSTRUCTIONS FOR COMPLETION

- TO ACCEPT THE OFFER:** Individuals and attorneys should sign and date this form where marked. Companies must sign in accordance with the Companies Act 1993 and their constitution (if any).
- METHOD OF PAYMENT:** You should select a Method of Payment. If you do not, or if you do not provide sufficient details to enable an electronic transfer to you into a New Zealand bank account, you will be paid by cheque. Neither Talley's nor Computershare Investor Services Limited have any responsibility to verify any such details.
- JOINT HOLDERS:** If the AFFCO Shares are registered in the names of joint holders (including where there are multiple trustees of a trust), all holders must sign this form.
- POWER OF ATTORNEY:** If the form is signed under a power of attorney, the relevant power of attorney must be submitted with this form for noting and return. The certificate of non-revocation of power of attorney printed on this page must be completed, unless the attorney is a body corporate, in which case the attorney must sign and attach a certificate of non-revocation of power of attorney in the form set out in the Property Law Act 2007.
- ON COMPLETION:** Place the signed form in the enclosed reply-paid envelope and post or deliver it to Talley's at the address below, as soon as possible, but in any event so as to be received not later than the Closing Date for the Offer.

Talley's Group Limited
 C/- Computershare Investor Services Limited
 Level 2, 159 Hurstmere Road, Takapuna
 North Shore City 0622
 New Zealand

Talley's Group Limited
 C/- Computershare Investor Services Limited
 Private Bag 92119
 Auckland 1142
 New Zealand

You can also fax this form to Talley's (c/- Computershare Investor Services Limited) on (09) 488 8787. If you do that, the original form should also be delivered or posted to the above address (although failure to do that will not invalidate your acceptance). Please mark the original form clearly "FAXED".

- PREVIOUS SALE:** If you have sold all of your AFFCO Shares, please immediately pass this form together with the Offer Document to the purchaser of your AFFCO Shares or the broker through whom the sale was made. If you have sold part of your shareholding, record that fact on this form by amending the number of AFFCO Shares noted as being held by you.
- INTERPRETATION:** A reference to "you" is a reference to the registered shareholder(s) printed at the head of this form and, accordingly, references to you in the singular shall include the plural. Capitalised terms used but not defined in this form have the meanings given to them in the Offer Document.

IF YOU ARE IN DOUBT FOR THE PROCEDURE FOR ACCEPTANCES, PLEASE CALL COMPUTERSHARE INVESTOR SERVICES LIMITED ON (09) 488 8777.



6 August 2010

FULL TAKEOVER OFFER FOR AFFCO AT 37 CENTS PER SHARE

- **Our offer provides you with a cash exit from your shareholding in AFFCO at an attractive and fair price.**
- **No brokerage is payable by accepting shareholders.**
- **No minimum acceptance condition.**

On 20 July 2010, we announced our intention to make a full takeover offer for all of the shares in AFFCO Holdings Limited that we do not already own. That offer is set out in the Offer Document that accompanies this letter.

The offer price is **37 cents per share in cash**. This is an attractive price which is equivalent to the pre-announcement trading price of AFFCO shares on the NZSX market. Notably, in the 12 months prior to this offer, AFFCO shares have traded **as low as 33 cents**.

AFFCO's 2010 half year review records a decrease in revenue (in comparison to the prior half-year) and confirms the challenges ahead in the shape of ongoing currency volatility and limited stock availability. Declining kills, competing land uses, low margins and fierce competition continue to challenge both the company and wider New Zealand meat industry. In light of these and other factors, we consider that our offer represents a fair price for your shareholding.

In particular this offer, and the price offered, present AFFCO minority shareholders with an attractive exit opportunity. The difficulties facing AFFCO and the meat industry are of a long term nature and will continue to require significant reinvestment and resource.

Our offer is supported by Toocooya Nominees Limited, which has committed to accept the offer for its entire 23.46% shareholding in AFFCO, by way of a pre-bid agreement. Toocooya's commitment, together with our existing 52.83% shareholding, will take our holding to 76.29%. Accordingly, no competing offer for a controlling interest in AFFCO could be successful without our participation.

The Offer Document sets out the details of our offer, including relevant information that you will need to take into account before making a decision whether to accept our offer. Accordingly, you should read that document carefully.

I commend this offer to you, and encourage your acceptance after considering all of the relevant aspects.

Yours faithfully

Talley's Group Limited

Andrew Talley

Director

HEAD OFFICE
Phone : 64-3-528 2800
Email : inquiries@talleys.co.nz



Fax Numbers :
Head Office 64-3-528 2802
Export 64-3-528 9298
NZ Sales 64-3-528 2805

TALLEY'S GROUP LIMITED P.O. Box 5, Motueka, Nelson, New Zealand