

AFFCO Holdings Limited

TARGET COMPANY STATEMENT

In relation to the Takeover Offer by Talley's Group Limited August 2010



CONTENTS

- Target Company Statement
- Independent Adviser's Report
- AFFCO Half Year Review 2010

**TARGET COMPANY STATEMENT BY AFFCO HOLDINGS LIMITED PREPARED
PURSUANT TO RULE 46 OF THE TAKEOVERS CODE IN RELATION TO A TAKEOVER
OFFER FROM TALLEY'S GROUP LIMITED**

1. DATE

1.1 This Target Company Statement is dated 17 August 2010.

2. OFFER

2.1 This Target Company Statement relates to the takeover offer dated 6 August 2010 ("the Offer") by Talley's Group Limited ("the Offeror") for all of the fully paid ordinary shares ("the Shares") in AFFCO Holdings Limited ("AFFCO").

2.2 The consideration offered by the Offeror is \$0.37 per AFFCO Share.

2.3 The Offer is made on the terms and conditions set out in the Offeror's Offer document dated 6 August 2010.

3. TARGET COMPANY

3.1 AFFCO Holdings Limited (company number 623635) is the target company.

4. DIRECTORS OF AFFCO

4.1 The directors of AFFCO are:

- (a) Robert William Carter;
- (b) Samuel Lewis (Chairman);
- (c) Michael John McCredie;
- (d) Christopher Albert Spencer;
- (e) Andrew Ivan Talley;
- (f) Michael Anthony Talley;
- (g) Arthur William Young; and
- (h) Peter Ivan Talley (as alternate director for Andrew Talley and Michael Talley).

5. OWNERSHIP OF EQUITY SECURITIES OF AFFCO

5.1 The only class of equity securities of AFFCO is ordinary shares. The following table sets out as at 4 August 2010 (being the last practicable date before the date of the Target Company Statement) the number, designation and percentage of ordinary shares of AFFCO held or controlled by:

- (a) Each director of AFFCO and their associates;
- (b) Each senior officer of AFFCO and their associates; and

- (c) Any other person who, to the knowledge of AFFCO, holds or controls 5% or more of any class of equity securities of AFFCO.

Name	Number of Ordinary Shares held or controlled	Percentage of number of Ordinary Shares
Directors		
Robert William Carter ¹	339,356	0.07%
Samuel Lewis ²	488,092	0.10%
Michael John McCredie ³	62,500	0.01%
Christopher Albert Spencer ⁴	61,600	0.01%
Arthur William Young ⁵	119,064,307	23.55%
Directors' associates		
Croaghmore Investments Limited ⁶	339,356	0.07%
Hugh Green Investments Limited ⁷	5,076,147	1.00%
Kilmacrennan Farm Limited ⁸	8,909,443	1.76%
Aropuhue Farm Partnership ⁹	72,391	0.01%
Belford Farm Limited ¹⁰	410,226	0.08%
T D Lewis ¹¹	3,608	>0.01%
Kaye McCredie ¹²	62,500	0.01%
Mary Gail Spencer ¹³	61,600	0.01%
Peter Boyd Guise ¹⁴	61,600	0.01%
Helen Frances Melrose ¹⁵	500,000	0.10%
Toocooya Nominees Limited ¹⁶	118,564,307	23.46%
Talley's Group Limited (Offeror) ¹⁷	267,035,475	52.83%

¹ Robert Carter through his family trusts has a controlling interest in, and is a director of, Croaghmore Investments Limited which holds 339,356 shares in AFFCO.

² Samuel Lewis holds 72,391 shares on behalf of Aropuhue Farm Partnership, 410,226 shares as a director and shareholder of Belford Farm Limited, 3,608 shares jointly with TD Lewis and 1,867 shares in his own name.

³ Michael McCredie holds these shares jointly with Kaye McCredie.

⁴ Christopher Spencer is registered as the holder of 61,600 shares in AFFCO jointly with Mary Gail Spencer and Peter Boyd Guise as trustees of the Gail Spencer Trust.

⁵ Arthur Young is a trustee of the Toocooya Trust and therefore controls the 118,564,307 shares in AFFCO held by Toocooya Nominees Limited as bare trustee for the Toocooya Trust. Arthur Young also holds 500,000 AFFCO shares jointly with Helen Frances Melrose as a trustee of the Maranella Trust.

⁶ Robert Carter through his family trusts, has a controlling interest in, and is a director of, Croaghmore Investments Limited

⁷ Hugh Green Investments Limited is a potential associate of Robert Carter.

⁸ Kilmacrennan Farm Limited is a potential associate of Robert Carter.

⁹ Samuel Lewis has a controlling interest in the Aropuhue Farm Partnership.

¹⁰ Samuel Lewis has a controlling interest in, and is a director of, Belford Farm Limited.

¹¹ T D Lewis holds these shares jointly with Samuel Lewis and is an associate of Samuel Lewis.

¹² Kaye McCredie holds these shares jointly with Michael McCredie and is an associate of Michael McCredie.

¹³ Mary Spencer is registered as the holder of these shares jointly with Christopher Spencer and Peter Guise as trustees of the Gail Spencer Trust and is an associate of Christopher Spencer.

¹⁴ Peter Guise is the registered as the holder of these shares jointly with Christopher Spencer and Mary Spencer as trustees of the Gail Spencer Trust and is an associate of Christopher Spencer.

¹⁵ Helen Melrose holds these shares jointly with Arthur Young as trustees of the Maranella Trust and is an associate of Arthur Young.

¹⁶ Due to the Pre-Bid Agreement Toocooya Nominees Limited and the trustees of Toocooya Trust became an associate of Talley's Group Limited and Andrew Talley, Michael Talley and Peter Talley.

¹⁷ Talley's Group Limited became an associate of Andrew Talley, Michael Talley, Peter Talley and due to the Pre-Bid Agreement is an associate of Arthur Young.

Senior Officers' associates		
Allen Raynor Stevens ¹⁸	23,333	>0.01%
Lois Marie Stevens ¹⁹	23,333	>0.01%
Holders or controllers of more than 5% of any class of equity securities		
Toocooya Nominees Limited	118,564,307	23.46%
Talley's Group Limited (Offeror)	267,035,475	52.83%

- 5.2 Other than the directors, senior officers and their associates listed or referred to in the table above, no other director or senior officer or any of their associates hold or control any class of equity securities of AFFCO.
- 5.3 To the knowledge of AFFCO no other person holds or controls 5% or more of any class of equity securities of AFFCO.
- 5.4 No equity securities in AFFCO have been issued to directors or senior officers of AFFCO or their associates during the two year period prior to the date of this Target Company Statement.
- 5.5 No directors or senior officers of AFFCO or their associates have obtained any beneficial interest in any equity securities of AFFCO under any employee share scheme or other remuneration arrangement during the two year period prior to the date of this Target Company Statement.

6. **TRADING IN EQUITY SECURITIES OF AFFCO**

- 6.1 The Offeror, as holder of 5% or more of the Shares of AFFCO, acquired 62,416 Shares on 8 February 2010 for a consideration of \$0.37 per Share.
- 6.2 Hugh Green Investments Limited, as an associate of Robert William Carter, a director of AFFCO, acquired the following Shares in AFFCO:
- (a) 46,030 Shares on 28 April 2010 for a consideration of \$0.37 per Share;
 - (b) 16,719 Shares on 29 April 2010 for a consideration of \$0.37 per Share;
 - (c) 37,251 Shares on 3 May 2010 for a consideration of \$0.37 per Share;
 - (d) 1,009 Shares on 10 May 2010 for a consideration of \$0.37 per Share;
 - (e) 3,850 Shares on 10 May 2010 for a consideration of \$0.37 per Share;
 - (f) 16,572 Shares on 10 May 2010 for a consideration of \$0.37 per Share;
 - (g) 10,000 Shares on 13 May 2010 for a consideration of \$0.37 per Share;
 - (h) 28,921 Shares on 25 May 2010 for a consideration of \$0.37 per Share;
 - (i) 50,000 Shares on 28 May 2010 for a consideration of \$0.37 per Share;
 - (j) 10,000 Shares on 28 May 2010 for a consideration of \$0.37 per Share;

¹⁸ Allen Stevens is the father of and therefore a potential associate of Nigel Stevens.

¹⁹ Lois Stevens is the mother of and therefore a potential associate of Nigel Stevens.

- (k) 3,000 Shares on 2 June 2010 for a consideration of \$0.37 per Share;
- (l) 8,079 Shares on 2 June 2010 for a consideration of \$0.37 per Share;
- (m) 100,000 Shares on 15 June 2010 for a consideration of \$0.37 per Share; and
- (n) 282,024 Shares on 16 June 2010 for a consideration of \$0.37 per Share.

6.3 Other than as disclosed in paragraphs 6.1 and 6.2 above, no other director or senior officer of AFFCO, nor their associates, nor a holder or controller of 5% or more of the Shares of AFFCO, has acquired or disposed of equity securities of AFFCO during the six month period before 5 August 2010 (being the latest practicable date before the date of this Target Company Statement).

7. ACCEPTANCE OF OFFER

7.1 The following AFFCO directors or senior officers or their associates who hold equity securities in AFFCO have accepted or intend to accept the Offer in respect of their holdings of AFFCO shares.

Name	Accepted or Intends to Accept	Number of AFFCO Shares
Toocooya Nominees Limited ²⁰	Accepted	118,564,307

7.2 At the date of this Target Company Statement, other than the directors and their associates referred to in paragraph 7.1, no directors or senior officers of AFFCO or their associates who hold equity securities in AFFCO have accepted or intend to accept, the Offer, but there is a possibility that Christopher Spencer and Arthur Young may do so.

8. OWNERSHIP OF EQUITY SECURITIES OF OFFEROR

8.1 The following table sets out as at 5 August 2010 (being the last practicable date before the date of the Target Company Statement) the number, designation and percentage of shares of the Offeror held or controlled by:

- (a) AFFCO;
- (b) Each director of AFFCO and their associates; and
- (c) Each senior officer of AFFCO and their associates.

²⁰ Toocooya Nominees Limited is a bare trustee for the Toocooya Trust, the trustees of which are Arthur Young, Michael Spencer and Allan John Maun Wadamas, and due to the Pre-Bid Agreement is an associate of Andrew Talley, Michael Talley and Peter Talley.

Name	Number of Equity Securities held or controlled	Type of Equity Security	Percentage of Class of Shares
Directors and their associates			
Andrew Ivan Talley ²¹	2,050,000	Non-voting shares	25%
Andrew Ivan Talley ¹¹	600,000	Voting shares	33.33%
Michael Anthony Talley ²²	2,050,000	Non-voting shares	25%
Michael Anthony Talley ¹²	600,000	Voting shares	33.33%
Michael Anthony Talley ²³	2,050,000	Non-voting shares	25%
Michael Anthony Talley	300,000	Voting shares	16.67%
Peter Ivan Talley (alternate) ²⁴	2,050,000	Non-voting shares	25%
Peter Ivan Talley (alternate) ¹⁴	600,000	Voting shares	33.33%
Peter Ivan Talley (alternate) ²⁵	2,050,000	Non-voting shares	25%
Peter Ivan Talley (alternate)	300,000	Voting shares	16.67%
Milan Daniel Talley ²⁶	2,050,000	Non-voting shares	25%
Milan Daniel Talley ¹⁶	600,000	Voting shares	33.33%
James Rory Ryder ²⁷	2,050,000	Non-voting shares	25%
James Rory Ryder ¹⁷	600,000	Voting shares	33.33%
James Rory Ryder ²⁸	2,050,000	Non-voting shares	25%
James Rory Ryder ²⁹	2,050,000	Non-voting shares	25%
Guy Alexander Mannering ³⁰	2,050,000	Non-voting shares	25%
Graeme Peter Malone ³¹	2,050,000	Non-voting shares	25%
Graeme Peter Malone ²¹	600,000	Voting shares	33.33%
Graeme Peter Malone ³²	2,050,000	Non-voting shares	25%
John Malcolm Fitchett ³³	2,050,000	Non-voting shares	25%
John Malcolm Fitchett ²³	600,000	Voting shares	33.33%
John Malcolm Fitchett ³⁴	2,050,000	Non-voting shares	25%

8.2 Other than as disclosed in paragraph 8.1, none of:

- (a) AFFCO;
- (b) any director of AFFCO;

²¹ Andrew Talley holds the shares jointly with Peter Talley and John Fitchett as trustees of the Ancich Trust.

²² Michael Talley holds the shares jointly with Milan Talley, James Ryder and Graeme Malone as trustees of the Milan Trust.

²³ Michael Talley holds the shares jointly with James Ryder, Guy Mannering and Graeme Malone as trustees of the Majac Trust.

²⁴ Peter Talley holds the shares jointly with Andrew Talley and John Fitchett as trustees of the Ancich Trust.

²⁵ Peter Talley holds the shares jointly with James Ryder and John Fitchett as trustees of the Pitapisces Trust.

²⁶ Milan Talley holds the shares jointly with Michael Talley, James Ryder and Graeme Malone as trustees of the Milan Trust.

²⁷ James Ryder holds the shares jointly with Milan Talley, Michael Talley and Graeme Malone as trustees of the Milan Trust.

²⁸ James Ryder holds the shares jointly with Michael Talley, Guy Mannering and Graeme Malone as trustees of the Majac Trust.

²⁹ Peter Talley holds the shares jointly with Peter Talley and John Fitchett as trustees of the Pitapisces Trust.

³⁰ Guy Mannering holds the shares jointly with Michael Talley, James Ryder and Graeme Malone as trustees of the Majac Trust.

³¹ Graeme Malone holds the shares jointly with Milan Talley, Michael Talley and James Ryder as trustees of the Milan Trust.

³² Graeme Malone holds the shares jointly with Michael Talley, James Ryder and Guy Mannering as trustees of the Majac Trust.

³³ John Fitchett holds the shares jointly with Andrew Talley and Peter Talley as trustees of the Ancich Trust.

³⁴ John Fitchett holds the shares jointly with Peter Talley and James Ryder as trustees of the Pitapisces Trust.

- (c) any senior officer of AFFCO;
 - (d) any associate of a director or senior officer of AFFCO,
- holds or controls any equity securities of the Offeror.

9. **TRADING IN EQUITY SECURITIES OF OFFEROR**

9.1 None of:

- (a) AFFCO;
- (b) any director of AFFCO;
- (c) any senior officer of AFFCO;
- (d) any associate of a director or senior officer of AFFCO,

has acquired or disposed of any equity securities of the Offeror during the six month period before 5 August 2010 (being the latest practicable date before the date of this Target Company Statement).

10. **ARRANGEMENTS BETWEEN OFFEROR AND AFFCO**

10.1 No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between the Offeror or any associates of the Offeror and AFFCO or any related company of AFFCO, in connection with, in anticipation of, or in response to, the Offer, other than as follows:

- (a) a Pre-Bid Agreement between the Offeror and Toocooya Nominees Limited (**'Toocooya'**). The monetary value of this commitment was NZ\$43,868,793.59 being the consideration payable to Toocooya under the Offer. The material terms of the Pre-Bid Agreement are as follows:
 - (i) Talley's agrees, subject to satisfaction of certain conditions, to make the Offer;
 - (ii) Toocooya Nominees Limited has irrevocably agreed to accept the Offer on the fifth working day after the date of the Offer;
 - (iii) Toocooya Nominees Limited is required to provide acceptance to the Offer on the fifth working day after the date of the Offer;
 - (iv) until such time as Toocooya Nominees Limited has accepted the Offer and the Offer is declared unconditional, Talley's has agreed that Toocooya Nominees Limited may exercise and/or control the exercise of voting rights attached to its shares in AFFCO; and
 - (v) unless the Pre-Bid Agreement is terminated or until it is completed, Toocooya Nominees Limited 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 via the Offer,

as summarised in section 6 of Schedule A of the Offer; and

- (b) correspondence dated 20 July 2010 by or on behalf of the Offeror and Toocooya recording that:
- (i) Toocooya 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 (and in respect to Arthur Young, by implication resign as a director of South Pacific Meats Limited), with immediate effect;
 - (ii) Chris Spencer and Arthur Young will, on resignation, have no claim against AFFCO, except for unpaid directors' fees; and
 - (iii) Talley's will be supportive of AFFCO maintaining directors' indemnities and insurance for Chris Spencer and Arthur Young for a reasonable run off period,

as summarised in section 8.1(b) of Schedule A of the Offer.

11. RELATIONSHIP BETWEEN OFFEROR AND DIRECTORS AND SENIOR OFFICERS OF AFFCO

- 11.1 No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between the Offeror or any associates of the Offeror, and any of the directors or senior officers of AFFCO or any related company of AFFCO (including in connection with any payment or other benefit 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, other than as is set out under paragraph 10.1 of this Target Company Statement.
- 11.2 Andrew Ivan Talley who is a director of AFFCO is also a director of the Offeror, subsidiaries of the Offeror and the following related companies of the Offeror:
- (a) South Pacific Meats Limited;
 - (b) Open Country Dairy Limited; and
 - (c) Open Country Cheese Company Limited.
- 11.3 Michael Anthony Talley who is a director of AFFCO is also a director of the Offeror, subsidiaries of the Offeror and the following related companies of the Offeror:
- (a) South Pacific Meats Limited.
- 11.4 Peter Ivan Talley who is an alternate director of AFFCO is also a director of the Offeror and subsidiaries of the Offeror.
- 11.5 Samuel Lewis who is a director of AFFCO and its wholly owned subsidiaries, is also a director of the following related companies of the Offeror:
- (a) South Pacific Meats Limited; and
 - (b) Open Country Dairy Limited.

- 11.6 Arthur William Young who is a director of AFFCO is also a director of South Pacific Meats Limited.
- 11.7 Hamish Simson who is the CEO of AFFCO is also a director of AFFCO's wholly owned subsidiaries which are related companies of the Offeror.
- 11.8 Other than Andrew Ivan Talley, Michael Anthony Talley, Peter Ivan Talley, Samuel Lewis, Arthur William Young and Hamish Simson, none of the directors or senior officers of AFFCO are directors or senior officers of the Offeror, or any related company of the Offeror, other than AFFCO.

12. AGREEMENT BETWEEN AFFCO AND DIRECTORS AND SENIOR OFFICERS

- 12.1 No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between AFFCO or any related company of AFFCO, and any directors or senior officers of AFFCO, or any related companies of AFFCO, or their associates, under which a payment or other benefit may 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, other than as is set out under paragraph 10.1 of this Target Company Statement.

13. INTERESTS OF DIRECTORS AND OFFICERS OF AFFCO IN CONTRACTS OF OFFEROR OR RELATED COMPANY

- 13.1 Other than the contracts referred to in paragraphs 13.2 and 13.3, none of:

- (a) any director of AFFCO;
- (b) any senior officer of AFFCO;
- (c) any associate of a director or senior officer of AFFCO;

has any interest in any contract to which the Offeror or any related company of the Offeror is a party.

- 13.2 The following directors or their associates may have an interest in contracts with the Offeror or any related company of the Offeror;

- (a) Arthur Young is a director of Rimanui Farms Limited which has stock supply arrangements with AFFCO. These arrangements were entered into in the ordinary course of business and on usual terms and conditions.
- (b) Other directors of AFFCO or their associates may transact stock supply arrangements with AFFCO in the ordinary course of business and on usual terms and conditions.

- 13.3 Andrew Talley, Michael Talley (each of whom are directors of AFFCO) and Peter Talley (an alternate director of AFFCO) are not direct parties to any contract with the Offeror (or its subsidiaries) or its related companies, AFFCO (and its subsidiaries) and Open Country Dairy Limited (and its subsidiaries). Andrew Talley, Michael Talley and Peter Talley have the shareholding interests in the Offeror as set out in paragraph 8.1. Accordingly, Andrew Talley, Michael Talley and Peter Talley may be deemed to have an interest in contracts entered into by the Offeror, and related companies of the Offeror, including AFFCO (and its subsidiaries) and Open Country Dairy Limited (and its subsidiaries).

13A INTERESTS OF AFFCO'S SUBSTANTIAL SECURITY HOLDERS IN MATERIAL CONTRACTS OF OFFEROR OR RELATED COMPANY

13A.1 No person who, to the knowledge of the directors or the senior officers of AFFCO holds or controls 5% or more of any class of equity securities of AFFCO, has an interest in any material contract to which the Offeror or any related company of the Offeror is a party, other than the Pre-Bid Agreement set out in paragraph 10.1 of this Target Company Statement.

14. RECOMMENDATION

14.1 The Directors of AFFCO have engaged Campbell MacPherson Limited as an independent advisor, and Campbell MacPherson Limited has prepared a report on the merits of the Offer as required by Rule 21 of the Takeovers Code (**'the Campbell MacPherson Report'**). The Campbell MacPherson Report is attached to this Target Company Statement.

The Independent Directors recommend that if a shareholder needs a dividend in the short to medium term those AFFCO's shareholders should accept the offer.

The Independent Directors of AFFCO set out the reasons for their recommendation in the letter attached to this Target Company Statement.

14.2 Should any aspect of this Offer or this Target Company Statement require additional clarification, the Independent Directors of AFFCO recommend that shareholders take advice from an independent financial or legal advisor in respect of the Offer and consider that advice in light of their own circumstances (including their own taxation position) before electing whether to accept or reject the Offer.

14.3 Four of the directors of AFFCO, Andrew Ivan Talley, Michael Anthony Talley, Christopher Albert Spencer and Arthur William Young have abstained from making a recommendation or any statement under this paragraph, as each of those directors is associated with the Offeror and therefore, consider they have a conflict of interest which prevents their involvement in making a recommendation.

15. ACTIONS OF AFFCO

15.1 Other than as set out in paragraph 10.1 no material agreement or arrangement (whether legally enforceable or not) of AFFCO and its related companies has been entered into as a consequence of, in response to, or in connection with, the Offer.

15.2 Other than as set out in paragraph 15.3 (which has only been included for the avoidance of doubt) no negotiations are underway as a consequence of, in response to, or in connection with, the Offer that relate to or could result in:

- (a) An extraordinary transaction, such as a merger, amalgamation or reorganisation, involving AFFCO or any of its related companies; or
- (b) The acquisition or disposition of material assets by AFFCO or any of its related companies; or
- (c) An acquisition of equity securities by, or of, AFFCO or any related company of AFFCO; or

- (d) Any material change in the equity securities on issue, or policy relating to distributions, of AFFCO.

15.3 As noted in paragraph 11 of Schedule A of the Offer, the Offeror may become entitled to invoke the compulsory acquisition provisions of the Takeover Code, it may elect to move to compulsory acquisition of all outstanding AFFCO Shares on, and delist AFFCO from, the NZSX trading platform as a consequence of the Offer. The compulsory acquisition provisions of the Takeovers Code are explained at paragraph 2.7 of the Campbell MacPherson Report.

16. EQUITY SECURITIES OF AFFCO

16.1 AFFCO has 505,483,194 ordinary shares on issue, being the Shares and being the only class of equity securities (as defined in the Takeovers Code) AFFCO has on issue.

16.2 The rights of the holders of the Shares in respect of capital, distributions and voting are as follows:

- (a) The right to an equal share with other shareholders in dividends authorised by the board of directors of AFFCO;
- (b) The right to an equal share with other shareholders in the distribution of surplus assets on the liquidation of AFFCO; and
- (c) The right to cast one vote on a show of hands or the right to cast one vote for each Share held on a poll, in each case at a meeting of shareholders on any resolution, including a resolution to:
 - (i) Appoint or remove a director or auditor;
 - (ii) Alter AFFCO's Constitution;
 - (iii) Approve a major transaction;
 - (iv) Approve an amalgamation of AFFCO; and
 - (v) Put AFFCO into liquidation.

16.3 AFFCO has not issued or granted any options or rights to acquire any equity securities in AFFCO.

17. FINANCIAL INFORMATION

17.1 Every person to whom the Offer is made is entitled to obtain from AFFCO a copy of AFFCO's most recent annual report, being the annual report for the period ending 30 September 2009, by making a written request to:

AFFCO Holdings Limited
Great South Road
Horotiu
New Zealand

A copy of the annual report is also available from AFFCO's website at www.affco.co.nz.

17.2 AFFCO has prepared a half-yearly report and half-yearly financial statement for the period ending 31 March 2010. A copy of this report is attached to this Target Company Statement.

17.3 AFFCO has not issued any interim reports since the most recent half-yearly report.

17.4 AFFCO is not aware of any material changes in the financial or trading position, or prospects, of AFFCO, since the annual report for the period ending 30 September 2009.

17.5 AFFCO does not consider that there is any other information about the assets, liabilities, profitability and financial affairs of AFFCO that could reasonably be expected to be material to the making of a decision by the offerees to accept or reject the Offer.

18. **INDEPENDENT ADVICE ON MERITS OF OFFER**

18.1 Campbell MacPherson Limited has been appointed by AFFCO as an independent adviser to provide a report under Rule 21 of the Takeovers Code on the merits of the Offer. A full copy of the report prepared by Campbell MacPherson Limited dated 6 August 2010 is attached to this Target Company Statement.

19. **Asset Valuation**

19.1 None of the information provided in this Target Company Statement refers to a valuation of any asset.

20. **Prospective Financial Information**

20.1 This Target Company Statement does not refer to any prospective financial information.

21. **Market Prices and Quoted Equity Securities under Offer**

21.1 The equity securities of AFFCO are quoted on the NZSX market of New Zealand Exchange Limited.

21.2 The closing price on NZSX of Shares in AFFCO which are the subject of the Offer are as follows;

- (a) \$0.37 on 11 August 2010 (which is the last practicable working day before the date on which this Target Company Statement is sent); and
- (b) \$0.37 on 19 July 2010 which is the last date on which a trade occurred before the date on which AFFCO received notice of the Offer.

21.3 The highest and lowest closing market prices on NZSX and the relevant dates during the six months before the date on which AFFCO received notice of the Offer are as follows:

- (a) \$0.36 on 25 January 2010; and
- (b) \$0.40 on 26 February 2010.

21.4 There have been no issues of equity securities, changes in equity securities on issue, or any distributions which could have affected the market prices referred to in paragraphs 21.2 and 21.3.

21.5 There is no other information about the market price of the securities that would reasonably be expected to be material to the making of a decision by the offerees to accept or reject the Offer.

22. **Other Information**

22.1 If the offer becomes unconditional, AFFCO will require a waiver from its funding banks in respect of specific covenants under its banking facilities related to any one party acquiring more than 74.9% of the Shares in AFFCO. Indications are a waiver will be forthcoming, but as at the date of this Target Company Statement a waiver has not been obtained.

22.2 There is no other information not required to be disclosed elsewhere in this Target Company Statement (including the Campbell MacPherson Report) that could reasonably be expected to be material to the making of a decision by the offerees to accept or reject the Offer.

23. **APPROVAL OF THIS TARGET COMPANY STATEMENT**

23.1 The contents of this Target Company Statement have been approved by the Independent Directors of AFFCO.

23.2 Andrew Ivan Talley, Michael Anthony Talley, Peter Ivan Talley, Christopher Arthur Spencer and Arthur William Young, who have a clear conflict of interest, have not participated in the preparation of this Target Company Statement, except to the extent that they have been asked to provide information for inclusion which relates specifically to them. Accordingly, they have not approved the Target Company Statement.

24. **CERTIFICATE**

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Target Company Statement 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 AFFCO as the target company under the Takeovers Code.



Samuel Lewis
Director and chairman of the Board of AFFCO



Robert William Carter
Director of AFFCO



Michael John McCredie
Director of AFFCO



Hamish Simson
Chief Executive Officer



Nigel Stevens
Chief Financial Officer

25. **INTERPRETATION**

25.1 Words and expressions defined in the Takeovers Act or the Takeovers Code and not otherwise defined (in this Target Company Statement) have the same meaning when used in this Target Company Statement, and in this Target Company Statement:

- (a) \$ means New Zealand dollars; and
- (b) Takeovers Code means the Takeovers Code approved by the Takeovers Code Approval Order 2000.