

DISCLOSURE DOCUMENT
ASHBURTON TRADING SOCIETY LIMITED
DATED 1 MAY 2021

Warning Statement

Under the Financial Markets Conduct Act 2013, co-operative companies and industrial and provident societies making an offer of co-operative shares have to give information about themselves and the shares to investors. They also have to provide shareholders with ongoing financial information about the shares and the company. In most cases, this information must meet legal requirements under that Act for financial reporting and the auditing of financial statements. This is to help investors make informed decisions.

In this case, these rules do not apply because there is an exemption where the total amount to be invested by individual investors in co-operative shares of a co-operative company or industrial and provident society is \$5,000 or less (including any shares already held). This exemption recognises that, for the shareholders, these co-operative shares are more like a membership than an investment.

As a result, you may not be given all the information usually required.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose. Ashburton Trading Society Limited has prepared this document in accordance with the exemption granted under the Financial Markets Conduct Act 2013 - Financial Markets Conduct (Small Co-Operatives) Exemption Notice 2016. You can also seek advice from a financial adviser to help you to make an investment decision.

1 WHAT IS THIS?

This is an offer of specified participatory securities, being shares in the Ashburton Trading Society Limited (**Society**) Issued pursuant to the Society's Rules (the **Shares**).

The Shares are referred to in the Society's Rules as "ordinary" shares (**Ordinary Shares**) and "deferred" shares (**Deferred Shares**).

Ordinary Shares are Shares that an applicant for membership in the Society must purchase as a prerequisite of becoming a member of the Society.

You could receive a return reflecting the performance of the Society through rebates or other distributions declared by the Board.

If the Society 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.

2 ABOUT ASHBURTON TRADING SOCIETY LIMITED

The issuer is Ashburton Trading Society Limited. The address of its registered office is 97 Burnett Street, Ashburton.

The Society was registered on 21 August 1963. Its registered number is 210004.

The Society, together with its subsidiaries, trades as 'Ruralco' and is a buying cooperative providing, and facilitating the provision of a wide range of goods and services to its members. Those goods and services include sales by means of the Society's retail stores and online retail capability, a charge card facility and fuel card as well as a wide range of agricultural product offerings and advice.

The principal assets owned by the Society are stock, land and buildings and shares in various companies including Ruralco NZ Limited.

The Society is an industrial and provident society registered under the Industrial and Provident Societies Act 1908.

The public file relating to the registration of the Society is held online at www.business.govt.nz/companies under "Other Registers" and "Industrial and Provident Society". Where any documents are not available online, information may be accessed by calling the Companies Office contact centre on 0508 266 726.

3. PURPOSE OF THIS OFFER

Shares will only be issued to persons who qualify for membership in the Society in accordance with the Society's rules (**Rules**). In order to become a member of the Society, an applicant must be a Farmer carrying on the business of farming in New Zealand and must purchase at least 500 Shares.

The purpose of this offer is to enable the issue of:

- initial Shares to enable persons to become members of the Society; and
- any Deferred Shares - which are Shares issued to members as a distribution of the Society's surpluses in lieu of rebates that would otherwise be distributable in cash.

The Society will use the proceeds of the offer for the general corporate purposes of the Society rather than for a specific activity. However, capital raising as such is secondary to the purpose of on-boarding new members of the Society – so that the member can access the membership benefits of trading with the Society and its subsidiaries (and their respective suppliers) including the benefits of becoming a Ruralco cardholder.

There is no maximum number or amount of Ordinary Shares or Deferred Shares being offered.

Each Share has an issue price of \$1.00.

The terms of issue of all Shares in the Society are set out in the Society’s Rules which are on the Society’s public file which may be accessed as set out under section 4 below. A summary of the terms upon which the Shares are issued is set out in section 4 below under the heading “Key Terms of the Offer”.

4. KEY TERMS OF THE OFFER

Issuer	Ashburton Trading Society Limited (Society).
Ordinary Shares	
Description of the Ordinary Shares being offered	<p>Each applicant is required to purchase, at the date of application, such number of Ordinary Shares in the Society as the Society’s board of directors (the Directors) determine from time to time is required to be owned by each member of the Society at \$1.00 per Share.</p> <p>All Ordinary Shares rank pari passu in all respects with all existing Ordinary Shares. Each Ordinary Share confers on its holder the right to vote, receive rebates and distributions authorised by the Board and to share in the distribution of the surplus assets of the Society in accordance with the Rules.</p>
Membership of the Society is restricted to Farmers	In term of the Rules, application for membership of the Society is presently limited to Farmers carrying on the business of farming in New Zealand.
Consideration / price for Shares	<p>All Ordinary Shares in the Society have an issue price of \$1.00 per Share and therefore will be issued and redeemed at that price.</p> <p>At the date of this document the subscription amount on application is 500 Ordinary Shares. Accordingly, an applicant for membership would be required to pay \$500 representing the issue price of \$1.00 for the 500 Ordinary Shares in the Society for which the applicant has applied.</p> <p>To find out the current subscription amount please contact the Society at 03 307 5100.</p>
The intended dates on which the offer opens and closes	<p>The opening date is 1 May 2021.</p> <p>This is a continuous offer of Shares. The offer therefore has no closing date but the Board is not obliged to accept applications and can decide to cease or suspend offering Shares at any time.</p>

<p>Number of Shares offered</p>	<p>As this is a continuous offer of Shares, there is no minimum number of Shares that must be subscribed for by members collectively before the Shares are issued.</p> <p>The total number of Shares offered cannot be determined as this depends on the number of persons applying to become members of the Society.</p> <p>As noted above, at the date of this document the subscription amount on application is 500 Ordinary Shares. Accordingly, an applicant for membership would be required to pay the issue price for the 500 Ordinary Shares in the Society for which the applicant has applied.</p> <p>On submitting of the membership application form the applicant is required to:</p> <ul style="list-style-type: none"> • apply for such number of Ordinary Shares as the Board determines from time to time is required to be owned by each member (i.e. 500 Ordinary Shares); • pay immediately the sum representing the issue price for such number of Ordinary Shares in the Society for which the applicant has applied; and • abide by the Rules and regulations made from time to time by the Board under the powers conferred upon them by the Rules. <p>The Board is entitled to decline any application for Ordinary Shares offered under this document at its sole discretion or stipulate that the membership will be subject to such conditions as the Board may determine in its sole discretion. If the Board declines to issue Ordinary Shares to an applicant, the Society will refund the applicant the subscription moneys in respect of those Shares.</p>
<p>Liability to make further payments in relation to the Shares after issue</p>	<p>The initial subscription is \$500.00 which is payable as a charge on their Ruralco Account, with the full \$500 to be charged to the first monthly statement.</p> <p>No votes attach to the Shares until they are paid up (see section 5 under the heading 'Rights and Entitlements').</p>
<p>Rebates and other distributions</p>	<p>Under the Rules the Board has the power to declare rebates or other forms of distributions which may be made, in whole or part, in cash, or Shares or any other form determined by the Board.</p> <p>A reference to a rebate includes other forms of distribution such as additional Shares.</p> <p>Members could receive a return reflecting the performance of the</p>

	<p>Society through rebates or other distributions declared by the Board, including:</p> <ul style="list-style-type: none"> • monthly discounts or rebates on purchases of goods and services from the Society and certain third party suppliers with whom Ruralco has discount or rebate arrangements (Monthly Rebates); and/or • a proportion of the profits of the Society (which may be paid in cash, credit or additional Shares) which are generally paid annually but may be paid more or less frequently (Annual Rebates). <p>Members do not have the right to require payment of Monthly Rebates or Annual Rebates in cash or credit if the Board determines to issue additional Shares.</p> <p>Annual Rebates may be calculated by reference to the number, value or volume of, or the profit derived by the Society from, transactions by members or through Ruralco and/or the number of Shares each member holds.</p>
Surrender / Transfer of Shares	See section 5 below entitled 'How can you get your money out' for a description of how Shares may be surrendered or transferred.
Fees or charges payable	There is no liability to pay further charges or make additional payments for the Shares being offered.
Deferred Shares	
Number of Shares offered	At present, the number of Deferred Shares issued by the Society is determined on the basis of the amount of business which a member has transacted with the Society. Deferred Shares have an issue price of \$1.00 each and therefore will be issued and redeemed at that price.
Other terms attaching to Rebate Shares	<p>The terms on which Deferred Shares are issued are determined by the Directors in each year. Different rights may attach to Deferred Shares issued in each year.</p> <p>Some Deferred Shares may carry rights to dividends generally or rebates and others may not.</p> <p>As between members in each year, Deferred Shares will be issued on the same terms and conditions, but the Board retains the discretion to issue Deferred Shares on differing terms and conditions as between members.</p>
Surrender / Transfer of Shares	Members have no right to call for redemption of Deferred Shares. Deferred Shares are redeemed at the Board's discretion as and when cash is available for that purpose and if it is in the Society's best interests to make such redemptions.
All Shares	
All other terms of	All other terms of the offer, and all terms of the Shares being

<p>the offer</p>	<p>offered, not elsewhere set out in this document, are either implied by law or set out in the Society's Rules.</p> <p>Taxation could have a significant consequence for the returns payable in relation to the Shares. Tax law is complex and changes frequently. The information in this document is intended as general guidance only. The Society recommends that would-be members seek professional tax advice regarding their individual circumstances prior to joining the Society and subscribing for the Shares.</p> <p>The Rules are available for download at the online Register of Financial Products at www.business.govt.nz/disclose.</p>
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5 HOW YOU CAN GET YOUR MONEY OUT

The Shares being offered under this document are illiquid and the Society 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. This is because they can only be held by a member of the Society and are not transferable except in limited circumstances.

In general, persons investing in shares in an industrial and provident society do so in order to transact with the society and to be entitled to rebates based on their trading with the society, rather than to obtain capital gains in the value of the shares. Holders of Shares are unlikely to be able to transfer or surrender their Shares for more than the nominal value of \$1.00 per Share.

Subject to restrictions in the Rules, a member may:

- sell or transfer your Shares to any person who is, or will become, a member of the Society; or
- withdraw from membership of the Society and surrender their Shares.

The general method of disposing of Shares is to surrender those Shares to the Society if the member has ceased trading and/or ceased to otherwise qualify for membership. In addition, the Society can require the surrender of Shares in certain circumstances including if the member:

- is in default of an obligation to the Society or one of its subsidiaries (including an obligation to pay money); or
- if the surrender is otherwise considered to be in the best interests of the Society.

KEY DRIVERS FOR RETURNS

Ordinary Shares carry the right to receive such dividends, bonuses, refunds, rebates and/or other similar payments as the Board determines to pay. The total amount payable to all members by way of bonuses, refunds, rebates, dividends and/or other similar payments on the Ordinary Shares is determined at the Board's discretion and cannot be quantified in advance.

The returns to an individual member are calculated based on their levels of trading with the Society in various goods and services, rather than the number or value of Shares held by them.

The Society may issue Deferred Shares to members in lieu of rebates based mainly on the amount of business each member has transacted with the Society. However, the terms on which Deferred Shares are issued are determined by the Board at its sole discretion and may differ from year to year. Any Deferred Shares issued will be paid up from the surpluses of the Society and so no money is payable by a member for the issue of Deferred Shares.

Before distributing any surpluses, the Society is entitled to retain such amounts as it deems necessary for the continuation of the Society's business. This may affect the extent of any returns payable to members.

There are no specific dates on which, or frequency with which, dividends, bonuses, refunds, rebates or other similar payments may be payable. As the returns to each member may vary it is not possible to quantify the amount of returns a member may receive. Neither the Society, nor any of its Directors, employees, or advisers guarantees or promises any return on the Shares.

Prospective members should recognise that a member may transfer his or her Shares with the Board's consent only to a person that the Board deems to be the member's blood or adoptive relative or the member's spouse or such other person as the Board permits, and only if the member is not in arrears on any payment due to the Society.

Alternatively, a member may withdraw from membership in the Society with the Board's consent, in which case the Society will redeem the member's Ordinary Shares and Deferred Shares as and when the Board determines, after deducting all amounts owing by the member to the Society.

If the Society is put into liquidation a member's claim will rank behind all claims of secured and unsecured creditors of the Society.

The principal activities of the Society and its subsidiaries, and therefore the activities likely to have the most impact on its financial performance, are the supply of and provision of goods and services (primarily rural products) to its members. Therefore, increasing its membership, and thereby maintaining and increasing the Society's market share in relation to its offering of goods and services is the key driver of returns for the Society and its subsidiaries.

7 KEY RISKS AFFECTING THIS INVESTMENT

The principal risk to members is that the Society becomes insolvent and upon liquidation, after the payment of claims of other creditors, it is unable to pay rebates or other distributions declared in respect of Shares and/or repay to members some or all of the amounts paid up on their Shares.

The Society considers that the most significant risk factors that could affect the returns received from holding the Shares are summarised below:

- **Operational, trading and performance risks** - Operational, trading and performance risk may arise from inadequate or failed internal processes, people and systems and business strategies employed by the Society or its subsidiaries and associated companies and could expose the Society to potential financial or reputational damage. In particular, rebates are only payable at the discretion of the Board out of profits after

any retentions necessary for the ongoing business of the Society and its subsidiaries and in accordance with the Rules. There is no guarantee that a rebate will be paid in any year.

- **Market risks** - Confidence could fail either in the economy in general or the agricultural sector in particular. This could occur as a result of the failure of a recession, an event of terrorism or otherwise, in New Zealand or overseas or a public health emergency (such as COVID-19), including the impact of mandatory public health measures imposed by any competent authority as a response to such an emergency.
- **Regulatory risks** - There could be substantial changes in laws and governmental policies affecting the Society's and its subsidiaries' and associated companies' business. The commercial impacts of law changes are often not apparent for some time after their introduction.
- **Environmental risks** - Natural and other disasters such as floods and earthquakes and the failure of essential utilities, could impact directly or indirectly on the Society's business. The Society and its subsidiaries and associated companies mitigate this risk by maintaining appropriate insurance cover.
- **Competitor risk** - The Society and its subsidiaries and associated companies could lose customers and members if they do not maintain their competitiveness in the products and services that they offer. This could directly impact on the Society's profitability. The Society and its subsidiaries and associated companies operate in competitive markets that include competitors with high market share percentages. The Society and its subsidiaries and associated companies mitigate this risk with various strategies, including marketing campaigns and forming partnerships with other entities within the industry to maintain the Society's and its subsidiaries' and associated companies' competitiveness.
- **Funding Constraints** – As an industrial and provident society, the Society has greater limitations on its ability to raise share capital for the purposes of investment in large projects or initiatives. As a result, the Society is likely to rely on raising debt finance if it intended to make such an investment, and would therefore be more dependent on the availability of debt finance at the relevant time.

Other more general risks which may affect the Society's financial performance include:

- a general downturn in economic and business conditions;
- decreases in demand for the goods and services sold by the Society and its subsidiaries;
- changes in tax rates or regimes;
- changes in the amount and timing of the Society's capital expenditure requirements;
- an existing competitor substantially increasing its market share and/or the entry of new competitors into the markets in which the Society and subsidiaries operate; and
- changes in the regulatory environment which could affect the market in which the Society and its subsidiaries operate.

Although the Society and its subsidiaries and associated companies have in place risk strategies which recognise most of these risks where possible, the Society cannot give any

guarantee or assurance that these strategies will remove the risks or mitigate them to an acceptable level.

This summary does not cover all the risks of investing in the Shares.

8 ASHBURTON TRADING SOCIETY LIMITED FINANCIAL INFORMATION

Under the terms of the Financial Markets Conduct (Small Co-operatives) Exemption Notice 2016, on which this offer relies, no financial information regarding Ashburton Trading Society Limited is required to be provided.

Key financial information about the Society, including relevant full financial statements is available on the offer register at www.business.govt.nz/disclose. If you do not understand this financial information, you can seek advice from a financial adviser or accountant.

In addition, the Society's Rules and latest financial statements may be inspected, free of charge, at the registered office of the Society at 97 Burnett Street, Ashburton, during normal business hours.

HOW TO APPLY

Applications to subscribe for Shares should be made by completing the application form – which must be obtained from ATS Membership.

CONTACT INFORMATION

The Society can be contacted at:

Share Registrar
Ashburton Trading Society Limited
97 Burnett Street, Ashburton

Telephone: 0800 787 256
Email: membership@ruralco.co.nz

GLOSSARY

In this document, the following defined terms have the meanings set out below, unless the context requires otherwise:

Board	The board of directors of the Society.
Deferred Shares	Deferred Shares are issued in accordance with the Rules at the discretion of the Board as part of the settlement for annual rebates payable to members. Deferred Shares do not carry an entitlement to vote but qualify for dividends at the discretion of the Board and a pro rata share any surplus assets on the liquidation of the Society. Deferred Shares are repaid to members at the discretion of the Board.
Farmer	The Rules defines the term to mean: i. members of the Society at the date of adoption of the Rules in November 2010; ii. a person above the age of 18 who farms on their own account or in partnership and who are able to satisfy the

	<p>Board that he, she or they derive (or have the means and ability to derive) a portion of his, her or their income from the direct use, ownership, management and/or servicing of farm land, and includes persons carrying on business as farm owners and lessors, bona fide farm lessees and occupiers, share farmers, share milkers, horticulturists, viticulturists, managers and other active users of farm land;</p> <p>iii. any company or other body corporate that meets the criteria set out in paragraph (ii) above;</p> <p>iv. any society which actively promotes in New Zealand the business of farming or any other activity closely allied to directly servicing the business of farming in New Zealand;</p> <p>v. existing members of the Society who no longer meet the criteria set out in paragraph (ii) and who thereafter continue to reside within New Zealand;</p> <p>vi. persons who have direct control of any member of the Society and who cease to so hold direct control, and who thereafter continue to reside in New Zealand; and</p> <p>vii. the trustees of any trust that meets the criteria set out in paragraph (ii).</p>
Member	A member of the Society.
Ordinary Shares	<p>Ordinary (voting) shares in the Society. Each Ordinary Shares has an issue price of \$1.00 and confers on the holder the right to:</p> <p>i. one vote per member on any member's resolution regardless of the number of shares held by that member in the capital of the Society;</p> <p>ii. rebates or distributions authorised by the Board; and</p> <p>iii. a share in the distribution of the surplus assets on the liquidation of the Society.</p>
Rules	The rules of the Society (as amended or replaced from time to time). The rules can be accessed free of charge on the offer register at www.business.govt.nz/disclose .
Shares	Refers to either or both of Ordinary Shares and Deferred Shares in the Society.