

PHARMACY WHOLESALERS (BAY OF PLENTY) LIMITED

INVESTMENT STATEMENT



INVESTMENT STATEMENT RELATING TO THE OFFER OF EQUITY SECURITIES (ORDINARY SHARES) IN PHARMACY WHOLESALERS (BAY OF PLENTY) LIMITED

Pharmacy Wholesalers (Bay of Plenty) Limited is referred to in this Investment Statement as "**PWL**" or the "**Company**".

This Investment Statement (**Investment Statement**) was prepared as at 17 December 2010 for the purposes of the Securities Act 1978. This Investment Statement has been prepared in accordance with, and contains that information prescribed by, Schedule 3D of the Securities Regulations 1983. To the extent possible, the same information that would have been provided under Schedule 13 of the Securities Regulations 2009 has been included in this Investment Statement.

This Investment Statement relates to a prospectus dated 8 December 2010 and which was registered at the Companies Office on 13 December 2010 (**Prospectus**) and which contains the offer of equity securities relevant to this Investment Statement.

IMPORTANT INFORMATION FOR INVESTORS

The information in this section is required under the Securities Act 1978.

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered Prospectus for the investment. You are entitled to a copy of the Prospectus on request.

Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

What sort of Investment is this?

The offer of equity securities the subject of the Prospectus, is an offer by the Company for the issue of \$1.00 nominal value ordinary shares (referred to in this Investment Statement as a "**Share**" or "**Ordinary Share**") and is available only to "**transacting shareholders**" in the Company (as that term is

defined in the Company's constitution and the Co-operative Companies Act 1996).

The Company proposes to use the proceeds of issue of such Ordinary Shares for its general working capital purposes in order to fund its normal business operations.

The following table describes, in summary, the rights attaching to such Ordinary Shares:

Rights of Ordinary Shares	
Issue Price:	\$1.00 per Share, being the nominal value as prescribed by the Co-operative Companies Act 1996.
Rights to Dividends:	Each Share has the right to a pro rata share in any dividends authorised by the Board.
Voting Rights:	Each Share has the right to one vote on a shareholder resolution or at a general meeting of the Company, provided that the maximum number of votes that any shareholder may exercise shall be 1000 notwithstanding the total number of Shares held by that shareholder.
Status upon winding up of Company:	<p>Each Share has the right to a pro rata share in the distribution of the surplus assets of the Company upon a winding up.</p> <p>Each share ranks equally with all other Ordinary Shares in the distribution of any surplus assets on a winding up of the Company.</p> <p>Ordinary Shares rank behind all secured creditors, preferential creditors and unsecured creditors in an insolvency of the Company.</p>
Transferability:	Ordinary Shares may be transferred to third parties in accordance with the share preemptive rights process set out in clause 6 of the Company's constitution. In practice however where a pharmacy business is sold to a third party, Shares are normally redeemed in full by the Company and new Shares are issued by the Company to the new shareholder, rather than Shares being transferred between parties.

	Ordinary Shares may also be surrendered at either the option of the shareholder, or at the option of the Company, in those circumstances set out in clause 3 of the constitution
Minimum Holding:	1000 Ordinary Shares
Ongoing Financial Commitments:	None

No shares may be issued to any person unless that person has first signed the Company's membership agreement (which includes its term of trade) and who intends to become a transacting shareholder of the Company.

Upon becoming a member of the Company and its co-operative, that person is required to subscribe for and hold at least 1000 Ordinary Shares, for a total subscription price of \$1000.

Additional Ordinary Shares may be issued to a transacting shareholder, with the number of Ordinary Shares to be issued in respect of any financial year being equal (rounded down to the nearest whole dollar) to the amount of the rebate earned by that transacting shareholder in that financial year. The amount of rebate earned by a transacting shareholder in respect of any financial year is calculated by multiplying the Company's total annual amount of rebate available for distribution (as determined by the board of the Company (**Board**)) by the ratio that the transacting shareholder's annual turnover of ethical rebateable purchases from the Company bears to the Company's total annual turnover of ethical rebateable sales to all transacting shareholders.

The Company's financial year runs from 1 April to 31 March in each calendar year.

Ordinary Shares are issued automatically to a transacting shareholder at the discretion of the Board and paid for by way of deduction and set off from the rebate payable to that transacting shareholder in respect of the rebate earned and the Ordinary Share entitlement for the previous financial year.

Who is involved in providing it for me?

Name of Issuer: Pharmacy Wholesalers (Bay of Plenty) Limited
(Incorporation no. 197821)

Registered Office: 7 Tangmere Place
Tauranga

PWL is a duly incorporated company first incorporated on 14 September 1978 under the Companies Act 1955, and was reregistered simultaneously under the Co-operative Companies Act 1996 and the Companies Act 1993 on 14 April 1997. PWL is a co-operative pharmaceutical wholesaler operating throughout the North Island, supplying a full range of pharmaceutical products to its pharmacy members.

There is no other promoter of the offer other than the Company.

How much do I Pay?

The amounts payable in respect of Ordinary Shares are:

Payments for Ordinary Shares	
Issue Price	\$1.00 (nominal value) per Share
Minimum Number	1000 Shares
Minimum Amount payable	\$1000
Payment to be made to	C/o The Managing Director Pharmacy Wholesalers (Bay of Plenty) Limited P.O. Box 104 7 Tangmere Place Tauranga
Date of payment	Initial subscription price is payable on date of application of becoming a transacting shareholder of PWL.

The total number of Ordinary Shares to be held by a transacting shareholder will fluctuate and be adjusted from year to year by the Board depending on:

- (i) the amount of distributable rebates to be returned to transacting shareholders (which are capitalised through the issue of Ordinary Shares as referred to above); and
- (ii) the redemptions of Ordinary Shares that the Company makes at the Board's discretion throughout the financial year.

Transacting shareholders are required to take up such additional Shares from time to time if issued by the Company.

More information regarding the amounts and frequency of such Share issues and redemptions in the normal course of the Company's business is set out in the Prospectus.

Failure to pay for the initial 1000 Ordinary Shares means the Shares will not be issued and that person will not become a transacting shareholder of the Co-operative.

Other Ordinary Shares to be issued to transacting shareholders in any financial year are automatically issued by the Board at certain times during the year and are paid for by way of set off and deduction from the amount of rebate due to the transacting shareholder in respect of the previous financial year's trading.

There is no limit on the maximum number of Ordinary Shares which a transacting shareholder is required to hold or be issued.

There is no cooling off period in respect of the subscription or subsequent issue of Ordinary Shares.

What are the charges?

Upon becoming a member of PWL, the initial subscription for 1,000 ordinary shares with a nominal value of \$1.00 each is due, being a subscription price of \$1,000.

Transacting shareholders are expected and encouraged to purchase from the Company all goods and services they require for their business and which the Company can supply at competitive prices.

There are no particular, administration or management charges payable.

There are no other entry charges, expenses or overhead charges, switching or termination charges, alteration charges or any other charges payable howsoever described in respect of the investment.

The nominal value of Ordinary Shares, and the minimum number of Ordinary Shares required to be held, may be changed by an amendment to the constitution of the Company. Such an amendment would require a shareholder special resolution to be passed by at least 75% of the holders of Ordinary Shares (1 vote per share up to a maximum of 1000 votes per shareholder) who are entitled to vote and who are voting on the matter.

The formula for determining the amount of rebate earned by a transacting shareholder in respect of any financial year and accordingly, the allocation of Ordinary Shares in lieu of such distributable rebate, can be altered from time to time by the Board in its sole discretion.

The amount of rebate available for distribution and accordingly, the allocation of Ordinary Shares in lieu of such distributable rebate, shall also depend upon the trading results and profitability of the Company and the amount of working capital required by the Board to be retained to fund the day to day operations of the Company.

What returns will I get?

The following table outlines the information relating to shareholder returns, which will be paid by PWL:

	Returns to Shareholders of Ordinary Shares
Entitled to Dividends	Yes – Ordinary Shareholders are entitled to a pro-rata share of any dividends authorised from time to time by the Board.
Return of Principal Invested	<p>A shareholder's invested capital is returned from time to time at the discretion of the Board upon the redemption of Shares by the Company.</p> <p>20 per cent (or such other proportion as determined by the Board) of the Ordinary Shares issued to a transacting shareholder in any financial year are required to be held by the transacting shareholder for a period of up to 4 years from the date of issue. These shares may be redeemed by the Company at any time during this period depending on the trading results of the Company and the availability of distributable profits but in the normal course of business, such shares will be redeemed in full in cash by the Company in the fourth year following issue in the month of January.</p> <p>The other 80% (or such other proportion as determined by the Board) of the Ordinary Shares issued to a transacting shareholder in any financial year may be redeemed by the Company in the same financial year as the date of issue, and in the normal course of business are redeemed by the Company in full in cash by three equal payments in the months of August, January and May following the date of issue.</p> <p>The redemption of Ordinary Shares is subject to the Company satisfying the solvency test as required by the Companies Act 1993 and at the discretion of the Board after ensuring the Company has sufficient working capital for its operations.</p> <p>Generally, Ordinary Shares are not tradable and can only be held in</p>

<p>the shareholders name or redeemed back to the Company when the shareholder ceases membership of the co-operative. In cases where a shareholder's pharmacy business is sold and with the consent of the Company, that shareholding is effectively transferred to the new purchaser. In practice, the shareholding of the selling member is redeemed and new Ordinary Shares are issued to the purchasing member.</p> <p>Shareholder rights on a winding up of the Company are explained in a separate table above.</p>
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Returns to members may be affected by the Board's exercise of its discretion in setting off debts owed to the Company for goods or services purchased by transacting shareholders for which payment in whole or part remains outstanding.

The key factor determining shareholder returns is the financial performance of PWL (subject to applicable taxes, reserves and retentions by the Board in relation to working capital requirements).

PWL is the entity legally liable to pay any dividends or rebates. PWL is also the entity legally liable to pay the nominal value of shares validly surrendered. No amount of return per share is promised, and no date or dates are fixed for the payment of returns.

The returns above are subject to Government imposed charges and taxes and Resident Withholding Tax. These comments on taxation are of a general nature and investors should seek their own tax advice for their particular circumstances.

The investment represented by the holding of Ordinary Shares is not guaranteed in any manner by any person.

What are my risks?

In the unlikely event of a collapse of the Company's business, a shareholder's investment in Ordinary Shares may not be recoverable as the Company would be insolvent and not able to pay in full the claims which rank prior to or equally with the shareholder's claim pursuant to the Shares.

The returns referred to in the proceeding section are not guaranteed, therefore while it is unlikely, there is a risk of not receiving any returns in the form of dividends, rebates or any return of capital.

The Shares are issued as \$1.00 nominal value shares, fully paid up, therefore a shareholder cannot be called upon by the Company to make any further

payments to the Company or any other party in respect of these Shares.

General risks:

Every shareholder is exposed to the risk that the Company may become insolvent and is not able to repay the capital invested back to shareholders. Factors which could result in the Company becoming insolvent include general business and credit risks.

General business risks which could affect the Company's business include changes to applicable legal requirements i.e. increasing compliance costs, changes in interest rates, a further downturn in the economy, changes in government policy and spending in the health sector, national or international events which could result in decreased investor confidence, destruction of business premises due to fire or other causes, loss of computer data and the loss of key management and staff.

The Board actively identifies and monitors general business risks and where applicable, develops relevant risk management plans including appropriate insurance. Credit and other financial instrument risks are more particularly detailed in note 12 of the Company's audited financial statements, the latest copy of which can be viewed on the Companies Office website as set out below.

Specific Risks:

PWL's principal activity is the supply of pharmaceutical products to its pharmacy members. The Company operates in a high volume - low margin industry. The specific risks associated with the Company's business can be summarized as follows:

- Government Funding Agency (Pharmac) price reduction initiatives on ethical (prescription) products, resulting in pressure on PWL's gross margin; and
- Competitor activity resulting in a significant number of customers changing their allegiance away from PWL (loss of customers and therefore volume).

PWL maintains a close working relationship with its customers and has good knowledge of the customers' industry and businesses. PWL is a co-operative company and the Board members are all pharmacists. These are important ingredients in PWL's risk management process.

It could be argued that the government is PWL's ultimate customer, it determines (via Pharmac) what drugs are available to the public and the price they will be funded at i.e. the reimbursement available to pharmacies - and these two factors help determine the volume prescribed by doctors.

PWL has clear policies and procedures in place to ensure the notification of Pharmac price reduction

actions are actively managed to minimize any potential losses. The diversity of product stocked (some 8,500 lines including both ethical and over the counter products) and the constant monitoring of new products, is an important part of managing product and pricing risk.

PWL's customers are widely spread throughout the North Island. This combined with the close relationship and regular contact maintained with customers and the active liaison with potential buyers/sellers in the industry, is an important aspect of the risk management process adopted by PWL.

Consequences of Insolvency:

As the Shares will be issued fully paid up, shareholders will not be liable to pay any further money per Share to any person as a result of the insolvency of the Company.

The claims of all creditors on the assets of the Company (being either secured, preferential and unsecured) will rank ahead of claims of shareholders in the event that an insolvency of the Company determines the assets are insufficient to meet the claims of all creditors.

All shareholders of Ordinary Shares rank equally amongst themselves on a pro rata basis and will only share in the residual assets of the Company once all other creditors have first been paid out in full.

Can the Investment be altered?

Neither the Company, nor an investor nor any other party has the right to alter the amount of money payable by a shareholder or otherwise alter the terms of the security except by way of an amendment to the Company's constitution passed by a special resolution of shareholders.

Due to the rights attaching to Ordinary Shares and the contractual requirements placed on transacting shareholders of the Company in accordance with its constitution and its Membership Agreement, the number of Shares held by members in the Company may fluctuate as outlined earlier in this Investment Statement and in the Prospectus. These fluctuations are related to annual purchases from the Company made by transacting shareholders and may require a transacting shareholder to either increase or decrease the level of investment in the Company, on an annual basis, by surrendering or taking up further Ordinary Shares issued by the Board.

How do I cash in my Investment?

The Board may compulsorily require the surrender of Ordinary Shares held in certain circumstances. The Company's constitution provides for this compulsory surrender should the shareholder cease to be a transacting shareholder, be in breach of its obligations

to the Company under the Membership Agreement or any other applicable contract, the share capital is no longer required for working capital purposes, the shareholder is competing with the Company in a manner detrimental to the Company or the shareholder is in default of the payment of money to the Company. If any of these events happen, and subject to the Company meeting the solvency test as required by the Company's Act 1993, a surrendering shareholder will receive an amount equal to the nominal value of \$1.00 per Ordinary Share surrendered.

Most commonly, the following occur:

- Ordinary Shares will be surrendered upon the transacting shareholder selling or closing his / her pharmacy business. In this case, the shareholder will receive the nominal value of \$1.00 per Share surrendered although the time of payment may be deferred depending on the cashflow requirements of the Company at the time;
- Ordinary shares would be issued to the new purchaser in the event of a sale of a member's business, the Shares being issued at the nominal value of \$1.00 each. Any such issue is at the discretion of the Board upon the proposed purchaser being approved as a member of the Co-operative.

In any other circumstances, the surrender or redemption of Ordinary Shares is at the discretion of the Board as stipulated in this Investment Statement and the Prospectus.

No charges are payable by a shareholder in respect of the transfer, surrender or redemption of Ordinary Shares.

In the opinion of the Board, there is no established market for the sale of Ordinary Shares other than as set out above.

Shareholders are entitled to sell their Shares to another transacting shareholder subject to meeting minimum share holding requirements, the Board's right to refuse registration of a share transfer and those other restrictions set out in clause 6 of the Company's constitution.

Who do I contact with enquiries about my investment?

The Managing Director
Pharmacy Wholesalers (Bay of Plenty) Limited
P.O. Box 104
7 Tangmere Place
TAURANGA

Telephone: (07) 541 3756
Fax: (07) 541 3758

Is there anyone to whom I can complain if I have problems with the Investment?

The Managing Director
Pharmacy Wholesalers (Bay of Plenty) Limited
P.O. Box 104
7 Tangmere Place
TAURANGA

Telephone: (07) 541 3756
Fax: (07) 541 3758

No ombudsman exists to whom complaints about the investment can be directed.

What other information can I obtain about this investment?

Further information about the securities offered in this Investment Statement and the Company is contained in the registered Prospectus and in the audited financial statements of the Company.

The following information is available on request free of charge from the Company:

- a copy of the most recent annual report and financial statements of the Company that have been registered under the Financial Reporting Act 1993;
- a copy of the Prospectus, together with copies of any documents registered under the Securities Act 1978; and
- a copy of this Investment Statement..

A shareholder will be sent a copy of the Company's annual report and financial statements in each year in conjunction with the holding of the Company's annual general meeting.

Requests for all or any of these documents should be made in writing to the General Manager at the address given above.

A copy of the Prospectus (including the financial statements) and other documents relating to the Company are filed on a public register at the Companies Office and available for public inspection (on payment of the relevant fee (if any)) by searching the Companies Office website www.companies.govt.nz.