



INVESTMENT STATEMENT

RELATING TO THE OFFER OF SHARES

IMPORTANT INFORMATION

(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 that prospectus on request.

CHOOSING AN INVESTMENT ADVISER

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- ~ Whether the adviser gives advice only about particular types of investments; and
- ~ Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- ~ Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition:

- ~ If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- ~ If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

RECEIPT OF THIS INVESTMENT STATEMENT

If you are not an existing shareholder in PPCS and you did not receive a copy of this Investment Statement before applying for shares then you may, within 10 working days of the date on which this Investment Statement was sent to you by PPCS, withdraw your application for shares by written notice to PPCS.

An application for shares is made if you elect to supply livestock to PPCS under the rebate system.

WHAT SORT OF INVESTMENT IS THIS?

1 Description of Securities

The securities being offered are fully paid ordinary shares in the capital of PPCS Limited (PPCS). The shares are issued at, and have a nominal value of, one dollar (\$1.00). If you supply livestock to PPCS, then you will be eligible to participate in the PPCS rebate system. The key aspects of this system are summarised in section 6 below. If you elect to participate in the rebate system, then you must become a shareholder in PPCS. The maximum number of shares that you can hold is currently 17,500 shares. The shares will be issued in lieu of the payment of rebates (in whole or in part) to the extent set out in section 4 below.

The shares have the rights, privileges and obligations set out in PPCS' constitution, which can be obtained in the manner set out in section 15 below. The principal rights attaching to the shares are:

- ~ the right to receive dividends, and eligibility to receive rebates;
- ~ the right to vote at a meeting of shareholders of PPCS;
- ~ the right to nominate and vote on the appointment of the directors of PPCS (at the discretion of the Board of PPCS potentially only in relation to the district within which you farm); but

any voting rights only exist so long as you are a "Current Supplier" (as defined in the constitution of PPCS) at the time of voting.

Shares are only being offered to suppliers of livestock to PPCS who have elected to enter the rebate system, and no other person is eligible to apply.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

2 Names and Addresses

The name and address of the issuer is:

PPCS Limited
218 George Street, Dunedin

3 Activities

PPCS is involved in the processing of lambs, sheep, cattle and deer at plants in New Zealand. PPCS markets meat and animal-related products throughout the world. These are the principal activities of PPCS, and PPCS has been undertaking one or more of these activities since 1948. More information on PPCS can be found at www.ppcs.co.nz.

HOW MUCH DO I PAY?

4 Moneys payable by Subscribers

The shares have a nominal value of one dollar (\$1.00), and one dollar (\$1.00) is payable for each share. This amount is paid by you to PPCS by the amount being deducted from rebates payable to you by PPCS which arise from the supply of livestock to PPCS.

A rebate may be paid in the form of cash and/or shares. Under the rebate system 100% of the rebate payable to you is deducted by PPCS and applied to purchase your shares until you hold 1,000 fully paid shares (i.e. \$1,000), and then 33% of the rebate payable to you is deducted by PPCS and applied to purchase your shares until you hold 17,500 fully paid shares, which is currently the maximum number of shares you can hold.

You must hold a minimum of 1,000 shares before you may receive any cash rebates. The PPCS Board can determine to increase or decrease the minimum number of shares you must hold to be eligible to receive some or all of the rebate payable to you in cash (rather than deducting 100% of your rebate to pay for your shares).

WHAT ARE THE CHARGES?

5 Types of Charges

There are no entry, administration, management or other charges payable by you in respect of the shares. PPCS pays all charges in connection with the issue of shares.

WHAT RETURNS WILL I GET?

6 Returns

There are normally no dividends paid on the shares.

As a shareholder, you will be entitled to rebate payments based on the profit derived by PPCS from the type of livestock you have supplied. As stated above, to be eligible for rebates you must supply stock to PPCS under PPCS' rebate system. Upon doing so you will be issued fully paid shares (over time) in accordance with the amount of rebates issued to you as shares by PPCS, as described in section 4 above. Once you hold the prescribed number of shares (currently 1,000 shares), but subject to any retention as described in section 4 above, you will begin to receive rebates in cash (if any).

The amounts payable by way of rebates cannot be quantified in advance and the payment of any particular amount of rebates is not promised.

The holding of shares in PPCS gives you no right or entitlement to any return and if there is no, or insufficient, profit earned by PPCS then no rebates are paid. If during a given period you do not supply any livestock to PPCS then you will not receive a rebate. The Board of PPCS determines the level of the rebates payable and the timing of such payments. The level of your rebate as determined by the PPCS Board is related to the livestock supply made by you to PPCS, and not to the number of shares you hold.

If the Board of PPCS determines that a rebate should be paid, PPCS is the person legally liable to pay rebates. PPCS is entitled, under its constitution, to withhold from rebates such amount as is necessary to pay the amount of one dollar (\$1.00) for each share to be issued to you, as described in section 4 above.

The rebate is paid out from the pre-tax profits of PPCS, and there are no deductions made from the rebates payable except share application moneys. Before determining the amount of profit distributable as rebates, PPCS will determine and retain such amount as it considers appropriate for its on-going business.

Under the rebate system, 10% of the schedule price of the livestock supplied by you will be retained by PPCS and, at the discretion of the Board of PPCS, paid out at a later date. This retention is not used to pay for shares.

There are no specific dates by which the retained schedule price and any rebates are payable. Under the current system, which is subject to change at the discretion of the PPCS Board:

- ~ The retained schedule price will be paid on the 15th day of the fourth month following the date of delivery of stock supplied to PPCS.
- ~ A rebate (if any) will be paid in approximately June for supplies made under the rebate system in the previous June to December period, and December for supplies made under the rebate system in the previous January to May period.

WHAT ARE MY RISKS?

7 Risks

There is a risk that persons supplying under the rebate system may not receive (in full or in part) the 10% of the schedule price retained by PPCS. This may result from PPCS making, or anticipating that it will make, a loss in the financial year in which the livestock was supplied, or if PPCS suffers from financial difficulties. The PPCS Board will determine if the retention is to be paid. There is also a risk that if PPCS suffers from financial difficulties it will not be able to accept the surrender of shares and repay the one dollar (\$1.00) capital repayable on each share on surrender.

Financial difficulties may result from any number of factors including a deterioration in economic conditions, general operational risks, a change in key supply or customer relationships, an increase in competition, the incidence of disease, industrial action, food safety compliance issues, the restriction of access to overseas markets, foreign exchange movements, a loss in plant capacity, information technology failure, electricity shortage/price increases or failed acquisitions and growth initiatives.

The holding of shares in PPCS gives no right or entitlement to any return on those shares. The profits of PPCS are distributed by way of individualised rebate being paid to shareholders who supply livestock under the rebate system to PPCS. If there are no or insufficient profits available for distribution, no rebates are paid. Shareholders that do not supply any livestock to PPCS during a given period will receive no rebates for that period and will receive no return unless a dividend is paid (there are normally no dividends).

A person who is issued shares will not be required to pay more for the shares than the one dollar (\$1.00) for each share, payable solely as set out in section 4 above.

8 Consequences of Insolvency

The liability of an applicant for shares, in the event that PPCS is placed in liquidation or receivership, cannot extend beyond the one dollar (\$1.00) paid for each share in the Company. In the event of a liquidation of PPCS, all secured and unsecured creditors of PPCS and its subsidiaries, and all moneys payable under any preference shares issued by PPCS, will rank ahead of the claim of each shareholder. In particular, shareholders will constitute unsecured creditors of PPCS, in the event of a liquidation, in respect of the 10% of the schedule price retained by PPCS which has not yet been paid to a shareholder (though this will not include any retention which PPCS has advised a shareholder it will not be paid on the basis described in section 7 above) and in respect of dividends or rebates declared by PPCS, but not yet paid.

Shareholders will otherwise only receive a payment if there is a residual amount remaining after paying all debts and other liabilities of PPCS and its subsidiaries, including the amount payable on redemption of any preference shares, and the costs of liquidation.

All shareholders would then rank equally for payment in proportion to the number of shares held by each shareholder.

CAN THE INVESTMENT BE ALTERED?

9 Alteration of Securities

After the shares have been issued there is no right to increase the amount payable by the applicant for the shares. The shares will be issued as fully paid up.

The rights attached to the shares, as set out in PPCS' constitution, can only be changed by a special resolution of the holders of the shares constituting "Current Suppliers" (as defined in the constitution of PPCS) passed at a meeting called for that purpose. In order to be passed, a special resolution requires the approval of a majority of 75% of the votes cast at the meeting either in person or by proxy.

PPCS can issue preference shares or other securities that rank ahead of the shares for payment of principal and distributions.

HOW DO I CASH IN MY INVESTMENT?

10 Early Termination

An applicant shareholder will be entitled to surrender nominal value shares held in PPCS if:

- ~ the shareholder has not been a supplier of livestock to PPCS for the immediately preceding five years;
- ~ the shareholder has disposed of, or changed the use of, the shareholder's property and other assets such that the shareholder does not have the capacity to continue as a supplier of livestock to PPCS; or
- ~ if the shareholder dies,

and may otherwise apply to the Board for the surrender of such shares, which application the Board may at its discretion accept or reject.

PPCS may require a shareholder to surrender shares if the shareholder:

- ~ ceases to be a transacting shareholder;
- ~ fails to materially comply with the terms of any supply contract with PPCS;
- ~ fails to pay money owed to PPCS;
- ~ holds less than the minimum holding of shares;
- ~ is in competition with PPCS;

or if surrender is in the best interests of PPCS or is necessary to maintain its co-operative principles.

In all cases, PPCS must be able to meet the solvency test under the Companies Act 1993 in making the payment required on surrender (the surrendering shareholder is entitled to the paid up nominal amount of the shares as at the date of the surrender). All shares are cancelled on surrender.

11 Right to Sell Securities

Shares are normally surrendered and not transferred. The Board may permit the transfer of shares to a person acquiring a farm and farming activities from a shareholder to enable the orderly transfer of that farming activity between family members. There is no active market for the transfer of shares.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

12 Enquiries about Securities

The name of the employee of PPCS to whom enquiries about the shares can be made, and the address and business telephone number of that person is:

Corporate Counsel
PPCS Limited
218 George Street
Dunedin
Phone: (03) 477 3980

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

13 Complaints about Securities

The name of the employee of PPCS to whom complaints about the shares can be made, and the address and business telephone number of that person is:

Corporate Counsel
PPCS Limited
218 George Street
Dunedin
Phone: (03) 477 3980

There is no ombudsman to whom complaints about the shares can be made.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

14 Prospectus and Financial Statements

Other information about the shares and PPCS is contained or referred to in a prospectus issued by PPCS and in the most recent financial statements of PPCS.

A copy of the prospectus, the most recent financial statements of PPCS and PPCS' constitution can be obtained, free of charge, from:

PPCS Limited
218 George Street
Dunedin
Phone: (03) 477 3980

The prospectus, financial statements, constitution and other documents of, or relating to, PPCS are filed on a public register at the Companies Office of the Ministry of Commerce and are available there for public inspection. Copies are also available from the Companies Office website www.companies.govt.nz.

15 Annual Information

In each year every shareholder of PPCS who is a supplying shareholder is sent a copy of the Annual Report of PPCS. This Annual Report includes the financial statements of PPCS for the relevant financial year.

16 On Request Information

The information which is available on request from PPCS is a copy of the prospectus, a copy of the most recent financial statements of PPCS and its group companies, a copy of the constitution of PPCS, the latest Annual Report of PPCS and any other information that you are entitled to request under regulation 23A of the Securities Regulations 1983. Any request for such information should be made to PPCS at 218 George Street, Dunedin, or by telephoning (03) 477 3980. No charge will be made for the information provided to each applicant.

In addition, a shareholder is entitled to request information from a company in accordance with section 178 of the Companies Act 1993. A company is permitted to charge a reasonable amount for supplying that information in accordance with section 178.