



INVESTMENT STATEMENT

RELATING TO THE OFFER OF SUPPLIER INVESTMENT 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 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 from 1 November 2006.

WHAT SORT OF INVESTMENT IS THIS?

I Description of Securities

The securities being offered are a class of ordinary shares in the capital of PPCS Limited (PPCS), which such class is described as Supplier Investment Shares (Shares). You will be automatically applying to acquire Shares if you supply livestock to PPCS on or after 1 November 2006. The allocation system is summarised in this section I below.

The Shares are issued at, and have a nominal value of, one dollar (\$1.00). The maximum number of Shares that you can hold is currently 15,000, but the Board of Directors of PPCS reserves the right to increase this maximum amount.

Rights attaching to the Shares

The Shares have the rights, privileges and obligations set out in PPCS' constitution, which can be obtained in the manner set out in section 14 below, subject to the following rights, privileges and obligations determined by the Board of PPCS in accordance with its constitution:

- ~ the Shares may be voted only for the purpose of electing directors (at the discretion of the Board of PPCS potentially only in relation to the district within which you farm);
- ~ the Shares may be voted regardless of whether the shareholder is a "Current Supplier" (as defined in the constitution of PPCS);
- ~ the total Shares held by a particular shareholder that are eligible to be voted at any time equals the total stock units supplied by that shareholder in the immediately preceding "Season" (as defined in the constitution of PPCS) multiplied by three, or the total number of Shares held by that shareholder, whichever is the lesser;
- ~ the Shares are not eligible to receive a "Marketing Rebate" (as defined in the constitution of PPCS); and
- ~ the Shares are not included in determining or calculating the minimum shareholding that a person requires to hold to be eligible to be elected a director of PPCS (as such minimum is contained in the constitution of PPCS).

The principal rights attaching to the Shares are:

- ~ the right to receive dividends; and
- ~ the right to 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).

The Shares are only being offered to suppliers of livestock to PPCS (being transacting shareholders in terms of the Co-operative Companies Act 1996), and no other person is eligible to apply for or to be issued Shares.

Basis of allocation

Livestock supplied to PPCS from 1 November 2006 will have a "stock unit equivalent" for the purposes of this Share issue. That livestock, being the only livestock applicable to this Share issue, and their stock unit equivalent is as follows:

- ~ one stock unit equivalent per ovine animal or goat supplied to PPCS;
- ~ six stock unit equivalents per cervine animal supplied to PPCS;
- ~ twelve stock unit equivalents per bovine animal (excluding bobby calves) supplied to PPCS.

The maximum number of Shares you may hold is 15,000, and no more than 7,500 Shares will be issued to you in relation to your livestock supply in any one "Season" (as defined in the constitution of PPCS). No Shares will be issued to you in relation to your livestock supply in any Season unless you supply to PPCS a minimum of 100 stock unit equivalents in that Season. The Board of PPCS may increase these maximums or the minimum in its discretion.

Shares will be issued to you in the ratio of one Share to one stock unit equivalent and, subject to not exceeding either of the maximums and exceeding the minimum described immediately above, will be issued to you in the following amounts:

- ~ in your first "Season" (as defined in the constitution of PPCS) of supply post 1 November 2006, and in the following two Seasons thereafter, in equal proportion to the stock unit equivalents supplied by you in each of those three Seasons; and
- ~ thereafter, if at any time the total stock unit equivalents supplied by you in the immediately preceding three seasons exceeds your total Share holding by more than 100, an amount of Shares equivalent to the total stock unit equivalents supplied by you in those immediately preceding three seasons less your total Share holding.

If you have been issued a supplier number by PPCS you may elect at any time to purchase Shares up to the maximum holding of 15,000 Shares, and any such purchase shall be credited against the Shares to be issued to you. Shares purchased by you in this manner will be paid for on the same basis as set out in the initial two paragraphs of the section "How much do I pay".

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, deer and goats 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 ninety cents (\$0.90) is payable by you for each Share. This amount per Share is paid by you by PPCS deducting amounts payable to you which arise from the supply of livestock by you to PPCS.

The balance of ten cents (\$0.10) is payable by PPCS by way of a dividend on the Shares that is applied to pay up the Shares in full. The dividend will be taxable but, if PPCS has sufficient imputation credits available, it will attach full imputation credits to that dividend. Tax may be payable on the amount of the dividend to the extent that sufficient imputation credits are not attached to the dividend.

PPCS intends paying the balance of ten cents (\$0.10) for all partly paid shares in October of each year.

A person who is issued Shares will not be required to pay more for the Shares than ninety cents (\$0.90) for each Share, payable solely as set out in this section 4.

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 and costs in connection with the issue of the Shares.

WHAT RETURNS WILL I GET?

6 Returns

You are entitled to receive any dividends paid on the Shares.

Dividends are declared at the discretion of the PPCS Board. The amounts payable by way of dividend cannot be quantified in advance and the payment of any particular amount of dividends is not promised. If your Shares are not fully paid (because PPCS has not paid the ten cents (\$0.10) described in section 4 above) on the record date for determining the entitlement of payment of any dividend then you are unlikely to receive a dividend in relation to those Shares (other than the dividend referred to in section 4 above to pay up the Shares in full).

PPCS intends paying the balance of ten cents (\$0.10) for all partly paid Shares in October of each year; and after setting the record date for the payment of any dividend arising from PPCS' immediately preceding financial year. This means that Shares purchased in the Season corresponding to the financial year for which a dividend is paid are unlikely to receive a dividend paid in relation to that financial year, but will be entitled to receive dividends paid in subsequent years.

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 dividends are likely to be paid.

Before determining the amount of profit distributable as a dividend, PPCS will determine and retain such amount as it considers appropriate for its on-going business.

The amount of taxes paid, and the reserves made, by PPCS in any year may affect the amount of any dividend paid, but the impact cannot be quantified in advance.

WHAT ARE MY RISKS?

7 Risks

There is a risk that you may not receive (in full or in part) the ten cents (\$0.10) payable on each Share by PPCS. This may occur if PPCS suffers from financial difficulties.

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 ninety cents (\$0.90) or (for fully paid Shares) 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, failed acquisitions and growth initiatives or the imposition of adverse regulations.

The holding of Shares in PPCS gives no right or entitlement to any return on those Shares. The profits of PPCS are primarily distributed by way of individualised rebate paid to shareholders who supply livestock under PPCS' rebate system. Shareholders will receive no return unless a dividend is paid.

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 ninety cents (\$0.90) paid by that applicant 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 ten cents (\$0.10) payable by PPCS which has not yet been paid to a shareholder and in respect of dividends 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 between themselves and equally with holders of ordinary rebate shares 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, and the subscriber has paid \$0.90 per Share, there is no right to increase the amount payable by the applicant for the Shares.

The rights attached to the Shares, as set out in PPCS' constitution and in section I above, 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. In addition, depending on the nature of the change, a separate class vote of each of Current Suppliers and holders of the Shares may be required.

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 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 the Board in its discretion determines that the surrender is in the best interests of PPCS or is necessary to maintain its co-operative principles.

The surrendering shareholder is entitled to the paid up nominal amount of the Shares as at the date of the surrender (which will be either \$0.90 or \$1.00, depending on whether PPCS has at the time of surrender paid the \$0.10 portion of the share price payable by it).

In all cases, PPCS must be able to meet the solvency test under the Companies Act 1993 in making the payment required on surrender. All Shares are cancelled on surrender.

11 Right to Sell Securities

Shares are normally surrendered and not transferred. The Board may in its discretion 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 employee of PPCS to whom enquiries about the Shares can be made, and the address and business telephone number of that employee 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 employee of PPCS to whom complaints about the Shares can be made and the address and business telephone number of that employee 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 with the Registrar of Companies and can be viewed on the Companies Office website www.companies.govt.nz.

Where the relevant documents are not available on the website, a request for documents can be made by telephoning the Companies Office Contact Centre on 0508 266 726.

The Companies Office may charge a fee to view these documents.

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.

*This Investment Statement is dated:
6 October 2006*

DIRECTORS' STATEMENT

There are no material matters relating to the offer of Shares other than:

- (a) matters set out elsewhere in this Investment Statement, the registered Prospectus for the Shares or in PPCS' latest financial statements registered under the Financial Reporting Act 1993; or
- (b) contracts entered into by PPCS or its subsidiaries in the ordinary course of its business.

After due enquiry by the Directors in relation to the period between the date of the most recent statement of financial position registered by PPCS under the Financial Reporting Act 1993 and the date of this Investment Statement, there have not, in the opinion of the Directors, arisen any circumstances that may materially adversely affect:

- (a) the trading or profitability of the PPCS group; or
- (b) the value of the assets of the PPCS group; or
- (c) the ability of the PPCS group to pay its liabilities due within 12 months of the date of this Investment Statement.

Signed by each of the Directors or by their duly appointed agent:



R A Burnside

R A Burnside for:

L J Alderton, MA Borthwick, R P Curd, T W Egan,
I F Farrant, D S Ferraby, E R H Garden, J R Hart,
T B McNab, R J Somerville