HALF-YEAR REVIEW

This interim report has been prepared for bondholders, in relation to the two issues of PPCS Limited debt securities listed on the New Zealand Debt Market. It provides financial information for the Consolidated Group and therefore cannot be directly compared to the 2005 Interim Report that was for the Parent Company only. We elected to make this change to remove any confusion which may have arisen from the amalgamation of Richmond Limited with PPCS Limited in January 2005.

For the six months ending 5 March 2006, PPCS Limited reports a Consolidated Group net loss before tax of $7.3m and an after-tax loss of $3.1m. The result comprises a pre-tax $26.7m trading loss and a $19.4m profit on the sale of surplus South Island property. As a farmer-owned co-operative, there is no dividend related to the half-year as shareholder suppliers are paid a rebate at year's end, based on the company's full-year performance.

The first six months of each financial year traditionally represent the lowest months of profitability in the meat industry. The months September to December 2005 inclusive were more difficult than most, due to a culmination of factors, including currency, cost increases within New Zealand and weakness in the marketplace. Lamb, in particular, is experiencing a very difficult period, as consumers resist relatively high prices and switch to alternative proteins.

The $19.4m unusual profit relates to the sale of land and buildings and is in accordance with our strategic vision for the operational requirements of the company during the next decade. Further sales of surplus land are anticipated in the future.

The board is considering changing the company's balance date from 31 August to 30 September. This would make comparatives to other industry participants more meaningful, as well as better reflecting end-of-season inventories, trade receivables and bank debt. For example (to enable comparison with other industry participants), if PPCS was reporting for the six-month period ended March 2006, the trading profit before tax and asset sales would have been approximately $13m.

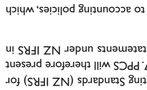
The company continues to invest in enhancing the performance of the business, with an annual budget of $30m for capital expenditure and research/development. In the first six months, $13m was invested in this area.

Looking forward, we are expecting the second half of the financial year to be more profitable. This is based on the resumption of traditional stock flows, resultant plant efficiencies, the positive contribution of North Island operations (after a period of restructuring) and correctly-reflected market returns. The trading results for March and April to date reflect these changes and are above budget. We are, therefore, on target to produce a positive trading result for the 12 months ending 31 August 2006, with shareholders' funds projected to exceed $260m at that time.

The group's marketing strategy revolves around dealing directly, as far as practically possible, with the end user – retailers, food service distributors and manufacturers in the marketplace – with the objective of achieving a higher margin. However, this does come at a cost with respect to the additional funding required to carry higher stock holdings as product is managed into the marketplace. While inventories are higher at the end of February 2006, our forward sales are above that of last year. This strategy and the consequent funding requirements are accommodated within the Group's funding lines.

On 20 March, based on the then provisional result, we disclosed through the Stock Exchange that the earnings-to-interest costs measurement for both series of Bonds issued by PPCS (PPC010 and PPC020) had not been met. We advised that this requirement was waived by the relevant parties (PPCS' senior bank lenders and the Trustee for the Bonds) for the February quarterly reporting date. The "earnings-to-interest costs measurement" referred to is a financial ratio contained within the respective Supplemental Trust Deeds for each series of bonds. This matter does not in any way affect the payment of interest on the Bonds and payments will continue as normal. Based on current profitable trading, we expect to satisfy the requirement for the remainder of the year.

PPCS is on target to conclude the year positively.



J R Hart
Chairman

S A Barnett
Chief executive

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 31 AUG 05 $000		6 MONTHS ENDED 5 MAR 06 $000	6 MONTHS ENDED 27 FEB 05 $000
2,029,731	Revenue	853,040	902,474
(1,969,143)	Operating expenses	(851,455)	(872,288)
60,588	Earnings before interest, taxation, depreciation and amortisation	1,585	30,186
(28,629)	Depreciation and amortisation	(15,324)	(13,842)
31,959	Earnings before interest and taxation	(13,739)	16,344
(23,698)	Interest	(12,919)	(12,102)
8,261	Operating surplus before taxation	(26,658)	4,242
12,771	Non-recurring items	19,386	11,840
21,032	Surplus before taxation	(7,272)	16,082
(1,315)	Taxation credit/(expense)	4,188	(2,258)
19,717	Net surplus	(3,084)	13,824
154	Minority interests	-	-
19,871	Net surplus attributable to the shareholders of the parent company	(3,084)	13,824

STATEMENT OF MOVEMENTS IN EQUITY

YEAR ENDED 31 AUG 05 $000		6 MONTHS ENDED 5 MAR 06 $000	6 MONTHS ENDED 27 FEB 05 $000
19,871	Net surplus for the period	(3,084)	13,824
(154)	Minority interest	-	-
(3,287)	Movement in reserves	3,563	(1,273)
16,430	Total recognised revenues and expenses	479	12,551
	Contributions from owners:		
6,308	Ordinary shares issued	-	341
6,308	Total contributions from owners	-	341
	Distribution to owners:		
(14,306)	Distributions	-	(905)
(363)	Redeemable preference share dividend	(531)	-
(1,632)	Shares surrendered	(513)	(1,230)
(109)	Preference shares redeemed	(3,114)	-
(16,410)	Total distributions to owners	(4,158)	(2,135)
-	Net other movements	615	193
6,328	Net movements in equity in the period	(3,064)	10,950
230,811	Equity at the beginning of the period	237,139	230,811
237,139	Equity at the end of the period	234,075	241,761

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUG 05 $000		AS AT 5 MAR 06 $000	AS AT 27 FEB 05 $000
	Equity		
54,814	Share capital	51,187	49,358
(251)	Reserves	3,312	1,822
182,214	Retained surplus	179,226	190,055
362	Minority interests	350	526
237,139	Total equity	234,075	241,761
	Non-current assets		
325,656	Property, plant & equipment	320,071	317,885
4,721	Deferred taxation	8,368	4,179
10,841	Investments	8,831	12,042
341,218	Total non-current assets	337,270	334,106
	Current assets		
2,988	Cash	6,256	7,697
134,050	Trade receivables	179,569	250,625
258,664	Inventories	373,332	299,306
4,586	Other current assets	32,116	7,543
400,288	Total current assets	591,273	565,171
741,506	Total assets	928,543	899,277
	Non-current liabilities		
184,105	Secured loans	-	182,650
122,395	Bonds	122,978	121,816
306,500	Total non-current liabilities	122,978	304,466
	Current liabilities		
2,969	Bank overdraft	259	22
95,608	Trade creditors	125,625	122,537
6,679	Owing to suppliers	11,734	6,928
74,549	Secured loans	415,333	197,671
18,062	Other current liabilities	18,539	25,892
197,867	Total current liabilities	571,490	353,050
504,367	Total liabilities	694,468	657,516
237,139	Net assets	234,075	241,761

STATEMENT OF CASH FLOWS

YEAR ENDED 31 AUG 05 $000		6 MONTHS ENDED 5 MAR 06 $000	6 MONTHS ENDED 27 FEB 05 $000
	Cash flows from operating activities		
2,038,452	Receipts from customers	798,958	876,289
250	Interest received	212	104
796	Dividends received	-	-
(1,992,148)	Payments to suppliers and employees	(919,258)	(1,019,645)
(23,698)	Interest paid	(10,864)	(8,783)
(4,119)	Income taxes received/(paid)	-	-
19,533	**Net cash flows from operating activities**	(130,952)	(152,035)
	Cash flows from investing activities		
18,116	Sale of property, plant and equipment	-	17,500
-	Sale of equity investments	3,650	-
(31,088)	Purchase of property, plant and equipment	(9,156)	(11,543)
(1,167)	Purchase of equity investments	-	(533)
(14,139)	**Net cash flow from investing activities**	(5,506)	5,424
	Cash flows from financing activities		
50,000	Borrowings	155,804	158,398
(13,268)	Repayment of borrowings	-	-
(41,208)	Distributions paid and shares surrendered	(13,464)	(5,341)
(1,399)	Other financing cash flows	-	-
(5,875)	**Net cash flows from financing activities**	142,340	153,057
(481)	Net increase/(decrease) in cash held	5,882	6,446
807	Cash at the beginning of the period	19	807
(307)	Impact of exchange rate movements on cash	96	422
19	**Cash at the end of the period**	5,997	7,675
	Represented by:		
2,988	Cash	6,256	7,697
(2,969)	Bank overdraft	(259)	(22)
19	Cash at the end of the period	5,997	7,675
19,717	Net surplus	(3,084)	13,824
	Reconciliation of net surplus of Group to net cash flows		
	Adjustment for non-cash items		
28,629	Depreciation and amortisation	15,324	13,842
(17,338)	Other non-cash items	8,976	3,406
(11,475)	Movements in working capital	(152,168)	(183,107)
19,533	**Net cash flows from operating activities**	(130,952)	(152,035)

For and on behalf of the Board, which authorised the issue of the Financial Report on 24 April 2006.

J R Hart
CHAIRMAN

I F Farrant
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

The Financial Statements are prepared under Financial Reporting Standard 24 and should be read in conjunction with the Financial Statements and related notes included in the Company's 2005 Annual Report. There have been no changes in accounting policies applied during the current period.

The Financial Statements for the period are unaudited.

REPORTING ENTITY

The reporting entity providing these financial statements is the PPCS Consolidated Group.

DISTRIBUTIONS TO SHAREHOLDERS

To reward shareholder suppliers, a rebate is customarily paid each year in December relating to the season ended 31 August, subject to livestock class and company performance. It is not company practice to pay a dividend. These rebates are paid out of the company's retained earnings, though unlike dividends, they are tax deductible for the company and accessible in the recipients' hands.

CHANGES IN CONTINGENT LIABILITIES

Discounted bills of exchange are $36.299m compared to $36.247m at year end as disclosed in the 2005 Annual Report. There are no other changes in Contingencies.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

All New Zealand companies are required to convert to New Zealand equivalents of International Financial Reporting Standards (NZ IFRS) for periods beginning on or after 1 January 2007. PPCS will therefore present its first set of interim and annual financial statements under NZ IFRS in the year ending 31 August 2008.

Adoption of NZ IFRS may result in changes to accounting policies, which have an impact on the financial position and financial performance of the Group. We have commenced a programme to identify the key differences in accounting policies and financial impacts of these and will report on them in our 2006 Annual Report.

SURPLUS BEFORE TAXATION

YEAR ENDED 31 AUG 05 $000		6 MONTHS ENDED 5 MAR 06 $000	6 MONTHS ENDED 27 FEB 05 $000
336	Interest received	212	180
796	Dividends received	140	1,301
(1,104)	Amortisation of bond costs	583	397
27,525	Depreciation	14,741	13,445
3,363	Leasing and netting expenses	1,598	1,681
23,698	Interest expense	12,919	12,102

Included in surplus before taxation:

SEGMENTS

YEAR ENDED 31 AUG 05 $000		6 MONTHS ENDED 5 MAR 06 $000	6 MONTHS ENDED 27 FEB 05 $000
	Total company operating revenue:		
2,370,731	Total Sales by each segment of the group	1,023,041	1,050,082
(341,000)	Less Intersegment sales	(170,001)	(147,608)
2,029,731	Total revenue	853,040	902,474
19,717	Net surplus	(3,084)	13,824
741,506	Total assets	928,543	899,277
	New Zealand operations operating revenue:		
1,907,731	Sales by/from New Zealand	855,409	915,365
(341,000)	Intersegment sales	(170,001)	(147,608)
1,566,731	New Zealand third party revenue	685,408	767,757
18,500	New Zealand net surplus	(1,818)	12,881
591,987	New Zealand assets	816,413	791,347
	Offshore operations operating revenue:		
463,000	Sales by offshore subsidiaries	167,632	134,717
-	Intersegment sales	-	-
463,000	Total offshore revenue	167,632	134,717
1,217	Offshore net surplus	(1,266)	943
149,519	Offshore assets	112,130	107,930

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ppcs limited

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Private Bag 92119, Auckland 1020, New Zealand
tel: +64 9 488 8777 fax: +64 9 488 8787
email: enquiry@computershare.co.nz

ppcs limited

HALF YEAR REPORT TO BONDHOLDERS

For the six months ended 5 March 2006

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