

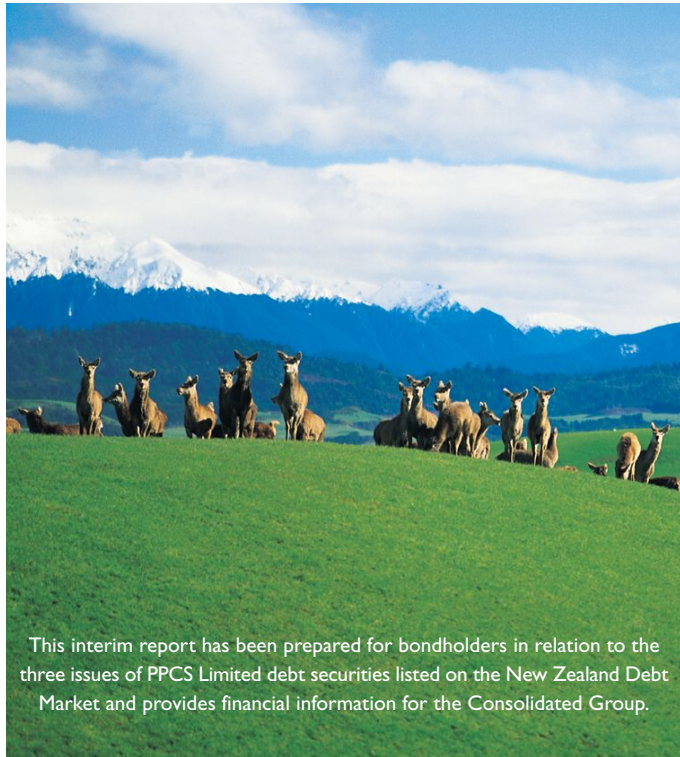


HALF YEAR REPORT TO BONDHOLDERS

For the six months ended 4 March 2007



## HALF-YEAR REVIEW



This interim report has been prepared for bondholders in relation to the three issues of PPCS Limited debt securities listed on the New Zealand Debt Market and provides financial information for the Consolidated Group.

PPCS Limited has achieved an improvement in underlying performance for the six months ended 4 March 2007 on the same period last year.

The company reported a net loss before interest, tax (EBIT) and non-recurring items of \$8.0 million, a 42 percent improvement on a \$13.7 million loss for the same period in 2006. The net loss after tax was \$12.5 million compared with \$3.1 million last year, though the 2006 result included a \$19.4 million non-recurring gain on the sale of surplus land and buildings.

The first six months of each financial year traditionally represent the lowest months of profitability in the meat industry, with higher profitability occurring in the second half of the financial year.

The interim result reflects the seasonality of the meat industry, accentuated by unsustainable early season livestock prices and the continued appreciation of the New Zealand Dollar.

We are pleased to see an improvement in underlying performance – particularly in plant operating expenses and overheads – although there continues to be room for improvement.

Operating cash flows during the period were stronger than the equivalent period last year due to greater sales activity and resultant stronger cash receipts, partially offset by higher payments to suppliers and employees. As a result, total borrowings have reduced by \$41 million relative to the equivalent period last year.

Shareholders' Equity has improved to 30 percent as at 4 March 2007, up from 25 percent at the equivalent period end last year. That improvement is a result of the successful implementation of Supplier Investment Shares from November 2006 and the periodic asset revaluation exercise undertaken in accordance with the company's accounting policies.

Over the six months ended 4 March 2007, the New Zealand Dollar remained strong against PPCS' major trading currencies and above budgeted levels.

A highly competitive procurement environment also saw prices for livestock reach unsustainable levels in the early season period.

While beef and venison continued to perform solidly, lamb experienced a difficult period. Consumers continued to resist prices that peaked in the 2004/05 season in the face of competition from alternative meat proteins, especially poultry and pork, and alternative lamb supply from Australia, influenced by drought conditions there.

#### NEW PROCUREMENT APPROACH

In April 2007, PPCS announced a new livestock procurement plan to better reflect market demand, provide improved market signals to our farmer suppliers and better manage seasonal effects on the company's earnings profile.

As described above, the skewed seasonal earnings profile of the meat industry sees processors post negative results in the first half as a result of fixed overheads in processing capacity and limited throughput over the July – October period.

However, this position has been exacerbated in recent years with processing-driven premiums being paid by the industry which are unrelated to market returns.

The key components of the plan, commencing July 2007, are that PPCS will offer forward price agreements outside the peak season based on market-related prices and to market specification and provide farmer-suppliers with guaranteed processing space.

We will also move to only procure livestock via PPCS' field representatives – reaffirming our confidence in our PPCS field network as the face of the company.

The changes may require us to re-configure some plant throughput capacities outside the peak season. However, we expect this to have minimal impact on our overall processing operations.

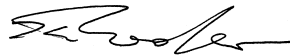
The new procurement plan measures are expected to improve the subsequent first half year results for the company.

#### OUTLOOK

The ongoing strength of the New Zealand Dollar remains a concern as we work through the second half of the year. Strong currency conditions undermine returns, as New Zealand exports meat into a global protein environment where prices remain under pressure.



Reese Hart  
Chairman



Keith Cooper  
Chief Executive Officer

## STATEMENT OF FINANCIAL PERFORMANCE

	6 MONTHS ENDED 4 MAR 07 \$000	6 MONTHS ENDED 5 MAR 06 \$000	YEAR ENDED 31 AUG 06 \$000
<b>Revenue</b>	<b>957,941</b>	853,040	2,027,582
<b>Operating Expenses</b>	<b>(951,308)</b>	(851,455)	(1,953,550)
Earnings before interest, taxation, depreciation and amortisation	<b>6,633</b>	1,585	74,032
Depreciation and amortisation	<b>(14,603)</b>	(15,324)	(30,814)
<b>Earnings before interest and taxation</b>	<b>(7,970)</b>	(13,739)	43,218
Interest	<b>(11,709)</b>	(12,919)	(31,825)
Operating surplus before taxation	<b>(19,679)</b>	(26,658)	11,393
Non-recurring items	<b>652</b>	19,386	17,677
Surplus before taxation	<b>(19,027)</b>	(7,272)	29,070
Taxation credit	<b>6,510</b>	4,188	2,131
<b>Net surplus</b>	<b>(12,517)</b>	(3,084)	31,201

## STATEMENT OF MOVEMENTS IN EQUITY

	6 MONTHS ENDED 4 MAR 07 \$000	6 MONTHS ENDED 5 MAR 06 \$000	YEAR ENDED 31 AUG 06 \$000
<b>Net surplus for the period</b>	<b>(12,517)</b>	(3,084)	31,201
Asset revaluation reserve movement	<b>20,975</b>	3,563	135
<b>Total recognised revenues and expenses</b>	<b>8,458</b>	479	31,336
<b>Contributions from owners:</b>			
Ordinary shares issued	<b>10,725</b>	–	4,128
<b>Total contributions from owners</b>	<b>19,183</b>	479	35,464
<b>Distribution to owners:</b>			
Distributions	<b>(1,927)</b>	–	(11,885)
Redeemable preference share dividend	<b>(168)</b>	(531)	(351)
Shares surrendered	<b>(1,039)</b>	(513)	(1,452)
Preference shares redeemed	<b>(27)</b>	(3,114)	(3,132)
<b>Total distributions to owners</b>	<b>(3,161)</b>	(4,158)	(16,820)
<b>Net other movements</b>	<b>(4,277)</b>	615	5,997
<b>Net movements in equity in the period</b>	<b>11,745</b>	(3,064)	24,641
<b>Equity at the beginning of the period</b>	<b>261,780</b>	237,139	237,139
<b>Equity at the end of the period</b>	<b>273,525</b>	234,075	261,780

## STATEMENT OF FINANCIAL POSITION

	AS AT 4 MAR 07 \$000	AS AT 5 MAR 06 \$000	AS AT 31 AUG 06 \$000
<b>Equity</b>			
Share capital	60,173	51,187	54,358
Reserves	30,150	3,312	9,175
Retained surplus	183,009	179,226	198,054
Minority interests	193	350	193
<b>Total equity</b>	<b>273,525</b>	234,075	261,780
<b>Non-current assets</b>			
Property, plant & equipment	334,363	320,071	313,873
Deferred taxation	6,336	8,368	7,240
Investments	6,988	8,831	7,861
<b>Total non-current assets</b>	<b>347,687</b>	337,270	328,974
<b>Current Assets</b>			
Cash	7,072	6,256	3,668
Trade receivables	192,306	179,569	169,116
Inventories	361,198	373,332	259,928
Other current assets	15,126	32,116	411
<b>Total current assets</b>	<b>575,702</b>	591,273	433,123
<b>Total assets</b>	<b>923,389</b>	928,543	762,097
<b>Non-current liabilities</b>			
Secured loans	143,134	–	1,583
Bonds	122,274	122,978	49,321
<b>Total non-current liabilities</b>	<b>265,408</b>	122,978	50,904
<b>Current liabilities</b>			
Bank overdraft	8,310	259	7,376
Trade creditors	115,814	125,625	83,868
Owing to suppliers	16,549	11,734	6,380
Secured loans	205,633	415,333	264,170
Bonds	18,804	–	74,451
Other current liabilities	19,346	18,539	13,168
<b>Total current liabilities</b>	<b>384,456</b>	571,490	449,413
<b>Total liabilities</b>	<b>649,864</b>	694,468	500,317
<b>Net assets</b>	<b>273,525</b>	234,075	261,780

For and on behalf of the Board, which authorised the issue of the Financial Report on 27 April 2007.



J R Hart  
CHAIRMAN



I F Farrant  
DIRECTOR

## STATEMENT OF CASH FLOWS

	6 MONTHS ENDED 4 MAR 07 \$000	6 MONTHS ENDED 5 MAR 06 \$000	YEAR ENDED 31 AUG 06 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers	1,130,454	798,958	1,928,483
Interest received	192	212	439
Dividends received	114	–	525
Taxation refund	–	–	2,801
Payments to suppliers and employees	(1,201,324)	(919,258)	(1,865,108)
Interest paid	(11,709)	(10,864)	(31,925)
<b>Net cash flows from operating activities</b>	<b>(82,273)</b>	<b>(130,952)</b>	<b>35,215</b>
<b>Cash flows from investing activities</b>			
Sale of property, plant and equipment	895	–	16,978
Sale of equity investments	–	3,650	3,682
Purchases of property, plant and equipment	(13,266)	(9,156)	(22,121)
<b>Net cash flow from investing activities</b>	<b>(12,371)</b>	<b>(5,506)</b>	<b>(1,461)</b>
<b>Cash flows from financing activities</b>			
Borrowings	101,819	155,804	7,098
Shares issued	5,560	–	449
Distributions paid and shares surrendered	(8,085)	(13,464)	(45,166)
Other financing cash flows	(2,211)	–	–
<b>Net cash flows from financing activities</b>	<b>97,083</b>	<b>142,340</b>	<b>(37,619)</b>
Net increase/(decrease) in cash held	2,439	5,882	(3,865)
Cash at the beginning of the period	(3,708)	19	19
Impact of exchange rate movements on cash	31	96	138
<b>Cash at the end of the period</b>	<b>(1,238)</b>	<b>5,997</b>	<b>(3,708)</b>
<b>Represented by:</b>			
Cash	7,072	6,256	3,668
Bank overdraft	(8,310)	(259)	(7,376)
<b>Cash at the end of the year</b>	<b>(1,238)</b>	<b>5,997</b>	<b>(3,708)</b>
<b>Reconciliation of net surplus to net cash flows</b>			
Net surplus	(12,517)	(3,084)	31,201
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation	14,603	15,324	32,191
Other non-cash items	(6,619)	8,976	(18,523)
Movements in working capital	(77,740)	(152,168)	(9,654)
<b>Net cash flows from operating activities</b>	<b>(82,273)</b>	<b>(130,952)</b>	<b>35,215</b>

## 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 2006 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 recipient's hands.

### CHANGES IN CONTINGENT LIABILITIES

Discounted bills of exchange are \$46.406 million compared to \$31.933 million at year end as disclosed in the 2006 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 reported 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 2007 Annual Report.

## SURPLUS BEFORE TAXATION

	6 MONTHS ENDED 4 MAR 07 \$000	6 MONTHS ENDED 5 MAR 06 \$000	YEAR ENDED 31 AUG 06 \$000
<b>Included in Surplus before taxation:</b>			
Interest received	192	212	439
Dividends received	161	140	309
Equity earnings	255	328	549
Amortisation of bond costs	712	583	1,377
Depreciation	13,891	14,741	30,814
Leasing and renting expenses	3,102	1,598	4,331
Interest expense	11,709	12,919	32,264

## SEGMENTS

	6 MONTHS ENDED 4 MAR 07 \$000	6 MONTHS ENDED 5 MAR 06 \$000	YEAR ENDED 31 AUG 06 \$000
<b>Total Group operating revenue</b>			
Total sales by each segment of the Group	1,159,792	1,023,041	2,378,857
Less intersegment sales	(201,851)	(170,001)	(351,275)
<b>Total revenue</b>	<b>957,941</b>	<b>853,040</b>	<b>2,027,582</b>
<b>Net surplus</b>	<b>(12,517)</b>	<b>(3,084)</b>	<b>31,201</b>
<b>Total assets</b>	<b>923,389</b>	<b>928,543</b>	<b>762,097</b>
<b>New Zealand operations operating revenue:</b>			
Sales by/from New Zealand	898,392	855,409	1,910,998
Intersegment sales	(201,851)	(170,001)	(351,275)
<b>New Zealand third party revenue</b>	<b>696,541</b>	<b>685,408</b>	<b>1,559,723</b>
<b>New Zealand net surplus</b>	<b>(11,598)</b>	<b>(1,818)</b>	<b>28,817</b>
<b>New Zealand assets</b>	<b>824,211</b>	<b>816,413</b>	<b>633,300</b>
<b>Offshore operations operating revenue:</b>			
Sales by offshore subsidiaries	261,400	167,632	467,859
Intersegment sales	–	–	–
<b>Total offshore revenue</b>	<b>261,400</b>	<b>167,632</b>	<b>467,859</b>
<b>Offshore net surplus</b>	<b>(919)</b>	<b>(1,266)</b>	<b>2,384</b>
<b>Offshore assets</b>	<b>99,178</b>	<b>112,130</b>	<b>128,797</b>

FOR ALL BOND-RELATED INVESTOR ENQUIRIES, CONTACT:

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