Independent Advisor's Report In Relation to Takeover Offer by Canterbury Meat Packers Limited for Phoenix Meat Company Limited

6 August 2001

PRICEWATERHOUSECOOPERS

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6 August 2001

Independent Advisor's Report Pursuant to the Takeovers Code (Rule 21) in Relation to the Takeover Offer by Canterbury Meat Packers Limited for all the Shares in Phoenix Meat Company Limited

1 Introduction

1.1. Introduction and Background

On 20 July 2001 Phoenix Meat Company Limited ("Phoenix" or "the Company") received a Takeover Notice under the Takeovers Code ("the Code") from Canterbury Meat Packers Limited ("CMP"), advising of CMP's intention to make a full offer to acquire all the fully paid ordinary shares (comprising voting shares and qualifying rebate shares) in Phoenix.

The principal features of CMP's Takeover Offer are summarised as follows:

- declaration of a cash dividend of $4.67 per share by Phoenix, plus imputation credits of $2.30 per share, with the dividend to be paid at the same time that payment is made by CMP pursuant to the offer;
- cash consideration for all outstanding Phoenix shares of $2.88 per share making a total cash payment to shareholders of $7.55 per share;
- the offer is conditional on CMP achieving a minimum 90% acceptance;
- the offer closes on 27 September 2001 (the "Closing Date"); and
- payment will be made no later than seven days from the Closing Date.

Full particulars of CMP's Takeover Offer will be set out in its offer document to be sent to all Phoenix shareholders.

Phoenix is an unlisted public company and is a "Code Company" by virtue of having more than 50 shareholders and more than $20M of assets. Accordingly, any offer that would result in the acquirer (CMP) owning or controlling more than 20% of Phoenix's voting capital must comply with the Code.

CMP presently has no shareholding in Phoenix, although Phoenix has a 20% interest in CMP. Two of Phoenix's Directors are also Directors of CMP.

This Report presents PricewaterhouseCoopers' assessment of the merits of the CMP offer, for the purpose of assisting Phoenix shareholders assess whether or not to accept the CMP offer.

1.2. Requirements Under the Takeovers Code

The requirements of the Takeovers Code, which came into effect on 1 July 2001 govern the process and timetable for the making of a full takeover offer for Phoenix. The Code prescribes the responsibilities and obligations of CMP (as the offeror) and Phoenix (as the "target") in respect of submitting a formal takeover offer, and the subsequent response to that offer by Phoenix, by way of a "target company statement"("TCS"). The TCS must be accompanied by an independent advisor's report (or a summary thereof) prepared pursuant to Rule 21 of the Code. Where only a summary report accompanies the TCS, then the full report must be available for inspection. The information to be included within the TCS is set out in the Second Schedule of the Code.

Under the Code, Phoenix is required to dispatch its TCS and the accompanying report to shareholders within 14 days after it receives the Takeover Notice, or within 14 days after it receives the Dispatch Notice confirming that the formal offer document has been sent to all shareholders. In this instance it is intended that Phoenix send its TCS and a summary of the Report to its shareholders in conjunction with the CMP offer document.

The appointment of PricewaterhouseCoopers as independent advisor to assess the merits of the CMP offer was confirmed by the Takeovers Panel ("the Panel") on 24 July 2001.

1.3. Purpose of Report

The purpose of the Report is primarily to assist Phoenix shareholders to evaluate the CMP offer by presenting our assessment of the merits of the CMP offer, and in so doing, to assist shareholders in forming their own opinions as to whether or not they should accept the CMP offer for all or part of their shareholding.

We note that each shareholder's circumstances and investment objectives will be different. It is therefore not possible to prescribe or advise what action an individual shareholder should take in response to the CMP offer. Our advice will necessarily be general in nature and is intended to assist each shareholder to form their own opinion as to what action they should take in the circumstances.

1.4. Overview of Approach to Assessing the Merits of the Offer

Rule 21 of the Code requires that the Report assess "*the merits of the offer*". There are no authoritative New Zealand guidelines as to how the merits of an offer should be assessed, and accordingly we believe that an offer must be assessed in light of its own features and the prevailing circumstances surrounding the offer and the target company's situation.

We have therefore undertaken our assessment in two stages. First, we have considered whether the offer price stipulated in the CMP offer is "fair", and secondly we have evaluated other considerations relevant to a shareholder's assessment of the CMP offer.

Our analysis of the fairness of the offer price has been undertaken by comparing our assessment of the current "fair market value" of Phoenix's shares against the consideration (including the proposed fully imputed dividend) stipulated in the CMP offer. Our assessment of the current fair market value of shares in Phoenix is set out in section 4.

Our evaluation of the "other considerations" relevant to the CMP offer includes:

- the prospects of the CMP offer becoming unconditional;
- the ability of CMP to fulfil the offer terms and make payment of all amounts (including dividends) due to the Phoenix shareholders accepting the offer;
- the prospects (if any) of a competing offer for Phoenix emerging; and
- the likely market value of Phoenix shares if the offer does not proceed.

Our analysis of these considerations is set out in section 5.

1.5. Information

The sources of information which we have had access to and relied upon are listed in Appendix 1.

1.6. Declarations, Qualifications, Disclaimer, Restrictions, and Limitation of Liability

This Report should be read in conjunction with the statements and declarations set out in Appendix 2, regarding our independence, qualifications, restrictions upon the use of this report, reliance on information, general disclaimer, and indemnity.

1.7. Note

All monetary amounts in this report are expressed in New Zealand currency and are stated exclusive of Goods and Services Tax ("GST"), unless indicated to the contrary. As is the case with most meat processing companies both CMP and Phoenix have a 30 September year-end. Generally, references to "year" should be taken as referring to each company's financial year ending on 30 September. For example, references to the "2000 year" refer to the financial year ended 30 September 2000.

2 Summary of Findings and Opinion as to the Merits of the CMP Offer

2.1. Valuation of Phoenix

We have valued Phoenix using a capitalisation of earnings approach. Consistent with the composition of Phoenix's asset base and income stream, we first valued CMP, and assessed a value for Phoenix's 20% minority interest in that company. We then valued Phoenix's beef processing business. A summary of our valuation of Phoenix is set out in the following table:

Summary of Phoenix Valuation	Low	High
CMP Valuation		
Estimated future maintainable EBIT ($'000)	15,000	15,000
EBIT Multiple	5.5	6.0
CMP Enterprise Value ($'000)	82,500	90,000
less CMP Core Debt ($'000)	(8,400)	(8,400)
CMP Equity Value ($'000)	74,100	81,600
Pro rata value of 20% interest ($'000)	14,820	16,320
Less minority interest discount	30%	25%
Value of Phoenix's 20% interest in CMP ($'000)	10,374	12,240
Value of Phoenix Beef Processing Business		
Estimated future Maintainable EBIT ($'000)	700	700
EBIT Multiple	5.0	5.5
Enterprise Value of Phoenix (= Equity Value) ($'000)	3,500	3,850
Add assessed value of 20% interest in CMP ($'000)	10,374	12,240
Total Phoenix Equity Value ($'000)	13,874	16,090
Phoenix Issued Capital	2,308,838	2,308,838
Resulting Value per Share	**$6.01**	**$6.97**

We cross-checked our valuation of Phoenix against the estimated dividend yield, and by comparison to Phoenix's NTA, which is projected to be $9.79 at 30 September 2001.

Our value range reflects approximately a 35% discount against projected NTA which we regard as reasonable in the circumstances, given the fact that the Phoenix share value reflects:

- a minority interest in CMP which is itself an unlisted closely held company;
- Phoenix's West Coast beef processing business has generated a return of less than 7% on total capital employed over the last 3 years; and
- shares in listed meat processing companies frequently trade at or below NTA.

CMP is offering Phoenix shareholders a cash payment of $2.88 per share, together with a fully imputed dividend of $4.67, making a total payment to shareholders of $7.55 per share. As the dividend component of the payment is fully imputed only those shareholders subject to tax on marginal income at the top 39 cent rate will have any further tax to pay, with the maximum amount of tax payable being 42 cents per share.

On the basis of comparing the $7.55 cash payment due to shareholders accepting the CMP offer against our valuation range for Phoenix shares of $6.01 to $6.97, we conclude that the total cash consideration specified in the CMP takeover offer is fair to Phoenix shareholders.

2.2. Other Considerations Relevant to CMP Takeover Offer

In our view it is very unlikely that an alternative takeover offer for Phoenix will emerge, particularly given the ownership restrictions contained in the Company's Constitution. In the event that the CMP takeover offer lapses, then we believe that the market price for Phoenix shares (to the extent that any "market" exists) is likely to fall below the total consideration contained in the CMP takeover offer, reflecting the very limited liquidity that exists for Phoenix shares.

We have concluded that the takeover offer consideration incorporates a reasonable premium against our assessed value range , reflecting an implicit sharing of the potential gains in terms of future cost savings and synergy benefits available to CMP once it has complete ownership of Phoenix.

The CMP takeover offer is subject to satisfaction of various regulatory conditions, relating to Commerce Commission approval and OIC consent (if required). Management of CMP advise that they are confident these approvals will be obtained within the requisite time frame.

We also understand that CMP has arranged the necessary funding (approximately $17.4M) in order to complete the share purchase and dividend payment in respect of Phoenix.

The key condition in the CMP takeover offer is the requirement for CMP to acquire at least 90% of Phoenix's issued capital, thereby enabling CMP to compulsorily acquire the balance and achieve outright ownership. Given Phoenix has a widespread shareholder base, with the top ten shareholders owning less than 15% of the Company's issued capital, the practicalities associated with satisfaction of this condition may prove challenging unless there is widespread acceptance of the CMP takeover offer amongst all shareholders including shareholders with relatively small share parcels.

The CMP takeover offer is being made pursuant to the recently introduced Takeovers Code. Under the Code CMP's offer must remain open until its stipulated closing date of 27 September. CMP has until this period to receive sufficient acceptances to reach its 90% minimum threshold. Similarly, Phoenix shareholders have until 5.00 pm on 27 September 2001 to lodge their acceptances.

2.3. Overall Conclusions

Our overall conclusions regarding the CMP takeover offer for Phoenix are:

- in reality CMP's takeover offer represents a buy-back by CMP of 20% of its issued capital, held by Phoenix, together with the purchase of Phoenix's West Coast beef processing business;
- CMP is offering Phoenix shareholders a total consideration (purchase price plus cash dividend) amounting to $7.55, which exceeds our assessed value range for Phoenix at the present time;
- we therefore regard the CMP offer as providing shareholders with "full and fair" value for their shares at the present time;
- CMP's takeover offer is subject to reaching a minimum 90% acceptance prior to the closing date 27 September 2001; and
- in the absence of the CMP takeover offer, we believe it is unlikely that shareholders will be able to realise their investment in Phoenix in the near future for equivalent value.

Accordingly, we believe that the CMP takeover offer for Phoenix is attractive to shareholders as it represents "full and fair value" for their shares and it is unlikely that a better offer will be available.

This section of our Report is a summary only, and should be read in conjunction with our full Report, as set out in the remaining sections of this document. Furthermore, this Report and the opinions expressed above must be read subject to the statements set out in Appendix 2.

3 *Phoenix and CMP Background*

3.1. Phoenix Corporate History

Phoenix is a public unlisted beef processing company based at Kokiri on the West Coast of the South Island. Phoenix has been in operation since 1980 and is the sole beef processing plant in the West Coast region.

Approximately 85% of Phoenix's production is exported through the use of independent marketing and distribution relationships, with the balance sold into the domestic market through the company's own local retailers (Westmeats and Premier Meats) and via other distribution channels.

Phoenix has 20% equity interest in CMP, which contributed approximately 87% of the Company's earnings in the year to 30 September 2000 and accounts for approximately 45% of the Company's total assets.

CMP which is ultimately controlled by ANZCO (a major New Zealand meat company), operates processing plants in Ashburton (lamb and beef) and Blenheim (beef). CMP specialises in producing lamb for the UK market and has very strong relationships with key retailers operating in that market.

In September 1999, Phoenix disposed of its 47% shareholding in Nelson Bay Meat Producers Limited ("Nelson Bays"), to the Alliance Group. Prior to the sale, Phoenix acted as Nelson Bays' marketing agent for beef products with sales of $6.6M in the year to September 1999 ($9.4M; 1998).

This transaction included a loss on disposal of approximately $1.5M with a further $3.0M of one-off costs relating to the termination of beef processing at Nelson and exit from this investment.

3.2. Ownership of Phoenix

A listing of the top 10 shareholders and the distribution of Phoenix's shareholder base as at 30 June 2001 are summarised in the tables below:

Ten Largest Shareholdings	Number of Shares	% of Shares on Issue
Atas Beef Packers	75,000	3.25
Ferguson Farms Limited	40,085	1.74
Aratuna Farms Limited*	32,600	1.41
JS & MI Sullivan	32,520	1.41
DM & RL Milne*	30,874	1.34
KG Ferguson	23,640	1.02
MC Ferguson	23,640	1.02
Falko Farms Limited	23,120	1.00
RW & HI Vincent	21,970	0.95
FE Wall*	20,000	0.87
Total Top 10	323,449	14.01
Balance (1026 shareholders)	1,985,389	85.99
TOTAL	**2,308,838**	**100.00**

*Source: Phoenix, * Director shareholdings*

Number of Shares Held	As at 30 June 2001		
	Number of Shareholders	% of Shareholders	% of Total Capital
1 – 99	5	0.49	0.02
100-499	316	30.80	4.44
500-999	135	13.16	4.18
1,000-1,999	229	22.32	12.73
2,000-9,999	305	29.73	50.44
10,000-19,999	26	2.53	13.99
20,000 and above	11	0.97	14.21
TOTAL	**1,026**	**100.00**	**100.00**

Source: Computershare.

As illustrated above no single shareholder directly holds a substantial (ie. greater than 5%) parcel of Phoenix's total share capital.

3.3. Phoenix Constitution, Capital Structure and Dividends/Rebates

Phoenix has 2,350,873 ordinary shares on issue at 30 June 2001, including 42,035 shares held as treasury stock by the Company. The remaining 2,308,838 shares in public hands all rank equally in regard to the rights attaching to these shares.

The constitution of Phoenix provides for one class of share. However, subject to meeting supply requirements specified by the Phoenix Board, "qualifying rebate shareholders" are able to elect to forgo their dividend entitlement in any year that the Board makes an election available, in favour of receiving a distribution in the form of a supplier rebate.

The rebate is calculated on the total amount of beef processed in that period (subject to the number of "qualifying rebate shares" held by the shareholder), having regard to the principle that the distribution payable in any period to supplying shareholders will exceed the dividend payable to all other (non-supplying) shareholders.

All other shareholders that do not qualify for rebate then participate equally in any dividend declared by the Company.

The Constitution restricts the ability of any individual shareholder to gain control of the Company without the consent of the Board. Shareholders wishing to sell an interest greater than 10% of the total issued capital must first offer such shares back to the Company. The Board may also refuse to register a share transfer if the transfer would result in the purchaser holding greater than 16% of the total shares on issue.

Phoenix shareholder distributions for the three years ended 30 September 2000 may be summarised as follows:

Year	Total Reported Dividend ($'000)	Total Reported Rebate ($'000)		Total shareholder distribution ($'000)	Dividend Payout Ratio (%)	No. of shares on issue ('000)	Dividend Per Share (cps)	Rebate Per Share (cps)
		Dividend	Rebate[1]					
1998	369	179	178	726	37%	2,490	22.0	44.0
1999	366	130	130	626	n/a	2,253	22.0	44.0
2000	392	144	144	680	26%	2,233	24.0	48.0

Source: Annual Reports

[1] *Rebate portion of "Reported Rebate" deducted from operating surplus / (deficit) as an operating expense.*

The total reported rebate payment in the Group financial statements is treated as an operating expense and deducted from gross revenues in the calculation of the Company's operating surplus. The rebate distribution is a deductible expense for Phoenix, but represents a taxable receipt in the hands of a supplying shareholder.

3.4. Phoenix Share Trading Data

The Company has facilitated redemption and reissuing of shares during the two year period ended 30 September 2000. Since September 2000 Phoenix has sold shares held by the Company as Treasury stock to those wishing to acquire shares. All transfers have taken place at $2.40 per share (being the value nominated by the Company).

Shares issued and repurchased by Phoenix during the 1999 and 2000 years are summarised below:

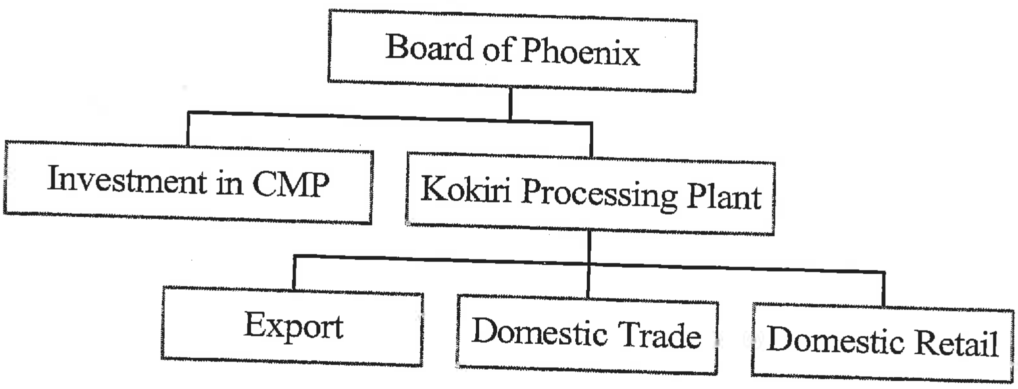
Phoenix Year Ended 30 September	**1999**		**2000**	
	Number	**$**	**Number**	**$**
Shares Issued	9,700	31,061	94,852	234,901
Shares Repurchased	(246,842)	(592,421)	(114,470)	(297,501)
Net Movement	(233,900)	(561,360)	(26,083)	(62,600)

In addition to the issuing / redemption of shares by the Company a small number of shares have also been traded privately between shareholders at $2.40 per share, consistent with the redemption price offered by the Company.

3.5. Phoenix Business Overview

3.5.1. Phoenix Structure

The organisational structure of the Company may be summarised as follows:



3.5.2. Scope of Phoenix Operations

In addition to its investment in CMP (refer section 3.10 et seq) Phoenix is involved in the procurement, processing, marketing and sales of beef (cattle and calves), primarily to export markets. Annual kill records by livestock category are summarised below:

Phoenix **For the Year Ended 30 September**	**1998 Actual**	**1999 Actual**	**2000 Actual**	**2001 Budget**
Cattle				
Steers	12,834	7,798	8,930	10,475
Heifer	9,264	5,922	9,128	8,950
Cows	12,390	9,137	10,916	15,725
Bulls	5,103	4,174	5,515	8,050
Total	39,591	27,031	34,489	43,200
Export	37,943	25,305	32,908	41,900
Local	1,648	1,726	1,581	1,300
Calves (1)	-	-	27,741	33,200

(1) *Calf processing commenced in August 2000 following Phoenix's exit from its investment in Nelson Bays*

Phoenix sources livestock primarily from the West Coast of the South Island (63%) with the balance sourced from the Nelson / Marlborough region (24%) and from the East Coast of the South Island (13%). As competition for livestock has increased in recent periods (in part due to greater levels of procurement by North Island companies from the South Island), Phoenix has been forced to broaden its catchment area.

Phoenix's cattle kill in the 1999 year fell significantly (32%) compared to prior periods. The Phoenix shortfall was substantially greater than both the general decline experienced in the South Island and nationally (South Island kill declined by 18% whereas nationally the kill rates fell by only 11%). The key driver of the local decline experienced by Phoenix was the change in land use to dairying, which restricted the number and type of livestock available for processing.

Phoenix has been able to increase its processing activity in the 2000 and 2001 years by supplementing locally supplied beef with livestock previously processed by Nelson Bays, as well as processing livestock owned by Phoenix.

In the year ended 30 September 2000 approximately 16% of Phoenix's production related to company-owned livestock. This ownership initiative was undertaken to provide suitable cattle for slaughter during the shoulders of the season.

This initiative has contributed to a substantial increase in operational activity in periods when otherwise plant capacity would be under utilised and has also resulted in an increase in the Company's investment in working capital. The value of inventory on hand (livestock and processed meat) at 30 September 2000 increased to $5.9M compared to an investment at 30 September 1999 of $1.6M.

3.5.3. Phoenix Facilities/Infrastructure

Phoenix has a relatively modern processing plant situated at Kokiri, approximately 20 kilometres from Greymouth on the West Coast. The Company operates primarily on a one shift basis with a capacity of 400 head of cattle per day. A second boning shift is required for a 6 – 10 week period from April to June to meet the cull requirements at the conclusion of the dairying season.

The Company is certified to USDA, EU and Halal standards enabling the export of product to those markets. The Company's quality management systems and products are also certified to ISO 9002 standard and incorporate relevant HACCP principles.

In the 2001 year the Company has invested approximately $1.2M to upgrade the slaughterhouse operation. In addition, expenditure of approximately $1.5M was required to support additional rendering activity, calf processing and domestic trade expansion, which arose following the Company's exit from its investment in Nelson Bays.

Management estimate that a further $1.2M (approximately) of capital expenditure will be required in the 2002 year to enable compliance with RMA regulations (in respect to the rendering operation), and for a further upgrade of the Company's domestic operations. From the 2003 year it is anticipated that annual capital expenditure will, on average, approximate the Company's annual depreciation allowance.

3.5.4. Governance and Management of Phoenix

Phoenix's Board and senior management are listed below:

Board	
D M J Havill (Chairman)	R S Cornelius (Managing Director/ CEO)
J M Ryan (Deputy Chairman)	F E Wall
L A Bamfield	D M Milne
P F Berry	M H Sullivan
Senior Management	
D McLellan (Company Secretary)	H Milne (Marketing Manager)
P Jones (Operations Manager)	B Heveldt (Livestock Manager)

We note that J M Ryan and R S Cornelius are also Directors of CMP. The senior management team have been employed by the Company for a substantial period of time and there is a considerable amount of industry expertise within the organisation.

Phoenix currently employs approximately 100 staff (increasing 180-200 staff at peak periods), the vast majority of whom are based at its processing and administration site at Kokiri.

3.6. Phoenix's Competitive Positioning

The Company's competitive position is restricted to some extent by the level of efficiencies that can be achieved from its relatively modest operating base and limited geographic catchment for stock procurement. Although Phoenix's Kokiri plant has ample annual capacity, the company is seldom able to maximise throughput. As a consequence the Company is not able to generate economies of scale to the same extent which may be available to its competitors.

As a relatively small industry participant, Phoenix also bears relatively high costs (as a proportion of revenue) in respect of various support services and corporate overheads.

The procurement market is predominantly dictated by price and Phoenix is not always being able to compete successfully against its larger participants. Moreover, traditional supplier loyalty, especially on the West Coast, is diminishing, partly as a consequence of the ongoing changes in land use and the increasing shift towards dairying operations.

The recent announcement by Alliance confirming the re-commissioning of its Sockburn (Christchurch) beef processing facility is likely to place additional pressure upon Phoenix in regard to procuring livestock on the East Coast of the South Island. Phoenix management believe that whereas the Company might have expected to increase throughput over the coming seasons due to the projected increase in cattle numbers in the upper South Island area, this is likely to be negated by the new procurement competition from Alliance Sockburn, meaning that Phoenix management now believe that the Company's processing volumes will at best remain fairly static.

Phoenix's exports the majority of its production to the US (53%) for use in the ground beef market. This market is relatively consistent with other commodities being subject to large fluctuations in price over time.

Approximately 25% of the Company's production is exported to higher yielding Asian markets where prime speciality cuts (frozen and chilled) are supplied. A key factor in maintaining this business is the Company's ability to service the market with consistent quality and volumes (which are not always assured). Development of the Company's own livestock programme is a strategy to partly mitigate this procurement risk.

3.7. Phoenix Summary of Historical Earnings

CMP's earnings have contributed significantly to Phoenix's overall reported earnings in the form of both cash dividends and Phoenix's equity accounted share of CMP profits. In total, equity earnings and CMP dividend income comprised 87% of the reported net surplus of Phoenix in the 2000 year. Historically dividend income has represented more than half of Phoenix's operating earnings. The following table summarises the pattern of Phoenix's earnings over the last three years and the forecast outturn for the 2001 year:

Phoenix Statement of Financial Performance For the Year Ended 30 September	**1998 Audited $000**	**1999 Audited $000**	**2000 Audited $000**	**2001 Budget(2) $000**
External Revenue Drivers				
Cattle Kill	39,591	27,031	34,489	43,200
Calf Kill	-	-	27,741	33,200
Operating Revenue	29,552	23,111	39,031	41,776
Change in Operating Revenue	*10.1%*	*(21.8%)*	*68.9%*	*7.0%*
Gross Margin	2,873	2,168	2,961	3,326
Gross Margin %	*9.7%*	*9.4%*	*7.6%*	*8.0%*
Operating overheads	(2,327)	(2,251)	(2,507)	(2,600)
Plus: Dividend portion of Rebate	179	130	144	n/a
EBIT from Beef Processing Operations	**546**	**(83)**	**454**	**726(1)**
	1.9%	*(0.4%)*	*1.2%*	*1.7%*
CMP Dividend received	630	743	581	n/a
CMP Equity Earnings	855	1,031	1,665	2,021
Surplus before Interest and Tax	2,032	1,691	2,700	2,747
Interest expense	(107)	(48)	(96)	n/a
Interest received	441	479	142	n/a
Operating surplus/ (deficit) prior to one-off items and adjustments	2,366	2,122	2,746	n/a
Cost of disposing of Nelson Bays	-	(4,494)	(30)	n/a
Dividend portion of Rebate	(179)	(130)	(144)	n/a
Taxation	(231)	-	-	n/a
Reported net surplus / (deficit)	1,956	(2,502)	2,572	n/a

Source: Annual Reports and discussions with management of Phoenix

(1) *Assumes a rebate of $180,000, based on increased throughput relative to the 2000 year.*

(2) *Based on CMP management forecast*

Phoenix has historically traded profitably with operating EBIT (excluding CMP investment income) ranging between $454,000 (in 2000) and $1.1M (in the 1997 year). Earnings trends reflect processing throughput, as well as increasing pressure on gross margin, as farmers seek to share in the benefits from participation in higher yielding markets through demanding higher prices for their livestock.

In the 1999 year Phoenix experienced a small loss at the EBIT level ($56,000) mainly as a consequence of lower production levels due to processing volumes falling by 32%.

As discussed previously Phoenix management attribute these adverse trends to the significant change in West Coast land use with a large number of dairy conversions reducing the available supply and mix of cattle for slaughter. As a result of the compressed supply available some livestock are being diverted to processors who have the capacity or are offering higher prices at the farm gate.

In an attempt to mitigate any further deterioration in processing throughput, Phoenix, as part of its exit from Nelson Bays, "purchased" (by way of an inducement payment to Alliance) a proportion of the beef and calf kill previously processed by Nelson Bays.

The non-recurring losses in the 1999 year relate to the loss on sale of Phoenix's 47% interest in Nelson Bays and the associated inducement payment referred to in the preceding paragraph.

The 2001 year has seen Phoenix reverse the trend in respect to throughput volume with cattle production and calf processing contributing to record levels of activity. As a result of this increased volume Phoenix is projecting an improvement in operating earnings for the year, despite reduction in gross margin from 11.3% to an anticipated 8.6%.

3.7.1. Phoenix Operating Earnings for the Eight Months to 31 May 2001

A summary of Phoenix's financial performance for the eight months year-to-date ("YTD") to 31 May 2001 compared to budget and to the same period last year is set out below:

Phoenix Financial Performance Year to Date $'000	8 mths to 31 May 01 Actual	8 mths to 31 May 01 Budget	8 mths to 31 May 00 Actual	Variance to Budget	Variance to Prior Period
Cattle Kill					
Domestic	802	1,870	1,267	(1,068)	(465)
Export	34,851	34,655	26,094	196	8,757
Total Cattle Kill	**35,653**	**36,525**	**27,361**	**(872)**	**8,292**
Calf Kill (2 months)	**5,965**	**4,000**	-[(1)]	**1,965**	-
Processing Revenue	38,801	35,118	23,907	3,683	14,894
Net Domestic Contribution	266	254	125	12	141
Total Operating Revenue	39,067	35,372	24,032	3,695	15,035
Gross Margin	3,248	3,206	2,411	44	837
Gross Margin	*8.3%*	*9.1%*	*10.0%*	*(0.8%)*	*(2.0%)*
Overheads	(1,789)	(1,748)	(1,388)	(40)	(401)
Operating EBIT before Rebate	1,459	1,458	1,023	4	436
CMP Earnings	2,297	2,042	2,091	255	206
Pre tax earnings before Rebate and Dividends	**3,758**	**3,499**	**3,114**	**258**	**642**

Source: Un-audited management accounts to May 2001 and 2001 budget.

(1) Calf killing commenced in August 2000 and therefore comparative information is not available

Phoenix has achieved a significant increase in gross revenue during the period to 31 May 2001, as the total kill increased by approximately 30%. This level of volume improved the recovery of production overheads, with Phoenix's operating earnings (before rebate and corporate overheads) increasing by approximately $436,000 from that achieved in the same period last year.

Phoenix management have projected that the Company will increase its earnings from domestic and export operations in the 2001 period by approximately 30% from $454,000 to $726,000, which appears consistent with the kill statistics referred to above.

The difference between the pre-tax earnings (before rebate, CMP earnings and dividends) of $1.46M and the projected earnings of the Company for the entire 2001 year of $906,000 (being EBIT of $726,000 plus an estimated rebate of $180,000) reflects the fact that the majority of Phoenix's earnings are derived in the nine months to June with the balance of the year being a period of cost absorption.

3.8. Phoenix Summary of Financial Position

A summary of Phoenix's financial position is as follows:

Phoenix Statement of Financial Position as at 30 June	1998 Audited $000	1999 Audited $000	2000 Audited $000	2001 Budget $000
Current Assets				
Cash at Bank	3,389	4,706	113	1,524
Receivables	1,331	1,011	1,795	919
Inventories	1,121	1,627	5,937	6,439
Other Current Assets	303	233	36	132
Total Current Assets	6,144	7,577	7,881	9,014
Current Liabilities				
Bank Overdraft	-	-	-	-
Trade Accounts Payable	2,709	1,935	3,288	3,239
Dividend payable	369	366	391	600 (1)
Total Current Liabilities	3,078	2,301	3,679	3,839
Working Capital	**3,066**	**5,276**	**4,202**	**5,175**
Current Ratio	*2.00*	*3.29*	*2.14*	*2.35*
Non Current Assets				
Fixed Assets	4,554	4,275	5,812	6,712
Investments	13,446	7,986	9,651	10,710
Intangible Assets	-	100	90	-
Total Non-Current Assets	18,000	12,361	15,553	17,422
Non-Current Liabilities	-	-	-	-
Net Assets	**21,066**	**17,637**	**19,755**	**22,597**
Shareholders Funds				
Share Capital	1,245	1,658	1,646	1,646
Retained Earnings	18,870	15,716	17,836	20,678
Reserves	886	190	215	215
Minority Interest	65	73	58	58
Total Shareholders Funds	**21,066**	**17,637**	**19,755**	**22,597**
Return on Assets (EBIT/Total Assets)	*7.2%*	*(0.9%)*	*4.5%*	*6.4%*
Return on Net Assets (NPAT/NTA)	*9.3%*	*(14.3%)*	*13.1%*	*n/a*
Total Liabilities / Assets	*0.13*	*0.12*	*0.16*	*0.15*
Net Tangible Assets per Share ($)	*8.46*	*7.83*	*8.80*	*9.79*

Source: Annual Reports and Management forecast (2001).

(1) *Forecast dividend prior to announcement of CMP takeover offer.*

The decline in the Company's Return on Assets reflects the reduction in earnings associated with falling production and the increasingly competitive market conditions.

Fixed Assets

Phoenix's fixed assets as at 30 September 2000 were as follows:

	Cost $'000	Depreciation $'000	Book Value $'000	Insurance Valuation $'000
Freehold Land	207	-	207	n/a
Buildings	5,909	3,154	2,755	7,949
Plant, Vehicles, and Sundry Items	11,236	8,384	2,851	11,296
Railway Siding	69	69	-	-
	17,420	**11,608**	**5,812**	**19,245**

Plant and Equipment and Buildings were valued by independent valuers in March 2001 on at an aggregate indemnification value (being the present reinstatement cost after allowing for normal physical depreciation) of $19.2M.

Working Capital

Phoenix's investment in working capital (net of excess cash balances) has increased significantly over the last three years, as the Company has invested in livestock to ensure a greater livestock supply. We are advised that the current realisable value of the Company's investment in livestock is at least equal to the book value as at 31 May 2001.

External Debt and Cash Position

Phoenix management advise that at the end of the 2001 year the Company expects to have repaid all seasonal working capital (bank overdraft). A cash balance may exist, however, the final position will depend on a number of timing issues, primarily relating to processing of company-owned livestock, invoicing and related receipts. The projected cash balance ($1.5M) is not considered surplus to the Company's ongoing working capital requirements.

3.9. Phoenix Estimated Future Maintainable Earnings

Future maintainable earnings can be defined as the level of earnings, which (on average) a business expects to maintain in real terms, notwithstanding the vagaries of economic cycles that will inevitably cause earnings to fluctuate from year-to-year.

In determining the future maintainable EBIT for Phoenix in respect of its beef processing business we have made adjustments to the reported net surplus / (deficit) in respect to the following:

- The loss on sale and other costs associated with Phoenix's exit from Nelson Bays have been treated as non-recurring items and therefore added back to arrive at normalised earnings for the 1999 year.
- Supplying shareholders are able to elect to receive a "supplying shareholder rebate" instead of a dividend for any given year in which the Board make such an election available. To the extent that the shareholder rebate exceeds the amount which would have been paid to the supplying shareholder as a dividend, the excess amount has been treated as a "shareholder loyalty discount" and included within operating expenses for the purpose of our analysis. The balance of the rebate, being the dividend portion, has been added back to operating surplus to arrive at a normalised EBIT for that period.

Our calculation of Phoenix's future maintainable EBIT from its beef processing business, adjusted for non recurring transactions and rebates for the 1998 to 2001 years is set out below:

Phoenix Statement of Financial Performance For the Year Ended 30 September	**1998 Audited $000**	**1999 Audited $000**	**2000 Audited $000**	**2001 Budget $000**
Reported Net Surplus / (deficit)	1,956	(2,502)	2,572	2,663
Plus:				
Tax	231	-	-	-
Dividend portion of Rebate	178	130	144	-
Non recurring items		4,494	30	-
Less				
Gross CMP Earnings (Dividend and Equity Earnings)	(1,485)	(1,774)	(2,246)	(1,937)
Net Interest	(334)	(431)	(46)	-
Adjusted EBIT	546	(83)	454	726

Source: Annual Reports and 2001 Budget

As can been seen from the above table, after making the adjustments EBIT ranges between $726,000 and negative $83,000 over the 1998 to 2001 years. The negative result in the 1999 year can be excluded as an aberration on the basis that the low volumes that beset the Company in that year are not expected to be repeated and to some extent the attention of management was diverted to realising the investment in Nelson Bays.

After excluding this year the pattern of EBIT falls into a much narrower range of between $454,000 (2000) and $726,000 (Forecast 2001).

At the time of preparing this report, Phoenix had yet to commence preparation of its budget for the 2002 year, in common with most industry participants. Management currently believe that the expected results for the 2002 year may be broadly consistent with the forecast outturn for the current year. Management also note the recent announcement of Alliance's reopening of its Sockburn plant, which introduces a considerable amount of additional uncertainty, the full effect of which cannot presently be gauged.

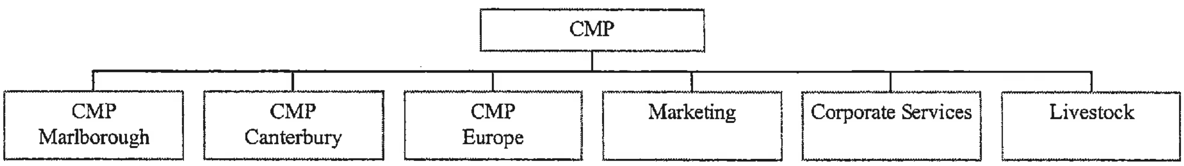
Having reviewed Phoenix's historical financial performance, and after discussing current trading performance and the outlook for the next year with the Company's management, and in the absence of a detailed forecast for the 2002 year, we have adopted $700,000 as an estimate of future maintainable earnings (EBIT) for Phoenix's beef processing business, for the purpose of our valuation.

3.10. CMP Background

CMP is a privately owned lamb and beef processing company based in Ashburton. CMP is owned by Phoenix (20%) and ANZCO (80%), a leading New Zealand meat processor and marketer. ANZCO is in turn owned by Itoham Foods of Japan (48.3%), Nissui of Japan (25.2%) and ANZCO's management (26.5%).

CMP was formed in 1994 as a joint venture company between ANZCO and Phoenix at a time of significant rationalisation in the industry following the collapse of the Fortex Group. Both parties wished to acquire and develop a beef and lamb processing capability to fulfil existing customer requirements (in the case of ANZCO) and to geographically spread risk (in the case of Phoenix). Prior to the establishment of CMP, ANZCO, through its investment in Five Star Beef Limited ("Five Star"), contracted Alliance to process beef at its Sockburn plant near Christchurch.

The organisational structure of CMP may be summarised as follows:



Both CMP Marlborough and CMP Canterbury are operated on a semi-autonomous basis. Following acquisition it is proposed that Phoenix will continue to operate for the foreseeable future as a standalone business with all current functions represented on site. However, some support services such as treasury management, HR, IT, engineering support and business analysis would be supplemented on an "as required" basis by CMP's Corporate Office in Ashburton.

In addition to its two processing plants at Ashburton and Blenheim, CMP is in the process of developing a $20M greenfields site to process lamb near Marton in the North Island. This facility is being developed by CMP to provide it with greater ability to procure lambs on a year round basis, as CMP's customers require supply throughout the year. North Island livestock is generally available for longer periods due to more favourable climatic conditions. Furthermore there is insufficient supply within CMP's existing catchment area to support long term growth for the company. The Marton facility will also lessen CMP's exposure to the risk of being unable to process livestock at any one time, due to the occurrence of a major adverse event impacting upon its Canterbury site.

CMP specialises in producing chilled lamb for the UK market, and CMP has developed strong relationships with two leading UK supermarket retailers. CMP's exports are generally arranged either through its own marketing and distribution function, or alternatively via ANZCO. Management have confirmed that all trading terms between CMP and ANZCO are set on a fully arms length commercial basis

CMP procures its beef from throughout the South Island, with lamb procurement being restricted to the region extending from South Otago to North Canterbury.

3.11. CMP's Competitive Position

Subject to procurements constraints, CMP's competitive strategy focuses upon delivery of premium products into high value export markets where customers possess the ability and willingness to pay the premium associated with the product.

Approximately 30% of CMP's production (in any one season) is exported as chilled meats, which has enjoyed above average returns in prior periods. Management of CMP considers that its opportunity to develop this market further is constrained to the extent that other meat companies have entered or are planning to enter the chilled meat market. Furthermore CMP's ability to continue to procure the quantities of meat currently achieved may be threatened as more aggressive procurement strategies are adopted by its competitors.

The re-opening of the Alliance plant at Sockburn in 2002 presents a significant threat to maintenance of CMP's beef production throughput, as suppliers in CMP's catchment area are provided with alternative processing companies. In addition the reduction in the South Island lamb kill is projected to intensify competition amongst the meat processing companies.

In an attempt to manage this procurement risk, CMP has entered into contracts with suppliers for medium to long term procurement of livestock, as a means of sharing the risk and potential upside. It is difficult to assess whether this initiative will be adequate to mitigate the procurement risk referred to above.

The proposed acquisition of Phoenix is also perceived by CMP management to strengthen its business position in the South Island and provide CMP with greater critical mass and flexibility in servicing its beef export markets. Through its ownership of Phoenix's Kokiri processing plant, CMP will be better positioned to focus its specialised beef processing through this plant, and manage other facilities accordingly.

The Phoenix acquisition also presents CMP with an opportunity to better utilise its existing corporate functions and support services, by providing services to Phoenix. To a degree the opportunity for this has already been "tested" through the working relationships that have existed over the last few years.

3.12. CMP Summary of Historical Earnings

We have had access to detailed financial information for CMP relating to the 1998-2000 years, together with the YTD 2001 unaudited management accounts and full year budget, CMP management have provided this information on the express stipulation that it may not be disclosed publicly, given its commercial sensitivity. As a privately-owned company, CMP is not obliged to publicly release its financial data.

CMP has reported strong growth in both revenues and earnings over recent years, driven by increased chilled lamb sales to the UK, and depreciation of the New Zealand dollar against major trading currencies. Gross revenues have increased by 33% in the two year period ending 30 September 2000 to almost $200M, with EBIT having increased over this same period by almost 70% and net profit after tax ("NPAT") increasing by almost 60%. In recent periods the outbreak of foot and mouth disease and continued presence of BSE related incidents has supported CMP's development of key European markets.

CMP's Gross Margin percentage has declined, a trend that is consistent with that experienced by Phoenix, as meat companies generally have come under increasing pressure to share value with suppliers.

CMP's financial performance for the nine months to 30 June 2001 is in line with management's expectations, with an overall decline in EBIT of approximately 8% for the year ending 30 September 2001 anticipated.

3.13. CMP Shareholder Distribution Policy

CMP's dividend policy is set out in the CMP Shareholders Agreement dated September 1995, whereby the shareholders agreed that the company will endeavour to distribute at least 40% of CMP's net profit before tax. A directors resolution is required if the distribution is to be lower than this amount.

The dividend payout ratio has been based on net profit after tax. Therefore, if the shareholders implemented the stipulated policy of paying 40% of net profit before tax, there would be scope to increase the dividend.

The Shareholders Agreement prima facie requires the Phoenix directors to approve any Board resolutions regarding dividend policy (including a resolution to reduce the dividend payout). However, if the Board cannot reach agreement on this issue, then it reverts to an ordinary Directors resolution, in which case ANZCO would control the outcome. Accordingly, we interpret the mechanics of the Shareholders Agreement to mean that although the dividend payout is targeted at 40% of NPBT, the reality is that should it wish ANZCO, as the 80% shareholder, would be able to change this policy irrespective of Phoenix's views. Mitigating this is a practical matter is the fact that ANZCO, as the majority shareholder, will also have a desire to receive cash distributions from the Company, to the extent that CMP is in a position to make such distributions.

CMP management anticipate that shareholder distributions may need to decline to accommodate the increased demand for funds within CMP and the projected decrease in net operating earnings.

3.14. CMP Summary of Financial Position

As at 30 September 2000 CMP had total assets of approximately $96M, and net assets (shareholders' funds) of approximately $71M.

CMP's net tangible assets ("NTA") per share was $5.09 at 30 September 2000, and is projected to be approximately $5.00 at 30 September 2001.

Funding

CMP funding includes interest bearing debt of approximately $8.4M. It is assumed that CMP will draw down bank debt to fund the acquisition of Phoenix, (approximately $17.4M) and the additional processing facility in Marton (costed at approximately $20M) .

Fixed Assets

CMP's fixed assets comprise freehold land and buildings of $26.5M and plant and equipment and sundry items of $35.2M. All assets were revalued at 30 September 1998 by independent registered valuers, and their book values reflect these valuations less accumulated depreciation to date.

Working Capital

CMP's investment in working capital (net of excess cash balances) has increased over the last three years, as the Company has increased its earnings and investment in developing its export markets.

Cash Position

CMP management advise that at the end of the current financial year the company expects to be hold a modest cash surplus following the repayment of seasonal working capital (bank overdraft). The extent of this balance is dependent upon collection of debtors and the ability of CMP to convert the relatively high working capital balances to cash in the next 3 months.

3.15. CMP Estimated Future Maintainable Earnings

As with Phoenix, CMP is unable to provide us with prospective information extending past 30 September 2001 as a budget for the 2002 year has yet to be prepared. As a consequence we have relied upon our review of the historical earnings pattern, together with the estimated earnings outturn for the 2001 year and discussions with senior management of CMP to assess the level of future maintainable earnings for CMP.

Management of CMP believe that the Company's current level of earnings is not sustainable given the Company's existing resources and infrastructure and the projected changes to the market environment. In particular:

- the value of the New Zealand dollar is anticipated to increase in the short to medium term therefore decreasing New Zealand dollar returns;
- prices are assumed to have peaked in the current cycle and are anticipated to decline from these levels in the short term;
- more pressure is anticipated in respect to procurement of livestock in CMP's catchment area following the re-opening in 2002 of the Alliance Group's Sockburn facility;

- the reduction in South Island lamb numbers from 15M to 13.7M, which is likely to intensify competition;
- CMP's key chilled lamb market, the UK, is likely to come under pricing pressure following Walmart's acquisition of ASDA; and
- external market pressure in the company's high value European markets is constraining returns achievable from those markets:
  - quantities of UK produced lamb, pork, and beef which historically have been exported are currently being supplied into the UK domestic market. In addition UK farmers are placing additional pressure on UK retailers to support the domestic industry at the expense of imported meat products, to the extent that meat products from New Zealand and Australia may be discontinued in the short term from UK retailers' product offering.
  - whereas there may has been a potential shortfall in supply in European markets following the restrictions placed on the export of UK beef and lamb, European markets have quickly identified other countries to supplement lost supply.

As noted above, CMP management have embarked upon several strategic and capital investment initiatives including the proposed Phoenix acquisition and Marton plant development. Both initiatives are projected to be funded primarily from debt, which is expected to place additional pressure on CMP's earnings in the short to medium term. We understand that the Marton facility is not anticipated to provide a positive cash contribution within the first three years of operation.

CMP's EBIT and NPAT have grown steadily over the last three years, although CMP management expect the current year EBIT to decline by approximately 8%, compared to the 2000 year. In reviewing the pattern of historical earnings, we have excluded from consideration the 1998 and prior years, on the basis that these years are no longer representative of CMP's current or future earnings' performance given the Company's substantial revenue and EBIT growth experienced over the 1999 and 2000 years.

Equally, the 2000 year earnings may also not be representative of future maintainable earnings given the cyclical nature of the meat industry. The underlying drivers of profit in that year were particularly favourable to CMP. These drivers included strong export market demand, a depreciating exchange rate compared to CMP's trading partners, and favourable procurement conditions in the local market relative to current conditions.

Having reviewed CMP's pattern of historical EBIT performance, and the forecast outturn for the 2000 year, and after discussing current trading performance and the outlook for the next year with the Company's management, and in the absence of a detailed forecast for the 2002 year, we have adopted $15M as our estimate of CMP's future maintainable EBIT for the purpose of our valuation.

4 *Valuation Of Phoenix*

4.1. Valuation Methodologies

There are four principal methodologies commonly used for valuing a business or shares in a trading enterprise:

- discounted cash flow analysis ("DCF");
- capitalisation of earnings;
- industry rules of thumb; and
- estimation of the aggregate proceeds from the orderly realisation of assets.

Each of these valuation methodologies has an application in different circumstances. A key factor in determining which methodology is most appropriate in any particular instance is the actual practice adopted by purchasers of the type of business involved.

4.1.1. DCF Analysis

DCF valuations involve calculating the net present value ("NPV") of projected cash flows using a discount rate, which reflects the risk associated with the projected cash flow stream.

The DCF methodology relies heavily on:

- the availability of a reliable cash flow projection covering at least a medium term duration;
- assumptions about the prospects of the business beyond the discrete forecast periods;
- the capital expenditure requirements during the forecast period and beyond;
- identification of any surplus assets; and
- changes in working capital.

Considerable judgement is required to estimate future cash flows. Generally reliance is placed on the medium to long-term projections prepared by management. Typically the NPV produced by a DCF analysis is very sensitive to relatively small changes in underlying assumptions, some of which cannot be predicted with a high degree of accuracy.

Typically an enterprise's weighted average cost of capital ("WACC") is used as the discount rate. WACC represents an amalgam of the returns required by debt and equity providers to the enterprise, and incorporates both the time value of money and the particular risk profile of the subject business and its cash flows.

4.1.2. Capitalisation of Earnings

Capitalisation of earnings is probably the most commonly used method for valuation of companies with an operating history and an earnings trend that is sufficiently stable to be indicative of on-going earnings potential. This method involves capitalising the earnings of a business by a market-derived multiple that can be applied to either earnings before interest, tax and depreciation and amortisation (EBITDA), earnings before interest and tax (EBIT), or net profit after tax (NPAT).

EBITDA is a useful measure because, for a relatively stable business, it represents the accounting measure most likely to correlate to operating cash flow over the long term. Its use eliminates the risk of distortions between comparisons due to differing depreciation and amortisation policies.

EBIT measures earnings after non-cash items such as depreciation and amortisation, but reflects the aggregate economic earnings before payments due to any capital providers, whether they be equity or debt providers. This measure also eliminates the risk of distortions from differing tax rates and levels of borrowing.

NPAT represents earnings available before distributions to shareholders but is usually the least desirable earnings figure to apply for the capitalisation of earnings methodology. NPAT can be distorted by differences in accounting policies with respect to depreciation and amortisation, as well as differing levels of debt and therefore interest costs in comparable companies.

The application of the capitalisation of earnings methodology involves:

- The selection of the future maintainable earnings level, having regard to historical and forecast operating results, non-recurring items of income and expenditure and other factors likely to impact on future performance.

- Determination of an appropriate capitalisation multiple, having regard to the share market ratings of comparable companies, the extent and nature of competition, quality of earnings, growth prospects and relative business risk.

In practice, it is often difficult to obtain accurate forecasts of future cash flows and the capitalisation of earnings methodology is sometimes used as a surrogate for the DCF methodology.

Under both the DCF and capitalisation of earnings methodologies, any surplus assets are included at realisable value.

4.1.3. Industry Rules of Thumb

In some industries businesses are valued using well established "rules of thumb". Generally these rules of thumb are used as a cross-check against a primary valuation methodology such as capitalisation of earnings or DCF. While they are only used as a "check" in most cases, in some industries they are the primary basis on which buyers determine prices.

4.1.4. Notional Realisation

In the event that a company has a poor earnings record or faces an uncertain future earnings outlook its value may have to be established by assessing the results of a notional winding up. The notional realisation assumes an orderly realisation process, or the sale of the company as a going concern.

The method would typically be used if an earnings based valuation would give a lesser total value, implying that a rational owner or controlling shareholder would liquidate in order to maximise value. This approach can also be used to complement the primary valuation approach for the purpose of providing an assessment of minimum value.

This method involves valuing self sufficient businesses on a going concern basis, with remaining assets and liabilities valued at their net realisable value. Potential liquidation costs, timing issues and tax consequences are taken into account.

4.2. Preferred Valuation Approach

Our valuation approach in respect of Phoenix reflects the Company's asset base and sources of earnings, and is summarised as follows:

- we have first valued CMP, given Phoenix's 20% equity interest in CMP accounts for the majority of the Company's asset base and earnings;
- we have assessed the value of 100% of CMP, and then determined an appropriate value to place on Phoenix's 20% equity interest in CMP;
- we have then valued the balance of Phoenix, based on its core operating earnings generated by its own beef processing business and related activities;
- by aggregating the value of Phoenix's interest in CMP and the value of its own beef processing business we obtain at the total value for Phoenix, and assess a value per Phoenix ordinary share accordingly.

Following discussions with Phoenix and CMP management about the respective companies earnings, we have elected to capitalise future maintainable EBIT, as the driver of our primary valuation for each company. We have selected EBIT as the appropriate measure of earnings based on our understanding that over the medium to long term each company's pattern of capital expenditure will approximate its average annual depreciation allowance, meaning that average long-run EBIT should correlate to net operating cashflow before debt servicing. Capitalisation of EBIT rather than NPAT also avoids risk of distortions, due to differing gearing levels or assumptions regarding the tax-paying profile of each company.

Wherever possible, we have approached the valuations of CMP's business and Phoenix's business on a consistent basis.

For the purpose of valuing Phoenix's ordinary shares, we have adjusted our estimate of future maintainable earnings to allow for the fact that supplying shareholders are able to elect to receive a "shareholder rebate" instead of a dividend for any given year that the Board makes this election available. To the extent that rebates have exceeded the dividend per share, the "excess rebate" has been treated as a "shareholder loyalty discount" and expensed in our earnings assessment.

In assessing the value of Phoenix's 20% interest in CMP, we have made allowance for the fact that Phoenix is a minority shareholder, and notwithstanding the Shareholders Agreement, has only limited influence over the CMP strategy and business affairs. We have therefore discounted the pro rata valuation of CMP to determine the value of Phoenix's 20% interest.

Similarly, when valuing shares in Phoenix, we have taken account of the fact that Phoenix is not a publicly listed company, and therefore its shareholders have only limited trading liquidity, should they wish to sell their shares.

We considered the application of a DCF valuation approach to each company. A DCF approach requires a reasonable estimate of free cash flows generated by the business, after taxation and before investment, over the medium to long-term (normally for at least five years), however, medium to long-term cash flow forecasts were not available for either company. Moreover, operational earnings and cash flows for CMP and Phoenix are very sensitive to processing volumes and prices (both on the procurement and selling side). In our experience purchasers of primary sector business generally determine purchase prices using a capitalisation of current or forecast earnings. Because of this, we do not consider a DCF valuation of CMP or Phoenix to be appropriate in this instance.

As a cross-check on our earnings-based valuation methodology, we have evaluated the net tangible ("NTA") asset value for CMP and Phoenix, and compared this to the results of our earnings-based valuations for each company. We also considered the dividend yield implied by our earnings-based valuation of Phoenix's shares.

4.3. Selection of Earnings Multiples

We have undertaken a comparable company ("CompCo") analysis to assist us determine an appropriate EBIT multiple with which to capitalise our estimate of future maintainable earnings for CMP and Phoenix as part of our valuation of each company.

We have also considered the implied multiples indicated by several comparable transactions in the industry that we have details for.

CompCo analysis is only possible in respect of listed companies, given the need for public data on market value and earnings. Our primary comparisons are therefore limited to the two publicly listed New Zealand meat processing companies, AFFCO Holdings Limited ("AFFCO") and Richmond Limited ("Richmond"). Both these meat processors are considerably larger and more diversified in terms of their scope of operations and total turnover relative to CMP and Phoenix, and operate predominantly in the North Island. However, they nonetheless are exposed to similar business drivers that will influence the performance of CMP and Phoenix. A summary of the relevant data for these two comparisons is set out in the following table:

Company	Total Assets $M	Total Revenue $M	Market Capitalisation $M	Historical EBIT Multiple	Historical PE Multiple	Historical Price: NTA Multiple
AFFCO	257	987	74	7.5	8.3	0.65
Richmond	281	1,130	111	6.4	9.1	1.02
Weighted Average				6.9	8.8	

Source: Bloomberg, all share market data at 27 July 2001

In the interests of completeness we also examined a range of other CompCo's based in New Zealand, Australia, the United States, and the United Kingdom, involving businesses involved in the processing of primary sector commodities. The degree of comparability varies in each case, and whilst a greater or lessor extent these CompCo's all exhibit features similar to CMP and Phoenix, on balance, we consider that their distinguishable characteristics negate the value of the comparison, and accordingly we have not incorporated them within our analysis.

The above earnings multiples are historical multiples. In determining appropriate EBIT multiples for CMP and Phoenix, we also considered the prospective EBIT multiples for AFFCO and Richmond. As our estimated future maintainable earnings for both these companies are prospective figures, it is appropriate to apply a prospective EBIT multiple.

The results of this analysis are summarised in the following table:

Prospective EBIT Multiples	**AFFCO $M**	**Richmond $M**	**Weighted Average**
Forecast EBIT for 2001 year (1) (2) ($M)	28	42	
Implied 2001 EBIT multiple	5.1 x	5.3 x	5.2 x
Forecast EBIT for 2002 year ($M)	32	n/a	n/a
Implied 2002 EBIT multiple	4.4 x	n/a	n/a

(1) Affco forecast EBIT as reported on Bloomberg.

(2) Richmond forecast EBIT as per Capital Notes prospectus dated 7 February 2001.

As can be seen from the above data, prospective EBIT multiples for AFFCO and Richmond are lower than the historical multiples for these two companies, as would be expected given each company's expected growth in earnings.

We examined the EBIT multiples implied by the merger of Waitotara Meat Company Limited and Richmond which took place in late 1999. The results of this analysis are summarised in the following table:

EBIT Multiple	**Pre-acquisition EBIT $'000**	**Post-acquisition EBIT (1) $'000**
Total acquisition cost = enterprise value (EV)	20,000	20,000
EBIT for 1999 year	2,000	10,000(1)
Implied EBIT multiple	10 x	2 x

Sources: Bloomberg and PricewaterhouseCoopers report to the shareholders of Richmond dated September 1999 in respect of the merger between Waitotara and Richmond.

(1) Post-acquisition EBIT incorporates savings and synergies identified by Richmond.

Finally, we considered the multiples implied by the recent on-market share purchasing activity in respect of Richmond, whereby PPCS acquired control of Richmond through a series of on and off market share purchases in May and June of this year.

In May 2001 PPCS acquired 16.7% of Richmond, including a 10% holding acquired at $3.00 per share, and a stand in the market for 1.4 million shares at $3.00 per share also. This was followed in June by PPCS's acquisition of 49% of Hawke's Bay Meat Limited ("Hawke's Bay Meat"), a holding company which owned 36% of Richmond. PPCS thereby acquired a further 17.6% indirect stake in Richmond, raising its overall interest to 34.3%. This transaction reflected a price of $3.65 per Richmond share. PPCS has also acquired an option to purchase the balance of Hawke's Bay Meat in 2003 at the higher of $3.50 per Richmond share, or 95% of the market value of Richmond shares at the exercise date. This option, together with PPCS's existing interests in Richmond, provide it with a beneficial interest of approximately 52.5% in Richmond.

The average transaction price paid by PPCS is approximately $3.38, which corresponds to an historical EBIT multiple of approximately 6.6, or a 2001 prospective multiple of 5.9.

These transactions were completed at a premium to Richmond's NTA, which was approximately $2.66 per share at 30 September 2000 (but will have increased subsequently due to accumulated earnings).

A summary of the various EBIT multiples follows:

Summary of EBIT Multiple Analysis	**EBIT Multiple**
AFFCO/Richmond weighted average historical multiple	6.9
AFFCO/Richmond weighted average 2001 prospective multiple	5.2
PPCS/Richmond transactions – implied historical multiple	7.3
PPCS/Richmond transactions – implied prospective multiple	5.9
Richmond/Waitotara transaction – implied average multiple	6.0

The above comparisons generally related to listed companies, with the exception of the Waitotara transaction. These companies tend to be larger and more diversified.

In general these factors mean that investments in listed companies typically (but not always) have less risk attached to them than unlisted companies in the same industry, so it is appropriate to discount the EBIT multiples to reflect these factors. Given the nature of the meat industry and our understanding of the range of industry participants, we have applied a lesser discount than might otherwise be expected.

Shares in listed companies are also freely negotiable, although the benefit of such negotiability is greater with small parcels of shares than with large blocks.

The CompCo EBIT multiples are extracted from share market transactions involving relatively small parcels of shares. An appropriate allowance therefore needs to be made for the premium attributable to a controlling or 100% shareholding. Such a shareholding is worth more on a per share basis than a minority holding as it can control the appointment of directors, management policy and shareholder benefits, amongst other things.

In determining appropriate EBIT multiples for CMP and Phoenix we have had regard to the following factors:

- Implied historical EBIT multiples for the CompCos summarised above;
- Prospective multiples for AFFCO and Richmond as set out above;
- Our knowledge of multiples which other buyers have been prepared to pay for similar businesses in the past (some of which are confidential or incapable of being directly referenced);
- The nature and range of CMP's and Phoenix's activities and the specific risks surrounding their respective businesses;
- The stability and quality of CMP's and Phoenix's earnings;
- Future prospects for CMP's and Phoenix's businesses including growth potential, the nature of industry in which they are engaged, the strength of other competitors and barriers to entry; and
- Control premia and appropriate discounts for lack of size and lack of negotiability.

Taking all of these factors into account, including the specific differences between CMP and Phoenix, we consider that an appropriate multiple with which to capitalise estimated future maintainable EBIT for CMP is between 5.5 and 6, and between 5.0 and 5.5 for Phoenix.

In the case of the CMP multiple, we added a control premium to the market multiples, so that they can be considered on a consistent basis with the Waitotara transaction multiple (which involved a 100% acquisition) and the Richmond transaction data (whereby PPCS secured a controlling interest). We then separately adjusted for the fact that we are assessing the value of a 20% minority interest in this company.

Because Phoenix, as a 20% minority shareholder in CMP, has only limited ability to influence CMP, we discounted the pro rata value of CMP by between 25% and 30%. Whereas ordinarily we would be inclined to discount the value of a 20% minority interest to a greater extent (possibly by more than 40%), in this instance we have adopted a lower level of discount, recognising the degree of "protection" afforded to Phoenix by virtue of the provisions contained in the Shareholders Agreement. Nonetheless, we note that if Phoenix were to divest its shareholding in CMP, the same arrangements would not automatically be available to any other purchaser of this shareholding. Moreover, if Phoenix wishes to divest its shareholding in CMP, then standard pre-emptive rights apply, meaning that the shares must first be offered to ANZCO.

In the case of Phoenix we also adjusted the CompCo multiples to incorporate a control premium (typically between 15% and 40%, but can be higher or lower depending on the circumstances), to reflect the fact that we are valuing 100% of Phoenix, and ordinarily a bidder would expect to pay some premium in this situation. We included a 25% premium, reflecting the opportunities for cost savings and synergies. (Refer Section 5.4)

We adopted a slightly lower multiple range when assessing the value of Phoenix's beef processing business, to recognise its relatively smaller size, lack of diversification, and more limited growth opportunities.

4.4. Valuation of Phoenix's 20% Interest in CMP

The following table summarises our valuation of CMP and Phoenix's 20% investment in CMP:

CMP Valuation Summary	Low	High
Estimated future maintainable EBIT ($'000)	15,000	15,000
EBIT Multiple	5.5	6
Enterprise Value ("EV") ($'000)	82,500	90,000
Less Net Projected Debt	(8,400)	(8,400)
Equity Value ($'000)	74,100	81,600
Pro rata value of 20% interest	14,820	16,320
Minority interest discount	30%	25%
Resulting value of Phoenix 20% interest in CMP ($'000)	10,374	12,240

4.5. Summary of Phoenix Valuation

Having assessed the value of Phoenix's investment in CMP, we then aggregated this with our valuation of Phoenix's own beef processing business to produce an overall corporate value for Phoenix, which is then used to determine the value on a per share basis. This is summarised as follows:

Summary of Phoenix Valuation	**Low**	**High**
Estimated future maintainable EBIT ($'000)	700	700
EBIT Multiple	5.0	5.5
Enterprise value of Phoenix ($'000)	3,500	3,850
Add assessed value of 20% interest in CMP ($'000)	10,374	12,240
Total Equity Value ($'000)	13,874	16,090
Issued capital	2,308,838	2,308,838
Resulting Value Per Share ($)	6.01	6.97

4.6. Valuation Sensitivities

Our earnings-based valuation of the shares in Phoenix is sensitive to a number of key variables, which will generally affect the earnings and therefore values of both CMP and Phoenix. These variables include:

- Export prices for beef and sheep meat products (in the case of CMP only);
- Throughput volumes at each company's processing facilities for beef and sheep (in the case of CMP only);
- Procurement terms, which influence gross margins for each business;
- Other non-controllable macro-economic factors such as foreign exchange rates, interest rates, and inflation.

Our valuations of CMP and Phoenix do not assume any earnings growth in the short to medium term, and indeed it is possible that either company may suffer some earnings decline given the cyclical peak that both companies appear to have recently experienced, combined with the soon to occur introduction of additional capacity in the upper South Island region. This is more of an issue for CMP.

The following table demonstrates the sensitivity of our overall valuation of Phoenix shares to changes in the future maintainable EBIT for both CMP and Phoenix (recognising of course that the major driver will be the CMP earnings given their much greater magnitude):

	CMP EBIT ($'000)				
Phoenix EBIT ($'000)	**13,000**	**14,000**	**15,000**	**16,000**	**17,000**
400	5.08	5.44	5.80	6.16	6.52
500	5.30	5.66	6.03	6.39	6.75
600	5.53	5.89	6.25	6.61	6.98
700	5.76	6.12	6.48	6.84	7.20
800	5.99	6.35	6.71	7.07	7.43

Whilst we believe that our estimated future maintainable earnings for each company capture to some extent the sensitivity of earnings to these key variables, the high degree of operating leverage within each business means that operating earnings are highly sensitive to changes in these variables. Rapid erosion of earnings can occur, especially when there is a combination of adverse movements in key business drivers (e.g. reduced overseas demand combined with falling export prices and a rising exchange rate). Whilst in time meat processing companies are able to pass many of these effects through to their suppliers (farmers) in the form of lower procurement prices, there is likely to be some lag with a consequent squeeze on short-term earnings.

4.7. Other Valuation Considerations

Dividends

After allowing for the rebates paid in respect of qualifying rebate shares, Phoenix paid a 0.24 cent per share dividend in the 2000 year. Phoenix's ability to pay dividends in part relies on its own receipt of cash dividends from CMP.

The average dividend yield for NZSE listed companies is approximately 6.3% currently. We believe an investor would require higher dividend yield in respect of Phoenix, most probably closer to 10%, to compensate for the lack of liquidity. A 10% dividend yield would imply a value per share of only approximately $2.40, assuming the 2000 year dividend level is maintained.

Even if the 2000 year dividend is capitalised at the NZSE average dividend yield of 6.3%, this only translates into a value of approximately $3.81 per share.

Phoenix's history of paying dividends underpins its share price for investors, given the expectation of ongoing cash returns, however, this is likely to be an indicator of minimum value in these circumstances. We therefore conclude that a dividend yield valuation approach applied to Phoenix will not result in a value per share approaching the consideration being offered to Phoenix shareholders under the CMP takeover.

Asset Backing

Our valuation of CMP at the aggregate equity level broadly equates to the Company's NTA. However, after deducting a 25% - 30% minority discount, we assessed the value of Phoenix's 20% interest in a range representing a 20% to 32% discount to NTA. We believe this is appropriate, given the earnings outlook for CMP, and the fact that other considerably larger industry participants (such as Richmond) are currently trading at only just around NTA.

Our valuation of Phoenix's beef processing business reflects a very substantial (greater than 60%) discount to a projected year end NTA. Net operating assets in Phoenix's beef processing business are projected to have an aggregate book value of $11.9M at 30 September 2001, comprising net working capital ($5.2M) and fixed assets ($6.7M). However, the carrying values for Phoenix's operating assets do not reflect closure costs and redundancies, meaning that the net realisable value of the Company's assets would be substantially depleted in this eventuality. The substantial NTA discount also reflects the limited size of Phoenix's operations, its under-utilisation of its existing infrastructure, associated with this the relatively low rate of return on capital employed, and limited growth opportunities. Consequently, we believe the value discount against projected NTA at 30 September 2001 is justified in relation to Phoenix's beef processing business.

Our overall valuation of the shares in Phoenix therefore reflects a 29% to 39% discount to NTA, reflecting all of the above factors pertaining to Phoenix and its investment in CMP. This discount also reflects the limited liquidity of the Company's shares.

5 *Other Considerations*

5.1. Prospects of an Alternative Offer for Phoenix

Although there has been some recent acquisition activity within the meat industry (most notably PPCS acquiring a controlling interest in Richmond), on balance we believe it is unlikely that an alternative takeover for Phoenix will emerge. Other major meat processing companies will be aware of CMP's interest in Phoenix, and could therefore have already come forward with competing proposals should they wish. In reality, Phoenix represents two quite distinct "opportunities", offering on the one hand a 20% stake in CMP, and on the other a West Coast beef processing operation.

Since CMP already has a controlling shareholder, we consider it is unlikely that the major meat processing companies would invest capital to take a minority non-controlling interest in another industry participant.

Commercial logic suggests the obvious suitor for Phoenix should be CMP, given the proximity of its own processing activities in the upper South Island relative to Phoenix's Kokiri plant. Both companies already share a common catchment area and have co-operated in a number of ways over the past six years.

CMP should be in a position to extract the greatest cost savings and synergy benefits from an acquisition of Phoenix, compared to any other industry participant. (Refer Section 5.4) Therefore, it should be in a position to offer the highest price, and this should also deter any other potential bidders.

Furthermore, Phoenix's constitutional provisions limit the ability of any party to acquire a substantial minority shareholding (greater than 16%) in the Company, and effectively preclude any hostile takeover activity.

Consequently, whilst the prospect of an alternative offer cannot be discounted, we believe this is unlikely. Moreover, we consider that any other prospective purchaser would have difficulty demonstrating the commercial advantages that would justify a price equal to that being offered by CMP. This is especially so in a situation where CMP is essentially buying back 20% of its own capital and ought logically to be in the best position to evaluate the worth of its own business.

5.2. Prospect of CMP Takeover Offer Becoming Unconditional

In order for CMP's takeover offer to become unconditional and be completed it must:

- satisfy any regulatory requirements;
- receive at least 90% acceptance by Phoenix shareholders; and
- pay to the accepting shareholders the net cash dividend plus purchase price (a total payment of $7.55 per share).

We have briefly discussed the issues surrounding regulatory consents with CMP and Phoenix management. Both groups are confident that all regulatory approvals will be forthcoming.

Achieving 90% acceptance will be the critical condition in all likelihood. Phoenix has approximately 1,100 shareholders, with its top ten shareholders accounting for less than 15% of the Company's issued capital. The Company's capital base is therefore widely held amongst a large number of relatively small shareholders. These shareholders will need to take affirmative action and respond to the offer to ensure the necessary acceptance level is obtained.

We have made enquiries of CMP regarding its funding arrangements in connection with the takeover offer. The total funding required to cover both the cash dividend and purchase price for the shares will be approximately $17.4M. Management have indicated that they are confident that CMP's bankers will provide the necessary funding to enable payment to be made to the Phoenix shareholders.

The other critical issue, which could impact the prospects of the offer succeeding, is of course any competing bid. However, as indicated above, we view this prospect as fairly remote.

5.3. Market Value of Phoenix Shares if CMP Offer Lapses

Phoenix shares are not listed on the NZSE and are only traded very infrequently through private transactions. Previous trading in the shares has generally taken place at a price of $2.40, consistent with the consideration previously offered by Phoenix when redeeming shares.

In our view shareholders in Phoenix would have difficulty in finding private buyers for their shares at a price approaching the total consideration being offered by CMP, in the event that the CMP offer lapses. We therefore believe that the "market value" (to the extent that any market exists for Phoenix shares), is likely to fall below the level of consideration being offered by CMP under its takeover offer. Phoenix shareholders may have to wait some time before they are able to sell their shareholdings for equivalent value.

Of course, it is possible that a revised, and possibly improved, offer may be forthcoming from CMP at a future date, however, there is absolutely no certainty that this would occur. Any such offer would reflect trading conditions and financial performance at that time. Given the volatility within the meat industry, it would be presumptive to assume any future offer would necessarily match or better the current CMP takeover offer terms.

5.4. Sharing of Cost Savings and Synergy Benefits

We have previously noted that CMP is a logical acquirer of Phoenix. In the medium term CMP will be able to extract some cost savings from Phoenix. There are also a range of potential synergy benefits relating to matters such as stock procurement, improved purchasing, and the ability to more effectively resource the provision of a range of support functions such as IT, HR, treasury and engineering, through sharing of services between CMP and Phoenix. However, the cost savings and extraction of synergy gains will take time to realise.

We believe that the aggregate cost savings and synergy benefits may range between $500,000 - $750,000 per annum. Assuming an earnings multiple of approximately 5 means these benefits translate into a value gain of between $2.5M and $3.75M, or between $1.09 and $1.63 per Phoenix share.

Ordinarily in a takeover situation we would expect the bid price to reflect some sharing of the potential cost savings and synergy benefits. This factor explains the majority of the typical "control premium" exhibited in most takeover situations. However, when considering any value sharing arrangement, regard must be had to the fact that the benefits are unproven, take time to realise, and the risk rests entirely with CMP as the future owner of Phoenix. Therefore, at best we would expect no more than 50% of the value gain to be shared with the target, which would suggest a figure of between 0.55 cents and 0.82 cents per share.

We have already allowed for a "control premium", incorporating an expected sharing of synergy gains, in our derivation of an appropriate earnings multiple to apply to the valuation of Phoenix's beef processing business. We therefore believe that our valuation already incorporates allowance for these potential synergy gains, and a sharing of these with the Phoenix shareholders.

We therefore conclude that whilst the prospect of cost savings and synergy benefits accruing to CMP clearly exists, in our view the CMP offer, when considered against our assessment of Phoenix's current market value, appears to reflect a fair sharing of these benefits with Phoenix shareholders.

5.5. Implications of new Takeovers Code Regime

The new takeovers code regime, which took effect from 1 July 2001, introduces significant changes to the manner in which a takeover offer can be progressed. In particular:

- shareholders can no longer be treated on a "first come – first served" basis;
- shareholders have until the specified offer closing date to decide whether to accept the offer, and will be notified whether the offer will proceed based on satisfaction of the offer conditions; and
- in this instance other than any regulatory conditions (relating to possible Commerce Commission or Overseas Investment Commission consents), the critical condition which must be satisfied is that CMP must acquire at least a 90% voting interest in Phoenix in order for its offer to proceed. A 90% interest would allow CMP to proceed with compulsory acquisition of the balance of shares in Phoenix.

CMP has stipulated that its offer will remain open until 27 September 2001. If the conditions are satisfied prior to that date, then CMP is obliged to notify Phoenix and the Panel of this, so that shareholders will then be informed that the offer has become unconditional. In the absence of these conditions being satisfied, shareholders accepting the offer will not necessarily know whether or not the offer will be declared unconditional.

Importantly however, the closing date cannot be accelerated, and shareholders will always have until the specified closing date to lodge acceptances.

On the other hand, if CMP does not gain the requisite 90% acceptance level stipulated in its offer, then its offer will lapse. We note in passing that the Code imposes a mandatory minimum acceptance threshold of 50%, however, in this instance CMP require a minimum acceptance of 90%, presumably so that CMP is then able to proceed with compulsory acquisition and acquire outright ownership of Phoenix.

If Phoenix shareholders wish to accept the CMP offer, then they must be mindful that although they have the full offer period in which to accept, they nonetheless must ensure their acceptances are received no later than 5.00 p.m. on the closing date. Given CMP's requirement to obtain a 90% acceptance level and the spread of Phoenix's shareholding across its approximately 1,100 shareholders, any inaction on the part of Phoenix shareholders could well result in the offer lapsing.

Yours faithfully
PricewaterhouseCoopers

David Bridgman
Partner

Maurice Noone
Partner

Appendix 1

Sources of Information

1. Notice of Takeover Offer issued by CMP
2. Phoenix and CMP Constitutions
3. Shareholders Agreement dated 28 September 1995 relating to CMP
4. Last five years' Statutory Accounts and Annual Reports for Phoenix and CMP
5. Detailed management accounts for Phoenix and CMP to 30 September 2000
6. Detailed year-to-date (YDT) management accounts for Phoenix and CMP
7. Current year operating budgets for Phoenix and CMP
8. Latest estimated of year-end outturn for Phoenix and CMP
9. Phoenix and CMP external debt positions at 30 June 2001 and projected positions at 30 September 2001
10. Details of CMP funding arrangements
11. Draft Target Company Statement prepared for Phoenix
12. Phoenix shareholder statistics
13. Annual reports, share market data and other publicly available information for AFFCO and Richmond
14. Industry forecasts macro-economic data and other information prepared by NZIER and MAF
15. Comparable company data sourced from Bloomberg and other sources
16. Other publicly available information

Appendix 2

Declarations

This Report dated 6th August 2001 and accompanying summary letter of the same date have been prepared by PricewaterhouseCoopers at the request of the Independent Directors of Phoenix, to fulfil the reporting requirements under the Takeovers Code (Rule 21) in relation to a Notice of Takeover issued by CMP on 20 July 2001. This Report should not be used for any other purpose.

This Report is provided for the benefit of the shareholders of Phoenix, and PricewaterhouseCoopers consents to the distribution of this Report to the shareholders of Phoenix.

Qualifications

This Report has been prepared by the Corporate Finance division of PricewaterhouseCoopers, which provides advice on mergers, acquisitions and divestments, valuations, independent experts reports and appraisals, financial investigations and strategic corporate advice. The partners responsible for this Report are David Bridgman (MCom, LLB, CA), who has considerable experience in corporate advisory matters, valuations, and the preparation of independent appraisal reports, and Maurice Noone (BCom, CA) who has considerable experience as an advisor to a number of primary sector businesses.

Independence

We consider ourselves to be independent in terms of the Takeover Panel's policy for the appointment of independent advisors. Our appointment has been approved by the Takeovers Panel.

As at the date of issuing this Report neither PricewaterhouseCoopers nor any personnel involved in the preparation of this Report:

(a) have had, or will have, any relationship with the parties to the proposed transaction except as disclosed below;

(b) will receive any fees for the preparation of this Report contingent on the success or implementation of the proposed transaction; and

(c) have had any involvement in the formulation of the proposed transaction.

PricewaterhouseCoopers confirms that it has no conflict of interest that could affect our ability to provide an unbiased report.

Disclaimer and Restrictions on Scope of Our Work

The statements and opinions expressed in this Report are based on information available as at the date of the Report. In forming our opinion, we have relied on forecasts and assumptions prepared by Phoenix management, about future events which by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.

The statements and opinions expressed in this Report have been made in good faith and on the basis that all relevant information for the purposes of preparing this Report has been provided by Phoenix management and that all such information is true and accurate in all material aspects and not misleading by reason of omission or otherwise. Accordingly, neither PricewaterhouseCoopers not its partners, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this Report resulting directly or indirectly from any such circumstances or from any assumptions upon which this Report is based proving unjustified.

Our opinion has been arrived at based on economic, market and other conditions prevailing at the date of this Report. Such conditions may change significantly over relatively short periods of time.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.

Advance drafts of this Report were provided to management at CMP and Phoenix, solely for the purpose of verifying factual matters contained in the Report. Minor changes were made to the drafting of the Report as a result of the circulation of the draft Report. However, there was no alteration to any part of the substance of this Report, including the methodology, valuations or conclusions as a result of issuing these drafts.

Indemnity

Phoenix has agreed that to the extent permitted by law, it will indemnify PricewaterhouseCoopers and its partners, employees and consultants in respect of any liability suffered or incurred as a result of or in connection with the preparation of the Report. This indemnity will not apply in respect of any negligence, wilful misconduct or breach of law. Phoenix has also agreed to indemnify PricewaterhouseCoopers and its partners and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where PricewaterhouseCoopers or its employees and officers are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, PricewaterhouseCoopers shall reimburse such costs.