NZ Farming Systems Uruguay Limited

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Revenue	5	43,007	22,535	-	-
Change in fair value of livestock	6	20,955	8,146	-	-
Total Revenue		**63,962**	**30,681**	**-**	**-**
Operating Expenses					
Livestock and cropping cost of sales		(2,459)	(3,653)	-	-
Employee benefits expense		(7,528)	(4,225)	(151)	-
Farm operating expenses	7	(46,957)	(20,917)	(1,487)	(4,578)
Management fee		(3,592)	(2,211)	(3,592)	(2,211)
Depreciation and amortisation expense		(1,878)	(1,710)	-	-
Gain / (loss) on property sales		(340)	253	-	-
Farm land fair value adjustments	9	(655)	1,095	-	-
Other operating expenses	8	(4,858)	(2,161)	(1,740)	(6,257)
Loss before interest and finance costs		**(4,305)**	**(2,848)**	**(6,970)**	**(13,046)**
Unwind of discount on VAT receivable	10	1,056	-	-	-
Net interest and finance costs	11	(5,659)	(5,155)	(2,923)	(2,535)
Loss before income tax		(8,908)	(8,003)	(9,893)	(15,581)
Income tax credit/(expense)	12	214	101	-	-
Loss for the year		**(8,694)**	**(7,902)**	**(9,893)**	**(15,581)**
Other comprehensive income/(loss)					
Revaluation of property, plant and equipment		7,122	(3,664)	-	-
Movement in deferred tax on revaluation of property, plant and equipment		(16)	276	-	-
Other comprehensive income/(loss) for the year, net of income tax		7,106	(3,388)	-	-
Total comprehensive income/(loss) for the year		**(1,588)**	**(11,290)**	**(9,893)**	**(15,581)**
Loss attributable to:					
Shareholders of the Company		(8,694)	(7,902)	(9,893)	(15,581)
Loss for the year		**(8,694)**	**(7,902)**	**(9,893)**	**(15,581)**
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		(1,588)	(11,290)	(9,893)	(15,581)
Total comprehensive income/(loss) for the year		**(1,588)**	**(11,290)**	**(9,893)**	**(15,581)**
Earnings per share					
Basic and diluted earnings per share (USD)	13	(0.04)	(0.03)		

The accompanying notes form an integral part of these financial statements.

NZ Farming Systems Uruguay Limited

Statement of Changes in Equity

For the year ended 30 June 2011

GROUP	Share capital US$000	Fair value reserves US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 July 2009	197,081	25,810	(54,096)	168,795
Loss for the year	-	-	(7,902)	(7,902)
Movement in fair value of property, plant and equipment, net of tax	-	(3,388)	-	(3,388)
Total comprehensive income for the year	-	(3,388)	(7,902)	(11,290)
Balance at 30 June 2010	**197,081**	**22,422**	**(61,998)**	**157,505**
Balance at 1 July 2010	197,081	22,422	(61,998)	157,505
Loss for the year	-	-	(8,694)	(8,694)
Movement in fair value of property, plant and equipment, net of tax	-	7,106	-	7,106
Transfer from fair value reserves to accumulated losses on disposal of property	-	(1,004)	1,004	-
Total comprehensive income for the year	-	6,102	(7,690)	(1,588)
Balance at 30 June 2011	**197,081**	**28,524**	**(69,688)**	**155,917**

PARENT	Share capital US$000	Fair value reserves US$000	Accumulated losses US$000	Total equity US$000
Balance at 1 July 2009	197,081	-	(28,391)	168,690
Loss for the year	-	-	(15,581)	(15,581)
Total comprehensive income for the year	-	-	(15,581)	(15,581)
Balance at 30 June 2010	**197,081**	**-**	**(43,972)**	**153,109**
Balance at 1 July 2010	197,081	-	(43,972)	153,109
Loss for the year	-	-	(9,893)	(9,893)
Total comprehensive income for the year	-	-	(9,893)	(9,893)
Balance at 30 June 2011	**197,081**	**-**	**(53,865)**	**143,216**

The accompanying notes form an integral part of these financial statements.

NZ Farming Systems Uruguay Limited

Statement of Financial Position

As at 30 June 2011

	Note	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
ASSETS					
Current					
Cash and cash equivalents	14	13,897	5,671	222	162
Trade and other receivables	15	25,650	11,447	46,117	92
Income tax receivable		1,832	284	-	262
Assets held for sale	16	3,775	6,860	-	-
Consumable supplies and feed	17	9,748	3,735	-	-
Total current assets		54,902	27,997	46,339	516
Non-current					
Other receivables	15	3,719	4,647	-	-
Livestock	18	57,575	34,833	-	-
Investments	19	-	-	184,338	184,338
Intangible assets (software)		66	21	-	-
Property, plant and equipment	20	173,852	161,710	-	-
Total non-current assets		235,212	201,211	184,338	184,338
Total assets		**290,114**	**229,208**	**230,677**	**184,854**
LIABILITIES					
Current					
Loans and borrowings due within one year	21	77,500	11,154	70,000	9,654
Accounts payable and accruals	22	23,096	13,654	17,461	22,091
Total current liabilities		100,596	24,808	87,461	31,745
Non-current					
Long-term loans and borrowings	21	32,690	46,000	-	-
Deferred tax liability	23	911	895	-	-
Total non-current liabilities		33,601	46,895	-	-
Total liabilities		134,197	71,703	87,461	31,745
EQUITY					
Share capital	24	197,081	197,081	197,081	197,081
Fair value reserves	24	28,524	22,422	-	-
Accumulated losses	24	(69,688)	(61,998)	(53,865)	(43,972)
Total equity		155,917	157,505	143,216	153,109
Total liabilities and equity		**290,114**	**229,208**	**230,677**	**184,854**

These financial statements have been authorised for issue on 5 September 2011.

Vivek Verma
Chairman

Graeme Wong
Director

The accompanying notes form an integral part of these financial statements.

NZ Farming Systems Uruguay Limited

Statement of Cash Flows

For the year ended 30 June 2011

	Note	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		37,506	21,292	-	-
Income tax received		262	1,150	262	1,150
Net interest received		-	-	-	-
		37,768	22,442	262	1,150
Cash was applied to:					
Payments to suppliers and employees		(72,992)	(42,149)	(8,470)	(2,429)
Net interest paid		(3,791)	(3,422)	(552)	(429)
Income tax paid		(262)	(226)	-	-
		(77,045)	(45,797)	(9,022)	(2,858)
Net cash flow from/(to) operating activities	25	**(39,277)**	**(23,355)**	**(8,760)**	**(1,708)**
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sales of property, plant and equipment		6,860	15,770	-	-
		6,860	15,770	-	-
Cash was applied to:					
Acquisitions of property, plant and equipment		(12,393)	(14,289)	-	-
Other Investments		-		-	
		(12,393)	(14,289)	-	-
Net cash flow from/(to) investing activities		(5,533)	1,481	-	-
Cash flows from financing activities					
Cash was provided from:					
Funds raised through new borrowings		5,000	28,918	-	-
Funds advanced from related parties		70,000	-	70,000	6,805
		75,000	28,918	70,000	6,805
Cash was applied to:					
Repayment of borrowings		(21,964)	(5,000)	-	(5,000)
Funds advanced to subsidiaries/related parties		-	-	(61,180)	-
		(21,964)	(5,000)	(61,180)	(5,000)
Net cash flow from/(to) financing activities		53,036	23,918	8,820	1,805
Net (decrease)/increase in cash held		8,226	2,044	60	97
Opening cash and cash equivalents		5,671	3,627	162	65
Cash and cash equivalents		**13,897**	**5,671**	**222**	**162**

The accompanying notes form an integral part of these financial statements.

1 Reporting Entity

NZ Farming Systems Uruguay Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is an issuer in terms of the Financial Reporting Act 1993.

Financial statements for the Company (separate financial statements) and consolidated financial statements are presented. The consolidated financial statements of NZ Farming Systems Uruguay Limited as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company is primarily involved in dairy farming in Uruguay.

2 Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other Financial Reporting Standards as applicable for profit orientated entities. The financial statements comply with International Financial Reporting Standards.

These statements were approved by the Board of Directors on 5 September 2011.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except that farm land, buildings and improvements, and livestock are carried at fair value.

Functional and Presentation Currency

These financial statements are presented in US dollars, which is the Group's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand.

Going Concern Assumption

The Company and Group expect to undertake a capital raising or other funding alternatives during the 2012 financial year, together with the sale of certain undeveloped farms, to fund the final stages of farm development and business operations through until the point that the farming business reaches breakeven operational cashflow. The Group expects to require approximately US$115-120 million of additional funding to complete development of its existing farms, together with the funding needed to provide working capital and repay debt until operating cashflows are at a breakeven point. In the opinion of the Directors it remains appropriate to adopt the going concern assumption in the preparation of these financial statements.
The Company and Group have obtained a shareholder loan from Olam International for US$70 million as of June 2011 which is due for repayment on 31 December 2011. The Company and Group have received confirmation from Olam International that if the capital raising or other funding alternatives are not completed before that date, that Olam International are prepared to roll over the loan until a capital raising takes place or some other funding alternative is found and for at least twelve months from the date of approval of the balance sheet. The Company and Group will need to obtain shareholder's approval (without Olam International participating) for the extension of this loan.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.
Estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amount recognised in the financial statements, include:

Estimate of fair value of farm land, buildings and improvements, and livestock.

The best evidence of fair value is current prices in an active market for similar properties and livestock. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- Current prices in an active market for properties or livestock of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences; and
- Recent prices of similar properties and livestock in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

A breakdown of the change in fair value of livestock is provided in Note 6. The separation of changes due to herd improvement and fair value adjustment involves estimation. Refer to notes 6, 18 and 20.

Discounting of VAT asset.

Judgement is required as to when the VAT receivable will be recovered. VAT recoverable in Uruguay is not generally recoverable from the tax authorities in cash, rather this asset can be used by each subsidiary to pay social security and other taxes payable in Uruguay. It is anticipated that it will take up to six years to fully recoup this amount. The recoverable amount of the VAT receivable was estimated in the current year and the discounted amount was adjusted through profit and loss. Refer to note 15.

Other key areas of estimation, uncertainty and critical judgements in applying accounting policies include:

- Valuation of financial instruments
- Taxation balances (including deferred taxation) - refer note 12 and 23
- Provisions and contingencies

Changes in Accounting Policies

There has been no changes in accounting policies during the year ended 30 June 2011.

3 Significant Accounting Policies

Unless otherwise stated, the accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that fair value was determined. Foreign currency differences arising on retranslation are recognised in profit and loss.

Foreign Currency Policy

It is the Group's policy not to hedge local Uruguayan based transactions in Uruguayan pesos.

(c) Revenue Recognition

Recognition of Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sales Revenue

Sales revenue principally comprises milk sales and livestock sold in the normal course of business. Point-of-sale costs which include freight to plant and lactic capital retentions are deducted from gross revenue in the determination of operating revenue. Sales revenue is recognised when the Group has transferred the significant risks and rewards of ownership of the goods or livestock to the customer.

Investment Income

Investment income is recognised when earned. Dividends are recognised when received, or accrued when approved and declared for distribution prior to balance date.

(d) Income Tax

Income tax expense comprises current and deferred taxation and is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be recognised.

A liability is recorded in respect of uncertain tax positions when it is more probable than not that an outflow of economic benefits will be required to settle an obligation.

(e) Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding during the year. Diluted EPS is determined by adjusting the number of shares outstanding to include the effects of all dilutive potential shares.

(f) Financial Instruments

(i) Non-derivative financial assets

The Group initially recognises cash, loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

When financial assest are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through the profit and loss, directly attributable transaction costs. Financial assets are subsequently measured as described below;

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in the profit and loss when the loans and receivables are derecognised or impaired.

(ii) Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.
Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.
The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.
Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(g) Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Trade and Other Receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognised in profit and loss.

(i) Consumable Supplies
Consumable supplies are measured at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the consumable supplies, production costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Biological Assets - Livestock
Livestock are measured at fair value less estimated point-of-sale disposal costs, with any change therein recognised in profit or loss. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

(k) Non-Current Assets Held for Sale
Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(l) Investment in Subsidiaries
Investments in subsidiaries are stated at cost, less any impairment in the Statement of Financial Position of the Company.

(m) Intangible Assets
Goodwill

Should goodwill arise upon the acquisition of a subsidiary, this would be included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred. Amortisation is calculated over the cost of the asset less its residual value. Amortisation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.
The estimated useful lives for the current and comparative years are as follows:
- Software 3 years

(n) Property, Plant and Equipment
Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. After initial recognition, farm properties are carried at fair value.
Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in the profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Farm land, buildings and improvements

After initial recognition, farm properties are carried at fair value. Fair value is determined by annual independent valuation by suitably qualified rural valuers. Fair value is based on active market prices, adjusted, if necessary, for any differences in the nature, location or condition of the specific property. These valuations are performed annually in accordance with guidance issued by the International Valuation Standards Committee, and are performed by independent qualified external valuers. Farm properties that are being redeveloped for continuing use in the Group's farming business are also measured at fair value.

The fair value of farm properties reflects, among other things, stock carrying capacity and income generating ability in light of the current market conditions.
Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as fair value reserves in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against fair value reserves directly in equity; all other decreases are charged to the profit and loss.

Subsequent costs
Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced items is derecognised. All repairs and maintenance are recognised in the profit and loss as incurred.

Depreciation
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Farm improvements subject to valuation (except milking sheds) are considered to have an indefinite useful life. As such depreciation on these assets is estimated at 0%. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.
The estimated useful lives for the current and comparative years are as follows:

- Milking sheds	20 years
- Other farm improvements (unless subject to revaluation)	5-15 years
- Office and computer equipment	3-5 years
- Plant and machinery	10-15 years
- Vehicles	6 years

Other farm improvements includes assets such as roads, fences, water reticulation and capitalised fertiliser.

(o) Accounts Payable and Accruals
Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A provision is recognised for the amount of outstanding short-term benefits at each reporting date.

Provisions made with respect to employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group with respect to services provided by employees up to reporting date.

(q) Loans and Borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the borrowings using the effective interest method.

(r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(s) *Share capital*
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect.

(t) Dividends Distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the year in which the dividends are approved.

(u) Financial Guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative
amortisation.

(v) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.
(i) Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.
Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.
(ii) Group as a lessor
Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(w) Statement of Cash Flows
Definitions of the terms used in the statement of cash flows:
- "Cash" includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts used by the Group as part of its day-to-day cash management.
- "Operating Activities" include all transactions and other events that are not investing or financing activities.
- "Investing Activities" are those activities relating to the acquisition and disposal of farm property and any other non-current assets (excluding livestock).
- "Financing Activities" are those activities relating to changes in the equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity capital

(x) Goods and Services Tax / Value Added Tax
The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated exclusive of Goods and Services Tax / Value Added Tax (GST/VAT). All items in the Statement of Financial Position are stated net of GST/VAT, with the exception of receivables and payables, which include GST/VAT invoiced.

(y) Standards and Interpretations That Have Been Issued or Amended But Are Not Yet Effective

A number of new standards and interpretations are not yet effective for the year ended 30 June 2011, and have therefore not been applied in preparing these financial statements. Those which are likely to impact the Company are as follows:

- IFRS 13 Fair Value Measurement. Fair value measurement guidance contained in individual IFRSs is replaced with a single, unified definition of fair value; it also contains authoritative guidance on the application of fair value measurement in inactive markets. There are significant additional disclosures where fair values are used. The standard becomes effective in the Group's 2013 financial statements and is not expected to significantly impact the financial statements.

4 Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

The Group operates in one segment, operating dairy farming activities in Uruguay. Although the Group operates from separate farm bases around the country, the transportability of livestock between these farms, particularly during this development phase of the business, makes any analysis by farm misleading and impractical.

5 Revenue

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Milk sales	40,423	19,230	-	-
Point of sale costs (including freight to plant and Government retentions)	(838)	(473)	-	-
Cattle sales	2,784	2,420	-	-
Other income	638	1,358	-	-
	43,007	**22,535**	**-**	**-**

6 Change in Fair Value of Livestock

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Livestock - category changes	5,506	1,722	-	-
Livestock - births	1,796	1,393	-	-
Livestock - deaths	(1,890)	(1,138)	-	-
Livestock - herd improvement	8,054	-	-	-
Livestock - fair value adjustment	7,489	6,169	-	-
	20,955	**8,146**	**-**	**-**

Livestock category changes reflect the increase in the fair value of livestock as a result of natural growth. Herd improvement reflects the estimated increase in value of the herd compared to previous years due to an improvement in body condition of the livestock. Livestock fair value adjustment reflects the estimated increase in value of the herd due to an increase in market values.

7 Farm Operating Expenses

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Pastures	(8,347)	(5,367)	-	-
Farm repairs and maintenance	(3,319)	(1,722)	-	-
Farm management	(539)	(931)	-	-
Animal health, breeding & calf rearing	(4,209)	(2,931)	-	-
Concentrates	(18,552)	(3,374)	-	-
Cropping and Silage	(2,635)	(2,724)		
Guaranteed return payment	-	-	(1,185)	(4,546)
Other farm expenses	(9,356)	(3,868)	(302)	(32)
	(46,957)	**(20,917)**	**(1,487)**	**(4,578)**

The Company in New Zealand has agreed to underwrite start-up losses incurred by the Uruguayan operating subsidiaries during the initial years of operation as the Group develops its farms to NZ-style intensive dairy farming. These farming practices are intended to eventually generate an above average level of profitability in Uruguay. The Company anticipates in future to receive a royalty payment for provision of farming intellectual property to the Uruguayan operating subsidiaries. The underwrite via a guaranteed return payment has no impact on financial performance or the financial positionof the Group.

8 Other Operating Expenses

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Fees paid to auditor: Ernst & Young				
- Annual audit	(125)	-	(85)	-
- Other audit related services	(30)	-	(30)	-
- Taxation services	(203)	-	(82)	-
Fees paid to auditor: PwC				
- Annual audit	-	(136)	-	(63)
- Other audit related services	-	(23)	-	(23)
Directors fees	(381)	(420)	(381)	(420)
Wealth tax	(1,643)	(860)	-	-
Impairment of investments	(606)	-	-	-
Other administrative costs	(1,870)	(722)	(1,162)	(5,751)
	(4,858)	**(2,161)**	**(1,740)**	**(6,257)**

Milk sales to Conaprole require a compulsory investment in share capital of Conaprole. As there is no active market for this share capital, and as the fair value cannot be reliably measured using other valuation techniques, the Group has impaired the value of this investment to US$0.

9 Farm Land Fair Value Adjustments

	Note	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Change in fair value of farm properties: recovery of previous write-down/(reduction below cost)	20	(655)	1,095	-	-
		(655)	**1,095**	**-**	**-**

10 Discount on VAT Receivable

VAT recoverable in Uruguay is not generally recoverable from the tax authorities in cash, rather this asset can be used by the Group to offset other taxes payable in Uruguay such as income tax, wealth tax and social security tax. Value in use is determined by discounting future estimated cashflows, with the discount being charged to the profit or loss (see note 15).

11 Net Interest and Finance Costs

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Interest income	145	82	73	3
Interest expense (including bond interest provided for at average rate)	(6,087)	(4,489)	(2,191)	(1,236)
Net foreign exchange losses	587	(671)	(804)	(1,302)
Facility fees	(304)	(77)	-	-
	(5,659)	**(5,155)**	**(2,922)**	**(2,535)**

12 Income Tax Expense

	Tax rate %	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Reconciliation of effective tax rate					
(Loss)/profit for the year		(8,908)	(8,003)	(9,893)	(15,581)
Income tax using domestic tax rate - New Zealand	30%	(2,968)	(4,674)	(2,968)	(4,674)
Income tax using domestic tax rate - Uruguay	25%	(246)	(1,895)	-	-
Unrecognised tax losses		2,098	4,674	1,638	4,674
Non-deductible expenses		1,330	1,996	1,330	-
		214	**101**	**-**	**-**
Distribution of income tax expense					
Current income tax expense - Uruguay		214	(258)	-	-
Deferred tax credit - Uruguay		-	359	-	-
Deferred tax expense - New Zealand		-	-	-	-
Total income tax (expense)/credit		**214**	**101**	**-**	**-**

The Company has unrecognised tax losses to carry forward of approximately NZ$0.1 million (2010: NZ$26 million). These losses are available to offset future taxable income so long as NZ tax requirements are satisfied. The Company lost its 2010 carry forward tax losses due to a breach of shareholding continuity resulting from the Olam International takeover.

Imputation credit account	Parent 2011 NZ$000	Parent 2010 NZ$000
Opening balance	459	1,411
Withholding tax paid in New Zealand during the year	-	382
Tax paid	3	-
Tax refunds received	(462)	(1,334)
Closing balance	**-**	**459**

The imputation credits are available to shareholders of the Company through dividends paid by the Company only. This account is expressed in New Zealand Dollars.

13 Earnings Per Share and Net Tangible Assets

Number of shares	Group 2011 000	Group 2010 000
Weighted average number of ordinary shares	244,236	244,236
Number of ordinary shares at June	244,236	244,236

Net Tangible Assets	Group 2011 US$000	Group 2010 US$000
Total Assets	290,114	229,208
Total Liabilities	(134,197)	(71,703)
less Intangible Assets	(66)	(21)
Plus Deferred Tax Liability	911	895
	156,762	158,379

	Group 2011 US$	Group 2010 US$
Net tangible assets per share at June	0.64	0.65
Earnings per share	(0.04)	(0.03)

The calculation of basic earnings per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of $8,694,000 (2010: US$7,902,000) by the weighted average number of shares, 244,236,495 (2010: 244,236,495). There are no dilutive shares or options (2010: Nil).

14 Cash and Cash Equivalents

	Note	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Bank and cash		13,897	5,360	222	162
Funds held by bond trustee	21	-	311	-	-
		13,897	**5,671**	**222**	**162**

15 Trade and Other Receivables

	Note	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
VAT receivable		10,850	10,846	76	-
Net discount on VAT receivable	10	(1,610)	(2,324)	-	-
Prepayments	21	12,275	3,651	54	-
Trade and other debtors		7,854	3,921	45,987	92
		29,369	16,094	46,117	92
Less non-current VAT receivable		3,719	4,647	-	-
Current Trade and Other Receivables		**25,650**	**11,447**	**46,117**	**92**

	Group 2010 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Opening VAT receivable discount	(2,324)	(2,500)	-	-
Unwind of discount on VAT receivable	1,056	-	-	-
Foreign exchange adjustment on VAT receivable discount	(342)	176	-	-
Net discount on VAT receivable	**(1,610)**	**(2,324)**	**-**	**-**

VAT receivable is denominated in Uruguayan Pesos thus both the balance outstanding and the discount to reflect the fair value are affected by movements in the Peso-US$ exchange rate. The 2011 movement in discount is due to updated usage of VAT certificates and foreign currency movements.

VAT recoverable in Uruguay is not generally recoverable from the tax authorities in cash, rather this asset can be used by the Group to offset other taxes payable in Uruguay such as income tax, wealth tax and social security tax. It is anticipated that it will take up to six years to fully recover this amount. The VAT asset is initially recognised at cost, and subsequently measured at the lower of that amount and its recoverable amount. Recoverable amount is the higher of fair value less cost to sell, and value in use. Value in use is determined by discounting future estimated cashflows, with the discount being charged to the profit or loss. This asset can also be used to settle any obligation that arises with respect to the crystallisation of deferred tax liabilities in Uruguay.
There are no past due or impaired assets within trade receivables.
Trade and other debtors in the parent company includes loans to subsidiaries for US$29.6 million.

16 Assets held for sale

At 30 June 2011 the Group had a conditional contract for the sale of the Los Naranjos farm which was settled in August 2011. The farm was previously held in fixed assets at the 2010 revalued amount of $3.78 million.
On 29 October 2010 the sale of Don Pepe farm was settled. At 30 June 2010 the Group had a conditional contract for the sale of this farm and the fair value representing the agreed sale price of $6.86 million (net of commissions) was showing under assets held for sale.

17 Consumable Supplies and Feed

Consumable supplies comprise fertiliser, feed for livestock and other items necessarily used in the Group's farming activities. These are carried at cost.

18 Livestock

	Group 2011 Number	Group 2010 Number	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Dairy cattle	58,502	52,867	56,780	34,360	-	-
Beef cattle	3,042	2,579	234	175	-	-
Other livestock	939	707	561	298	-	-
	62,483	56,153	57,575	34,833	-	-

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Livestock value at start of year	34,833	26,376	-	-
Livestock purchases	4,035	2,677	-	-
Change in the value of livestock				
Livestock category changes	5,506	1,722	-	-
Birth of animals	1,796	1,393	-	-
Livestock deaths	(1,890)	(1,138)	-	-
Livestock - herd improvement	8,054	-	-	-
Livestock - fair value adjustment	7,489	6,169	-	-
	20,955	8,146	-	-
Livestock available for sale or production	59,823	37,199	-	-
Book value of livestock sold	(2,248)	(2,366)	-	-
Livestock value at end of year	**57,575**	**34,833**	**-**	**-**

Livestock is measured at fair value net of estimated point-of-sale costs. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The value of each class of livestock has been assessed on a per head basis. The values assessed have been derived from comparison with recent livestock sales that have occurred in Uruguay. Livestock disposal costs incorporate three elements, being commission payments depending on the class of livestock, value added tax (VAT) on the commission, and City Council contribution on the sale price.

Crighton Anderson Property and Infrastructure Limited (Crighton Anderson) has been engaged to undertake a valuation review to provide an independent judgement in considering the work of another valuer and to ensure the valuation has been carried out in accordance with international and New Zealand professional standards. Crighton Anderson has sourced and independently contracted the Uruguayan firm of valuers Escritorio Dutra Ltda to undertake separate valuations of all livestock held by the Group.

Crighton Anderson has confirmed that in their opinion, the valuation undertaken by Escritorio Dutra Ltda in Uruguay is a fair reflection of the fair value net of point-of-sale disposal costs of the livestock held by the Group as at 30 June 2011. Crighton Anderson has also confirmed that this valuation is suitable for inclusion within the 2011 financial statements of the Group and is in accordance with the requirements of NZ equivalents to International Financial Reporting Standards.
Livestock category changes reflect the increase in the fair value of livestock as a result of natural growth. Herd improvement reflects the estimated increase in value of the herd compared to previous years due to an improvement in body condition of the livestock. Livestock fair value adjustment reflects the estimated increase in value of the herd due to an increase in market values.

19 Investment in Subsidiaries

Name of entity	Principal activities	Country of incorporation	Equity holding 2011	Equity holding 2010
Gimley S.A.	Farm management	Uruguay	100%	100%
Lembay S.A.	Farm management	Uruguay	100%	100%
Tobay S.A.	Farm management	Uruguay	100%	100%
Dunkit S.A.	Farm owner	Uruguay	100%	100%
Gabefox S.A.	Farm owner	Uruguay	100%	100%
Gabegim S.A.L.	Farm owner	Uruguay	100%	100%
Ginok S.A.	Farm owner	Uruguay	100%	100%
Telensy S.A.	Farm owner	Uruguay	100%	100%
NZFSU I Financial Trust	Financial Trust	Uruguay	See below	See below
NZFSU I Guarantee Trust	Guarantee Trust	Uruguay	See below	See below
NZFSU | Guarantee Trust	Guarantee Trust	Uruguay	See below	See below

The Company's Uruguayan subsidiaries Gimley S.A. and Lembay S.A. have a trust agreement with EF Asset Management, Administradora de Fondos de Inversion S.A. (Trustee) to establish the NZFSU I Financial Trust (Financial Trust). The Financial Trust is the issuer of bonds in Uruguay on behalf of the Group. The Financial Trust was issued with a credit rating of A- (uy) by Fitch Ratings on 13 March 2009. The rating latest review was performed on April 2011 and the grade was BBB (uy) with stable outlook. Repayment of the bonds is guaranteed by the NZFSU I Guarantee Trust (Guarantee Trust) set up by Telensy S.A., Gabefox S.A. and Gabegim Sociedad Agraria Limitada. It is considered that both the Financial Trust and the Guarantee Trust are in substance subsidiaries of the Group (see also note 20).

The Company's Uruguayan subsidiaries Gimley S.A. and Lembay S.A. have a syndicated loan agreement with Banco de la República Oriental del Uruguay and Banco Santander S.A. (in its capacity as successor to ABN AMRO Bank N.V.) – agreement which currently subsists only with the former because the debtors cancelled their obligations with the latter – which is secured by a suretyship issued by New Zealand Farming Systems Uruguay Limited, by an assignment of receivables and by a "Fideicomiso de Garantía NZFSU" (Guarantee Trust) set up by Telensy S.A., Ginok S.A. and Gabegim Sociedad Agraria Limitada. It is considered that this Guarantee Trust is also in substance a subsidiary of the Group (see also note 20).

20 Property, Plant and Equipment

	Farm land, buildings and improvements subject to revaluation US$000	Farm plant and equipment US$000	Office fixtures and fittings US$000	Group Total US$000
Balance at 1 July 2009	160,860	13,980	96	174,936
Additions	5,435	8,233	273	13,941
Disposals	(13,787)	(1,694)	(4)	(15,485)
Transfer to assets held for sale	(6,860)	-	-	(6,860)
Revaluation	(2,798)	-	-	(2,798)
Balance at 30 June 2010	**142,850**	**20,519**	**365**	**163,734**
Balance at 1 July 2010	142,850	20,519	365	163,734
Additions	6,041	5,943	98	12,082
Disposals	(58)	(721)	-	(779)
Transfer to assets held for sale	(3,775)	-	-	(3,775)
Revaluation	6,042	-	-	6,042
Balance at 30 June 2011	**151,100**	**25,741**	**463**	**177,304**
Balance at 1 July 2009	-	1,089	59	1,148
Depreciation for the year	499	1,159	52	1,710
Disposals	-	(331)	(4)	(335)
Depreciation reversed on revaluation	(499)	-	-	(499)
Balance at 30 June 2010	**-**	**1,917**	**107**	**2,024**
Balance at 1 July 2010	-	1,917	107	2,024
Depreciation for the year	425	1,398	55	1,878
Disposals	-	(25)	-	(25)
Depreciation reversed on revaluation	(425)	-	-	(425)
Balance at 30 June 2011	**-**	**3,290**	**162**	**3,452**
At 1 July 2009	**160,860**	**12,891**	**37**	**173,788**
At 30 June 2010	**142,850**	**18,602**	**258**	**161,710**
At 1 July 2010	**142,850**	**18,602**	**258**	**161,710**
At 30 June 2011	**151,100**	**22,451**	**301**	**173,852**

The Group has a trust structure in Uruguay for the purpose of issuing debt securities. The structure required for an issue of debt securities in Uruguay is different from how a similar issue might be structured in New Zealand. Rather than the Company or a subsidiary issuing the bonds they are issued by a financial trust, with guarantees provided by a guarantee trust, and with both trusts being governed by an independent trustee. The purpose of the guarantee trust is to hold legal title of certain farms to guarantee compliance by the Company's Uruguayan subsidiaries with their obligations under the trust agreement. In substance, while the guarantee trust operates like a charge over the farms, there is a sale of the farms into the guarantee trust. The independent trustee has the ability to sell the farms only in the event that the Group defaults on its repayment obligations under the terms of the financial trust. The fair value of the farms held in the guarantee trust is approximately US$74.8 million. US$30.0 million of bonds were raised against the security of these properties and currently there are bonds for US$25.7 million.

All properties are carried at fair value. Land is valued on a fair market, highest and best use basis, determined from market-based evidence including analysis of comparable sales and conditions that prevailed as at the valuation date. Land has been valued as if vacant and incorporates the influence of size, contour, soil quality, location, productivity and highest and best use. All buildings have been valued on either a fair market or depreciated replacement cost basis. The properties are valued excluding milking plant, travelling irrigators and other farm plant items. The land is valued subject to any rights, easements and other encumbrances.

The Group has another guarantee trust which is a security of the Syndicate Bank Loan. The value of the farms held in this guarantee trust is approximately US$34.4 million (2010: US$33.1 million). The initial Syndicate Bank Loan was for US$16.0 million and is now for US$8.0 million.

At 30 June 2011 the Group owned 27,871 hectares of land (excluding land held for sale) at various stages of development, with an average capital value based on valuation, of US$5,421 per hectare (30 June 2010: 28,656 hectares at average valuation of US$4,985 per hectare).

The basis of valuation for farmland, buildings and improvements reflects the fact that the assets are in continuing use by the Group for the purpose of their current activities. The fair value of an asset is determined wherever possible by reference to the price in an active market for the same or similar asset. Where the fair value of an asset is not able to be reliably determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of the fair value.

Crighton Anderson Limited (Crighton Anderson) has been engaged to undertake a valuation review to provide an independent judgement in considering the work of another valuer and to ensure the valuation has been carried out in accordance with international and New Zealand professional standards. Crighton Anderson has sourced and independently contracted the Uruguayan firm of valuers Escritorio Dutra Ltda to undertake separate valuations of each property held by the Group.

Crighton Anderson has confirmed that in their opinion, the valuations undertaken by Escritorio Dutra Ltda in Uruguay are a fair reflection of the market value of the properties as at 30 June 2011. Crighton Anderson has also confirmed that these valuations are suitable for inclusion within the 2011 financial statements of the Group and are in accordance with the requirements of NZ equivalents to International Accounting Standards.

The total fair value of property valued was US$151.1 million (2010: US$142.8 million). This resulted in a net increase in carrying value of the properties of US$6.5 million (2010: reduction of US$2.3 million). As a consequence of properties being valued on a property by property basis, this adjustment has resulted in loss of value of some farms below their original purchase cost plus improvements. This has resulted in a loss in profit or loss in the current year of US$0.6 million (2010: gain of US$1.1 million).
The carrying amount of farm land, buildings and improvements, had they been carried at cost less depreciation would be $123.8 million.

21 Loans and Borrowings

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
PGG Wrightson Limited short term loan	-	9,654	-	9,654
Olam International short term loan	70,000	-	70,000	-
Uruguayan bank short term loans	7,500	1,500	-	-
Uruguayan bank long term loans	7,000	16,000	-	-
Uruguayan bonds issued	25,690	30,000	-	-
	110,190	**57,154**	**70,000**	**9,654**
Payable within 12 months	77,500	11,154	70,000	9,654
Payable beyond 12 months	32,690	46,000	-	-
	110,190	**57,154**	**70,000**	**9,654**

The fair value of all loans and borrowings is equivalent to the carrying value.

The PGG Wrightson Limited short term loan was repaid on December 2010. This was the former performance fee payable in respect of the 2008 financial year, which was converted to an interest-bearing loan. Interest after 30 April 2009 was accrued at a variable rate reflecting PGG Wrightson's cost of funds.

The company arranged in December 2010, a short term shareholder loan of up to $US50 million ("Loan") with Olam International Limited (Olam), the company's controlling shareholder, to provide funding for immediate capital expenditure requirements, working capital, and to re-pay the outstanding balances owing to PGG Wrightson Limited ("PGW"). In June 2011 the company arranged an extension of the credit limit under the Loan from US$50 million to US$85 million. The extension of the credit limit was to enable the group to repay its current syndicated loan of US$16 million (Syndicated Loan) from Banco Santander S.A. and Banco de la Republica Oriental del Uruguay (collectively, the Syndicated Bank) before 30 June 2011; and support the groups ongoing development. The Loan carries an interest rate (including withholding taxes) of 8.9% per annum and is repayable by the company on the earlier of 31 December 2011 or a capital raising sufficient to repay the Loan. Interests on Olam International loan have not been paid except for the corresponding withholding tax.

The balance of the loan outstanding at 30 June 2011 is US$70 million (2010: US$0).

The Uruguayan bank short term loans mature US$1.5m on 30 August 2011 and US$5.0m on 25 May 2012. The long term loans, US$8.0 million (2010: US$16.0 million) mature on 11 December 2015. The long term loan is with one local bank in Uruguay. This loan was with two local banks, however on 30 June 2011 one of the banks was repaid its share, US$8.0 million. The loan is secured over property in Uruguay totalling US$34.4m (2010: US$33.1 million). During the 2012 financial year a US$1.0 million amortization of this loan will occur, leaving a balance of US$7.0 million outstanding.
The Group issued US$30.0m of long term bonds on 31 July 2009 via a trust structure in Uruguay. The structure required for an issue of debt securities in Uruguay is different from how a similar issue might be structured in New Zealand. Rather than the Company or a subsidiary issuing the bonds they are issued by a financial trust, with guarantees provided by a guarantee trust, and with both trusts being governed by an independent trustee. The purpose of the guarantee trust is to hold legal title of certain farms to guarantee compliance by the Company's Uruguayan subsidiaries of their obligations under the trust agreement. In substance, while the guarantee trust operates like a charge over the farms, there is a sale of the farms into the guarantee trust. The independent trustee has the ability to sell the farms only in the event that the Group defaults on its repayment obligations under the terms of the financial trust. The value of the farms held in the guarantee trust is approximately US$74.8 million.

The bonds had an initial fixed interest rate of 5% per annum for the period to 30 September 2010, and thereafter an annual variable interest rate of between 5% and 15% per annum calculated annually using a formula based on gross milk revenue and certain key input costs. On December 2010 there was an amendment to the bonds agreement, changing the variable interest rate to range between 9% and 11% and the redemption option was removed. The bonds are expected to have a term of approximately 15 years, and the expected average interest rate is 9.8% per annum, with interest being accrued to date on this basis.

The Group has incurred costs of $1.1 million in the process of raising the bonds. These prepaid costs are included in prepayments (see note 15) and are amortized over the life of the bonds.

Under the bond agreement, the Group had covenanted to provide a copy of its business plan to all bond-holders through a Fiduciary (acting on behalf of bond-holders) by 18 February 2011. While the business plan was provided to most bond-holders, it was not provided to the Fiduciary by this date. This breach of covenant constituted an event default under the terms of the bond issue. A meeting of the bondholders was subsequently held on 29 March 2011 where a waiver for the breach was granted.

22 Accounts Payable and Accruals

	Note	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Trade creditors and accruals		21,529	8,762	441	199
Amounts owing to subsidiaries		-	-	-	18,514
Performance fee payable to PGG Wrightson Limited	21	-	-	-	-
Related party creditors		1,567	4,892	17,020	3,378
		23,096	13,654	17,461	22,091

Payables denominated in currencies other than the functional currency amount to US$5.6 million (2010: US$3.6 million). These comprise US$0.3 million of trade payables that are denominated in NZ dollars in the Company and Group and US$5.3 million of trade payables and accruals which are denominated in pesos uruguayos (Uruguayan currency) in the Group.

23 Deferred Tax

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Recognised deferred tax assets and liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Revaluation of properties	48	32	-	-
Development expenditure and other temporary differences	863	863	-	-
Term deferred tax liability	**911**	**895**	**-**	**-**

The Company does not have any recognised or unrecognised deferred tax assets and liabilities. In 2010 the Company had unrecognised defered tax assets relating to carry forward tax losses of US$5.1 million. These losses were subject to normal NZ tax laws regarding continuity of shareholding and were lost as a result of the takeover by Olam International.

The Company's subsidiaries in Uruguay have unrecognised deferred tax assets of US$22.3million (2010: US$5.5 million) relating to tax losses carried forward and other timing differences. These assets have not been recognised on the basis that they do not satisfy the deferred tax recognition criteria as it is not considered probable that there will be sufficient future taxable profit against which the losses can be utilised.

Movement in temporary differences during the year	Balance 30 Jun 2010 US$000	Recognised in profit or loss US$000	Recognised in other comprehensive income US$000	Balance 30 Jun 2011 US$000
Group				
Property, plant and equipment revaluations	32	-	16	48
Losses carried forward	-	-	-	-
Development expenditure and other temporary differences	863	-	-	863
	895	-	16	911

24 Capital and Reserves

	No. of shares 2011 000	No. of shares 2010 000	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Share capital on issue	244,236,495	244,236,495	197,081	197,081	197,081	197,081

Share capital

All shares are ordinary fully paid shares with no par value, carry equal voting rights and share equally in any profit on the winding up of the Group. The Company is listed on the New Zealand Stock Exchange.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of farm land, buildings and improvements.

Dividends

No dividends were declared or paid by the Company or Group for the year ended 30 June 2011 (2010: Nil).

25 Reconciliation of Loss After Tax With Net Cash Flow from Operating Activities

	Group 2011 US$000	Group 2010 US$000	Parent 2011 US$000	Parent 2010 US$000
Loss after taxation	(8,694)	(7,902)	(9,893)	(15,581)
Add/(deduct) non-cash / non operating items:				
Depreciation, amortisation and impairment	1,878	1,710	-	-
Unrealised foreign exchange losses	(587)	671	-	1,302
Livestock physical value changes and fair value adjustments	(20,955)	(15,410)	-	-
Bond raising costs	-	1,082	-	-
Conversion of performance fee from creditors to loan	-	12,548	-	12,548
(Increase)/decrease in deferred taxation	16	(635)	-	-
Other non-cash items	460	7,028	-	350
	(19,188)	6,994	-	14,200
Add/(deduct) movement in working capital items:				
(Increase)/decrease in accounts receivable prepayments and non-current VAT	(13,276)	(7,114)	(945)	(79)
(Increase)/decrease in consumable supplies and feed	(6,013)	(2,152)	-	-
Increase/(decrease) in trade creditors and accruals	9,442	(14,187)	1,816	(1,398)
Increase/(decrease) in income tax payable/receivable	(1,548)	1,006	262	1,150
	(11,395)	(22,447)	1,133	(327)
Net cash flow to operating activities	**(39,277)**	**(23,355)**	**(8,760)**	**(1,708)**

The operating cashflow in the year to 30 June 2011 was adversely affected by the settlement of creditors that had been accrued and not paid in the period leading up to 30 June 2010.

26 Financial Instruments

The Group is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore, takes on controlled amounts of risk when considered appropriate.

The primary risks are those of liquidity, interest rate, credit and foreign currency risk.
The Board of Directors is responsible for the review and ratification of the Group's systems of risk management, internal compliance and control, code of conduct and legal compliance.

The Board maintains a formal set of delegated authorities (including policies for credit and treasury), that clearly define the responsibilities delegated to management and those retained by the Board. The Board approves these delegated authorities and reviews them annually.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. The Group monitors its liquidity daily, weekly and monthly and maintains appropriate liquid assets and committed bank funding facilities to meet all obligations in a timely and cost efficient manner. Management of liquidity risk is designed to ensure that the Group has the ability to meet financial obligations as they fall due.

The objectives of the Group's funding and liquidity policy is to:
- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios; and
- achieve competitive funding within the limitations of liquidity requirements.

The Group manages this risk by forecasting daily cash requirements, forecasting future funding requirements, maintaining an adequate liquidity buffer and ensuring the Group has sufficient capital and bank facilities prior to committing to the purchase of farm properties or committing to development expenditure in Uruguay.

(a) Liquidity Risk - Contractual Maturity Analysis

The following tables analyse the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date (reported on an undiscounted basis).

Group 2011	**Within 12 months**	**1 to 2 years**	**Over 2 years**	**Contractual cash flow**	**Balance Sheet**
Assets	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Cash and cash equivalents	13,897	-	-	13,897	13,897
Trade and other receivables	25,650	564	3,155	29,369	29,369
	39,547	**564**	**3,155**	**43,266**	**43,266**
Liabilities					
Trade and other payables	23,096	-	-	23,096	23,096
Loans and borrowings	77,500	2,000	30,690	110,190	110,190
Interest on loans	5,933	2,563	16,836	25,332	-
	106,529	**4,563**	**47,526**	**158,618**	**133,286**

Group 2010	**Within 12 months**	**1 to 2 years**	**Over 2 years**	**Contractual cash flow**	**Balance Sheet**
Assets	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Cash and cash equivalents	5,671	-	-	5,671	5,671
Trade and other receivables	7,796	1,700	2,947	12,443	12,443
	13,467	**1,700**	**2,947**	**18,114**	**18,114**
Liabilities					
Trade and other payables	13,654	-	-	13,654	13,654
Loans and borrowings	11,154	4,000	42,000	57,154	57,154
Interest on secured bank loans	1,482	1,532	26,715	29,729	-
	26,290	**5,532**	**68,715**	**100,537**	**70,808**
Company 2011					
Assets					
Cash and cash equivalents	222	-	-	222	222
Trade and other receivables	46,117	-	-	46,117	46,117
	46,339	**-**	**-**	**46,339**	**46,339**
Liabilities					
Trade and other payables	17,461	-	-	17,461	17,461
Loans and borrowings	70,000	-	-	70,000	70,000
Interest on loans	3,115	-	-	3,115	3,115
	90,576	**-**	**-**	**90,576**	**90,576**
Company 2010					
Assets					
Cash and cash equivalents	162	-	-	162	162
Trade and other receivables	92	-	-	92	92
	254	**-**	**-**	**254**	**254**
Liabilities					
Trade and other payables	22,091	-	-	22,091	22,091
Loans and borrowings	9,654	-	-	9,654	9,654
	31,745	**-**	**-**	**31,745**	**31,745**

Interest Rate Risk

Floating rate borrowings are used for general funding activities. Interest rate swaps, interest rate options and forward rate agreements may be used to hedge the floating rate exposure as deemed appropriate. The Group had no interest rate contracts at 30 June 2011, or throughout the year (2010: Nil).

A sensitivity of +/- 1% has been selected for interest rate risk on loans under a variable interest rate. Bonds issue interest rate is independent of external interest rate movements and has therefore been excluded from the analysis.
We assume the bank loan balance remains consistent during the period.
The following table shows all borrowings subject to variable interest rates.

Type of finance facility	**Borrower**	**Amount**	**Effective interest rate (%)**	**Starting date**	**Maturity date**	**Calculation basis**	
Group							
Syndicated Banks Bank Loan (trust guarantee)	LEMBAY S.A.	US$4 million	4.397	11/12/2008	11/12/2015	6 month libor	libor + 4.0%
Syndicated Banks Bank Loan (trust guarantee)	GIMLEY S.A.	US$4 million	4.397	11/12/2008	11/12/2015	6 month libor	libor + 4.0%
Parent							
Nil							

	Interest rates increase by 1%		**Interest rates decrease by 1%**	
	Group 2011 US$000	**Group 2010 US$000**	**Parent 2011 US$000**	**Parent 2010 US$000**
Impact on net profit after tax	(93)	(175)	93	175
Members' equity	(93)	(175)	93	175

Credit Risk

Credit risk is the potential for loss that could occur as a result of a counterparty failing to discharge its obligations. Management formally reports on all aspects of key risks to the Audit Committee at least two times each year. Investments are made only in short term investments and only with counterparties that have an investment grade credit rating.

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group's maximum credit exposure to credit risk by geographic region is as follows:

Total cash, trade and other receivables	Group 2011 US$000	Group 2010 US$000	Company 2011 US$000	Company 2010 US$000
New Zealand	267	254	267	254
Singapore	984	-	984	-
Uruguay	42,015	17,860	45,088	-
	43,266	18,114	46,339	254

Concentrations of Credit Risk

Financial instruments which potentially subject the Group to concentrations of credit risk principally consist of bank balances, trade debtors and prepayments. The Group places its cash and short term investments only with counterparties that have an investment grade credit rating. The Group supplies all milk to Conaprole in Uruguay. Although this represents a concentration of credit risk, the Board views the risk as mitigated due to Conaprole's size and historic reliability of payments. Prepayments are for development being done by different contractors. Further payments on development are done againts completion of milestones.

Foreign Currency Risk

Apart from the raising of capital in New Zealand dollars, and the holding of minor bank balances in New Zealand dollars to cover certain New Zealand domiciled costs, all the Group's activities are either in Uruguayan pesos, or US dollars.
It is the Group's policy not to hedge local Uruguayan based transactions in Uruguayan pesos.

Foreign Currency Exposure Risk

Apart from the raising of capital in New Zealand dollars, and the holding of minor bank balances in New Zealand dollars to cover certain New Zealand domiciled costs, all the Group's activities are either in Uruguayan pesos, or US dollars. Certain administrative expense transactions in the Company occur in New Zealand dollars. These transactions and their related receivable and payable balances are converted to US dollars for reporting purposes.
It is the Group's policy not to hedge local Uruguayan based transactions in Uruguayan pesos.

	Peso Uruguayo appreciation of 5%		Peso Uruguayo depreciation of 5%	
	2011 $000	2010 $000	2011 $000	2010 $000
Impact on net profit after tax	1,452	982	(1,313)	(889)
Members’ equity	1,452	982	(1,313)	(889)

	Peso Uruguayo appreciation of 10%		Peso Uruguayo depreciation of 10%	
	2011 $000	2010 $000	2011 $000	2010 $000
Impact on net profit after tax	3,064	2,074	(2,507)	(1,697)
Members’ equity	3,064	2,074	(2,507)	(1,697)

The above table excludes any impact on foreign currency risk from milk sales in Uruguayan Pesos. Whilst milk sales are denominated in Uruguayan Pesos, the Directors believe pricing is closely linked to the US dollar denominated commodity price. Accordingly a movement in the US dollar/Uruguayan Peso exchange rate is expected to result in a similar movement in Uruguayan Peso milk prices.

Capital Management

The capital of the Group consists of share capital, reserves, and retained earnings. The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholders (if any), return capital to shareholders, issue new shares or sell assets to reduce debt.

Agricultural activities pricing risk

Milk and beef prices have shown and are expected to continue to show considerable volatility as supply and demand globally and in Uruguay fluctuate in response to financial, climate, sentiment and other factors. The company sells its milk production to Conaprole. As milk is a perishable product there is no ability for the Group to mitigate pricing risk through inventory management. However dairy prices have historically tended to have reasonable correlation with prices of agricultural inputs such as feed and fertilizer, and the Group monitors these relationships in order to adapt its tactics to suit. The Group’s objective is to achieve steady state production at levels that will ensure a relatively low cost base using intensive pasture and concentrates feed. Beef prices are of lesser significance to the Group, as livestock sales are essentially a disposal of surplus or lesser quality stock.

<u>Quantitative disclosures</u>
Accounting classifications and fair values
The tables below set out the Group's classification of each class of financial assets and liabilities, and their fair values.

	Trading at fair value US$000	Loans and receivables US$000	Other amortised cost US$000	Total carrying amount US$000	Fair value US$000
Group 2011					
Assets					
Cash and cash equivalents	-	13,897	-	13,897	13,897
Trade and other receivables	-	29,369	-	29,369	29,369
	-	**43,266**	**-**	**43,266**	**43,266**
Liabilities					
Trade and other payables	-	-	23,096	23,096	23,096
Group loans and borrowings	-	-	110,190	110,190	110,190
Group 2010	**-**	**-**	**133,286**	**133,286**	**133,286**
Assets					
Cash and cash equivalents	-	5,671	-	5,671	5,671
Trade and other receivables	-	12,443	-	12,443	12,443
	-	**18,114**	**-**	**18,114**	**18,114**
Liabilities					
Trade and other payables	-	-	13,654	13,654	13,654
Loans and borrowings	-	-	57,154	57,154	57,154
	-	**-**	**70,808**	**70,808**	**70,808**

Company 2011					
Assets					
Cash and cash equivalents	-	222	-	222	222
Trade and other receivables	-	46,117	-	46,117	46,117
	-	**46,339**	**-**	**46,339**	**46,339**
Liabilities					
Trade and other payables	-	-	17,461	17,461	17,461
Loans and borrowings	-	-	70,000	70,000	70,000
	-	**-**	**87,461**	**87,461**	**87,461**
Company 2010					
Assets					
Cash and cash equivalents	-	162	-	162	162
Trade and other receivables	-	92	-	92	92
	-	**254**	**-**	**254**	**254**
Liabilities					
Trade and other payables	-	-	22,091	22,091	22,091
Loans and borrowings	-	-	9,654	9,654	9,654
	-	**-**	**31,745**	**31,745**	**31,745**

27 Related Parties

Transactions with key management personnel
Directors' fee short term benefits total US$381,359 (2010: US$420,475) and are included in Other operating expenses, and in the Statutory Information.

On December 2010 the Management Agreement with PGG Wrightson Funds Managment Limited was terminated and the Group hired internal key management personnel. Key Management Personnel compensation for the year ended 30 June 2011 was US$553,000 (2010: Nil).

Transactions with PGG Wrightson Limited (shareholder in Company up to September 2010)

As of September 2010, NZ Farming Systems Uruguay Limited is no longer an associate of PGG Wrightson Limited. (PGW)
The following material related party transactions were conducted during the year between NZ Farming Systems Uruguay Limited and PGG Wrightson Limited:

- The conditional agreement reached with PGG Wrightson Funds Management Limited, announced on 17 August 2010, for the company to buy out the Management Contract between the parties on payment of NZ$4.0 million and to enter into a preferred supplier agreement with PGG Wrightson until at least 2019, and a consultancy agreement with senior Uruguayan management until 2015, subject to necessary approvals, was renegociated following the takeover by Olam on 27 September 2010. On 24 December 2010 the company paid PGW a termination fee of NZ$4.6 million (equivalent to US$3.4 milllion) to terminate the Management Agreement. In addition, all outstanding debt to PGW due under the Management Agreement was paid and the requirement to enter into the preferred supplier agreement with PGW was waived by PGW as part of the renegotiation. Under the terms of a management contract between PGG Wrightson Funds Management Limited and NZ Farming Systems Uruguay Limited, PGG Wrightson Funds Management Limited has charged management fees of US$0.1 million (2010: US$2.2 million) and cost recoveries for expenses paid on behalf of NZ Farming Systems Uruguay Limited of US$0.7 million (2010: US$1.4 million). A
- The companies in Uruguay have purchased farm supplies, farm management and real estate services from PGG Wrightson Limited's subsidiary and associated entities in Uruguay. Farm management services and reimbursement of expenses have been until December 2010 at cost. Farm supplies and real estate services have been purchased at normal arms length terms and conditions. The total value of goods and services purchased was US$13.8 million (2010: US$15.4 million). As at 30 June 2011 the Group had made payments in advance for US$3.1 million and was owed US$2.5 million with a favourable net position of US$0.6 million (2010: accounts payable of US$1.5 million).

Transactions with Olam International (shareholder in Company from September 2010)

The company arranged on December 2010 a short term shareholder loan of up to $US50 million ("Loan") with Olam International Limited (Olam), the company's controlling shareholder, to provide funding for immediate capital expenditure requirements, working capital, and to re-pay the outstanding balances owing to PGG Wrightson Limited ("PGW"). On June 2011 the company arranged an extension of the credit limit under the Loan from US$50 million to US$85 million. The extension of the credit limit was to enable the group to repay its current syndicated loan of US$16 million (Syndicated Loan) from Banco Santander S.A. and Banco de la Republica Oriental del Uruguay (collectively, the Syndicated Bank) before 30 June 2011; and support the groups ongoing development. The Loan carries an interest rate (including withholding taxes) of 8.9% per annum and is repayable by the company on the earlier of 31 December 2011 or a capital raising sufficient to repay the Loan. The interest for the year was US$1.7 million of which US$1.5 million was unpaid.

Other related party transactions
The Company has agreed to underwrite start-up losses incurred by the Uruguayan operating subsidiaries during the initial years of operation as the Group develops its farms to NZ-style dairying farming. These farming practices are intended to eventually generate an above average level of profitability in Uruguay. During the year the Company has incurred payments of US$1.2 million (2010: US$4.5million) payable to the subsidiaries.

David Beca, Managing Director of NZ Farming Systems Uruguay Limited, is a shareholder in Red Sky Agricultural Pty Ltd (Red Sky). During the year NZ Farming Systems Uruguay Limited entered into transactions with Red Sky for software licences, strategic planning and reimbursement of expenses incurred totalling US$41,000.

28 Leases

The Group has lease agreements on six farms which expire between February 2012 and April 2013. All lease payments are due before 30 June 2012. The total amount payable within one year is US$0.4 million.

29 Commitments and Contingencies

The Group has commitments with various contractors for development work on farms which totals US$6.1 million at 30 June 2011.

The Company has provided a guarantee to NZX for NZ$75,000 as part of the listing requirement.

30 Events Subsequent to End of Year

There have been no events subsequent to balance date which would materially impact the amounts included in the financial statements.