

**NZ Farming Systems Uruguay Limited**  
**Condensed Interim Consolidated Statement of Comprehensive Income**

For the six months period ended 31 December 2010

	Note	Unaudited 6 mths ended Dec 2010 US\$000	Audited Year ended Jun 2010 US\$000	Unaudited 6 mths ended Dec 2009 US\$000
Revenue	3	18,854	22,534	10,943
Change in fair value of livestock due to physical changes	4	2,844	1,977	750
Livestock and cropping cost of sales		(1,165)	(3,653)	(776)
Employee benefits expense		(2,564)	(4,225)	(1,968)
Farm operating expenses	5	(16,976)	(20,917)	(7,841)
Management fee		(357)	(2,211)	(1,096)
Depreciation and amortisation expense		(947)	(1,710)	(1,559)
Other operating expenses		(1,256)	(2,161)	(939)
<b>Operating loss from farming activities before market movements in livestock &amp; property and gains/losses from property sales</b>		<b>(1,567)</b>	<b>(10,365)</b>	<b>(2,486)</b>
Gain/(loss) on property sales		1,027	253	(862)
Fair value adjustments	6	-	7,264	-
Management agreement termination fee	16	(3,440)	-	-
<b>Loss before interest</b>		<b>(3,980)</b>	<b>(2,848)</b>	<b>(3,348)</b>
Net interest and finance costs	7	(2,614)	(5,155)	(3,877)
<b>Loss before income tax</b>		<b>(6,594)</b>	<b>(8,003)</b>	<b>(7,225)</b>
Income tax (expense)/benefit		(180)	101	230
<b>Loss for the period</b>		<b>(6,774)</b>	<b>(7,902)</b>	<b>(6,995)</b>
<b>Other comprehensive income</b>				
Revaluation of property, plant and equipment		(1,057)	(3,664)	-
Movement in deferred tax on revaluation of property, plant and equipment		-	276	151
<b>Other comprehensive income for the period, net of income tax</b>		<b>(1,057)</b>	<b>(3,388)</b>	<b>151</b>
<b>Total comprehensive income for the period</b>		<b>(7,831)</b>	<b>(11,290)</b>	<b>(6,844)</b>
<b>Loss attributable to:</b>				
Shareholders of the Company		(6,774)	(7,902)	(6,995)
Loss for the period		<b>(6,774)</b>	<b>(7,902)</b>	<b>(6,995)</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company		(7,831)	(11,290)	(6,844)
Total comprehensive income for the period		<b>(7,831)</b>	<b>(11,290)</b>	<b>(6,844)</b>
<b>Earnings per share</b>				
Basic and diluted earnings per share (USD)	8	(0.03)	(0.03)	(0.03)

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

**NZ Farming Systems Uruguay Limited**  
**Condensed Interim Consolidated Statement of Changes in Equity**

For the six months period ended 31 December 2010

	Share capital US\$000	Fair value reserves US\$000	Retained earnings US\$000	Total equity US\$000
Balance at 1 July 2009	197,081	25,810	(54,096)	168,795
Loss for the year	-	-	(6,995)	(6,995)
Movement in fair value of property, plant and equipment, net of tax	-	151	-	151
<b>Total comprehensive income for 6 months</b>	-	151	(6,995)	(6,844)
<b>Balance at 31 December 2009</b>	<b>197,081</b>	<b>25,961</b>	<b>(61,091)</b>	<b>161,951</b>
Balance at 1 January 2010	197,081	25,961	(61,091)	161,951
Loss for the period	-	-	(907)	(907)
Movement in fair value of property, plant and equipment, net of tax	-	(3,539)	-	(3,539)
<b>Total comprehensive income for 6 months</b>	-	(3,539)	(907)	(4,446)
<b>Balance at 30 June 2010</b>	<b>197,081</b>	<b>22,422</b>	<b>(61,998)</b>	<b>157,505</b>
Balance at 1 July 2010	197,081	22,422	(61,998)	157,505
Loss for the period	-	-	(6,774)	(6,774)
Movement in fair value of property, plant and equipment, net of tax	-	(1,057)	-	(1,057)
<b>Total comprehensive income for 6 months</b>	-	(1,057)	(6,774)	(7,831)
<b>Balance at 31 December 2010</b>	<b>197,081</b>	<b>21,365</b>	<b>(68,772)</b>	<b>149,674</b>

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

**NZ Farming Systems Uruguay Limited**  
**Condensed Interim Consolidated Statement of Financial Position**

As at 31 December 2010

	Note	Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents	9	11,891	5,671	19,591
Trade and other receivables	10	16,773	11,447	7,012
Income tax receivable		29	284	117
Assets held for sale		-	6,860	-
Inventories and consumable supplies		4,496	3,735	3,701
Total current assets		33,189	27,997	30,421
<b>Non-current</b>				
Other receivables	10	4,438	4,647	5,000
Livestock	11	38,194	34,833	27,288
Intangible assets		47	21	35
Property, plant and equipment	12	164,503	161,710	171,229
Total non-current assets		207,182	201,211	203,552
<b>Total assets</b>		<b>240,371</b>	<b>229,208</b>	<b>233,973</b>
<b>LIABILITIES</b>				
<b>Current</b>				
Loans and borrowings due within one year	13	77,500	11,154	16,143
Accounts payable and accruals	14	12,302	13,654	8,858
Total current liabilities		89,802	24,808	25,001
<b>Non-current</b>				
Long-term loans and borrowings	13	-	46,000	46,000
Deferred tax liability		895	895	1,021
Total non-current liabilities		895	46,895	47,021
<b>Total liabilities</b>		<b>90,697</b>	<b>71,703</b>	<b>72,022</b>
<b>EQUITY</b>				
Share capital		197,081	197,081	197,081
Reserves		21,365	22,422	25,961
Accumulated losses		(68,772)	(61,998)	(61,091)
<b>Total equity</b>		<b>149,674</b>	<b>157,505</b>	<b>161,951</b>
<b>Total liabilities and equity</b>		<b>240,371</b>	<b>229,208</b>	<b>233,973</b>

These condensed interim consolidated financial statements have been authorised for issue on 17 February 2011.



**Vivek Verma**  
Chairman



**Graeme Wong**  
Director

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

**NZ Farming Systems Uruguay Limited**  
**Condensed Interim Consolidated Statement of Cash Flows**

For the six months period ended 31 December 2010

	Note	Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
<b>Cash flows from operating activities</b>				
Inflows		16,931	22,442	10,953
Outflows		(43,775)	(45,797)	(25,272)
Net cash flow (to) operating activities	15	(26,844)	(23,355)	(14,319)
<b>Cash flows from investing activities</b>				
Inflows		6,880	15,770	6,538
Outflows		(3,816)	(14,289)	(6,250)
Net cash flow from investing activities		3,064	1,481	288
<b>Cash flows from financing activities</b>				
Inflows		31,500	28,918	31,508
Outflows		(1,500)	(5,000)	(1,513)
Net cash flow from financing activities		30,000	23,918	29,995
Net increase in cash held		6,220	2,044	15,964
Opening cash		5,671	3,627	3,627
<b>Cash and cash equivalents</b>		<b>11,891</b>	<b>5,671</b>	<b>19,591</b>

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

# NZ Farming Systems Uruguay Limited

## Notes to the Financial Statements

For the six months period ended 31 December 2010

### 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.

The condensed interim consolidated financial statements of NZ Farming Systems Uruguay Limited for the six months ended 31 December 2010 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

The condensed interim 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") as applicable for interim financial statements for profit orientated entities, and in particular NZ IAS 34. The financial statements also comply with IAS 34.

The condensed interim financial statements do not include all of the information required for full annual statements. The condensed interim consolidated financial statements are presented in US dollars. The same accounting policies, presentation and methods of computation are followed in the condensed interim consolidated financial statements as applied in the Group's latest annual audited financial statements, with exceptions as described below.

The Group operates in one segment, that of developing and 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.

These statements were approved by the Board of Directors on 17 February 2011.

### 3 Revenue

Milk Sales
Charges against milk sales
Cattle sales
Other income

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
18,141	19,230	10,528
(705)	(473)	(329)
1,131	2,420	730
287	1,357	14
<b>18,854</b>	<b>22,534</b>	<b>10,943</b>

### 4 Changes in Fair Value of Livestock

Livestock - category changes
Livestock - births
Livestock - deaths

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
3,041	1,722	813
913	1,393	561
(1,110)	(1,138)	(624)
<b>2,844</b>	<b>1,977</b>	<b>750</b>

### 5 Farm Operating Expenses

Pastures
Farm repairs and maintenance
Farm management
Animal health, breeding & calf rearing
Cropping and feed costs
Other farm expenses

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
(2,043)	(5,367)	(1,148)
(1,218)	(1,722)	(736)
(1,158)	(931)	(320)
(2,198)	(2,931)	(1,484)
(7,902)	(6,098)	(2,223)
(2,457)	(3,868)	(1,930)
<b>(16,976)</b>	<b>(20,917)</b>	<b>(7,841)</b>

### 6 Fair Value Adjustments

Change in fair value of livestock due to price changes
Change in fair value of farm properties below cost

Note  
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Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
-	6,169	-
-	1,095	-
<b>-</b>	<b>7,264</b>	<b>-</b>

### 7 Net Interest and Finance Costs

Interest income
Interest expense
Net foreign exchange losses
Facility fees

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
90	82	48
(2,305)	(4,489)	(2,467)
(371)	(671)	(1,414)
(28)	(77)	(44)
<b>(2,614)</b>	<b>(5,155)</b>	<b>(3,877)</b>

## 8 Earnings Per Share and Net Tangible Assets

### Number of shares

Weighted average number of ordinary shares

Number of ordinary shares at December / June

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
244,236	244,236	244,236
244,236	244,236	244,236

### Net Tangible Assets

Total Assets

Total Liabilities

less Intangible assets

less Deferred tax

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
240,371	229,208	233,973
(90,697)	(71,703)	(72,022)
(47)	(21)	(35)
895	895	1,021
150,522	158,379	162,937

Net tangible assets per share at December / June

Earnings per share (basic and diluted)

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
0.62	0.65	0.67
(0.03)	(0.03)	(0.03)

## 9 Cash and Cash Equivalents

Bank and cash

Funds held by bond trustee

Note

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
11,891	5,360	8,461
-	311	11,130
11,891	5,671	19,591

## 10 Trade and Other Receivables

VAT receivable

Discount on VAT receivable

Prepayments

Trade and other debtors

Less non-current VAT receivable

Current Trade and Other Receivables

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
11,418	10,846	9,400
(2,442)	(2,324)	(2,500)
5,713	3,651	2,383
6,522	3,921	2,729
21,211	16,094	12,012
4,438	4,647	5,000
16,773	11,447	7,012

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 seven 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 Statement of Comprehensive Income. 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 movement in discount is due to foreign currency movements. This asset can also be used to settle any obligation that arises with respect to the crystallisation of deferred tax liabilities in Uruguay.

Trade and other debtors includes an amount of \$US752 thousand expected to be recoverable from Olam in respect of takeover costs under Rule 49 (2) of the NZ Takeovers Code.

## 11 Livestock

### Livestock

Livestock is measured at fair value net of estimated point-of-sale costs. At 30 June 2010 a valuation review was performed by Crighton Stone Limited (Crighton Stone) to provide an independent judgement of the work of another valuer. Crighton Stone also sourced and independently contracted the Uruguayan firm of valuers Escritorio Dutra Ltda to undertake the valuation of all livestock held by the Group. The next independent valuation and review is scheduled for June 2011.

The Board has considered the impact of climatic, economic, milk powder pricing and other factors, including livestock sales in the six months to 31 December 2010 and is of the view that there has been no material change to the fair value of livestock over the six month period. The result to 30 June 2010 included a gain of US\$6.1 million (six months to 31 December 2009: US\$nil) being recorded in the Statements of Comprehensive Income for the respective periods.

During the period, livestock additions totalled US\$1.6 million (12 months to 30 June 2010: US\$2.6 million, 6 months to 31 December 2009: US\$0.8 million).

## 12 Property, Plant and Equipment

Property, plant and equipment consist mainly of farm properties and improvements.

Legal titles of certain farms were transferred into a guarantee trust prior to 30 June 2009 for the purpose of guaranteeing the issue of debt securities. The value of the farms held in the guarantee trust is approximately US\$71.3 million. US\$30.0 million of bonds have been raised against the security of these properties. The independent trustee has the ability to sell the farms only in the event that the Group defaults on repayment obligations under the terms of the trust.

Properties are carried at fair value. As for livestock, Crighton Stone provided an independent review on the work of another valuer as at 30 June 2010. The Board has considered the impact of recent economic factors to determine whether an impairment in the value of the Group's properties should be recorded. The Board has concluded that there has been no material change to the fair value of the Group's properties over the six month period. The next independent valuation and review is scheduled for June 2011.

At 31 December 2010, there were capital commitments of US\$1.1 million.

## Acquisitions and disposals

During the six months ended 31 December 2010, the Group acquired assets with a cost of US\$3.9 million (30 June 2010: US\$13.9 million, 31 December 2009: US\$6.7 million).

Assets with a net book value of US\$5.6 million were disposed during the six months ended 31 December 2010 (30 June 2010: US\$15.5 million, 31 December 2009: US\$7.4 million), resulting in a gain on disposal of US\$1.0 million (30 June 2010: gain of US\$0.8 million, 31 December 2009: loss of US\$0.9 million). This included the Don Pepe farm, which was categorised in assets held for sale at 30 June 2010.

## 13 Loans and Borrowings

PGG Wrightson Limited short term loan  
Olam International Limited short term loan  
Uruguayan bank short term loans  
Uruguayan bank long term loans  
Uruguayan bonds issued

Payable within 12 months  
Payable beyond 12 months

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
-	9,654	14,635
30,000	-	-
1,500	1,500	1,508
16,000	16,000	16,000
30,000	30,000	30,000
<b>77,500</b>	<b>57,154</b>	<b>62,143</b>
77,500	11,154	16,143
-	46,000	46,000
<b>77,500</b>	<b>57,154</b>	<b>62,143</b>

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

The PGG Wrightson Limited short term loan carried a variable interest rate equal to PGW's cost of funds and was repaid in December 2010. This was the former performance fee payable in respect of the 2008 financial year, which was converted to an interest-bearing loan.

NZS has arranged a short term shareholder loan of up to \$US50 million ("Loan") with Olam International Limited (Olam), NZS' 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"). As at 31 December 2010, NZS has drawn down US\$30 million. The Loan carries an interest rate (including withholding taxes) of approximately 9% per annum and is repayable by NZS on the earlier of 31 December 2011 or a capital raising sufficient to repay the Loan.

On 27 September 2010 US\$1.5m of loans matured and were rolled to mature on 30 May 2011. The long term loans mature on 11 December 2015. The long term loans are with two local banks in Uruguay, and are secured over property in Uruguay. Approval of the bank syndicate is required for change of control and internalisation of management. This approval was obtained on 8 February 2011, subject to review of the Group's updated business plan. The updated business plan will be provided to the bank syndicate once approved by the Board, and bank syndicate approval is to be provided by 31 March 2011. At 31 December 2010 the loans were therefore classified as current liabilities. The Group has a covenant applicable at 30 June 2011, which requires opening cash plus operating cashflow less capital expenditure to be at least 1.2 times debt servicing (interest plus principal, if any). The Group does not expect to comply with this covenant at 30 June 2011 and has therefore requested a waiver from the bank syndicate.

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\$71.3 million.

The bonds were issued to provide funding for development of the Group's farms in Uruguay. Funds raised by the bonds are held by a trustee on behalf of the Group, pending confirmation of expenditure on farm development. As at 31 December 2010, the fiduciary held US\$nil, (30 June 2010: US\$0.3m, 31 December 2009 US\$11.1m), with the balance of the US\$30.0m having been provided to the Group during the respective periods.

The bonds have 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 9% and 11% per annum calculated annually using a formula based on gross milk revenue and certain key input costs. The bonds are expected to have a term of approximately 15 years, and the expected average interest rate is 9.6% per annum, with interest being accrued to date on this basis. In December 2010 the Group agreed with bond-holders to renegotiate certain terms and conditions relating to the bonds, resulting in a similar expected overall interest rate but within a narrower band than the original 5% to 15% per annum range.

Bond-holder approval to change of control and the internalisation of management was obtained on 10 December 2010, subject to approval of the Group's updated business plan. The updated business plan will be provided to the bond-holders once approved by the Board, and their approval is to be provided by 31 March 2011. At 31 December 2010 the bonds were therefore classified as current liabilities.

## 14 Accounts Payable and Accruals

Trade creditors and accruals  
Related party creditors

Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
12,302	8,762	5,413
-	4,892	3,445
<b>12,302</b>	<b>13,654</b>	<b>8,858</b>

PGG Wrightson Limited, and its subsidiaries and related parties, were previously related parties of the Group. Following PGW's sale of its shareholding in the Group to Olam International Limited ("Olam") as part of Olam's takeover offer for the Group, PGW is no longer a related party of the Group. The Group continues to purchase various farm inputs from PGW, with the balances relating to those purchases included in trade creditors and accruals. The Group does not have any balances payable to Olam.

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

	Unaudited Dec 2010 US\$000	Audited Jun 2010 US\$000	Unaudited Dec 2009 US\$000
<b>Loss after taxation</b>	(6,774)	(7,902)	(6,995)
Add/(deduct) non-cash / non operating items:			
Depreciation, amortisation and impairment	947	1,710	1,559
Unrealised foreign exchange losses	(468)	671	1,414
Livestock value changes	(2,844)	(1,977)	(750)
Fair value adjustments	-	(7,264)	-
Bond raising costs	-	1,082	-
Conversion of performance fee from creditors to loan	-	12,548	-
(Increase)/decrease in deferred taxation	-	(635)	(509)
Other non-cash items	(1,230)	859	2,660
	(3,595)	6,994	4,374
Add/(deduct) movement in working capital items:			
(Increase) in accounts receivable and prepayments	(5,325)	(7,114)	(1,181)
(Increase) in inventories and consumable supplies	(762)	(2,152)	(2,118)
Increase/(decrease) in trade creditors and accruals	(10,643)	(14,187)	(9,572)
Decrease in income tax receivable	255	1,006	1,173
	(16,475)	(22,447)	(11,698)
<b>Net cash flow to operating activities</b>	<b>(26,844)</b>	<b>(23,355)</b>	<b>(14,319)</b>

The operating cashflow in the six month period to 31 December 2010 was negative largely due to paying the PGW management agreement termination fee and outstanding debts.

## 16 Related Parties

PGG Wrightson Funds Management Limited ("PGWM") formerly managed the assets of NZ Farming Systems Uruguay Limited ("NZS") pursuant to a management agreement, first entered into in 2006, and subsequently amended in 2009 ("Management Agreement").

On 17 August 2010 PGG Wrightson Limited ("PGW"), PGWM and NZS conditionally entered into a Transaction Implementation Agreement ("TIA"). The TIA contained provisions for the termination of the Management Agreement, and required that NZS enter into a long term preferred supplier agreement with PGW. Elements of the TIA (being the requirement to enter into a preferred supplier agreement with PGW) were subject to shareholder approval under NZSX Listing Rule ("Rule") 9.2.1.

On 27 September 2010, following a takeover offer ("Takeover"), Olam International Limited ("Olam") became the majority shareholder of NZS, holding 78% of NZS shares. This offer successfully closed on 24 September 2010.

Following the Takeover, the terms of the TIA were renegotiated by NZS, PGW and Olam ("Varied TIA"). Under the Varied TIA, on 24 December 2010, NZS paid PGW a termination fee of NZ\$ 4.6 million (plus GST if any) (equivalent to US\$ 3.4 million) to terminate the Management Agreement, and in addition paid all outstanding debts to PGW due under the Management Agreement. The requirement to enter into the preferred supplier agreement with PGW was waived by PGW as part of the renegotiation.

Olam has offered NZS a short term loan facility of up to US\$50 million ("Loan Facility") to repay the outstanding debts and pay the termination fee under the Varied TIA, as well as to provide funds for the continued development of NZS' farms in Uruguay (both working capital and capital expenditure approved by the Board), until alternative funding arrangements can be established. As at 31 December 2010, NZS has drawn down US\$30 million. The loan carries an interest rate (including withholding taxes) of approximately 9% per annum.

On 20 December 2010 NZX Regulation granted a waiver of the application of Listing Rule 9.2.1 so that NZ Farming Systems Uruguay Limited ("NZS") may enter into the Loan Facility with Olam International Limited ("Olam") without prior shareholder approval, on the condition that the Directors of NZS not Associated with Olam certify, in a form acceptable to NZX Market Supervision ("NZXMS") that:

- the terms of the Loan Facility are arms length and commercial and were negotiated with Olam on an arms length and commercial basis;
- entry into the Loan Facility is in the interest of NZS and shareholders not Associated with Olam;
- the need for the funding provided by the Loan Facility is sufficiently critical that funding is required before NZS is able to convene a shareholders meeting;
- the Directors of NZS have investigated alternative funding arrangements to the Loan Facility, and in their opinion there are no alternative funding arrangements that NZS could enter into on terms that are more favourable for NZS shareholders than the Loan Facility.

### Management agreement (31 December 2009)

On 28 October 2009 NZX Regulation granted a waiver of the application of Listing Rule 9.2.1 in respect of the requirement to obtain approval from shareholders to the variation of the Farm and Fund Management contracts. The following changes were made:

- The Fund and Farm Management Agreements have been merged;
- The management fee percentage was reduced from 1% to 0.75% for gross asset value above \$US400 million (gross asset value at 30 June 2010 was approximately US\$ 229 million; at 31 December 2009 was approximately US\$ 234 million);
- PGG Wrightson will at NZ Farming Systems Uruguay's request accept shares rather than cash for any future performance fee payments, subject to compliance with relevant law and listing rules;
- PGG Wrightson's right to charge a margin for the provision of Farm Management services (although it has not been exercised) has been waived by PGG Wrightson;
- A management performance review clause has been inserted to implement a formal annual review process;
- Any agreed farms sold and managed under any sale and leaseback arrangement would incur a reduced 0.5% management fee; and
- The Farm Management Agreement term has been extended to align with the Fund Management Agreement.

## 17 Events Subsequent to End of Interim Period

There are no material events occurring subsequent to 31 December 2010 and prior to the date of these financial statements.