NZ Farming Systems Uruguay

Independent Appraisal Report

On the proposed extension of the Olam Loan

GRANT SAMUEL

October 2011

Table of Contents

GRANT SAMUEL

LEVEL 31
VERO CENTRE
48 SHORTLAND STREET AUCKLAND
PO BOX 4306 AUCKLAND
T: +64 9 912 7777 / F: +64 9 912 7788
www.grantsamuel.co.nz

The Independent Directors
New Zealand Farming Systems Uruguay Limited
Divina Comedia 1637, Montevideo
CP 11500
URUGUAY

Dear Sirs,

1. Terms of the Olam Loan

1.1 Background

On 23 September 2011 NZ Farming Systems Uruguay Limited (**NZS**) announced that it was considering raising US$120 million from existing shareholders through a pro-rata non-renounceable rights issue of ordinary shares (the **Rights Issue**).

The proceeds from the US$120 million Rights Issue were to be used to repay the US$70 million outstanding balance of the short-term loan from Olam to NZS (the **Olam Loan**) and to support NZS' ongoing development. The Olam Loan is currently due to be fully repaid by 31 December 2011.

If shareholder approval for the Rights Issue was not forthcoming, NZS announced that it would, as an alternative, seek shareholder approval for an increase in the existing US$85 million Olam Loan facility to US$110 million and an extension in the term for another 12 months to enable other financing options to be considered.

On 6 October NZS announced that following discussions with a number of minority shareholders it became apparent that they would not support the Rights Issue and, accordingly, NZS would not proceed with the Rights Issue. The extension of the Olam Loan is being proposed as the only funding alternative.

1.2 Extension of the Olam Loan

NZS is seeking approval for an extension of the Olam Loan for a further 12 months and an increase in the Olam Loan facility of US$25 million to take the total loan facility to US$110 million.

On 21 December 2010 NZS received a waiver from the New Zealand Stock Exchange (**NZX**) to enable Olam to provide:

- NZS with a short-term loan facility of up to US$50 million to repay outstanding debts, to pay the termination fee associated with cancelling the PGG Wrightson Limited (**PGW**) management agreement; and

- funds for the continued development of NZS' farms in Uruguay, until alternative funding arrangements could be established.

The Olam Loan was provided on the following terms:

- the Olam Loan is repayable in full on 31 December 2011;
- the Olam Loan is unsecured; and
- interest is payable on the Olam Loan at approximately 8.9% per annum.

The NZX waiver was necessary as Olam was a Related Party (majority shareholder) and the Olam Loan represented a Material Transaction (represented more than 10% of the Average Market Capitalisation of NZS) for the purposes of the NZX Listing Rules.

A further waiver was granted by the NZX on 24 June 2011 when the quantum of the Olam Loan was increased to US$85 million to allow NZS to repay a bank loan of US$16 million before 30 June 2011 (so that NZS did not breach its bank loan covenants) and to provide funds for the continued development of NZS' farms in Uruguay. When granting its waivers the NZX considered, among other things, that the need for funding was sufficiently critical and that the funding would be required before NZS was able to convene a shareholders meeting, that there were no alternative funding arrangements that NZS could enter into on terms more favourable than the Olam Loan, and in case of the June 2011 waiver that NZS was in urgent need of funds to repay the Bank Syndicate Loan by 30 June 2011 or it would have breached the loan covenants.

Shareholders will be asked to consider and vote on the following Ordinary Resolution in relation to the Olam Loan:

"To consider, and if thought fit, approve by ordinary resolution that the existing Olam shareholder loan facility (Olam Loan) be amended so that:

(a) *the term of the Olam Loan is extended by 12 months to become repayable in full on 31 December 2012; and*

(b) *the credit limit available to NZS under the Olam Loan is increased by up to USD 25 million, from USD 85 million to up to USD 110 million,*

but in all other respects the terms of the Olam Loan shall remain the same".

1.3 Requirement for a Report

NZS intends to seek shareholder approval at its annual meeting to extend and increase the Olam Loan for the ongoing financing of NZS. The Independent Directors of NZS have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare the Appraisal Report required under Rule 9.2.5 to assist NZS shareholders who are not associated with Olam with their assessment of the extension of the Olam Loan prior to voting on the resolution. Grant Samuel is independent of NZS and Olam and has no involvement with, or interest in, the outcome of the extension of the Olam Loan. Grant Samuel has received the approval of the NZX to provide this Appraisal Report.

Pursuant to Listing Rule 1.7.2 this Appraisal Report (for the purposes of Listing Rule 9.2.5) is required to:

(c) be addressed to the Independent Directors of NZS;

(d) be expressed to be for the benefit of the shareholders of NZS not associated with Olam;

(e) state whether or not in the opinion of Grant Samuel the consideration and the terms and conditions of the Olam Loan are "fair" to NZS shareholders;

(f) state whether or not in Grant Samuel's opinion the information to be provided by NZS to NZS shareholders is sufficient to enable shareholders to understand all the relevant factors, and make an informed decision;

(g) state whether Grant Samuel has obtained all information which it believes desirable for the purposes of preparing the report, including all relevant information which is or should have been known by any director of NZS and made available to the directors;

(h) state any material assumptions on which the Grant Samuel's opinion is based; and

(i) state any term of reference which may have materially restricted the scope of the report.

The term "fair" has no legal definition in New Zealand either in the NZX Listing Rules themselves or in any other statutes dealing with securities or commercial law. However, guidance in interpreting and applying the rule can be gained both from regulatory interpretation in other jurisdictions and rulings made by the NZX.

A copy of this report will accompany the notice of meeting to be sent to all NZS shareholders. This report has been prepared solely to assist NZS shareholders not associated with Olam in assessing whether or not to approve or the extension of the Olam Loan. This report should not be used by any other person or for any other purpose. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined in Appendix A.

The decision of each NZS shareholder as to whether or not to vote in favour of the extension of the Olam Loan is a matter for individual shareholders having considered these factors and their own preference.

Listing Rule 9.2.1

Under Rule 9.2.1 of the NZX Listing Rules an Issuer (in this case NZS) shall not enter into a Material Transaction if a Related Party is, or is likely to become a direct or indirect party to the Material Transaction, unless that transaction is approved by an Ordinary Resolution of shareholders. Rule 9.2.5 of requires that the notice of meeting setting out the relevant Ordinary Resolution be accompanied by an Appraisal Report.

A ***Material Transaction*** is defined in Rule 9.2.2 and includes a transaction whereby an Issuer *"borrows, lends, pays, or receives, money, or incurs an obligation, of an amount in excess of 10% of the Average Market Capitalisation of the Issuer"*. The Olam Loan exceeds this 10% threshold and the extension of the Olam Loan is therefore considered a Material Transaction for the purposes of the NZSX Listing Rules.

The definition of a ***Related Party*** in Rule 9.2.3 includes *"the holder of a Relevant Interest in 10% or more of a Class of Equity Securities of the Issuer carrying Votes"*. Olam meets this definition of Related Party by virtue of its 85.93% shareholding in NZS.

The initial Olam Loan in December 2010 and the extension in June 2011 were Material Transactions with a Related Party, however, the NZX granted NZS waivers from the obligation to comply with Listing Rule 9.2.1.

1.4 Basis of Evaluation

Grant Samuel has evaluated the extension of the Olam Loan by reviewing the following factors:

- the quantum of the loan;
- the alternatives available to NZS for raising the necessary funds;
- the financial situation and solvency of NZS;
- the terms and conditions of the Olam Loan;

- the current trading conditions for NZS; and
- the timing and circumstances surrounding the extension of the Olam Loan.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt Appendix A forms part of this report.

2. Merits of Extending the Olam Loan

2.1 Factors to consider when evaluating the increase and extension of the Olam Loan

- NZS requires the Olam Loan to fund its current and ongoing development and, in the event an extension of the Olam Loan is not approved and NZS was required to repay the Olam Loan, the company could potentially be forced into receivership or voluntary liquidation. Shareholders need to be mindful of this when considering how they will vote on the resolution to extend the Olam Loan. Shareholders who vote against the resolution are putting the company at significant risk of liquidation potentially resulting in a substantial erosion of value if the company were not to continue with the existing Olam loan. Vivek Verma, Managing Director of Olam Dairy Products and the Chairman of NZS has confirmed that "in case the shareholders do not approve the extension of the Olam loan, Olam would not take any action to enforce payment of the existing loan in the short to medium term";
- in December 2010, NZS obtained a waiver from Listing Rule 9.2.1, which addresses Material Transactions with Related Parties, to enable Olam to provide a loan of up to US$50 million. The facility was subsequently increased to US$85 million in June 2011. The NZX waiver was sought as NZS had an urgent need for additional funding and it did not have sufficient time to convene a meeting of shareholders. At that time the Directors of NZS advised shareholders that NZS had investigated alternative funding arrangements to the Olam Loan facility and that, in their opinion, there were no alternative funding arrangements that NZS could enter into on terms that are more favourable for NZS shareholders than the Olam Loan facility;
- the key terms of the existing short-term loan facility are:
  - a term of 12 months expiring on 31 December 2011;
  - an effective interest rate including withholding tax of 8.9% p.a; and
  - the Olam Loan is unsecured.
- NZS is seeking an increase in the Olam Loan of US$25 million to US$110 million and an extension of the expiry date from 31 December 2011 to 31 December 2012. The extension and the increased sum being sought is required to fund the remaining development capital expenditure of approximately US$50 million in FY2012. NZS' five-year business plan forecasts positive operating cash flows for FY2013 which will be, if achieved, sufficient to fund the forecast capital expenditure of approximately US$12 million in that year;
- the extension of the loan facility will be on the same terms and conditions. Grant Samuel has reviewed the Loan Facility Agreement which contains the usual terms and conditions expected in an agreement of this nature and is, in Grant Samuel's opinion, fair to the minority shareholders not associated with Olam;
- forecast cash flow for FY2012 is set out below:

NZS Forecast Cash Flows for year ending 30 June 2012 ($millions)	
Receipts from customers	84.6
Payments to suppliers	(81.2)
Interest Paid	(6.8)
Net cashflows from operating activities	**(3.4)**
Capital expenditure	(50.8)
Livestock purchases	(10.8)
Proceeds of land sales	0.9
Net cash flows from investing activities	**(60.7)**
Net cash flow before funding	**(64.1)**

- NZS has advised that the interest rate of 8.9% (including 10% withholding tax) applicable to the Olam Loan is in line with what NZS would have to pay in Uruguay for a loan of this size if such a large facility could be obtained from third parties. NZS observed that at the present stage of development the company could not borrow US$110 million from external sources. The loan from Olam is unsecured which is a little unusual, but as Olam controls NZS, it is obviously comfortable with the lack of direct security;
- the interest rate payable under the Olam Loan is 8.9% (including withholding tax) which is comparable to the 7.25% that Banco Republica would charge for a longer four year term facility. Given the size of the loan and the absence of any security, Grant Samuel believes the interest rate being charged by Olam is fair to minority shareholders not associated with Olam;
- NZS' debt at 30 June 2011 and 2012 comprises:

NZS debt at 30 June 2011 and 2012 ($millions)

	2011	Movement	2012
Syndicated Loan	8.0	(1.0)	7.0
Bonds	25.7	-	25.7
HSBC	1.5	-	1.5
Banco Republica	5.0	15.0	20.0
Olam	70.0	40.0	110.0
Total Debt	**110.2**	**54.0**	**164.2**

If the US$25 million extension of the Olam Loan Facility is approved the Banco Republica loan will be increased to US$20 million and the syndicated loan reduced by $1 million giving a net cash inflow of US$54 million against a forecast negative cash flow for FY2012 of US$64.1 million.

- NZS has cash which would in theory be sufficient to match the US$10 million funding shortfall. This cash buffer is required to meet working capital fluctuations which can be quite large due to the timing of payments for milk and the purchase of feed at different times of the year to take advantage of favourable pricing. NZS has advised that it expects permanent funding to be in place before 30 June 2012 and before all of the proposed capital expenditure will have been paid for, which it expects will not result in a funding shortfall;
- NZS has advised that it believes at the current stage of its development and given the significant negative cash flow forecast for FY2012 it is not able to borrow any further amounts from third parties. Accordingly, NZS must, in Grant Samuel's opinion, approve the extension and expansion of the Olam Loan;
- whilst NZS remains a listed company Olam is unlikely to wish to continue to provide such a high level of shareholder loans. It will be necessary for NZS to put in place a more permanent funding structure which may inevitably require a substantial increase in equity. Olam was proposing a US$120 million rights issue. It may be that a smaller rights issue in conjunction with some form of redeemable capital or loans from all shareholders would be more appropriate. Cash flows from operations are forecast to increase to approximately US$20 million in 2013 and stabilise at around US$26 million thereafter. Based on this level of cashflow, equity of $80 - $90 million and shareholder loans of $30 - $40 million would be reasonable. In addition, when the business can demonstrate consistent positive cashflows it is likely that it will be able to increase its bank borrowings; and
- the resolution to approve the extension of the term and increase in the Olam Loan facility must be passed by a majority of shareholders not associated with Olam. In Grant Samuel's opinion it would not be in the best interests of shareholders to vote against the resolution. The funding is on arms length terms and is essential to enable the completion of the development capital expenditure to bring all of the farms into full production. The extension of the term of the Olam Loan for a period of 12 months and an increase in the amount of the facility to US$110 million is in the best interests of

all shareholders and is in Grant Samuel's opinion fair to the minority shareholders not associated with Olam.

2.2 Voting in favour of or against the extension of the Olam Loan

Voting in favour of or against the extension of the Olam Loan is a matter for individual shareholders based on their own view of the merits of the extension of the Olam Loan. Shareholders will need to consider the merits outlined in this report and the Notice of Meeting and, if appropriate, consult their own professional adviser(s).

3. Uruguayan Dairy Industry Overview

3.1 Overview

Uruguayan milk production accounts for 0.3% of total world production, but the exported component represents 2% of world exports. Uruguay exports more than 60% of its milk production, unlike most major producing countries where the majority of milk production is consumed domestically. Uruguay's export mix is approximately 44% powdered milk and 36% cheeses with the balance comprising other dairy products such as butter, yoghurt and some liquid milk. Export is predominately focused on Latin American markets.

Uruguayan herds are predominately pasture fed (natural and cultivated, summer and winter crops) with a moderate supply of supplements and concentrates. Most cows are Holstein-Friesian and, to a lesser degree Jersey and Normande.

Uruguay's national herd comprises approximately 400,000 dairy cows and total dairy land covers approximately 800,000 hectares. The average farm size is 177 hectares and more than 85% of the farms in Uruguay are less than 200 hectares. Dairy farms are concentrated in the south and west of the country. In 2010 Uruguay produced 1,770 million litres of milk at an average productivity of approximately 4,000 litres per cow per annum.

Dairy accounts for 9.3% of the country's gross agriculture production, behind beef and rice production. Uruguayan dairy production is forecast to increase by 3% in 2011.

3.2 Dairy processors

Approximately 96% of Uruguay's dairy is processed by 10 large firms, the largest of which is Cooperative Nacional de Productores de Leche SA (**Conaprole**) a farmer owned cooperative that processes 61% of Uruguay's total milk supply.

Conaprole is the largest exporter of milk and dairy products in the Latin American region, and the largest private sector company in Uruguay. Conaprole was formed by a merger of Uruguay's five major dairy cooperatives in 1936. NZS supplies 100% of its milk production to Conaprole.

Farm gate milk prices closely follow the world market as the majority of exporters are cooperatives and establish the raw material price according to sales to the world market. There is very little difference between farm-gate milk prices paid by each processor due to competition for milk within Uruguay.

4. Profile of NZS

4.1 Background

NZS was established in late 2006 with the objective of applying New Zealand's expertise in pastoral dairy farming to high quality, low cost and under-utilised farmland in Uruguay. In November 2006 NZS issued 105 million NZ$1.00 shares (partly paid to NZ$0.50) by way of an oversubscribed initial public offering (**IPO**). The proceeds from the IPO were used to acquire three farms from PGW for US$12.8 million.

During 2007 NZS placed a further 39 million new shares at NZ$1.02 (partly paid to NZ$0.52), issued 7.5 million fully paid ordinary shares at an issue price of NZ$1.00 in part consideration for the purchase of land and farm assets and subsequently listed on the NZX following the final call of NZ$0.50 per share on partly paid shares issued during the IPO. An additional NZ$110 million was raised at this time through an institutional placement and non-renounceable rights issue at NZ$1.50 per share. The proceeds from the issue of capital were used to acquire farms, substantially increasing NZS' land holdings from 6,640 hectares to 26,523 hectares. A further 9,777 hectares were acquired in 2008 resulting in a total land holding of 36,300 by 31 December 2008. Approximately 2,500 hectares of land was sold for US$8.5 million in March 2010.

In September 2009, Olam acquired a 14.35% shareholding in NZS and purchased a further 10 million shares in May 2010 to take its shareholding to 18.45%. On 19 July 2010 Olam gave notice of its intention to make a full takeover offer for all of the shares in NZS at NZ$0.55 per share. A further notice of intention to make a full takeover offer for NZS was issued on 16 August 2010 by Union Agriculture Group at NZ$0.60 per share. On 24 August 2010 Olam varied its offer price from NZ$0.55 to NZ$0.70 per share. Union Agriculture Group elected not to proceed with its proposed takeover and on 20 September 2010 Olam declared its offer unconditional. Following the completion of its initial takeover offer Olam held 77.98% of NZS. On 9 May 2011 Olam made a further full cash takeover offer for all of the shares in NZS it did not already own at NZ$0.70 per share. The second Olam takeover offer closed on 29 June 2011 with Olam increasing its shareholding in NZS from 77.98% to 85.93%.

Since Olam moved to majority ownership significant changes have been made at a board and management level. The NZS Board now consists of three direct representatives of Olam (Vivek Verma (Chairman), Richard Haire, and Ravi Kumar), two independent directors (Graeme Wong and John Roadley), as well as NZS Managing Director David Beca. Olam has also undertaken a strategic review of NZS resulting in changes to the strategy and day-to-day operations of the company.

4.2 Operational Overview

Background

Since listing in 2006 NZS has focused on the acquisition and development of agricultural land in Uruguay and the acquisition of livestock. NZS has spent approximately US$195 million net of land disposal on the purchase and development of dairy land and livestock, with an estimated further US$73 million remaining to be spent to complete the development expenditure.

NZS is the largest single producer of milk in Uruguay, accounting for approximately 6% of national production. The company's medium term plan projects it to be milking 48,000 cows and producing approximately 17% of the total milk produced in Uruguay by the 2013/14 season. NZS' key measure of productivity is kilograms of milk solids per hectare (**kgMS/ha**) which are projected to rise from 584kgMS/ha for the 2010/11 season, to 1,293kgMS/ha in 2013/14.

NZS did not meet the targets outlined in its original prospectus due to significantly higher land purchases than were originally planned, extended periods of unfavourable climatic conditions resulting in poor pasture production and lower milk volumes, and significant additional investment in irrigation and electricity infrastructure (due to insufficient capacity in the Uruguayan power grid) which was not originally anticipated. Set out below are the key operating metrics for NZS for the financial years ended 30 June 2008 to 2011:

Key operating statistics				
Year ended 30 June	**2008**	**2009**	**2010**	**2011**
Milking cow numbers (average)	5,600	11,300	14,500	21,000
Milk price (US cents/litre average)	39.7	23.9	28.3	38.0
Milk production (million litres)	13.4	44.6	68.0	105.3
Milk production (kgs milk solids per cow per year)	240	290	290	350
Dairy hectares in production	4,700	10,500	12,500	12,619
Kilograms of Milk Solids per hectare	380	420	420	584
Milking sheds	11	26	31	32
Irrigated area (hectares)	0	406	2,018	2,984

Business Plan

In late 2010 Olam undertook a strategic review of NZS and developed a comprehensive business plan to improve performance and productivity. The Olam business plan represents a shift away from the previous plan with a greater focus on improving the productivity of the existing herd by applying significant levels of concentrated feed. The key elements of the plan include:

- improved pasture productivity through improvements in pasture management, higher rates of nitrogen application, additional irrigation and continuing and completing existing plans to increase soil phosphate fertility;
- improved livestock productivity (higher milk volumes and milk solids produced per cow) from the ongoing benefits of the revised feed regime which includes the use of concentrates throughout the cow's lactation;
- more efficient intakes across each herd through the installation of in-shed feeding systems for concentrated feed products such as grains, and additional feed pads for forage / silage feeding at each farm;
- improved livestock reproductive performance with higher in-calf rates due to increased feed intakes of cows prior to and during mating, and higher in-calf rates in heifers due to improved growth rates and bodyweight at 15 months of age;
- lower livestock death rates through higher feeding rates and improved farm systems and infrastructure;
- ongoing breeding of livestock that meet the requirements of the farming system being implemented;
- ongoing development of staff and implementation of robust farm management system;
- reduced business risk through more reliable pasture production from irrigated areas, additional surplus of grown forages / silages being stored to mitigate poor growing seasons, plus contract purchasing of concentrates;
- focus on weekly, monthly and annual key performance indicators; and
- completion of remaining development including the installation of 18-19 new milking sheds (taking the total to 48-49) on 16,037 effective milking hectares of which 6,991 hectares (44%) will be irrigated.

Irrigation

Approximately 24% of NZS' effective dairy land is currently under irrigation. NZS plans to significantly increase this area to improve productivity and profitability as well as to protect the business against climatic risk. Investment in pivots, dams and electricity will be required to meet NZS' FY2013 target of approximately 44% of its effective dairy land being under irrigation. The majority of the support land will be dryland.

Pasture and soil fertility

Pasture is the lowest cost feed source. In order to meet its low cost production requirements NZS has addressed soil fertility deficiencies to bring them up to the minimum levels required for sound pasture growth. This primarily required an increase in the application of phosphate and nitrogen. Farmland with the correct levels of fertility will supply significantly more pasture with a higher nutritional value, reducing other operating costs.

Livestock management

Over the next three years NZS plans to construct an additional 12 dairy sheds up from 37 currently. The number of milking cows is also planned to increase from approximately 24,000 to more than 48,000 over the same period. NZS plans to implement a breeding policy to produce cows that can potentially produce their own bodyweight in milk solids per 300-day lactation (i.e. 500kg/MS per 500kg live weight cow). Calf-rearing strategies are in progress to lower calf mortality and improve growth rates.

NZS has altered its proposed feed strategy to increase the amount of concentrate feed per cow spread evenly throughout lactation. Concentrate is being fed regardless of pasture availability and is required to ensure cows can produce optimal volumes of milk, retain appropriate body condition and prepare for calving. In-shed feeding systems are being placed in every dairy shed. NZS has a policy of owning or renting sufficient dairy support land to produce its own forages / silages which will be fed when pasture cannot fill the non-concentrate portion of the diet and as a buffer against drought conditions. Feed costs are currently 20% to 25% above budget. The additional cost is in part being offset by a higher than budgeted milk price.

Milk Production

Milk production is expected to increase rapidly from 105 million litres in the financial year to 30 June 2011 (**FY2011**) to almost 300 million litres in the financial year to 30 June 2014 (**FY2014**). The uplift in expected milk production is due to an increase in the size of the milking herd to around 48,000 and an increase in litres produced per cow to more than 6,000 litres per annum by FY2014. These levels are higher than NZS' previous plan due to higher level of concentrates being fed (comprising approximately 35% of milking cows' diets). This is expected to lead to higher levels of milk production, improved calving rates and better animal health.

4.3 Capital expenditure required to implement business plan

The business plan involves capital expenditure of approximately US$63 million (excluding livestock) over the next two years. The table below outlines the key areas of capital expenditure together with the estimated cost:

NZS Business Plan – Capital Expenditure (US$000s)				
Year end 30 June	**2011 A**	**2012 F**	**2013 F**	**Total**
Irrigation, dams and drainage	882	8,649	6,795	16,296
Milking sheds, feed storage and equipment	3,681	22,959	3,201	29,841
Electricity and roading	1,502	9,534	601	11,637
Fertiliser	3,773	1,830	-	3,603
Land	1,131	1,736	-	2,867
Other	1,122	6,091	1,303	8,516
Total	**12,091**	**50,800**	**11,900**	**74,760**

The current capital expenditure forecast is approximately US$5.9 million higher than the capital expenditure plan disclosed in May 2011 due to cost overruns on developing a feedmill, increased expenditure on milk shed infrastructure to incorporate in-shed feeding systems, feed pads, and feed storage pads, as well as other additional capital expenditure on infrastructure items including housing, calf rearing, machinery, electricity infrastructure and some cost overruns.

To commence the funding of the capital expenditure required for the change in strategic direction and to provide NZS with the necessary funds to repay PGW, Olam entered into a short-term loan agreement with NZS for US$50 million. That loan facility was increased in June 2011 to US$85 million to enable NZS to repay part of its banking syndicate loan to avoid a potential covenant breach. NZS is now seeking to increase the limit of the Olam Loan further to US$110 million.

4.4 Property Overview

NZS currently owns 27,902 hectares of farmland across four regions of Uruguay (West, Centre, East and Novillas) and leases a further 5,612 hectares in the Centre and Novillas regions. An overview of each of the farms is included in the table below:

NZS Farm Overview

Farm	Effective Dairy (ha)	Effective Support (ha)	Non-effective (ha)	Total (ha)	Value* US$ million
El Caburé	892	54	215	1,161	11.0
Valle de Soba	-	562	63	625	5.4
Menafra	629	148	242	1,019	8.4
Total West Region	**1,521**	**764**	**520**	**2,805**	**24.8**
San Pedro	654	86	262	1,002	5.4
La Gandara	350	128	109	588	3.8
Los Naranjales & Cuñatay	1,286	1,403	638	3,327	16.4
Doña Celia	1,224	389	472	2,085	11.5
La Leticia	990	720	301	2,011	11.0
Sta. Elvira	700	652	444	1,796	9.7
Total Centre Region	**5,204**	**3,378**	**2,226**	**10,808**	**57.8**
El Monasterio	2,858	1,106	584	4,548	24.3
Tobay	1,050	263	141	1,454	7.7
Cuatro Cerros	-	561	130	691	2.5
El Higuerón	425	505	137	1,067	4.8
Total East Region	**4,333**	**2,435**	**992**	**7,760**	**39.3**
Las Novillas	2,142	2,727	1,660	6,529	29.2
Total Novillas Region	**2,142**	**2,727**	**1,660**	**6,529**	**29.2**
Total Owned	**13,200**	**9,304**	**5,398**	**27,902**	**151.1**
Don Sebastian	200	365	120	685	na
Cardio Azul		329	82	411	
Arin	-	1,214	304	1,518	na
Danulia			109	109	
Olalquiaga	-	334	-	334	na
Santa Rita	240	599	50	889	na
Cerro Zarco	-	1,052	263	1,315	na
Fernandez	-	316	35	351	na
Total Rented	**440**	**4,210**	**963**	**5,612**	**na**
Grand Total	**13,640**	**13,514**	**6,361**	**33,514**	

* Independent farm valuation prepared by Crighton Anderson in as at 30 June 2011

4.5 Financial Performance

The financial performance of NZS for the years ended 30 June 2009 (**FY2009**), 2010 (**FY2010**), and 2011 (**FY2011**) together with the forecast for the year ending 30 June 2012 (**FY2012**), are shown in the table below:

NZS Financial Performance (US$000s)				
Year end 30 June	**2009**	**2010**	**2011**	**2012F**
Milk Sales	10,020	18,757	39,585	69,922
Cattle Sales	4,250	2,420	2,784	6,827
Other Income	1,539	1,358	638	39
Total Revenue	**15,809**	**22,535**	**43,007**	**76,788**
Change in fair value of livestock (physical)	6,242	1,977	20,955	-
Livestock and cropping cost of sales	(8,468)	(3,653)	(2,459)	-
Employee benefits expense	(3,390)	(4,225)	(7,528)	(9,496)
Farm operating expenses	(19,001)	(20,917)	(46,957)	(51,865)
Management fee	(2,513)	(2,211)	(3,592)	-
Other operating expenses	(2,663)	(2,161)	(4,858)	(2,360)
Gain on property sales	754	253	(340)	-
EBITDAR*	**(13,230)**	**(8,402)**	**(1,772)**	**13,068**
Revaluation of property, plant and equipment	(8,977)	(3,388)	7,106	
Fair value adjustments	(23,842)	7,264	(655)	-
Discount on VAT receivable	(2,500)	-	1,056	-
Depreciation and amortisation	(2,391)	(1,710)	(1,878)	(4,527)
EBIT	**(50,940)**	**(6,236)**	**(3,857)**	**8,541**
Net interest and finance costs	(3,761)	(5,155)	(5,659)	(12,744)
Income tax expense / (benefit)	(127)	101	214	-
Profit after tax	**(54,828)**	**(11,290)**	**(1,588)**	**(4,203)**

* Earnings Before Interest, Tax, Depreciation, Amortisation and Revaluations

The following points should be taken into consideration when reviewing the table above:

- the rate of growth in milk supply and revenue has been significant. The company has also benefited from higher milk prices in FY2011 with the average milk price per litre achieved being US38.0 cents per litre compared with US28.3 cents FY2010. Cattle sales revenue is expected to increase in FY2012 due to increased sales of cull stock from the larger herd;
- the change in fair value of livestock due to physical changes represents the net natural increase (births less deaths) as well as category changes arising from natural growth. The significant increase in fair value in FY2011 is largely attributable to herd improvement and category changes;
- Uruguay has a relatively high rate of inflation – expected to be 7.5% in 2011. Wages and salaries increase in line with inflation and the increase in employee benefits expense over time reflects this. Additional employee expenses were incurred during FY2011 due to NZS' transition from being an externally managed entity to employing its management directly;

- farm operating expenses are outlined in detail below:

NZS Farm Operating Expense Detail (US$000s)				
Year end 30 June	**2009**	**2010**	**2011**	**2012F**
Pastures	(5,674)	(5,367)	(8,347)	(7,579)
Repairs and maintenance	(727)	(1,722)	(3,319)	(1,716)
Animal health, breeding and calf rearing	(2,711)	(2,931)	(4,209)	(2,037)
Cropping and feed costs	(4,861)	(6,098)	(21,187)	(35,824)
Other farm expenses	(5,028)	(4,799)	(9,895)	(4,709)
Total	**(19,001)**	**(20,917)**	**(46,957)**	**(51,865)**

Cropping and feed costs are also forecast to increase due to the implementation of the revised feed regime involving the provision of 2 tonnes of concentrates per cow per annum during lactation to increase milk volumes and ensure cows are in good condition for calving;

- the removal of PGW as external manager removed the management fees payable to PGW but resulted in the payment of a one-off termination fee of US$3.4 million in December 2010;
- fair value adjustments are required under the New Zealand International Financial Reporting Standards (**NZIFRS**) and represent the change in fair value of livestock due to price changes and the change in fair value of farm properties. NZS has an independent valuation of its livestock and property prepared each year;
- Value Added Tax (**VAT**) is not generally recoverable from the Uruguayan tax authorities in cash, but is used to offset other taxes payable in Uruguay. The discount on VAT receivable reflects the difference between the face value of NZS' VAT credit and the value in use (estimated by discounting future estimated cash flows);
- NZS has approximately US$42 million of carry forward tax losses in Uruguay. In addition to this the company has been granted "Project of National Importance" status on the investment undertaken between April 2008 and May 2012. The Project of National Importance status provides a further tax benefit of US$42 million. Tax losses can be used up to five years after they are incurred. The accumulated tax losses and the benefit from being granted Project of National Importance status will offset most of NZS' income tax payments for the next eight years; and
- management's FY2012 Budget shown in the table above is based on the following key assumptions which Grant Samuel has reviewed and considered to be reasonable, given current market conditions:
  - a dairy herd of 36,932 cows;
  - effective dairy hectares of 14,524;
  - an average milk price per litre of US$0.37;
  - total milk volumes of 197.4 million litres with productivity of 5,344 litres per cow per annum and 13,590 litres per effective hectare; and
  - more than 70,000 tonnes of concentrate feed being purchased.

At present milk prices and exchange rates are exhibiting high levels of volatility which will impact on the actual results for the year ending 30 June 2012.

4.6 Financial Position

The financial position of NZS as at 30 June 2009, 2010 and 2011 together with the forecast financial position as at 30 June 2012 is outlined in the table below:

NZS – Balance Sheet (US$000s)				
As at 30 June	**2009**	**2010**	**2011**	**2012F**
Cash and cash equivalents	3,627	5,671	13,897	13,817
Trade and other receivables	4,780	11,447	7,854	6,399
Income tax receivable	1,290	284	1,832	-
Assets held for sale	-	6,860	3,775	-
Prepayments and other current assets	-	-	17,796	17,059
Inventories and consumable supplies	1,583	3,735	9,748	8,237
Current assets	**11,280**	**27,997**	**54,902**	**45,512**
Property, plant and equipment	173,788	161,710	173,852	218,647
Livestock	26,376	34,833	57,575	70,167
Intangibles	35	21	-	-
Other receivables	4,200	4,647	3,785	696
Non-current assets	**204,399**	**201,211**	**235,212**	**289,510**
Total assets	**215,679**	**229,208**	**290,114**	**335,022**
Loans and borrowings due within 1 year	1,513	11,154	77,500	-
Accounts payable and accruals	27,841	13,654	23,096	3,217
Current liabilities	**29,354**	**24,808**	**100,596**	**3,217**
Long-term loans and borrowings	16,000	46,000	32,690	174,190
Deferred tax liability	1,530	895	911	5,902
Non-current liabilities	**17,530**	**46,895**	**33,601**	**180,092**
Total liabilities	**46,884**	**71,703**	**134,197**	**183,309**
Share capital	197,081	197,081	197,081	197,081
Reserves	25,810	22,422	28,524	28,525
Accumulated losses	(54,096)	(61,998)	(69,688)	(73,893)
Equity	**168,795**	**157,505**	**155,917**	**151,713**
Total liabilities and equity	**215,679**	**229,208**	**290,114**	**335,022**

The following points are relevant when considering the above table:

- trade and other receivables increased significantly in the financial year ended FY2010 and include significant prepayments on purchase of concentrates, fertilisers and capital expenditure (irrigation, high tension and new dairies);
- assets held for sale relate to the Don Pepe farm in FY2010 (which was sold during the first half of FY2011 for US$6.9 million) and the Los Naranjos farm in FY2011 which was settled in August 2011 for US$4.8 million;
- livestock values are forecast to increase in line with increases in stock numbers;
- NZS had a long-term US$16 million loan with two local Uruguayan banks, maturing on 31 December 2015. A covenant requiring cash flow to be at least 1.2 times debt servicing was due to apply for the first time from July 2011. NZS was unable to negotiate a full waiver from this covenant and, as a result decided to repay one of the syndicate banks in full (US$8 million) prior to 30 June 2011. This was funded by way of an extension of the Olam Loan. NZS will be required to repay a further US$1 million during FY2012;
- on 31 July 2009 NZS issued US$30 million of long-term bonds via the required trust structure in Uruguay. The bonds were issued by a financial trust with guarantees provided by a guarantee trust. Both trusts are governed by an independent trustee. The purpose of the guarantee trust is to hold the legal title of certain farms to guarantee compliance by NZS of its obligations under the trust

agreement. The value of the farms held in the guarantee trust is approximately US$74.8 million. The independent trustee has the ability to sell the farms only in the event that NZS defaults on its repayment obligations under the terms of the financial trust. The bonds have an annual variable interest rate of between 9% and 11% calculated 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. Although the bonds are long term, they were classified as short-term debt as at 31 December 2010 pending bondholder approval of the NZS updated business plan. Bondholder approval by holders of US$26 million of bonds was subsequently received and US$4 million of bonds were redeemed. There is now US$26 million of bonds on issue with a maturity date of 2024;

- in late 2010 NZS entered into a short-term shareholder loan facility of up to US$50 million with Olam to provide funding for immediate capital expenditure requirements, working capital and to repay outstanding loan balances owing to PGW. As at 31 December 2010 NZS had drawn US$30 million of the Olam loan. That Olam Loan limit was increased to US$85 million on 24 June 2011 to enable the syndicated bank loan to be reduced by US$8 million and to fund further capital expenditure. As at 30 June 2011 the Olam Loan was drawn to US$70 million. The cost is approximately 8.9% per annum (including withholding tax) and the Olam Loan is repayable in full on 31 December 2011; and
- on 18 May 2011 NZS announced that it had entered into a US$30 million short-term loan agreement with Banco Republica to provide funding for immediate capital expenditure requirements. The applicable interest rate for the Banco Republica loan is 5.5% per annum, reflecting the short term nature of the loan (approximately one year) and the significant security provided to Banco Republica in the way of a mortgage over certain NZS properties and direct repayments of the loan to Banco Republica from Conaprole out of NZS' milk revenues in the event of default on the repayment of the loan. As at 18 October 2011 NZS had drawn US$5 million under this facility. NZS anticipates extending this loan to a four year term for a maximum of US$20 million at an interest rate of 7.25%.

4.7 Cash Flow

The cash flows for NZS for the years ended 30 June 2009, 2010 and 2011 together with the forecast cash flows for the year ending 30 June 2012 are shown in the table below:

NZS – Statement of Cash Flows (US$000s)				
Year end 30 June	**2009**	**2010**	**2011**	**2012F**
Receipts from customers	16,182	21,292	37,506	84,588
Income tax received	-	1,150	262	-
Payments to suppliers and employees	(35,948)	(42,149)	(72,992)	(81,164)
Net interest paid	(2,101)	(3,422)	(3,791)	(6,842)
Income tax paid	(313)	(226)	(262)	-
Net cash flow from operations	**(22,180)**	**(23,355)**	**(39,277)**	**(3,418)**
Proceeds from sales of property, plant and equipment	2,384	15,770	6,860	929
Acquisitions of property, plant and equipment	(28,443)	(14,289)	(12,393)	(61,590)
Net cash flow from investing activities	**(26,059)**	**1,481**	**(5,533)**	**(60,661)**
Funds raised through new borrowings	17,500	28,918	5,000	20,000
Funds advanced from related parties	2,000	-	70,000	40,000
Repayment of borrowings	(96,575)	(5,000)	(21,964)	(6,000)
Net cash flow from financing activities	**(77,075)**	**23,918**	**53,036**	**54,000**
Net cashflow	**(125,314)**	**2,044**	**8,226**	**(10,079)**

The cash flow statement has been prepared on the assumption that interest on the Olam Loan will not be paid until the loan is repaid.

4.8 Capital Structure and Ownership

As at 30 September 2011 NZS had 244,236,495 shares on issue. Approximately 46% of NZS shareholders accepted their shares into the last Olam takeover offer reducing the number of NZS shareholders from 1,065 to 573. The Company's top 20 shareholders are shown in the table below:

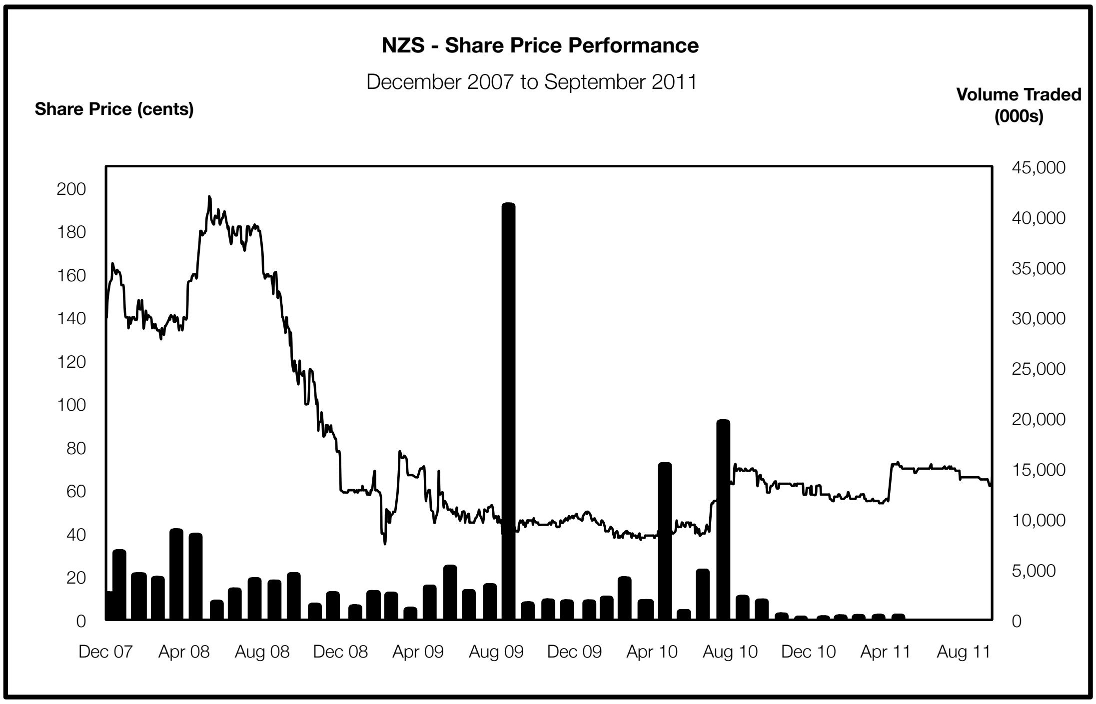
NZS – Top 20 Shareholders as at 30 September 2011

Shareholder	Shares (000s)	%
Olam International Limited	209,869	85.93
Robert Ernest & Clare Louise Poole	1,800	0.74
Kevin & Diane Goble	1,500	0.61
Hapua Koko Forests Limited	1,500	0.61
Kevin Peter & Jaculyn Maree Honeyfield	1,500	0.61
Thomas Logan & Anne Elizabeth Lees	1,250	0.51
James Raymond Holdings Limited	1,035	0.42
New Zealand Central Securities Depository Limited	1,005	0.41
Christopher Richard James & Dorothy Anne Putt & C A Putt Nominees Limited	1,000	0.41
Martin Placidus Van Zonneveld	816	0.33
Campbell & Ann-Louise Gower	750	0.31
Shona Johnstone	750	0.31
Steven Mark & Maria Jane & Robert Ernest Poole	750	0.31
Sharon May Bryant & Lyndsay John Tait	743	0.30
Glencairn Trustees Limited	700	0.29
John Douglas & Clare Rosa Sorensen & John Alexander Fluker	600	0.25
Gwendoline Holdings Limited	550	0.23
Aorangi Laboratories Limited	500	0.21
Murray James & Susan Mary Flett & Jeremy James McClean	488	0.20
Barry Alexander & Barbara Mary Brook & Elizabeth Mary Francis	400	0.16
Top 20 Shareholders	**227,506**	**93.15**
Other Shareholders	**16,730**	**6.85**
Total	**244,236**	**100.00**

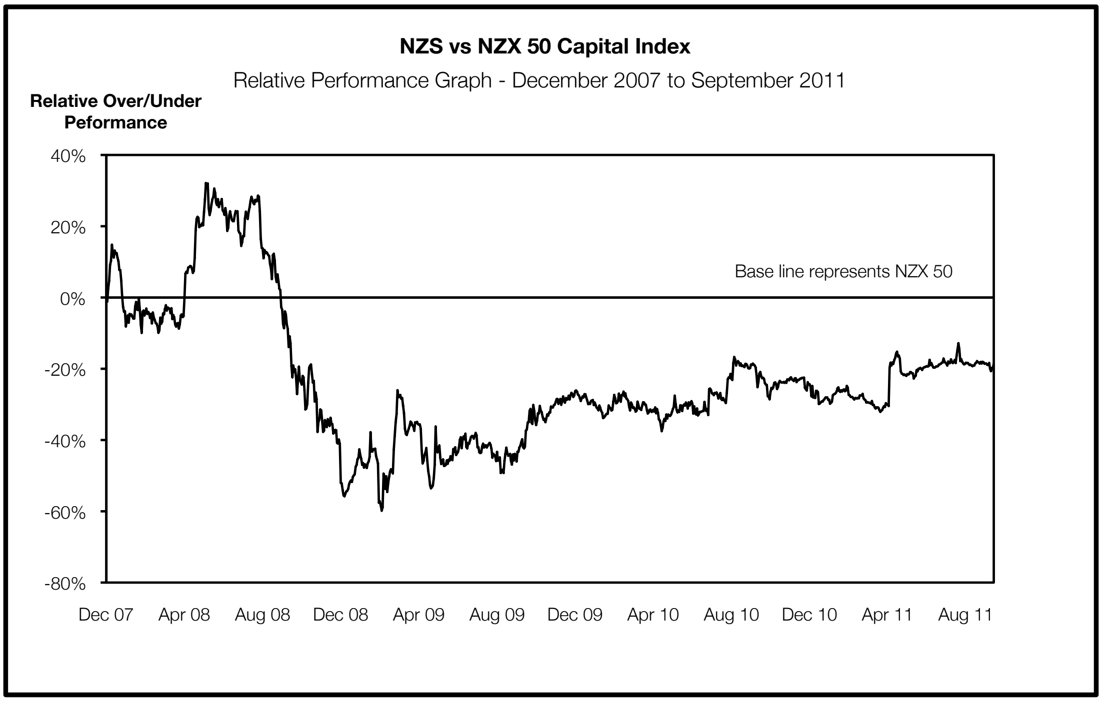
Olam controls the substantial majority of NZS with the next largest shareholder holding only 0.74% of the shares on issue.

4.9 Share Price Performance

The share price and trading volume history of NZS shares since listing on the NZSX on 18 December 2007 is depicted graphically below:



NZS' share price performance against the NZX50 Capital index is shown in the graph below:



The following points should be taken into consideration when reviewing the graphs above:

- since the close of the last Olam takeover offer on 29 June 2011 NZS' shares have traded between $0.62 and $0.71;
- the large spikes in traded volume:
  - in August 2009 relates to Olam's initial acquisition of a 14.35% holding;

- in May 2010 relates to the subsequent acquisition by Olam of a further 4.10%; and
- in August 2010 Olam increased its shareholding to 77.98% under the previous takeover offer.

5. Profile of Olam

5.1 Description

Olam is a Singapore based company listed on the Singapore Stock Exchange. Olam is a leading supply chain manager and processor of 20 core agricultural products and food ingredients and has operations in 65 countries, employing more than 17,000 people. Olam has a market capitalisation of approximately S$6 billion. It operates an integrated supply chain, sourcing and supplying over 11,000 customers. In addition to its supply chain management services, Olam also has direct investment in upstream plantations, farming, forest concessions and agri-inputs businesses, mid-stream processing operations and downstream contract manufacturing, private label manufacturing and distribution operations. Olam's operations are segmented as follows:

- **Edible nuts, spices and beans** – cashews, peanuts, almonds, spices and dehydrates, sesame and beans (pulses, lentils and peas);
- **Confectionery and beverage ingredients** – cocoa, coffee and sheanuts;
- **Food staples and prepackaged foods** – rice, sugar, grains (wheat, barley, corn), palm products, dairy products and packaged foods;
- **Industrial raw materials** – cotton, wool, wood products and rubber; and
- **Commodity financial services** – market making, risk management solutions and commodity funds management.

5.2 Financial Profile

A brief financial profile of Olam is summarised below:

Olam Financial Profile (S$ millions)					
Year end 30 June	**2007**	**2008**	**2009**	**2010**	**2011**
Revenue	5,466	8,128	8,588	10,455	15,928
EBITDA	255	359	334	608	863
EBIT	238	323	292	536	785
Net profit after tax	109	168	252	360	445
Total assets	3,178	5,239	5,415	7,805	12,580
Total liabilities	(2,745)	(4,601)	(4,370)	(6,034)	(10,278)
Net assets	433	638	1,046	1,771	(2,302)
Earnings per share (cents) – diluted	6.7	10.1	12.4	14.8	18.7

Source: Olam Financial Reports.

GRANT SAMUEL & ASSOCIATES LIMITED
1 November 2011

Grant Samuel + Associates

Appendix A
Qualifications, Declarations and Consents

Qualifications

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally), property advisory services and manages private equity and property development funds. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA and Alexa Preston, BBus, CA. Each has a significant number of years of experience in relevant corporate advisory matters.

Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of NZS. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of NZS. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

An analysis of the potential extension of the Olam Loan is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of NZS. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of NZS. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cashflows of NZS prepared by the management of NZS. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cashflows for NZS. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by NZS is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of NZS, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of NZS, other than as publicly disclosed.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the extension of the Olam Loan. Grant Samuel expressly disclaims any liability to any NZS security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Notice of Meeting issued by NZS and has not verified or approved any of the contents of the Notice of Meeting. Grant Samuel does not accept any responsibility for the contents of the Notice of Meeting (except for this report).

Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with NZS or Olam that could affect its ability to provide an unbiased opinion in relation to the extension of the Olam Loan. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the annual meeting of NZS shareholders. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the NZX Listing Rules.

Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of NZS and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by NZS and contained within this report is sufficient to enable NZS security holders to understand all relevant factors and make an informed decision in respect of the extension of the Olam Loan. The following information was used and relied upon in preparing this report:

Publicly Available Information

- annual reports for NZS for the years ended 30 June 2009, 30 June 2010 and 30 June 2011;
- NZS half year report for the six months ended 31 December 2010;
- information from the NZS website;
- FAPRI 2010 Agriculture Outlook; and
- other information on the Uruguayan dairy sector including press reports, industry studies, presentations and information pertaining to publicly listed companies with operations broadly comparable to NZS.

Non Public Information

- NZS five year business plan for the period from FY2012 to FY2016;
- NZS updated financial model supporting the five year business plan;
- forecast earnings, balance sheets and cash flows for NZS for the year ending 30 June 2011;
- NZS Board Papers and minutes for the months of June 2010 to October 2010 and January 2011 to September 2011;
- monthly milk production statistics by farm for the period from July 2010 to August 2011;
- updated land and livestock valuations by Crighton Anderson dated June 2011; and
- other confidential correspondence, reports and legal advice as provided by NZS.

Declarations

NZS has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. NZS has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by NZS are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of NZS. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Notice of Meeting to be sent to security holders of NZS. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.