

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

For the six month period ended 31 December 2011

	Note	Unaudited 6 mths ended Dec 2011 US\$000	Unaudited 6 mths ended Dec 2010 US\$000
Revenue	3	34,162	18,854
Change in fair value of livestock	4	7,888	2,844
Total Revenue		42,050	21,698
Operating Expenses			
Livestock and cropping cost of sales		(1,466)	(1,165)
Employee benefits expense		(4,790)	(2,564)
Farm operating expenses	5	(26,589)	(16,976)
Management fee		-	(3,797)
Depreciation and amortisation expense		(1,306)	(947)
Gain / (loss) on property sales		873	1,027
Other operating expenses		(2,133)	(1,256)
Profit / (loss) before interest and finance costs		6,639	(3,980)
Unwind of discount on VAT receivable		542	-
Net interest and finance costs	6	(6,643)	(2,614)
Profit / (loss) before income tax		538	(6,594)
Income tax credit/(expense)		(171)	(180)
Profit / (loss) for the period		367	(6,774)
Other comprehensive income / (loss)			
Revaluation of property, plant and equipment		-	(1,057)
Movement in deferred tax on revaluation of property, plant and equipment		(2,332)	-
Other comprehensive income / (loss) for the period, net of income tax		(2,332)	(1,057)
Total comprehensive income / (loss) for the period		(1,965)	(7,831)
Profit / (loss) attributable to:			
Shareholders of the Company		367	(6,774)
Profit / (loss) for the period		367	(6,774)
Total comprehensive income / (loss) attributable to:			
Shareholders of the Company		(1,965)	(7,831)
Total comprehensive income / (loss) for the period		(1,965)	(7,831)
Earnings per share attributable to ordinary shareholders of the Company			
Basic and diluted earnings per share (cents per share)		0.15	(2.77)
Net tangible assets per share (cents per share)		64.37	61.63

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

NZ Farming Systems Uruguay Limited

Condensed Interim Consolidated Statement of Changes in Equity

For the six month period ended 31 December 2011

	Share capital	Revaluation reserve	Retained earnings	Total equity
	US\$000	US\$000	US\$000	US\$000
Balance at 1 July 2010	197,081	22,422	(61,998)	157,505
Loss for the period	-	-	(6,774)	(6,774)
Movement in revaluation reserve	-	(1,057)	-	(1,057)
Total comprehensive income for the period	-	(1,057)	(6,774)	(7,831)
Balance at 31 December 2010	197,081	21,365	(68,772)	149,674
Balance at 1 July 2011	197,081	28,524	(69,688)	155,917
Profit for the period	-	-	367	367
Movement in revaluation reserve arising from change in Capital Gains Tax on revalued property, plant and equipment	-	(2,332)	-	(2,332)
Transfer from fair value reserves to accumulated losses on disposal of property	-	(18)	18	-
Total comprehensive income for the period	-	(2,350)	385	(1,965)
Balance at 31 December 2011	197,081	26,174	(69,303)	153,952

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

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

As at 31 December 2011

	Note	Unaudited Dec 2011 US\$000	Audited Jun 2011 US\$000
ASSETS			
Current			
Cash and cash equivalents		9,891	13,897
Trade and other receivables		27,534	25,650
Tax prepaid		430	1,832
Assets held for sale		-	3,775
Inventories and consumable supplies		11,377	9,748
Livestock	7	6,287	3,843
Total current assets		55,519	58,745
Non-current			
Other receivables		3,074	3,719
Livestock	7	60,053	53,732
Deferred tax asset		-	-
Intangible assets		85	66
Property, plant and equipment	8	190,388	173,852
Total non-current assets		253,600	231,369
Total assets		309,119	290,114
LIABILITIES			
Current			
Loans and borrowings	9	95,500	77,500
Accounts payable and accruals		24,639	23,096
Total current liabilities		120,139	100,596
Non-current			
Long-term loans and borrowings	9	31,690	32,690
Deferred tax liability		3,338	911
Total non-current liabilities		35,028	33,601
Total liabilities		155,167	134,197
EQUITY			
Share capital		197,081	197,081
Reserves		26,174	28,524
Accumulated losses		(69,303)	(69,688)
Total equity		153,952	155,917
Total liabilities and equity		309,119	290,114

These condensed interim consolidated financial statements have been authorised for issue on 29 February 2012.

Vivek Verma
Chairman

Peter Wilson
Director

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

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

For the six month period ended 31 December 2011

Note	Unaudited Dec 2011 US\$000	Unaudited Dec 2010 US\$000
Cash flows from operating activities		
Cash was provided from:		
Receipts from customers	32,551	16,931
Net interest received	-	-
	32,551	16,931
Cash was applied to:		
Payments to suppliers and employees	(38,538)	(40,769)
Net interest paid	(1,806)	(3,081)
Income tax paid	-	75
	(40,344)	(43,775)
Net cash flow from/(to) operating activities	(7,793)	(26,844)
Cash flows from investing activities		
Cash was provided from:		
Proceeds from sales of property, plant and equipment	4,648	6,880
	4,648	6,880
Cash was applied to:		
Acquisitions of property, plant and equipment	(17,861)	(3,816)
Other Investments	-	-
	(17,861)	(3,816)
Net cash flow from/(to) investing activities	(13,213)	3,064
Cash flows from financing activities		
Cash was provided from:		
Funds raised through new borrowings	17,000	1,500
Funds advanced from related parties	-	30,000
	17,000	31,500
Cash was applied to:		
Repayment of borrowings	-	(1,500)
	-	(1,500)
Net cash flow from/(to) financing activities	17,000	30,000
Net (decrease)/increase in cash held	(4,006)	6,220
Opening cash and cash equivalents	13,897	5,671
Cash and cash equivalents	9,891	11,891

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

NZ Farming Systems Uruguay Limited

Notes to the Financial Statements

For the six month period ended 31 December 2011

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 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

The condensed interim consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The condensed interim consolidated financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting.

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.

The Group operates in one segment, that of developing and operating dairy farming activities in Uruguay, from separate farm bases around the country.

These statements were approved by the Board of Directors on 29 February 2012.

3 Revenue

	Unaudited Dec 2011 US\$000	Unaudited Dec 2010 US\$000
Milk Sales	33,122	18,141
Point of sales costs (including freight to plant and Government retentions)	(1,079)	(705)
Cattle sales	2,103	1,131
Other income	16	287
	34,162	18,854

Milk Sales increase is due to an increase in milk production of 51% from the comparative period, and an increase in the milk price per litre of 21% from the comparative period.

4 Changes in Fair Value of Livestock

	Unaudited Dec 2011 US\$000	Unaudited Dec 2010 US\$000
Livestock - category changes	1,548	3,041
Livestock - births	2,016	913
Livestock - deaths	(1,212)	(1,110)
Livestock - herd improvement	-	-
Livestock - fair value adjustment	5,536	-
	7,888	2,844

5 Farm Operating Expenses

	Unaudited Dec 2011 US\$000	Unaudited Dec 2010 US\$000
Pastures	(2,315)	(2,043)
Farm repairs and maintenance	(2,141)	(1,218)
Farm management fees	-	(1,158)
Animal health, breeding & calf rearing	(2,721)	(2,198)
Cropping and feed costs	(14,921)	(7,902)
Other farm expenses	(4,491)	(2,457)
	(26,589)	(16,976)

6 Net Interest and Finance Costs

	Unaudited Dec 2011 US\$000	Unaudited Dec 2010 US\$000
Interest income	66	90
Interest expense (bond interest provided for at average rate)	(5,027)	(2,305)
Net foreign exchange losses	(1,556)	(371)
Facility fees	(126)	(28)
	(6,643)	(2,614)

7 Livestock

Livestock

The current policy is for livestock to be measured at fair value less estimated point of sale costs.

The Uruguayan firm of valuers Escritorio Dutra Ltda was requested to provide market values on a per head basis, net of point-of-sale disposal costs, for each category of livestock held by the Group as at December 2011. The livestock fair value increase of US\$5.5 million reflects the increase in value of the herd due to an increase in market values during the 6 months period to 31 December 2011. The result to 30 June 2011 included a gain of US\$7.5 million (6 months to 31 December 2010: US\$nil).

The current portion of livestock consists of livestock expected to be sold over the next 12 months.

During the period, livestock additions totalled US\$2.4 million (12 months to 30 June 2011: US\$4.0 million, 6 months to 31 December 2010: US\$1.6 million).

8 Property, Plant and Equipment

Properties are carried at fair value. The policy is to revalue land and buildings annually and as such assets will not be restated at 31 December 2011. At year end a full independent valuation will be performed.

At 31 December 2011, there were capital commitments of US\$6.4 million for the ration plant, Autumn new diaries, housing, feedpads and high tension electricity lines.

Acquisitions and disposals

During the six months ended 31 December 2011, the Group acquired assets with a cost of US\$18.3 million (30 June 2011: US\$12.1 million, 31 December 2010: US\$3.9 million). This included land, new diaries, housing, feedpads, tractors, high tension electricity lines and capital fertilizer.

Assets with a net book value of US\$3.9 million were disposed during the six months ended 31 December 2011 (30 June 2011: US\$5.6 million, 31 December 2010: US\$5.6 million), resulting in a gain on disposal of US\$0.9 million (30 June 2011: gain of US\$1.0 million, 31 December 2010: gain of US\$1.0 million).

This included Los Naranjos farm, which was categorised in assets held for sale at 30 June 2011.

9 Loans and Borrowings

	Unaudited Dec 2011 US\$000	Audited Jun 2011 US\$000
Olam International Limited short term loan	70,000	70,000
Uruguayan bank short term loans	25,500	7,500
Uruguayan bank long term loans	6,000	7,000
Uruguayan bonds issued	25,690	25,690
	127,190	110,190
Payable within 12 months	95,500	77,500
Payable beyond 12 months	31,690	32,690
	127,190	110,190

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

Uruguayan bank short term loans mature on 27 January 2012 (US\$1.5 million), on 25 May 2012 (US\$5.0 million), on 27 October 2012 (US\$10.0 million) and on 28 December 2012 (US\$7.0 million). The current portion of Uruguay bank long term loans is due US\$1.0 million on 11 June 2012 and US\$1.0 million on 12 December 2012. The Uruguayan long term loans mature on 11 December 2015 (US\$6.0 million). Uruguayan bank loans for US\$26.5 million are secured over livestock and property in Uruguay.

10 Related Parties

The Company arranged in December 2010, a short term shareholder loan of up to US\$50 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 partially amortize the syndicated loan of US\$16 million (Syndicated Loan) from Banco Santander S.A. and Banco de la República Oriental del Uruguay ("BROU") before 30 June 2011; and support the groups ongoing development. On 24 November 2011, at the annual Shareholders meeting an extension was approved of the term of the loan for 12 months to become repayable in full by 31 December 2012 and an increase in the credit limit by up to US\$25 million for a total amount of US\$110 million. As at 31 December 2011, NZS has drawn down US\$70 million. 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 2012 or a capital raising sufficient to repay the Loan. Interests on Olam International loan have not been paid except for the corresponding WHT. Interest expense for the period was US\$ 3.2 million and interest payable as of December 2011 is US\$4.4 million.

11 Events Subsequent to End of Interim Period

There are no material events occurring subsequent to 31 December 2011 and prior to the date of these condensed interim consolidated financial statements.

12 Seasonality

The business is subject to seasonal fluctuations in revenue and expenses on the established dairy farms due to the seasonal nature of pasture growth combined with the two periods (spring and autumn) over which the cows are calved. On the revenue side, milk production in particular is likely to be higher in the first half of the year due to the significantly higher availability of pasture in the spring, with this pasture also being of higher quality than at other times of year. On the expense side, feed and pasture costs are likely to be higher in the second half of the year due to the higher supplementation rates required to support the lower pasture growth plus the requirement to complete pasture renovation in the autumn. The business will commence operations on eight new dairy farms during the second half of the year which is expected to offset the normal seasonality of milk production in 2012.