

NZ Farming Systems Uruguay Limited

Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Revenue	5	63,067	43,007	-	-
Change in fair value of livestock	6	20,066	20,955	-	-
Total Revenue		83,133	63,962	-	-
Operating Expenses					
Livestock and cropping cost of sales		(2,475)	(2,459)	-	-
Employee benefits expense		(10,426)	(7,528)	(131)	(151)
Farm operating expenses	7	(59,300)	(46,957)	(275)	(1,487)
Management fee		-	(3,592)	-	(3,592)
Depreciation and amortisation expense		(2,756)	(1,878)	-	-
Gain / (loss) on property sales		895	(340)	-	-
Farm land, buildings and improvements fair value adjustments	9	(277)	(655)	-	-
Other operating expenses	8	(3,592)	(4,858)	(896)	(1,740)
Gain/(Loss) before interest and finance costs		5,202	(4,305)	(1,302)	(6,970)
Unwind of discount on VAT receivable	10	1,186	1,056	-	-
Net interest and finance costs	11	(12,838)	(5,659)	(6,893)	(2,923)
Loss before income tax		(6,450)	(8,908)	(8,195)	(9,893)
Income tax credit/(expense)	12	(1,143)	214	-	-
Loss for the year		(7,593)	(8,694)	(8,195)	(9,893)
Other comprehensive income/(loss)					
Revaluation of farm land, buildings and improvements		(2,409)	7,122	-	-
Movement in deferred tax on revaluation of farm land, buildings and improvements		995	(16)	-	-
Movement in deferred tax due to changes in tax legislation		(3,174)	-	-	-
Reversal of prior years impairment of available for sale investments		1,272	-	-	-
Other comprehensive income/(loss) for the year, net of income tax		(3,316)	7,106	-	-
Total comprehensive loss for the year		(10,909)	(1,588)	(8,195)	(9,893)
Loss attributable to:					
Shareholders of the Company		(7,593)	(8,694)	(8,195)	(9,893)
Loss for the year		(7,593)	(8,694)	(8,195)	(9,893)
Total comprehensive loss attributable to:					
Shareholders of the Company		(10,909)	(1,588)	(8,195)	(9,893)
Total comprehensive loss for the year		(10,909)	(1,588)	(8,195)	(9,893)
Earnings per share					
Basic and diluted earnings/(loss) per share (USD)	13	(0.03)	(0.04)		

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



NZ Farming Systems Uruguay Limited

Statement of Changes in Equity

For the year ended 30 June 2012

GROUP	Share capital US\$000	Fair value reserves US\$000	Available for Sale Reserve US\$000	Accumulated losses US\$000	Total equity US\$000
Balance at 1 July 2010	197,081	22,422	-	(61,998)	157,505
Loss for the year	-	-	-	(8,694)	(8,694)
Movement in fair value of farm land, buildings and improvements, net of tax	-	7,106	-	-	7,106
Transfer from fair value reserves to accumulated losses on disposal of property	-	(1,004)	-	1,004	-
Total comprehensive income/(loss) for the year	-	6,102	-	(7,690)	(1,588)
Balance at 30 June 2011	197,081	28,524	-	(69,688)	155,917
Balance at 1 July 2011	197,081	28,524	-	(69,688)	155,917
Loss for the year	-	-	-	(7,593)	(7,593)
Movement in fair value of farm land, buildings and improvements, net of tax	-	(1,414)	-	-	(1,414)
Movement in deferred tax due to changes in tax legislation	-	(3,174)	-	-	(3,174)
Transfer from fair value reserves to accumulated losses on disposal of property	-	(629)	-	629	-
Reversal of prior years impairment of available for sale investments	-	-	1,272	-	1,272
Total comprehensive income/(loss) for the year	-	(5,217)	1,272	(6,964)	(10,909)
Balance at 30 June 2012	197,081	23,307	1,272	(76,652)	145,008
PARENT					
Balance at 1 July 2010	197,081	-	-	(43,972)	153,109
Loss for the year	-	-	-	(9,893)	(9,893)
Total comprehensive income/(loss) for the year	-	-	-	(9,893)	(9,893)
Balance at 30 June 2011	197,081	-	-	(53,865)	143,216
Balance at 1 July 2011	197,081	-	-	(53,865)	143,216
Loss for the year	-	-	-	(8,195)	(8,195)
Total comprehensive income/(loss) for the year	-	-	-	(8,195)	(8,195)
Balance at 30 June 2012	197,081	-	-	(62,060)	135,021

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



NZ Farming Systems Uruguay Limited

Statement of Financial Position

As at 30 June 2012

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
ASSETS				
Current				
Cash and cash equivalents	14 6,076	13,897	357	222
Trade and other receivables	15 23,980	25,650	71,321	46,117
Income tax receivable	-	1,832	-	-
Assets held for sale	16 -	3,775	-	-
Consumable supplies and feed	17 12,235	8,748	-	-
Livestock current	18 7,901	-	-	-
Total current assets	50,192	54,902	71,678	46,339
Non-current				
Other receivables	15 1,826	3,719	-	-
Livestock	18 75,523	57,575	-	-
Investments	19 2,392	-	181,947	184,338
Intangible assets (software)	93	68	-	-
Property, plant and equipment	20 206,990	173,852	-	-
Total non-current assets	286,824	235,212	181,947	184,338
Total assets	337,016	290,114	253,625	230,677
LIABILITIES				
Current				
Loans and borrowings due within one year	21 125,107	77,500	95,000	70,000
Accounts payable and accruals	22 32,055	23,096	23,604	17,461
Total current liabilities	157,162	100,596	118,604	87,461
Non-current				
Long-term loans and borrowings	21 30,690	32,690	-	-
Deferred tax liability	23 4,156	911	-	-
Total non-current liabilities	34,846	33,601	-	-
Total liabilities	192,008	134,197	118,604	87,461
EQUITY				
Share capital	24 197,081	197,081	197,081	197,081
Fair value reserves	24 23,307	28,524	-	-
Available for sale reserve	24 1,272	-	-	-
Accumulated losses	24 (76,652)	(69,888)	(82,060)	(53,865)
Total equity	145,008	155,917	135,021	143,216
Total liabilities and equity	337,016	290,114	253,625	230,677

These financial statements have been authorized for issue on 27 August 2012.



Vivek Verma
Chairman



Peter Wilson
Director

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

NZ Farming Systems Uruguay Limited

Statement of Cash Flows

For the year ended 30 June 2012

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	60,617	37,506	-	-
Income tax received	-	262	-	262
Interest received	126	-	2	-
	<u>60,743</u>	<u>37,768</u>	<u>2</u>	<u>262</u>
Cash was applied to:				
Payments to suppliers and employees	(64,988)	(68,737)	(1,456)	(8,470)
Interest paid	(4,487)	(3,791)	(722)	(552)
Income tax paid	-	(262)	-	-
	<u>(69,475)</u>	<u>(72,790)</u>	<u>(2,178)</u>	<u>(9,022)</u>
Net cash flow to operating activities	25 <u>(8,732)</u>	<u>(35,022)</u>	<u>(2,176)</u>	<u>(8,760)</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sales of property, plant and equipment	4,670	6,860	-	-
Proceeds from reduction of investment in subsidiaries	-	-	2,400	-
	<u>4,670</u>	<u>6,860</u>	<u>2,400</u>	<u>-</u>
Cash was applied to:				
Acquisitions of property, plant and equipment	(39,392)	(12,393)	-	-
Acquisitions of livestock	(8,367)	(4,255)	-	-
	<u>(47,759)</u>	<u>(16,648)</u>	<u>-</u>	<u>-</u>
Net cash flow to investing activities	<u>(43,089)</u>	<u>(9,788)</u>	<u>2,400</u>	<u>-</u>
Cash flows from financing activities				
Cash was provided from:				
Funds raised through new borrowings	20,000	5,000	-	-
Funds advanced from related parties	25,000	70,000	25,000	70,000
	<u>45,000</u>	<u>75,000</u>	<u>25,000</u>	<u>70,000</u>
Cash was applied to:				
Repayment of borrowings	(1,000)	(21,964)	-	-
Net funds advanced to subsidiaries/related parties	-	-	(25,089)	(61,180)
	<u>(1,000)</u>	<u>(21,964)</u>	<u>(25,089)</u>	<u>(61,180)</u>
Net cash flow from financing activities	<u>44,000</u>	<u>53,036</u>	<u>(89)</u>	<u>8,820</u>
Net (decrease)/increase in cash held	<u>(7,821)</u>	<u>8,226</u>	<u>135</u>	<u>60</u>
Opening cash and cash equivalents	<u>13,897</u>	<u>5,671</u>	<u>222</u>	<u>162</u>
Cash and cash equivalents	<u>6,076</u>	<u>13,897</u>	<u>357</u>	<u>222</u>

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



NZ Farming Systems Uruguay Limited

Notes to the Financial Statements

For the year ended 30 June 2012

1 Reporting Entity

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

Financial statements for the Company (separate financial statements) and consolidated financial statements are presented. The consolidated financial statements of NZ Farming Systems Uruguay Limited as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group is primarily involved in dairy farming in Uruguay.

2 Basis of Preparation

Statement of Compliance

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

These statements were approved by the Board of Directors on 27 August 2012.

Basis of Measurement

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

Functional and Presentation Currency

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

Going Concern Assumption

The Company and Group expect to undertake a capital raising or other funding alternatives during the 2013 financial year to repay Olam shareholder's loan and fund the final stages of farm development and business operations through until the point that the farming business reaches breakeven operational cash flow. The Group expects to require approximately US\$155-160 million of additional funding to complete development of its existing farms, together with the funding needed to provide working capital and repay debt until operating cash flows are at a breakeven point. In the opinion of the Directors it remains appropriate to adopt the going concern assumption in the preparation of these financial statements.

The Company and Group have obtained a shareholder loan from Olam International for US\$95 million as of June 2012 which is due for repayment on the earlier of 31 December 2012 or a capital raising sufficient to repay the Loan. The Company and Group have received confirmation from Olam International that if the capital raising or other funding alternatives are not completed before that date, that Olam International are prepared to roll over the loan until a capital raising takes place or some other funding alternative is found. The Company and Group will need to obtain shareholder's approval (without Olam International participating) for the extension of this loan.

The value of assets and liabilities are based on the assumption that the Group is a going concern. Should the Group not be a going concern, the value of assets, in particular property, plant and equipment and livestock, could be significantly less than those disclosed in these financial statements.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions. Estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amount recognized in the financial statements, include:

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

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

- Current prices in an active market for properties or livestock of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences; and
- Recent prices of similar properties and livestock in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.
Refer to notes 18 and 20.

Discounting of VAT asset.

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

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

- Valuation of financial instruments
- Taxation balances (including deferred taxation)

Changes in Accounting Policies

There have been no changes to accounting policies.



2 Basis of Preparation (continued)

Reclassifications

Livestock purchases of US\$4.2 million has been reclassified in the Statement of Cash Flows for the 2011 financial year from operating activities to investing activities to conform to the current year presentation. Livestock is the primary asset that generates milk revenues to the group and is considered an investment.

3 Significant Accounting Policies

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

(a) Basis of Consolidation

Subsidiaries

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

Transactions Eliminated on Consolidation

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

(b) Foreign Currencies

Foreign Currency Transactions

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

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

Foreign Currency Policy

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

(c) Revenue Recognition

Recognition of Revenue

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

Sales Revenue

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

Investment Income

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

(d) Income Tax

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

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

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

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

(e) Earnings Per Share

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



3 Significant Accounting Policies (continued)

(f) Financial Instruments

(i) Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, that are designated as such or do not qualify to be classified as fair value through profit or loss nor loans and receivables. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses (for monetary items), are recognised in other comprehensive income within available-for-sale reserve. When the asset is derecognised or the investment is considered to be impaired, the cumulative gain or loss previously reported in reserves is reclassified to profit or loss.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, and the fair value cannot be reliably determined using valuation techniques, the investment is carried at cost less impairment losses.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(g) Cash and Cash Equivalents

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

(h) Trade and Other Receivables

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

(i) Consumable Supplies and Feed

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

The cost of feed grown by the Group is the fair value less costs to sell at the time the feed is harvested which becomes the initial "cost". Thereafter this inventory is carried at the lower of cost and net realisable value.

(j) Biological Assets - Livestock

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

(k) Non-Current Assets Held for Sale

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

3 Significant Accounting Policies (continued)

(l) Investment in Subsidiaries

Investments in subsidiaries are stated at cost, less any impairment, in the Statement of Financial Position of the Company.

(m) Intangible Assets

Goodwill

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

Other intangible assets

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

The estimated useful lives for the current and comparative years are as follows:

- Software 3 years

(n) Property, Plant and Equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. After initial recognition, farm properties are carried at fair value.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net in the profit and loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Farm land, buildings and improvements

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

The fair value of farm properties reflects, among other things, stock carrying capacity and income generating ability in light of the current market conditions.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and shown as fair value reserves in equity. To the extent that an increase in the carrying amount reverses a revaluation decrease of the same asset previously recognised in the profit and loss, the increase will be recognised in the profit and loss. Decreases that offset previous increases of the same asset are charged in other comprehensive income and A692debited against fair value reserves directly in equity; all other decreases are charged to the profit and loss.

Subsequent costs

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

Depreciation

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

The estimated useful lives for the current and comparative years are as follows:

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

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

(o) Impairment of non-financial assets other than goodwill and indefinite life intangibles

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(p) Accounts Payable and Accruals

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

3 Significant Accounting Policies (continued)

(q) Employee Benefits

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

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

(r) Loans and Borrowings

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

(s) Provisions

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

(t) Share capital

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

(u) Dividends Distribution

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

(v) Financial Guarantees

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

(w) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(ii) Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(x) Statement of Cash Flows

Definitions of the terms used in the statement of cash flows:

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

(y) Goods and Services Tax / Value Added Tax

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



3 Significant Accounting Policies (continued)

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

A number of new standards and interpretations are not yet effective for the year ended 30 June 2012, and have therefore not been applied in preparing these financial statements. Those which are likely to impact the Company are as follows:

- NZ IAS 1 Presentation of Financial Statements - Presentation of Other Comprehensive Income. The standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments).
- NZ IAS 27 Separate Financial Statements. NZ IAS 27 Separate Financial Statements (as amended in 2011) removes the accounting and disclosure requirements for consolidated financial statements, as a result of the issue of NZ IFRS 10 Consolidated Financial Statements and NZ IFRS 12 Disclosures of interests in Other Entities, which establish new consolidation and disclosure standards.
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities. These amendments introduce disclosures, which provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position.
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures - Transition Disclosures. These amendments remove the requirement for the restatement of comparative period financial statements upon initial application of the classification and measurement requirements of NZ IFRS 9, and introduce additional disclosures on transition from the classification and measurement requirements of NZ IAS 39 to those of NZ IFRS 9.
- NZ IFRS 9 Financial Instruments. NZ IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to changes in the credit risk of the liability is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- NZ IFRS 10 Consolidated Financial Statements. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- NZ IFRS 12 Disclosures of Interests in Other Entities. Includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- NZ IFRS 13 Fair Value Measurement. Fair value measurement guidance contained in individual IFRSs is replaced with a single, unified definition of fair value; it also contains authoritative guidance on the application of fair value measurement in inactive markets. There are significant additional disclosures where fair values are used. The standard becomes effective in the Group's 2014 financial statements.
- Annual Improvements to NZ IFRSs 2009-2011 Cycle. The following standards are amended by this standard:
 NZ IFRS 1 clarifies that an entity that has stopped applying NZ IFRS 1 may choose to either re-apply NZ IFRS 1 or apply NZ IFRSs retrospectively in accordance with NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in order to resume reporting under NZ IFRS. Upon adoption of NZ IFRS capitalized borrowing costs may be carried forward without adjustment.
 NZ IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information.
 NZ IAS 16 clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
 NZ IAS 32 clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with NZ IAS 12 Income Taxes.
 NZ IAS 34 clarifies the requirements in NZ IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in NZ IFRS 8 Operating Segments.
- Amendments to NZ IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities. The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of NZ IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous.

4 Segment Reporting

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

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

Revenues and non-current assets by country were as follows:

	Revenues		Non-current assets	
	2012 US\$000	2011 US\$000	2012 US\$000	2011 US\$000
New Zealand	-	-	181,947	184,338
Uruguay	63,067	43,007	286,824	235,212

Revenues of US\$60.5 million (2011: US\$40.0 million) were derived from a single customer. The Group sold during the year 100% of the milk produced to Conaprole.

5 Revenue	Group	Group	Parent	Parent
	2012 US\$000	2011 US\$000	2012 US\$000	2011 US\$000
Milk sales	60,513	40,423	-	-
Point of sale costs	(1,135)	(838)	-	-
Cattle sales	3,389	2,784	-	-
Other income	300	638	-	-
	63,067	43,007	-	-

Point of sale costs includes government retentions for productivity trust, agricultural research institute, vaccinations and freight to plant.

6 Change in Fair Value of Livestock

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Livestock - category changes	7,207	5,506	-	-
Livestock - births	6,334	1,796	-	-
Livestock - deaths	(3,644)	(1,890)	-	-
Livestock - herd improvement	-	8,054	-	-
Livestock - fair value adjustment	10,169	7,489	-	-
	20,066	20,955	-	-

Livestock category changes reflect the increase in the fair value of livestock as a result of natural growth. Herd improvement during 2011 reflected the estimated increase in value of the herd compared to previous years due to an improvement in body condition of the livestock. Livestock fair value adjustment reflects the estimated increase in value of the herd due to an increase in market values.

7 Farm Operating Expenses

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Pastures	(8,932)	(8,347)	-	-
Farm repairs and maintenance	(4,399)	(3,319)	-	-
Farm management	-	(539)	-	-
Animal health, breeding & calf rearing	(5,615)	(4,209)	-	-
Concentrates	(25,661)	(18,552)	-	-
Cropping and Silage	(4,943)	(2,635)	-	-
Guaranteed return payment	-	-	-	(1,185)
Other farm expenses	(9,750)	(9,356)	(275)	(302)
	(59,300)	(46,957)	(275)	(1,487)

The Company in New Zealand has agreed to underwrite start-up losses incurred by the Uruguayan operating subsidiaries during the initial years of operation as the Group develops its farms to NZ-style intensive dairy farming. These farming practices are intended to eventually generate an above average level of profitability in Uruguay. The Company has not underwritten start-up losses during 2012 (2011: US\$1.2million) and anticipates in the future to receive a royalty payment for provision of farming intellectual property to the Uruguayan operating subsidiaries.

The underwrite via a guaranteed return payment has no impact on financial performance or the financial position of the Group.

8 Other Operating Expenses

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Fees paid to auditor: Ernst & Young				
- Annual audit	(91)	(125)	(46)	(85)
- Other audit related services	(31)	(30)	(31)	(30)
- Taxation services	(336)	(203)	(249)	(82)
Directors fees	(384)	(381)	(384)	(381)
Wealth tax	(1,744)	(1,643)	-	-
Tax on holding land	(638)	-	-	-
Impairment of investments	-	(606)	-	-
Other administrative costs	(368)	(1,870)	(186)	(1,162)
	(3,592)	(4,858)	(896)	(1,740)

Refer to note 19 for details on impairment of investments.

9 Farm Land Fair Value Adjustments

Note	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Change in fair value of farm properties: recovery of previous write-down/(reduction below cost)	20	(277)	(655)	-
	(277)	(655)	-	-

10 Discount on VAT Receivable

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

11 Net Interest and Finance Costs

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Interest income	126	145	2	73
Interest expense (including bond interest provided for at average rate)	(10,579)	(6,087)	(6,830)	(2,191)
Net foreign exchange losses	(2,213)	587	(65)	(804)
Facility fees	(172)	(304)	-	-
	(12,838)	(5,659)	(6,893)	(2,922)

Borrowing costs of US\$0.3 million were capitalised during the year (2011: US\$0.1 million).

12 Income Tax Expense

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Reconciliation of effective tax rate				
(Loss)/profit for the year	(6,450)	(8,908)	(8,195)	(9,893)
Income tax using domestic tax rate - New Zealand	28% (2,295)	(2,968)	(2,295)	(2,968)
Income tax using domestic tax rate - Uruguay	25% (414)	(246)	-	-
Unrecognised tax losses	489	2,098	489	1,638
Non-deductible expenses	1,667	902	110	1,330
Interest income recognised in New Zealand tax return	1,027	-	1,027	-
Thin capitalization adjustment	669	-	669	-
	1,143	(214)	-	-
Distribution of income tax expense				
Current income tax expense - Uruguay	76	(214)	-	-
Deferred tax expense - Uruguay	1,067	-	-	-
Deferred tax expense - New Zealand	-	-	-	-
Total income tax expense/(credit)	1,143	(214)	-	-

The Company has unrecognised tax losses to carry forward of approximately NZ\$0.7 million (2011: NZ\$0.1 million). These losses are available to offset future taxable income so long as NZ tax requirements are satisfied.

	Parent 2012 NZ\$000	Parent 2011 NZ\$000
Imputation credit account		
Opening balance	-	459
Withholding tax paid in New Zealand during the year	-	-
Tax paid	-	3
Tax refunds received	-	(462)
Closing balance	-	-

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

13 Earnings Per Share and Net Tangible Assets

	Group 2012 000	Group 2011 000
Number of shares		
Weighted average number of ordinary shares	244,236	244,236
Number of ordinary shares at June	244,236	244,236

	Group 2012 US\$000	Group 2011 US\$000
Net Tangible Assets		
Total Assets	337,016	290,114
Total Liabilities	(192,008)	(134,197)
less Intangible Assets	(93)	(66)
Plus Deferred Tax Liability	4,156	911
	149,071	156,762

	Group 2012 US\$	Group 2011 US\$
Net tangible assets per share at June	0.61	0.64
Earnings per share	(0.03)	(0.04)

The calculation of basic earnings per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of US\$7,593,000 (2011: US\$8,694,000) by the weighted average number of shares, 244,236,495 (2011: 244,236,495). There are no dilutive shares or options (2011: Nil).

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
14 Cash and Cash Equivalents				
Bank and cash	3,663	13,897	357	222
Funds held by bond trustee	21 2,413	-	-	-
	6,076	13,897	357	222

The Group has a trust structure in Uruguay for the purpose of issuing debt securities. The bonds were issued by a financial trust, with guarantees provided by a guarantee trust, and with both trusts being governed by an independent trustee. Under the financial trust agreement 7% of Gimley S.A. and Lembay S.A. milk sales are transferred to the trust to build up a reserve for payment of bonds interests. When this reserve is sufficient to pay the following two interest payments, the excess is returned to Gimley S.A. and Lembay S.A.

15 Trade and Other Receivables

	Note	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
VAT receivable		7,232	10,850	-	76
Net discount on VAT receivable	10	(216)	(1,610)	-	-
Prepayments		6,634	12,275	-	54
Trade and other debtors		12,156	7,854	71,321	45,987
		25,806	29,369	71,321	46,117
Less non-current VAT receivable		745	3,719	-	-
Less other non-current receivables		1,081	-	-	-
Current Trade and Other Receivables		23,980	25,650	71,321	46,117
		Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Opening VAT receivable discount		(1,610)	(2,324)	-	-
Unwind of discount on VAT receivable		1,186	1,056	-	-
Foreign exchange adjustment on VAT receivable discount		208	(342)	-	-
Net discount on VAT receivable		(216)	(1,610)	-	-

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 2012 movement in discount is due to updated usage of VAT certificates and foreign currency movements.

VAT recoverable in Uruguay is not generally recoverable from the tax authorities in cash, rather this asset can be used by the Group to offset other taxes payable in Uruguay such as income tax, wealth tax and social security tax. It is anticipated that it will take up to two 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 cash flows, with the discount being charged to the profit or loss.

There are no past due or impaired assets within trade receivables.

Trade and other debtors in the parent company includes loans to subsidiaries for US\$70.3 million.

16 Assets held for sale

At 30 June 2011 the Group had a conditional contract for the sale of the Los Naranjos farm which was settled in August 2011. The farm was held in Assets held for sale at the 2010 revalued amount of US\$3.78 million and was sold for US\$4.9 million with a gain of US\$0.9 million net of commissions and disposal costs.

17 Consumable Supplies and Feed

Consumable supplies comprise fertiliser, feed for livestock and other items necessarily used in the Group's farming activities. These are carried at the lower of cost or the fair value at the point of harvest for internally generated feed, and net realisable value.

18 Livestock

	Group 2012 Number	Group 2011 Number	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Dairy cattle	71,995	58,502	82,186	56,780	-	-
Beef cattle	3,039	3,042	447	234	-	-
Other livestock	1,146	939	792	561	-	-
	76,180	62,483	83,424	57,575	-	-
Livestock value at start of year			57,575	34,833	-	-
Livestock purchases			8,117	4,035	-	-
Change in the value of livestock						
Livestock category changes			7,207	5,506	-	-
Birth of animals			6,334	1,796	-	-
Livestock deaths			(3,644)	(1,890)	-	-
Livestock - herd improvement			-	8,054	-	-
Livestock - fair value adjustment			10,169	7,489	-	-
			20,066	20,955	-	-
Livestock available for sale or production			85,758	59,823	-	-
Book value of livestock sold			(2,334)	(2,248)	-	-
Livestock value at end of year			83,424	57,575	-	-

Livestock is measured at fair value net of estimated point-of-sale costs. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The value of each class of livestock has been assessed on a per head basis. The values assessed have been derived from comparison with recent livestock sales that have occurred in Uruguay. Livestock disposal costs in 2011 included commission payments depending on the class of livestock, and value added tax (VAT) on the commission. In the current year only commission payments have been included within livestock disposal costs as it is considered that VAT is a recoverable cost to the Group.

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

Crighton Anderson has confirmed that in their opinion, the valuation undertaken by Escritorio Dutra Ltda in Uruguay is a fair reflection of the fair value net of point-of-sale disposal costs of the livestock held by the Group as at 30 June 2012. Crighton Anderson has also confirmed that this valuation is suitable for inclusion within the 2012 financial statements of the Group and is in accordance with the requirements of NZ equivalents to International Financial Reporting Standards.

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

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

19 Investment

Investment in Subsidiaries

The parent company investment in subsidiaries represents the following:

Name of entity	Principal activities	Country of incorporation	Equity holding	Equity holding
			2012	2011
Gimley S.A.	Farm management	Uruguay	100%	100%
Lembay S.A.	Farm management	Uruguay	100%	100%
Tobay S.A.	Farm management	Uruguay	100%	100%
Dunkit S.A.	Farm owner	Uruguay	100%	100%
Gabefox S.A.	Farm owner	Uruguay	100%	100%
Gabegim S.A.L.	Farm owner	Uruguay	100%	100%
Ginok S.A.	Farm owner	Uruguay	100%	100%
Telensy S.A.	Farm owner	Uruguay	100%	100%
Jorbely S.A.	Ration Plant owner	Uruguay	100%	
NZFSU I Financial Trust	Financial Trust	Uruguay	See below	See below
NZFSU I Guarantee Trust	Guarantee Trust	Uruguay	See below	See below
NZFSU Guarantee Trust	Guarantee Trust	Uruguay	See below	See below

The Company's Uruguayan subsidiaries Gimley S.A. and Lembay S.A. have a trust agreement with EF Asset Management, Administradora de Fondos de Inversion S.A. (Trustee) to establish the NZFSU I Financial Trust (Financial Trust). The Financial Trust is the issuer of bonds in Uruguay on behalf of the Group. The Financial Trust was issued with a credit rating of A- (uy) by Fitch Ratings on 13 March 2009. The rating latest review was performed on April 2012 and the grade was BBB+ (uy) with positive outlook. Repayment of the bonds is guaranteed by the NZFSU I Guarantee Trust (Guarantee Trust) set up by Telensy S.A., Gabefox S.A. and Gabegim Sociedad Agraria Limitada. It is considered that both the Financial Trust and the Guarantee Trust are in substance subsidiaries of the Group (see also note 20).

The Company's Uruguayan subsidiaries Gimley S.A. and Lembay S.A. have a syndicated loan agreement with Banco de la República Oriental del Uruguay which is secured by a suretyship issued by NZ Farming Systems Uruguay Limited, by an assignment of receivables and by a "Fideicomiso de Garantía NZFSU" (Guarantee Trust) set up by Ginok S.A. and Gabegim Sociedad Agraria Limitada. It is considered that this Guarantee Trust is also in substance a subsidiary of the Group (see also note 20). During the year, there was a reduction in share capital of Gabefox S.A. for US\$2.4 million, reducing the investment of the Company in Uruguayan subsidiaries by that amount.

Other Investments

Milk sales to Conaprole require a compulsory investment in capital of Conaprole. At 30 June 2012, the Group has a equity holding of 3.51% in Conaprole at a cost of US\$2.4 million (2011: 2.43% equity holding at a cost of US\$1.3 million).

The investment in Conaprole has been designated as Available for Sale. As there is no active market for the shares and the fair value cannot be measured reliably using other valuation techniques, this investment is recorded at cost less impairment.

The value of the shares has been assessed at balance date to be greater than the historic cost of the shares. No impairment has therefore been booked in the current year and previous impairment losses of US\$1.3 million has been reversed. The reversal of impairment has been recorded in the available for sale reserve through other comprehensive income.

The Group has no current intention to dispose of this investment.



20 Property, Plant and Equipment

	Farm land, buildings and improvements subject to revaluation US\$000	Farm plant and equipment US\$000	Office fixtures and fittings US\$000	Group Total US\$000
Cost				
Balance at 1 July 2010	142,850	20,519	365	163,734
Additions	6,041	5,943	98	12,082
Disposals	(58)	(721)	-	(779)
Transfer to assets held for sale	(3,775)	-	-	(3,775)
Revaluation	6,042	-	-	6,042
Balance at 30 June 2011	151,100	25,741	463	177,304
Balance at 1 July 2011	151,100	25,741	463	177,304
Additions	28,875	9,827	251	38,953
Disposals	(344)	(114)	(1)	(459)
Transfer to assets held for sale	-	-	-	-
Revaluation	(3,178)	-	-	(3,178)
Balance at 30 June 2012	176,453	35,454	713	212,620
Depreciation and Impairment losses				
Balance at 1 July 2010	-	1,917	107	2,024
Depreciation for the year	425	1,398	55	1,878
Disposals	-	(25)	-	(25)
Depreciation reversed on revaluation	(425)	-	-	(425)
Balance at 30 June 2011	-	3,290	162	3,452
Balance at 1 July 2011	-	3,290	162	3,452
Depreciation for the year	492	2,110	87	2,689
Disposals	-	(18)	(1)	(19)
Depreciation reversed on revaluation	(492)	-	-	(492)
Balance at 30 June 2012	-	5,382	248	5,630
Carrying amounts				
At 1 July 2010	142,850	18,602	258	161,710
At 30 June 2011	151,100	22,451	301	173,852
At 1 July 2011	151,100	22,451	301	173,852
At 30 June 2012	176,453	30,072	465	206,990

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

At 30 June 2012 the Group owned 28,275 hectares of land at various stages of development, with an average capital value based on valuation, of US\$6,239 per hectare (30 June 2011: 27,871 hectares at average valuation of US\$5,421 per hectare).

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

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

Crighton Anderson has confirmed that in their opinion, the valuations undertaken by Escritorio Dutra Ltda in Uruguay are a fair reflection of the market value of the properties as at 30 June 2012. Crighton Anderson has also confirmed that these valuations are suitable for inclusion within the 2012 financial statements of the Group and are in accordance with the requirements of NZ equivalents to International Accounting Standards.

The total fair value of property valued was US\$176.4 million (2011: US\$151.1 million). This resulted in a net decrease in carrying value of the properties of US\$2.7 million (2011: net increase US\$6.5 million). As a consequence of properties being valued on a property by property basis, this adjustment has resulted in loss of value of some farms below their original purchase cost plus improvements and a profit of some farms due to an increase in the carrying amount which reverses a revaluation decrease of the same asset previously recognised in the profit and loss. This has resulted in a net loss in profit or loss in the current year of US\$0.3 million (2011: loss of US\$0.6 million).

The carrying amount of farm land, buildings and improvements, had they been carried at cost less depreciation would be US\$151.5 million (2011: US\$123.8 million).

The Group has a trust structure in Uruguay for the purpose of issuing debt securities. The structure required for an issue of debt securities in Uruguay is different from how a similar issue might be structured in New Zealand. Rather than the Company or a subsidiary issuing the bonds they are issued by a financial trust, with guarantees provided by a guarantee trust, and with both trusts being governed by an independent trustee. The purpose of the guarantee trust is to hold legal title of certain farms to guarantee compliance by the Company's Uruguayan subsidiaries with their obligations under the trust agreement. In substance, while the guarantee trust operates like a charge over the farms, there is a sale of the farms into the guarantee trust. The independent trustee has the ability to sell the farms only in the event that the Group defaults on its repayment obligations under the terms of the financial trust. The fair value of the farms held in the guarantee trust is approximately US\$84.9 million. US\$30.0 million of bonds were raised against the security of these properties and currently there are bonds for US\$25.7 million.

The Group has another guarantee trust which is a security of the Syndicate Bank Loan and the loan from Banco de la República Oriental del Uruguay. The value of the farms held in this guarantee trust is US\$34.7 million. The Syndicate Bank Loan is US\$7.0 million (2011: US\$8.0 million).

21 Loans and Borrowings

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Olam International short term loan	95,000	70,000	95,000	70,000
Uruguayan bank short term loans	30,107	7,500	-	-
Uruguayan bank long term loans	5,000	7,000	-	-
Uruguayan bonds issued	25,690	25,690	-	-
	155,797	110,190	95,000	70,000
Payable within 12 months	125,107	77,500	95,000	70,000
Payable beyond 12 months	30,690	32,690	-	-
	155,797	110,190	95,000	70,000

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

The company arranged in December 2010, a short term shareholder loan of up to US\$50.0 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\$50.0 million to US\$85.0 million. The extension of the credit limit was to enable the group to partially amortize the syndicated loan of US\$16.0 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 on going development. On 24 November 2011, at the annual Shareholders meeting an extension 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\$25.0 million for a total amount of US\$110.0 million was approved. As at 30 June 2012, NZS has drawn down US\$95.0 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 the Olam International loan have not been paid except for the corresponding withholding tax.

The balance of the loan outstanding at 30 June 2012 is US\$95.0 million (2011: US\$70.0 million) plus unpaid interests of US\$7.7 million (2011: US\$1.6 million).

The Uruguayan bank short term loans mature US\$3.0 million on 29 July 2012, US\$1.5 million on 30 August 2012, US\$10.0 million on 27 October 2012, US\$1.0 million on 11 December 2012, US\$7.0 million on 27 December 2012, US\$5.0 million on 31 December 2012, and \$1.0 million on 11 June 2013. Also included in short term loans is US\$1.6 million of letter of credit. The long term loans, US\$7.0 million (2011: US\$8.0 million) mature on 11 December 2015. The long term loan is with one local bank in Uruguay. This loan was with two local banks, however on 30 June 2011 one of the banks was repaid its share, US\$8.0 million. The loan is secured over property in Uruguay totalling US\$34.7m (2011: US\$34.4 million). During the 2013 financial year US\$2.0 million amortization of this loan will occur, leaving a balance of US\$5.0 million outstanding.

The Group issued US\$30.0m of long term bonds on 31 July 2009 via a trust structure in Uruguay. The bonds were 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\$84.9 million.

The bonds had an initial fixed interest rate of 5% per annum for the period to 30 September 2010, and thereafter an annual variable interest rate of between 5% and 15% per annum calculated annually using a formula based on gross milk revenue and certain key input costs. On December 2010 there was an amendment to the bonds agreement, changing the variable interest rate to range between 9% and 11%. The bonds are to be repaid in instalments every six months from 30 September 2016. The amount of each payment shall be equal to 2% of gross milk sales for the year ended the previous 30 June.

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

There was no breach of covenants during the 2012 financial year. During 2011, under the bond agreement, the Group had covenanted to provide a copy of its business plan to all bond-holders through a Fiduciary (acting on behalf of bond-holders) by 18 February 2011. While the business plan was provided to most bond-holders, it was not provided to the Fiduciary by this date. The breach of covenant constituted an event of default under the terms of the bond issue. A meeting of the bondholders was subsequently held on 29 March 2011 where a waiver for the breach was granted.

22 Accounts Payable and Accruals

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Trade creditors and accruals	24,157	21,529	332	441
Amounts owing to subsidiaries	-	-	15,373	15,453
Related party creditors	7,898	1,567	7,898	1,567
	32,055	23,096	23,603	17,461

Payables denominated in currencies other than the functional currency amount to US\$9.1 million (2011: US\$5.6 million). These comprise US\$0.3 million of trade payables that are denominated in NZ dollars in the Company and US\$8.8 million of trade payables and accruals which are denominated in Uruguayan pesos (Uruguayan currency).



23 Deferred Tax

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Recognised deferred tax assets and liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Revaluation of properties	3,293	48	-	-
Development expenditure and other temporary differences	863	863	-	-
Term deferred tax liability	4,156	911	-	-

The Company has unrecognised deferred tax assets for approximately NZ\$0.2 million.

The Company's subsidiaries in Uruguay have unrecognised deferred tax assets estimated at US\$46.5million (2011: US\$53.0 million) relating to tax losses carried forward, tax incentives and other timing differences. These assets have not been recognised on the basis that they do not satisfy the deferred tax recognition criteria as it is not considered probable that there will be sufficient future taxable profit against which the losses can be utilised. Uruguayan tax losses and tax incentives cannot be carried indefinitely as they expire based on the current tax legislation.

	Balance 30 Jun 2011 \$000	Recognised in profit or loss \$000	Recognised in other comprehensive income \$000	Balance 30 Jun 2012 \$000
Movement in temporary differences during the year				
Group				
Property, plant and equipment revaluations	48	1,067	2,179	3,293
Losses carried forward	-	-	-	-
Development expenditure and other temporary differences	863	-	-	863
	911	1,067	2,179	4,156

24 Capital and Reserves

	No. of shares 2012 000	No. of shares 2011 000	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Share capital on issue	244,236,495	244,236,495	197,081	197,081	197,081	197,081

Share capital

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

Fair value reserve

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

Available for sale reserve

Available for sale reserve records movements in the fair value of available-for-sale assets.

Dividends

No dividends were declared or paid by the Company or Group for the year ended 30 June 2012 (2011: Nil).

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

	Group 2012 US\$000	Group 2011 US\$000	Parent 2012 US\$000	Parent 2011 US\$000
Loss after taxation	(7,593)	(8,694)	(8,195)	(9,893)
Add/(deduct) non-cash / non operating items:				
Depreciation, amortisation and impairment	2,756	1,878	-	-
Unrealised foreign exchange losses	2,385	(587)	65	-
Livestock physical value changes and fair value adjustments	(20,066)	(20,955)	-	-
Gain on Fixed Assets sold	(895)	-	-	-
(Increase)/decrease in deferred taxation	1,067	16	-	-
Other non-cash items	1,675	460	-	-
	(13,078)	(19,188)	65	-
Add/(deduct) movement in working capital items:				
(Increase)/decrease in trade and other receivables	9,082	(13,276)	(204)	(945)
(Increase)/decrease in consumable supplies and feed	(2,488)	(6,013)	-	-
Increase/(decrease) in trade creditors and accruals	3,513	13,697	6,158	1,816
Increase/(decrease) in income tax payable/receivable	1,832	(1,548)	-	262
	11,939	(7,140)	5,954	1,133
Net cash flow to operating activities	(8,732)	(35,022)	(2,176)	(8,760)

26 Financial Instruments

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

The primary risks are those of liquidity, interest rate, credit and foreign currency risk.

The Board of Directors is responsible for the review and ratification of the Group's systems of risk management, internal compliance and control, code of conduct and legal compliance.

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

Liquidity Risk

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

The objectives of the Group's funding and liquidity policy is to:

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios; and
- achieve competitive funding within the limitations of liquidity requirements.

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

(a) Liquidity Risk - Contractual Maturity Analysis

The Company and Group expect to undertake a capital raising or other funding alternatives during the 2013 financial year to repay Olam shareholder's loan and fund the final stages of farm development and business operations through until the point that the farming business reaches breakeven operational cash flow. Refer to note 2 - Going Concern Assumption.

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

	Within 12 months	1 to 2 years	Over 2 years	Contractual cash	Balance Sheet
				flow	
	\$000	\$000	\$000	\$000	\$000
Group 2012					
Assets					
Cash and cash equivalents	6,076	-	-	6,076	6,076
Trade and other receivables	23,980	649	1,177	25,806	25,806
	30,056	649	1,177	31,882	31,882
Liabilities					
Trade and other payables	30,073	-	1,983	32,055	32,055
Loans and borrowings	125,107	2,000	28,690	155,797	155,797
Interest on loans	6,866	2,730	12,712	22,308	-
	162,046	4,730	43,385	210,160	187,852
Group 2011					
Assets					
Cash and cash equivalents	13,897	-	-	13,897	13,897
Trade and other receivables	25,650	564	3,155	29,369	29,369
	39,547	564	3,155	43,266	43,266
Liabilities					
Trade and other payables	23,096	-	-	23,096	23,096
Loans and borrowings	77,500	2,000	30,690	110,190	110,190
Interest on loans	5,933	2,563	16,836	25,332	-
	106,529	4,563	47,526	158,618	133,286
Company 2012					
Assets					
Cash and cash equivalents	357	-	-	357	357
Trade and other receivables	71,321	-	-	71,321	71,321
	71,678	-	-	71,678	71,678
Liabilities					
Trade and other payables	15,706	-	-	15,706	15,706
Loans and borrowings	95,000	-	-	95,000	95,000
Interest on loans	7,898	-	-	7,898	7,898
	118,604	-	-	118,604	118,604
Company 2011					
Assets					
Cash and cash equivalents	222	-	-	222	222
Trade and other receivables	46,117	-	-	46,117	46,117
	46,339	-	-	46,339	46,339
Liabilities					
Trade and other payables	17,461	-	-	17,461	17,461
Loans and borrowings	70,000	-	-	70,000	70,000
Interest on loans	3,115	-	-	3,115	3,115
	90,576	-	-	90,576	90,576

Interest Rate Risk

Floating rate borrowings are used for general funding activities. Interest rate swaps, interest rate options and forward rate agreements may be used to hedge the floating rate exposure as deemed appropriate. The Group had no interest rate contracts at 30 June 2012, or throughout the year (2011: Nil).

A sensitivity of +/- 1% has been selected for interest rate risk on loans under a variable interest rate. Bonds issue interest rate is independent of external interest rate movements and has therefore been excluded from the analysis.

We assume the bank loan balance remains consistent during the period.

The following table shows all borrowings subject to variable interest rates.

Type of finance facility	Borrower	Amount	Effective interest rate (%)	Starting date	Maturity date	Calculation basis	
<u>Group</u>							
Syndicated Banks Bank Loan (trust guarantee)	LEMBAY S.A.	US\$3.5 million	4.739	11/12/2008	11/12/2015	6 month libor	libor + 4.0%
Syndicated Banks Bank Loan (trust guarantee)	GIMLEY S.A.	US\$3.5 million	4.739	11/12/2008	11/12/2015	6 month libor	libor + 4.0%
<u>Parent</u>							
Nil							
				Interest rates increase by 1%		Interest rates decrease by 1%	
				2012	2011	2012	2011
				\$000	\$000	\$000	\$000
Impact on net profit after tax				(32)	(93)	32	93
Members' equity				(32)	(93)	32	93

Credit Risk

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

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

	Group		Parent	
	2012	2011	2012	2011
	US\$000	US\$000	US\$000	US\$000
<u>Total cash, trade and other receivables</u>				
New Zealand	373	267	373	267
Singapore	1,037	984	986	984
Uruguay	30,472	42,015	70,319	45,088
	<u>31,882</u>	<u>43,266</u>	<u>71,678</u>	<u>46,339</u>

Concentrations of Credit Risk

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

Foreign Currency Exposure Risk

Apart from the raising of capital in New Zealand dollars, and the holding of minor bank balances in New Zealand dollars to cover certain New Zealand domiciled costs, all the Group's activities are either in Uruguayan pesos, or US dollars. Certain administrative expense transactions in the Company occur in New Zealand dollars. These transactions and their related receivable and payable balances are converted to US dollars for reporting purposes.

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

The table below shows the Group's sensitivity to foreign exchange rates on its Uruguayan pesos financial instruments excluding any impact on foreign currency risk from milk sales in Uruguayan pesos. Whilst milk sales are denominated in Uruguayan pesos, the Directors believe that pricing is closely linked to the US dollar denominated commodity price. Accordingly a movement in US dollar/Uruguayan pesos exchange rate is expected to result in a similar movement in Uruguayan pesos milk prices. Had the average Uruguayan pesos exchange rate for the period moved, as illustrated in the table below, with all other variables held constant, net profit after tax and members' equity would have been affected as follows:

	Uruguayan pesos appreciation of 5%		Uruguayan pesos depreciation of 5%	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Impact on net profit after tax	1,288	1,452	(1,166)	(1,313)
Members' equity	1,288	1,452	(1,166)	(1,313)
	Uruguayan pesos appreciation of 10%		Uruguayan pesos depreciation of 10%	
	2012	2011	2012	2011
	\$000	\$000	\$000	\$000
Impact on net profit after tax	2,720	3,064	(2,225)	(2,507)
Members' equity	2,720	3,064	(2,225)	(2,507)

Capital Management

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

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

Agricultural activities risk

Milk and beef prices have shown and are expected to continue to show considerable volatility as supply and demand globally and in Uruguay fluctuate in response to financial, climate, sentiment and other factors. The Group currently sells 100% of its milk production to Conaprole. As milk is a perishable product there is no ability for the Group to mitigate pricing risk through inventory management. However dairy prices have historically tended to have reasonable correlation with prices of agricultural inputs such as feed and fertilizer, and the Group monitors these relationships in order to adapt its tactics to suit. The Group's objective is to achieve steady state production at levels that will ensure a relatively low cost base using intensive pasture and concentrates feed. Beef prices are of lesser significance to the Group, as livestock sales are essentially a disposal of surplus or lesser quality stock.

The Group has processes in place to manage and monitor the health and condition of its livestock.

Quantitative disclosures**Accounting classifications and fair values**

The tables below set out the Group's classification of each class of financial assets and liabilities, and their fair values.

	Available for Sale	Loans and receivables \$000	Other amortised cost \$000	Total carrying amount \$000	Fair value \$000
Group 2012					
Assets					
Cash and cash equivalents	-	6,076	-	6,076	6,076
Trade and other receivables	-	25,806	-	25,806	25,806
Investments	2,392	-	-	2,392	2,392
	2,392	31,882	-	34,274	34,274
Liabilities					
Trade and other payables	-	-	32,055	32,055	32,055
Loans and borrowings	-	-	155,797	155,797	155,797
	-	-	187,852	187,852	187,852
Group 2011					
Assets					
Cash and cash equivalents	-	13,897	-	13,897	13,897
Trade and other receivables	-	29,369	-	29,369	29,369
	-	43,266	-	43,266	43,266
Liabilities					
Trade and other payables	-	-	23,096	23,096	23,096
Loans and borrowings	-	-	110,190	110,190	110,190
	-	-	133,286	133,286	133,286
Company 2012					
Assets					
Cash and cash equivalents	-	357	-	357	357
Trade and other receivables	-	71,321	-	71,321	71,321
	-	71,678	-	71,678	71,678
Liabilities					
Trade and other payables	-	-	23,604	23,604	23,604
Loans and borrowings	-	-	95,000	95,000	95,000
	-	-	118,604	118,604	118,604
Company 2011					
Assets					
Cash and cash equivalents	-	222	-	222	222
Trade and other receivables	-	46,117	-	46,117	46,117
	-	46,339	-	46,339	46,339
Liabilities					
Trade and other payables	-	-	17,461	17,461	17,461
Loans and borrowings	-	-	70,000	70,000	70,000
	-	-	87,461	87,461	87,461

27 Related Parties**Transactions with key management personnel**

Directors fees and short term benefits of key management personnel total US\$621,990 (2011: US\$484,969) and are included in Other operating expenses, and in the Statutory Information. As at 30 June 2012 there was US\$269,990 of outstanding Directors fees (2011: US\$92,143).

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

The company arranged in December 2010, a short term shareholder loan of up to US\$50.0 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\$50.0 million to US\$85.0 million. The extension of the credit limit was to enable the group to partially amortize the syndicated loan of US\$16.0 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 on going development. On 24 November 2011, at the annual Shareholders meeting an extension 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\$25.0 million for a total amount of US\$110.0 million was approved. As at 30 June 2012, NZS has drawn down US\$95.0 million and has unpaid interest of US\$7.7 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 completion of a capital raising sufficient to repay the Loan. Refer to note 2 Going Concern Assumption.

The interest for the year was US\$6.8 million of which US\$6.1 million was unpaid. US\$1.6 million remains unpaid from the 2011 financial year, bringing the total outstanding interest to US\$7.7 million.

The group has made payments on behalf of Olam for US\$1.0 million which remain as receivable as at 30 June 2012 (2011: US\$1.0 million).

Olam has provided a comfort letter in respect of the provision of financial support for a period of 12 months from the date of approval of these financial statements to assist the Company in meeting its liabilities as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities.

27 Related Parties (continued)

Other related party transactions

The Company has agreed to underwrite start-up losses incurred by the Uruguayan operating subsidiaries during the initial years of operation as the Group develops its farms to NZ-style dairying farming. These farming practices are intended to eventually generate an above average level of profitability in Uruguay. During the year the Company has not underwritten start-up losses (2011: US\$1.2million).

The Company has made advances to the subsidiaries in Uruguay for development expenditure and operating cash flows and has received loans from subsidiaries. As at 30 June 2012 the Company had US\$70.3 million of loans to subsidiaries (2011: US\$45.1 million) and US\$15.4 million of borrowings from subsidiaries (2011: US\$5.5 million). Outstanding balances at year end are unsecured and interest free.

David Beca, Managing Director of NZ Farming Systems Uruguay Limited, is a shareholder in Red Sky Agricultural Pty Ltd (Red Sky). During the year NZ Farming Systems Uruguay Limited entered into transactions with Red Sky for software licences and reimbursement of expenses incurred totalling US\$11,878 (2011: US\$41,000).

28 Leases

The Group has lease agreements on eleven farms which expire between November 2012 and September 2016. Lease expense during the year was US\$0.8 million (2011: US\$0.6 million). Lease payments due within one year are for US\$0.5 million (2011: US\$0.4 million) and over one year are US\$0.7 million (2011: Nil). The Group also leases office premises and accommodation for key management personnel.

29 Commitments and Contingencies

The Group has commitments with various contractors for development work on farms which totals US\$6.1 million at 30 June 2012 (2011: US\$6.1 million).

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

30 Events Subsequent to End of Year

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



To the Shareholders of NZ Farming Systems Uruguay Limited**Report on the Financial Statements**

We have audited the financial statements of NZ Farming Systems Uruguay Limited and its subsidiaries on pages 1 to 21, which comprise the statement of financial position of NZ Farming Systems Uruguay Limited and the group as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected, depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Ernst & Young provided other assurance services and tax services to the company and group.

Opinion

In our opinion, the financial statements on pages 1 to 21:

- ▶ comply with generally accepted accounting practice in New Zealand;
- ▶ comply with International Financial Reporting Standards; and
- ▶ give a true and fair view of the financial position of NZ Farming Systems Uruguay Limited and the group as at 30 June 2012 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

- ▶ We have obtained all the information and explanations that we have required.
- ▶ In our opinion proper accounting records have been kept by NZ Farming Systems Uruguay Limited as far as appears from our examination of those records.



27 August 2012
Christchurch