TASMAN FARMS LIMITED

Annual Report and Accounts

2009

TASMAN FARMS LIMITED

Contents

Financial Calendar

Annual Meeting
21 October 2009 at 3.00pm
Sudima Hotel
Corner Memorial Avenue and Orchard Road
Christchurch, New Zealand

Proxies Close
19 October 2009 at 3.00pm

Results Announced
Annual: August
Half yearly: February

Company Information

Board of Directors
J C Watson, AM (Chairman)
J T Andrews
M L Hampton
P S Newland
M C Trousselot

General Manager
N Morris BAgSc MBA

Auditor
Tim May
Ernst & Young
On behalf of the Auditor-General
Ernst & Young House
34-36 Cranmer Square
PO Box 2091
Christchurch
New Zealand

Bankers
Westpac Banking Corporation
Smithton 7330, Tasmania
Australia

RaboBank Australia Ltd
Launceston, Tasmania
Australia

Solicitors
Hunt & Hunt
Hobart 7000, Tasmania
Australia

Registrars/Share Registration Office
Computershare Registry Services Pty Ltd
Level 2, 159 Hurstmere Road
North Shore, Auckland
Private Bag 92119
Auckland 1020
Ph: +64 9 488 8777 Fax: +64 9 488 8787

Registered Office
Staples Rodway
PO Box 146, Taranaki Mail Centre
New Plymouth
New Zealand 4340

Contact Details
139 Nelson Street
PO Box 418
Smithton, Tasmania
Australia 7330
Ph: +61 3 6452 2911 Fax: +61 3 6452 2519
Email: office@vdlfarms.com.au

Chairman's Report

Dear Shareholder

On behalf of the Board of Directors, I present the 2009 Annual Report to Shareholders for the Company's 8th year.

The drop in farm gate milk price during the year had a significant impact on both gross returns and the value of livestock with values dropping from an average of NZ$1,289 (AU$1,050) per cow in the previous year to NZ$941 (AU$750). This significant drop in values affected all classes of dairy stock leading to a NZ$6.56 million (AU$5.66 million) reduction to the livestock trading account.

The overall result for Tasman Farms Limited and its subsidiaries ("the Company") was a net loss after tax of NZ$8.18 million.

Despite this loss, the 2008/9 season was in other ways a positive year during which many management and policy changes were implemented. These changes have had expenditure implications for this year but will lead to improved productivity and profitability in the future.

The North West of Tasmania enjoyed a far superior season to many mainland regions with production up some 9%. The Company farms achieved an impressive lift in production of 22.4% producing 4.16 million kilograms of milk solids. This lift somewhat insulated the Company from the worst of the milk price drop which saw average farm gate prices plummet from the high of the previous season at NZ$7.47 (AU$6.46) per kilogram of milk solids to NZ$6.55 (AU$5.33).

Many of the initiatives outlined in last year's report are now being implemented. The beef operations are being refocused with a move away from numbers of stock to focus on live weight and carcass weight produced per hectare. Significant investment has been made in genetics, animal health and most importantly the raising of young stock which will be the herd of tomorrow. In addition, the purchase of a superior line of beef breeding cows this year will pay dividends in the future with superior progeny.

Valuation of Land and Buildings

The Tasmanian farms were valued by the Directors at 31 May 2009 in accordance with the Accounting Standards based on an independent valuation prepared by Mr David D Johnston (A.A.P.I.). They were last valued at 31 May 2008 but the Directors determined that it would be prudent to revalue the assets given their significance to the Company's Balance Sheet and the impact wildly fluctuating milk and other commodity prices (including foreign exchange rates) may have on their value. Based on this advice the Directors have valued the Land and Buildings at NZ$13.65 (AU$10.88) million less than the last valuation in 2008. This revaluation, coupled with other Land and Buildings movements, resulted in a net revaluation decrease of NZ$14.00 million. There has also been a favourable foreign exchange adjustment of NZ$4.8 million affecting the value of Land and Buildings. Interestingly there was no material change to the value of the dairy farms however a reduction was noted to the beef and sheep land.

Summary

In summary, the Company has been through a challenging year. The outlook for dairy farming remains positive and in time this will be reflected in both increased milk pricing and an increase in livestock valuations.

Management and the Board of Directors are continuing to review all aspects of the operations and are confident that the initiatives put into place during this year will result in improved production and profitability in the future.

The move of management and administration to Smithton has been received positively within the farming community and is expected to drive productivity gains.

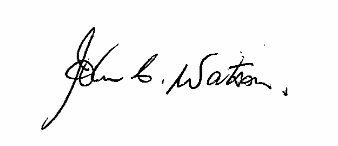
Chairman's Report (continued)

Summary (continued)

I would like to acknowledge the support of Robin Pratt, a Director who resigned from the Board during the year and Tim Breward who resigned subsequent to year end.

I welcome new Director Mike Trousselot and staff who have joined The Van Diemen's Land Company during the year. I also acknowledge the support of my fellow Directors, and on behalf of the Directors and Shareholders, thank our sharefarmers, management and staff for their efforts over the past year.

J C Watson, AM



Chairman
Dated: 21 August 2009.

TASMAN FARMS LIMITED

Facts at a Glance

for the year ended 31 May 2009

Net Profit/(Loss) after Taxation and Minorities
Audited group net profit/(loss) after taxation and minorities was NZ$(8.03) million compared with a surplus of NZ$2.09 million in 2008 (after re-statement of comparatives profit to comply with transition to NZ IFRS)

Core Operating Earnings
Operating earnings/(loss) before interest and tax was NZ$(6.11) million compared with a profit of NZ$4.72 million for the year ended 31 May 2008.

Revenue
Revenue increased to NZ$36.40 million from NZ$33.89 million last year.

Milk Payouts
Farm gate milk payouts decreased significantly to NZ$6.55 per kilogram milk solids compared with NZ$7.47 per kilogram milk solids in 2008.

Net Tangible Assets
On a per share basis the net tangible assets of the company were NZ$2.01 at 31 May 2009 (2008: NZ$2.23).

Production
Production was a record 4.16 million kilograms of milk solids, compared with 3.40 million kilograms of milk solids last year.

	2009 kgs/ms	**2008 kgs/ms**	**%change**
Tasman Farmdale Pty Limited	1,445,486	1,174,272	23.1%
The Van Diemen's Land Company - Dairies Pty Limited	2,716,466	2,225,573	22.1%
	4,161,952	3,399,845	22.4%

Dairy Farm Operations

	2009	**2008**
Number of farms:		
Managed	2	1
Lower order sharefarmed	17	19
50:50 sharefarmed	4	3
	23	23

Facts at a Glance

	2009 NZ$	**2008 NZ$**
Revenue	36,396,149	33,890,205
Net profit/(loss) after tax	(8,179,354)	2,128,884
Shareholders' funds	137,573,106	152,252,998
Net debt (excluding tax liability)	55,334,424	50,540,666
	NZ Cents	**NZ Cents**
Earnings per share (NZ cents)	(11.96)	3.11

Directors' Report and Statutory Disclosures

Your Directors present their report on the Company and its subsidiaries for the financial year ended 31 May 2009.

The names of the Directors in office at any time during or since the end of the year are:

J C Watson, AM (Chairman)	Appointed Chairman 4 March 2008 and Appointed Director 27 February 2008
J T Andrews	Appointed 21 March 2007
M L Hampton	Appointed 4 March 2008
P S Newland	Appointed 16 June 2008
M C Trousselot	Appointed 25 February 2009
Dr R Pratt	Appointed 27 February 2008 and resigned 25 February 2009
T J Breward	Appointed 2 September 2002 and resigned 22 June 2009

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. The disclosures in relation to Directors' shareholdings and remuneration are detailed on pages 43 and 26 respectively.

In accordance with Clause 19.2 of the Company's Constitution, Mr M C Trousselot appointed as a Director by the Board since the last Annual General Meeting automatically retires and offers himself for election. Also in accordance with the Company's Constitution, Mr J T Andrews retires and offers himself for election.

Directors' Profiles:

John Watson of Victoria is Chairman of Incitec Pivot Limited, a Director of Tassal Group Limited, a Director of Wool Partners Limited and a Member of the RaboBank Food and Agribusiness Advisory Board for Australia and New Zealand. He has an extensive history in the food and agriculture industries and is an experienced public company director. (Chairman of Tasman Farms Limited, Governor of the Van Diemen's Land Company.)

John Andrews is a Stockbroker and Investment Analyst with Forsyth Barr based in Wellington. John has been a qualified accountant for 25 years and a member of the New Zealand Exchange (NZX Broker) for 19 years. John brings Financial and Securities industry expertise to the board. John is a member of the Institute of Directors in New Zealand (INC). (Chairman of the Audit and Risk Committee, Director of The Van Diemen's Land Company.)

Miles Hampton of Tasmania was until 2006 managing director of the pre-eminent Tasmanian agribusiness and public company Roberts Limited, a position he held for 20 years. A qualified accountant and company secretary, Miles has served as a director of a number of companies and is currently a director of Tasmanian Perpetual Trustees Limited, Forestry Tasmania, Australian Pharmaceutical Industries Limited, Hobart Water and Impact Fertilisers Pty Ltd. (Member of the Audit and Risk Committee, Director of The Van Diemen's Land Company.)

Phil Newland of Auckland is an experienced director having held board positions with a range of private and public directorships both in New Zealand and Australia. He is an independent director for Abano Healthcare Group and has previously held directorships including Pacific Retail Group, Gen-I and The National Property Trust. Phil was previously a senior commercial solicitor with New Zealand firm Russell McVeagh. (Member of the Audit and Risk Committee, Director of The Van Diemen's Land Company.)

Mike Trousselot of New Plymouth is Chief Executive of Taranaki Investment Management Limited, a NZ$250 million perpetual investment fund and prior to this was Chief Executive of Development West Coast, a NZ$100 million fund. Mike has also previously worked at senior executive level in a range of listed and private New Zealand companies. He holds a BCom and is a current member of the Institute of Directors (NZ), and a corporate member of the New Zealand Venture Capital Association. (Director of The Van Diemen's Land Company.)

Principal Activities

The principal continuing activities of Tasman Farms Limited and its subsidiaries are pastoralists and dairy farmers. No significant changes in the nature of these activities occurred during the year.

Directors' Report and Statutory Disclosures (continued)

Operating Results

The consolidated result of the group for the financial year after providing for income tax amounted to a loss of NZ$8,179,354 compared with a profit after income tax of NZ$2,128,884 for the 2008 year.

The operating result was disappointing for the Company and was largely due to the flow on effect on livestock valuations stemming from the drop in farm gate milk price which occurred in January 2009.

Milk production of 4.16 million kilograms of milk solids was a company record.

During the year finance costs increased to NZ$4.87 million (2008: NZ$3.64 million). The increase in finance costs reflected the movement in interest rates and the requirement to bring to account through the income statement the mark-to-market revaluation for an interest rate swap which is due to expire on 31 August 2009.

The valuation of fixed assets by the Directors at 31 May 2009 has led to a decrease in the Company's net asset position and thereby the asset backing per share on issue.

Review of Operations

A review of the operations of the economic entity during the financial year and the results of those operations are as follows:

Dairy Operations

The Company milked cows on 23 farms on a total effective area of 6,092 hectares for total production in the 2008/09 season of 4.16 million kilograms of milk solids (2008: 3.40 million kilograms of milk solids).

The average farmgate milk price for the year ended 31 May 2009 was NZ$6.55 per kilogram of milk solids, a significant decline of 12% from NZ$7.47 per kilogram of milk solids in the 2007/08 season.

Dairy Outlook

Weather conditions throughout June and July 2009 have been exceptionally wet. The 2009 calving is well advanced and early season milk flows are encouraging and well ahead of last year.

The Company's major milk processor in Tasmania, Fonterra Australia (Bonlac Supply Company Limited) announced its opening price for the 2009/10 season at approximately NZ$4.41 (AU$3.50) per kilogram of milk solids, down 34% from NZ$6.70 (AU$5.45) per kilogram of milk solids announced in July 2008. It is hoped that this opening price will be lifted through the season with step-ups however a closing price of more than NZ$5.15 (AU$4.10) is not expected. This represents a significant drop over the previous season and will result in a deficit across the dairying operations.

For 2009/10, 17 of the Company's 23 dairy farms will be operated under lower order Sharefarming Agreements, four under 50:50 Sharefarming Agreements and two properties under management contract arrangements.

Non Dairy Operations

The total number of beef cattle carried at 31 May 2009 was 8,010 head compared with 12,284 in the previous year. However of far greater significance is the composition of these stock numbers. This year will see the second and final stage of the phase out of large scale bull beef finishing; replaced with a larger breeding cow operation and a focus on high margin cattle finishing both on the company's own account and through an agistment arrangement with the local meat processor.

Capital Development

An extensive capital development program is being completed for presentation to the Directors in August 2009. If accepted this will see significant farming enhancements across a wide spectrum of operational areas including herd genetics, soil fertility, pasture species and infrastructure maintenance including the replacement of the Pinegrove Dairy Shed.

Review of Operations (continued)

Capital Development (continued)

The Company is also developing a land use concept plan to identify further opportunities to add value to the shareholder through developing non agricultural activities. Directors are exploring options available to the company in relation to an equity raising to assist with current and future development plans. More information will be provided concerning the ongoing equity requirements as decisions are made.

Financing

A successful review of the debt financing arrangements for the Company was completed which also included the provision of additional funds for cash flow and capital work.

Role of the Board

The Board of Directors is elected by the shareholders to supervise the management of the Company and its subsidiary companies (the "Group"). The Board establishes the Group's objectives, annual budgets and the overall policy framework within which the business is conducted. The Board monitors Management's performance relative to these goals and plans, and has delegated the day to day management of the Group to the General Manager.

The Board has the obligation to protect and enhance the value of the assets of the Company. It achieves this through the approval of the appropriate corporate strategies, with particular regard to portfolio composition and return expectations, including the approval of transactions relating to acquisitions and divestments and capital expenditures above delegated authority limits, financial and dividend policy and the review of performance against strategic objectives.

Committees established by the Board review and analyse policies and strategies, usually developed by Management, which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The Board supports the concept of the separation of the role of Chairman from that of General Manager. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, and to interface with the General Manager.

The composition and terms of reference of the Board, the Chairman, the Committees and the General Manager are reviewed annually by the Board. The Chairman annually assesses the effectiveness of the Board and its Committees.

The Chairman of the Board, with the assistance of the General Manager, establishes the agenda for each Board of Directors Meeting. Each Board member is able to suggest items for the Agenda.

The Company has one formally constituted Committee that has operated during the year: the Audit and Risk Committee.

Board Operations and Membership

The Board currently comprises five Directors: a Non Executive Chairman and four Non Executive Directors. The Company's Constitution sets out policies and procedures on the operation of the Board, including the appointment and removal of Directors.

Audit and Risk Committee

At the date of the Annual Report, Tasman Farms Limited had an Audit and Risk Committee consisting of the following Directors:

J T Andrews (Chairman)
M L Hampton
P S Newland

Directors' Report (continued)

Audit and Risk Committee (continued)

The Committee's responsibilities are to:

(a) Oversee the existence and maintenance of internal controls and accounting systems;
(b) Oversee the financial reporting process;
(c) Nominate the external Auditors; and
(d) Review the existing external audit arrangements.

Likely Developments

Likely developments in the operations of the economic entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

Indemnity

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity.

The ultimate parent company, Tasman Farms Limited, has paid premiums to insure each director of its subsidiary companies against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

Dividends

The Directors have resolved not to pay a dividend in respect of the 2008/09 financial year (2007/08: nil).

Directors' Benefits

Since 31 May 2008 no Director of the Company has received or become entitled to receive a benefit (other than a remuneration benefit included in Note 5 to the financial statements) because of a contract made by the company or a related body corporate with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, other than that disclosed in Note 19.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years, except as detailed in Note 26 to the financial statements and below.

The Company was successful with its application for refinancing with RaboBank and secured additional funding for construction of a replacement dairy shed; an extension of working capital given the budgeted deficit for the 2009/10 season; and other capital development plans when approved by Directors.

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Environmental Issues

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State or of a Territory other than may be required for industry accepted dairy and pastoral operations.

Directors' Report (continued)

Court Proceedings

No person has applied for leave to the Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not party to any such proceedings during the year.

Appropriation and Reserves

The revaluation reserve decreased to NZ$88,559,291 (2008: NZ$95,853,271) following exchange rate movements and the revaluation of Tasmanian farms as at 31 May 2009.

Full details of reserve movements can be found in Note 16.

Auditor

The Office of the Auditor General is automatically reappointed as Auditor of the Company. This follows the acquisition of a majority shareholding in the Company by New Plymouth District Council.

Shareholding Information

Shareholding disclosures are detailed on page 44 of the Annual Report.

Annual General Meeting

The Annual General Meeting of shareholders of Tasman Farms Limited will be held at the Sudima Hotel, Corner of Memorial Avenue and Orchard Road, Christchurch, New Zealand on Wednesday 21 October 2009 commencing at 3.00 pm.

Signed for an on behalf of the Board, dated 21 August 2009.

John C. Watson.

J C Watson, AM (Chairman) Director	**J T Andrews** Director

AUDIT REPORT

TO THE READERS OF
TASMAN FARMS LIMITED AND GROUP'S
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2009

The Auditor-General is the auditor of Tasman Farms Limited (the company) and group. The Auditor-General has appointed me, Tim May, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the company and group, for the year ended 31 May 2009.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 13 to 41:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of:
    - the company and group's financial position as at 31 May 2009; and
    - the results of its operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 21 August 2009, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:
- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;

AUDIT REPORT (continued)

- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information.

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 31 May 2009 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the Financial Reporting Act 1993 and the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 69 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries.

Tim May
Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand

TASMAN FARMS LIMITED

Income Statement

for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
Continuing Operations					
Sales revenue	2	36,396,149	33,890,205	151,267	534,433
Net increase/(decrease) in value of livestock		(8,469,141)	(1,209,728)	-	-
Cost of sales	3	(1,581,449)	(1,589,002)	-	-
Gross profit		26,345,559	31,091,475	151,267	534,433
Other revenues from continuing operations	2	227,535	201,414	-	-
Farm working expenses		(27,386,553)	(22,349,234)	-	-
Administration expenses		(2,662,337)	(1,824,447)	(121,017)	(259,488)
Depreciation expense	3	(536,468)	(437,905)	-	(8,452)
Employee benefit expense	3	(2,095,485)	(1,955,131)	(286,237)	(436,104)
Finance costs	3	(4,866,225)	(3,642,382)	(382)	(1,313)
Profit/(loss) before income tax		(10,973,974)	1,083,790	(256,369)	(170,924)
Income tax (expense)/benefit	4	2,794,620	1,045,094	-	-
Net profit/(loss) from continuing operations after income tax expense for the period		(8,179,354)	2,128,884	(256,369)	(170,924)
Net profit/(loss) after tax attributable to:					
Minority interest		(147,367)	42,776	-	-
Members of the parent		(8,031,987)	2,086,108	-	-
		(8,179,354)	2,128,884	-	-

Basic earnings per share

	NZ Cents	NZ Cents
Earnings per share for profit attributable to the ordinary equity holders of the company:		
Basic earnings per share (NZ cents)	(11.96)	3.11

The accompanying notes form part of these financial statements.

TASMAN FARMS LIMITED

Balance Sheet
as at 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
CURRENT ASSETS					
Cash	6	1,483,986	183,508	11,125	39,496
Trade and other receivables	7	1,867,050	2,520,922	-	186,321
Livestock and inventories	8	6,074,534	6,812,777	-	-
Other	9	58,404	53,416	-	16,515
Total current assets		9,483,974	9,570,623	11,125	242,332
NON CURRENT ASSETS					
Other financial assets	10	2,163,454	2,115,660	52,162,039	52,162,039
Property, plant and equipment	11	206,736,545	215,040,587	-	42,148
Livestock and inventories	8	17,443,937	24,004,264	-	-
Memorabilia	9	2,175,075	2,127,025	-	-
Total non current assets		228,519,011	243,287,536	52,162,039	52,204,187
TOTAL ASSETS		238,002,985	252,858,159	52,173,164	52,446,519
CURRENT LIABILITIES					
Payables	12	2,994,276	2,001,420	1,449,930	1,417,744
Interest bearing liabilities	13	4,812,906	221,569	-	-
Provisions	14	125,014	116,792	-	49,172
Total current liabilities		7,932,196	2,339,781	1,449,930	1,466,916
NON CURRENT LIABILITIES					
Interest bearing liabilities	13	50,521,518	50,319,097	-	-
Deferred tax liability	4	41,976,165	47,946,283	-	-
Total non current liabilities		92,497,683	98,265,380	-	-
TOTAL LIABILITIES		100,429,879	100,605,161	1,449,930	1,466,916
EQUITY					
Equity attributable to equity holders of the parent:					
Contributed equity	15	69,825,590	69,825,590	69,825,590	69,825,590
Reserves	16	93,292,747	99,672,375	-	-
Retained profits/(losses)	17	(28,130,853)	(20,098,866)	(19,102,356)	(18,845,987)
Parent interests		134,987,484	149,399,099	50,723,234	50,979,603
Minority interest		2,585,622	2,853,899	-	-
Total equity		137,573,106	152,252,998	50,723,234	50,979,603
TOTAL FUNDS EMPLOYED		238,002,985	252,858,159	52,173,164	52,446,519

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		34,837,953	33,294,511	55,172	534,433
Dairy stock sales		2,159,937	1,345,816	-	-
Payments to suppliers and employees		(31,966,931)	(28,630,337)	(205,831)	(842,909)
Interest received		77,856	67,693	-	-
Dividends received		148,679	133,721	-	-
Dairy stock purchases		(845,015)	(370,099)	-	-
Finance costs		(4,866,225)	(3,642,382)	(382)	(1,313)
Net surplus/(deficit) from operating	6	(453,746)	2,198,923	(151,041)	(309,789)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of property, plant and equipment		34,887	60,963	30,809	-
Purchase of property, plant and equipment		(1,405,490)	(1,670,635)	(4,234)	-
Acquisition of additional shares in subsidiary		-	(158,360)	-	(158,360)
Repayment from/(advance to) non related parties		(496,859)	206,074	-	-
Net surplus/(deficit) from investing		(1,867,462)	(1,561,958)	26,575	(158,360)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance from/(to) subsidiaries		-	-	96,095	490,411
Equipment financing		655,971	-	-	-
Repayment of equipment financing		(136,111)	-	-	-
Repayment of external financing		(1,228,803)	(578,102)	-	-
Net surplus/(deficit) from financing		(708,943)	(578,102)	96,095	490,411
Net increase/(decrease) in cash held		(3,030,151)	58,863	(28,371)	22,262
Cash at the beginning of the year		(38,061)	(101,923)	39,496	17,234
Net foreign exchange differences		(47,566)	4,999	-	-
Cash at the end of the financial year	6	(3,115,778)	(38,061)	11,125	39,496

The accompanying notes form part of these financial statements.

TASMAN FARMS LIMITED

Statement of Changes in Equity

for the year ended 31 May 2009

	Issued Capital NZ$	Currency Fluctuation Reserve NZ$	Asset Revaluation Reserve NZ$	Retained Earnings NZ$	Minority Earnings NZ$	Total NZ$
CONSOLIDATED						
Balance as at 1 June 2007	69,825,590	322,579	12,161,421	(22,184,974)	1,288,925	61,413,541
Profit/(loss) for the year	-	-	-	1,041,014	42,776	1,083,790
Income tax benefit/(expense)	-	-	-	1,045,094	-	1,045,094
Foreign currency translation	-	3,496,525	2,067,245	-	104,175	5,667,945
Revaluation of land and buildings	-	-	116,606,577	-	2,209,988	118,816,565
Deferred tax liability on revaluation	-	-	(34,981,973)	-	(662,996)	(35,644,969)
Purchase of shares from minority	-	-	-	-	(128,968)	(128,968)
Balance as at 31 May 2008	69,825,590	3,819,104	95,853,270	(20,098,866)	2,853,900	152,252,998
Profit/(loss) for the year	-	-	-	(10,826,607)	(147,367)	(10,973,974)
Income tax benefit/(expense)	-	-	-	2,794,620	-	2,794,620
Foreign currency translation	-	915,481	2,321,443	-	60,198	3,297,122
Revaluation of land and buildings	-	-	(13,736,319)	-	(260,338)	(13,996,657)
Deferred tax liability on revaluation	-	-	4,120,896	-	78,101	4,198,997
Purchase of shares from minority	-	-	-	-	-	-
Balance as at 31 May 2009	69,825,590	4,734,585	88,559,290	(28,130,853)	2,584,494	137,573,106
PARENT						
Balance as at 1 June 2007	69,825,590	-	-	(18,675,063)	-	51,150,527
Profit/(loss) for the year	-	-	-	(170,924)	-	(170,924)
Income tax benefit/(expense)	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-
Balance as at 31 May 2008	69,825,590	-	-	(18,845,987)	-	50,979,603
Profit/(loss) for the year	-	-	-	(256,369)	-	(256,369)
Income tax benefit/(expense)	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-
Balance as at 31 May 2009	69,825,590	-	-	(19,102,356)	-	50,723,234

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 May 2009

1. Statement of Significant Accounting Policies

Reporting Entity

The financial report of Tasman Farms Limited for the year ended 31 May 2009 was authorised for issue in accordance with a resolution of the directors on the 21 August 2009.

Tasman Farms Limited is a Company registered under the New Zealand Companies Act 1993 and is quoted on Unlisted, an internet based trading facility. Tasman Farms Limited is an issuer for the purposes of the Financial Reporting Act 1993. The Financial Statements and Group Financial Statements of Tasman Farms Limited have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The Group consists of Tasman Farms Limited and its subsidiaries.

The nature of the operations and principal activities of the Group are described in the General Disclosures section of this Annual Report.

Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis, except for land and buildings, memorabilia, derivative financial instruments, and certain other investments which have been measured at fair value.

The financial statements are presented in New Zealand dollars (NZ$).

The following Accounting Standards issued or amended which are applicable to the Group but not yet effective, have not been adopted for the annual reporting period ended 31 May 2009:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
NZ IFRS 8	Operating Segments	New standard replacing NZ IAS 14 Segment Reporting, which adopts a management approach to segment reporting.	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under NZ IAS 14 Segment Reporting.	1 June 2009
NZ IAS 23 (revised)	Borrowing Costs	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial statements.	1 June 2009
NZ IAS 1 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial statements and will not have a direct impact on the measurement and recognition of amounts under the current NZ IAS 1. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 June 2009

1. Statement of Significant Accounting Policies (continued)

Statement of Compliance
The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The 2008 financial statements were the first set of financial statements prepared based on NZ IFRS.

The following is a summary of the material accounting policies adopted by the group in the preparation of the financial report.

(a) Principles of Consolidation
The consolidated financial statements comprise the financial statements of Tasman Farms Limited and its subsidiaries (as outlined in Note 19) as at 31 May each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The Consolidated Group Financial Statements include the holding company and its subsidiaries and are prepared using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the Parent Company Financial Statements, investments in subsidiaries are stated at the lower of cost and net realisable value.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(b) Income Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised or when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

1. Statement of Significant Accounting Policies (continued)

***(b) Income Tax** (continued)*

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to item recognised directly in equity are recognised in equity and not in the income statement.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred on a purchase is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(c) Livestock and Inventories

The policies for livestock and inventories are summarised as follows:

(i) Dairy, beef and sheep livestock – In accordance with the NZ IAS 41: Agriculture, the dairy, beef and sheep livestock have been valued at market value as at 31 May 2009 less estimated costs of sale. Any movement in valuation due to biological changes or market price is recorded in the profit and loss account. Dairy, beef and sheep livestock will next be valued at 31 May 2010.

(ii) Consumable stores - are stated at the lower of cost and net realisable value.

(iii) Wool - Where wool is sold shortly after balance date and the selling price is known, the wool stocks are recorded at market selling price less any costs of disposal; otherwise it is recorded at cost.

(d) Property, Plant and Equipment

Farm land, buildings and improvements are measured at fair value based on revaluations being performed on a periodic but at least triennial basis; by a registered independent valuer. Where Directors consider that the existing use value of a revalued item differs materially from its carrying amount, all items within the class are revalued based on independent valuation.

Properties included in the financial statements were valued by the Directors at 31 May 2009 in accordance with the Accounting Standards based on an independent valuation prepared by Mr David D Johnston (A.A.P.I.). The properties were last valued at 31 May 2008 but the Directors determined that it would be prudent to revalue the assets again this year given the impact wildly fluctuating milk and other commodity prices (including foreign exchange rates) may have on their value.

Items of plant and equipment not included in the valuation prepared by Mr David D Johnston (A.A.P.I) are recorded at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation rates are calculated to allocate the assets’ cost or valuation less estimated residual value over their expected useful lives.

Buildings	1%	SL
Motor Vehicles	20%	DV
Plant and Machinery	10% - 20%	DV

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

1. Statement of Significant Accounting Policies (continued)

(d) Property, Plant and Equipment *(continued)*

Revaluations of land and buildings(continued)
Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(e) Investments in Co-operative Supply Companies
Long term investments in co-operative supply companies are carried at cost, being the fair value of consideration given. The carrying value of investments is reviewed annually by the directors to ensure it is not in excess of the recoverable amount. Movements in the fair value of investments are recognised through the income statement.

(f) Foreign Currency Transactions and Balances

(i) Functional and presentation currency - Both the functional and presentation currency of Tasman Farms Limited is New Zealand dollars (NZ$). The Tasmanian subsidiaries' functional currency is Australian dollars (AU$) which is translated to presentation currency.
(ii) Transactions & balances - Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange on the balance sheet date.
(iii) Translation of Group Companies functional currency to presentation currency - All foreign operations are independent. The Income Statements and Statements of Cash Flows of those operations are translated at the average rate during the year and the Balance Sheets of those operations are translated at the exchange rate prevailing at balance date. The exchange difference arising from the translation of the opening net investment at an exchange rate different from that which was previously reported is taken to the foreign currency translation reserve.

(g) Employee Benefits
Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount based on remuneration rates which are expected to be paid when the liability is settled. Other employee entitlements payable later than one year have been measured at cost unless the amount is material and then these are measured at the present value of the estimated future cash outflows to be made for those entitlements. Contributions are made by the group to employee superannuation funds and are charged as expenses when incurred.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

1. Statement of Significant Accounting Policies (continued)

(h) Cash

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the balance sheet.

(i) Memorabilia

The Directors have included in the financial statements the Memorabilia owned by the company. The value was assessed by Mr R L Broughton ALIA ASA, an independent registered valuer on 5 June 2006. It is not depreciated, as it is a naturally appreciating asset. Revaluation of the memorabilia will be conducted on a cyclical basis with sufficient frequency to ensure the accounting value does not materially differ from the carrying amount.

(j) Development Expenditure

Development expenditure on items resulting in a future benefit to the group is capitalised directly as a cost of each farm. Development expenditure relates to items such as fertiliser expended above normal maintenance levels and expected to result in future benefits to the group.

(k) Interest

Interest incurred on the development of pasture and the conversion of dairy property is capitalised to the cost of those assets.

(l) June Production Income

Production received up to 20 June on farms with only spring calving dairy herds, has been accrued into the financial year to 31 May 2009 on the basis that it encompasses a full season's production and the costs incurred in obtaining the production have been expensed in the current financial year. This policy is consistent with the prior year.

(m) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

(o) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the entity and the revenue can be easily measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of Goods – Control of the goods has passed to the buyer.
(ii) Interest – Control of the right to receive the interest payment.
(iii) Dividends – Control of the right to receive the dividend payment.

(p) Interest Bearing Liabilities and Borrowing

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains or losses are recognised in the income statement when liabilities are derecognised as well as through the amortisation process.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred. Interest incurred in the holding and development of conversion properties is capitalised to the cost of those properties.

1. Statement of Significant Accounting Policies (continued)

(q) Impairment of Financial Assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to, and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(r) Contributed Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Derivative Financial Instruments
The Group uses derivative financial instruments (interest rate swaps) to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently re-measured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Swaps are entered into with the objective of reducing the risk of rising interest rates. Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss for the year. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the Agreement.

1. Statement of Significant Accounting Policies (continued)

(t) Trade and Other Payables
Trade payables and other payables are carried at amortised costs and 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.

(u) Leases
Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(v) Critical Accounting Estimates and Judgements
The Directors evaluate estimates and judgements incorporated in the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events; are based upon current trends and economic data; and opinions obtained both externally and internally.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made:

<u>Recovery of deferred tax assets</u>
Deferred tax assets are recognised for deductible temporary differences to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences. More information concerning this issue can be obtained from Note 4 to the financial statements.

<u>Livestock valuations</u>
All livestock are valued annually at balance date. A valuation was prepared by Ben Grubb, Tasmanian State Manager for Elders. More information concerning this issue can be obtained from Note 8 to the financial statements.

(w) Intangible assets
Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation or impairment losses. The amortisation expense charged on assets is taken to the income statement.

At each reporting date Tasman Farms Limited assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(x) Earnings per share
Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements (continued)
for the year ended 31 May 2009

2. Revenue

Sales Revenue				
- sale of goods and services	36,396,149	33,890,205	151,267	534,433
Other Revenue				
- Finance Revenue				
- interest from other corporations	39,101	45,984	-	-
- interest from sharefarmers	38,420	21,709	-	-
- dividends from other corporations	148,680	133,721	-	-
	226,201	201,414	-	-
- Gain on the disposal of property, plant and equipment	1,334	-	-	-
	227,535	201,414	-	-
Total revenue	36,623,684	34,091,619	151,267	534,433

3. Expenses

Cost of sales	1,581,449	1,589,002	-	-
Depreciation:				
- buildings	169,372	150,200	-	-
- plant and equipment	367,096	287,705	-	8,452
Total depreciation	536,468	437,905	-	8,452
Employee benefit expense	2,095,485	1,955,131	286,237	436,104
Loss on disposal of property, plant and equipment	15,573	-	15,573	-
Finance costs:				
- external party movement in interest rate derivatives	826,820	(386,715)	-	-
- foreign exchange movement in advance to subsidiary	32,952	116,846	-	-
- external parties finance costs	4,006,453	3,912,251	382	1,313
Total finance costs	4,866,225	3,642,382	382	1,313
Remuneration of auditor:				
- audit or review	53,370	46,390	25,400	24,000
- other services	5,000	-	5,000	-
Total payment to auditor	58,370	46,390	30,400	24,000

4. Income Tax

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
Current income tax benefit/(expense)		3,283,464	(332,147)	-	-
Deferred tax benefit/(expense)		(488,844)	1,377,241	-	-
Income tax benefit/(expense)		2,794,620	1,045,094	-	-
A reconciliation of income tax benefit/(expense) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:					
Accounting profit/(loss) before income tax		(10,973,974)	1,083,790	(256,369)	(170,924)
Statutory income tax rate of 30% (2008: 33%)		(3,292,192)	325,137	(76,911)	(56,405)
Non deductible items		8,728	7,010	-	-
Movement in temporary differences		488,844	(1,377,241)	-	-
Tax benefit of loss offset not brought to account		-	-	76,911	56,405
Total income tax expense/(benefit)		(2,794,620)	(1,045,094)	-	-
Deferred tax assets/liabilities					
Deferred tax assets from temporary differences on:					
Trade and other payables		103,317	-	-	-
Provisions		37,504	20,286	-	-
Losses available		8,022,214	6,683,245	-	-
Deferred tax asset offset		(8,163,035)	(6,703,531)	-	-
Total deferred tax assets		-	-	-	-
Deferred tax liabilities from temporary differences on:					
Trade and other receivables		(48,573)	111,129	-	-
Revaluations - land, livestock and memorabilia		50,187,773	54,538,685	-	-
Deferred tax asset offset		(8,163,035)	(6,703,531)	-	-
Total deferred tax liabilities		41,976,165	47,946,283	-	-

The Directors estimate that the tax effect value of these losses not recorded is AU$5,449,929 (2008: AU$5,233,999). Following the change in shareholding for the parent company, all previous tax losses in the parent were lost.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

5. Directors' Remuneration and Retirement Benefits

Details of Key Management Personnel

Directors:	
J C Watson, AM	Chairman, non executive director
J T Andrews	Non executive director
M L Hampton	Non executive director
P S Newland	Non executive director
M C Trousselot	Non executive director – appointed 25 February 2009
Dr R Pratt	Non executive director – resigned 25 February 2009
T J Breward	Non executive director – resigned 22 June 2009
Executives:	
N Morris	General Manager
C W Glass	General Manager/Secretary – resigned 31 July 2008

Effective from 1 June 2008 the Board of Tasman Farms Limited resolved to adopt Director's fees of AU$80,000 for the Governor and AU$45,000 for each non executive director. In accordance with a resolution of the Court of The Van Diemen's Land Company, all director payments are to be made from this entity. Directors holding office at 31 May 2009 in The Van Diemen's Land Company – Dairies Pty Limited, Tasman Farmdale Pty Limited and Tasman Farms Pty Limited were: J C Watson, T J Breward and N Morris.

Compensation of Directors and Key Management Personnel (holding office at any time during the year)

	Short term employee benefits NZ$	Post employment benefits NZ$	Termination benefits NZ$	Share based payment NZ$	Other long term benefits NZ$	Total NZ$
Consolidated						
2009 - Total compensation	882,860	-	-	-	-	882,860
2008 - Total compensation	556,867	-	-	-	-	556,867

	Tasman Farms Limited		The Van Diemen's Land Company	
	2009 NZ$	**2008 NZ$**	**2009 NZ$**	**2008 NZ$**
Directors:				
J C Watson	-	20,000	98,304	5,800
J T Andrews	-	11,200	55,296	23,849
M L Hampton	-	4,432	55,296	9,168
P S Newland	-	-	55,296	-
M C Trousselot	-	-	-	-
Dr R Pratt	-	4,432	40,017	9,168
T J Breward	-	4,432	55,296	22,174
E O Sullivan - resigned 27 February 2008	-	16,200	-	26,014
C C Armer - resigned 27 February 2008	-	11,100	-	13,007
A J Pye - resigned 27 February 2008	-	7,500	-	13,007
I N Roberts - resigned 27 February 2008	-	-	-	13,008
Executives:				
N Morris	-	-	240,579	45,684
C W Glass	282,776	296,692	-	-

Executives Remuneration Ranges	**Number of Employees** Tasman Farms Limited	The Van Diemen's Land Company
$130,000 to $139,999	-	1
$150,000 to $159,999	-	1
$240,000 to $249,999	-	1
$280,000 to $289,999	1	-

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
6. Cash Flow Information					
(a) Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:					
Bank overdraft	13	(4,599,764)	(221,569)	-	-
Cash at bank and on hand		1,483,986	183,508	11,125	39,496
		(3,115,778)	(38,061)	11,125	39,496
(b) Reconciliation of cash flow from operations with profit/(loss) from ordinary activities after income tax.					
Operating profit/(loss) after taxation before minorities		(8,179,354)	2,128,884	(256,369)	(170,924)
Non cash flows in operating profit/(loss) from ordinary activities:					
Depreciation		536,468	437,905	-	8,452
Impairment		2,512	-	-	-
(Profit)/loss on sale of property, plant and equipment		14,239	(12,612)	15,573	-
Foreign exchange (gain)/loss		32,952	118,159	-	-
Interest rate derivative change in value		826,820	(386,715)	-	-
Changes in assets and liabilities:					
(Increase)/decrease in receivables		812,577	(260,957)	106,741	(175,443)
(Increase)/decrease in other assets		(4,988)	4,195	-	-
(Increase)/decrease in dairy livestock		6,560,327	(2,182,844)	-	-
(Increase)/decrease in inventories		738,243	3,200,646	-	-
Increase/(decrease) in payables		992,856	203,158	32,186	28,126
Increase/(decrease) in tax liabilities		(2,794,620)	(1,045,094)	-	-
Increase/(decrease) in provisions		8,222	(5,802)	(49,172)	-
Cash flows from operations		(453,746)	2,198,923	(151,041)	(309,789)
(c) Credit stand-by arrangements and loan facilities: Unrestricted access was available to the following lines of credit:					
Total facilities:					
Bank overdraft		4,769,076	306,824	-	-
Revolving credit facility		50,200,803	52,546,392	-	-
		54,969,879	52,853,216	-	-

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
6. Cash Flow Information (continued)					
(c) Credit stand-by arrangements and loan facilities (continued):					
Used at balance date:					
Bank overdraft		4,599,764	221,569	-	-
Revolving credit facility	14	50,200,803	50,319,097	-	-
		54,800,567	50,540,666	-	-
Unused at balance date:					
Bank overdraft		169,312	85,255	-	-
Revolving credit facility		-	2,227,295	-	-
		169,312	2,312,550	-	-

The above liabilities are secured by a registered charge over the property and a registered equitable mortgage over the assets of the Company. In addition, the liabilities are secured by a cross guarantee, a registered charge over the property, and a registered equitable mortgage over the assets of subsidiary Tasman Farmdale Pty Limited.

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
7. Trade and other receivables					
CURRENT					
Trade debtors		904,304	1,784,144	-	186,321
less provision for impairment loss		-	-	-	-
		904,304	1,784,144	-	186,321
Other debtors:					
Value of derivatives		-	489,026	-	-
GST clearing		218,134	-	-	-
		218,134	489,026	-	-
Other receivables:					
- sharefarmer advances		744,612	247,752	-	-
		1,867,050	2,520,922	-	186,321

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Notes to the Financial Statements (continued)
for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
8. Livestock and Inventories					
CURRENT					
At net market value:					
Sheep Livestock		141,401	150,405	-	-
Beef Livestock		4,786,476	6,181,669	-	-
Total at market value		4,927,877	6,332,074	-	-
At cost:					
Stores		88,474	93,903	-	-
Wool on hand		15,688	34,234	-	-
Fodder on hand		1,042,495	352,566	-	-
Total at cost		1,146,657	480,703	-	-
		6,074,534	6,812,777	-	-
NON CURRENT					
At net market value:					
Dairy livestock		17,443,937	24,004,264	-	-
		17,443,937	24,004,264	-	-
CURRENT ASSETS					
(i) Physical quantities of livestock					
		#	#	#	#
Sheep Livestock					
Breeding ewes		1,066	1,535	-	-
Sale lambs		8	-	-	-
Rams		25	27	-	-
Total sheep livestock		1,099	1,562	-	-
Beef Livestock					
Breeding cows		1,833	1,329	-	-
Calves		485	502	-	-
Dairy bull calves		1,671	4,051	-	-
Bulls, steers and trading cattle		4,021	6,402	-	-
Total beef livestock		8,010	12,284	-	-

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
8. Livestock and Inventories (continued)					
(ii) Reconciliation of carrying amount					
Sheep Livestock					
Carrying value at beginning of period		150,405	336,631	-	-
Sales		(140,823)	(354,611)	-	-
Purchases		-	-	-	-
Foreign exchange adjustment to opening balance		3,398	30,036		
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to physical changes		68,685	110,919	-	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to price changes		59,736	27,430	-	-
Carrying value at end of period		141,401	150,405	-	-
Beef Livestock					
Carrying value at beginning of period		6,181,669	8,782,929	-	-
Sales		(5,587,170)	(3,790,649)	-	-
Purchases		1,114,339	1,365,106	-	-
Foreign exchange adjustment to opening balance		139,646	783,651		
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to physical changes		1,404,724	1,737,215	-	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to price changes		1,533,268	(2,696,583)	-	-
Carrying value at end of period		4,786,476	6,181,669	-	-

NON CURRENT ASSETS

(i) Physical quantities of livestock

	#	#	#	#
Dairy Livestock				
Mixed age cows	13,136	14,224	-	-
Rising 2 year heifers	3,986	4,601	-	-
Rising 1 year heifers	3,755	3,853		
Dairy bulls	129	-	-	-
Total dairy livestock	21,006	22,678	-	-

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
8. Livestock and Inventories (continued)					
(ii) Reconciliation of carrying amount					
Dairy Livestock					
Carrying value at beginning of period		24,004,264	19,910,684	-	-
Sales		(2,206,020)	(1,428,568)	-	-
Purchases		641,190	392,856	-	-
Foreign exchange adjustment to opening balance		542,264	1,776,519		
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to physical changes		(419,596)	208,970	-	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to price changes		(5,118,165)	3,143,803	-	-
Carrying value at end of period		17,443,937	24,004,264	-	-

Nature of Assets
Beef cattle and sheep are run on the non dairying land on the Woolnorth property. The beef operations are being restructured and include: an Angus type beef breeding cow herd with all progeny finished on farm; a dairy beef bull herd which is being significantly reduced; and trading cattle sourced from local markets which are sold finished. The sheep flock produce autumn born lambs which are finished and sold prime. Replacements for the ewe flock are purchased as required. Dairy cows are run on the Group's 23 dairy units. Replacement dairy heifers are run on the Heifer Block at Woolnorth and comprise part of the Company's non-dairy operations.

Valuation of Livestock
All livestock are valued annually at balance date. A valuation was prepared by Ben Grubb, Tasmanian State Manager for Elders.

Livestock Numbers
A robust stock audit process is used to tally all livestock numbers utilising electronic identification for all dairy stock and most beef stock and physical paddock counts for all classes of stock. An independent manager is required to sign off on all tallies.

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
9. Other					
CURRENT					
Prepayments		58,404	53,416	-	16,515
		58,404	53,416	-	16,515
NON CURRENT					
Memorabilia	(a)	2,175,075	2,127,025	-	-
		2,175,075	2,127,025	-	-

(a) Memorabilia was acquired with The Van Diemen's Land Company on 2 November 1993. It represents historical documents and records dating back to the incorporation of the Company in 1825 and is the single largest opus of Tasmanian history. Memorabilia was revalued at 31 May 2006 based on an independent valuation by Robert Broughton (ALIA, ASA, Grad. Dip, Museum Studies Cert. Cult. Heritage (Building), Cert. Maritime Arch) of Broughton Archival Consultancy dated 5 June 2006; at a value of AU$1,733,100.

Notes to the Financial Statements (continued)
for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
10. Other Financial Assets					
NON CURRENT					
Shares:					
- in subsidiaries at cost		-	-	52,162,039	52,162,039
- in unlisted dairy processor at cost		2,162,708	2,114,931	-	-
- in unlisted other corporations at cost		746	729	-	-
		2,163,454	2,115,660	52,162,039	52,162,039
11. Property, Plant and Equipment					
Land & buildings (independent valuation)	(a)	204,771,677	213,597,262	-	-
Plant & equipment (cost less acc. depreciation)	(b)	1,964,868	1,443,325	-	42,148
		206,736,545	215,040,587	-	42,148
(a) Land & buildings at valuation		204,771,677	213,597,262		
less accumulated depreciation		-	-	-	-
		204,771,677	213,597,262	-	-

The basis of the independent valuation of land and buildings is fair market value based on existing use. The Tasmanian farms were valued by the Directors at 31 May 2009 based on an independent valuation prepared by Mr David D Johnston (A.A.P.I.) of Esk Valuation and the decrease was recorded against the asset revaluation reserve. The company's policy is to revalue the land and buildings up to three years apart**.** The properties were last valued at 31 May 2008 but the Directors determined that it would be prudent to revalue the assets again this year given the impact wildly fluctuating milk and other commodity prices (including foreign exchange rates) may have on their value.

RaboBank Australia Limited holds a registered mortgage over the property, and a registered equitable mortgage over the assets of the company.

	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
(b) Plant & equipment at cost	6,466,059	5,540,543	-	95,484
less accumulated depreciation	(4,501,191)	(4,097,218)	-	(53,336)
	1,964,868	1,443,325	-	42,148

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

11. Property, Plant & Equipment (continued)

(c) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and at the end of the current financial year:

	Consolidated			Parent Entity		
	Land and buildings NZ$	**Plant and equipment NZ$**	**Total NZ$**	**Land and buildings NZ$**	**Plant and equipment NZ$**	**Total NZ$**
Year ended 31 May 2009						
As at 1 June 2008, net of accumulated depreciation and impairment	213,597,262	1,443,325	215,040,587	-	42,148	42,148
Foreign exchange adjustments	4,825,235	50,044	4,875,279	-	-	-
Additions	517,773	887,717	1,405,490	-	4,234	4,234
Disposals	-	(34,882)	(34,882)	-	(30,809)	(30,809)
Revaluation	(13,996,657)	-	(13,996,657)	-	-	-
Impairment	(2,564)	-	(2,564)	-	-	-
Gain/(loss) on disposal	-	(14,240)	(14,240)	-	(15,573)	(15,573)
Depreciation charge for the year	(169,372)	(367,096)	(536,468)	-	-	-
As at 31 May 2009, net of accumulated depreciation	204,771,677	1,964,868	206,736,545	-	-	-
Year ended 31 May 2008						
As at 1 June 2007, net of accumulated depreciation and impairment	85,749,068	1,429,865	87,178,933	-	38,300	38,300
Foreign exchange adjustments	9,946,477	127,970	10,074,447		-	-
Additions	1,445,340	225,295	1,670,635	-	12,300	12,300
Disposals	-	(64,712)	(64,712)	-	-	-
Revaluation	116,606,577	-	116,606,577	-	-	-
Impairment	-	-	-	-	-	-
Gain/(loss) on disposal	-	12,612	12,612	-	-	-
Depreciation charge for the year	(150,200)	(287,705)	(437,905)	-	(8,452)	(8,452)
As at 31 May 2008, net of accumulated depreciation	213,597,262	1,443,325	215,040,587	-	42,148	42,148
As at 31 May 2009						
Cost or fair value	204,771,677	6,466,059	211,237,736	-	-	-
Accumulated depreciation and impairment	-	(4,501,191)	(4,501,191)	-	-	-
Net carrying amount	204,771,677	1,964,868	206,736,545	-	-	-
As at 31 May 2008						
Cost or fair value	213,597,262	5,540,543	219,137,805	-	95,484	95,484
Accumulated depreciation and impairment	-	(4,097,218)	(4,097,218)	-	(53,336)	(53,336)
Net carrying amount	213,597,262	1,443,325	215,040,587	-	42,148	42,148

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
12. Payables					
CURRENT					
Unsecured liabilities:					
Trade creditors		1,372,926	1,761,348	-	57,943
Other creditors		1,621,350	240,072	(6,506)	(541)
Advance from subsidiary		-	-	1,456,436	1,360,342
		2,994,276	2,001,420	1,449,930	1,417,744

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
13. Interest Bearing Liabilities					
CURRENT					
Secured liabilities:					
Bank overdraft		4,599,764	221,569	-	-
Equipment finance loans		213,142	-	-	-
		4,812,906	221,569	-	-
NON CURRENT					
Secured liabilities:					
Revolving credit facility - Rabo Australia	(a)	50,200,803	50,319,097	-	-
Equipment finance loans		320,715	-	-	-
		50,521,518	50,319,097	-	-

(a) The above liabilities are secured by a registered charge over the property and a registered equitable mortgage over the assets of the Company. In addition, the liabilities are secured by a cross guarantee, a registered charge over the property, and a registered equitable mortgage over the assets of subsidiary Tasman Farmdale Pty Limited. The facility expires on 30 November 2020 and is subject to a loan conditions review every year with the next one due on 30 June 2010.

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
14. Provisions					
CURRENT					
Employee benefits:					
Provision for employee entitlements		125,014	116,792	-	49,172
		125,014	116,792	-	49,172
Number of employees at reporting date		27	19	27	19

Superannuation commitments – contributions by the Tasmanian subsidiaries of up to 9% of employee’s wages and salaries are legally enforceable in Australia.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

	Notes	Consolidated		Parent Entity	
		2009	**2008**	**2009**	**2008**
		NZ$	**NZ$**	**NZ$**	**NZ$**
15. Contributed Equity					
Paid up capital:					
Ordinary shares fully paid		69,825,590	69,825,590	69,825,590	69,825,590
		69,825,590	69,825,590	69,825,590	69,825,590

	2009		2008	
	No. of shares	**No. of shares**	**No. of shares**	**No. of shares**
(a) Movement in Shares				
Beginning of the financial year	67,135,857	67,135,857	67,135,857	67,135,857
Movement	-	-	-	-
End of the financial year	67,135,857	67,135,857	67,135,857	67,135,857

(b) Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Consolidated			Parent Entity		
	Asset Revaluation Reserve	**Foreign Currency Reserve**	**Total**	**Asset Revaluation Reserve**	**Foreign Currency Reserve**	**Total**
	NZ$	**NZ$**	**NZ$**	**NZ$**	**NZ$**	**NZ$**
16. Reserves						
As at 1 June 2007	12,161,422	322,579	12,484,001	-	-	-
Foreign currency translation	2,067,245	3,496,525	5,563,770	-	-	
Revaluation of land and buildings	116,606,577	-	116,606,577	-	-	-
Deferred tax liability on revaluation	(34,981,973)	-	(34,981,973)	-	-	-
As at 31 May 2008	95,853,271	3,819,104	99,672,375	-		-
Foreign currency translation	2,321,443	914,352	3,235,795	-	-	
Revaluation of land and buildings	(13,736,319)	-	(13,736,319)	-	-	-
Deferred tax liability on revaluation	4,120,896	-	4,120,896	-	-	-
As at 31 May 2009	88,559,291	4,733,456	93,292,747	-	-	-

Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets; it can only be used for distributions in limited circumstances.

Currency fluctuation reserve
The foreign currency fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

	Notes	Consolidated 2009 NZ$	Consolidated 2008 NZ$	Parent Entity 2009 NZ$	Parent Entity 2008 NZ$
17. Retained Profits/(Accumulated Losses)					
Retained profits/(accumulated losses) at the beginning of the financial year		(20,098,866)	(22,184,974)	(18,845,987)	(18,675,063)
Net profit/(loss) attributable to the members of the company		(8,031,987)	2,086,108	(256,369)	(170,924)
Retained profits/(accumulated losses) at the end of the financial year		(28,130,853)	(20,098,866)	(19,102,356)	(18,845,987)

18. Segment Information

The Company and its controlled entities operate in two geographical areas; the head entity in New Zealand and subsidiaries operating as pastoralists and dairy farmers in Australia.

	Consolidated 2009 NZ$	Consolidated 2008 NZ$	New Zealand 2009 NZ$	New Zealand 2008 NZ$	Australia 2009 NZ$	Australia 2008 NZ$
Revenue	36,396,149	33,890,205	151,267	534,433	36,244,882	33,355,772
Profit/(loss) after taxation	(8,179,354)	2,128,884	(256,369)	(170,924)	(7,922,985)	2,299,808
Total assets	238,002,985	252,858,159	11,125	284,480	237,991,860	252,573,679

19. Related Party Transactions

Prior to 14 November 2001 Tasman Agriculture Limited held 100% of shares on issue which meant it was the ultimate controlling entity of Tasman Farms Limited. On 14 November 2001 Tasman Agriculture Limited (in Liquidation) distributed one share in Tasman Farms Limited to its shareholders for every share held in Tasman Agriculture Limited by way of an in specie Liquidation distribution.

(a) The Group financial accounts include the financial statements of Tasman Farms Limited and its subsidiaries; all entities have a 31 May balance date

Investments in subsidiary companies all undertaking dairy farming activities are as follows:

Significant Subsidiary	**Country of Incorporation**	**2009 (%)**	**2008 (%)**
The Van Diemen's Land Company	United Kingdom	98.15	98.15
The Van Diemen's Land Company - Dairies Pty Limited	Australia	98.15	98.15
Tasman Farmdale Pty Limited	Australia	98.15	98.15
Tasman Farms Pty Limited	Australia	98.15	98.15

The Van Diemen’s Land Company prepares consolidated accounts in Australia. The total investment in this Group at cost is NZ$52,162,039 (2008: NZ$52,162,039).

19. Related Party Transactions (continued)

(b) Key Management Personnel
Details relating to key management personnel, including remuneration paid, are included in note 5.

(c) Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions, there were no loans payable or receivable from related parties at year end (2008: nil). There were no bad debts or provision for bad debts required in 2009 (2008: nil).

Related Party		**Payments for services from related parties NZ$**	**Loans from related parties NZ$**	**Other transactions from related parties NZ$**
Consolidated:	**2009**	-	-	-
	2008	-	-	-
Parent:				
Management fee received from	**2009**	151,267	1,456,436	-
The Van Diemen's Land Company	**2008**	534,433	1,360,342	-
and Dairy Holdings Limited				

At 31 May 2009 Tasman Farms Limited owed its subsidiary The Van Diemen's Land Company NZ$1,456,436 (2008: NZ$1,360,342). This amount has accrued through the incurring of costs by Tasman Farms Limited in addition to the administration fees charged. Outstanding balances at year end are unsecured, interest free and repayable on demand.

A Director during the year, Mr J C Watson is also a director of Incitec Pivot Limited which has provided fertiliser to the group for the 2009 year, for a total amount paid of NZ$7,150,963 (2008: NZ$nil). Purchases have been charged based on normal commercial terms and conditions. The amount outstanding as at 31 May 2009 was NZ$452,076.

A Director during the year, Mr M L Hampton is also a director of Impact Fertilisers Pty Limited which has provided fertiliser to the group for the 2009 year, for a total amount paid of NZ$1,457,764 (2008: NZ$5,408,097). Purchases have been charged based on normal commercial terms and conditions. There are no amounts outstanding as at 31 May 2009.

A Director during the year, Mr T J Breward is also a director of Johnson Breward Brown Pty Limited which has provided accounting and taxation services to the group for the 2009 year, for a total fee of NZ$96,930 (2008: NZ$77,593). These services have been charged based on normal commercial terms and conditions. There are no amounts outstanding as at 31 May 2009.

Management Fees charged to the Dairy Holdings Limited Group by Tasman Farms Limited for the year ended 31 May 2009 of NZ$107,667 (2008: NZ$272,833) reflected costs associated with the management of Dairy Holdings Limited by Tasman Farms Limited staff.

20. Capital Management

When managing capital, the Company's objective is to ensure the Group continues as a going concern as well as maintaining an optimal return to shareholders and benefits for other stakeholders. The Company also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The debt leverage of the consolidated entity (Debt / (Debt + Equity)) as at the 31 May 2009 is 42% (2008: 40%). The consolidated entity aims to operate at a leverage ratio of between 25% and 50%.

21. Financial Risk Management Objectives

The group's principal financial instruments comprise bank loans and overdrafts and cash and short term deposits.

The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The group also enters into derivative transactions, including interest rate swap contracts. The purpose is to manage the interest rate risk arising from the group's source of finance. It is, and has been throughout the period under review, the group's policy that no trading in financial instruments be undertaken. The main risks arising from the group's financial instruments are cash flow interest rate risk, liquidity risk, commodity price risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(a) Cash flow interest rate risk

The group's exposure to the risk of changes in market interest rates relates primarily to the group's overdraft facility where the interest rate has not been fixed. As at 31 May 2009 the group had exposure to NZ$54,800,567 (AU$43,665,092) in borrowings with RaboBank. The group has fixed a component of its debt obligations with RaboBank over a period of 3 to 5 years. The fixed components are: NZ$12.55 million (AU$10 million) over 3 years at a rate of 6.20%, NZ$12.55 million (AU$10 million) over 4 years at a rate of 6.60% and NZ$25.1 million (AU$20 million) over 5 years at a rate of 6.85%. The balance of the debt obligation is taken at the bank's variable market rate, which at 31 May 2009 was NZ$4,599,764 (AU$3,665,092) at 5.30%. The weighted average interest rate on the fixed component of debt is 6.63% and on the total debt with RaboBank is 6.51%

At 31 May 2009 the group still had in place an interest rate swap of NZ$37.65 million (AU$30 million) which was taken out on 11 July 2007 and which expires on 31 August 2009. This cover was taken out at the rate of 6.77% (8.07% including margin and line fees). For the period up until August 2008 the interest rate swap was positive and gains were reflected in the prior year results of the group. As market interest rates began to decrease in the period subsequent to August 2008, the interest rate swap moved into negative and losses have been reflected in the current year results of the group. At 31 May 2009 an interest rate derivative accrual of NZ$344,388 (AU$274,408) was brought to account to reflect the mark-to-market valuation of the interest rate swap. At 31 May 2008, the same mark-to-market valuation of the derivative was brought to account as a receivable of NZ$486,026 (AU$398,458).

(b) Commodity price risk

The group's exposure to commodity price risk is primarily with international milk commodity prices and United States manufacturing beef prices. Commodity price risk is minimised by forward contracts taken out by the milk and meat processors to which the group sells. Due to the nature of the international commodity markets most sales by the processors take place at spot prices. This risk is with our customers not directly with the group.

(c) Credit risk

The exposure at balance date to credit risk is limited to the carrying value of trade debtors and other receivables.

Credit risk exposure is concentrated with the large milk and meat processors supplied by the group's Tasmanian farms. This risk is minimised by monitoring receivable balances on an on-going basis to ensure all outstanding amounts are paid within a two week period. The company is a shareholder in the major milk supplier Fonterra Australia (Bonlac Supply Company) Limited.

(d) Liquidity risk

The group's objective is to maintain liquidity of funding through the use of bank overdrafts, bank loans and normal credit terms for the dairy and beef industries.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

22. Financial Instruments

(a) Net Fair Value

Set out below is a comparison by category of carrying amounts and fair values of all of the group's financial instruments recognised in the financial statements.

(b) Interest Rate Risk

The following table sets out the carrying value by maturity, of the financial instruments exposed to interest rate risk:

	Weighted average interest rate %	**NZ$ <1 year**	**NZ$ 1 - 5 years**	**NZ$ 5 - 10 years**	**NZ$ >10 years**	**NZ$ Total**
CONSOLIDATED - Year ended 31 May 2009						
Financial Assets						
Cash assets	0.50%	1,483,986	-	-	-	1,483,986
Financial Liabilities						
Bank overdraft	5.30%	-	-	-	4,599,764	4,599,764
Equipment finance loans	7.23%	213,142	320,715	-	-	533,857
Bank loans	6.63%	-	-	-	50,200,803	50,200,803
PARENT - Year ended 31 May 2009						
Financial Liabilities						
Bank overdraft	0.00%	-	-	-	-	-
Equipment finance loans	0.00%	-	-	-	-	-
Bank loans	0.00%	-	-	-	-	-
CONSOLIDATED - Year ended 31 May 2008						
Financial Assets						
Cash assets	1.55-4.40%	183,508	-	-	-	183,508
Financial Liabilities						
Bank overdraft	13.26%	221,569	-	-	-	221,569
Bank loans	8.07-9.14%	-	1,227,295	1,227,295	47,864,507	50,319,097
PARENT - Year ended 31 May 2008						
Financial Liabilities						
Bank overdraft	0.00%	-	-	-	-	-
Bank loans	0.00%	-	-	-	-	-

The other financial instruments of the group not included in the above tables are non-interest bearing and therefore not subject to interest rate risk.

22. Financial Instruments (continued)

(b) Interest Rate Risk (continued)

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 31 May 2009, assuming all other variables remain constant, the effect on profit and equity as a result of changes in interest rate would be as follows:

		Consolidated		Parent Entity	
	Notes	**2009**	**2008**	**2009**	**2008**
		NZ$	**NZ$**	**NZ$**	**NZ$**
Change in Profit/(Loss)					
Increase interest rate by 1%		(140,125)	(129,270)	-	-
Decrease interest rate by 1%		140,125	129,270	-	-
Change in Equity					
Increase interest rate by 1%		(140,125)	(129,270)	-	-
Decrease interest rate by 1%		140,125	129,270	-	-

The above interest rate sensitivity analysis has been performed based upon the assumption that all other variables remain unchanged and has only been applied to the portion of group debt that is not fixed: refer Note 21(a).

(c) Foreign Currency Risk

As a result of significant operations in Australia, the Group's balance sheet can be affected significantly by movements in the AU$/NZ$ exchange rates. The Group seeks to mitigate the effect of this foreign currency exposure by effectively operating and being financed in Australian dollars. The majority of the Group's investment in the foreign operation is hedged in this manner.

The closing exchange rate at 31 May 2009 for NZ$/AU$ was 0.7968 (2008: 0.8148).

The following sensitivity is based on foreign currency risk exposures in existence at balance sheet date. At 31 May 2009, had the New Zealand dollar moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

		Consolidated		Parent Entity	
	Notes	**2009**	**2008**	**2009**	**2008**
		NZ$	**NZ$**	**NZ$**	**NZ$**
Change in Profit/(Loss)					
$NZ/$AUD +10%		720,271	(209,074)	-	-
$NZ/$AUD -10%		(880,332)	255,535	-	-
Change in Equity					
$NZ/$AUD +10%		12,637,447	13,948,676	-	-
$NZ/$AUD -10%		(15,445,768)	(17,048,381)	-	-

The equity movements are sensitive to exchange rate movements because of the large asset base of the Group held in Australia.

Notes to the Financial Statements (continued)

for the year ended 31 May 2009

23. Capital and Leasing Commitments

		Consolidated		Parent Entity	
	Notes	**2009**	**2008**	**2009**	**2008**
		NZ$	**NZ$**	**NZ$**	**NZ$**
Lease commitments under non cancellable operating leases:					
Not later than one year		48,586	34,686	-	-
Later than one year and not later than two years		48,586	34,686	-	-
Later than two years and not later than five years		123,807	104,058	-	-
Greater than five years		152,064	278,724	-	-
Total operating lease commitments		373,043	452,154	-	-
Lease commitments under non cancellable finance leases:					
Not later than one year		230,821	-	-	-
Later than one year and not later than five years		356,436	-	-	-
Greater than five years		-	-	-	-
Less future finance charges		(53,399)	-	-	-
Total finance lease commitments		533,857	-	-	-

24. Commitments and Contingencies

At balance date no commitments existed (2008 nil).
At balance date no contingencies existed (2008 nil).

25. Economic Dependency

A large portion of the group's revenue is derived from Fonterra Australia (Bonlac Supply Company).

26. Subsequent Events

The Company was successful with its application for refinancing with RaboBank securing additional funding taking the total borrowing facilities to NZ$62,751,000 (AU$50,000,000). The additional funding has been allocated for construction of a replacement dairy shed; an extension of working capital given the budgeted deficit for the 2009/10 season; and additional capital funds which will be available for suitable capital development plans when approved by Directors. At the date of this report the construction of a new dairy at Pinegrove had been approved by the Court of Directors at an estimated cost of NZ$1,157,129 (AU$922,000).

27. Earnings Per Share

Net profit from continuing operations attributable to the ordinary holders of the parent		(8,031,987)	2,086,108		
Number of ordinary shares for basic earnings per share		67,135,857	67,135,857	-	-
Earnings per share for profit attributable to the ordinary equity holders of the company (cents)		(11.96)	3.11	-	-

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Statement of Interest

Interests Register

Each Company in the Group is required to maintain an Interests Register in which the particulars of certain transactions and matters involving the Directors must be recorded. The Interests Registers for the Parent Company and its subsidiaries are available for inspection at the Registered Office of the Parent Company.

Disclosure of Interest in Proposed Transactions

The Companies Act 1993 requires specific disclosures to be recorded during the year in respect of Directors' interests in proposed transactions. There were no such disclosures during the year.

Directors' Disclosure of Interests in Other Companies

J C Watson, AM (Chairman)	Incitec Pivot Limited	Chairman
	Tassal Group Limited	Director
	Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand	Member
	The Van Diemen's Land Company	Director and Shareholder
	Wool Partners International (NZ)	Director
J T Andrews	The Van Diemen's Land Company	Director and Shareholder
M L Hampton	Hobart Regional Water Authority	Director
	Tasmanian Perpetual Trustees Limited	Director
	Forestry Tasmania	Director
	Australian Pharmaceutical Industries Limited	Director
	Impact Fertilisers Pty Limited	Director
	My State Limited	Director
	The Van Diemen's Land Company	Director and Shareholder
P S Newland	Abano Healthcare Group Limited	Director
	BG Capital Limited	Director
	BG Trustees Limited	Director
	LPF Group Limited	Director
	PAD Holdings Limited	Director
	Sabre Developments Limited	Director
	The Van Diemen's Land Company	Director and Shareholder
M C Trousselot	Taranaki Investment Management Limited	CEO
appointed 25 February 2009	The Van Diemen's Land Company	Director and Shareholder
Dr R Pratt	Feronia Limited	Managing Director
resigned 25 February 2009	Landcare Research	Director
	Testing Laboratory Registration Council and IANZ	Chairman
	The Van Diemen's Land Company	Director and Shareholder
T J Breward	Johnson Breward Brown Pty Limited	Director and Shareholder
resigned 22 June 2009	The Van Diemen's Land Company	Director and Shareholder

Statement of Interest

Disclosure of Relevant Interest in Ordinary Shares in the Tasman Farms Ltd

Details of shareholdings in Tasman Farms Limited of any directors holding office during the year are as follows:

	Shareholding as at	
	31 May 2009	**31 May 2008**
J C Watson, AM (Governor)	-	-
J T Andrews	-	-
M L Hampton	-	-
P S Newland	-	-
M C Trousselot		
appointed 25 February 2009	-	-
Dr R Pratt		
resigned 25 February 2009	-	-
T J Breward		
resigned 22 June 2009	-	-

Use of Company Information

There were no notices from Directors of the Company requesting the use of Company information received in their capacity as Directors which would not otherwise have been available to them.

Particulars of Indemnity and Insurance

The Company effected Directors and Officers Liability and Company Reimbursement Insurance coverage with QBE International Insurance Limited for the period 1 June 2008 to 31 May 2009.

TASMAN FARMS LIMITED

Shareholder Information

Shareholder Statistics

As at 11 August 2009 the total number of voting securities of the Company was 67,135,857. The twenty largest shareholders as at 11 August 2009 were:

Rank	Shareholder	Number of Shares	Percentage of Issued Capital
1	NEW PLYMOUTH DISTRICT COUNCIL	49,902,057	74.33%
2	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD <HKBN45>	5,750,000	8.56%
3	KEVIN GLEN DOUGLAS + MICHELLE MCKENNEY DOUGLAS <K & M DOUGLAS A/C>	3,489,139	5.20%
4	KEVIN DOUGLAS + MICHELLE DOUGLAS <DOUGLAS IRREVOCABLE A/C>	1,611,596	2.40%
5	JAMES DOUGLAS + JEAN ANN DOUGLAS <DOUGLAS FAMILY A/C>	1,609,265	2.40%
6	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD <HKBN90>	1,000,000	1.49%
7	CHRISTOPHER CARBROOKE ALPE	216,106	0.32%
8	LYNNE MARIE MARX-SHEATHER + WALTER BRENT SHEATHER + PATRICIA VERA SHEATHER + SIMON MIDDLETON PALMER <SHEATHER FAMILY A/C>	165,264	0.25%
9	CLAIRE JOSEPHINE COCKS	107,040	0.16%
10	LEVERAGED EQUITIES FINANCE LIMITED	95,915	0.14%
11	JOAN CANN + STUART RAYMOND CANN <N S & J CANN A/C>	91,600	0.14%
12	CUSTODIAL SERVICES LIMITED <A/C 2>	85,500	0.13%
13	CUSTODIAL SERVICES LIMITED <A/C 3>	83,560	0.12%
14	WILLIAM MARVIN GRIFFIN	80,000	0.12%
15	ANZ NOMINEES LIMITED - NZCSD <ANOM40>	76,900	0.11%
16	GRAEME LESLIE TEE + JOANNE MAREE STEENS + ALFRED PHILLIP DREIFUSS <HAUNUI A/C>	72,809	0.11%
17	THOMAS ALAN PEGLER (SNR)	65,400	0.10%
18	JOANNA EDITH SINCLAIR	55,000	0.08%
19	RONALD IVOR SHEWAN	51,740	0.08%
20	DIANNE ELIZABETH BUCKNELL	51,260	0.08%
		64,660,151	96.31%

Distribution of Shareholders and Shareholdings as at 11 August 2009

Size of Holding	Holders	Shares	Percentage
1-999	101	47,122	0.07%
1,000-4,999	171	401,086	0.60%
5,000-9,999	69	463,760	0.69%
10,000-49,999	72	1,563,738	2.33%
50,000+	20	64,660,151	96.31%
	433	67,135,857	100.00%