TASMAN FARMS LIMITED

Annual Report and Accounts

2010

TASMAN FARMS LIMITED

Contents

Financial Calendar

Annual Meeting
20 October 2010 at 11.00am
Mercure Auckland
8 Customs Street
Auckland, New Zealand

Proxies Close
18 October 2010 at 11.00am

Results Announced
Annual: August
Half yearly: February

Company Information

Board of Directors
J C Watson, AM (Chairman)
J T Andrews
M L Hampton
Dr R Pratt
T H Westacott

Chief Executive Officer
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
Dunedin
New Zealand 9016

Rabobank Australia Limited
Launceston 7250, 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
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Registered Office
Staples Rodway
PO Box 146, Taranaki Mail Centre
New Plymouth
New Zealand 4340

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Chairman's Report

Dear Shareholder

On behalf of the Board of Directors, I present the 2010 Annual Report to Shareholders for the Company's 9th year.

The overall result for Tasman Farms Limited and its subsidiaries ("the Company") was a net profit after tax of NZ$0.57 million.

The depressed farm gate milk price in Australia during the year had a significant detrimental effect on gross revenue. The average farm gate price fell from NZ$6.55 (AU$5.33) in the previous season to NZ$5.34 (AU$4.25), a decline of 20%. However, livestock values have increased as a result of recent improvements in dairy prices, with mature cows increasing from an average value of NZ$941 (AU$750) in the previous year to NZ$1,430 (AU$1,150). This improvement is reflected across all classes of dairy stock leading to an NZ$9.74 million (AU$7.75 million) increase in the carrying value of dairy livestock.

The Company has continued to implement management and policy changes aimed at providing sustained improvements in productivity and profitability in the future. These changes have reduced the impact of depressed prices in the current year.

Severe weather conditions in the North West of Tasmania caused significant disruption to milk production during the 2009 winter, with the Company electing to cease production on one property due to the level of damage sustained. Despite the adverse conditions, the decline in milk production by the Company, compared to last year's historic high, was limited to 3.3%, with 4.02 million kilograms of milk solids being produced.

The initiatives in the Beef and Sheep Operation outlined in previous reports are now showing benefits with genetics, feeding, animal health and renewed focus leading to improved overall productivity. In addition the support of the Dairy Operations through supplying feed supplements and winter grazing has proved very worthwhile.

Valuation of Land and Buildings

The Tasmanian farms were valued by the Directors at 31 May 2010 in accordance with the Accounting Standards based on an independent valuation prepared by Mr David D Johnston (A.A.P.I.). They were last independently valued at 31 May 2009 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$10.89 million (AU$8.76 million) less than the last valuation in 2009. This revaluation, coupled with other asset movements, resulted in a decrease to the revaluation reserve by NZ$12.81 million (AU$10.50 million), before tax.

Capital Raising

During the year, the Company received two significant injections of new funds. In November 2009, the directors authorised the issue of 2,000,000 shares at a subscription price of NZ$1.00 per share. In May 2010, the Company raised a further NZ$6.18 million from convertible redeemable notes issued to the majority equity holder, New Plymouth District Council. These funds will be used by the Company to finance further development of the Company's existing operations in Tasmania, including wallaby-proof fencing, pasture renewal, soil fertility improvements, water reticulation, and dairy shed technology.

Subsequent to 31 May 2010, the Company successfully concluded a Rights Issue which was underwritten by New Plymouth District Council. The funds raised amounting to NZ$6.52 million will be used by the Company to assist with financing the developments listed above. In addition, New Plymouth District Council has elected to convert NZ$6.00 million convertible redeemable notes, at a conversion price of NZ$0.75 per share.

Chairman's Report (continued)

Summary

In summary, the Company has been through a challenging year. However, the outlook for dairy farming remains positive with higher prices anticipated for the forthcoming year.

Management and the Board of Directors continue to review all aspects of the operations and are confident that the initiatives put into place during the past two years will result in improved production and profitability in the future.

I would like to acknowledge the support of Tim Breward, Phil Newland and Mike Trousselot, Directors who resigned from the Board during the year.

I welcome the return to the Board of Dr Robin Pratt. In addition, I welcome new Director Trevor Westacott, and staff who have joined the 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

John C. Watson.

Chairman
Dated: 27 August 2010.

TASMAN FARMS LIMITED

Facts at a Glance

for the year ended 31 May 2010

Net Profit/(Loss) after Taxation and Minorities
Audited group net profit after taxation and minorities was NZ$0.55 million compared with a loss of NZ$8.03 million in 2009.

Core Operating Earnings
Operating earnings before interest and tax was NZ$7.94 million compared with a loss of NZ$6.11 million for the year ended 31 May 2009.

Revenue
Revenue decreased to NZ$27.84 million from NZ$36.62 million for the year ended 31 May 2009.

Milk Payouts
Farm gate milk payouts decreased significantly to NZ$5.34 per kilogram of milk solids compared with NZ$6.55 per kilogram of milk solids in 2009.

Net Tangible Assets
On a per share basis the net tangible assets of the company were NZ$1.86 as at balance date of 31 May 2010 (2009: NZ$2.01).

Subsequent to 31 May 2010, 8,000,000 convertible redeemable notes were converted to ordinary shares at a price of NZ$0.75. If the conversion had occurred prior to balance date, the net tangible assets of the company would have been NZ$1.72 per share.

Subsequent to 31 May 2010, the company has also concluded a Rights Issue resulting in 8,690,583 additional shares being issued at a subscription price of NZ$0.75. If both the conversion of convertible redeemable notes and the issue of additional shares had occurred prior to balance date, the net tangible assets of the company would have been NZ$1.63 per share.

Production
Milk Production was 4.02 million kilograms of milk solids, compared with 4.16 million kilograms of milk solids last year.

	2010	**2009**	**%change**
	kgs/ms	**kgs/ms**	
Tasman Farmdale Pty Limited	1,283,560	1,445,486	-11.2%
The Van Diemen's Land Company - Dairies Pty Limited	2,739,285	2,716,466	0.8%
	4,022,845	4,161,952	-3.3%

Dairy Farm Operations

	2010	**2009**
Number of farms:		
Managed	5	2
Lower order sharefarmed	14	17
50:50 sharefarmed	4	4
	23	23

Facts at a Glance

	2010	**2009**
	NZ$	**NZ$**
Revenue	27,844,798	36,623,684
Net profit/(loss) after tax	566,580	(8,179,354)
Shareholders' funds	129,455,593	137,573,106
Net debt (excluding tax liability, payables and provisions)	60,193,497	55,334,424
	NZ Cents	**NZ Cents**
Earnings per share (NZ cents)	0.80	(11.96)

Directors' Report and Statutory Disclosures

Your Directors present their report on the Company and its subsidiaries for the financial year ended 31 May 2010.

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
Dr R Pratt	Appointed 26 May 2010
T H Westacott	Appointed 25 September 2009
M C Trousselot	Appointed 25 February 2009 and resigned 26 May 2010
P S Newland	Appointed 16 June 2008 and resigned 31 March 2010
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 50 and 29 respectively.

In accordance with clause 19.2 of the Company's constitution, Dr R Pratt, who was appointed as a Director by the Board since the last Annual General Meeting, automatically retires and offers himself for re-election. Also in accordance with the Company's Constitution, Mr J C Watson retires and offers himself for re-election.

Directors' Profiles:

John Watson of Victoria is Chairman of Incitec Pivot Limited, a Director of Tassal Group Limited, a Director of Wool Partners International Limited and a Member of the Rabobank Australia Limited 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 and Chairman of the Remuneration and Appointments Committee.)

John Andrews is a Stockbroker and Investment Analyst with Forsyth Barr based in Wellington. John has been a qualified accountant for 26 years and a member of the New Zealand Exchange (NZX Broker) for 20 years. John brings Financial and Securities industry expertise to the Board. John is a member of the Institute of Directors in New Zealand (INC). (Director of The Van Diemen's Land Company, Chairman of the Audit and Risk Committee.)

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 Forestry Tasmania, Australian Pharmaceutical Industries Limited, and Mystate Ltd. (Director of The Van Diemen's Land Company, Member of the Audit and Risk Committee and Member of the Remuneration and Appointments Committee.)

Dr Robin Pratt of Christchurch is a specialist medical practitioner. He has executive management experience in healthcare and was Chief Executive Officer of a diversified conglomerate. Robin's governance experience includes tourism, science and technology, manufacturing and the primary production sector. He is an Accredited Member of the NZ Institute of Directors. He also operates his own strategic consulting business with recent assignments in the New Zealand wool, meat and venison industries. He is Chair of the Testing Laboratory Registration Council, Director of Landcare Research Ltd and Deputy Chair of Christchurch Women's Refuge. (Director of The Van Diemen's Land Company and Member of the Audit and Risk Committee.)

Trevor Westacott of Victoria is Managing Director of The Vet Group (TVG). TVG is one of the largest dairy cattle veterinary clinics in Australia and provides traditional dairy vet clinical work to local dairy farms and professional services specially targeted at specific aspects of dairying over a much wider geographical area. Trevor has extensive industry experience within the agribusiness sector including developing large scale dairying operations, lecturing in agribusiness management and participation in many dairying initiatives. (Director of The Van Diemen's Land Company and Member of the Remuneration and Appointments Committee.)

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 operating result of the Company for the financial year after providing for income tax amounted to a profit of NZ$566,580 compared with a loss after income tax of NZ$8,179,354 for the 2009 year.

The operating result reflects a 20% decline in the average farm gate milk price, the impact of which was mitigated by recent improvements in livestock valuations.

Milk production of 4.02 million kilograms of milk solids was 3.3% below the preceding year.

During the year finance costs decreased to NZ$3.75 million (2009: NZ$4.87 million). The decrease in finance costs reflects the expiry on 31 August 2009 of an interest rate swap which incurred a mark-to-market revaluation loss in the previous year.

The valuation of fixed assets by the Directors at 31 May 2010 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 year ended 31 May 2010 of 4.02 million kilograms of milk solids (2009: 4.16 million kilograms of milk solids).

The average farmgate milk price for the year ended 31 May 2010 was NZ$5.34 per kilogram of milk solids, a significant decline of 20% from NZ$6.55 per kilogram of milk solids for the year ended 31 May 2009.

Severe weather conditions in the North West of Tasmania caused significant disruption to milk production during the 2009 winter months, with the Company electing to cease production on one property due to the level of damage sustained. Despite the adverse conditions, the decline in milk production by the Company, compared to last year's historic high, was limited to 3.3%.

Dairy Outlook

As at the date of this report, milk production is above last year due to the transition of several farms to autumn calving.

The Company's major milk processor in Tasmania, Fonterra Australia (Bonlac Supply Company Limited) announced its opening price for the 2010/11 season at approximately NZ$5.02 (AU$4.04) per kilogram of milk solids, an increase of 14% from NZ$4.41 (AU$3.50) per kilogram of milk solids announced in July 2009. A initial step-up of NZ$0.46 (AU$0.37) per kilogram of milk solids was announced in July 2010. It is anticipated that there will be further step-ups during the year with a final price of NZ$6.21 (AU$5.00) per kilogram of milk solids considered realistic.

For 2010/11, 16 of the Company's 23 dairy farms will be operated under lower order Sharefarming Agreements, 1 under 50:50 Sharefarming Agreements and 6 properties by managers employed by the Company.

Non Dairy Operations

The total number of beef cattle carried at 31 May 2010 was 5,235 head compared with 8,010 in the previous year. Large scale bull beef finishing has been phased out and 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

A number of significant capital developments were progressed or completed during the year, including replacement of the Pinegrove Dairy Shed, replacement of the "Woolnorth" maintenance workshop, continued land clearance and development of pasture, improved water reticulation for the non-dairy operation, and infrastructure improvements to support transition of several dairy farms to autumn calving.

Directors' Report and Statutory Disclosures (continued)

Review of Operations (continued)

Capital Development (continued)

An equity raising has been completed by the Company to finance further development of the Company's existing operations. The principal developments will include wallaby-proof fencing, pasture renewal, soil fertility improvements, water reticulation, and dairy shed technology.

Financing

In July 2009, the Company successfully increased its borrowing facilities from Rabobank Australia Limited to NZ$62,173,589 (AU$50,000,000). The additional funds were used to provide additional working capital and assist in funding capital development projects undertaken during the year.

In November 2009, the Company issued 2,000,000 shares at an subscription price of NZ$1.00 per share. These funds were used by the Company to finance capital developments during the year.

In May 2010, the Company successfully concluded a Subscription Agreement for NZ$6,182,762 convertible redeemable notes from its majority equity holder, New Plymouth District Council. These funds will be used to assist with working capital requirements and to finance the Company's capital development program.

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 Company"). The Board establishes the Company'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 Company to the Chief Executive Officer.

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 Chief Executive Officer. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, and to interface with the Chief Executive Officer.

The composition and terms of reference of the Board, the Chairman, the Committees and the Chief Executive Officer 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 Chief Executive Officer, establishes the agenda for each Board of Directors Meeting. Each Board member is able to suggest items for the Agenda.

The Company has two formally constituted Committees that have operated during the year: the Audit and Risk Committee and the Remuneration and Appointments 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
Dr R Pratt was appointed to the Committee on 25 June 2010

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.

Remuneration and Appointments Committee

At the date of the Annual Report, Tasman Farms Limited had a Remuneration and Appointments Committee consisting of the following Directors:

J C Watson (Chairman)
M L Hampton
T H Westacott was appointed to the Committee on 25 June 2010

The Committee's responsibilities are to:
(a) Ensure that the organisational structure of the Company is appropriate and that a succession plan is operational;
(b) Ensure that remuneration and employment practices of senior managers of the Company are comparable with equivalent roles in the market; to ensure that managers are adequately rewarded and that the Company is able to attract and retain appropriate people;
(c) Make recommendations on Directors' remuneration;
(d) Make recommendations on Director replacements;
(e) Assist with recruitment of a Chief Executive Officer; and
(f) Review and recommend to the Board on performance of the Chief Executive Officer and direct reports.

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 Company has paid premiums to insure each director of the Company and 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 2009/10 financial year (2008/09: nil).

Directors' Benefits

Since 31 May 2009 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.

Directors' Report and Statutory Disclosures (continued)

After Balance Date Events

Subsequent to 31 May 2010, the Group successfully concluded a Rights Issue which was underwritten by its majority equity holder, New Plymouth District Council. The funds raised amounting to NZ$6.52 million will be used by the Group to assist with working capital requirements and financing several capital developments, including wallaby-proof fencing, pasture renewal, soil fertility improvements, water reticulation, and dairy shed technology.

No other 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.

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.

Board Proceedings

No person has applied for leave to the Board 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 asset revaluation reserve decreased to NZ$78,211,435 (2009: NZ$88,559,291) following exchange rate movements and the revaluation of Tasmanian farms as at 31 May 2010.

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.

Shareholding Information

Shareholding disclosures are detailed on page 52 of the Annual Report.

Annual General Meeting

The Annual General Meeting of shareholders of Tasman Farms Limited will be held at the Mercure Auckland, 8 Customs Street, Auckland, New Zealand on Wednesday 20 October 2010 commencing at 11.00am.

Signed for an on behalf of the Board, dated 27 August 2010.

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 AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 31 MAY 2010**

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 on her behalf. The audit covers the financial statements and performance information included in the annual report of the Company and group for the year ended 31 May 2010.

Unqualified opinion

In our opinion:

- The financial statements of the Company and group on pages 13 to 49:
  - 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 2010; and
    - the results of operations and cash flows for the year ended on that date.
- The performance information of the Company and group on page 49 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 31 May 2010.
- Based on our examination the Company and group kept proper accounting records.

The audit was completed on 27 August 2010, 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;

AUDIT REPORT (continued)

- 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;
- 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 2010 and the results of operations and cash flows for the year ended on that date. The Board of Directors is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 31 May 2010. 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 performance information 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 New Zealand Institute of Chartered Accountants.

In addition to the audit we have carried out assignments in the areas of tax compliance and review of interim financial statements which are compatible with those independence requirements.

Other than the audit and these assignments, we have no relationship with or interest in the company or any of its subsidiaries.

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

TASMAN FARMS LIMITED

Statement of Comprehensive Income

for the year ended 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
Continuing Operations					
Sales revenue	2	26,487,479	36,396,149	-	151,267
Net increase/(decrease) in value of livestock		9,221,097	(8,469,141)	-	-
Cost of sales		(2,003,173)	(1,581,449)	-	-
Gross profit		33,705,403	26,345,559	-	151,267
Other revenues from continuing operations	2	1,357,319	227,535	17,988	-
Farm working expenses		(21,536,691)	(27,386,553)	-	-
Administration expenses		(2,417,283)	(2,662,337)	(411,940)	(121,017)
Depreciation expense	3	(627,361)	(536,468)	-	-
Employee benefit expense		(2,536,438)	(2,095,485)	-	(286,237)
Finance costs	3	(3,753,622)	(4,866,225)	(164)	(382)
Profit/(loss) before income tax		4,191,327	(10,973,974)	(394,116)	(256,369)
Income tax (expense)/benefit	4	(3,624,747)	2,794,620	-	-
Net profit/(loss) from continuing operations after income tax expense for the period		566,580	(8,179,354)	(394,116)	(256,369)
Other Comprehensive Income					
Foreign currency translation		(1,288,939)	3,297,122		
Increase/(decrease) in asset revaluation reserve		(13,421,649)	(13,996,657)	-	-
Tax effect of other comprehensive income		4,026,495	4,198,997	-	-
		(10,684,093)	(6,500,538)	-	-
Total Comprehensive Income		(10,117,513)	(14,679,892)	(394,116)	(256,369)
Net profit/(loss) after tax attributable to:					
Minority interests		17,869	(147,367)		
Members of the parent		548,711	(8,031,987)		
		566,580	(8,179,354)		
Total comprehensive income for the period attributed:					
Minority interests		(180,856)	(268,278)		
Members of the parent		(9,936,657)	(14,411,614)		
		(10,117,513)	(14,679,892)		

Statement of Comprehensive Income (continued)

for the year ended 31 May 2010

		Consolidated	
	Notes	**2010** **NZ Cents**	**2009** **NZ Cents**
Basic and diluted earnings per share	27		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share (NZ cents)		0.80	(11.96)
Diluted earnings per share (NZ cents)		0.80	(11.96)
Earnings per share for total comprehensive income attributable to the ordinary equity holders of the company:			
Basic earnings per share (NZ cents)		(14.55)	(21.47)
Diluted earnings per share (NZ cents)		(14.54)	(21.47)

The accompanying notes form part of these financial statements.

TASMAN FARMS LIMITED

Statement of Financial Position

as at 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
CURRENT ASSETS					
Cash	6	190,024	1,483,986	-	11,125
Trade and other receivables	7	1,882,082	1,867,050	429,875	-
Livestock and inventories	8	6,479,186	6,074,534	-	-
Other	9	39,504	58,404	-	-
Total current assets		8,590,796	9,483,974	429,875	11,125
NON CURRENT ASSETS					
Other financial assets	10	3,380,129	2,163,454	58,344,801	52,162,039
Property, plant and equipment	11	194,601,616	206,736,545	-	-
Livestock and inventories	8	26,924,713	17,443,937	-	-
Memorabilia	9	1,788,269	2,175,075	-	-
Total non current assets		226,694,727	228,519,011	58,344,801	52,162,039
TOTAL ASSETS		235,285,523	238,002,985	58,774,676	52,173,164
CURRENT LIABILITIES					
Payables	12	4,303,539	2,994,276	183,516	1,449,930
Interest bearing liabilities	13	313,627	213,142	53,280	-
Provisions	14	181,689	125,014	26,000	-
Total current liabilities		4,798,855	3,332,432	262,796	1,449,930
NON CURRENT LIABILITIES					
Interest bearing liabilities	13	59,879,870	55,121,282	6,182,762	-
Deferred tax liability	4	41,151,205	41,976,165	-	-
Total non current liabilities		101,031,075	97,097,447	6,182,762	-
TOTAL LIABILITIES		105,829,930	100,429,879	6,445,558	1,449,930
EQUITY					
Equity attributable to equity holders of the parent:					
Contributed equity	15	71,825,590	69,825,590	71,825,590	69,825,590
Reserves	16	82,807,379	93,292,747	-	-
Retained profits/(losses)	17	(27,582,142)	(28,130,853)	(19,496,472)	(19,102,356)
Parent interests		127,050,827	134,987,484	52,329,118	50,723,234
Minority interests		2,404,766	2,585,622	-	-
Total equity		129,455,593	137,573,106	52,329,118	50,723,234
TOTAL FUNDS EMPLOYED		235,285,523	238,002,985	58,774,676	52,173,164

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		24,198,219	34,837,953	-	55,172
Dairy stock sales		1,738,134	2,159,937	-	-
Payments to suppliers and employees		(26,369,596)	(31,966,931)	(206,442)	(205,831)
Interest received		65,035	77,856	17,988	-
Dividends received		58	148,679	-	-
Dairy stock purchases		(1,397,205)	(845,015)	-	-
Finance costs		(3,753,623)	(4,866,225)	(164)	(382)
Net surplus/(deficit) from operating	6	(5,518,978)	(453,746)	(188,618)	(151,041)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of property, plant and equipment		20,966	34,887	-	30,809
Purchase of property, plant and equipment		(3,485,492)	(1,405,490)	-	(4,234)
Repayment from/(advance to) non related parties		266,354	(496,859)	-	-
Net surplus/(deficit) from investing		(3,198,172)	(1,867,462)	-	26,575
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance from/(to) subsidiaries		-	-	(8,058,549)	96,095
Equipment financing		122,231	655,971	-	-
Repayment of equipment financing		(208,802)	(136,111)	-	-
External financing		-	4,599,764	-	-
Repayment of external financing		(790,166)	(1,228,803)	-	-
Shares issued		2,000,000	-	2,000,000	-
Convertible redeemable notes issued		6,182,762	-	6,182,762	-
Net surplus/(deficit) from financing		7,306,025	3,890,821	124,213	96,095
Net increase/(decrease) in cash held		(1,411,125)	1,569,613	(64,405)	(28,371)
Cash at the beginning of the year		1,483,986	(38,061)	11,125	39,496
Net foreign exchange differences		63,883	(47,566)	-	-
Cash at the end of the financial year	6	136,744	1,483,986	(53,280)	11,125

The accompanying notes form part of these financial statements.

TASMAN FARMS LIMITED

Statement of Changes in Equity

for the year ended 31 May 2010

	Issued Capital NZ$	Currency Fluctuation Reserve NZ$	Asset Revaluation Reserve NZ$	Retained Earnings NZ$	Minority Interests NZ$	Total NZ$
CONSOLIDATED						
Balance as at 1 June 2008	69,825,590	3,819,104	95,853,270	(20,098,866)	2,853,900	152,252,998
Profit/(loss) for the year	-	-	-	(10,774,627)	(199,347)	(10,973,974)
Income tax benefit/(expense)	-	-	-	2,742,640	51,980	2,794,620
Foreign currency translation	-	914,352	2,321,444	-	61,326	3,297,122
Revaluation of fixed assets	-	-	(13,736,319)	-	(260,338)	(13,996,657)
Income tax benefit/(expense)	-	-	4,120,896	-	78,101	4,198,997
Purchase of shares from minority	-	-	-	-	-	-
Balance as at 31 May 2009	69,825,590	4,733,456	88,559,291	(28,130,853)	2,585,622	137,573,106
Profit/(loss) for the year	-	-	-	4,106,038	85,289	4,191,327
Income tax benefit/(expense)	-	-	-	(3,557,327)	(67,420)	(3,624,747)
Foreign currency translation	-	(137,512)	(1,127,452)	-	(23,975)	(1,288,939)
Revaluation of fixed assets	-	-	(13,172,006)	-	(249,643)	(13,421,649)
Income tax benefit/(expense)	-	-	3,951,602	-	74,893	4,026,495
Shares issued	2,000,000	-	-	-	-	2,000,000
Balance as at 31 May 2010	71,825,590	4,595,944	78,211,435	(27,582,142)	2,404,766	129,455,593
PARENT						
Balance as at 1 June 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
Profit/(loss) for the year	-	-	-	(394,116)	-	(394,116)
Income tax benefit/(expense)	-	-	-	-	-	-
Shares issued	2,000,000	-	-	-	-	2,000,000
Balance as at 31 May 2010	71,825,590	-	-	(19,496,472)	-	52,329,118

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 May 2010

1. Statement of Significant Accounting Policies

Reporting Entity

The financial report of Tasman Farms Limited for the year ended 31 May 2010 was authorised for issue in accordance with a resolution of the Directors on the 27 August 2010.

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, refer Note 19(a).

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, livestock and some inventories, memorabilia and certain other investments, which have been recorded 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 2010:

Ref	Title	Summary	Application date of standard	Impact on Group Financial Reporting	Application date for the Group
NZ IAS 27	Consolidated and Separate Financial Statements	Number of changes arising from the revision to NZ IAS 27 relating to changes in ownership interest in a subsidiary without loss of control.	1 July 2009	The impact of this change is not anticipated to have a material effect on the financial statements.	1 June 2010
NZ IAS 39	Financial Instruments: Recognition and Measurement Standards	Clarifies how the principles underlying hedge accounting should be applied.	1 July 2009	The impact of this change is not anticipated to have a material effect on the financial statements.	1 June 2010
NZ IAS 34	Interim Financial Reporting	The amended scope of NZ IAS 34 aligns with the scope of IAS 34 and no longer includes discussion on which entities should or should not apply NZ IAS 34 when preparing interim financial reports.	1 July 2009	The impact of this change is not anticipated to have a material effect on the financial statements.	1 June 2010
NZ IAS 7	Cash Flow Statements	The amendment to NZ IAS 7 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.	1 January 2010	The impact of this change is not anticipated to have a material effect on the financial statements.	1 June 2010
NZ IAS 24	Related Party Disclosures	The amendments simplify the definition of a related party.	1 January 2011	The impact of this change is not anticipated to have a material effect on the financial statements.	1 June 2011
NZ IFRS 9	Financial Instruments	All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.	1 January 2013	The impact of this change is not anticipated to have a material effect on the financial statements.	1 June 2013

1. Statement of Significant Accounting Policies (continued)

During the current year the Group has adopted all of the new and revised New Zealand Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions.

NZ IFRS 8: Operating Segments
This standard adopts a management approach to segment reporting and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

NZ IAS 1: Presentation of Financial Statements
This standard controls the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the disclosure impact on the Group's financial statements.

- Terminology changes — The revised version of IAS 1 contains a number of terminology changes, including the amendment of the names of the primary financial statements.
- Reporting changes in equity — The revised IAS 1 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of IAS 1 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.
- Statement of comprehensive income — The revised IAS 1 requires all income and expenses to be presented in either one statement — the statement of comprehensive income, or two statements — a separate income statement and a statement of comprehensive income. The previous version of IAS 1 required only the presentation of a single income statement.
- The Group's financial statements now contain a statement of comprehensive income.
- Other comprehensive income — The revised version of IAS 1 introduces the concept of 'other comprehensive income' which comprises income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of IAS 1 did not contain an equivalent concept.

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 Tasman Farms Limited 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.

1. Statement of Significant Accounting Policies (continued)

(a) Principles of Consolidation(continued)

The 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.

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 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 statement of financial position.

Cash flows are included in the Cash Flow Statement on a net 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.

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

1. Statement of Significant Accounting Policies (continued)

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

Tax Consolidation

The Van Diemen's Land Company and its wholly owned Australian subsidiaries formed an income tax consolidated group under the *Income Tax Assessment Act 1997*; effective from 1 July 2002. Each entity recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group entered a tax-funding arrangement on 25 June 2010, whereby each company contributes to the income tax payable by the Group in proportion to their contribution to the total taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to, the head entity.

(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 2010 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 2011.
(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 2010 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 2009 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.

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 statement of comprehensive income.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the 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$). The Australian subsidiaries' functional currency is Australian dollars (AU$) 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 statement of financial position date.
(iii) Translation of Group Companies functional currency to presentation currency - All foreign operations are independent. The Statement of Comprehensive Income and Statement of Cash Flows of those operations are translated at the average rate during the year and the Statement of Financial Position 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 in accordance with Australian Superannuation Guarantee Legislation and are charged as expenses when incurred.

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

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 Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Where applicable, bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the statement of financial position.

(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 of archivist material, on 31 May 2010. 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. The previous valuation was undertaken on 5 June 2006.

(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 2010 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.

1. Statement of Significant Accounting Policies (continued)

(p) Interest Bearing Liabilities and Borrowing (continued)
The convertible redeemable notes are initially recognised as a liability in the statement of financial position, at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, the convertible redeemable notes are subsequently measured at amortised cost using the effective interest rate. Interest on the convertible redeemable notes is recognised as an expense in profit or loss.

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.

(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 statement of comprehensive income.

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 statement of comprehensive income, 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 statement of comprehensive income. 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.

1. Statement of Significant Accounting Policies (continued)

(s) Derivative Financial Instruments
On occasions the Group may use derivative financial instruments (including interest rate swaps) to hedge its risk associated with interest rate fluctuations. Through the use of specific separate arrangements within its banking facility, the Group has the option of fixing a component of its obligations with Rabobank Australia Limited over various fixed term periods. Given that the characteristics of this arrangement mirror that of an interest rate swap, the Group has chosen to account for this as an embedded derivative separate from the underlying banking arrangement.

Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently measured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the changes to the fair value of the derivatives are taken directly to profit or loss for the year.

The fair value of such derivatives is determined by reference to market values for similar instruments.

(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 statement of comprehensive income 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:

Recovery of deferred tax assets
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.

Livestock valuations
All livestock is valued annually at balance date. The Directors have based their valuation on an Appraisal undertaken by Ben Grubb, Key Account Manager for Elders Rural Services, and Ross Gibson, National Dairy Co-ordinator for Elders Rural Services; refer 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 statement of comprehensive income.

At each reporting date the Directors of Tasman Farms Limited assess 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.

1. Statement of Significant Accounting Policies (continued)

(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.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
2. Revenue					
Sales Revenue					
- sale of goods and services		26,487,479	36,396,149	-	151,267
Other Revenue					
- Finance Revenue					
- interest rate break benefit		1,249,322	-	-	-
- interest from controlled entities		-	-	17,988	-
- interest from other corporations		20,761	39,101	-	-
- interest from sharefarmers		44,273	38,420	-	-
- dividends from other corporations		58	148,680	-	-
		1,314,414	226,201	17,988	-
- Management and licence fees		28,745	-	-	-
- Gain on the disposal of property, plant and equipment		14,160	1,334	-	-
Total other revenue		1,357,319	227,535	17,988	-
Total revenue		27,844,798	36,623,684	17,988	151,267
3. Expenses					
Cost of sales		2,003,173	1,581,449	-	-
Depreciation:					
- buildings		171,229	169,372	-	-
- plant and equipment		456,132	367,096	-	-
Total depreciation		627,361	536,468	-	-
Employee benefit expense		2,536,438	2,095,485	-	286,237
Loss on disposal of property, plant and equipment		-	15,573	-	15,573
Finance costs:					
- external party movement in interest rate derivatives		-	826,820	-	-
- foreign exchange movement in advance to subsidiary		935	32,952	-	-
- external parties finance costs		3,752,687	4,006,453	164	382
Total finance costs		3,753,622	4,866,225	164	382
Remuneration of auditor:					
- audit or review		64,565	53,370	34,225	25,400
- other services		5,060	5,000	5,060	5,000
Total payment to auditor		69,625	58,370	39,285	30,400

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
4. Income Tax					
Current income tax benefit/(expense)		2,590,874	1,509,645	-	-
Deferred tax benefit/(expense)		(6,215,621)	1,284,975	-	-
Income tax benefit/(expense)		(3,624,747)	2,794,620	-	-
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		4,191,327	(10,973,974)	(394,116)	(256,369)
Statutory income tax rate of 30%		1,257,398	(3,292,192)	(118,235)	(76,911)
Non deductible items		7,303	8,728	-	-
Investment allowance		(141,533)	-	-	-
Movement in temporary differences		2,383,344	411,933	-	-
Tax benefit of loss offset not brought to account		118,235	76,911	118,235	76,911
Total income tax expense/(benefit)		3,624,747	(2,794,620)	-	-
Deferred tax assets/liabilities					
Deferred tax assets from temporary differences on:					
Trade and other payables		5,516	103,317	-	-
Trade and other receivables		140,439	48,573		
Provisions		46,707	37,504	-	-
Losses available		8,067,794	8,022,214	-	-
Deferred tax asset offset		(8,260,456)	(8,211,608)	-	-
Total deferred tax assets		-	-	-	-
Deferred tax liabilities from temporary differences on:					
Livestock, fodder and other		7,521,852	4,044,254	-	-
Revaluations - land, livestock and memorabilia		41,889,809	46,143,519	-	-
Deferred tax asset offset		(8,260,456)	(8,211,608)	-	-
Total deferred tax liabilities		41,151,205	41,976,165	-	-

Current income tax benefit/(expense) is based on the estimated taxable loss/(income) of the Group for the current year. The difference between accounting income and estimated taxable loss for the current year is largely influenced by livestock valuations in The Van Diemen’s Land Company.

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

4. Income Tax (continued)

Deferred tax expense is primarily attributable to the increase in the livestock valuation and the de-recognition of the deferred tax asset previously brought to account for tax losses incurred prior to The Van Diemen's Land Company entering tax consolidation (AU$1,966,540).

The Directors estimate that the tax effect value of losses not recorded is AU$7,416,469 (2009: AU$5,449,929). Following the change in shareholding for the parent company, all previous tax losses in the parent were lost. The current year tax loss for Tasman Farms Limited has not been included in the above.

	2010			2009		
	Before tax amount NZ$	Tax (expense)/ benefit NZ$	Net of Tax Amount NZ$	Before tax amount NZ$	Tax (expense)/ benefit NZ$	Net of Tax Amount NZ$
Consolidated Group:						
Increase/(decrease) in land and buildings	(13,054,857)	3,916,457	(9,138,400)	(13,996,657)	4,198,997	(9,797,660)
Increase/(decrease) in memorabilia	(366,792)	110,038	(256,754)	-	-	-
	(13,421,649)	4,026,495	(9,395,154)	(13,996,657)	4,198,997	(9,797,660)
Parent Entity:						
Increase/(decrease) in land and buildings	-	-	-	-	-	-
Increase/(decrease) in memorabilia	-	-	-	-	-	-
	-	-	-	-	-	-

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
Dr R Pratt	Non executive director - appointed 26 May 2010
T H Westacott	Non executive director - appointed 25 September 2009
M C Trousselot	Non executive director - resigned 26 May 2010
P S Newland	Non executive director - resigned 31 March 2010
T J Breward	Non executive director - resigned 22 June 2009
Executives:	
N Morris	Chief Executive Officer

Effective from 1 June 2008 the Board of Tasman Farms Limited resolved to adopt Director's fees of AU$80,000 for the Chairman 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 2010 in The Van Diemen's Land Company – Dairies Pty Limited, Tasman Farmdale Pty Limited and Tasman Farms Pty Limited were: J C Watson, M L Hampton and N Morris.

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

5. Directors' Remuneration and Retirement Benefits (continued)

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						
2010 - Total compensation	655,565	-	-	-	-	655,565
2009 - Total compensation	882,860	-	-	-	-	882,860

	Tasman Farms Limited 2010 NZ$	Tasman Farms Limited 2009 NZ$	The Van Diemen's Land Company 2010 NZ$	The Van Diemen's Land Company 2009 NZ$
Directors:				
J C Watson, AM	-	-	100,503	98,304
J T Andrews	-	-	56,533	55,296
M L Hampton	-	-	56,533	55,296
Dr R Pratt - appointed 26 May 2010 resigned 25 February 2009	-	-	-	40,017
T H Westacott - appointed 25 September 2009	-	-	36,964	-
M C Trousselot - resigned 26 May 2010	-	-	-	-
P S Newland - resigned 31 March 2010	-	-	48,487	55,296
T J Breward - resigned 22 June 2009	-	-	4,349	55,296
Executives:				
N Morris	-	-	307,955	240,579
J Walker - appointed 1 February 2010	-	-	44,241	-
C Glass - resigned 31 July 2008	-	282,776	-	-

Remuneration Ranges	**Number of Employees** Tasman Farms Limited	The Van Diemen's Land Company
$100,000 to $109,999	-	1
$130,000 to $139,999	-	1
$140,000 to $149,999	-	1
$150,000 to $159,999	-	2
$300,000 to $309,999	-	1

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 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	(53,280)	-	(53,280)	-
Cash at bank and on hand		190,024	1,483,986	-	11,125
		136,744	1,483,986	(53,280)	11,125
(b) Reconciliation of cash flow from operations with profit/(loss) from ordinary activities after income tax.					
Operating profit/(loss) after taxation before minorities		566,580	(8,179,354)	(394,116)	(256,369)
Non cash flows in operating profit/(loss) from ordinary activities:					
Depreciation		627,361	536,468	-	-
Impairment		309,945	2,512	-	-
(Profit)/loss on sale of property, plant and equipment		(14,160)	14,239	-	15,573
Foreign exchange (gain)/loss		935	32,952	-	-
Interest rate derivative change in value		(1,249,322)	826,820	-	-
Changes in assets and liabilities:					
(Increase)/decrease in receivables		(604,556)	812,577	(10,525)	106,741
(Increase)/decrease in other assets		18,553	(4,988)	-	-
(Increase)/decrease in dairy livestock		(9,740,609)	6,560,327	-	-
(Increase)/decrease in inventories		(465,293)	738,243	-	-
Increase/(decrease) in payables		1,348,689	992,856	190,023	32,186
Increase/(decrease) in tax liabilities		3,624,746	(2,794,620)	-	-
Increase/(decrease) in provisions		58,153	8,222	26,000	(49,172)
Cash flows from operations		(5,518,978)	(453,746)	(188,618)	(151,041)
(c) Credit stand-by arrangements and loan facilities: Unrestricted access was available to the following lines of credit:					
Total facilities:					
Bank overdraft		-	-	-	-
Revolving credit facility		62,173,589	54,969,880	-	-
		62,173,589	54,969,880	-	-

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
6. Cash Flow Information (continued)					
(c) Credit stand-by arrangements and loan facilities (continued):					
Used at balance date:					
Bank overdraft		53,280	-	53,280	-
Revolving credit facility	13	53,514,200	50,200,803	-	-
		53,567,480	50,200,803	53,280	-
Unused at balance date:					
Bank overdraft		(53,280)	-	(53,280)	-
Revolving credit facility		8,659,389	4,769,077	-	-
		8,606,109	4,769,077	(53,280)	-

Since the preparation of the 2009 financial statements the nature of funding facilities provided by Rabobank Australia Limited has been reviewed. It has been determined that the entire amount is a revolving credit facility; there is no bank overdraft with Rabobank Australia Limited. Accordingly, there was no bank overdraft as at 31 May 2009. As permitted by AASB 108 the comparative amount has been adjusted to the non current liability, refer Note 6(c) above.

The liabilities, outlined above, are secured by a registered charge over the property and a registered equitable mortgage over the assets of the Group. 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.

7. Trade and other receivables

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
CURRENT					
Trade debtors	(a)	1,619,590	904,304	-	-
less provision for impairment		(8,207)	-	-	-
		1,611,383	904,304	-	-
Other debtors:					
Related party receivable:					
- controlled entities	(b)	-	-	419,350	-
GST clearing		91,018	218,134	10,525	-
		91,018	218,134	429,875	-
Other receivables:					
Sharefarmer advances		478,258	744,612		-
less provision for impairment		(298,577)	-	-	-
		179,681	744,612	-	-
		1,882,082	1,867,050	429,875	-

7. Trade and other receivables (continued)

(a) 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.
(b) In November 2009, the Group raised NZ$2,000,000 in new equity. The funds were used to pay out the balance of an advance from subsidiary company The Van Diemen's Land Company, and the remainder forms a new unsecured liability to The Van Diemen's Land Company. There are no specific terms applicable to this loan.

	Notes	Consolidated		Parent Entity	
		2010	**2009**	**2010**	**2009**
		NZ$	**NZ$**	**NZ$**	**NZ$**
8. Livestock and Inventories					
CURRENT					
At net market value:					
Sheep Livestock		304,121	141,401	-	-
Beef Livestock		4,064,196	4,786,476	-	-
Total at net market value		4,368,317	4,927,877	-	-
At cost:					
Stores		81,317	88,474	-	-
Wool on hand		-	15,688	-	-
Fodder on hand		2,029,552	1,042,495	-	-
Total at cost		2,110,869	1,146,657	-	-
		6,479,186	6,074,534	-	-
NON CURRENT					
At net market value:					
Dairy livestock		26,924,713	17,443,937	-	-
Total at net market value		26,924,713	17,443,937	-	-
CURRENT ASSETS					
(i) Physical quantities of livestock					
		#	#	#	#
Sheep Livestock					
Breeding ewes		868	1,066	-	-
Sale lambs		671	8	-	-
Rams		35	25	-	-
Total sheep livestock		1,574	1,099	-	-
Beef Livestock					
Breeding cows		1,425	1,833	-	-
Calves		686	485	-	-
Dairy bull calves		754	1,671	-	-
Bulls, steers and trading cattle		2,370	4,021	-	-
Total beef livestock		5,235	8,010	-	-

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
8. Livestock and Inventories (continued)					
(ii) Reconciliation of carrying amount					
Sheep Livestock					
Carrying value at beginning of period		141,401	150,405	-	-
Sales		(123,966)	(140,823)	-	-
Purchases		91,074	-	-	-
Foreign exchange adjustment to opening balance		(2,991)	3,398		
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to physical changes		109,358	68,685	-	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to price changes		89,245	59,736	-	-
Carrying value at end of period		304,121	141,401	-	-
Beef Livestock					
Carrying value at beginning of period		4,786,476	6,181,669	-	-
Sales		(3,757,702)	(5,587,170)	-	-
Purchases		514,894	1,114,339	-	-
Foreign exchange adjustment to opening balance		(37,057)	139,646		
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to physical changes		1,396,510	1,404,724	-	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to price changes		1,161,074	1,533,268	-	-
Carrying value at end of period		4,064,195	4,786,476	-	-

NON CURRENT ASSETS

(i) Physical quantities of livestock

	#	#	#	#
Dairy Livestock				
Mixed age cows	15,965	13,136	-	-
Rising 2 year heifers	3,861	3,986	-	-
Rising 1 year heifers	1,291	3,755	-	-
Dairy bulls	112	129	-	-
Total dairy livestock	21,229	21,006	-	-

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
8. Livestock and Inventories (continued)					
(ii) Reconciliation of carrying amount					
Dairy Livestock					
Carrying value at beginning of period		17,443,937	24,004,264	-	-
Sales		(1,738,134)	(2,206,020)	-	-
Purchases		1,397,205	641,190	-	-
Foreign exchange adjustment to opening balance		(259,833)	542,264		
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to physical changes		2,023,948	(419,596)	-	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributed to price changes		8,057,590	(5,118,165)	-	-
Carrying value at end of period		26,924,713	17,443,937	-	-

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 are managed as part of the Group’s non-dairy operations.

Valuation of Livestock
All livestock is valued annually at balance date. The Directors have based their valuation on an Appraisal undertaken by Ben Grubb, Key Account Manager, and Ross Gibson, National Dairy Co-ordinator for Elders Rural Services.

Livestock Numbers
A robust stock audit process is used to tally all livestock numbers with physical counts for all classes of stock. An independent manager is required to sign off on all tallies.

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
9. Other					
CURRENT					
Prepayments		39,504	58,404	-	-
NON CURRENT					
Memorabilia	(a)	1,788,269	2,175,075	-	-

(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 2010 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, at a value of AU$1,438,126. The change was recorded against the asset revaluation reserve, net of future tax.

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
10. Other Financial Assets					
NON CURRENT					
Secured loan to controlled entity	(a)	-	-	6,182,762	-
Interest rate break benefit	(b)	1,236,583	-	-	-
Shares:					
- in subsidiaries at cost			-	52,162,039	52,162,039
- in unlisted dairy processor at cost		2,142,808	2,162,708	-	-
- in unlisted other corporations at cost		738	746	-	-
Total shares		2,143,546	2,163,454	52,162,039	52,162,039
		3,380,129	2,163,454	58,344,801	52,162,039

(a) In May 2010, the Group completed a Term Loan Agreement with The Van Diemen's Land Company to advance NZ$6,182,762, being the proceeds from convertible redeemable notes issued by the Group to New Plymouth District Council (note 13(c)).

(b) The Group has fixed the interest rate on a significant part of its debt obligations with Rabobank Australia Limited (note 21(a)). It is the bank's policy to pass on any benefit or cost associated with cessation of the fixed rate prior to the scheduled expiry date. The current value of the benefit or cost is carried in the accounts as an asset or liability, and the movement in value during the financial period credited to revenue or charged to expense as appropriate.

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
11. Property, Plant and Equipment					
Land & buildings (independent valuation)	(a)	191,997,988	204,771,677	-	-
Plant & equipment (cost less acc. depreciation)	(b)	2,603,628	1,964,868	-	-
		194,601,616	206,736,545	-	-
(a) Land & buildings at valuation		191,997,988	204,771,677		
less accumulated depreciation		-	-	-	-
		191,997,988	204,771,677	-	-

The basis of the independent valuation of land and buildings is fair market value based on existing use. The farms were valued by the Directors at 31 May 2010 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, net of future tax. The Group's policy is to revalue the land and buildings up to three years apart**.** The properties were last valued at 31 May 2009 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 Group.

	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
(b) Plant & equipment at cost	7,398,745	6,466,059	-	-
less accumulated depreciation	(4,795,117)	(4,501,191)	-	-
	2,603,628	1,964,868	-	-

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

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 2010						
As at 1 June 2009, net of accumulated depreciation and impairment	204,771,677	1,964,868	206,736,545	-	-	-
Foreign exchange adjustments	(1,906,553)	(24,845)	(1,931,398)	-	-	-
Additions	2,358,950	1,126,543	3,485,492	-	-	-
Disposals	-	(20,966)	(20,966)	-	-	-
Revaluation	(13,054,857)	-	(13,054,857)	-	-	-
Gain/(loss) on disposal	-	14,160	14,160	-	-	-
Depreciation charge for the year	(171,229)	(456,132)	(627,361)	-	-	-
As at 31 May 2010, net of accumulated depreciation	191,997,988	2,603,628	194,601,615	-	-	-
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	-	-	-
As at 31 May 2010						
Cost or fair value	191,997,988	7,398,745	199,396,733	-	-	-
Accumulated depreciation and impairment	-	(4,795,117)	(4,795,117)	-	-	-
Net carrying amount	191,997,988	2,603,628	194,601,616	-	-	-
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	-	-	-

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
12. Payables					
CURRENT					
Unsecured liabilities:					
Trade creditors		3,821,078	1,372,926	183,516	-
Other creditors		482,461	1,621,350	-	(6,506)
Advance from subsidiary		-	-	-	1,456,436
		4,303,539	2,994,276	183,516	1,449,930

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

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
13. Interest Bearing Liabilities					
CURRENT					
Secured liabilities:					
Bank overdraft	(a)	53,280	-	53,280	-
Equipment finance loans		260,347	213,142	-	-
		313,627	213,142	53,280	-
NON CURRENT					
Secured liabilities:					
Revolving credit facility - Rabobank Australia Ltd	(b)	53,514,200	54,800,567	-	-
New Plymouth District Council convertible redeemable notes	(c)	6,182,762	-	6,182,762	-
Equipment finance loans		182,908	320,715	-	-
		59,879,870	55,121,282	6,182,762	-

(a) Since the preparation of the 2009 financial statements the nature of funding facilities provided by Rabobank Australia Limited has been reviewed. It has been determined that the entire amount is a revolving credit facility; there is no bank overdraft. Accordingly, there was no bank overdraft as at 31 May 2009. As permitted by AASB 108 the comparative amount has been adjusted to the non current liability.

(b) The above liabilities are secured by a registered charge over the property and a registered equitable mortgage over the assets of the Group. 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 an annual review to be completed by 31 December each year.

(c) In May 2010, the Group concluded a Subscription Agreement with New Plymouth District Council to issue NZ$6,182,762 in convertible redeemable notes. The Notes are convertible at the option of the note holder at a rate of 1 and 1/3rd shares per note, and attract a fixed interest rate of 12% pa.

On 30 June 2010, New Plymouth District Council exercised its conversion rights on 6,000,000 notes, and has been issued with 8,000,000 ordinary shares in accordance with the terms of the Subscription Agreement.

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
14. Provisions					
CURRENT					
Employee benefits:					
Provision for employee entitlements		135,113	125,014	-	-
Other:					
Provision for audit fee		46,576	-	26,000	-
		181,689	125,014	26,000	-
Number of employees at reporting date		32	27	-	-

	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
15. Contributed Equity				
Paid up capital:				
Ordinary shares fully paid	71,825,590	69,825,590	71,825,590	69,825,590
	71,825,590	69,825,590	71,825,590	69,825,590
	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	2,000,000	-	2,000,000	-
End of the financial year	69,135,857	67,135,857	69,135,857	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.

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

	Consolidated			Parent Entity		
	Asset Revaluation Reserve NZ$	**Currency Fluctuation Reserve NZ$**	**Total NZ$**	**Asset Revaluation Reserve NZ$**	**Currency Fluctuation Reserve NZ$**	**Total NZ$**
16. Reserves						
As at 1 June 2008	95,853,271	3,819,104	99,672,375	-	-	-
Revaluation of land and buildings	(13,736,319)	-	(13,736,319)	-	-	-
Deferred tax liability on revaluation	4,120,896	-	4,120,896	-	-	-
Foreign currency translation	2,321,443	914,352	3,235,795	-	-	-
As at 31 May 2009	88,559,291	4,733,456	93,292,747	-	-	-
Revaluation of land and buildings	(12,812,037)	-	(12,812,037)	-	-	-
Revaluation of memorabilia	(359,969)	-	(359,969)	-	-	-
Subtotal	(13,172,006)	-	(13,172,006)	-	-	-
Deferred tax liability on revaluation	3,951,602	-	3,951,602	-	-	-
Foreign currency translation	(1,127,452)	(137,512)	(1,264,964)	-	-	
As at 31 May 2010	78,211,435	4,595,944	82,807,379	-	-	-

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	Consolidated		Parent Entity	
		2010 NZ$	**2009 NZ$**	**2010 NZ$**	**2009 NZ$**
17. Retained Profits/(Accumulated Losses)					
Retained profits/(accumulated losses) at the beginning of the financial year		(28,130,853)	(20,098,866)	(19,102,356)	(18,845,987)
Net profit/(loss) attributable to the members of the company		548,711	(8,031,987)	(394,116)	(256,369)
Retained profits/(accumulated losses) at the end of the financial year		(27,582,142)	(28,130,853)	(19,496,472)	(19,102,356)

18. Segment Information

The Group operates in two geographical areas; the head entity in New Zealand and subsidiaries operating as pastoralists and dairy farmers in Australia.

Identification of Reportable Segments
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of agricultural activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:
- the products sold and/or services provided by the segment;
- the production activities;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements.

Types of products and services by segment
(i) Dairy segment
The dairy segment includes the 23 dairy farms operated by the Group in the North West of Tasmania, Australia. The principal activity is the production of milk.

(ii) Beef & sheep segment
The principal activity of the beef and sheep segment is to grow livestock for sale to local meat processors. This segment includes agistment of stock for the dairy segment and third parties.

Basis of accounting for purposes of reporting by operating segments
(a) Accounting policies adopted
Unless otherwise stated, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) Inter-segment transactions
An internally determined transfer price is set for all inter-segment transactions. This price is reset annually and is based on what would be realised in the event the transaction was made with an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

(c) Segment assets
Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated to operating segments. Segment liabilities consist primarily of trade and other payables.

(e) Unallocated items
The following items of revenues, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:
Derivatives, impairment of assets, non recurring items of revenue and expense, income tax expense, current and deferred tax liabilities, memorabilia, interest-bearing liabilities, and provisions.

(f) Comparative Information
This is the first reporting period in which NZ IFRS 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

Notes to the Financial Statements (continued)

for the year ended 31 May 2010

18. Segment Information (continued)

Details of products and services by segment are as follows:

	2010 Continuing Operations			2009 Continuing Operations		
	Dairy	**Beef and Sheep**	**Total**	**Dairy**	**Beef and Sheep**	**Total**
	($)	**($)**	**($)**	**($)**	**($)**	**($)**
Revenue						
Sales to external customers	22,457,070	4,031,485	26,488,555	30,125,348	6,118,766	36,244,114
Other revenue from external customers	108,892	-	108,892	224,220	-	224,220
Inter-segment sales	-	3,386,839	3,386,839	-	2,994,862	2,994,862
Total segment revenue	22,565,962	7,418,324	29,984,286	30,349,568	9,113,628	39,463,196
Inter-segment elimination			(3,386,839)			(2,994,862)
Unallocated revenue			1,247,351			155,350
Total consolidated revenue			27,844,798			36,623,684
Result						
Segment results	9,450,508	(267,515)	9,182,993	(2,702,042)	(1,354,572)	(4,056,614)
Unallocated expenses			(1,238,044)			(2,051,135)
Profit/(loss) before tax and finance costs			7,944,949			(6,107,749)
Finance costs			(3,753,622)			(4,866,225)
Profit/(loss) before income tax			4,191,327			(10,973,974)
Income tax expense (Note 4)			(3,624,747)			2,794,620
Net profit/(loss) for the year			566,580			(8,179,354)
Assets and liabilities						
Segment assets	160,046,714	72,137,773	232,184,487	157,034,408	78,213,378	235,247,786
Unallocated assets			3,101,036			2,755,199
Total assets			235,285,523			238,002,985
Segment liabilities	1,981,850	1,975,108	3,956,958	1,494,068	1,315,000	2,809,068
Unallocated liabilities			101,872,972			97,620,811
Total liabilities			105,829,930			100,429,879
Other segment information						
Capital expenditure	1,728,146	1,757,346	3,485,492	449,633	955,857	1,405,490
Depreciation	84,544	542,817	627,361	79,506	456,962	536,468
Revaluation of land and buildings	(6,272,682)	(7,148,967)	(13,421,649)	(353,726)	(13,642,931)	(13,996,657)

Details by locations are as follows:

	Consolidated		New Zealand		Australia	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	NZ$	**NZ$**	**NZ$**	**NZ$**	**NZ$**	**NZ$**
Revenue	27,844,798	36,396,149	17,988	151,267	27,826,810	36,244,882
Profit/(loss) after taxation	566,580	(8,179,354)	(394,116)	(256,369)	960,696	(7,922,985)
Total assets	235,285,523	238,002,985	10,525	11,125	235,274,998	237,991,860

19. Related Party Transactions

Prior to 14 November 2001 Tasman Agriculture Limited held 100% of the 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**	**2010 (%)**	**2009 (%)**
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 (2009: NZ$52,162,039).

(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. Loans payable or receivable from related parties at year end are outlined below. There were no bad debts or provision for bad debts required in 2010 (2009: nil).

Related Party		**Payments for services from related parties NZ$**	**Loans (to)/from related parties NZ$**	**Other transactions from related parties NZ$**
Consolidated:	**2010**	-	-	-
	2009	-	-	-
Parent:				
Management fee received from	**2010**	-	(419,350)	-
The Van Diemen's Land Company	**2009**	151,267	1,456,436	-

At 31 May 2010 Tasman Farms Limited was owed $419,350 by its subsidiary The Van Diemen's Land Company. A contribution of funds during the year (see Note 7(b)) reversed the indebtedness to The Van Diemen's Land Company of $1,456,436 as at 31 May 2009. This amount had accrued through the incurring of costs by Tasman Farms Limited in addition to the administration fees charged. Outstanding balances at year end are unsecured, subject to interest and repayable on demand.

There were no management fees paid in 2010 as all cash transfers to cover expenses were offset against the inter-company loan balance.

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 2010 year, for a total amount paid of NZ$4,684,189 (2009: NZ$7,150,963). Purchases have been charged based on normal commercial terms and conditions. The amount outstanding as at 31 May 2010 was NZ$1,489,756 (2009: NZ$452,076).

A Director during the year, Mr M L Hampton was also a director of Impact Fertilisers Pty Limited for part of the current year. This company provided fertiliser to the Group for 2009 year. No amounts were paid for the 2010 year (2009: NZ$1.457,764). Purchases for 2009 were charged based on normal commercial terms and conditions.

19. Related Party Transactions (continued)

(c) Transactions with related parties (continued)

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 2010 year, for a total fee of NZ$nil up to date of resignation as a director on 22 June 2009 (2009 full year: NZ$96,930). These services have been charged based on normal commercial terms and conditions.

20. Capital Management

When managing capital, the Group'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 Group 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 /Equity) as at the 31 May 2010 is 46% (2009: 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, equipment finance loans, convertible redeemable notes, and cash.

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 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 debt facility where the interest rate has not been fixed. As at 31 May 2010 the Group had exposure to NZ$ 53,514,200 (AU$43,036,120) in borrowings with Rabobank Australia Limited. Through the use of specific arrangements within the banking facility, the Group has been able to fix a component of its debt obligations with Rabobank Australia Limited over a period of 3 to 5 years. The fixed components are: NZ$12.43 million (AU$10 million) over 3 years at a rate of 6.20%, NZ$12.43 million (AU$10 million) over 4 years at a rate of 6.60% and NZ$24.87 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 2010 was NZ$3,775,330 (AU$3,036,120) at 7.00%. The weighted average interest rate on the fixed component of debt is 6.63% and on the total debt with Rabobank Australia Limited is 6.65%.

As at 31 May 2010, the Group had exposure to convertible redeemable notes issued to New Plymouth District Council amounting to NZ$6,182,762, with a 2 year term at a fixed interest rate of 12%.

It is the policy of the Group to enter into derivative transactions, including interest rate swap contracts, in appropriate circumstances to manage interest rate risk. Other than those referred to above, the Group has no other derivative transactions in place. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments be undertaken.

At 31 May 2009, the mark-to-market valuation of an interest rate swap derivative was brought to account as an accrual of NZ$344,388 (AU$274,408). This derivative expired on 31 August 2009.

21. Financial Risk Management Objectives (continued)

(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 processor Fonterra Australia (Bonlac Supply Company) Limited, from which it derives a large portion of its income.

(d) Liquidity risk

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

22. Financial Instruments

(a) 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 2010 for NZ$/AU$ was 0.8042 (2009: 0.7968).

The following sensitivity is based on foreign currency risk exposures in existence at balance sheet date. At 31 May 2010, 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	**2010 NZ$**	**2009 NZ$**	**2010 NZ$**	**2009 NZ$**
Change in Profit/(Loss)					
$NZ/$AUD +10%		(87,336)	720,271	-	-
$NZ/$AUD -10%		106,744	(880,332)	-	-
Change in Equity					
$NZ/$AUD +10%		(11,753,501)	(12,637,447)	-	-
$NZ/$AUD -10%		14,365,390	15,445,768	-	-

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

22. Financial Instruments (continued)

(b) Net Fair Value

The Group uses various methods in estimating the fair vale of a financial instrument. The methods comprise:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised below:

	Consolidated Valuation technique:				Parent Valuation technique:			
	Quoted Market Price	Market observable inputs	Non market observable inputs		Quoted Market Price	Market observable inputs	Non market observable inputs	
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2010	NZ$	NZ$	NZ$	NZ$	NZ$	NZ$	NZ$	NZ$
Financial Assets								
Interest Rate Break Benefit	-	1,236,583	-	1,236,583	-	-	-	-
	-	1,236,583	-	1,236,583	-	-	-	-
Financial Liabilities								
Interest Rate Swap	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
2009								
Financial Assets								
Interest Rate Break Benefit	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Financial Liabilities								
Interest Rate Swap	-	344,388	-	344,388	-	-	-	-
	-	344,388	-	344,388	-	-	-	-

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques are both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps and interest rate break benefits.

There were no transfers between Level 1 and Level 2 during the year.

Notes to the Financial Statements (continued)
for the year ended 31 May 2010

22. Financial Instruments (continued)

(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 2010						
Financial Assets						
Cash assets	23.00%	190,024	-	-	-	190,024
Financial Liabilities						
Bank overdraft	0.00%	53,280	-	-	-	53,280
Equipment finance loans	7.70%	260,347	182,908	-	-	443,255
Bank loans	6.65%	-	-	-	53,514,200	53,514,200
Convertible redeemable notes	12.00%	6,182,762	-	-	-	6,182,762
PARENT - Year ended 31 May 2010						
Financial Liabilities						
Bank overdraft	0.00%	53,280	-	-	-	53,280
Convertible redeemable notes	12.00%	6,182,762	-	-	-	6,182,762
CONSOLIDATED - Year ended 31 May 2009						
Financial Assets						
Cash assets	0.50%	1,483,986	-	-	-	1,483,986
Financial Liabilities						
Equipment finance loans	7.23%	213,142	320,715	-	-	533,857
Bank loans	6.63%	-	-	-	54,800,567	54,800,567
PARENT - Year ended 31 May 2009						
nil						

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.

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 2010, assuming all other variables remain constant, the effect on profit and equity as a result of changes in interest rate would be as follows:

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
Change in Profit/(Loss)					
Increase interest rate by 1%		(37,753)	(140,125)	-	-
Decrease interest rate by 1%		37,753	140,125	-	-
Change in Equity					
Increase interest rate by 1%		(37,753)	(140,125)	-	-
Decrease interest rate by 1%		37,753	140,125	-	-

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).

23. Capital and Leasing Commitments

	Notes	Consolidated 2010 NZ$	Consolidated 2009 NZ$	Parent Entity 2010 NZ$	Parent Entity 2009 NZ$
Lease commitments under non cancellable operating leases:					
Not later than one year		49,165	48,586	-	-
Later than one year and not later than two years		49,165	48,586	-	-
Later than two years and not later than five years		110,314	123,807	-	-
Greater than five years		119,684	152,064	-	-
Total operating lease commitments		328,328	373,043	-	-
Lease commitments under non cancellable finance leases:					
Not later than one year		286,716	230,821	-	-
Later than one year and not later than five years		194,058	356,435	-	-
Greater than five years			-	-	-
Less future finance charges		(37,519)	(53,399)	-	-
Total finance lease commitments		443,255	533,857	-	-

24. Commitments and Contingencies

At balance date no commitments existed (2009 nil).

At balance date no contingencies existed (2009 nil).

25. Economic Dependency

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

26. Subsequent Events

Subsequent to 31 May 2010, the Group successfully concluded a Rights Issue which was underwritten by its majority equity holder, New Plymouth District Council. The funds raised amounting to NZ$6.52 million will be used by the Group to assist with working capital requirements and financing several capital developments, including wallaby-proof fencing, pasture renewal, soil fertility improvements, water reticulation, and dairy shed technology.

27. Earnings Per Share

The following reflects the income used in the basic and diluted earnings per share computations:

	2010 NZ$	2009 NZ$
(a) Earnings used in calculating earnings per share		
For basic earnings per share:		
Net profit from continuing operations attributable to ordinary equity holders of the parent	548,711	(8,031,987)
	548,711	(8,031,987)
For diluted earnings per share:		
Net profit from continuing operations attributable to ordinary equity holders of the parent	548,711	(8,031,987)
Tax effected interest on convertible redeemable notes	-	-
Net profit attributable to ordinary equity holders of the parent	548,711	(8,031,987)

	2010 #	2009 #
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	68,302,980	67,135,857
Effect of dilution:		
Convertible redeemable notes	22,529	-
Weighted average number of ordinary shares adjusted for the effect of dilution	68,325,509	67,135,857

Subsequent to 31 May 2010, 6,000,000 convertible redeemable notes have been exchanged for shares, at the election of the owners, resulting in the issue of 8,000,000 new shares on 30 June 2010.

Also, subsequent to 31 May 2010, the Group successfully concluded a Rights Issue (refer Note 26) which has resulted in the issue of 8,690,583 ordinary shares on 30 June 2010.

28. Performance against Statement of Intent Targets

The Statement of Intent (SOI) issued by Tasman Farms Limited last year in respect of the 2009/10 financial year included several performance measures. The following table compares the actual results achieved for the year ended 31 May 2010 with the targets contained within the SOI.

	Actual 2010	Target 2010
Shareholders Funds : Total Assets	55%	50%-70%
Milk production - Kg milk solids	4,022,845	4,500,000
Beef production - Kg carcass	1,198,844	1,208,325

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
	Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand	Member
	Tassal Group Limited	Director
	The Van Diemen's Land Company	Director and Shareholder
	Wool Partners International (NZ)	Director
J T Andrews	Forsyth Barr Limited	Employee
	The Van Diemen's Land Company	Director and Shareholder
M L Hampton	Australian Pharmaceutical Industries Limited	Director
	Forestry Tasmania	Director
	Hobart Regional Water Authority	Director
	Impact Fertilisers Pty Limited	Director
	My State Limited	Director
	Tasmanian Perpetual Trustees Limited	Director
	The Van Diemen's Land Company	Director and Shareholder
Dr R Pratt	Feronia Limited	Managing Director
appointed 26 May 2010	Landcare Research	Director
	Testing Laboratory Registration Council and IANZ	Chairman
	The Van Diemen's Land Company	Director and Shareholder
T H Westacott	The Van Diemen's Land Company	Director and Shareholder
appointed 25 September 2009	The Vet Group	Managing Director
	Trameana Pty Limited	Director
M C Trousselot	Taranaki Investment Management Limited	CEO
resigned 26 May 2010	The Van Diemen's Land Company	Director and Shareholder
P S Newland	Abano Healthcare Group Limited	Director
resigned 31 March 2010	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
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 Limited

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

		Shareholding as at	
		31 May 2010	**31 May 2009**
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	-	-
Dr R Pratt	Appointed 26 May 2010 appointed 27 February 2008 resigned 25 February 2009	-	-
T H Westacott	Appointed 25 September 2009	-	-
M C Trousselot	Appointed 25 February 2009 resigned 26 May 2010	-	-
P S Newland	Appointed 16 June 2008 resigned 31 March 2010	-	-
T J Breward	Appointed 2 September 2002 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 2009 to 31 May 2010.

TASMAN FARMS LIMITED

Shareholder Information

Shareholder Statistics

As at 13 August 2010 the total number of voting securities of the Company was 85,826,440. The twenty largest shareholders as at 13 August 2010 were:

Rank	Shareholder	Number of shares	Percentage of issued capital
1	NEW PLYMOUTH DISTRICT COUNCIL	56,139,815	65.41%
2	TEA CUSTODIANS LIMITED - NZCSD <TEAC40>	10,502,093	12.24%
3	HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD <HKBN45>	6,468,750	7.54%
4	KEVIN GLEN DOUGLAS + MICHELLE MCKENNEY DOUGLAS <K & M DOUGLAS A/C>	4,584,469	5.34%
5	KEVIN DOUGLAS + MICHELLE DOUGLAS <DOUGLAS IRREVOCABLE A/C>	2,142,639	2.50%
6	JAMES DOUGLAS + JEAN ANN DOUGLAS <DOUGLAS FAMILY A/C>	2,140,017	2.49%
7	LYNNE MARIE MARX-SHEATHER + WALTER BRENT SHEATHER + PATRICIA VERA SHEATHER + SIMON MIDDLETON PALMER <SHEATHER FAMILY A/C>	185,922	0.22%
8	CLAIRE JOSEPHINE COCKS	128,295	0.15%
9	HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD <HKBN90>	125,000	0.15%
10	CUSTODIAL SERVICES LIMITED <A/C 3>	108,380	0.13%
11	JOAN CANN + STUART RAYMOND CANN <N S & J CANN A/C>	103,050	0.12%
12	LEVERAGED EQUITIES FINANCE LIMITED	95,915	0.11%
13	CUSTODIAL SERVICES LIMITED <A/C 2>	91,688	0.11%
14	WILLIAM MARVIN GRIFFIN	80,000	0.09%
15	SEAN ANTHONY DENNEHY	66,223	0.08%
16	THOMAS ALAN PEGLER (SNR)	65,400	0.08%
17	CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD <CNOM90>	65,150	0.08%
18	JOANNA EDITH SINCLAIR	61,875	0.07%
19	DAVID ALEXANDER BALLANTYNE + ROBYN LOUISE BALLANTYNE <THE CONSTELLATION A/C>	60,212	0.07%
20	GRAEME LESLIE TEE + JOANNE MAREE STEENS + ALFRED PHILLIP DREIFUSS <HAUNUI A/C>	59,411	0.07%
		83,274,304	97.05%

The New Plymouth District Council through its direct shareholding disclosed above and other indirect shareholdings via nominee entities holds 77.65% of the issued capital of Tasman Farms Limited as at 13 August 2010.

Distribution of Shareholders and Shareholdings as at 13 August 2010

Size of Holding	Holders	Shares	Percentage
1-999	84	37,075	0.04%
1,000-4,999	183	408,867	0.48%
5,000-9,999	63	422,996	0.49%
10,000-49,999	72	1,581,458	1.84%
50,000+	22	83,376,044	97.14%
	424	85,826,440	100.00%