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## HALF YEAR ANNOUNCEMENT FOR THE PERIOD ENDED 30 NOVEMBER 2010

Directors are pleased to announce the result for Tasman Farms Limited (TFL) for the six month period ended 30 November 2010.

TFL owns 98.15% of the Van Diemen's Land Company (VDL) which owns and operates a successful large-scale dairy and pastoral farming business in the North West of Tasmania.

TFL has reported tax adjusted figures for the half year ended 30 November 2010 which is consistent with the adoption of International Financial Reporting Standards (IFRS) in May 2008.

**Results for announcement to the market**

Extracts of Tasman Farms Limited results for the half year ended 30 November 2010 (all comparisons to the half year ended 30 November 2009)

	\$	Up/down	Movement %
Revenues from continuing operations	21,470,677	Up	75%
Profit / (loss) before financing costs and tax	4,142,769	Up	426%
Finance costs	(1,307,778)	Down	27%
Income tax (expense) / benefit	(792,687)	Up	1497%
Net profit/(loss) from continuing operations	2,042,304	Up	367%

No dividends have been declared or paid during the current or preceding reporting periods.

	30 November 2010	30 November 2009
Net Tangible Assets per share (\$)	\$1.70	\$2.01
Basic Earnings per share (\$)	\$0.0234	\$(0.0190)

## **Group Result for the Half Year Ended 30 November 2010**

The overall result for Tasman Farms Limited and its subsidiaries ("the Company") was a net profit after tax of NZ\$2.04 million, versus a loss of NZ\$0.75million.

The improved farm gate milk price compared to the previous year had a positive impact on gross revenue. The average farm gate price for the six months to November was NZ\$6.15 (AU\$4.85), an increase of 25% on the previous corresponding half year. Livestock values have also increased by 65% to an average of NZ\$1,570 (AU\$1,238).

Sales revenue has increased by NZ\$ 9.08 million compared to the previous corresponding half year, as a result of increased milk production and prices, and increased livestock sales. However, poor weather conditions caused later than anticipated pasture growth, increasing reliance on feed supplements, resulting in an increase in farm working expenses.

Milk production for the period was 2,935,843 kg milk solids, an increase of 30% compared to the previous corresponding half-year.

### **Capital Raising**

The Company successfully concluded a Rights Issue in June 2010 which was underwritten by New Plymouth District Council. The funds raised amounting to NZ\$6.52 million are being used by the Company to finance development of the Tasmanian farming operations.

On 30 June 2010 New Plymouth District Council elected to convert NZ\$6.00 million Convertible Redeemable Notes to ordinary shares, at a conversion price of NZ\$0.75 per share.

### **Outlook**

The Company's major milk processor in Tasmania, Fonterra Australia (Bonlac Supply Company Limited) announced a milk price increase of NZ\$0.16 (AU\$0.13) per kilogram of milk solids on 20 January 2011 after completion of the half year accounts. This increase is retrospective to 1 July 2010.

The quantum of further price increases, if any, will have a significant bearing on the final result for the full financial year.

At present, 14 of the Company's 23 dairy farms are operated under variable order Sharefarming Agreements, 1 under a 50:50 Sharefarming Agreement, and 8 farms operated by managers employed by the Company.

As all farm returns and costs are transacted in Australian dollars any change in the NZD/AUD exchange rate affects the financial reports which are reported in NZD.

## **Summary**

In summary, the Tasmanian domiciled VDL has benefited from operational improvements and increased prices. Management and the Board of Directors continue to monitor all aspects of the operations and seek additional operational improvements to benefit the Company's financial performance.

I would like to acknowledge the support of Robin Pratt, who resigned from the Board in December 2010.

I also acknowledge the contribution of John Andrews who resigned from the board in January 2011. John joined the board in February 2007 and has been actively involved in a change of major shareholder, significant management practice improvements and three capital raisings during the period of his directorship.

I welcome to the Board Keith Sutton and Elaine Gill, who have been appointed as Directors by the Board in January 2011. Keith and Elaine will be presented to the shareholders for election at the next shareholders meeting.

**John Watson AM**  
**Chairman**  
**27 January 2011**

**PRODUCTION SUMMARY  
FOR THE SIX MONTHS ENDED 30 NOVEMBER 2010**

	2010	2009	2008
<b>DAIRY OPERATIONS</b>			
<b>Number of Farms</b>			
Tasman Farmdale Pty Ltd	12	12	12
The Van Diemen's Land Company- Dairies Pty Ltd	11	11	11
<b>Total</b>	<b>23</b>	<b>23</b>	<b>23</b>
<b>Effective Hectares</b>			
Tasman Farmdale Pty Ltd	1,796	1,796	1,796
The Van Diemen's Land Company-Dairies Pty Ltd	4,296	4,296	4,296
<b>Total</b>	<b>6,092</b>	<b>6,092</b>	<b>6,092</b>
<b>Milking Cows</b>			
Tasman Farmdale Pty Ltd	4,183	2,558	3,765
The Van Diemen's Land Company-Dairies Pty Ltd	10,093	9,592	10,847
Replacement Heifers on Heifer Unit	6,766	8,264	7,518
<b>Total</b>	<b>21,042</b>	<b>20,414</b>	<b>22,130</b>
<b>Production - Kilograms of Milk Solids</b>			
Tasman Farmdale Pty Ltd	753,928	595,735	673,375
The Van Diemen's Land Company-Dairies Pty Ltd	2,181,915	1,667,631	1,806,034
<b>Total</b>	<b>2,935,843</b>	<b>2,263,366</b>	<b>2,479,410</b>
Farmgate Milk Price AU\$ per Kg of Milk Solids	\$4.85	\$3.83	\$5.21
<b>NON DAIRY OPERATIONS</b>			
<b>Cattle</b>			
Numbers slaughtered	1,086	1,010	1,381
Closing Cattle on hand	5,159	7,140	12,330
<b>Sheep</b>			
Lambs slaughtered	395	211	363
Closing Sheep on hand	2,881	1,416	1,562
<b>Non-Dairy Area – Hectares</b>			
Beef and Sheep	3,442	3,442	3,442
Heifer Operations	1,964	1,964	1,964
<b>Total</b>	<b>5,406</b>	<b>5,406</b>	<b>5,406</b>

(This document and the accompanying Half-year financial report of Tasman Farms Limited are available on The Van Diemen's Land Company website [www.vdlfarms.com.au](http://www.vdlfarms.com.au))

## Review Report to the Shareholders of Tasman Farms Limited

We have reviewed the attached interim financial statements. The interim financial statements provide information about the past financial performance of the group and its financial position as at 30 November 2010. This information is stated in accordance with the accounting policies set out in the group's annual financial statements dated 27 August 2010.

This report is made solely to the group's shareholders, as a body, in accordance with the Financial Reporting Act 1993 and other relevant legislation and law. Our review has been undertaken so that we might state to the group's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's shareholders as a body, for our review work, for this report, or for our findings.

### Directors' Responsibilities

The directors are responsible for the preparation of interim financial statements which comply with generally accepted accounting practice in New Zealand and which present fairly the financial position of the group as at 30 November 2010 and the results of its operations and cash flows for the six month period ended on that date.

### Reviewer's Responsibilities

We are responsible for reviewing the interim financial statements presented by the directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the interim financial statements do not present fairly the matters to which they relate.

### Basis of Statement

A review is limited primarily to enquiries of group personnel and analytical review procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, do not express an audit opinion.


We have reviewed the interim financial statements of the group for the six months ended 30 November 2010 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. These standards require that we plan and perform the review to obtain moderate assurance as to whether the statements are free of material misstatement whether caused by fraud or error. We also evaluated the overall adequacy of the presentation of information in the interim financial statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the group or any of its subsidiaries.

### Statement of Review Findings

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not fairly present the financial position of the group as at 30 November 2010 and its financial performance and cash flows for the six month period ended on that date in accordance with generally accepted accounting practice in New Zealand.

Our review was completed on 27 January 2011 and our findings are expressed as at that date.



Ernst & Young  
Chartered Accountants  
Christchurch

# TASMAN FARMS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2010

	Audited as at 31 May 10	Unaudited as at 30 Nov 09	Unaudited as at 30 Nov 10
	Consolidated		
<b>Current assets</b>			
Cash assets	190,024	130,759	205,310
Trade and other receivables	1,882,082	2,647,954	3,304,124
Livestock and inventories	6,479,186	8,556,878	7,647,272
Other	246,238	360,804	364,150
<b>Total current assets</b>	<b>8,797,530</b>	<b>11,696,395</b>	<b>11,520,856</b>
<b>Non-current assets</b>			
Other financial assets	3,380,129	2,915,022	3,517,921
Property, plant and equipment	194,601,616	211,471,916	204,035,043
Livestock and inventories	26,924,713	18,043,671	30,956,662
Memorabilia	1,788,269	2,217,091	1,854,928
<b>Total non-current assets</b>	<b>226,694,727</b>	<b>234,647,700</b>	<b>240,364,554</b>
<b>Total assets</b>	<b>235,492,257</b>	<b>246,344,095</b>	<b>251,885,410</b>
<b>Current liabilities</b>			
Payables	4,303,539	2,599,205	6,235,046
Interest-bearing liabilities	313,627	212,474	331,181
Provisions	181,689	133,012	185,647
<b>Total current liabilities</b>	<b>4,798,855</b>	<b>2,944,691</b>	<b>6,751,874</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	59,879,870	59,195,408	52,829,598
Deferred tax liability	41,151,205	42,728,851	43,491,336
<b>Total non-current liabilities</b>	<b>101,031,075</b>	<b>101,924,259</b>	<b>96,320,934</b>
<b>Total liabilities</b>	<b>105,829,930</b>	<b>104,868,950</b>	<b>103,072,808</b>
<b>Net assets</b>	<b>129,662,327</b>	<b>141,475,145</b>	<b>148,812,602</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent:</b>			
Contributed equity	71,825,590	71,825,590	84,083,608
Reserves	82,807,379	95,919,563	87,567,122
Retained profits / (losses)	(27,375,408)	(28,871,493)	(25,366,545)
<b>Total parent equity</b>	<b>127,257,561</b>	<b>138,873,660</b>	<b>146,284,185</b>
Minority interests	2,404,766	2,601,485	2,528,417
<b>Total Equity</b>	<b>129,662,327</b>	<b>141,475,145</b>	<b>148,812,602</b>
<b>Total Funds Employed</b>	<b>235,492,257</b>	<b>246,344,095</b>	<b>251,885,410</b>

# TASMAN FARMS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE 6 MONTH PERIOD TO 30 NOVEMBER 2010

	Audited for the year to 30 May 10	Unaudited for the 6 months to 30 Nov 09	Unaudited for the 6 months to 30 Nov 10
	Consolidated		
<b>Continuing Operations</b>			
Sales Revenue	26,487,479	12,205,667	21,282,411
Net increase/(decrease) in value of livestock	9,221,097	1,406,202	4,101,098
Cost of sales	(2,003,173)	(183,389)	(1,140,418)
<b>Gross Profit</b>	<b>33,705,403</b>	<b>13,428,480</b>	<b>24,243,091</b>
Other revenues from continuing operations	1,357,319	787,466	188,266
Farm Working expenses	(21,536,691)	(10,453,223)	(17,300,706)
Administration expenses	(2,210,549)	(1,323,331)	(1,126,370)
Depreciation expense	(627,361)	(268,524)	(512,739)
Employee benefit expense	(2,536,438)	(1,197,893)	(1,348,773)
Finance Costs	(3,753,622)	(1,795,981)	(1,307,778)
<b>Profit / (Loss) before income tax</b>	<b>4,398,061</b>	<b>(823,006)</b>	<b>2,834,991</b>
Income tax (expense) / benefit	(3,624,747)	56,760	(792,687)
<b>Net profit / (loss) from continuing operations after income tax expense</b>	<b>773,314</b>	<b>(766,246)</b>	<b>2,042,304</b>
Foreign Currency translation	(1,288,939)	2,655,482	4,849,953
Increase / decrease in asset revaluation reserve	(13,421,649)	-	-
Income Tax on Other Comprehensive Income	4,026,495	-	-
<b>Other Comprehensive Income</b>	<b>(10,684,093)</b>	<b>2,655,482</b>	<b>4,849,953</b>
<b>Total Changes in Equity other than those resulting from transactions with owners as owners</b>	<b>(9,910,779)</b>	<b>1,889,236</b>	<b>6,892,257</b>
<b>Net profit / (loss) after tax attributable to:</b>			
Minority Interest	17,869	(12,803)	33,441
Members of the parent	755,445	(753,443)	2,008,863
	<b>773,314</b>	<b>(766,246)</b>	<b>2,042,304</b>
<b>Total comprehensive income attributable to:</b>			
Minority Interest	(180,856)	15,863	123,651
Members of the parent	(9,729,922)	1,873,373	6,768,606
	<b>(9,910,778)</b>	<b>1,889,236</b>	<b>6,892,257</b>

# TASMAN FARMS LIMITED

## STATEMENT OF CASH FLOWS FOR THE 6 MONTH PERIOD TO 30 NOVEMBER 2010

	Audited for the year to 30 May 10	Unaudited for the 6 months to 30 Nov 09	Unaudited for the 6 months to 30 Nov 10
Consolidated			
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	24,198,219	10,180,447	19,347,611
Dairy stock sales	1,738,134	755,170	656,638
Payment to suppliers and employees	(26,369,596)	(15,438,594)	(18,628,887)
Interest received	65,035	35,352	23,219
Dividends received	58	35	153,001
Dairy stock purchases	(1,397,205)	(44,762)	(1,106,169)
Finance costs	(3,753,623)	(1,103,306)	(1,307,779)
<b>Net surplus / (deficit) from operating</b>	<b>(5,518,978)</b>	<b>(5,615,658)</b>	<b>(862,367)</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sales of property, plant and equipment	20,966	-	19,601
Purchase of property, plant and equipment	(3,485,492)	(918,638)	(2,674,884)
Repayment from/(advance to) non related parties	266,354	(28,335)	131,755
<b>Net surplus / (deficit) from investing</b>	<b>(3,198,172)</b>	<b>(946,973)</b>	<b>(2,523,528)</b>
<b>Cash Flows from Financing Activities</b>			
Advance from / (to) subsidiaries	-	-	-
Equipment financing	122,231	-	590,207
Repayment of equipment financing	(208,802)	-	(201,381)
Drawdown on Rabo revolving credit facility	(790,166)	7,798,042	(3,267,450)
External financing	-	-	-
Proceeds from issue of shares	2,000,000	2,000,000	6,158,018
Convertible redeemable notes issued	6,182,762	-	-
<b>Net surplus / (deficit) from financing</b>	<b>7,306,025</b>	<b>9,798,042</b>	<b>3,279,394</b>
Net increase / (decrease) in cash held	(1,411,125)	3,235,411	(106,501)
Cash at the beginning of the year	1,483,986	(3,115,778)	136,744
Net Foreign exchange differences	63,883	11,126	175,067
<b>Cash at the end of the year</b>	<b>136,744</b>	<b>130,759</b>	<b>205,310</b>

### 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 statement of financial position as follows:

Bank Overdraft	(53,280)	-	-
Cash at bank and on hand	190,024	130,759	205,310
	<b>136,744</b>	<b>130,759</b>	<b>205,310</b>



# TASMAN FARMS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTH PERIOD TO 30 NOVEMBER 2010

	Issued Capital	Currency Fluctuation Reserve	Asset Revaluation Reserve	Retained Earnings	Minority Interest	Total
<b>Consolidated</b>						
Balance as at 1 June 2009	69,825,590	4,733,456	88,559,291	(28,130,853)	2,585,622	137,573,106
Profit/(loss) for the year	-	-	-	4,312,772	85,289	4,398,061
Income tax benefit / (expense)	-	-	-	(3,557,327)	(67,420)	(3,624,747)
Share issue	2,000,000	-	-	-	-	2,000,000
Foreign currency translation	-	(137,512)	(1,127,452)	-	(23,975)	(1,288,939)
Revaluation of land and buildings	-	-	(12,812,036)	-	(242,821)	(13,054,857)
Revaluation of Memorabilia	-	-	(359,970)	-	(6,822)	(366,792)
Deferred tax liability on revaluation	-	-	3,951,602	-	74,893	4,026,495
Purchase of shares from minority	-	-	-	-	-	-
<b>Balance as at 31 May 2010</b>	<b>71,825,590</b>	<b>4,595,944</b>	<b>78,211,435</b>	<b>(27,375,408)</b>	<b>2,404,766</b>	<b>129,662,327</b>
Profit/(loss) for the year	-	-	-	2,786,806	48,185	2,834,991
Income tax benefit / (expense)	-	-	-	(777,943)	(14,744)	(792,687)
Share issue	6,258,018	-	-	-	-	6,258,018
Conversion of convertible notes to equity	6,000,000	-	-	-	-	6,000,000
Foreign currency translation	-	1,350,699	3,409,044	-	90,210	4,849,953
Revaluation of land and buildings	-	-	-	-	-	-
Revaluation of Memorabilia	-	-	-	-	-	-
Deferred tax liability on revaluation	-	-	-	-	-	-
Purchase of shares from minority	-	-	-	-	-	-
<b>Balance as at 30 November 2010</b>	<b>84,083,608</b>	<b>5,946,643</b>	<b>81,620,479</b>	<b>(25,366,545)</b>	<b>2,528,417</b>	<b>148,812,602</b>

# Tasman Farms Limited

## Consolidated Notes to the Financial Statements

for the 6 month period to 30th November 2010

### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Tasman Farms Limited (TFL) for the year ended 31 May 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by TFL and its controlled entities during the half-year ended 30 November 2010.

#### **(a) Basis of accounting**

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, and applicable Accounting Standards including NZ IAS 34 Interim Financial Reporting and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for land and buildings, memorabilia, derivative financial instruments and certain other investments that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report is presented in New Zealand dollars.

#### **(b) Statement of compliance**

The half-year financial report complies with New Zealand generally accepted accounting standard. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") as appropriate for profit-orientated entities. Compliance with NZ IFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### **(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of TFL and its subsidiaries, referred to collectively throughout these financial statements as the “Consolidated Entity”.

All inter company balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

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

### **(d) Significant accounting policies**

Except as noted below, the half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 31 May 2010.

Where appropriate, the November 2009 comparative information has been updated to correctly align with the allocations for May 2010 and November 2010.

### **(e) Changes in accounting policies**

Costs incurred prior to 31 May 2010 relating to new capital raised from shareholders was deducted from income in the Annual Report and Accounts for the year ended 31 May 2010. The accounting standards require these costs to be deducted from contributed equity, and the financial statements to 30 November 2010 reflect this change. The comparative data for May 2010 has also been amended.

There are a number of Standards and Interpretations that will be mandatory in future reporting periods. The Consolidated Entity has not elected to early adopt these Standards and Interpretations and does not expect them to have a material effect on the reported financial position or performance of the Consolidated Entity.

### **(f) Farm Valuations**

In accordance with the Group’s Farm Valuation Policy, farm carrying values have not been restated at 30 November 2010. Farms were last restated at 31 May 2010.

### **(g) Livestock Valuations**

Livestock carrying values have been restated at 30 November 2010. Livestock were last restated at 31 May 2010. The Board proposes to restate livestock values again at 31 May 2011.

## **2. REVENUES**

Profit before income tax expense includes the following revenues whose disclosure is relevant in explaining the performance of the Consolidated Entity.

	Audited For the year to <b>May-10</b> NZD	Unaudited For the 6 months to <b>Nov-09</b> NZD	Unaudited For the 6 months to <b>Nov-10</b> NZD
Milk Revenue	20,718,935	10,872,740	19,090,952
Livestock Revenue	5,627,296	1,605,782	1,784,083
Other Revenue	141,248	272,855	407,376
Total Sales Revenue	26,487,479	12,205,667	21,282,411

## **3. CONTRIBUTED EQUITY**

On 30 June 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 are being 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.

On 30 June 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.

## **4. CONTINGENT LIABILITIES**

There are no contingent liabilities as at 30 November 2010.

## **5. SUBSEQUENT EVENTS**

No other matters or circumstances have arisen since 30 November 2010 which significantly affected or may significantly affect the operations.

## **6. RELATED PARTY TRANSACTIONS**

At 30 November 2010, TFL was owed NZ\$12,779,921 by its subsidiary The Van Diemen's Land Company (VDL). These funds have been advanced to VDL to fund development of the Tasmanian operations.

## **7. CAPITAL COMMITMENTS**

Group estimated capital expenditure contracted for at 30 November 2010, but not yet incurred was \$824,652 (2009 nil).

## **8. CASH FLOW INFORMATION**

Reconciliation of Net Profit / (Loss) after taxation to Net Cash Flows from Operating Activities:

	Audited For the year to <b>May-10</b> <b>NZD</b>	Unaudited For the 6 months to <b>Nov-09</b> <b>NZD</b>	Unaudited For the 6 months to <b>Nov-10</b> <b>NZD</b>
Operating Profit/(Loss) After Taxation and Before Minority Interests	773,314	(766,246)	2,042,304
<b>Non cash flows in operating profit/(loss) from ordinary activities:</b>			
Depreciation	627,361	268,524	512,739
Impairment	309,945	269,845	51,503
(Profit)/loss on sale of assets	(14,160)	-	(449)
Foreign exchange (gain) / loss	935	22,359	(521,157)
Interest rate derivative change in value	(1,249,322)	(692,675)	(11,597)
<b>Changes in assets and liabilities:</b>			
(Increase)/decrease in receivables	(604,556)	(1,365,402)	(1,265,358)
(Increase)/decrease in other assets	(188,181)	(294,012)	(317,763)
(Increase)/decrease in dairy livestock	(9,740,609)	(256,441)	(2,977,611)
(Increase)/decrease in inventories	(465,293)	(2,308,018)	(911,058)
Increase/(decrease) in payables	1,348,689	(442,280)	1,745,584
Increase/(decrease) in tax liabilities	3,624,746	(56,760)	792,687
Increase/(decrease) in provisions	58,153	5,448	(2,191)
Net Cash from Operating Activities	(5,518,978)	(5,615,658)	(862,367)

## **9. 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:

## **9. SEGMENT INFORMATION (continued)**

- 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 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.

## 9. SEGMENT INFORMATION (continued)

Details of products and services by segment are as follows:

	Six months to Nov 2010			Six months to Nov 2009		
	Continuing Operations			Continuing Operations		
	Dairy	Beef & Sheep	TOTAL	Dairy	Sheep&Beef	TOTAL
<b>Revenue</b>						
Sales to external customers	19,782,991	1,474,056	21,257,047	11,336,934	962,670	12,299,604
Other revenue from external customers	178,357	-	178,357	443,882	-	443,882
Inter-segment sales		2,269,087	2,269,087		1,476,184	1,476,184
Total segment revenue	19,961,348	3,743,143	23,704,491	11,780,816	2,438,854	14,219,670
Inter-segment elimination			(2,269,087)			(1,476,184)
Unallocated revenue			35,273			249,647
Total consolidated revenue			<u>21,470,677</u>			<u>12,993,133</u>
<b>Result</b>						
Segment results	1,902,167	1,632,577	3,534,744	(1,100,482)	1,039,429	(61,053)
Unallocated expenses			608,025			1,034,028
Profit/(loss) before tax and finance costs			4,142,769			972,975
Finance costs			(1,307,778)			(1,795,981)
Profit/(loss) before income tax			2,834,991			(823,006)
Income tax expense			(792,687)			56,760
Net profit/(loss) for the year			<u>2,042,304</u>			<u>(766,246)</u>
<b>Assets and liabilities</b>						
Segment assets	173,246,198	76,849,156	250,095,354	161,077,215	82,017,870	243,095,085
Unallocated assets			1,790,056			3,249,010
Total assets			<u>251,885,410</u>			<u>246,344,095</u>
Segment liabilities	3,822,065	2,190,117	6,012,182	1,371,428	1,057,989	2,429,417
Unallocated liabilities			97,060,626			102,439,533
Total liabilities			<u>103,072,808</u>			<u>104,868,950</u>
<b>Other segment information</b>						
Capital expenditure	1,522,216	1,152,668	2,674,884	682,923	235,715	918,638
Depreciation	71,685	411,054	482,739	39,194	224,330	263,524
Revaluation of land and buildings	-	-	-	-	-	-

Details by locations are as follows:

	Consolidated		New Zealand		Australia	
	Nov 2010	Nov 2009	Nov 2010	Nov 2009	Nov 2010	Nov 2009
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Revenue	21,470,677	12,993,133	-	-	21,470,677	12,993,133
Profit/(loss) after taxation	2,042,304	(766,246)	(134,845)	(77,923)	2,177,149	(688,323)
Total assets	251,885,410	246,344,095	311,916	13,288	251,573,494	246,330,807