Ravensdown

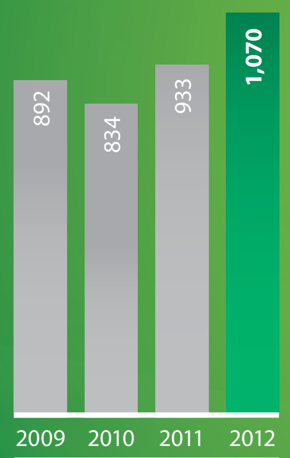
ANNUAL REPORT 2012

For a fertile future

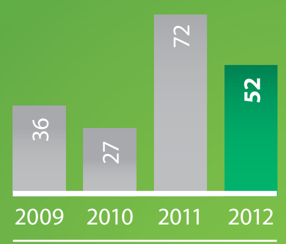
FINANCIAL HIGHLIGHTS

In New Zealand Dollars

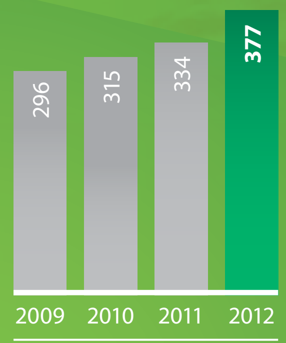
2012 SAW
15%
GROWTH
IN REVENUE
FROM 2011



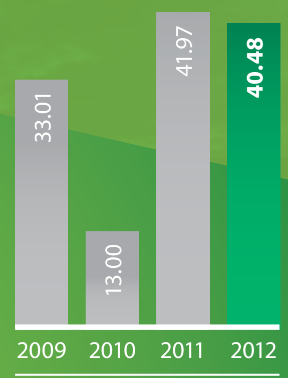
TOTAL REVENUE
($M)



PROFIT BEFORE REBATE AND TAX
($M)

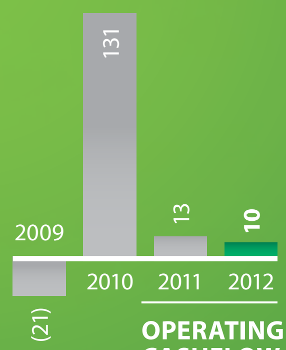


TOTAL EQUITY ($M)
(excludes hedging reserve)

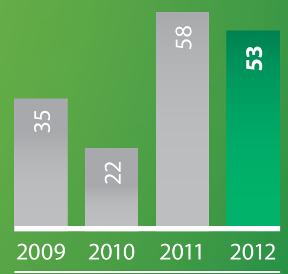


SHAREHOLDER DISTRIBUTION
($/T) (fully imputed)

FERTILISER SALES
(M TONNES)



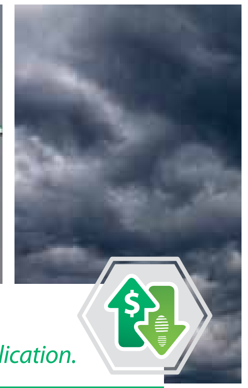
OPERATING CASHFLOW
($M)



TOTAL DISTRIBUTED TO SHAREHOLDERS
($M)

CHAIRMAN & CEO'S REPORT

The 2011-2012 year was highlighted by the performance of all of our New Zealand businesses which contributed profit to our bottom line, but it was also a year of unfulfilled promises for Ravensdown. We heard from you our shareholders that you were having probably the best year that farming had ever experienced, with celebrations of record pay-outs for lamb, very high dairy payments and arable farmers also doing pretty well.



Weather caused challenges to application.

This was despite a very high exchange rate. We had seen the possibility of getting all of you back to at least maintenance levels of fertiliser application. In the end, this did not occur, not because of your unwillingness to purchase fertiliser, but more because the weather continued to prevent fertiliser application during the summer and autumn. At the end of that we then saw dairy and meat prices drop from their high values.

The economic woes of the US may be starting to be repaired, but those of Europe may linger for many years. The impact of this on Asia and particularly China is now becoming apparent and the falling agriculture commodity prices are certainly hurting a lot of you. We now await with interest to see when the impact of the drought in the mid-west of the US flows through.

FERTILISER COMMODITY PRICES

We have seen our fertiliser commodity prices undergo a significant roller-coaster ride over the past 12-18 months. For example, urea prices were around US$500 a tonne for much of the second half of 2011, then over the first half of 2012 dropped to US$400 a tonne, rose back to US$500 a tonne by May and then dropped again to US$400 with a slow strengthening over July-August. This volatility in the commodity prices has been difficult for us to manage.

We are reluctant to change prices to you mid-season as we believe part of our role is to take the volatility out of fertiliser so that you do not have to worry about it. We need to ensure we are as efficient as we possibly can be and that we manage these variations for you. As it has turned out, we have managed to maintain an almost unchanged price of urea for 12 months, with our margin being significantly squeezed and then this being rapidly corrected as the commodity prices shifted.

LIFT PRODUCTION | LOWER FOOTPRINT

CONTENTS

In this regard, it is important to acknowledge the significant assistance that our very long-term relationship with Sabic has given us. Sabic is an enormous urea producer in Saudi Arabia. Ravensdown has had a relationship with Sabic since 1996.

Similarly, our major DAP suppliers of Kailin in China and Mosaic through Phoschem in the US have also been very strong supporters of our co-operative in both Australia and New Zealand. Again, the benefit of these very long-term relationships has been evident in the support that we have been able to pass on to you through their assistance.

We have also continued to experience very good support from OCP of Morocco. OCP hold the majority of the world's reserves of phosphate rock. They have particularly supported us in the supply of their high quality Boucraa rock which is essential in the manufacture of single superphosphate.

The ongoing supply of this is extremely important in enabling you not only to obtain your phosphate from single superphosphate, but also to recognise the real benefit of this product in supplying you with low cost sulphate sulphur. We enhance this benefit to you by manufacturing our own sulphuric acid at all three of our superphosphate manufacturing plants.

For this we are also grateful for the ongoing and very strong support given to us by Shell Sulphur. Again, this has been a very long and exclusive relationship and one that has given major benefits to shareholders of Ravensdown.

As we see more turmoil in the commodity markets, the real value of these long-term relationships and friendships becomes even more apparent.

Of course, the list is not limited to these companies. We also have Canpotex, Kali and Salz (K+S), Belarus Potash Corporation and now Eurochem (who have recently taken over the compound fertiliser assets of K+S).

ENVIRONMENTAL STEWARDSHIP

The other real feature of this last financial year has been the avalanche of environmental regulations coming down on our New Zealand shareholders. We had been anticipating this for many years. We believed that unfortunately this increasing environmental vigilance was inevitable and, indeed, simply a shadowing of what had already been in place overseas. We have been preparing for this since 1996. The fertiliser industry development of the OVERSEER model, with the assistance of MAF and AgResearch in the mid-1990s, has been an invaluable tool to allow us to assist you to continue to farm in a more regulated environment. Since 1996 we have and are continuing to heavily invest in the development of this very important model. There is a cash investment of $1 million a year by the fertiliser industry and Ministry for Primary Industries to make sure that this model meets your needs going forward.

24,226
application maps produced

Ravensdown has also strongly supported the Federated Farmers' initiatives of Fertmark (launched in 1992) and Spreadmark (launched in 1994) and the fertiliser Code of Practice (launched by the fertiliser industry in 1998) which was upgraded in 2002 and again in 2007 to become the Code of Practice for Nutrient Management. These form the platform to ensure that the fertiliser you get is what you need and also that it is applied correctly.

LEADERSHIP IN SPREADING

Ravensdown saw another significant gap in the quality of fertiliser application. We have moved aggressively to fill this. Some of you have wondered why Ravensdown entered into ground spreading. We did this for two reasons:

Firstly, to utilise high quality spreading equipment and technology so that the application is accurately made. We have seen a significant lift in technology since our involvement.

Secondly, to utilise GPS systems to ensure that not only is the fertiliser spread accurately, but that it goes where it is supposed to go and that you have a record of where it has been applied.

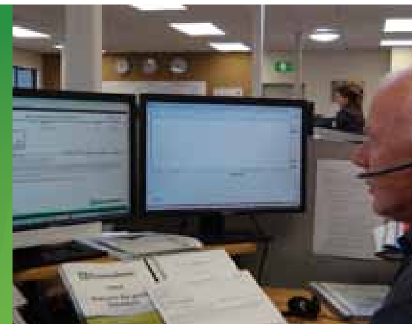
We are now producing over 20,000 fertiliser application maps a year and these are available on-line.

In the 1990s we also developed the ability to create nutrient budgets for you. As we rolled these out to you in the mid-2000s it became apparent that in some cases fertiliser was being over-applied and many of you saved considerable amounts of money by being able to reduce your fertiliser applications.

The budgets have now been developed into nutrient management plans and Ravensdown is very proud to have led this in New Zealand. The majority of our dairy farms and now a number of sheep and beef farms have high quality nutrient management plans.

Making our own sulphuric acid at all three superphosphate plants brings benefits.

Enduring partnerships with strategic suppliers have assured supply whilst nutrient management plans and support for industry R&D bring long-term value.



Ravensdown at the cutting edge: ARL and C-DAX use state-of-the-art equipment.

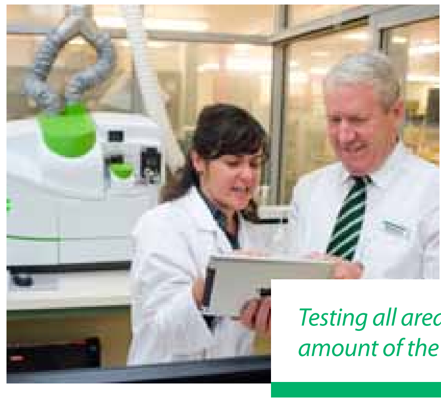
The backbone of this is a very well-developed information technology system. Ravensdown is investing considerable amounts of money in this to ensure that we can be the repository for all of your information so you do not have to worry about maintaining records yourself, either on paper or on your own computers.

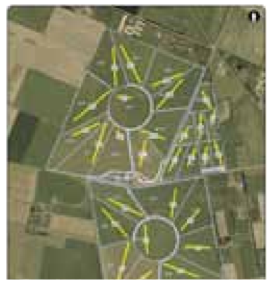
We will maintain your records, we will store them and we will safeguard them for you. This development has been a major focus and before Christmas we will launch the next phase of our IT system, which will link all of your information including that from C-DAX.

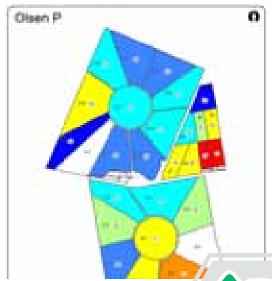
Many of you will have seen the results of the initial launch of the new "My Ravensdown" where your invoicing is now available for you on-line and this is capable of significant self-customisation so that you can see as little or as much information on your commercial transactions with Ravensdown as you desire. The next launch will include the ability to record your own farm information and to enable you to do this, an upgraded mapping system will be available. We will also introduce for you the opportunity for much better on-line ordering and will encourage you to use this system.

Sitting behind all of this is our very sophisticated laboratory – ARL – located in Awatoto in Hawkes Bay. We benchmarked this laboratory last year against the best US and Australian laboratories and are extremely proud to see that it stands above most of its peers.

We continue to invest very heavily in ARL to make sure that the technology used is at the forefront of that available and this includes a large number of different pieces of equipment. With the soil samples now having GPS co-ordinates associated with them we can guarantee the efficacy of this process.







Testing all areas highlights variability and means the right amount of the right nutrient can go in the right place.

55% of paddocks across 5,300 dairy farms surveyed were below optimum Olsen P

A major initiative introduced during the last year has been encouraging you to sample all of your paddocks. Even on extremely well-managed farms we have found significant variability in phosphate and pH levels between different paddocks.

This has enabled those who have carried out this work to increase their production at no increase in cost by reducing the amount of fertiliser applied to those paddocks showing high Olsen P levels with that fertiliser then being applied to those paddocks that do need the additional phosphate.

The benefits of the significant investment in eco-n made by Ravensdown and Lincoln University are now becoming apparent. Eco-n needs to be better recognised inside OVERSEER and this work is currently underway. What is no longer in dispute is that eco-n gives a major reduction in nitrate leaching from dairy farms.

The use of eco-n will be a necessity for those of you who wish to continue to maintain reasonable stocking rates on your dairy farms because it is the most practical mitigation of the nitrate that can result from the cow urine.

We are in debt to Professors Keith Cameron and Hong Di for the ground-breaking work they did to create this product and the ongoing support they give dairy farmers to make sure you understand the technology.

WORKING FOR YOU

The glue to all this is our staff. We are extremely proud of all of the people who work for Ravensdown.

We have the store people to provide the service of getting you the fertiliser and also the account managers to assist and advise you. They put a lot of effort into ensuring they have the right skills and qualifications to support you to meet environmental limits while increasing production. As such, they take part in a large number of courses at both Massey and Lincoln universities to ensure that they are trained and qualified to get us through this next stage in New Zealand's agricultural development.

We have worked intensively on your behalf on regional plans to support practical solutions and your ability to farm.

We have continued to support you through a range of other farm inputs. This means that you not only get your fertiliser at cost but in New Zealand you are also getting agricultural chemicals, animal health products, lime, seed and in the North Island nutrition, effectively at cost. We are continuing to invest significantly in a lot of these. We have developed or purchased a number of new agricultural chemical and parasiticide products so that you own the intellectual property. This continues our theme of ensuring that we are not simply ticket clippers on someone else's products. Our target for you is that you own the products you are buying in all respects, so that we can be as efficient as possible in supplying you.

CO-OPERATIVE FINANCIAL PERFORMANCE

What has been a very positive result in this financial year is that all of these business streams that Ravensdown is involved with in New Zealand have been profitable.

This gives us a very solid platform to further develop all of these. We are also continuing to invest in facilities in New Zealand. In particular, we have a major upgrade for our lime quarry at Dipton which will include the positioning of fertiliser storage assets there and we have a review of all of our other lime quarries and a programme to update all of these where work is necessary.

We have also built new stores, with two recent openings in Balclutha and in Mata. The investment in Mata has meant we now no longer have to lease expensive facilities in Marsden Point and Whangarei.

We are continuing with the major upgrade of the acid plant at Awatoto and have also built a new storage facility at Awatoto, which has enabled us to exit expensive leased property in the Port of Napier.

The damage caused by the September 2010 earthquake at our Hornby works has not yet been fully rectified. Whilst we have completed the repair of the 5,000 tonne tank that was split and the destroyed hot gas filter, we are only just commencing the major work on the buildings.

Western Australia will benefit from having the right suppliers for better quality.

In the first instance, we will build a new shed which will then allow us to progressively replace all the earthquake damaged buildings. Our accounts for the 2011-2012 year include a yet-to-be-received $10.9 million for insurance towards the yet-to-be-repaired material damage side of this claim. This will cover most of the cost of the replacement of these various buildings over the next two or three years.

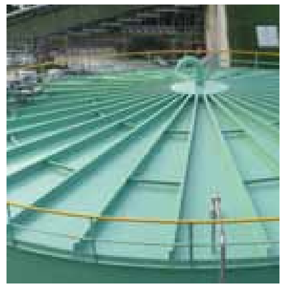
What has not yet been taken into account is the business interruption insurance to cover the additional costs that will be incurred as this earthquake damage is rectified. We have also commenced the replacement of the two earthquake-prone buildings in our Ravensbourne works, a single building to replace our office and laboratory and works amenities buildings will commence shortly.

We continued to experience problems in Australia during this financial year. In Western Australia we delivered high quality DAP and MAP products. We were, however, let down badly by a compound supplier and by the quality of the superphosphate we supplied. The impacts of this lack of supply and quality caused our fertiliser business to go into a loss position. This was further compounded by some asset write-downs and by a significantly unprofitable agricultural chemical business.

As we look forward to the current year in WA, we are confident that we have the right suppliers to give us the required quality and we have the arrangements in place to ensure that we shall be very competitive in this market place, thus being confident that there will be a significant turn-around in our WA business.

Our south-east Australian business is a joint venture with Direct Farm Inputs. This had a minor issue with stock which caused a small loss in this financial year. We are anticipating this position being resolved and, again, remain very confident that DFI will be successful in the current year.

The Queensland business, Ravensdown Fertiliser Australia, broke even before rebate. Again we suffered from adverse weather and some volume issues, but with the completion of the storage facilities in Townsville and the strong support that we received, not only from the CANEGROWERS' Association but also from the canegrowers themselves throughout northern Queensland, we are very confident that this is a very good place for Ravensdown to be running a business on co-operative principles.



Hornby repairs quake-damaged acid tank and also wins Environment Award from GE.

$51.8M pre-rebate pre-tax profit

IN SUMMARY

Your co-operative delivered a pre-rebate, pre-tax profit of $51.8 million for the 2011-2012 year.

This included a contribution from the insurance proceeds for the earthquake damage and a positive contribution from our aglime, agricultural chemical, animal health, nutrition, analytical laboratory, eco-n, ground spreading and aerial spreading businesses. It was affected by a loss in our Australian businesses, but this was tempered by a good profit from Ravensdown Shipping Services.

We are not satisfied with this result and can assure you that significant focus is now being placed on the Australian businesses to ensure that they are profitable in the current year. The turnaround in some of those previously loss-making New Zealand businesses is a very positive reflection on the staff involved.

The strategy of becoming a leading Australasian provider of fertiliser and a prime supplier of other farm inputs, is delivering results.

In making this happen, we acknowledge the leadership shown by our staff across the company and also the very large contribution made by our Board of Directors. We remain in debt to all of those who assist in driving our co-operative forward.

FAREWELL TO JIM

Former Chairman Jim Pringle passed away in July and will be sadly missed by so many shareholders, staff and former staff who had the privilege to know him.

WELCOMING NEW CEO

Your Board has appointed Greg Campbell as Ravensdown's new Chief Executive. Greg, who comes to us from his role as Chief Executive of Ngai Tahu Holdings, will start on 1 January 2013.

ACKNOWLEDGEMENT

As we get nearer to 31 December when our Chief Executive Rodney Green retires, the Board would like to put on record its sincere appreciation on behalf of the directors and shareholders for the huge contribution Rodney has made since he joined Ravensdown in 1997.

In that period, we have seen our company grow from selling fertiliser in New Zealand to an international co-operative selling a large range of farm inputs and this year exceeding a $1 billion turnover. This has been done in an innovative yet prudent way, demonstrating great strategic vision and leadership. This has set the stage for continued growth ensuring the sustainability and long-term existence of Ravensdown.

INTEGRATION & INNOVATION

Ravensdown delivers integrated farm inputs and technical advice to help optimise soil fertility and farm profitability in a sustainable way.

All our capabilities focus on farmers in the arable, dairy and livestock sectors who need to raise production and lower their environmental footprint.

We have the trained teams and technology to help farmers at any stage in the process from analysis, advice and supplying the right nutrients to product application and measurement.

Ravensdown continues to innovate across every stage of the process, turning raw data into valuable information which helps farmers manage their operations.

As a science-based organisation, Ravensdown invests in R&D and technical training for its team of nutrient experts. We continue to support research efforts at Lincoln and Massey universities in a drive towards smarter farming.

Lab Analyst Joe Holloway and Technical Director Peter Lorentz discuss the performance of new testing equipment at ARL.

GET THE FACTS

ARL carried out a record 78,550 soil tests.

As an internationally accredited laboratory, ARL offers fast and accurate data on actual farm conditions using audited processes and state-of-the-art equipment.

Customers benefit from independent analysis carried out by skilled technicians. Because ARL is part of the Ravensdown group, shareholders in New Zealand and Australia benefit because those giving advice in the Customer Centre or in the field refer to the same systems and data as the laboratory to calculate fertiliser recommendations.

Trace element deficiencies can be diagnosed so the impact on stock and crops can be assessed.

Water sample testing is proving particularly popular as farmers get the full facts regarding their farm's possible effects on waterways. When it comes to mitigating effects such as any nitrate leaching, accurate water monitoring also helps farmers discover the most effective course of action.

international accreditation new zealand

GET ADVICE

In-field experience is complemented by the latest best practice research to give expert nutrient advice.

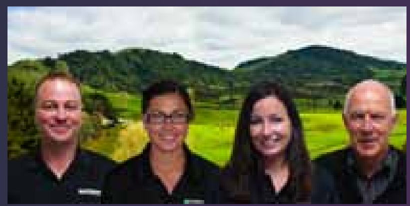
Using the facts gathered by ARL combined with OVERSEER models and their Ravensdown training, the field-based team can discuss options and desired outcomes with each farmer.

2,845 nutrient management plans completed this year

Fertiliser recommendations and nutrient budgets based on solid science and national models are just the start.

Account Managers will look at effluent management, mitigation options for nitrate leaching and consult with farmers on a range of inputs and practical measures.

The goal of all this will be a plan to ensure your nutrient investment is well managed for the sake of your bottom line and the environment.



New Technical Representatives work in the 40-strong Customer Centre to resolve more complex questions. They can advise on the automated fertiliser recommendation generated by ARL at no extra expense.

GET WHAT YOU NEED

NPKS fertiliser from Canada, China, Germany, Korea, Kuwait, Morocco, Nauru, Oman, Peru, Russia, Saudi Arabia, USA and Vietnam makes its way to stores like Balclutha.

From all around the globe to the farmgate, Ravensdown scours the planet for the best nutrients and trace elements to get what farmers need, where and when they're needed. Using vetted suppliers from around the world, we use a network of ports, our own system of stores and infrastructure to assure farmers a consistent supply of quality NPKS products.

Ravensdown has a track record of innovation:

- Silos for improved on-farm accessibility to quality product
- Fertigation where on-farm mixing saves the cartage costs of water
- Pick-up points add convenience
- On-farm delivery through the customer centre or www.myravensdown.co.nz
- Our dedicated shipping operation secures the control needed to meet strict biosecurity standards.

Ravensdown offers an integrated range of key farm inputs: animal health, agchem, nutrition, eco-n, seeds, lime and of course granular and liquid fertilisers. Ravensdown uses its infrastructure and well-managed supply chain to provide these products at lowest sustainable cost direct to shareholders.

950 years of company experience in the WA & NZ stores teams

GET IT ON

Tracking accuracy ensures the right amount of the right nutrient goes in the right place.

Spreadmark Fertmark

37 times around the Earth is the equivalent distance flown by Aerowork last year

After testing, advising and providing the nutrients to raise production and lower the footprint, farmers need to know that these can be applied accurately.

With flow valve control linked to a vehicle location system accurate to 20cm, farmers can be confident their precious nutrients are placed where they're needed. Maps based on the agreed fertiliser plan can be automatically sent to the spreader and the graphical application records can then be uploaded to the farmer's own Ravensdown web pages.

Ravensdown aerial spreading subsidiary Aerowork covers between Te Kuiti in the north down to Oamaru. Pilots of its fleet of 16 planes and four helicoptors battle the weather to deliver precise applications.

Ravensdown's new on-farm mixing of irrigator-friendly fertiliser is proving popular. The little-and-often appeal of irrigator-applied fertiliser is all about convenience and control.

INTEGRATION & INNOVATION

GET RESULTS

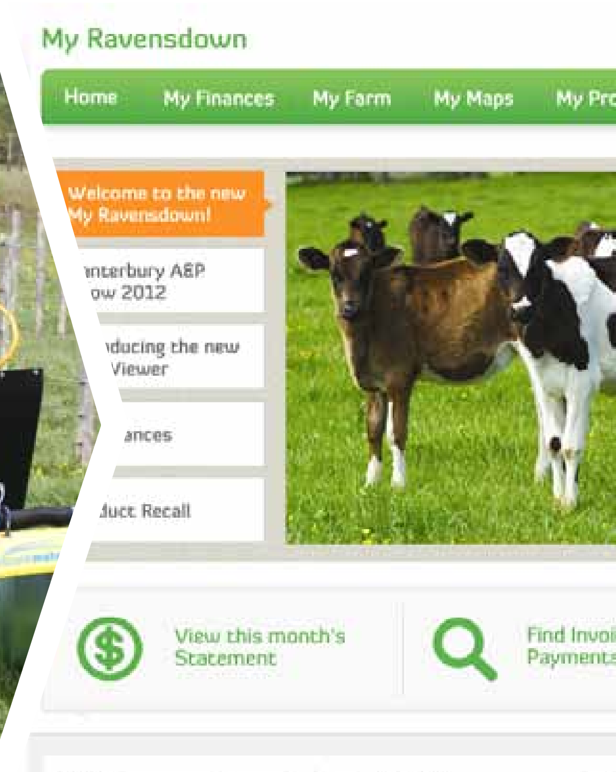
TESTING

ADVICE

SPREADING

PROOF OF PLACEMENT

MEASUREMENT



ACCESSIBLE RESULTS

Ravensdown offers an integrated service where farm information is turned into actionable insight.

18,500 readings per 500m from the Pasture Meter compared to an average 100 from a rising plate meter

All Ravendown's technical analysis, advice and inputs are aiming to help farmers achieve the results they need.

Ravensdown helps customers measure progress with mapping tools and pasture meters.

Paddock maps with different visual layers such as soil fertility and visual application records are a vital measurement tool. Archived documents, plans, maps and invoices are all integrated into an easy-to-use online service.

The profitable subsidiaries ARL and C-DAX provide insights about feed quality and feed quantity which help farmers see the effectiveness of their own innovations.

WHOLE-FARM TESTING

With its focus on testing all paddocks, whole-farm testing gives a full picture of any farm's soil nutrient needs. This map drives the tailored fertiliser recommendations. For variable rate application, these are integrated with the Ravensdown GPS-enabled spreading ventures which can download the map and apply the right amount of the right nutrient in the right place. Finally proof-of-placement graphics are automatically loaded to the customer's personal secure web pages, so they form the basis for future Nutrient Management Planning.

By avoiding blanket coverage where it may not be needed and targeting under-performing areas, farmers reduce their environmental impact and raise production. Critical farm information is used efficiently and presented in ways that are easy to understand and keep for later reference.

TEST YOUR FEED QUALITY AND QUANTITY QUICKLY AND ACCURATELY

Feed quality testing determines the quality of the feed that you buy in or conserve. Based on this, you can accurately assess the correct amount of feed to give your animals to maximise animal performance and the conservation of your valuable feed stocks.

Accurate pasture measurement won't just tell you how much feed you have. It will also easily identify areas of poor production that need attention, enabling more efficient fertiliser application and helping reduce your input costs. With Pasture Meter from subsidiary C-DAX, you can easily establish a feed budget.

QUALITY INPUTS AT LOWEST SUSTAINABLE COST

Soil health and fertiliser have always been the focus of Ravensdown. Our mission is to ensure quality fertiliser, lime and trace elements are available where and when farmers need them and are provided at lowest sustainable cost.

This co-operative principle combined with Ravensdown's direct-to-farmer model helps to keep costs down for these vital inputs.

A farmer's soil is the engine driving dry matter production. To ensure the engine room is producing efficiently, the right cultivars and seed varieties need to be considered and sown. Targeting diseases or weeds with agrochemicals can also boost production.

Supplements like magnesium, nutrition enhancements like Hi-carb and animal health products such as parasiticides ensure optimal animal productivity.

Jeni McIntyre an experienced Account Manager from Southland has moved to Northland and works with ex-policeman-turned-Account Manager Nick de Ridder.

QUALITY INPUTS AT LOWEST SUSTAINABLE COST

FERTILISER AND LIME > AGCHEM > SEEDS > ANIMAL HEALTH > NUTRITION > ECO-N

FERTILISER AND LIME

Managing the logistics for fertilisers assures supply.

14.4 million tonnes of fertiliser supplied over past decade

Without fertiliser, New Zealand agricultural production may be no more than 25% of today's level.

Ravensdown invests in its people, plants, lime quarries and stores so that the quality of mineral fertilisers, and trace elements is continuously improved.

Granular fertiliser such as superphosphate is manufactured to meet pastoral nutrient requirements for optimum size and granule hardness.

High Analysis compound fertiliser such as Ravensdown 12-10-10 are purchased to meet particular crop requirements.

TESTING FOR QUALITY

In addition to chemical properties, the physical attributes of **all** bulk fertiliser products are tested to newly-tightened specifications.

- As they are loaded on to the ship from ports of origin
- As they enter all NZ and Australian ports
- As they leave the three main manufacturing sites
- On request and periodically monitored over time

Specifications for granule size, hardness and attrition are in place for all bulk fertiliser products and, in Australia, physical specs for the cropping market have been tightened.

Ravensdown's system also ensures its supply chain complies with the new Biosecurity Standard for bulk imported fertilisers.

Aglime from Ravensdown's network of quarries raises soil pH and its quality is assured through Fertmark.

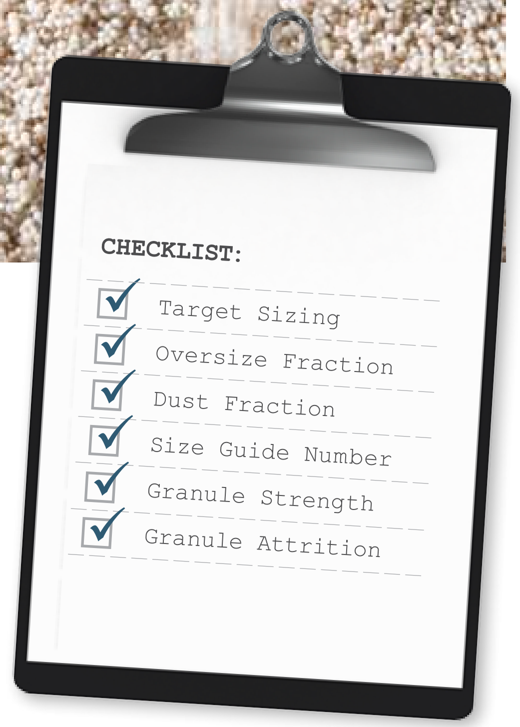
THE FOUR P'S OF FERTILISER QUALITY

PLACE
Buying, shipping and storing correctly

PRODUCT
Vetting suppliers against standardised specifications

PEOPLE
Personnel who are trained in product handling and testing

PROCESS
Continuous improvement



Testing times: New specifications ensure testing against more attributes

AGROCHEMICALS AND SEEDS

Across all its comprehensive product range, Ravensdown's technical specialists can advise farmers on how to achieve their goals.

Ravensdown provides a range of agrochemicals for use in a wide range of farming situations, including herbicides, insecticides, fungicides, plant growth regulators, adjuvants and slug control.

Through its partnership with Cropmark, Ravensdown offers seeds which rank highly in Dairy NZ's new Forage Value Index.

Our direct-to-farmer model brings costs down across a range of quality inputs.

MARLBOROUGH FARMER GREG HARRIS

"They offer animal health products that are bread and butter for me. I'm pleased the move into other agricultural products aside from fertiliser is working."

ANIMAL HEALTH AND NUTRITION

Ravensdown continues to supply quality supplements such as magnesium, zinc and selenium and, in the North Island, provides additional feeds which can complement pasture production at critical times.

Where these feeds contain a grain component, it is always sourced from New Zealand.

Farmers improve productivity with our animal health range including vitamins, parasiticides, bloat remedy, teat sprays and applicator guns.

6-27%
increase in sheep, beef & dairy farm -gate returns
if farmers adopted better pasture renewal policies
(Pasture Renewal Charitable Trust).

QUALITY INPUTS AT LOWEST SUSTAINABLE COST

ECO-N

Warren MacPherson who farms near Winton has seen more grass and better water quality.

Farmers throughout the country are using applications of patented eco-n technology to lower nitrate leaching.

eco-n
Less leaching. Lower emissions. More grass.

In the peer reviewed New Zealand Journal of Agricultural Research, Carey et al found a dry matter response to eco-n of 14% in the North Island and 21% in the South Island. Researchers collated response data across six years conducted in 132 paddocks in 37 different farms across the country.

In a research programme on nitrous oxide mitigation funded by MAF, Fonterra, Dairy NZ and the Fertiliser Manufacturers' Research Association, the 2012 NOMR trials showed nitrification inhibitors such as eco-n reduced dairy farms' cow urine patches' nitrate leaching by 40% and cut their emissions of nitrous oxide by 50%.

PETER ANDREWS HAS BEEN USING ECO-N FOR SEVEN YEARS.

"It gives me peace of mind – we have streams and springs throughout the farm so it was a big environmental issue I was concerned about. Secondly, it allows me to grow extra grass."

Administration Manager John Hansen, who has been with the co-operative since it was founded by farmers 34 years ago, shows Process Engineer Sophie Kennedy the site of the new $9.5 million despatch upgrade in Hornby.

WORKING CO-OPERATIVELY

WHAT MAKES RAVENSDOWN DIFFERENT?

As a co-operative, we were created to provide fertiliser and other farm inputs at lowest sustainable cost.

We have a comprehensive product range and a dedicated team. Because we talk directly to NZ farmers, we offer the convenience of a one-stop shop, without the costs of the shop.

Using our direct model in NZ, we saw that farmers could gain from efficiencies in products other than fertiliser.

Our laboratory, research and development effort, highly trained team and products like eco-n which reduce nitrate leaching are all aimed at improving farm profitability in a sustainable way.

Whether it's over the phone or face-to-face, whether at one of the stores or out in the field, the Ravensdown team is trained to help you.

WORKING CO-OPERATIVELY

LISTENING AND SUPPORTING > MANUFACTURING AND STORES > BEING A SHAREHOLDER

LISTENING AND SUPPORTING

Ravensbourne Works Manager, Tony Gray, chats with shareholder, Dale Scholten at the Balclutha store opening

Hundreds pack into the new store opening at Mata

Hugh Williams Scholarship winner Sarah Tait outlines her future.

Michael Lilley wins the National Young Farmer Contest which Ravensdown has supported for 26 years.

10,830 shareholders met at events and field days throughout the year

Barry and Nicky McTamney from Waikato receiving the Ravensdown Pasture Performance Award at the NZ Dairy Industry Awards.

Shareholder Jane Smith puts a question to the team at Oamaru shareholder meeting

Customers Raymond and Adrianne Bowen pick up the Ravensdown-sponsored South Island Farmer of the Year award.

Alan Thomson, General Manager Australia and Nick Parata, Sales Manager Western Australia at a cancer fundraiser in Perth

Amberley farmer Sam Blair attends the regrassing roadshow

191,983 calls to the Customer Centre last year

Over the dining room table, a Fielday sausage, a shareholder dinner or a yarn over the phone, shareholders know their Ravensdown team is there for them.

OUR CUSTOMERS ARE OUR OWNERS

Founded by farmers for a fairer deal on their fertiliser, the Ravensdown co-operative continues to innovate. Shareholders can be confident that their key inputs are sourced at lowest sustainable cost and that prices are transparent.

Our Board is appointed democratically by farmers. We conduct regular surveys and act on the feedback. We take pride when things go right and if things go wrong we put them right. Our teams and some of our shareholders talk of "having green in their blood" - a loyalty which is based on years of integrity and trust.

OUR PEOPLE ARE THE DIFFERENCE

Ravensdown invests in training its people and transferring knowledge to a new generation of employees. All account managers undergo a rigorous training programme attending courses on intermediate and advanced sustainable nutrient management, understanding herbicides and ruminant animal health at Massey University. Other external training includes Arable 101 at Lincoln. All our account managers go through comprehensive internal training and a two-week intensive programme supervised by our Chief Scientific Officer Ants Roberts.

OUR FARMING COMMUNITY NEEDS OUR SUPPORT

Ravensdown has been a key sponsor of the National Young Farmer Contest for 26 years celebrating the next generation of agricultural leaders.

Through our Hugh Williams Scholarship we also help to support the leaders emerging from agricultural studies from Lincoln and Massey universities. We also run scholarships with Parininihi Ki Waitotara, Atihau and Mangatu Blocks Incorporation.

Ravensdown also supports excellence in farming by sponsoring:

- New Zealand Dairy Industry Awards and the South Island Dairying Development Centre.
- Pasture Renewal Charitable Trust, NZ Grassland Association.
- Foundation for Arable Research.
- Federated Farmers and Ewe and Hogget Awards.
- South Island Farmer of the Year.

MANUFACTURING AND STORES

New ducting at Awatoto helps reduce emissions.

Ravensdown doesn't just help farmers improve production and reduce their environmental footprint. Our operations are based on this philosophy too.

POWERING UP

At Awatoto, Hornby and Ravensbourne, the heat generated by the process of making the sulphuric acid for superphosphate is turned into electricity. The turbines that provide this electricity are vital strategic assets, because they save on the energy costs of running the three manufacturing plants. Our turbines were given a multi-million dollar tune-up, so they would continue to save energy for the operations.

TAKING CARE OF WATER

Ravensdown invests in continuous online monitoring of volume and pH as well as laboratory testing to check that any water being emitted to the Otago harbour, Waitangi river wetlands (Awatoto) or the Heathcote estuary (Hornby) is under consent conditions. The co-operative recently won the GE Return on Environment Awards for its initiative to keep water clean as it is recycled through the manufacturing process.

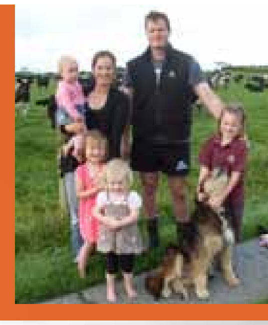
RELIABILITY MEANS EFFICIENCY

When it costs $100,000 in diesel to restart an acid plant, reliability is a must-have. The new acid towers in Awatoto are part of a $20 million two-year upgrade which includes replacing the final acid tower and the intermediate acid tower. This is all about producing greater reliability and efficiency which reduces the environmental footprint.

INVESTING IN STORES

Multimillion-dollar investments in purpose-built stores in Northland and South Otago are about providing what farmers need quickly and efficiently. The layout and machinery in the new Mata and Balclutha stores improve turnaround times for blending and loading.

BEING A SHAREHOLDER



Being a shareholder means more than an annual rebate which adds up each year. It's about easy access to a team you know is working for farmers like you.

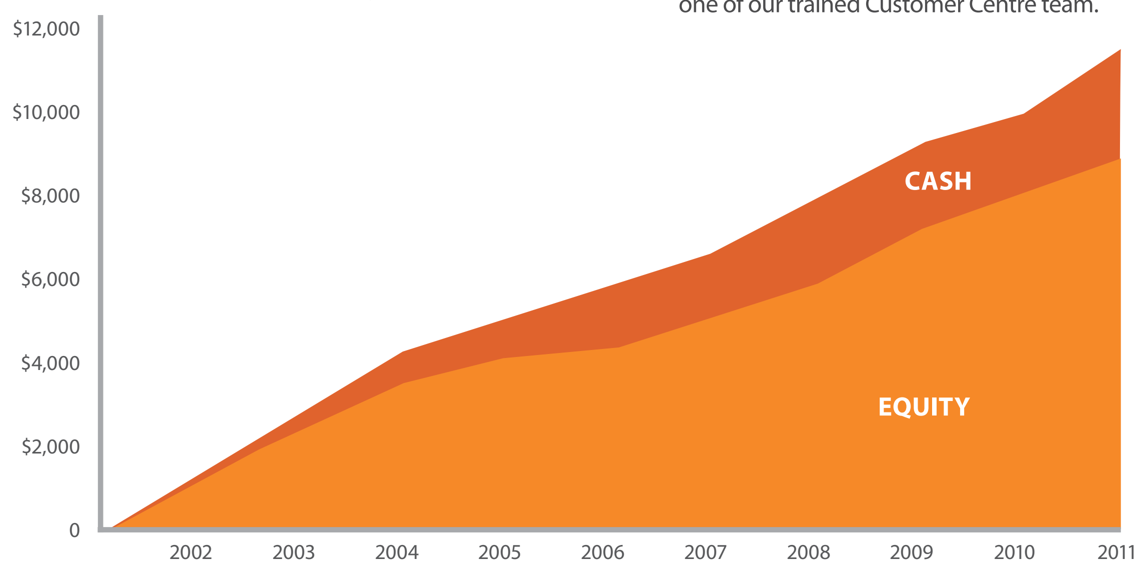
Ravensdown offers value through product offers and discounts on services such as soil testing.

In a world of financial uncertainty, the enduring equity growth of being part of this co-operative continues to appeal to shareholders.

While a personalised website won't replace face-to-face or over the phone communications, farmers tell us that it is useful to have all their maps, fertiliser plans, application records and archives all in one place.

Ravensdown worked with farmers to design the new features of the MyRavensdown secure website, so that documents like statements and invoices are shown the way farmers need them. We are the first co-operative to launch "live help" for farmers which allows users to get instant help from one of our trained Customer Centre team.

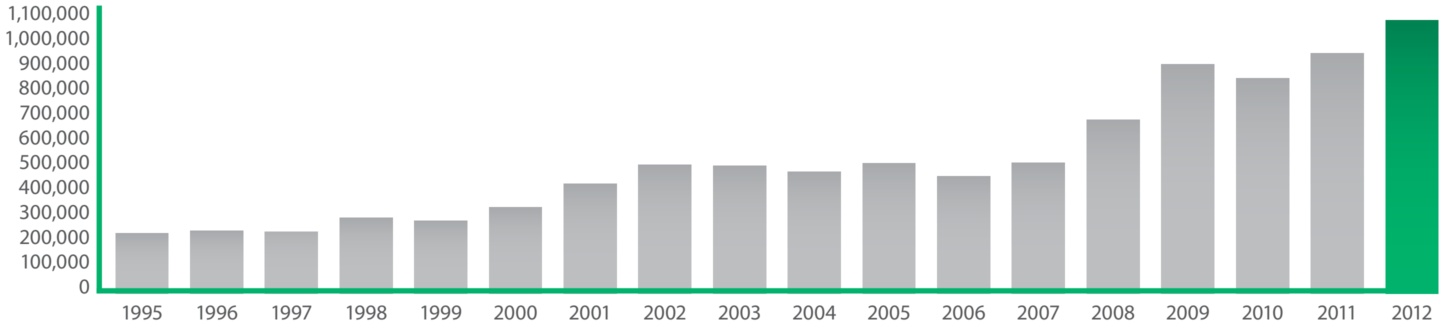
A shareholder who joined ten years ago and bought 50 tonnes each year would have ended up with $11,235 from an initial $100 outlay.



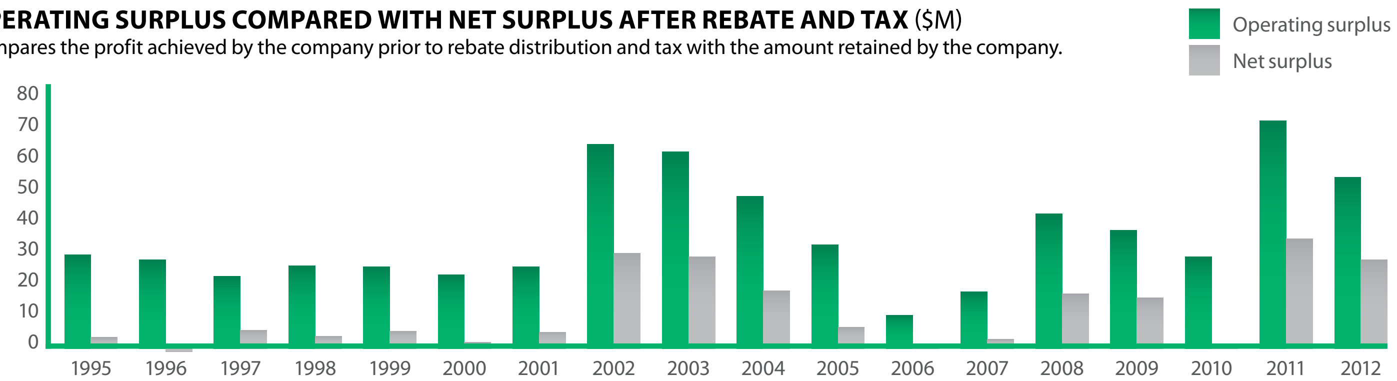
FINANCE AT A GLANCE

In New Zealand Dollars

SALES REVENUE ($'000)
Total sales made by Ravensdown after removing inter-company transactions.

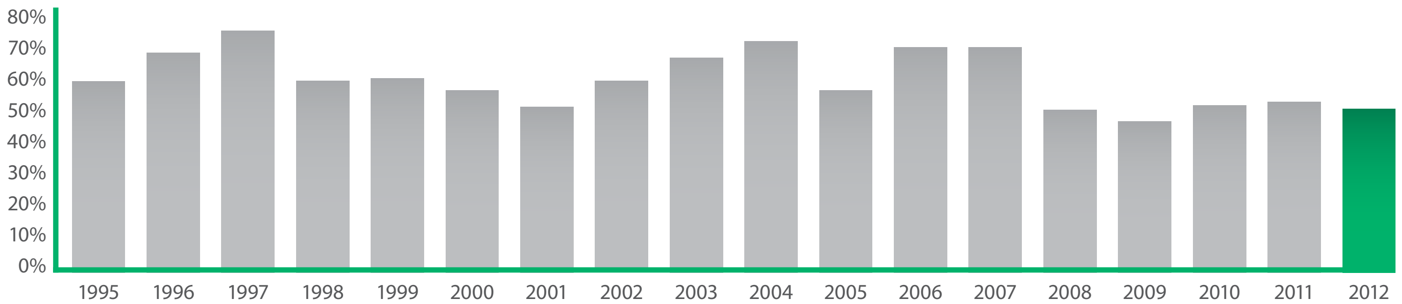


OPERATING SURPLUS COMPARED WITH NET SURPLUS AFTER REBATE AND TAX ($M)
Compares the profit achieved by the company prior to rebate distribution and tax with the amount retained by the company.



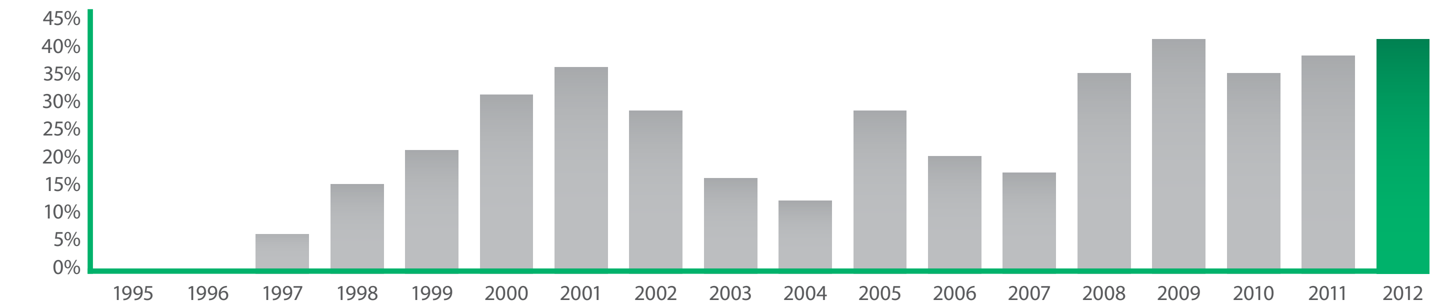
(2007 onwards in accordance with NZIFRS)

EQUITY RATIO (%)
The ratio of equity to total assets compares the money creditors contribute to the business with the money owners contribute.

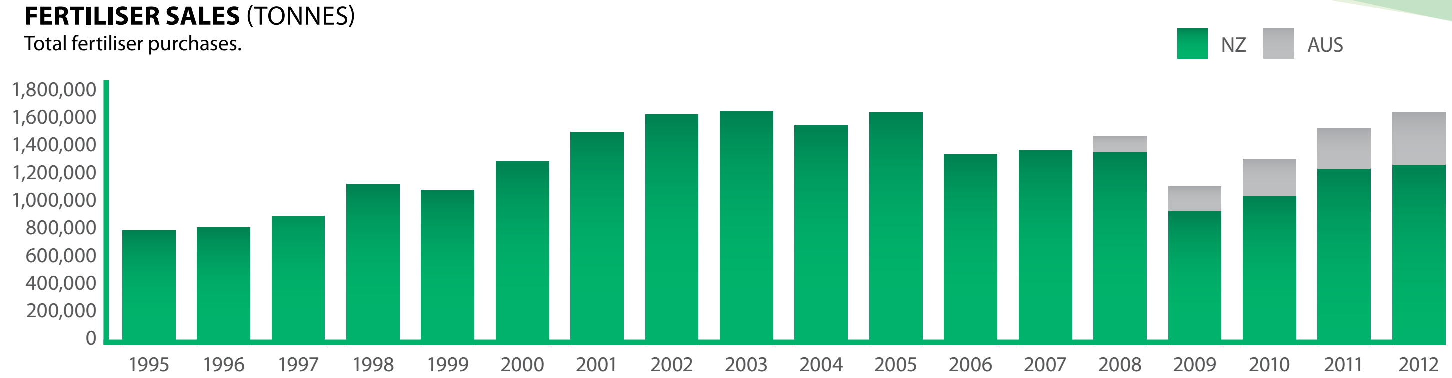


(Calculation excludes financial derivatives, provisions and deferred tax)

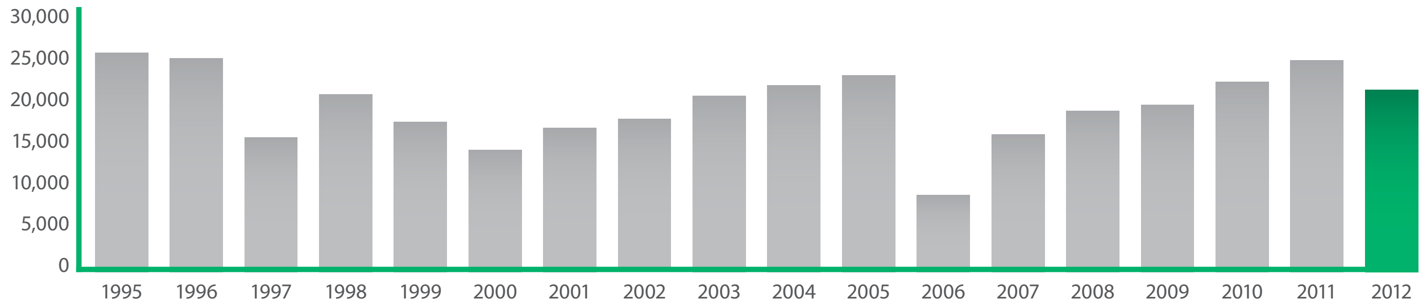
DEBT RATIO (%)
Bank debt divided by total assets - illustrates how much bank debt is used to fund assets.



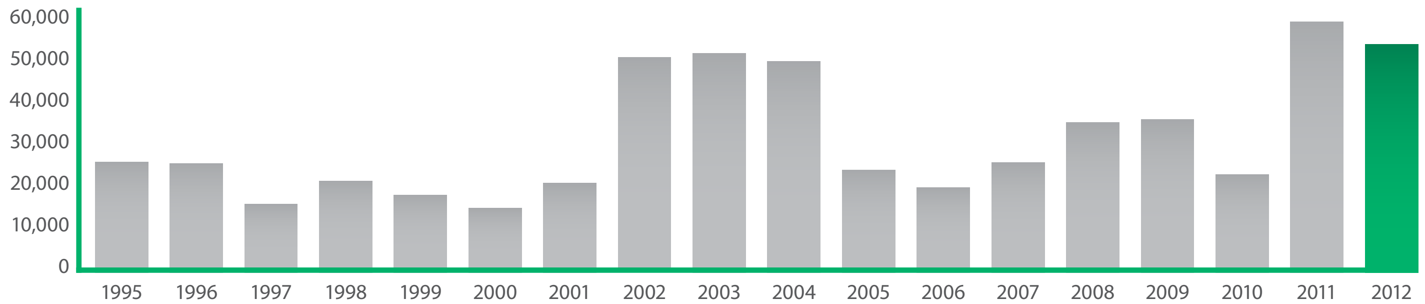
FERTILISER SALES (TONNES)
Total fertiliser purchases.



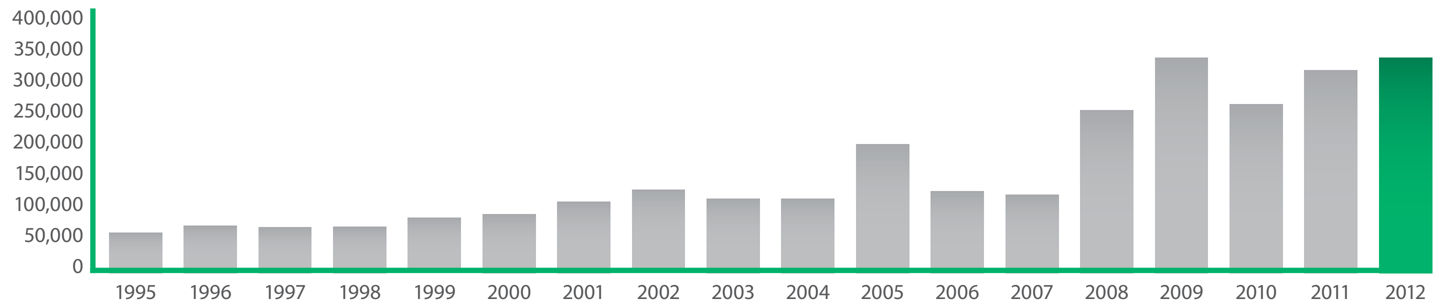
VALUE OF REBATE TO SHAREHOLDERS ($'000)
Total dollar of distribution to shareholders comprising rebates.



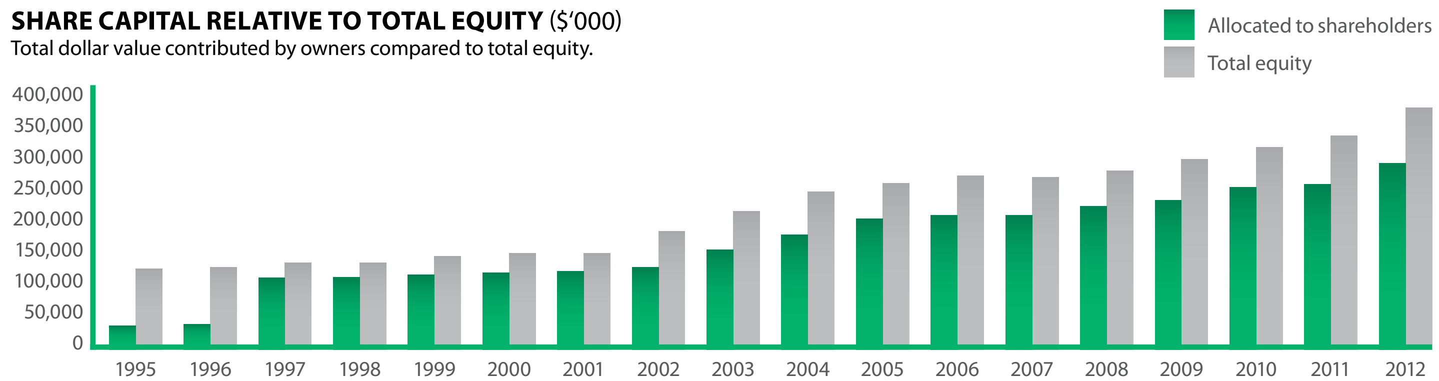
VALUE OF DISTRIBUTION TO SHAREHOLDERS ($'000)
Total dollar value of distribution to shareholders comprising rebates and bonus issues.



INVENTORY ($'000)
Total inventory held by Ravensdown including manufactured product, raw materials, stock in transit at balance date and spare parts.



SHARE CAPITAL RELATIVE TO TOTAL EQUITY ($'000)
Total dollar value contributed by owners compared to total equity.



(Total equity excludes hedging reserve)

CORPORATE GOVERNANCE POLICY

The Board and management of Ravensdown are committed to maintaining the highest standards of corporate governance. This report outlines the policies and procedures under which Ravensdown is governed.

CODE OF ETHICS

Ravensdown's Code of Ethics governs its conduct. It expects its employees and directors to maintain high ethical standards and has published a Code of Business Conduct to guide management and employees in carrying out their duties. The code sets out policies relating to discrimination, sensitive transactions, observance of relevant laws, confidentiality of company information and proper recording of transactions. Separate policies also set out high standards for environmental and health and safety performance. These policies are embodied in the Ravensdown's procedures and processes and are enforced by disciplinary action where necessary.

RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board is elected by and responsible to the shareholders for the performance of the Co-operative.

The Board's role is to:

- Establish the strategic direction and objectives of the company
- Set the policy framework within which the company will operate
- Appoint the Chief Executive Officer
- Delegate appropriate authority to the Chief Executive for the day-to-day management of the company
- Approve the company's systems of internal financial control; monitor and approve budgets; monitor monthly financial performance and approve rebates

BOARD COMMITTEES

The Board has five standing committees, described below. Special project committees are formed when required.

Audit Committee

The committee comprises five directors one of whom is appointed chair and has appropriate financial experience and qualifications.

The meetings are attended by the Chief Executive Officer and Chief Financial Officer. The external auditor attends by invitation of the Chair. The committee meets a minimum of four times each year and its main responsibilities are:

- Review the annual budgets, financial statements, proposed rebates and pricing
- Advise the Board on accounting policies, practices and disclosure
- Review the scope and outcome of the external audit
- Review the effectiveness of the organisation's internal control environment
- Review the resourcing and scope of the internal audit function
- Review the risk management framework and the legislative compliance system and ensure there are adequate controls in place

The committee reports the proceedings of each of its meetings to the full Board.

Remuneration Committee

The committee comprises four directors. It meets as required to:

- Review the remuneration packages of the Chief Executive and senior managers
- Make recommendations in relation to director remuneration

Remuneration packages are reviewed annually. Independent external surveys and advice are used as a basis for establishing remuneration packages.

Share Surrenders Committee

This committee comprises four directors. It meets as required to consider and make recommendations to the Board regarding surrender, allotment and transfer applications from shareholders.

Board & Co-operative Structure Committee

This committee comprises five directors. The committee reviews governance developments internationally and also looks at Board size and composition. This is to ensure that as Ravensdown expands, we have the best possible co-operative governance structure.

Hugh Williams Scholarship Committee

This committee comprises three directors. The Hugh Williams Ravensdown Memorial Scholarship is offered annually to Ravensdown New Zealand shareholders' sons and daughters and aims to encourage undergraduate study in an agricultural or horticultural degree.

Founded jointly in 2000 by Ravensdown and the Williams family, the scholarship commemorates the late Hugh Williams, a Director of the co-operative from 1987 to 2000. Applicants are short-listed from an initial essay and application, and then interviewed by the committee.

DIRECTORS' INDEPENDENCE AND PERFORMANCE

Twelve of the 14 directors are elected to represent shareholders in the areas of the company's operations. The elected directors are required to retire every three years and elections for the vacant positions are held. Two independent directors are appointed by the Board to bring additional experience and skills. The Chief Executive Officer is not a member of the Board.

All directors' performances are evaluated using the Institute of Directors Evaluation System. The evaluation is designed to measure performance through peer review and self-assessment, and appropriate strategies for personal development are then agreed and actioned. The evaluation system also gives feedback on the Chairman's performance.

RISK IDENTIFICATION AND MANAGEMENT

The company has developed a comprehensive risk management framework to identify, assess and monitor new and existing risks. Annual risk updates are performed and risk improvement plans created and acted on. The Chief Executive and the executive team are required to report on major risks affecting the business and to develop strategies to mitigate these risks. Additionally as part of this work, management is also responsible for ensuring an appropriate insurance programme exists.

EXTERNAL AUDITOR INDEPENDENCE

To ensure that the independence of the company's external auditor is maintained, the Board has agreed the external auditor should not provide any services which could affect its ability to perform the audit impartially. This is monitored by the Audit Committee which also reviews the quality and effectiveness of the external auditor.

STAKEHOLDER RELATIONS

The company is committed to acting in a socially responsible manner with all stakeholders, including the wider community. The company constantly strives to lessen the environmental impact of its manufacturing and other sites. Staff are seen as key to the company's success and the company facilitates the development and training of its staff and actively pursues a policy of internal promotion where possible. All material contracts and purchases are awarded on a competitive bid basis where possible and the company aims to treat all potential suppliers fairly.

DUTY TO SHAREHOLDERS

Ravensdown keeps shareholders informed of all major developments affecting their company through regular communications.

Shareholders' input and participation is actively encouraged at the annual meeting and regional meetings. As shareholders make up the majority of the company's customers, individual interactions and communications with shareholders happen regularly.

DIRECTORS' MEETINGS

The table below sets out the number of meetings and attendance for the Board and main committees throughout the financial year.

	BOARD OF DIRECTORS		AUDIT		REMUNERATION		SURRENDERS		BOARD & CO-OPERATIVE STRUCTURE		HUGH WILLIAMS SCHOLARSHIP	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
W T McLeod	8	8	3	2	3	3			2	2		
P D Willock	8	8	3	3	3	3			2	2		
J F C Henderson	8	8	3	3			5*	5	2	2		
E M Coutts	8	7	3	3								
P G Inger	8	7	3	2								
A P Reilly	8	7			3	3			2	2		
C J Dennison	8	8			3	3					1	1
B D Watt	8	8					8	8			1	1
S G Gower	8	8					8	8				
A C Howey	8	8										
J L Williams	8	8									1	1
A S Wright	8	8					3*	2				
R T Turton	8	8					8	7				
G J Cosgrove	8	8							2	2		

** Mr Henderson replaced by Mr Wright from January 2012. Figures reflect number of meetings held and attended while on the Committee.*

BOARD OF DIRECTORS

BILL McLEOD Chairman

Bill McLeod is a dairy, sheep and beef farmer and Managing Director of Morrinsville Transport and Regional Transport. Bill was elected to the Ravensdown Board in 2000 following Ravensdown's expansion into the upper North Island of New Zealand. Bill was elected Chairman in September 2005 and is a member of the NZ Institute of Directors.

Committees: Audit, Remuneration, Board & Co-operative Structure.

PATRICK WILLOCK Deputy Chairman

Patrick is a retired sheep, beef and agroforestry farmer from Gisborne and is a member of the NZ Institute of Directors. Patrick was elected to the Ravensdown Board in 2000 and was elected Deputy Chairman in September 2005.

Committees: Audit, Remuneration, Board & Co-operative Structure.

BEVIN WATT Dip.Ag.MNZIPM

Bevin Watt is a sheep farmer in Gore and operates an oil wholesaling business in Otago and Southland. He was elected to the Ravensdown Board in 2001.

Committees: Share Surrenders, Hugh Williams Scholarship.

CHRIS DENNISON B.Com.Ag

Chris Dennison is a dairy and arable farmer and trades livestock in Oamaru. Chris was elected to the Ravensdown Board in 2005.

Committees: Hugh Williams Scholarship, Remuneration.

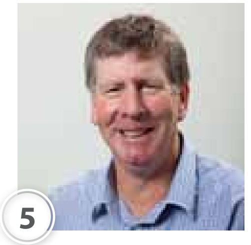
TONY HOWEY

Tony Howey is an arable farmer from Timaru. Tony was elected to the Ravensdown Board in 2006.

TONY REILLY

Tony Reilly is a dairy farmer from Takaka with additional dairy interests in Southland. He holds a Bachelor's degree in Agricultural Commerce and is a Nuffield Scholar. Tony was elected to the Ravensdown Board in 2004.

Committees: Remuneration, Board & Co-operative Structure.



STUART WRIGHT B.Ag.Com

Stuart runs a dryland mixed arable, seed potato and lamb-finishing operation at Sheffield, west of Christchurch. Stuart was elected to the Ravensdown Board in 2007.

Committees: Share Surrenders.

JIM WILLIAMS

Jim Williams has an arable/finishing operation in Masterton. He has been farming since 1968 and in the last seven years has formed a farming partnership with his two sons (J L Williams Partnership). Jim was elected to the Ravensdown Board in 2007.

Committees: Hugh Williams Scholarship.

JOHN HENDERSON LLB

John Henderson has a legal practice in Marton, which specialises in farm conveyancing, estate planning, trust work and commercial law. John also runs a large farming operation with beef, deer and sheep. John was elected to the Ravensdown Board in 2004.

Committees: Board & Co-operative Structure.

SCOTT GOWER

Scott Gower is a sheep and beef farmer in Ohura. Scott was elected to the Ravensdown Board in 2006.

Committees: Share Surrenders.

INDEPENDENT DIRECTORS

GLEN INGER

Glen Inger was a founding director of The Warehouse Group, is an entrepreneur and a Northland dairy, beef, sheep and forestry farmer. He joined the Ravensdown Board in 2007.

Committees: Audit.

ELIZABETH COUTTS

Elizabeth is a Chartered Accountant and an Accredited Fellow of the Institute of Directors in New Zealand. Liz joined the Ravensdown Board in 2009.

Ravensdown Committees: Audit.

WESTERN AUSTRALIA DIRECTORS

GARY COSGROVE

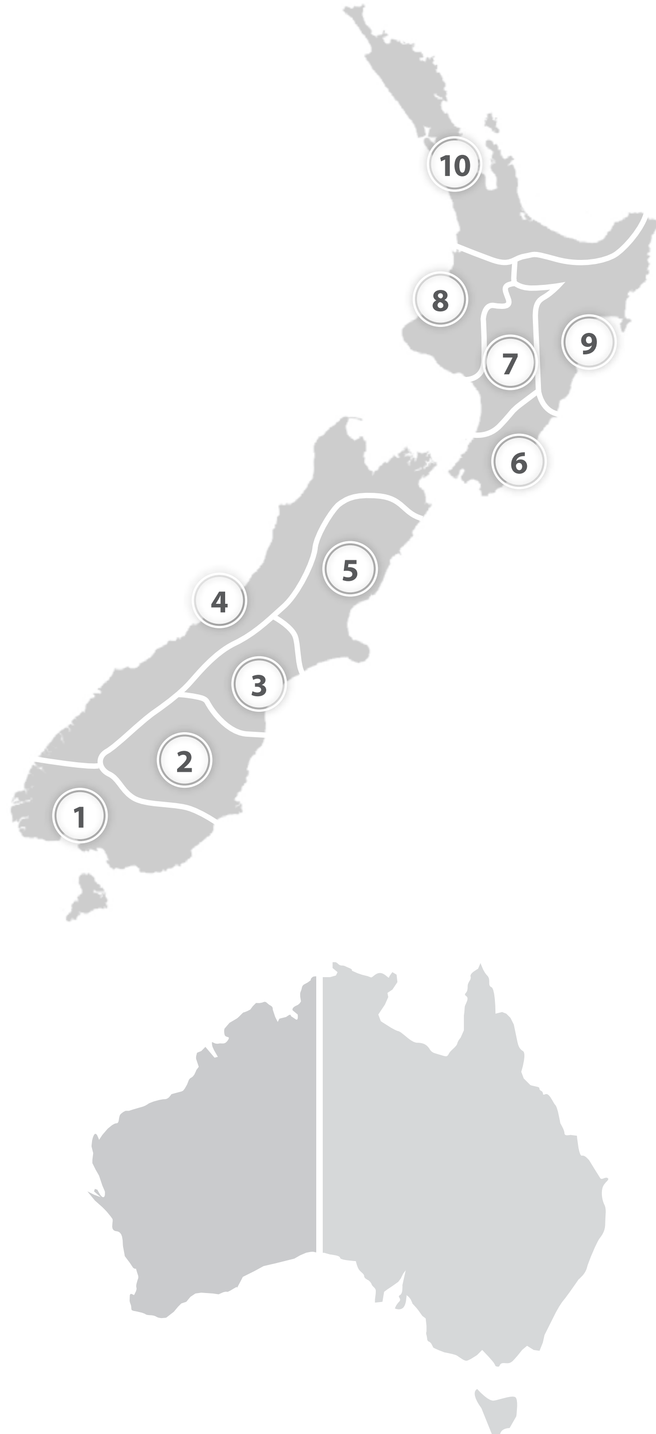
Gary Cosgrove runs a mixed farming operation growing wheat, barley, lupins, canola and peas. He also runs merino sheep and angus beef cattle on the 6,200ha farm at Mingenew in the mid-west of Western Australia. Gary was appointed to the Ravensdown Board in 2008 following the United Farmers' Co-operative Company Limited merger.

Committees: Board & Cooperative Structure.

RHYS TURTON

Rhys Turton lives in York, Western Australia and runs grain and livestock properties totalling approximately 2,466ha. Rhys was appointed to the Ravensdown Board in 2008 following the United Farmers' Co-operative Company Limited merger.

Committees: Share Surrenders.



EXECUTIVE TEAM

RODNEY GREEN

B.Sc, M.Sc. Tech, FNZIM, Chief Executive Officer

Rodney has been CEO for 15 years, after joining Ravensdown in 1997. After graduating with degrees in chemistry and geology he had 10 years experience in the ceramic industry. He worked for 17 years in the cement industry in a variety of works and general management roles including two years managing a cement business in China.

ROSS AIMER

B.C.A, General Manager Sales

Ross started with Ravensdown in 1998 as Chief Information Officer. He held this position for five years before spending four years as General Manager Lower North Island. He became General Manager Sales in 2007.

RICHARD CHRISTIE

B.Ag.Sc, M.B.A, General Manager Strategic Development

Richard has worked in the fertiliser industry for 22 years, starting as a Field Officer. He has also worked in the dairy industry and for Federated Farmers. He has been in his current role since starting with Ravensdown in 1998.

MIKE MANNING

B.Ag.Sc, CP Ag, General Manager Key Clients and R&D

Mike started work with Ravensdown in 1981 and has held a number of roles including Regional Manager, Product Manager, Marketing Manager, R & D Manager, Supply Manager and General Manager Upper North Island. He has been in his current role since 2007.

SHANE HAROLD

B.Ag., General Manager Supply

Shane joined Ravensdown as a Field Officer 24 years ago and became Sales Manager in Nelson in 1993. In 1998 he was Sales Manager for Upper North Island, helping us expand into this new area. Shane took over management of Lime and Spreading in 2002 and Manufacture and Lime in 2009. He took up his current role in 2012.

ANDREW GRUNDY

B.Ag.Sc, General Manager

Andrew started work in the agricultural sector in 1978 and joined Ravensdown as a Field Officer in 1994. He was then South Island Logistics Manager before becoming General Manager Supply in 2001. His role expanded to General Manager Supply Chain in 2009.

MIKE WHITTY

B. Com.Ag, C.A, General Manager Marketing and NZ Distribution

Mike has been with Ravensdown for 15 years. He started in 1997 as Chief Financial Officer and then became General Manager South Island. He was appointed General Manager Manufacturing and Stores in 2007 and became General Manager Marketing in 2009. Mike also took over management of NZ Distribution in 2012.

SEAN CONNOLLY

B.Com, C.A, Chief Financial Officer

Sean has been with Ravensdown for eight years, starting as Financial Controller - New Ventures. He has been CFO since 2005.

TRACEY PATERSON

B.A, Dip. PR, Dip Comm, General Manager Human Resources

Tracey started working for Ravensdown in Human Resources ten years ago moving from AFFCO – the meat processor based out of Auckland. Prior to working in primary industry based roles, she spent 10 years in health as an HR practitioner through a period of massive change and development.

MARK McATAMNEY

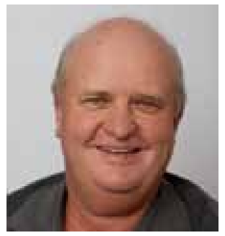
B.Com, Chief Information Officer

Mark started with Ravensdown in 2001 as Business Systems Manager. For the last nine years he has been the Chief Information Officer responsible for developing our leading edge technologies.

ALAN THOMSON

B.Com, Dip Ag, General Manager Australia

Alan joined Ravensdown in 1984 as a Field Officer. He was promoted to Sales Manager and then moved into marketing. He was General Manager Marketing for 10 years and was appointed General Manager Western Australia in January 2008. This was extended to General Manager Australia in 2009.



KEVIN GETTINS

General Manager Manufacturing and Lime

Kevin has been with Ravensdown for 28 years, starting in the despatch section of Awatoto works. He worked in various management positions in both manufacturing and distribution and he became Awatoto Works Manager in 2005. He was promoted to his current role in 2011.

2012 FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' DECLARATION

In the opinion of the directors of Ravensdown Fertiliser Co-operative Limited, the financial statements and notes, on pages 38 to 90:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the Group as at 31 May 2012 and the results of their operations and cash flows for the year ended on that date
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Ravensdown Fertiliser Co-operative Limited for the year ended 31 May 2012.

For and on behalf of the Board of Directors:

W T McLeod Director	P D Willock Director

Date: 31 July 2012

INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

In thousands of New Zealand dollars	Note	**GROUP 2012**	GROUP 2011	**COMPANY 2012**	COMPANY 2011
Revenue	7	1,069,852	933,152	1,013,232	938,426
Insurance proceeds	8	14,556	-	15,452	-
Cost of sales	9	(949,894)	(784,994)	(906,701)	(799,695)
Gross profit		134,514	148,158	121,983	138,731
Sales and marketing		(24,877)	(22,629)	(24,092)	(22,451)
Administrative expenses	10	(32,961)	(28,521)	(27,529)	(24,550)
Other operating expenses		(4,198)	(7,034)	(3,788)	(7,226)
Results from operating activities before transactions with shareholders and finance costs		72,478	89,974	66,574	84,504
Finance income	12	1,308	1,768	5,119	3,283
Finance expenses	12	(23,594)	(21,446)	(23,594)	(21,444)
Net finance costs	12	(22,286)	(19,678)	(18,475)	(18,161)
Share of profit of equity accounted investees (after tax)	17	1,637	1,325	-	-
Profit before rebate and income tax		51,829	71,621	48,099	66,343
Rebates		(21,258)	(22,726)	(20,410)	(21,480)
		30,571	48,895	27,689	44,863
Income tax expense	13	(4,428)	(15,392)	(3,942)	(14,941)
Profit for the year before bonus share issue		**26,143**	**33,503**	**23,747**	**29,922**
Bonus share issue		(23,147)	(24,055)	(23,147)	(24,055)
Profit for the year		**2,996**	**9,448**	**600**	**5,867**
Profit attributable to:					
Owners of the company		2,997	9,452	600	5,867
Non-controlling interest		(1)	(4)	-	-
Profit for the year		**2,996**	**9,448**	**600**	**5,867**

The notes on pages 49 to 90 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY

In thousands of New Zealand dollars	Note	**GROUP 2012**	GROUP 2011	**COMPANY 2012**	COMPANY 2011
Profit for the year		**2,996**	**9,448**	**600**	**5,867**
Foreign currency translation differences for foreign operations		367	281	242	233
Revaluation of non current assets		3,365	2,262	3,276	2,162
Effect of amalgamation of subsidiary	35	-	-	4,871	-
Effective portion of changes in fair value of cash flow hedges		24,748	(131,605)	24,748	(131,605)
Net change in fair value of cash flow hedges transferred to inventory		56,961	22,177	56,961	22,177
Net change in fair value of cash flow hedges transferred to profit or loss		1,360	1,224	1,360	1,224
Income tax on income and expense recognised directly in equity	13	(24,285)	29,910	(25,483)	29,910
Other comprehensive income for the year		62,516	(75,751)	65,975	(75,899)
Total comprehensive income for the year		**65,512**	**(66,303)**	**66,575**	**(70,032)**
Attributable to:					
Owners of the company		65,513	(66,299)	66,575	(70,032)
Non-controlling interest		(1)	(4)	-	-
Total comprehensive income for the year		**65,512**	**(66,303)**	**66,575**	**(70,032)**

The notes on pages 49 to 90 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY

In thousands of New Zealand dollars	*Note*	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Assets					
Property, plant and equipment	14	276,991	247,434	241,245	214,200
Intangible assets	15	5,948	5,771	5,215	5,034
Mining deposits	16	14,919	14,896	14,919	3,044
Investments in equity accounted investees	17	10,356	27,187	7,179	8,662
Other financial assets	18	213	533	85,651	136,593
Deferred tax assets	19	-	7,141	-	11,437
Total non-current assets		308,427	302,962	354,209	378,970
Inventories	20	333,729	316,206	284,928	254,414
Other financial assets	18	13,713	-	13,194	-
Taxation receivable		3,810	2,186	4,059	2,278
Trade and other receivables	21	201,786	141,811	203,621	137,203
Cash and cash equivalents	24	8,319	23,018	-	3,893
Total current assets		561,357	483,221	505,802	397,788
Total assets		869,784	786,183	860,011	776,758
Liabilities					
Loans and borrowings	25	195,064	146,686	195,064	146,686
Other financial liabilities	26	3,184	35,768	3,184	35,768
Deferred tax liabilities	19	14,777	-	13,805	-
Total non-current liabilities		213,025	182,454	212,053	182,454
Cash and cash equivalents	24	-	-	2,110	-
Loans and borrowings	25	159,508	146,362	159,508	146,362
Trade and other payables	29	61,832	77,162	63,375	80,331
Other financial liabilities	26	22,399	57,535	22,133	57,110
Redeemable preference shares	23	-	8,011	-	-
Provision for rebate and bonus share issue	27	42,877	43,926	41,980	42,730
Provisions	28	-	3,356	-	3,356
Total current liabilities		286,616	336,352	289,106	329,889
Total liabilities		499,641	518,806	501,159	512,343
Net Assets		370,143	267,377	358,852	264,415

The notes on pages 49 to 90 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION *(continued)*

AS AT 31 MAY

In thousands of New Zealand dollars	*Note*	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Equity					
Share capital	22	284,757	256,895	284,757	256,895
Redeemable preference shares	23	9,610	-	-	-
Reserves		44,337	(18,179)	43,704	(20,716)
Retained earnings		31,439	28,442	30,391	28,236
Equity attributable to owners of the company		370,143	267,158	358,852	264,415
Non-controlling interests		-	219	-	-
Total equity		370,143	267,377	358,852	264,415

The notes on pages 49 to 90 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY

In thousands of New Zealand dollars	GROUP (ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)								
	CO-OPERATIVE SHARES	REDEEMABLE PREFERENCE SHARES	TRANSLATION RESERVE	HEDGING RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL EQUITY
Balance at 1 June 2010	**250,084**	**-**	**548**	**11,351**	**45,673**	**18,990**	**326,646**	**223**	**326,869**
Profit for the year	-	-	-	-	-	9,452	9,452	(4)	9,448
Foreign currency translation differences for foreign operations	-	-	281	-	-	-	281	-	281
Revaluation of property, plant and equipment, net of tax	-	-	-	-	1,689	-	1,689	-	1,689
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(94,545)	-	-	(94,545)	-	(94,545)
Net change in fair value of cash flow hedges transferred to inventory, net of tax	-	-	-	15,967	-	-	15,967	-	15,967
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	-	-	857	-	-	857	-	857
Total other comprehensive income	**-**	**-**	**281**	**(77,721)**	**1,689**	**-**	**(75,751)**	**-**	**(75,751)**
Total comprehensive income for the year	**-**	**-**	**281**	**(77,721)**	**1,689**	**9,452**	**(66,299)**	**(4)**	**(66,303)**
Co-operative shares issued	12,140	-	-	-	-	-	12,140	-	12,140
Co-operative shares surrendered	(5,329)	-	-	-	-	-	(5,329)	-	(5,329)
Co-operative shares allotted on bonus issue	-	-	-	-	-	-	-	-	-
Net operating capital - minority interest	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	**6,811**	**-**	**-**	**-**	**-**	**-**	**6,811**	**-**	**6,811**
Balance at 31 May 2011	**256,895**	**-**	**829**	**(66,370)**	**47,362**	**28,442**	**267,158**	**219**	**267,377**
Balance at 1 June 2011	**256,895**	**-**	**829**	**(66,370)**	**47,362**	**28,442**	**267,158**	**219**	**267,377**
Profit for the year	-	-	-	-	-	2,997	2,997	(1)	2,996
Foreign currency translation differences for foreign operations	-	-	367	-	-	-	367	-	367
Revaluation of property, plant and equipment, net of tax	-	-	-	-	2,339	-	2,339	-	2,339
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	17,819	-	-	17,819	-	17,819
Net change in fair value of cash flow hedges transferred to inventory, net of tax	-	-	-	41,012	-	-	41,012	-	41,012
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	-	-	979	-	-	979	-	979
Total other comprehensive income	**-**	**-**	**367**	**59,810**	**2,339**	**-**	**62,516**	**-**	**62,516**
Total comprehensive income for the year	**-**	**-**	**367**	**59,810**	**2,339**	**2,997**	**65,513**	**(1)**	**65,512**
Co-operative shares issued	11,543	-	-	-	-	-	11,543	-	11,543
Co-operative shares surrendered	(6,379)	-	-	-	-	-	(6,379)	-	(6,379)
Co-operative shares allotted on bonus issue	22,698	-	-	-	-	-	22,698	-	22,698
Redeemable preference shares	-	9,610	-	-	-	-	9,610	-	9,610
Effect of business combination - minority interest	-	-	-	-	-	-	-	(218)	(218)
Total contributions by and distributions to owners	**27,862**	**9,610**	**-**	**-**	**-**	**-**	**37,472**	**(218)**	**37,254**
Balance at 31 May 2012	**284,757**	**9,610**	**1,196**	**(6,560)**	**49,701**	**31,439**	**370,143**	**-**	**370,143**

The notes on pages 49 to 90 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY

	COMPANY					
In thousands of New Zealand dollars	**CO-OPERATIVE SHARES**	**TRANSLATION RESERVE**	**HEDGING RESERVE**	**REVALUATION RESERVE**	**RETAINED EARNINGS**	**TOTAL EQUITY**
Balance at 1 June 2010	**250,084**	**506**	**11,351**	**43,326**	**22,369**	**327,636**
Profit for the year	**-**	**-**	**-**	**-**	**5,867**	**5,867**
Foreign currency translation differences for foreign operations	-	233	-	-	-	233
Revaluation of property, plant and equipment, net of tax	-	-	-	1,589	-	1,589
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(94,545)	-	-	(94,545)
Net change in fair value of cash flow hedges transferred to inventory, net of tax	-	-	15,967	-	-	15,967
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	-	857	-	-	857
Total other comprehensive income	**-**	**233**	**(77,721)**	**1,589**	**-**	**(75,899)**
Total comprehensive income for the year	**-**	**233**	**(77,721)**	**1,589**	**5,867**	**(70,032)**
Co-operative shares issued	12,140	-	-	-	-	12,140
Co-operative shares surrendered	(5,329)	-	-	-	-	(5,329)
Co-operative shares allotted on bonus issue	-	-	-	-	-	-
Total contributions by and distributions to owners	**6,811**	**-**	**-**	**-**	**-**	**6,811**
Balance at 31 May 2011	**256,895**	**739**	**(66,370)**	**44,915**	**28,236**	**264,415**
Balance at 1 June 2011	**256,895**	**739**	**(66,370)**	**44,915**	**28,236**	**264,415**
Profit for the year	**-**	**-**	**-**	**-**	**600**	**600**
Foreign currency translation differences for foreign operations	-	242	-	-	-	242
Revaluation of property, plant and equipment, net of tax	-	-	-	2,250	-	2,250
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	17,819	-	-	17,819
Net change in fair value of cash flow hedges transferred to inventory, net of tax	-	-	41,012	-	-	41,012
Net change in fair value of cash flow hedges transferred to profit or loss, net of tax	-	-	979	-	-	979
Effect of amalgamation of subsidiary	-	-	-	2,118	1,555	3,673
Total other comprehensive income	**-**	**242**	**59,810**	**4,368**	**1,555**	**65,975**
Total comprehensive income for the year	**-**	**242**	**59,810**	**4,368**	**2,155**	**66,575**
Co-operative shares issued	11,543	-	-	-	-	11,543
Co-operative shares surrendered	(6,379)	-	-	-	-	(6,379)
Co-operative shares allotted on bonus issue	22,698	-	-	-	-	22,698
Total contributions by and distributions to owners	**27,862**	**-**	**-**	**-**	**-**	**27,862**
Balance at 31 May 2012	**284,757**	**981**	**(6,560)**	**49,283**	**30,391**	**358,852**

The notes on pages 49 to 90 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY

In thousands of New Zealand dollars	*Note*	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Cash flows from operating activities					
Cash receipts from customers		1,039,896	902,639	955,192	867,567
Insurance receipts		3,630	-	3,630	-
Dividend received		632	41	25	41
		1,044,158	902,680	958,847	867,608
Cash was applied to					
Cash paid to suppliers and employees		1,026,197	880,461	992,477	856,233
Income tax paid		8,433	9,426	7,670	8,777
		1,034,630	889,887	1,000,147	865,010
Net cash from/(used in) operating activities		**9,528**	**12,793**	**(41,300)**	**2,598**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		550	62	550	62
Loans repaid by subsidiaries		-	-	119,230	12,743
Loans repaid by equity accounted investees		28,186	1,796	2,865	1,796
		28,736	1,858	122,645	14,601
Cash was applied to					
Acquisition of property, plant and equipment		40,510	28,448	37,821	20,964
Acquisition of other non-current assets		435	937	91	243
Purchase of investments		-	835	4,066	835
Acquisition of shares in subsidiary, net of cash acquired		8,571	-	-	-
Loans advanced to subsidiaries		-	-	71,869	21,473
Loans advanced to equity accounted investees		27,525	801	871	801
		77,041	31,021	114,718	44,316
Net cash from/(used in) investing activities		**(48,305)**	**(29,163)**	**7,927**	**(29,715)**

The notes on pages 49 to 90 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS *(continued)*

FOR THE YEAR ENDED 31 MAY

In thousands of New Zealand dollars	*Note*	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Cash flows from financing activities					
Interest received		1,317	1,773	5,119	3,283
Bank advances		64,458	53,318	64,458	53,318
Proceeds from issue of redeemable preference shares		310	2,614	-	-
Proceeds from issue of share capital		65	1,234	65	1,234
		66,150	58,939	69,642	57,835
Cash was applied to					
Interest paid		23,880	20,966	23,880	20,963
Repay share capital		6,379	5,329	6,379	5,329
Payment of rebates		12,181	10,520	12,181	9,903
		42,440	36,815	42,440	36,195
Net cash from/(used in) financing activities		**23,710**	**22,124**	**27,202**	**21,640**
Net (decrease)/increase in cash and cash equivalents		(15,067)	5,754	(6,171)	(5,477)
Cash and cash equivalents at 1 June		23,018	16,694	3,893	8,914
Effect of exchange rate fluctuations on cash held		368	570	168	456
Cash and cash equivalents at 31 May	24	**8,319**	**23,018**	**(2,110)**	**3,893**

The notes on pages 49 to 90 are an integral part of these financial statements.

RECONCILIATION OF THE PROFIT FOR THE PERIOD WITH THE NET CASH FROM OPERATING ACTIVITIES

In thousands of New Zealand dollars	*Note*	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Profit for the year after bonus issue		2,996	9,448	600	5,867
Adjustments for:					
Items classified as financing activities					
Rebates to shareholders		21,258	22,726	20,410	21,480
Interest income		(1,317)	(1,773)	(5,119)	(3,283)
Interest expense		23,880	21,111	23,880	21,108
Dividend received from associate		-	42	-	-
Items not involving cash flows					
Depreciation and loss (gain) on disposals		18,978	16,182	16,240	14,045
Goodwill impairment		48	-	-	-
Amortisation of intangible assets		933	599	658	342
Net (gain) loss on financial instruments		(286)	338	(286)	338
Decrease (increase) in deferred taxation		(2,382)	190	(1,810)	(33)
Revaluation of Government Bond		11	-	-	-
(Gain) loss on sale of investments		3	467	3	935
Dividends not paid in cash		-	-	(512)	-
Provision for bonus share issue		23,147	24,055	23,147	24,055
Insurance receivable		(10,926)	-	(11,822)	-
Equity accounted (profits) losses from associated companies		(983)	(1,325)	-	-
Income tax expense		(1,646)	5,775	(1,942)	6,196
(Increase) decrease in inventories		(18,732)	(49,150)	(32,811)	(15,637)
(Increase) decrease in trade and other receivables, prepayments and advances		(32,558)	(35,919)	(53,616)	(73,442)
Increase (decrease) in trade and other payables, deferred income		(12,896)	27	(18,320)	627
Net cash from operating activities		**9,528**	**12,793**	**(41,300)**	**2,598**

The notes on pages 49 to 90 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Ravensdown Fertiliser Co-operative Limited (the "Company") is a company domiciled in New Zealand, registered under the New Zealand Companies Act 1993, the New Zealand Co-operative Companies Act 1996, the Australian Corporations Act 2001 and the Western Australia Companies Co-operative Act 1943. The Company is an issuer in terms of the Financial Reporting Act 1993.

Financial statements for the Company and consolidated financial statements are presented. The consolidated financial statements of Ravensdown Fertiliser Co-operative Limited as at and for the year ended 31 May 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

Ravensdown Fertiliser Co-operative Limited is primarily involved in the supply of inputs and services to the agricultural sectors in New Zealand and Australia.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 31 July 2012.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- certain items of property, plant and equipment that are revalued in accordance with the Group's policy of revaluation

The methods used to measure fair values are disclosed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand unless otherwise noted.

(d) Use of estimates and judgements

In the application of NZ IFRS management are required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following notes contain balances subject to significant estimates and judgements:

- Fair value of land and buildings (note 14)
- Provisions (note 28)
- Fair value of derivatives (note 30)
- Contingencies (note 33)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

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

(ii) Amalgamation transactions
Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities of the entities are combined, with any gain or loss on amalgamation recognised in equity.

(iii) Associates and joint ventures (equity accounted investees)
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.
Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees).
The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation
Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.
Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation (see (iii) below).

(ii) Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions.
Foreign currency differences are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(iii) Hedge of net investment in foreign operation
Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operation are recognised in other comprehensive income and presented within equity, in the FCTR, to the extent that a hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the cumulative amount in FCTR is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(c) Financial instruments

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

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

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

Held-to-maturity financial assets
If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity financial assets consist of a Government Bond

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

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Investments in equity securities
Investments in equity securities of subsidiaries, associates and joint ventures are measured at cost in the separate financial statements of the Company.

(ii) Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated.

All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

(iii) Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Board of Ravensdown Fertiliser Australia's option.
Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

(iv) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However derivatives that do not qualify for hedge accounting are accounted for as held-for-trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash flow hedges
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective.
To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss. In the event that a hedging instrument is sold, terminated or exercised prior to maturity and the original forecast transaction is no longer forecast to occur, the resultant gain/loss is recognised immediately in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are revalued with changes in fair value recognised directly in equity.
Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation
Depreciation is recognised in profit or loss to allocate the cost or revalued amount of an asset, less any residual value,

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives and the depreciation methodology for the current and comparative periods are as follows:

Land	indefinite	
Land Improvements	25 years	Diminishing value
Buildings	30 years	Straight line
Fixed plant and equipment	15 years	Straight line
Mobile plant and motor vehicles	5 years	Diminishing value
Office equipment	2-10 years	Diminishing value
Fixed and rotary wing aircraft	7 years	Hours flown

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Intangible assets

(i) Resource consents
Costs incurred in obtaining resource consents for the three manufacturing sites owned by the Company are capitalised and amortised from the granting of the consent on a straight-line basis for the period of the consent.

(ii) Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred. Development costs are capitalised if they can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(iii) Goodwill
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(iv) Other intangible assets
Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(v) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(vi) Amortisation
Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.
The estimated useful lives for the current and comparative periods are as follows:

Patents and registrations	6-20 years
Resource consents	14-20 years

(f) Leased assets
Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.
Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.
Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.
Leases that are not finance leases are classified as operating leases, refer to note 31.

(g) Inventories
Inventories are measured at the lower of cost and net realisable value. The Group has used both the first-in first-out principle and the weighted average cost formulas to assign costs to inventories. The same cost formula has been used for all inventories having a similar nature or use to the Group. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment
The carrying amounts of the Group's assets, with the exception of inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

(i) Impairment of receivables
The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets).
Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis.

(ii) Non-financial assets
The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss, except to the extent they are used to offset a credit balance previously recognised directly in equity as a revaluation surplus. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Long-term employee benefits
The Group provides certain employees with long service leave. An accrual is recognised on an actuarial basis over the period of service. The discount rate applied is the Government Bond rate for terms equivalent to the expected utilisation of the long service leave. Actuarial gains and losses are recognised in the profit or loss in the period in which they arise.

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

(k) Revenue

(i) Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts.
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services
Revenue from services rendered is recognised in profit or loss at the date when the service is rendered.

(iii) Dividends received
Dividend income is recognised on the date that the right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(l) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Finance income and expenses
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions and gains or losses on interest rate hedging instruments that are recognised in profit or loss. All borrowing costs other than those relating to hedging instruments are recognised in profit or loss using the effective interest method.

(n) Income tax expense
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and equity accounted investees to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Mining deposits
The Group owns various lime quarries throughout New Zealand. These are measured at either fair value on acquisition or the costs associated with developing existing quarries to extend their economic life. The resources are amortised on a per tonne of extraction basis.

(p) Rebates and bonus share issues
Rebates are provided for based on the qualifying tonnage sold for the year at a rate determined by the Board. Shareholders who hold less than the quota shareholding as determined by the board may have a portion of their rebate paid in shares. For financial reporting purposes rebates are treated as an expense in the income statement.

Bonus share issues are provided for based on the qualifying tonnage sold for the year at a rate determined by the board. For financial reporting purposes bonus share issues are treated as an expense in the income statement. Co-operative shares allotted on bonus issue are disclosed in the statement of changes in equity.

(q) New standards and interpretations adopted early

There have been no standards or interpretations adopted early for the year ended 31 May 2012.

(r) New standards and interpretations not yet adopted
A number of new amendments and interpretations are not yet effective for the year ended 31 May 2012, may impact the Group and have not been applied in preparing these consolidated financial statements:

- NZ IFRS 7 Financial Instruments: The amendments require additional disclosures about transfer of financial assets to enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. The standard will be effective for the Group's 2013 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
- NZ IFRS 9 Financial Instruments is the first standard issued as part of a wider project to replace NZ IAS 39. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. NZ IFRS 9 retained the requirements with respect to the classification and measurement of financial liabilities with the exception of fair value option and certain derivatives linked to unquoted equity instruments. The standard will be effective for the Group's 2015/2016 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
- NZ IFRS 10 Consolidated Financial Statements introduces a new approach to determining which investees should be consolidated. NZ IFRS 10 provides a single model to be applied in the control analysis for all investees. This standard is effective for the Group's 2014 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
- NZ IFRS 11 Joint Arrangements overhauls the accounting for joint ventures (now called joint arrangements). NZ IFRS 11 distinguishes between joint operations and joint ventures. Joint ventures no longer have the choice of using the equity method or proportionate consolidation; they must now use the equity method. This standard is effective for the Group's 2014 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
- NZ IFRS 12 Disclosure of Interests in Other Entities combines, in a single standard, the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities. The standard will be effective for the Group's 2014 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
- NZ IFRS 13 Fair Value Measurement defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. NZ IFRS 13 explains how to measure fair value when it is required by other IFRSs. This standard is effective for the Group's 2014 financial statements. The Group has not yet considered the impact of the standard on the Group financial statements.
- NZ IAS 28 Investments in Associates and Joint Ventures prescribes the accounting for investments in associates and contains the requirements for the application of the equity method to investments in associates and joint ventures. This standard is effective for the Group's 2014 financial statements. The Group has not yet considered the impact of the standard on the Group financial statements.
- NZ IAS 1 Presentation of Financial Statements amends the presentation of items of other comprehensive income and renames the statement of comprehensive income; however, an entity may continue to use a title other than that used in the standard. This standard is effective for the Group's 2014 financial statements. The Group has not yet considered the impact of the standard on the Group financial statements.
- NZ IAS 19 Employee Benefits introduces requirements to recognise actuarial gains and losses recognised immediately in other comprehensive income and to calculate expected returns on plan assets based on rate used to discount the defined benefit obligation. This standard is effective for the Group's 2014 financial statements. The Group has not yet considered the impact of the standard on the Group financial statements.

FRS 44, New Zealand Additional Disclosures prescribes the New Zealand specific disclosures which are required in addition to those required under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). FRS 44 contains the New Zealand specific disclosure requirements which have been relocated from existing NZ IFRSs and have been retained because they are considered important in the New Zealand environment. The standard will be effective for the Group's 2013 financial statements. The Group has not yet considered the impact of the standard on its financial statements.

There are no other standards, amendments or interpretations to existing standards which have been issued, but are not yet effective, which are expected to impact the Company or Group.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.
Fair values have been determined for measurement and/or disclosure purposes based on the following methods.
Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment
The fair value of property, plant and equipment is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. External valuations are obtained to determine fair value.

(b) Inventory
The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(c) Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(d) Derivatives
The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(e) Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows discounted at the market rate of interest at the reporting date.

5. Segment reporting

The Group supplies farm inputs to customers in New Zealand and Australia which is the basis for the two reportable segments. The business is managed on these geographical lines. This is reflected in the management structure responsible for key resource allocation decisions and performance assessment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before rebates and income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit before rebates and income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the industry. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment expenditure on reportable non-current assets is the total cost incurred during the period to acquire non-current assets other than financial instruments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Segment reporting *(continued)*

	2012 GROUP			
In thousands of New Zealand dollars	**NEW ZEALAND**	**AUSTRALIA**	**ADJUSTMENTS**	**TOTAL**
Total external revenues	813,640	256,212	-	1,069,852
Intersegment revenue	1,866	1,724	(3,590)	-
Total segment revenue	815,506	257,936	(3,590)	1,069,852
Segment result before rebates and tax	53,657	(1,828)	-	51,829
Rebates				(21,258)
Income tax expense				(4,428)
Bonus share issue				(23,147)
Profit for the year				2,996

	NEW ZEALAND	**AUSTRALIA**	**ADJUSTMENTS**	**TOTAL**
Segment result before rebates and tax include the following items:				
Depreciation expense	(15,464)	(2,065)	-	(17,529)
Amortisation expense	(689)	-	-	(689)
Finance income	969	339	-	1,308
Finance expenses	(13,065)	(10,529)	-	(23,594)
Share of profit of equity accounted investees	473	1,164	-	1,637

	2011 GROUP			
In thousands of New Zealand dollars	**NEW ZEALAND**	**AUSTRALIA**	**ADJUSTMENTS**	**TOTAL**
Total external revenues	718,000	215,152	-	933,152
Intersegment revenue	15,999	3,472	(19,471)	-
Total segment revenue	733,999	218,624	(19,471)	933,152
Segment result before rebates and tax	74,376	(1,633)	(1,122)	71,621
Rebates				(22,726)
Income tax expense				(15,392)
Bonus share issue				(24,055)
Profit for the year				9,448

	NEW ZEALAND	**AUSTRALIA**	**ADJUSTMENTS**	**TOTAL**
Segment result before rebates and tax include the following items:				
Depreciation expense	(13,299)	(2,383)	-	(15,682)
Amortisation expense	(322)	-	-	(322)
Finance income	1,099	669	-	1,768
Finance expenses	(13,559)	(7,887)	-	(21,446)
Share of profit of equity accounted investees	79	1,246	-	1,325

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Segment reporting *(continued)*

	2012 GROUP			
In thousands of New Zealand dollars	NEW ZEALAND	AUSTRALIA	ADJUSTMENTS	TOTAL
Total assets	626,389	243,395	-	869,784
Total liabilities	(267,327)	(232,314)	-	(499,641)
Investment in equity accounted investees (included in total assets)	7,083	3,273	-	10,356
Expenditure on reportable non-current assets	42,857	2,714	-	45,571
Entity wide products and services				
Farm inputs - external revenue				1,030,162
Services and other income				39,690
Total Group Revenue				1,069,852

	2011 GROUP			
In thousands of New Zealand dollars	NEW ZEALAND	AUSTRALIA	ADJUSTMENTS	TOTAL
Total assets	537,282	248,901	-	786,183
Total liabilities	(272,671)	(246,135)	-	(518,806)
Investment in equity accounted investees (included in total assets)	9,532	17,655	-	27,187
Expenditure on reportable non-current assets	22,187	7,446	-	29,633
Entity wide products and services				
Farm inputs - external revenue				909,935
Services and other income				23,217
Total Group Revenue				933,152

6. Acquisition and disposal of businesses

In thousands of New Zealand dollars

Aerial Sowing Limited
In September 2011 the Company purchased a further 25% of the shares in Aerial Sowing Ltd, taking the shareholding to 100%. The business operates two topdressing planes in the Central South Island. The primary reason for the purchase is to acquire the assets. The goodwill is the recognition of the contribution of the former partner. The loss for the year recognised in the statement of comprehensive income attributable to Aerial Sowing Limited is $40,366.

Fair value of assets acquired	218
Consideration paid	266
Goodwill on acquisition (recognised in the income statement)	48
Goodwill amortised recognised on acquisition	(48)
	-

The value of assets and liabilities recognised on acquisition are their estimated fair values. The goodwill on acquisition has been recognised in the balance sheet and subsequently fully amortised to the income statement. The goodwill amortisation is not deductible for tax purposes.

	Recognised values on acquisition
Cash and cash equivalents	40
Trade and other receivables	68
Property, plant and equipment	281
Accumulated depreciation	(116)
Trade & other payables	(55)
Net identifiable assets and liabilities	**218**

C-Dax Ltd
In August 2011 the Group purchased the assets of C-Dax Agricultural Solutions, a specialist manufacturer of ATV accessories. The primary reason for the business combination is the pasture meter technology developed by C-Dax Ltd.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	note	**Recognised values on acquisition**
Cash and cash equivalents		(5)
Inventories		998
Trade and other receivables		928
Property, plant and equipment	*14*	2,685
Intangible assets	*15*	694
Net identifiable assets and liabilities		**5,300**
Fair value of assets acquired through acquisition		5,300
Consideration paid (cash)		(5,100)
Contingent consideration		(200)
		-

The value of assets and liabilities recognised on acquisition are their estimated fair values. The contingent consideration payable at balance date is recognised in Other Payables and is due to be paid in August 2012. This is the final installment of the purchase price which is contingent on all warranties and requirements of the sale & purchase agreement being met. It is likely that this will be largely paid in full. The net profit for the year recognised in the statement of comprehensive income attributable to C-Dax Ltd is $148,528.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Acquisition and disposal of businesses *(continued)*

In thousands of New Zealand dollars

Taumarunui Aerial Co-operative Limited
On 1 June 2011, Wanganui Aero Work (2004) Limited acquired the assets of Taumarunui Aerial Co-operative Limited. Taumarunui Aerial Co-operative Limited operates topdressing planes in the Central North Island. The primary reason for the purchase is to acquire the assets, primarily top dressing planes. The income generated from the Assets from Taumarunui Aerial Co-operative Limited is incorporated into the group result.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	note	**Recognised Values on acquisition**
Property, plant and equipment	*14*	3,200
Net identifiable assets and liabilities		**3,200**
Fair value of assets acquired through acquisition		3,200
Consideration paid (cash)		(3,200)
		-

The value of assets and liabilities recognised on acquisition are their estimated fair values.

7. Revenue

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Sales	1,067,202	931,850	1,009,794	936,271
Dividends received	1	1	560	43
Other revenue	2,649	1,301	2,878	2,112
Total revenues	**1,069,852**	**933,152**	**1,013,232**	**938,426**

8. Insurance proceeds

Following the 2010/11 Canterbury earthquakes the following insurance receipts were recorded in the financial statements

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Insurance proceeds received	3,630	-	3,630	-
Insurance proceeds receivable	10,926	-	11,822	-
Total insurance proceeds	**14,556**	-	**15,452**	-

Ravensdown through its captive insurance company has claims lodged with its insurance underwriters in relation to these events. In the year ended 31 May 2012 the Group has recognised $14.6 million of insurance proceeds of which $3.6 million has been received in cash. The balance of the insurance proceeds has been recognised as receivable as it is virtually certain and the amount can be reliably estimated. The monies received to date have been in compensation for repairs expensed and a part payment for business interruption primarily incurred at the Hornby manufacturing site in Christchurch. The receivable proceeds will be used to replace and/or improve both plant and storage facilities at Hornby.

9. Cost of sales

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Costs relating to sales during the period	949,383	781,703	906,190	796,404
Write-down of inventories to net realisable value	511	3,291	511	3,291
Total cost of sales	**949,894**	**784,994**	**906,701**	**799,695**

10. Administrative expenses

The following items of expenditure are included in administrative expenses:

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Auditor's remuneration to KPMG comprises:				
Audit of financial statements	193	221	115	114
Other audit related services	28	21	28	21
Total auditor's remuneration	**221**	**242**	**143**	**135**

Audit of financial statements includes costs associated with the interim audit required of Ravensdown Fertiliser Australia Limited. Other audit related services include services in relation to internal audit and Australian prospectus reviews.

11. Personnel expenses

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Wages and salaries	53,783	48,201	44,231	41,489
Superannuation - defined contribution	3,122	2,667	2,804	2,442
Increase in liability for long-service leave	68	193	68	193
Total personnel expenses	**56,973**	**51,061**	**47,103**	**44,124**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Finance income and expense

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Interest income on held-to-maturity assets	29	29	-	-
Intercompany interest	-	-	4,043	1,654
Interest income other	1,279	1,739	1,076	1,629
Finance income	1,308	1,768	5,119	3,283
Loss on realisation of financial derivatives	(187)	-	(187)	-
Interest expense on financial liabilities measured at amortised cost	(22,520)	(19,742)	(22,520)	(19,740)
Fair value of cash flow hedges transferred from equity	(1,360)	(1,224)	(1,360)	(1,224)
Unwinding of discount on contingent deferred consideration	-	(145)	-	(145)
Net change in fair value of derivatives designated at fair value through profit or loss	473	(335)	473	(335)
Finance expense	(23,594)	(21,446)	(23,594)	(21,444)
Net finance costs	**(22,286)**	**(19,678)**	**(18,475)**	**(18,161)**

13. Income tax expense in the income statement

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Current tax expense				
Current period	6,560	15,671	6,160	15,496
Adjustment for prior periods	248	94	(415)	48
	6,808	15,765	5,745	15,544
Deferred tax expense				
Origination and reversal of temporary differences	2,490	5	2,423	(285)
Change in building depreciation*	(4,253)	-	(4,253)	-
Adjustment for prior periods	(617)	(378)	27	(318)
	(2,380)	(373)	(1,803)	(603)
Total income tax expense	**4,428**	15,392	**3,942**	14,941

* On the 1st of March 2012 the IRD signed Determination DEP 81: Fertiliser storage facilities and remedial matters relating to the depreciation of buildings and grandparented structures. The effect of this determination has been that the previous conservative tax position taken by management in the 2010 Financial Statements can now be reversed as there is now clear guidance on the applicable depreciation rates of both Fertiliser works and Fertiliser storage facilities.

Reconciliation of effective tax rate

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Profit for the year before bonus share issue	26,143	33,503	23,747	29,922
Total income tax expense	4,428	15,392	3,942	14,941
Profit excluding income tax	30,571	48,895	27,689	44,863
Income tax using the Company's domestic tax rate	8,560	14,669	7,753	13,459
Non-deductible expenses	1,011	1,827	1,015	2,140
Share of profit of equity accounted investees	(458)	(397)	-	-
Other	(63)	(423)	(185)	(388)
Change in building depreciation	(4,253)	-	(4,253)	-
Under/(over) provided in prior periods	(369)	(284)	(388)	(270)
Total income tax expense	**4,428**	**15,392**	**3,942**	**14,941**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

13. Income tax expense in the income statement *(continued)*

Income tax recognised directly in equity

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Derivatives	23,259	(30,483)	23,259	(30,483)
Revaluation of property, plant and equipment	1,026	573	1,026	573
Effect of amalgamation of subsidiary	-	-	1,198	-
Total income tax recognised directly in equity	**24,285**	**(29,910)**	**25,483**	**(29,910)**

Income tax recognised directly in other comprehensive income

	GROUP 2012			GROUP 2011		
In thousands of New Zealand dollars	BEFORE TAX	TAX (EXPENSE) /BENEFIT	NET OF TAX	BEFORE TAX	TAX (EXPENSE) /BENEFIT	NET OF TAX
Foreign currency translation differences for foreign operations	367	-	367	281	-	281
Net change in revaluation reserve	3,365	(1,026)	2,339	2,262	(573)	1,689
Effective portion of changes in fair value of cash flow hedges	24,748	(6,929)	17,819	(131,605)	37,060	(94,545)
Net change in fair value of cash flow hedges transferred to inventory	56,961	(15,949)	41,012	22,177	(6,210)	15,967
Net change in fair value of cash flow hedges transferred to profit or loss	1,360	(381)	979	1,224	(367)	857
	86,801	**(24,285)**	**62,516**	**(105,661)**	**29,910**	**(75,751)**

	COMPANY 2012			COMPANY 2011		
In thousands of New Zealand dollars	BEFORE TAX	TAX (EXPENSE) /BENEFIT	NET OF TAX	BEFORE TAX	TAX (EXPENSE) /BENEFIT	NET OF TAX
Foreign currency translation differences for foreign operations	242	-	242	233	-	233
Net change in revaluation reserve	3,276	(1,026)	2,250	2,162	(573)	1,589
Effective portion of changes in fair value of cash flow hedges	24,748	(6,929)	17,819	(131,605)	37,060	(94,545)
Net change in fair value of cash flow hedges transferred to inventory	56,961	(15,949)	41,012	22,177	(6,210)	15,967
Effect of amalgamation of subsidiary	4,871	(1,198)	3,673	-	-	-
Net change in fair value of cash flow hedges transferred to profit or loss	1,360	(381)	979	1,224	(367)	857
	91,458	**(25,483)**	**65,975**	**(105,809)**	**29,910**	**(75,899)**

Imputation credits

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Imputation credits at 1 June	42,590	32,369	41,388	31,329
New Zealand tax payments, net of refunds	8,876	10,221	8,622	10,059
Imputation credits attached to bonus share issues	(8,561)	-	(8,561)	-
Effect of amalgamation of subsidiary	-	-	274	-
Imputation credits at 31 May	**42,905**	**42,590**	**41,723**	**41,388**
The imputation credits are available to shareholders of the Company:				
Through the Company	41,723	41,388		
Through subsidiaries	1,182	1,202		
	42,905	**42,590**		

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Property, plant and equipment

	GROUP				
In thousands of New Zealand dollars	LAND AND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	PLANT, MACHINERY AND VEHICLES	CAPITAL WORKS IN PROGRESS	TOTAL
Cost or valuation					
Balance at 1 June 2010	40,900	93,699	236,272	8,629	379,501
Additions	415	6,727	7,098	15,350	29,590
Transfer from capital works in progress	191	1,322	8,016	(9,529)	-
Revaluations	675	(3,212)	-	-	(2,537)
Disposals	-	(468)	(3,396)	-	(3,865)
Effect of movements in exchange rates	122	1,428	493	135	2,178
Balance at 31 May 2011	**42,303**	**99,496**	**248,483**	**14,585**	**404,867**
Balance at 1 June 2011	42,303	99,496	248,483	14,585	404,867
Acquisitions through business combinations	551	1,276	4,058	-	5,885
Additions	260	359	5,866	33,077	39,562
Transfer from capital works in progress	1,055	3,080	15,633	(19,768)	-
Revaluations	95	(675)	-	-	(580)
Disposals	(50)	(243)	(9,054)	-	(9,347)
Effect of movements in exchange rates	52	(553)	(426)	(37)	(964)
Balance at 31 May 2012	**44,266**	**102,740**	**264,560**	**27,857**	**439,423**

	GROUP				
In thousands of New Zealand dollars	LAND AND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	PLANT, MACHINERY AND VEHICLES	CAPITAL WORKS IN PROGRESS	TOTAL
Depreciation and impairment losses					
Balance at 1 June 2010	-	510	147,421	-	147,931
Depreciation for the year	1	3,402	12,279	-	15,682
Revaluations	-	(4,785)	-	-	(4,785)
Disposals/capitalised	-	(13)	(1,636)	-	(1,649)
Prior year reclassification	-	1,518	(1,518)	-	-
Effect of movements in exchange rates	-	60	194	-	254
Balance at 31 May 2011	**1**	**692**	**156,740**	**-**	**157,433**
Balance at 1 June 2011	1	692	156,740	-	157,433
Depreciation for the year	(1)	4,210	13,320	-	17,529
Revaluations	-	(3,190)	-	-	(3,190)
Disposals/capitalised	-	(63)	(8,822)	-	(8,885)
Effect of movements in exchange rates	-	(349)	(106)	-	(455)
Balance at 31 May 2012	**-**	**1,300**	**161,132**	**-**	**162,432**
Carrying amounts					
At 1 June 2010	40,900	93,189	88,851	8,629	231,569
At 31 May 2011	**42,302**	**98,804**	**91,742**	**14,585**	**247,434**
At 1 June 2011	42,302	98,804	91,742	14,585	247,434
At 31 May 2012	**44,266**	**101,440**	**103,428**	**27,857**	**276,991**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14. Property, plant and equipment *(continued)*

	COMPANY				
In thousands of New Zealand dollars	LAND AND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	PLANT, MACHINERY AND VEHICLES	CAPITAL WORKS IN PROGRESS	TOTAL
Cost or valuation					
Balance at 1 June 2010	39,713	91,198	200,861	7,935	339,707
Additions	415	467	4,734	15,920	21,536
Transfer from capital works in progress	191	1,322	7,790	(9,303)	-
Disposals	-	(468)	(2,979)	-	(3,447)
Revaluations	590	(3,212)	-	-	(2,622)
Effect of movements in exchange rates	122	1,387	603	1	2,113
Balance at 31 May 2011	**41,031**	**90,694**	**211,009**	**14,553**	**357,287**
Balance at 1 June 2011	41,031	90,694	211,009	14,553	357,287
Effect of amalgamation of subsidiary	1,356	187	3,219	-	4,762
Additions	260	340	4,172	32,518	37,290
Transfer from capital works in progress	1,055	3,080	15,633	(19,768)	-
Disposals	(50)	(243)	(9,049)	-	(9,342)
Revaluations	95	(691)	-	-	(596)
Effect of movements in exchange rates	(39)	(444)	(145)	-	(628)
Balance at 31 May 2012	**43,708**	**92,923**	**224,839**	**27,303**	**388,773**
Depreciation and impairment losses					
Balance at 1 June 2010	-	6	135,629	-	135,635
Depreciation for the year	1	3,321	10,274	-	13,596
Revaluations	-	(4,786)	-	-	(4,786)
Disposals	-	(14)	(1,600)	-	(1,614)
Prior year reclassification	-	1,518	(1,518)	-	-
Effect of movements in exchange rates	-	60	196	-	256
Balance at 31 May 2011	**1**	**105**	**142,981**	**-**	**143,087**
Balance at 1 June 2011	1	105	142,981	-	143,087
Effect of amalgamation of subsidiary	83	35	1,388	-	1,506
Depreciation for the year	(1)	3,939	11,072	-	15,009
Revaluations	-	(3,116)	-	-	(3,116)
Disposals	-	(63)	(8,822)	-	(8,884)
Effect of movements in exchange rates	-	(131)	57	-	(74)
Balance at 31 May 2012	**83**	**769**	**146,676**	**-**	**147,528**

	COMPANY				
In thousands of New Zealand dollars	LAND AND IMPROVEMENTS	BUILDINGS AND IMPROVEMENTS	PLANT, MACHINERY AND VEHICLES	CAPITAL WORKS IN PROGRESS	TOTAL
Carrying amounts					
At 1 June 2010	39,713	91,192	65,232	7,935	204,072
At 31 May 2011	**41,030**	**90,589**	**68,028**	**14,553**	**214,200**
At 1 June 2011	41,030	90,589	68,028	14,553	214,200
At 31 May 2012	**43,625**	**92,154**	**78,163**	**27,303**	**241,245**

Revaluations

New Zealand land and buildings were independently valued as at 31 May 2012 by Mr H Doherty SNZPI, ANZIV, AREINZ of Harcourts Team Wellington. Western Australia land and buildings were independently valued as at 31 May 2012 by Mr M Klenkey of Aon Global Risk Consulting. The methods used by the valuer are described in note 4.

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Land	21,593	19,725	16,987	15,761
Buildings	61,955	61,833	62,273	63,285
Effect of amalgamation of subsidiary (land)	-	-	1,273	-
Effect of amalgamation of subsidiary (buildings)	-	-	152	-

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Intangible assets

In thousands of New Zealand dollars	Note	GROUP PATENTS AND REGISTRATIONS	GROUP RESOURCE CONSENTS	GROUP GOODWILL	GROUP TOTAL
Cost					
Balance at 1 June 2010		1,356	5,182	722	7,260
Other acquisitions		-	43	-	43
Balance at 31 May 2011		**1,356**	**5,225**	**722**	**7,303**
Balance at 1 June 2011		1,356	5,225	722	7,303
Acquisitions through business combinations	6	694	-	48	742
Other acquisitions		61	63	-	124
Balance at 31 May 2012		**2,111**	**5,288**	**770**	**8,169**
Amortisation					
Balance at 1 June 2010		503	707	-	1,210
Amortisation for the year (Cost of sales)		7	315	-	322
Balance at 31 May 2011		**510**	**1,022**	**-**	**1,532**
Balance at 1 June 2011		510	1,022	-	1,532
Amortisation for the year (Cost of sales)	6	340	301	48	689
Balance at 31 May 2012		**850**	**1,323**	**48**	**2,221**
Carrying amounts					
At 1 June 2010		853	4,475	722	6,050
At 31 May 2011		**846**	**4,203**	**722**	**5,771**
At 1 June 2011		846	4,203	722	5,771
At 31 May 2012		**1,261**	**3,965**	**722**	**5,948**

In thousands of New Zealand dollars	Note	COMPANY PATENTS AND REGISTRATIONS	COMPANY RESOURCE CONSENTS	COMPANY GOODWILL	COMPANY TOTAL
Cost					
Balance at 1 June 2010		1,206	5,182	-	6,388
Other acquisitions		-	43	-	43
Balance at 31 May 2011		**1,206**	**5,225**	**-**	**6,431**
Balance at 1 June 2011		1,206	5,225	-	6,431
Other acquisitions		20	63	-	83
Effect of amalgamation of subsidiary		-	-	722	722
Balance at 31 May 2012		**1,226**	**5,288**	**722**	**7,236**
Amortisation					
Balance at 1 June 2010		372	708	-	1,080
Amortisation for the year (Cost of sales)		2	315	-	317
Balance at 31 May 2011		**374**	**1,023**	**-**	**1,397**
Balance at 1 June 2011		374	1,023	-	1,397
Amortisation for the year (Cost of sales)		324	300	-	624
Balance at 31 May 2012		**698**	**1,323**	**-**	**2,021**
Carrying amounts					
At 1 June 2010		834	4,474	-	5,308
At 31 May 2011		**832**	**4,202**	**-**	**5,034**
At 1 June 2011		832	4,202	-	5,034
At 31 May 2012		**528**	**3,965**	**722**	**5,215**

Total research and development expense recognised in profit and loss is $2.4 million (2011: $2.2 million)

Patents and registrations
Costs associated with acquiring patents and registrations are capitalised and amortised over the life of the assets. The assets primarily comprise patents and registrations that enable the Group to distribute animal health and agrochemical products throughout New Zealand and Australia.

Resource consents
Costs incurred in obtaining resource consents for the Group's three manufacturing sites are capitalised and amortised from the granting of the consent on a straight line basis for the period of the consent. The remaining life of the resource consents range between 10 years and 19 years.

Goodwill
The purchase of the remaining 50% share in Ravensdown Supreme Limited on 29 May 2009 resulted in goodwill of $722,000 being recognised on acquisition. Following the amalgamation of Ravensdown Supreme Limited on 31 May 2012 the goodwill of $722,000 is now recognised in the Company.

The recoverable amount of Ravensdown Supreme Limited was estimated based on its value in use. The key assumptions used to calculate the value in use include tonnes sold, price per tonne sold and average cost per tonne produced. Tonnes sold for the year are based on the 2012 budget which management view as a normalised year for the purposes of forecasting. Price and cost information is inflated at an expected rate of 3% per annum. The resulting cash flows are discounted at a rate per the current capital expenditure policy to determine the recoverable amount.

The purchase of the remaining 25% in Aerial Sowing Limited in September 2011 resulted in $48,000 in goodwill being recognised on acquisition. Due to a change in operations of this business, this amount was fully amortised in the year.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

16. Mining deposits

Movements in carrying value of mining deposits:

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Balance at 1 June	14,896	14,270	3,044	2,868
Effect of amalgamation of subsidiary	-	-	11,904	-
Other additions	317	898	18	201
Amortisation for the year (Cost of sales)	(294)	(272)	(47)	(25)
Balance at 31 May	**14,919**	**14,896**	**14,919**	**3,044**

Amortisation of the mining deposits is on a per tonne extracted basis.

17. Equity accounted investees

Movements in carrying value of equity accounted investees:

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Balance at 1 June	27,187	8,181	8,662	8,201
Share of profit	1,637	1,325	-	-
Associate capital supplied in the year	512	978	512	585
Dividends received from associates	(1,167)	(42)	-	-
Movements in loans to associates	(17,813)	16,745	(1,995)	(124)
Balance at 31 May	**10,356**	**27,187**	**7,179**	**8,662**

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

In thousands of New Zealand dollars	TOTAL ASSETS	TOTAL LIABILITIES	REVENUES	PROFIT
2011 Equity accounted investments	44,210	34,605	56,633	2,710
2012 Equity accounted investments	72,127	61,078	229,279	4,932

18. Other financial assets

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Investments in subsidiaries	-	-	85,438	136,590
Held-to-maturity investments	-	530	-	-
Financial assets designated at fair value through profit or loss	-	3	-	3
Derivatives	213	-	213	-
Other financial assets - non-current	**213**	**533**	**85,651**	**136,593**
Held-to-maturity investments	519	-	-	-
Derivatives	13,194	-	13,194	-
Other financial assets - current	**13,713**	**-**	**13,194**	**-**

Held-to-maturity investments consist of a Government Bond which is held as a requirement of the Insurance Companies Deposits Act 1953 by Ravensdown Fertiliser Insurance Company Limited. It has an interest rate of 6.5% (2011: 6.5%) and matures within 1 year.

19. Deferred tax assets and liabilities

Unrecognised deferred tax assets
The Company and Group do not have any unrecognised deferred tax assets.

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	GROUP					
In thousands of New Zealand dollars	ASSETS 2012	ASSETS 2011	LIABILITIES 2012	LIABILITIES 2011	NET 2012	NET 2011
Property, plant and equipment	-	-	15,438	18,582	15,438	18,582
Derivatives	(2,552)	(25,811)	-	-	(2,552)	(25,811)
Inventories	(462)	(347)	-	(1)	(462)	(348)
Trade and other payables	(1,285)	(1,383)	-	(1)	(1,285)	(1,384)
Other items	(1,237)	(758)	4,875	2,578	3,638	1,820
Tax (assets)/liabilities	**(5,536)**	**(28,299)**	**20,313**	**21,158**	**14,777**	**(7,141)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

19. Deferred tax assets and liabilities *(continued)*

In thousands of New Zealand dollars	COMPANY					
	ASSETS 2012	ASSETS 2011	LIABILITIES 2012	LIABILITIES 2011	NET 2012	NET 2011
Property, plant and equipment	-	-	12,974	16,485	12,974	16,485
Derivatives	(2,552)	(25,811)	-	-	(2,552)	(25,811)
Inventories	(462)	(347)	-	-	(462)	(347)
Trade and other payables	(952)	(1,115)	-	-	(952)	(1,115)
Other items	(78)	(649)	4,875	-	4,797	(649)
Tax (assets)/liabilities	**(4,044)**	**(27,922)**	**17,849**	**16,485**	**13,805**	**(11,437)**

Movement in temporary differences during the year

In thousands of New Zealand dollars	GROUP					
	PROPERTY, PLANT AND EQUIPMENT	DERIVATIVES	PAYABLES	PROVISIONS	OTHER	TOTAL
Balance 1 June 10	18,399	4,672	(1,337)	(562)	2,019	23,191
Recognised in profit or loss	(398)	-	(61)	603	(517)	(373)
Recognised in other comprehensive income	573	(30,483)	-	-	-	(29,910)
Effect of movements in exchange rates	8	-	14	(41)	(30)	(49)
Balance 31 May 11	**18,582**	**(25,811)**	**(1,384)**	**-**	**1,472**	**(7,141)**
Recognised in profit or loss	(4,158)	-	98	-	1,680	(2,380)
Recognised in other comprehensive income	1,026	23,259	-	-	-	24,285
Effect of movements in exchange rates	(12)	-	1	-	24	13
Balance 31 May 12	**15,438**	**(2,552)**	**(1,285)**	**-**	**3,176**	**14,777**

In thousands of New Zealand dollars	COMPANY					
	PROPERTY, PLANT AND EQUIPMENT	DERIVATIVES	PAYABLES	PROVISIONS	OTHER	TOTAL
Balance 1 June 10	16,758	4,672	(1,264)	(562)	(496)	19,108
Recognised in profit or loss	(854)	-	145	603	(497)	(603)
Recognised in other comprehensive income	573	(30,483)	-	-	-	(29,910)
Effect of movements in exchange rates	8	-	4	(41)	(3)	(32)
Balance 31 May 11	**16,485**	**(25,811)**	**(1,115)**	**-**	**(996)**	**(11,437)**
Recognised in profit or loss	(4,783)	-	162	-	2,818	(1,803)
Recognised in other comprehensive income	1,026	23,259	-	-	-	24,285
Effect of amalgamation of subsidiary	258	-	-	-	2,511	2,769
Effect of movements in exchange rates	(12)	-	1	-	2	(9)
Balance 31 May 12	**12,974**	**(2,552)**	**(952)**	**-**	**4,335**	**13,805**

20. Inventories

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Finished goods	290,887	270,499	244,027	210,887
Raw materials	36,651	39,364	36,651	39,364
Plant spare parts	6,191	6,343	4,250	4,163
	333,729	**316,206**	**284,928**	**254,414**

21. Trade and other receivables

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Trade receivables from related parties	33,960	343	41,278	5,147
Other trade receivables	148,782	132,980	142,694	123,390
Insurance proceeds receivable (refer to note 8)	10,926	-	11,822	-
Prepayments	8,118	8,488	7,827	8,666
	201,786	**141,811**	**203,621**	**137,203**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Share capital and reserves

The movement in shares for the Company and Group is as follows-:

Share capital
Ordinary co-operative shares

In thousands of shares	ORDINARY CO-OPERATIVE SHARES 2012	2011
On issue at 1 June	257,638	250,669
Shares allotted on bonus issue	22,698	-
Shares allotted during the year	11,448	12,298
Less: shares surrendered during the year	(6,379)	(5,329)
On issue at 31 May	**285,405**	**257,638**
Partly paid ordinary co-operative shares		
Partly paid up	722	546
Unpaid	644	744
Total partly paid and unpaid	**1,366**	**1,290**

Voting rights are held by transacting shareholders being entitled to one vote per share held. For votes on Area issues no transacting shareholder shall vote more than 3.5% of the total number of shares held by transacting shareholders in respect of the relevant Area. On other issues no transacting shareholder shall vote more than that number of shares which equates to 0.125% of the shares held by all transacting shareholders.

The Company may redeem shares in accordance with the Companies Act 1993. Upon winding up, shares rank equally with regard to the Company's residual assets. The share qualification quota is 202 shares per tonne. The shares have a par value of $1.

The co-operative shares are repayable under certain conditions, and will mature when shares are redeemable by the shareholder. Co-operative shares may be repaid when there is a deceased estate or when the shareholder has ceased farming. Shares may also be repaid if there has been a 5 year time lapse since the last transaction.

Reserves
Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign branch.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Revaluation reserve
The revaluation reserve relates to the revaluation of freehold land and freehold buildings

23. Redeemable preference shares

In thousands of shares	REDEEMABLE PREFERENCE SHARES 2012	2011
On issue at 1 June	6,128	4,363
Shares allotted during the year	1,361	1,783
Less: shares surrendered during the year	(33)	(18)
On issue at 31 May	**7,456**	**6,128**

As at 31 May 2012 7,455,947 redeemable preference shares were fully paid to the value of one Australian dollar (2011: 6,128,116).

During the year, the Board and Shareholders of Ravensdown Fertiliser Australia approved amendments to the rights attaching to Q Class redeemable preference shares. This allowed the introduction of a new R Class redeemable preference share. The new R Class redeemable preference shares rank equally with the Q Class redeemable preference shares except for the Founding Member Rebate which is only applicable to Q Class.

Both the Q Class and R Class redeemable preference shares are now classified as equity because holders of these shares can under certain circumstances request that Ravensdown Fertiliser Australia redeem any or all of its shares, but the final decision on redemption is solely at the discretion of the Board of Ravensdown Fertiliser Australia.

The holders of redeemable preference shares are not entitled to receive dividends but are entitled to receive rebates. Redeemable preference shares do not carry the right to vote. Preference shares rank ahead of ordinary shares but participate only to the extent of the face value of the shares. The shares are fully paid.

During the year ended 31 May 2012 1,360,831 of Q Class redeemable preference shares were issued with a nominal value of one Australian dollar per share (2011: 1,782,849) and, AUD $1,300 of R Class redeemable preference shares were issued (2011: AUD $0).

24. Cash and cash equivalents

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Bank balances	10,221	11,279	486	(57)
Foreign currency accounts	1,977	7,228	1,977	7,228
Call deposits	5,132	7,388	4,438	4,593
Cash and cash equivalents	17,330	25,895	6,901	11,764
Bank overdrafts with a right of offset against current accounts	(9,011)	(2,877)	(9,011)	(7,871)
Cash and cash equivalents in the statement of cash flows	**8,319**	**23,018**	**(2,110)**	**3,893**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Loans and borrowings

In thousands of New Zealand dollars	*Year of maturity*	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Non current liabilities					
Loans and borrowings	*2013*	195,064	146,686	195,064	146,686
Current liabilities					
Loans and borrowings	*2012*	159,508	146,362	159,508	146,362

The above loans are drawings on the Company's revolving credit facility. At 31 May 2012 the facility available was $520 million (2011 $405 million). The interest rate is currently 4.00% (2011 5.16%).

The revolving credit facility agreement is subject to a Negative Pledge agreement dated 9 August 2011. Various covenants apply to the facility. There have not been any breaches of the banking covenants in the year.

26. Other financial liabilities

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Non-current liabilities				
Derivatives	234	35,768	234	35,768
Deferred income	2,950	-	2,950	-
	3,184	**35,768**	**3,184**	**35,768**
Current liabilities				
Member deposits	266	425	-	-
Derivatives	22,133	57,110	22,133	57,110
	22,399	**57,535**	**22,133**	**57,110**

27. Provision for rebate and bonus share issue

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Rebate	21,057	21,219	20,160	20,023
Bonus issue	21,820	22,707	21,820	22,707
	42,877	**43,926**	**41,980**	**42,730**

Provisions for rebates and bonus share issues are recognised when the obligations and the amounts of the distributions can be measured reliably.

Rebates and bonus issues are provided for based on the qualifying tonnage sold for the year at a rate determined by the Board. For financial reporting purposes rebates and bonus issues are treated as an expense in the income statement. The issuance of the share capital is on the date of the distribution.

It is current Board policy that approximately 80% of the Group equity, excluding the hedging reserve, is held by shareholders as share capital.

28. Provisions

	GROUP AND COMPANY	
In thousands of New Zealand dollars	2012	2011
Balance at start of period	3,356	7,451
Provisions made during the period	-	1,389
Unwinding of provisions during the period	(3,356)	(5,828)
Unwind of discount	-	145
Effects of movements in exchange rates	-	199
Deferred rebate provision	**-**	**3,356**

The provision for deferred rebate relates to the acquisition of United Farmers Co-operative Company Limited in 2008. The unwinding of the provision during the period is converted to share capital based on rebateable tonnes sold to shareholders.

29. Trade and other payables

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Trade payables to related parties	460	732	4,097	2,686
Trade payables	44,119	61,155	43,052	62,947
Non-trade payables and accrued expenses	7,602	10,904	7,598	10,744
Employee benefits	9,651	4,371	8,628	3,954
	61,832	**77,162**	**63,375**	**80,331**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

30. Financial instruments

Exposure to credit, interest rate, foreign currency, commodity price and liquidity risks arises in the normal course of the Group's business.

Credit risk
The Group's exposure to credit risk is mainly influenced by its customer base and banking counterparties. Management has a credit policy in place under which each new customer is rigorously analysed for credit worthiness. The Group's customer base is primarily concentrated in the agriculture sector. The risk is mitigated through most customers also being shareholders of the Company. There is no material exposure to an individual counterparty. Investments and derivatives are only made with reputable financial institutions or banks.

Liquidity risk
Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Market risk
The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. A financial risk management committee provides oversight for risk management and derivative activities. The Board re-evaluates risk policies on a regular basis.

Foreign currency risk
The Group is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the Company's functional currency, New Zealand dollars ($), which is the presentation currency of the Group. The currencies in which transactions are primarily denominated is U.S. dollars (USD) and Australian dollars (AUD). The Group hedges up to 100% of all trade payables denominated in a foreign currency. At any point in time, the Group also hedges up to 100% of its estimated foreign currency exposure in respect of forecasted purchases over a period that is approved by the Board. The Group uses forward exchange contracts to hedge its foreign currency risk.

The investment in the Australian branch is hedged by way of Australian dollar denominated borrowings.

Interest rate risk
Interest rate swaps and options have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Commodity price risk
The Group is exposed to commodity price risk. This is partially mitigated through negotiated long term supply contracts and through geographical diversity of suppliers.

Quantitative disclosures

Credit risk
The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The status of the Group's trade receivables at the reporting date is as follows:

In thousands of New Zealand dollars	GROSS RECEIVABLE 2012	GROSS RECEIVABLE 2011	IMPAIRMENT 2012	IMPAIRMENT 2011
Trade receivables				
Not past due	172,606	119,189	-	-
Past due 1 - 30 days	4,145	5,926	-	-
Past due more than 30 days	8,474	10,520	2,483	2,312
Total	**185,225**	**135,635**	**2,483**	**2,312**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of New Zealand dollars	2012	2011
Balance at 1 June	2,312	1,055
Impairment loss recognised/(reversed)	171	1,257
Balance at 31 May	**2,483**	**2,312**

The impairment loss as at 31 May 2012 has been calculated following a line by line review of the accounts receivable ledgers. In instances where management have felt that collection in full may not be achieved, management have revised their expectations downwards.

Liquidity risk

The following table sets out the contractual cash flows for all financial liabilities and all derivatives.

In thousands of New Zealand dollars	GROUP 2012 CARRYING VALUE	CONTRACTUAL CASH FLOWS	0-3 MONTHS	3-12 MONTHS	1-3 YEARS
Non-derivative financial liabilities					
Trade and other payables	61,832	61,832	61,832	-	-
Loans and borrowings	354,572	368,489	162,979	5,916	199,594
	416,404	430,321	224,811	5,916	199,594
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		620,852	121,116	213,567	286,169
Outflow		(636,219)	(129,917)	(224,953)	(281,349)
	(4,104)	(15,367)	(8,801)	(11,386)	4,820
Gross settled other foreign exchange derivatives					
Inflow		7,949	7,949	-	-
Outflow		(7,475)	(7,475)	-	-
	135	474	474	-	-
Net settled cash flow hedge derivatives	(4,991)	(6,132)	(371)	(1,112)	(4,649)
Periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss		(636,219)	(3,378)	(229,195)	(403,646)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

30. Financial instruments *(continued)*

The following table sets out the contractual cash flows for all financial liabilities and all derivatives.

	GROUP 2011				
In thousands of New Zealand dollars	CARRYING VALUE	CONTRACTUAL CASH FLOWS	0-3 MONTHS	3-12 MONTHS	1-3 YEARS
Non-derivative financial liabilities					
Trade and other payables	77,162	77,162	77,162	-	-
Loans and borrowings	293,048	313,976	150,071	6,508	157,397
	370,210	391,138	227,233	6,508	157,397
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		614,775	119,079	194,569	301,127
Outflow		(722,764)	(138,640)	(234,615)	(349,508)
	(90,030)	(107,989)	(19,561)	(40,046)	(48,381)
Gross settled other foreign exchange derivatives					
Inflow		6,061	-	6,061	-
Outflow		(6,280)	-	(6,280)	-
	(338)	(219)	-	(219)	-
Net settled cash flow hedge derivatives	(2,510)	(7,317)	(355)	(1,065)	(5,897)
Periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss		(722,764)	(4,979)	(251,019)	(466,766)

The following table sets out the contractual cash flows for all financial liabilities and all derivatives.

	COMPANY 2012				
In thousands of New Zealand dollars	CARRYING VALUE	CONTRACTUAL CASH FLOWS	0-3 MONTHS	3-12 MONTHS	1-3 YEARS
Non-derivative financial liabilities					
Trade and other payables	63,375	63,375	63,375	-	-
Loans and borrowings	354,572	368,489	162,979	5,916	199,594
	417,947	431,864	226,354	5,916	199,594
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		620,852	121,116	213,567	286,169
Outflow		(636,219)	(129,917)	(224,953)	(281,349)
	(4,104)	(15,367)	(8,801)	(11,386)	4,820
Gross settled other foreign exchange derivatives					
Inflow		7,949	7,949	-	-
Outflow		(7,475)	(7,475)	-	-
	135	474	474	-	-
Net settled cash flow hedge derivatives	(4,991)	(6,132)	(371)	(1,112)	(4,649)
Periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss		(636,219)	(3,378)	(229,195)	(403,646)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

30. Financial instruments *(continued)*

The following table sets out the contractual cash flows for all financial liabilities and all derivatives.

In thousands of New Zealand dollars	COMPANY 2011				
	CARRYING VALUE	CONTRACTUAL CASH FLOWS	0-3 MONTHS	3-12 MONTHS	1-3 YEARS
Non-derivative financial liabilities					
Trade and other payables	80,331	80,331	80,331	-	-
Loans and borrowings	293,048	313,976	150,071	6,508	157,397
	373,379	394,307	230,402	6,508	157,397
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		614,775	119,079	194,569	301,127
Outflow		(722,764)	(138,640)	(234,615)	(349,508)
	(90,030)	(107,989)	(19,562)	(40,046)	(48,381)
Gross settled other foreign exchange derivatives					
Inflow		6,061	-	6,061	-
Outflow		(6,280)	-	(6,280)	-
	(338)	(218)	-	(218)	-
Net settled cash flow hedge derivatives	(2,510)	(7,317)	(355)	(1,065)	(5,897)
Periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss		(722,764)	(4,979)	(251,019)	(466,766)

Foreign currency exchange risk
A strengthening of the New Zealand dollar, as indicated below, against the USD would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

The following disclosures relate to the valuation of foreign exchange exposures as at 31 May. The Group has foreign exposures throughout the financial year which fluctuate both in terms of the amount of the exposures at any one time and the effect of movements in the exchange rate.

In thousands of foreign currency	GROUP AND COMPANY 2012			
	USD	EURO	GBP	AUD
Foreign currency risk				
Trade payables	(1,079)	(753)	(3)	(16)
Net balance sheet - foreign operations	-	-	-	(8,600)
Net balance sheet exposure before hedging activity	(1,079)	(753)	(3)	(8,616)
Forward exchange contracts relating to trade payables	1,079	-	-	-
Net unhedged exposure	-	(753)	(3)	(8,616)
NZD equivalent	-	(1,236)	(5)	(11,104)
Sensitivity to 10% strengthening of NZD (pre tax):				
Increase/(decrease) on equity	(57,047)	-	-	1,008
Increase/(decrease) on profit	130	112	-	2
Sensitivity to 10% weakening of NZD (pre tax):				
Increase/(decrease) on equity	69,990	-	-	(1,108)
Increase/(decrease) on profit	(143)	(124)	(1)	(2)

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

30. Financial instruments *(continued)*

	GROUP AND COMPANY 2011			
In thousands of foreign currency	USD	EURO	GBP	AUD
Foreign currency risk				
Trade payables	(13,225)	(1,650)	(193)	-
Net balance sheet - foreign operations	-	-	-	(2,117)
Net balance sheet exposure before hedging activity	(13,225)	(1,650)	(193)	(2,117)
Forward exchange contracts relating to trade payables	13,225	-	-	-
Net unhedged exposure	-	(1,650)	(193)	(2,117)
NZD equivalent	-	(2,883)	(390)	(2,767)
Sensitivity to 10% strengthening of NZD (pre tax):				
Increase/(decrease) on equity	(56,874)	-	-	252
Increase/(decrease) on profit	1,471	262	35	-
Sensitivity to 10% weakening of NZD (pre tax):				
Increase/(decrease) on equity	69,873	-	-	(277)
Increase/(decrease) on profit	(1,618)	(288)	(39)	-

Foreign exchange derivatives
There were no gains or losses on held-for-trading derivatives recognised in profit during 2012 or 2011.

Interest rate risk
Cashflow sensitivity
At 31 May 2012 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $4.4 million (2011: $3.3 million). A decrease of one percentage point would increase the Group's profit before income tax by the same amount. Cashflow sensitivity for the Company is materially the same as the Group.

Fair value sensitivity
At 31 May 2012 it is estimated that a general increase of one percentage point in interest rates would increase the Group's equity (pre tax) by approximately $1.8 million (2011: $2.0 million). A decrease of one percentage point would decrease the Group's equity (pre tax) by the same amounts. Fair value sensitivity for the Company is materially the same as the Group.

Capital management
The Group's capital includes share capital, reserves and retained earnings.
The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.
This target is achieved through balancing retention of certain reserves with the allocation of bonus issues and the Group's share rebate process. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

The Group is subject to external banking covenants. There have not been any breaches of the Group's banking covenants in the year.

Fair values
Carrying values approximate the fair values of all financial assets and liabilities.

Fair value hierarchy
The Group has financial instruments carried at fair value. The following hierarchy defines the valuation method used to value these instruments.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All Group financial instruments carried at fair value are defined as level 2 for valuation purposes for 2012 and 2011. At 31 May 2012 the fair value of the Group's financial instruments was a $9 million liability (2011: $93 million liability).

31. Operating leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Less than one year	6,919	6,969	6,458	6,439
Between one and five years	15,757	18,063	15,242	17,203
More than five years	30,232	33,272	27,783	30,788
Total lease commitments	**52,908**	**58,304**	**49,483**	**54,430**

The Group leases motor vehicles and store premises.

During the year ended 31 May 2012 $6.9 million was recognised as an expense in the income statement in respect of operating leases (2011: $6.8 million).

32. Capital commitments

At 31 May 2012 the Group had capital commitments of $30.1 million (2011: $13.6 million)

33. Contingencies

The Company and the Group had no material contingent liabilities at balance date (2011: nil).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

34. Related parties

In thousands of New Zealand dollars	GROUP 2012	GROUP 2011	COMPANY 2012	COMPANY 2011
Transactions with Subsidiaries				
Sales of goods and services	-	-	97,122	93,608
Purchases of goods and services	-	-	(10,079)	(8,455)
Trade receivables	-	-	40,817	4,804
Trade payables	-	-	(3,637)	(1,954)
Closing advances	-	-	73,155	114,514
Closing loans	-	-	-	-
Transactions with Associates				
Dividends received	1,167	42	559	42
Sales of goods and services	86,113	37,047	488	1,081
Purchases of goods and services	(80,395)	(10,484)	(80,395)	(10,484)
Trade receivables	33,960	343	462	343
Trade payables	(460)	(732)	(460)	(732)
Closing advances	4,242	22,057	3,194	4,907
Closing loans	-	-	-	-
Transactions with key management personnel (including directors)				
Sales of goods and services	3,795	3,504	3,795	3,504
Purchases of goods and services	(59)	(76)	(59)	(76)
Closing advances / receivables	2	-	2	-
Closing loans / payables	-	(1)	-	(1)
Key management personnel compensation comprised:				
Short-term employee benefits	(5,590)	(5,135)	(5,292)	(4,841)
Superannuation contributions	(370)	(355)	(348)	(328)

Transactions with subsidiaries and associates include the sale and purchase of fertiliser between entities. Related parties do not directly source fertiliser inputs from international suppliers.

All transactions with related parties are priced on an arm's length basis. Advances to related parties are made at the Group's average cost of borrowings and are repayable on demand. Consignment agreements exist with associated parties.

The Company has provided a letter of support in relation to loans and advances made to its 100% owned subsidiary Ravensdown Fertiliser Australia Limited. The Company will not call upon any balance outstanding unless Ravensdown Fertiliser Australia Limited is in a financial position to make such repayments without prejudicing the ability of Ravensdown Fertiliser Australia Limited to conduct its normal business operations including its capacity to pay its liabilities.

35. Group entities

Significant subsidiaries and associates

	AMALGAMATED INTO PARENT	COUNTRY OF OWNERSHIP INCORPORATION	INTEREST (%) 2012	INTEREST (%) 2011
Subsidiaries				
Analytical Research Laboratories Limited		New Zealand	100.0%	100.0%
Ravensdown Growing Media Limited		New Zealand	100.0%	100.0%
Ravensdown Fertiliser Insurance Company Limited		New Zealand	100.0%	100.0%
Wanganui Aero Work (2004) Limited		New Zealand	100.0%	100.0%
Profarmer Limited		New Zealand	100.0%	100.0%
Spreading Southland Limited		New Zealand	100.0%	100.0%
Spreading Waikato Limited (previously Steve Forbes Bulk Spreading Limited)		New Zealand	100.0%	100.0%
Ravensdown Supreme Limited *	31/5/2012	New Zealand	-	100.0%
Ravensdown Fertiliser Australia Limited		Australia	100.0%	100.0%
Ravensdown Australian Holdings Limited		New Zealand	100.0%	100.0%
Aerial Sowing Limited		New Zealand	100.0%	75.0%
C-Dax Limited		New Zealand	100.0%	-
Ravensdown Australia Properties Pty Limited		Australia	100.0%	-
Equity accounted investees				
Ravensdown Windy Point Quarry Limited		New Zealand	50.0%	50.0%
Advanced Spreading Limited		New Zealand	33.3%	33.3%
Spreading Sandford Limited		New Zealand	50.0%	50.0%
Spreading Canterbury Limited		New Zealand	50.0%	50.0%
Spreading FBT Limited		New Zealand	50.0%	50.0%
Methane Reduction Technologies Limited		New Zealand	50.0%	50.0%
The New Zealand Phosphate Company Limited		New Zealand	50.0%	50.0%
Spreading Northland Limited		New Zealand	50.0%	50.0%
Direct Farm Inputs Pty Limited		Australia	50.0%	50.0%
Ravensdown Shipping Services Pty Limited		Australia	50.0%	50.0%
Southstar Fertilizers Limited		New Zealand	20.0%	20.0%

*Ravensdown Supreme Limited was amalgamated into Ravensdown Fertiliser Co-operative Limited on 31st May 2012. Under the amalgamation the parent took control of all assets and assumed responsibility for all their liabilities. The amalgamated company (Ravensdown Supreme Limited) has been removed from the New Zealand register of companies. The primary reason for the amalgamation is to have all lime quarries wholly owned, within the parent company.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

35. Group entities *(continued)*

Summary of the effect of amalgamated companies: *In thousands of New Zealand dollars*	2012
Assets and Liabilities amalgamated:	
Revaluation reserves	(3,315)
Revalued deferred tax	1,197
Retained earnings	(1,555)
Balance recognised in the statement of changes in equity	**(3,673)**

36. Subsequent events

Subsequent to the financial year Management engaged the BNZ as Facility Agent to negotiate the refinancing of the tranches of the funding facilities due to expire 25 August 2012.

On the 20th of July 2012 Ravensdown Fertiliser Co-operative Limited exercised its option to purchase 25.1% of the share capital of Cropmark Seeds Limited. The final consideration is subject to post settlement performance thresholds but is capped at a maximum settlement of $6.22 million over 4 years. The accounting for the business combination has not been completed at the time of authorising the financial statements.

RESOLUTION OF DIRECTORS

RESOLVED that in the opinion of the Board of Directors, Ravensdown Fertiliser Co-operative Limited has through the year ended 31 May 2012 and since that date of registration of the company under the Co-operative Companies Act 1996, been a Co-operative Company within the meaning of that Act on the following grounds:

1. Ravensdown Fertiliser Co-operative Limited carried on, as its principal activity, a Co-operative activity as that term is defined in the Co-operative Companies Act 1996;
2. The constitution of Ravensdown Fertiliser Co-operative Limited states its principal activities as being Co-operative activities; and
3. Not less than 60% of the voting rights of Ravensdown Fertiliser Co-operative Limited were held by Transacting Shareholders as that term is defined in the Co-operative Companies Act 1996.

Dated 31 July 2012

William Thomas McLeod

Patrick David Willock

Bevin David Watt

Christopher John Dennison

Antony Charles Howey

Antony Page Reilly

Allan Stuart Wright

James Leonard Williams

Rhys Trevor Turton

Scott Gordon Gower

Gary John Cosgrove

Elizabeth Mary Coutts

Peter Glen Inger
(absent from meeting)

John Francis Clifford Henderson

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ravensdown Fertiliser Co-operative Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of Ravensdown Fertiliser Cooperative Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 38 to 90. The financial statements comprise the statements of financial position as at 31 May 2012, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

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

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

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

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

Our firm has also provided assistance with other assurance services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion
In our opinion the financial statements on pages 38 to 90:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the group as at 31 May 2012 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements
In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Ravensdown Fertiliser Cooperative Limited as far as appears from our examination of those records.

KPMG

31 July 2012
Christchurch

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MAY 2012

Directors and remuneration

Remuneration of Directors or former Directors of the company received during the year was as follows:

W.T. McLeod	$174,298
P.D. Willock	$77,500
J.F.C. Henderson	$62,000
A.P. Reilly	$62,000
B.D. Watt	$62,000
A.S. Wright	$62,000
C.J. Dennison	$62,000
A.C. Howey	$62,000
S.G. Gower	$62,000
P.G. Inger	$62,000
J.L. Williams	$62,000
R.T. Turton	$62,000
G.J. Cosgrove	$62,000
E.M. Coutts	$62,000

The Chairman is provided with a company motor vehicle. The Chairman also receives Director's fees in relation to Ravensdown Fertiliser Australia Limited and these are included in the above.

Entries recorded in the Interests Register

Per Section 140(2) of the Companies Act 1993 the Directors gave notice that they are Directors or Members of the following named organisations and will therefore be interested in all transactions between these organisations and Ravensdown Fertiliser Co-operative Limited and its subsidiaries:

Bill McLeod

Chairman/Shareholder	Morrinsville Transport Ltd
Director/Shareholder	Regional Transport Ltd
Director/Shareholder	Morrinsville Transport Management Services Ltd
Director/Shareholder	MTL Properties Ltd
Shareholder	Fonterra Co-operative Group Limited
Director	Fertiliser Manufacturers Research Association
Director/Shareholder	Dunvegan Farms Ltd
Director/Shareholder	New Skyes Agriculture Limited
Director	New Zealand Phosphate Company

Scott Gower

Owner	High Glades Station
Trustee	Riverhills Trust

Bevin Watt

Partner	Independent Enterprises
Managing Director	The Grazing Bank Limited
Managing Director	Southern Oil Limited
Councillor	New Zealand Institute of Primary Industry Management
Councillor	Gore District Council

Tony Reilly

Director/Shareholder	Avondale Dairies Limited
Chairman	Waingaro Dairy Limited
Director	Cold Storage Nelson Limited
Councillor	New Zealand Co-operative Association
Director/Shareholder	A.P. & K.M. Reilly Ltd
Director	Network Tasman Ltd
Chairman	Matariki Hills Ltd
Director/Shareholder	Dos Rios Dairy Ltd

STATUTORY INFORMATION CONT.

FOR THE YEAR ENDED 31 MAY 2012

John Henderson

Director/Shareholder	Hinau Station Limited
Director/Shareholder	Hampton Road Holdings Limited
Partner	Evans Henderson Woodbridge
Director	Athlumney Farms Ltd
Director	Clearsky Dairies Ltd
Director	Premier Dairies Ltd
Director	Tututotara Dairy Limited
Trustee	Lagore Enterprises Trust
Director	Coronet Peak Station (Queenstown) Limited
Trustee	Clarinbridge Trust

Chris Dennison

Managing Director/ Shareholder	Dennison Farms Ltd
Chairman/Shareholder	Lower Waitaki Irrigation Company
Director	Waitaki Irrigators Collective

Tony Howey

Director/Shareholder	Levels Plain Irrigation Company Limited
Director/Shareholder	Alpine Fresh Limited
Director/Shareholder	Opuha Water Limited
Director/Shareholder	Southern Packers
Director/Shareholder	Meadowlinks Farm Estate Ltd
Chairman/Shareholder	Seedlands Limited
Director/Shareholder	Seedlands Property Ltd
Director	South Canterbury Chamber of Commerce
Director	Levels Plain Holdings Limited
Director/Shareholder	Taron Holdings Ltd
Director/Shareholder	Grainstor Limited
Committee Member	Orari-Opihi-Pareora Water Zone Committee
Director/Shareholder	Farmers Mill Ltd

Glen Inger

Director/Shareholder	Journeys End Limited
Director/Shareholder	Pukeko Creek Limited
Director/Shareholder	Topuni Holdings Limited
Director	Subway Investments Limited
Director/Shareholder	The Promised Land 2005 Limited
Director	Sleepy Hollow Farm Limited
Director	Blue Moon Limited
Director/Shareholder	Tall Kauri Limited
Director/Shareholder	Stonebridge Investments Limited
Director	Karoola Limited
Trustee	The Tapora Trust
Trustee	The Stinger Trust
Director/Shareholder	Cresta Assets Limited
Director/Shareholder	Cresta Mushrooms Limited

Jim Williams

Trustee	Michael Williams Trust
Trustee	Nathan Williams Trust

Stuart Wright

Director/Shareholder	Annat Farms Ltd
Director/Shareholder	Otarama Investments Ltd
Chairman	Foundation for Arable Research
Chairman	NZ Nuffield Farming Scholarship Trust
Member	ETS Agricultural Review Committee

Liz Coutts

Director	EBOS Group Ltd
Director	Skellerup Holdings Ltd
Chairman	Urwin & Co Ltd
Director	Ports of Auckland Ltd
Director	Sanford Limited
Director	New Zealand Directories Holdings Ltd and subsidiaries
Member	Marsh New Zealand Advisory Board

Rhys Turton

Director/Shareholder	Turton Partners
Councillor	Co-operative Federation of Western Australia
Director	York and Districts Financial Services Limited
Trustee	Roshlar Trust

Gary Cosgrove

Director/Shareholder	Irwin Valley Pty Ltd
Director/Shareholder	Cosgrove Farming Co
Director/Shareholder	Westwind Pty Ltd
Director/Shareholder	Depothill Pty Ltd

Related party transactions

Like most co-operative companies, Ravensdown Fertiliser Co-operative Limited has frequent transactions with its farming Directors in the ordinary course of business. All transactions are conducted at arms length.

Share dealings of Directors

None of the Directors have acquired or disposed of any shares other than through the normal quota shareholding process.

Directors indemnity or insurance

The company has arranged policies of liability insurance which ensure that generally Directors and company executives will incur no monetary loss as a result of actions undertaken by them as Directors or employees. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law.

Loans to Directors

There were no loans by the group to Directors.

Use of company information

No notices from any Director were received by the Board during the year requesting use of company information received in their capacity as Directors which would not otherwise have been available to them.

Donations

No donations were made to any charities during the year.

Executive officers' remuneration

	No. of Officers
$100,000 - $110,000	31
$110,000 - $120,000	17
$120,000 - $130,000	15
$130,000 - $140,000	13
$140,000 - $150,000	15
$150,000 - $160,000	8
$160,000 - $170,000	5
$170,000 - $180,000	6
$180,000 - $190,000	2
$190,000 - $200,000	3
$200,000 - $210,000	3
$220,000 - $230,000	1
$260,000 - $270,000	1
$290,000 - $300,000	1
$300,000 - $310,000	1
$320,000 - $330,000	1
$340,000 - $350,000	1
$350,000 - $360,000	1
$360,000 - $370,000	1
$370,000 - $380,000	1
$380,000 - $390,000	1
$390,000 - $400,000	1
$560,000 - $570,000	1
$1,140,000 - $1,150,000	1

Executive remuneration includes salary, bonuses and employer's contribution to superannuation and health schemes received in their capacity as employees. Company vehicles are provided to some employees and are included in the remuneration figures.

0800 100 123
www.ravensdown.co.nz

Ravensdown

ECF ISO WMF FSC

Printed on paper from renewable forests using environmentally-friendly ink.