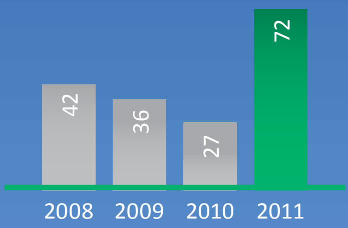
# Annual Report 2011

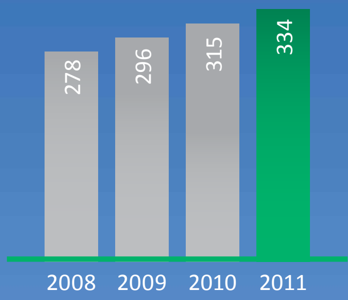
Ravensdown

# *Financial highlights*

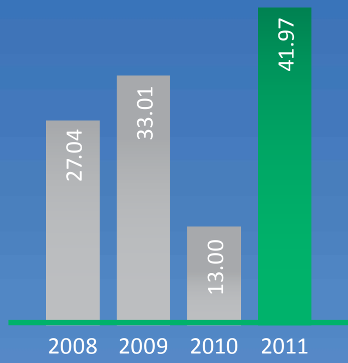
In New Zealand Dollars



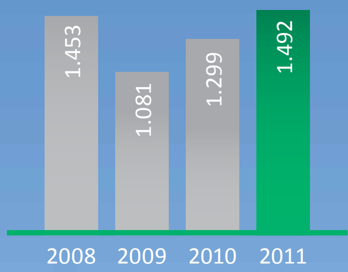

**Profit before rebate and tax ($m)**



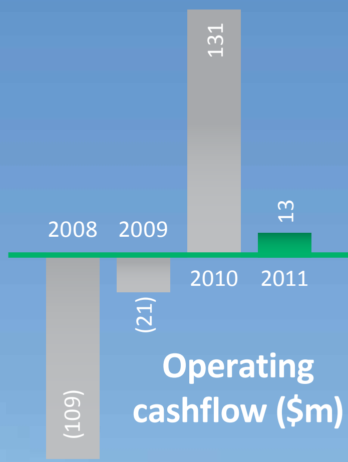

**Total equity ($m)**
(excludes hedging reserve)



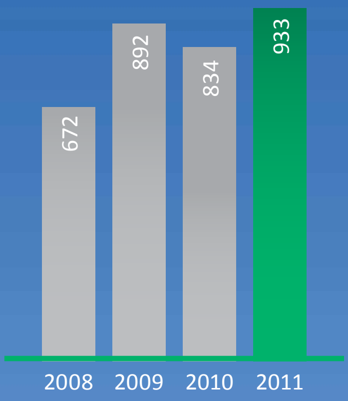

**Shareholder distribution ($/t)**
(fully imputed)



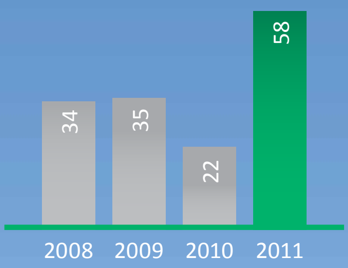

**Fertiliser sales (m tonnes)**




**Operating cashflow ($m)**




**Total revenue ($m)**




**Total distributed to shareholders ($m)**

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Ravensdown

# *Chairman and CEO's report*

The 2010-11 financial year was one in which Ravensdown made significant progress in growing its operations, servicing the needs of more than 30,000 farmers in New Zealand and Australia, and delivering record financial returns to shareholders.

In the past twelve years Ravensdown has expanded its core business from fertiliser to being a key supplier of farm inputs that contribute to growing pasture, animal products and crops.

In the last three years we have moved offshore and have now established major operations in Western Australia and Queensland, and have entered the south-east Australian market.

This gives us the combined benefits of operating across different geographic locations, farm commodities and marketing a diverse range of agricultural products. These three variables insulate our business against the full brunt of any sudden changes in climatic, economic or trading conditions.

In the past financial year farming conditions in New Zealand were buoyant and farmers were able to build on the recovery which started in the 2009-2010 financial year.

Virtually all farmers achieved good returns from their food outputs last year, and many wisely invested a portion of those returns in fertiliser – to increase production to take advantage of strong commodity prices but, as importantly, to invest in building up the nutrients levels in their paddocks.

This stimulated our sales of fertiliser to their highest levels in six years.

Climatic conditions in Australia conspired to decimate the productive capacity of its farmers, and consequently reduce their use of farm inputs.

Our profit of $71.6 million was two and half times greater than the previous year, and directors rewarded shareholders with a $58 million return, our highest ever. At the same time we took the opportunity to strengthen the balance sheet by retaining some of the profit.

The co-operative has entered the new financial year in a sound financial position, and with a clear strategy for growth through assisting shareholders to farm more effectively, efficiently and sustainably.

Over the past three years our pay-out to shareholders has now amounted to $115 million, or $87.98 for equivalent tonnes. We have paid out a rebate to shareholders every year since our foundation 34 years ago. It is an unrivalled return to shareholders in the fertiliser industry.

While in a business sense it was a satisfying year, it was also testing for many of our New Zealand staff and our farmers in Australia.

In New Zealand, Canterbury had to contend with two significant earthquakes, which challenged the resolve of our people in a personal and work sense.

Many of our staff and their families have suffered extensive losses and damage to their personal property. In addition to financial stress they have also endured trauma and insecurity as their everyday life was turned upside down, with many having to relocate their families to alternative accommodation.

Following the second of the earthquakes, our head office building was evacuated, and staff relocated in temporary accommodation at our Christchurch works in the suburb of Hornby. We remain there, and it is evident that our central Christchurch offices will not be re-occupied in the near future.

I am pleased to advise shareholders that your co-operative has worked diligently to support the company's staff and their families through this extraordinary period.

In Australia our farmers faced challenges caused by somewhat different natural disasters. In Queensland it was unprecedented floods and in Western Australia a savage drought, and many had to call on deep resolve to accept what nature was dishing out, and move forward.

## Shareholder Returns

Our practice is to reward shareholders who contribute to Ravensdown's success through purchasing fertiliser from us during the year for which the distribution is made.

In New Zealand we rewarded our shareholders with a rebate of $15.10 a tonne, and 18 bonus shares valued at $26.87 for every tonne of fertiliser purchased. The bonus shares had imputation credits attached to them.

In Western Australia we paid out to shareholders a rebate of NZ$15.10 a tonne, and 18 bonus shares valued at NZ$18. Foundation member shareholders received a rebate of A$17 a tonne in shares. The bonus shares carried imputation credits.

In other parts of Australia we operate through Ravensdown Fertiliser Australia, which has a separate corporate structure, and members of this business received a rebate distribution.

## Fertiliser Sales and Prices

During the 12 months we sold 1.49 million tonnes of fertiliser, a 14 percent increase on our sales volumes in 2010 and 38 percent more than in 2009.

The two factors which contributed to this sales increase were the good farming conditions in the second half of the financial year and improving returns being achieved in New Zealand, and the growth of our operations in Australia.

In spite of the pleasing growth in the volume of sales tonnes applied in 2011, applications are not yet at maintenance levels and a long way from that applied some six to eight years ago.

In economic terms, given the price being obtained for farm outputs and comparing that against the price being paid for fertiliser, fertiliser has never been cheaper.

While the prices farmers received for food commodities were rising, unfortunately so too were the cost of fertiliser commodities.

For example, in June 2010 the price of urea was around US$230 a tonne. Twelve months later we were looking at a price of US$520 a tonne. While Ravensdown was able to absorb some of that price increase, and the high value of the New Zealand dollar helped, we had to adjust pricing.

Similarly, DAP was around US$440 a tonne in June 2010 and at US$650 a tonne in June 2011. In the same time period sulphur tripled in price to US$225 a tonne.

We are committed to providing our customers and shareholders, with quality fertiliser at the lowest possible cost, but increases in commodity prices within such short timeframes make it extremely challenging.

What is of some solace is that generally we are seeing fertiliser prices tracking food commodity price rises, so shareholders should be receiving more income to pay for any increasing cost of fertiliser.

We continue to explore opportunities to become more self-sufficient, and while our options are limited, we have identified a seam of more than 20,000 tonnes of reasonable grade phosphate rock at Clarendon in South Otago that we will extract.

## New Zealand Environment

The 2010-11 financial year presented many farmers and Ravensdown with its share of challenges.

First there was the devastating storm that came through in early spring which affected the operations of many farmers, and this was followed by the September Canterbury earthquake, which damaged our Hornby, Christchurch plant.

We are proud of the way our Hornby staff responded to the challenge of getting the plant operational again quickly, and we were able to continue to service shareholders and customers without any deterioration in service levels. We were dispatching fertiliser again the same day, and took the remedial action necessary to get our manufacturing back up quickly to empty our stocks of molten sulphur and sulphuric acid.

Some 20 percent of our total fertiliser sales are now made in Australia, and of that fertiliser about 20 percent was manufactured in our New Zealand plants.

The plant was repaired to an operational standard within three months. However, we still have outstanding issues to deal with, including the installation of a replacement sulphur melting system, and repair of the 4,000 tonne acid tank and many buildings.

We have significant insurance cover, and are proceeding with the claim.

Fortunately, the subsequent earthquake in February 2011 had limited impact on our plant at Hornby. However, it severely damaged the building housing our Head Office in the centre of Christchurch.

Our disaster recovery plan worked well, with our IT and Customer Centre systems remaining completely operational, temporary premises for the head office team were provided on our Hornby site.

We await decisions on the future redevelopment of Christchurch's CBD before determining our head office relocation.

The heightened awareness resulting from these events has caused us to review our operations throughout New Zealand. Insurance of Ravensdown's assets continues to be a major consideration and we acknowledge the advice our insurance partner, Aon, has provided to us in these difficult matters.

During the year we worked with local community groups in Southland to preserve a significant local geographic landmark, the Castle Rock lime outcrop at Dipton, which is sited within our limestone quarry. We have put in place a comprehensive covenant to protect this significant natural feature for the enjoyment of future generations. We are proud to be part of this preservation project and thank the Dipton Landcare Group for alerting us to the need, and diligently working with us and the Southland District Council to make it happen.

## Australian Environment

Queensland's growing season for sugar cane was decimated, first by continual rains and then a cyclone, the later having an additional impact on the fruit and vegetable growers.

The impact of this on our shareholders in Queensland was significant, with a lot of the sugar cane that was grown not harvested, and sugar cane planting being reduced considerably.

Western Australia had the opposite problem with the lack of rain resulted in reduced fertiliser application.

South-east Australia enjoyed better weather, and this was conducive for good growing conditions and resulted in significant fertiliser applications from customers from what is for us a new geographic location.

## Investment and Manufacturing

From the early days of agricultural development in New Zealand, fertiliser application has been based on superphosphate. Over the years, there have been many reviews of the continuing future of this product.

What is now being recognised is that this product uniquely provides a good combination of soluble phosphate and the extremely important sulphur nutrient in the most available form of sulphate sulphur. It is interesting to note that in those overseas markets which in the 1970s moved away from superphosphate to DAP, this has created environmental issues around the disposal of the calcium sulphate waste that is produced as a by-product of manufacture, and are now starting to see deficiencies in sulphur.

Ravensdown remains committed to providing our shareholders with high quality superphosphate and to this end we have invested significantly in improving the physical quality of our superphosphate at all of our plants, and from customer feedback we know that there has been a major lift in superphosphate quality manufactured at Awatoto.

We also believe that the most efficient way to manufacture superphosphate is to produce our own sulphuric acid, and over the past 10 years we have been upgrading our two South Island superphosphate plants. This programme will be completed with the last tower being replaced at our Ravensbourne plant in Dunedin this year.

A major upgrade of our sulphuric acid plant in Awatoto near Napier in the North Island has now commenced. This involves significant capital expenditure with the replacement of a number of the major components. This project will continue over the next three to four years, and on completion we will have what is effectively a new sulphuric acid plant in place.


During the year, we commenced Ravensdown Shipping Services, a business in partnership with our experienced Melbourne shipping team. In addition to bringing significant efficiencies to our international logistics, it will allow us to better control our costs of shipping products to our customers throughout Australasia.

We also purchased 50 percent of the equity of Direct Farm Inputs, a South Australia business that gives us entry into the large south-eastern Australian fertiliser market.

We are committed to upgrading our stores in New Zealand and Australia to ensure that they provide the level of service to meet customers' requirements.

As part of a continuing investment in storage facilities we are building a store in Balclutha on a new site and are well advanced with planning for a major store at Mata, just south of Whangarei in Northland.  As part of our cost reduction programme we are also in the process of building a major extension to our phosphate rock store in Napier in the Hawkes Bay to lessen our dependency on rented premises at the Napier port.

The application industry operates in a challenging environment. So we take health and safety seriously. In spite of the health and safety priorities, tragically, one of our joint ventures operations lost a spreading truck driver during the year, and we record with sorrow the death of Ian Knox. Our thoughts and condolences go to his wife, Gabrielle, and family.

Our various spreading businesses had a much improved year with most of them reporting profitable operations. Our flagships continue to be our joint ventures with Sandford's Spreading and Spreading FBT, and we thank our partners in these businesses for the skill that they bring to the management of these operations.

A major contributor to the growth of our spreading business was our ability to demonstrate the production benefits that come from reducing the variability of spreading fertiliser through using Ravensdown technology.

Independant research, undertaken by Professor Ian Yule of the Centre for Precision Agriculture at Massey University, shows that Ravensdown spreading technology more than pays for the cost of spreading.

As knowledge of this study became more widely known among shareholders, our spreading businesses grew rapidly.

Our aerial spreading business had a successful and profitable year. The owners of the Taumarunui Aerial Co-operative decided to exit their aerial spreading venture and on offering a fair value for this business, we received overwhelming acceptance from Taumarunui Aerial's shareholders.

As the fertiliser applied by Taumaranui Aerial was principally Ravensdown fertiliser we were able to incorporate its two Cresco aircraft into our Wanganui Aero Work unit.

New Zealand is one of the few countries in the world to fertilise hill country pasture and the aircraft requirements for this form of top dressing is unique.  The Cresco is particularly suited for New Zealand conditions, with short take-off and landing requirements, and with the capacity to carry big pay loads. One of the important skills of Wanganui Aero Work is the ability to maintain and service Cresco aircraft. Our investment in Wanganui Aero Work is a tangible demonstration of our support for our important hill country farmers.

Urea silos have continued to be popular we now have more than 1,100 sited throughout New Zealand.

Since balance date we have purchased innovative and specialist agricultural manufacturer C-Dax Limited.  This business contains a number of business streams that are interesting to us. It provides spreading equipment with proof of placement that fills the gap for those that apply their own urea. In the near future it will allow those that wish to apply their own eco-n to do so with GPS linked spray equipment.

C-Dax also owns the patented pasture meter, a measuring tool created in collaboration with Massey University. This will be utilised to provide a direct measurement of pasture cover, and the link between nutrients applied and pasture grown.

This investment sits within our core business of assisting farmers to grow pasture, crops and animal products more cost effectively, efficiently and sustainably.

## Eco-n Patent


After a long, protracted and expensive legal battle, our joint patent with Lincoln University over eco-n was granted in 2011.

Eco-n is currently the only commercial initiative the Pastoral Greenhouse Gas Consortium has identified that has the ability to reduce greenhouse gas emissions for farmers. Of equal importance, is the massive reduction in nitrate leaching that is achieved with the correct applications of eco-n to dairy farms.

Eco-n will be a pivotal tool for dairy farmers. It will allow them to maintain their current level of intensification and to produce more milk from their farms.

Ravensdown is proud to have been associated with Lincoln University in developing this product and to have kept ownership of this important technology in the hands of our shareholders.

We are confident of the robustness of the patent we have, not only in New Zealand but in many other parts of the world where pastoral farming occurs.

## Future Developments

Supplying quality nutrients at the most competitive price possible will remain at the heart of our business.

However, as we move forward there is an ever increasing requirement for us to assist our shareholders to farm in a more efficient, cost effective and environmentally sustainable manner. This has led us to broaden our business to cover more of the key farm inputs that contribute to pasture, animal and arable production.

Within this context we have a number of developments in the pipeline that have the potential to add value to our business, and that of farmers.

Among the more significant of these is our partnership with Solid Energy, which is examining the potential to develop a Southland lignite based urea plant. While much has been done to date, there is a considerable amount of work still to be done before the feasibility of this project is fully tested.

China continues to make massive investments in the process technology which converts coal into syngas, and then taking that syngas through to ammonia and urea, and we are following developments taking place there intently.

As the technology matures, the returns from high capital costs improve with the plants increasing reliability. This tends to justify the initial investment over a wider range of urea prices.

Another development offering great potential is a new product called Express. The result of much development work and testing, this product is based around gibberellic acid and will assist farmers to get early grass growth in the spring.

In New Zealand the new season has started positively, and while farm commodity prices have retreated from their all-time highs, the signs for good returns for the full season are positive.

In Australia, farmers in Western Australia and Queensland are recovering from last season's harsh conditions, and with the added prospects of additional sales in south-eastern Australia we can look forward to continuing our growth in Australia.

At this early stage, the 2011-12 season is shaping to be another good one for your co-operative.

## Conclusion

The 2010-11 year has been very satisfying, both strategically and financially achieving progress toward our long term goals, despite some extremely testing times in terms of natural disasters and volatile commodity markets.

Our staff have again stepped up very well to these challenges and our Board has worked assiduously to support the company through this period.

# *Our mission is*

To enable land users to maximise the fertility of their soils through analysis, advice and supply of the appropriate material where and when required – at the lowest sustainable cost.

Ravensdown

*The board has developed four key strategies to help us achieve this:*

- *much more integration*
- *same products, same systems, new geography*
- *new products, same systems, same geography*
- *go further up the value chain*

# Much more integration

Continually identifying new areas and services so we can provide you with a more integrated approach

## ARL

We continue to invest in new technology to ensure we can do things smarter and more efficiently. During the year we bought a state-of-the-art NexION 300D ICP-MS, the first of its kind in New Zealand, which continues to put our analytical research laboratory ARL at the forefront.

Offering shareholders significant benefits, with faster turn around and improved detection limits, giving even more accurate results.

## Aerial and ground spreading

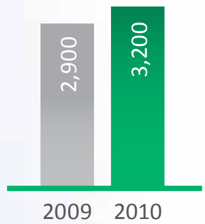
Our growth in these essential services provides increased economies of scale. We want to give you easy access to an accurate service, staffed by locals and backed with technology.

### Aerial spreading

Wanganui Aero Work expanded when Taumarunui Aerial Co-operative members voted overwhelmingly (99%) to accept Wanganui Aero Work's offer. We now have 14 planes and 40 loaders operating aerial spreading throughout New Zealand.

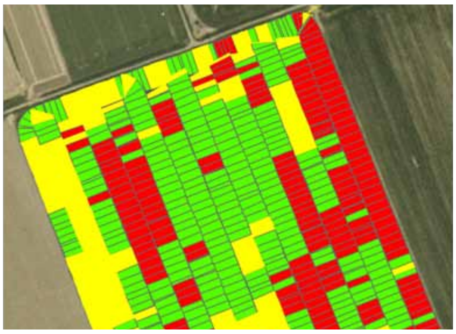
## Nutrient management plans

Capture your farm information and provide you with the most cost-efficient sustainable nutrient options




Number of nutrient management plans produced

*Account manager Liz Marsom with shareholder Mark Zino*



### Ground spreading

Independent research released during the year shows the value of the increased nitrogen response you get from the sophisticated spreading technology used by Ravensdown spreading ventures. This value is greater than the cost of the actual spread.

SPREADiNGNORTHLAND

Ravensdown joined forces with Williamson Spreading and Cartage to form Spreading Northland. The business provides Northland farmers with the latest GPS-based precision fertiliser spreading technology.

## The focus on precision agriculture is increasing

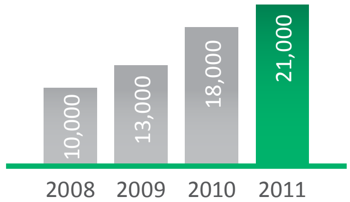
Precision agriculture looks at the variability within the paddock and addresses this to optimise inputs and maximise returns.

**We have a number of products and services to help farmers implement precision agriculture:**

- Intensive soil sampling
- Laboratory testing and analysis
- Detailed and differential fertiliser plans
- Ability to apply variable fertiliser rates within paddocks through GPS technology in spreaders

## 21,000 proof of placement maps were sent to customers in 2010-11

This number has more than doubled in the last four years.




Farmers' benefit from Ravensdown spreading

- More accurate spreading gives increased production benefits
- Better for the environment
- Giving farmers confidence they are putting on the right product, at the right rate, in the right place and it's applied evenly

## Website and email

Our new-look website now has more useful information and is easier to use.

During the year we used email to keep you up to date with important news. Feedback from farmers shows they like our responsible use of this form of communication.

# New geography

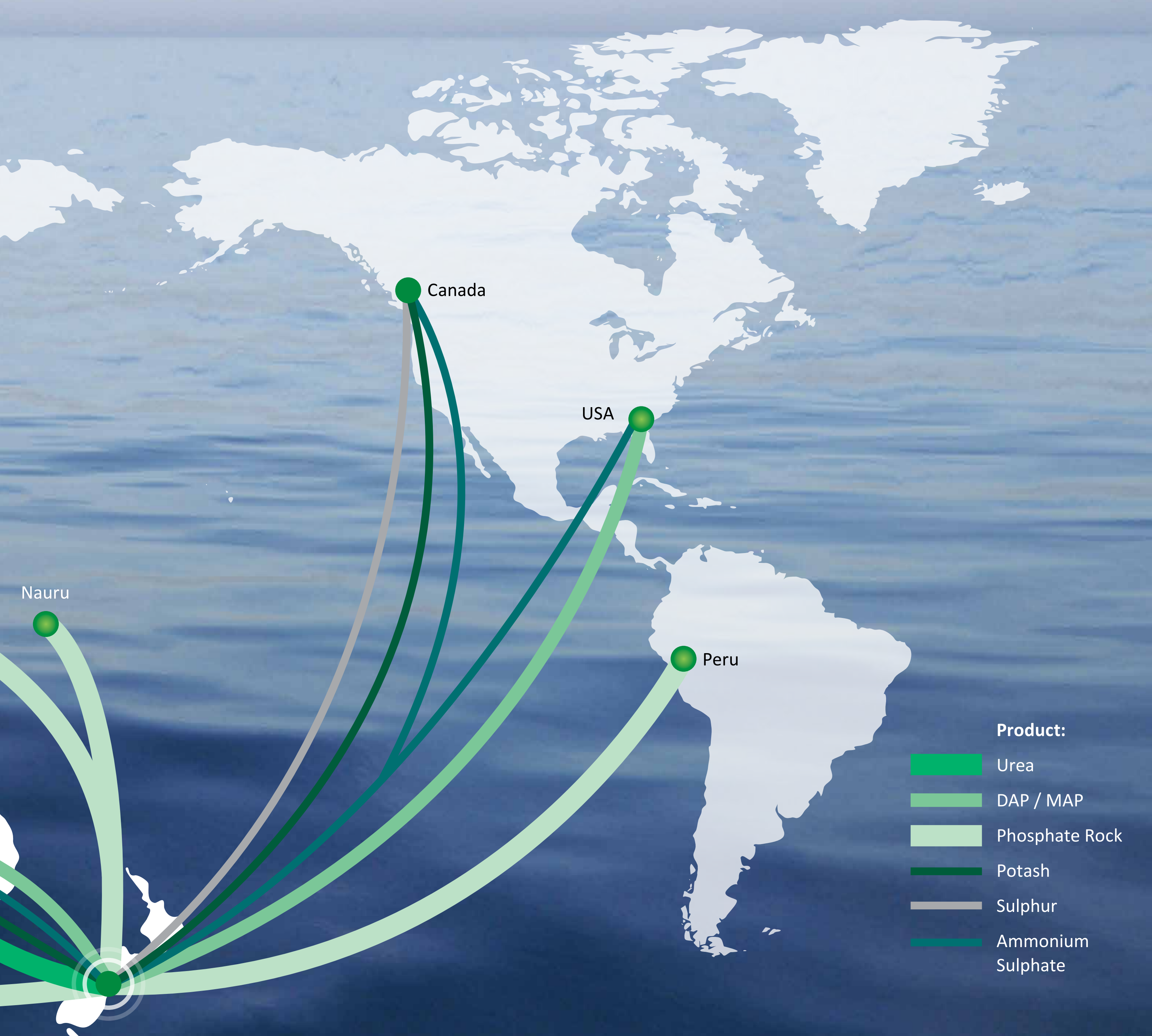
A larger operation drives purchasing and logistics volume efficiencies; benefiting our shareholders on both sides of the Tasman

*much more integration*

*same products, same systems, new geography*

*new products, same systems, same geography*

*go further up the value chain*



# *New geography* *(continued)*

## Ravensdown Western Australia

Extreme drought across much of the State impacted on fertiliser volumes throughout WA which in turn impacted on our financial result. With improvement in climatic conditions and grain prices, and with changes made to our business we expect further gains in 2011-2012.

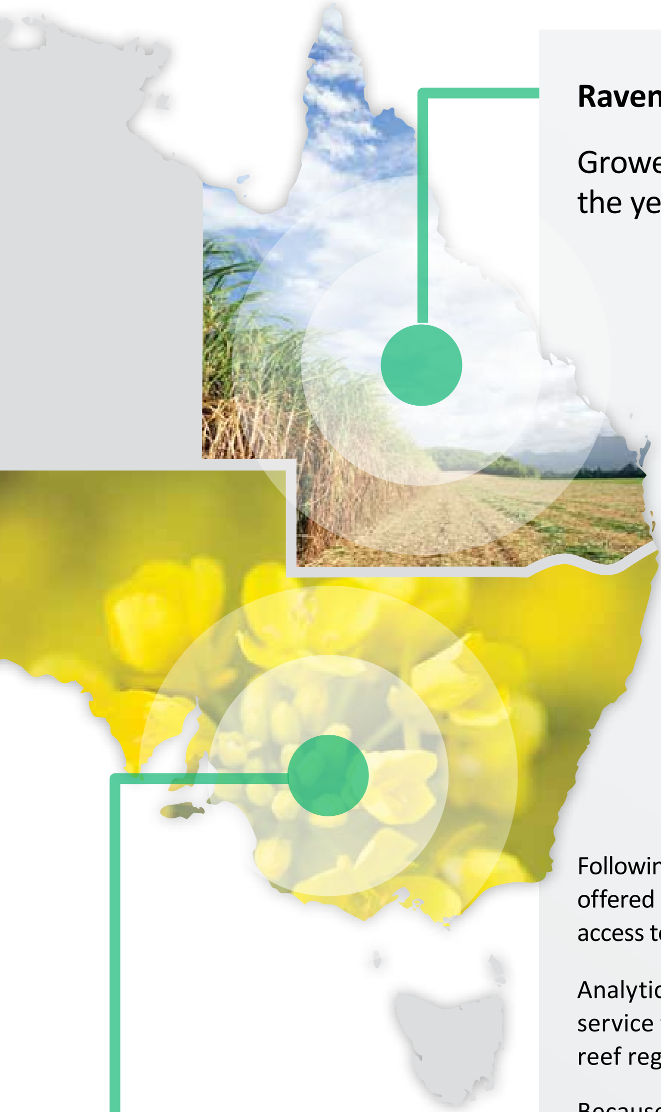

In our first four years of trading we have returned more than A$20.5m in cash and shares to WA shareholders.

Western Australian shareholders raised some concerns with us and we have worked hard to address these during the last year:

- We continue to focus on improving our product quality and availability
- The appointment of experienced account managers has improved the technical back-up we offer shareholders
- The technical offer from our analytical research laboratory (ARL) is improving the utilisation of soil fertility in the State
- The agent network is an important part of our relationship with farmers. During the year we reviewed our agent network. We have firmed up our relationship with those agents who are adding value to our business
- We continue to work on improving our statements

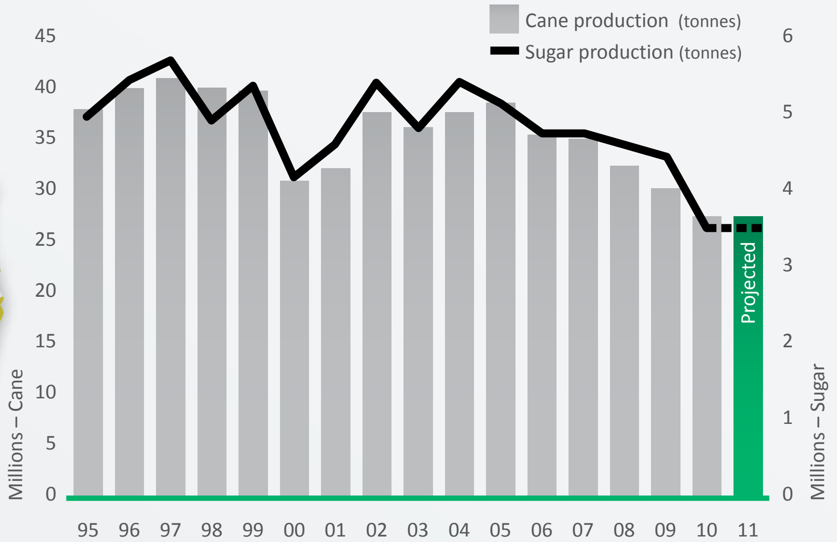
We are continually working towards improving the efficiency and quality of our service across the State:

- We simplified our offer to shareholders
- We will continue to investigate introducing new products to meet your growing needs
- Esperance shareholders have seen significant changes to our store site with the neighbouring railway bridge project and the installation of a new elevator as part of our ongoing capital improvement
- We are re-granulating single superphosphate to meet customer needs



## Ravensdown Fertiliser Australia

Growers contended with cyclones, storms and rain during the year – impacting on their businesses and ours.




Following floods and cyclones in Queensland we offered Ravensdown Fertiliser Australia shareholders access to an adverse weather relief package.

Analytical Research Laboratory (ARL) extended its service to Queensland to help growers meet the reef regulations.

Because of shareholders' support we've been able to accelerate our five year establishment plan in the State and continue to develop a more complete offer:

- Extended the product range and delivery options
- Purchased a store in Townsville and are doubling its capacity
- A new company store in Mackay
- Installed a new blending plant in our Brisbane store
- Introduced agronomic support staff to help you maximise your return from your fertiliser inputs

The RFA board approved the Foundation Member Rebate of A$16 for 2010-11 for every tonne of fertiliser picked up during the financial year.

**New 1t fertiliser bags better meet growers' needs.**

Support from the CANEGROWERS Association and growers continued this year and we again kept growers and shareholders informed with meetings throughout the State.

CANEGROWERS


*Townsville store*


*Mackay store*


*New 1t fertiliser bags*

Direct Farm Inputs

During the year, Ravensdown joined forces with Australian fertiliser supplier Direct Farm Inputs (DFI) to strengthen supply lines into South Australia, Victoria and New South Wales using DFI's warehouses at Port Adelaide, Melbourne and Newcastle.

# New products

Entering new product areas where we can add value, introduce new technology and competitive prices

### Fleeceguard®

Lice are a costly problem for New Zealand sheep farmers – with a heavily infested fleece returning nearly a quarter less than a normal fleece. In collaboration with a New Zealand-based expert on parasite control we developed, exclusively for Ravensdown, a new and unique water-based sheep lice pour-on that rapidly knocks down lice in three to four weeks.

### Flysafe®

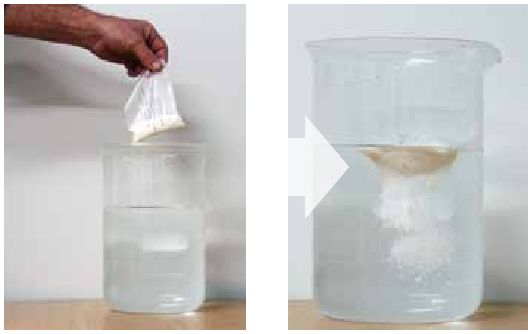
Flystrike is a significant economic and animal welfare issue. We introduced two new products to protect sheep from this disease; a saturation dip concentrate and a ready-to-use spray-on.

### Sporeguard® & Sporewet®

Fungicide spraying of pastures to prevent facial eczema is now a cost-effective method that works – allowing less supplementation of zinc. Ravensdown has introduced its own brand of carbendazim fungicide (Sporeguard®) with a specific wetter (Sporewet®).

### Animal nutrition

Our animal nutrition business has expanded its range to include New Zealand Wheat and Maize products. These give North Island farmers the opportunity to utilise New Zealand grown products for their nutrition requirements.

## Dicalcic

During the year Ravensdown introduced its own Dicalcic phosphate with great results.

## High strengths

For broader weed control in established pastures.


In WA, the process of re-branding products from UFCC to Ravensdown is now flowing through the Agrochemical Business Unit with six new labels being released.

## Fertigation

Our liquid fertiliser products, applied through irrigators, are transported dry and mixed on-farm so farmers aren't paying to transport significant quantities of water.

## Express

Farmers can significantly accelerate grass growth in colder months using a gibberellic acid. Our new Express in soluble bags makes application easier.

# *Go further up the value chain*

Our focus is on integration and adding value by getting involved in other parts of the value chain


During the past year Ravensdown joined forces with our long term ship broking providers to create Ravensdown Shipping Services.

The joint venture was created to add value to our international logistics function by extending the ship chartering role.

**Ravensdown**
SHIPPING SERVICES

## Clarendon

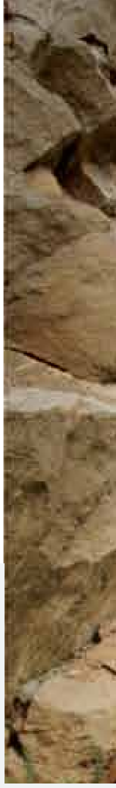
For the first time in 70 years a New Zealand fertiliser features local phosphate rock.

Ravensdown introduced a superphosphate blend during the year called Clarendon Gold, using phosphate rock from the Clarendon deposit at Milton, south of Dunedin.

The Clarendon deposit was last mined in the 1940s during World War II.

Clarendon Gold comprises 15% phosphate rock from Clarendon. A trial was completed at the beginning of the year before going to mainstream production.

The product has fitted well into the production run and is processing smoothly with excellent physical properties. It's good for the Co-operative to take advantage of this phosphate source that is local and cost effective.



## Lignite

We are continuing to investigate partnering Solid Energy on a coal to urea plant in Southland.

A survey during the year showed Eastern Southland residents are positive about future lignite mining in their area. The majority cited jobs for the region as the reason for their support, but they also say developments must be carried out responsibly to avoid air and water pollution and damage to the environment.

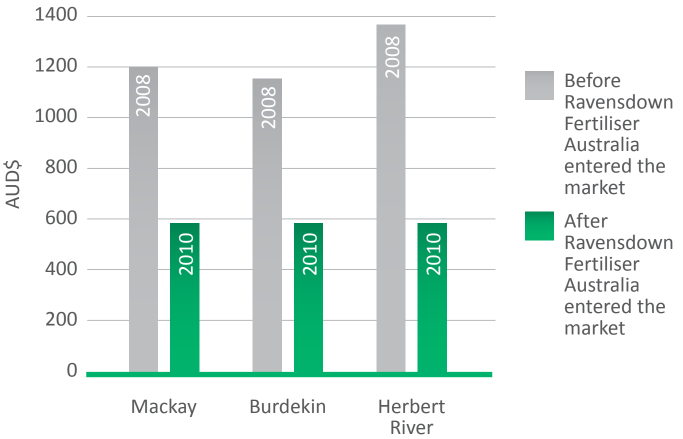
*"I'm tickled that phosphate rock from my farm is being used by Ravensdown. It's great to have our own phosphate resource instead of having to import it."*

*Tony McDonnell,*
*Ravensdown Shareholder*

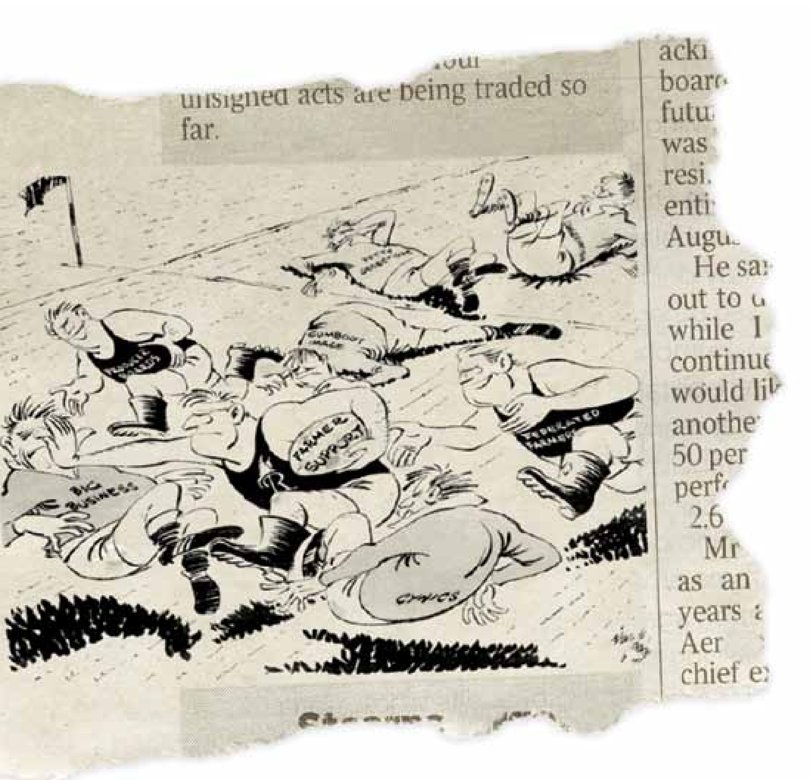
# Co-operative spirit

## Price stability and consistency across Queensland

### Queensland Market Urea Prices




Since Ravensdown Fertiliser Australia entered the market we have brought consistency to prices across the state and endeavoured to hold pricing for long periods to provide shareholders an opportunity to be treated equitably.




*The gumboot takeover. The beginnings of Ravensdown.*

## Earthquake

The devastating earthquakes in Canterbury caused some interruption to our business but on the whole we came through well. While we were making repairs to our Hornby site, the Ravensbourne and Awatoto works manufactured extra product to meet demand.

## Disaster relief

Across the business it was a year of extremes – droughts in New Zealand and WA, cyclones and extended periods of heavy rain in Queensland, flooding in Hawke's Bay and devastating snow storms in Southland. Where possible, Ravensdown offered affected shareholders our adverse weather package so they could recover as quickly as possible.

## Dipton

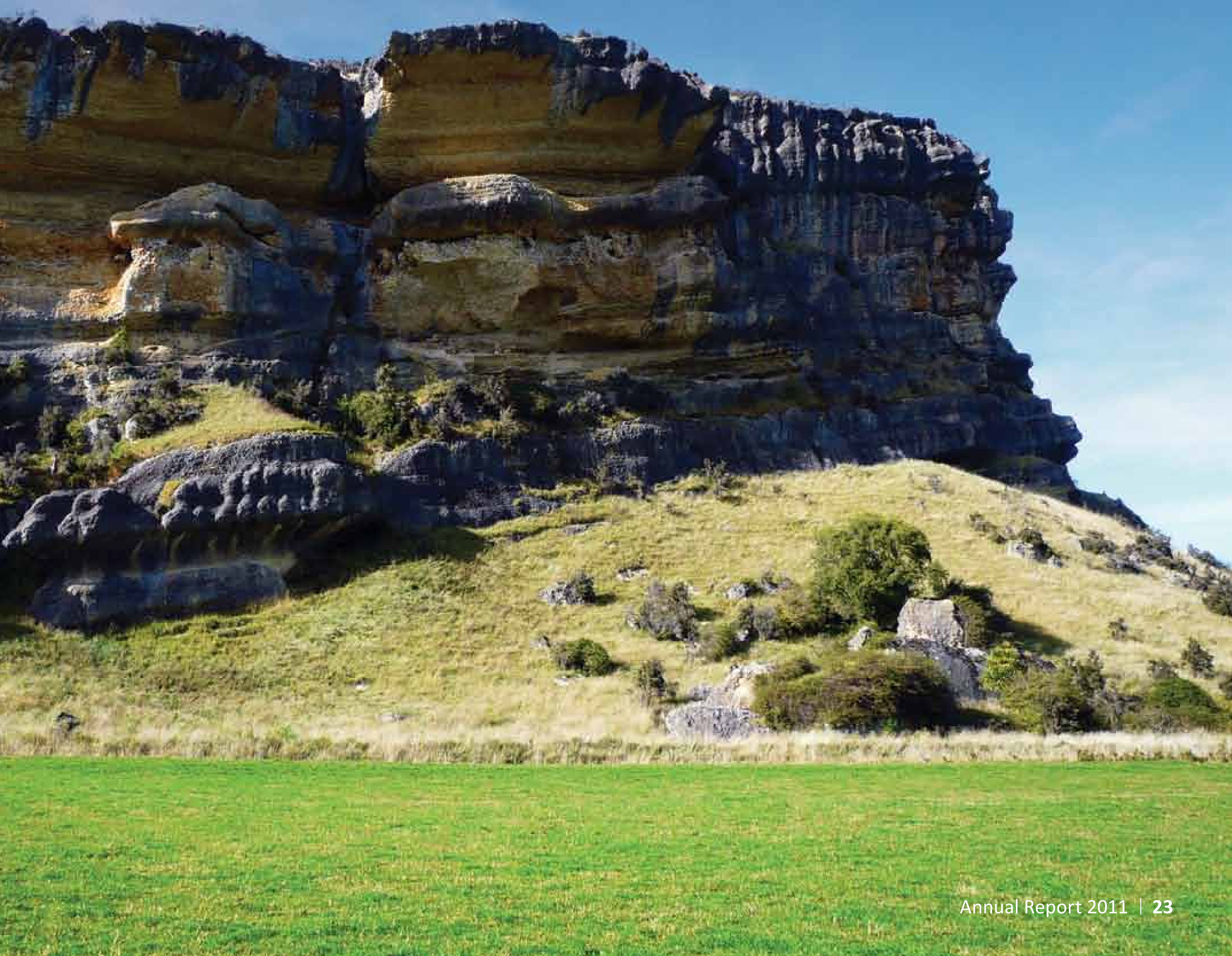
Southland's Castle Rock natural limestone outcrop was officially protected by covenant thanks to the local community, Ravensdown and the Southland District Council.

The outcrop is part of Ravensdown's Dipton Lime Quarry and Ravensdown has been liaising with the local community regarding the quarry, in conjunction with the Southland District Council.

The Dipton Landcare Group lobbied us to not mine the cliffs and we were persuaded to change our view.

This move has reduced the life of the quarry but we recognise its importance as part of the local landscape and are pleased to see it stay.

*Bruce Halligan (Southland District Council), Peter McDonald (Dipton Landcare Group), Ravensdown Chairman Bill McLeod, Mayor Frana Cardno and Ravensdown CEO Rodney Green.*



# Community

Ravensdown likes to support the communities we work and operate in, so after the earthquakes we offered our expertise and equipment to help the province:

- We loaned a forklift to Christchurch's historic Arts Centre to help them with work on these iconic buildings
- We provided fertiliser to help the Christchurch City Council re-sow public grass areas affected by liquefaction – particularly parks and winter sports fields
- Our staff and our bagging plant were well used when we worked with Fulton Hogan to fill thousands of sand bags to help Christchurch cope with the tidal effects on the swollen Avon River

Focusing on excellence and the future of farming in New Zealand is behind our sponsorship programme

Will Grayling was the 2011-2012 National Bank Young Farmer of the Year.

The National Bank YOUNG FARMER CONTEST


Jason and Lisa Suisted are the New Zealand Sharemilker/Equity Farmers of the Year.

NEW ZEALAND DAIRY INDUSTRY AWARDS TRUST
Passion for Progression

Wanaka farmers Phil Hunt and Lizzie Carruthers won the supreme award in this year's Ewe Hogget competition.

south island farmer of the year
In association with the Lincoln University Foundation

Innovation is the theme of the Lincoln University Foundation South Island Farmer of the Year contest.

Some of our other sponsorships include:

- The Tauhara Moana Trust focus farm
- Southland Demonstration Farm
- South Island Dairying Development Centre
- Groundspread Conference
- South Island Dairy Event
- Fertiliser Lime Research Conference
- International Farm Management Congress
- Horticulture New Zealand's Grower of the Year
- New Zealand Primary Institute of Management

# *Environmental*

## Eco-n patent approved

Ravensdown was thrilled to have its eco-n patent upheld in March in the High Court at Auckland, securing this important agricultural environmental technology in New Zealand.

Patents for the nitrification inhibitor have now been granted in New Zealand, Argentina and Australia, with patents pending in other countries.

Eco-n mitigates many of the environmental concerns surrounding dairy farming. As these concerns around the world grow, this New Zealand technology will become increasingly important.

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

PATENT
NUMBER 520549

## Neutral energy costs

A step in the superphosphate manufacturing process enables us to produce electricity to power our three manufacturing sites, and at times, feed generated electricity back into the national grid.

## Eco-n – research role

New Zealand science is taking a global lead in assessing mitigation technologies for pastoral greenhouse gas emissions and nitrate leaching, and DCD - the active ingredient in Ravensdown eco-n – has a central role in the research.

## Agrecovery

Ravensdown supports Agrecovery. You can recycle your drums at Agrecovery sites nationwide.

AGRECOVERY
Rural Recycling Programme

## Seadown stormwater project

An extensive stormwater project at our Seadown service centre has been a positive environmental initiative.

## Spreading

Our sophisticated spreading technology has significant environmental benefits, putting the right product on, at the right rate, in the right place.

## NMPs

Ravensdown took a lead position in getting Nutrient Management plans to dairy farmers. These important documents capture farm information and provide you with the most efficient nutrient options.

*Ravensdown's full annual Environmental Report is available online at www.ravensdown.co.nz*

# Works

A continued focus on improving the physical quality of our superphosphate and reducing our impact on the environment

## Awatoto

The board has approved a $14.5m improvement programme that includes a $9m upgrade of the acid plant. The investment will have environmental, productivity and cost-efficiency benefits.

Aurecon received a merit award at the Innovate NZ Awards of Excellence for Awatoto's one side upgrade project.

## Earthquakes at Hornby

Hats off to Hornby staff who despatched fertiliser throughout the aftermath of the earthquakes for all but half a day.

## Ravensbourne

A $3m investment approved by the board includes $2m to upgrade the acid plant absorbing tower. The remainder provides improved control and monitoring.

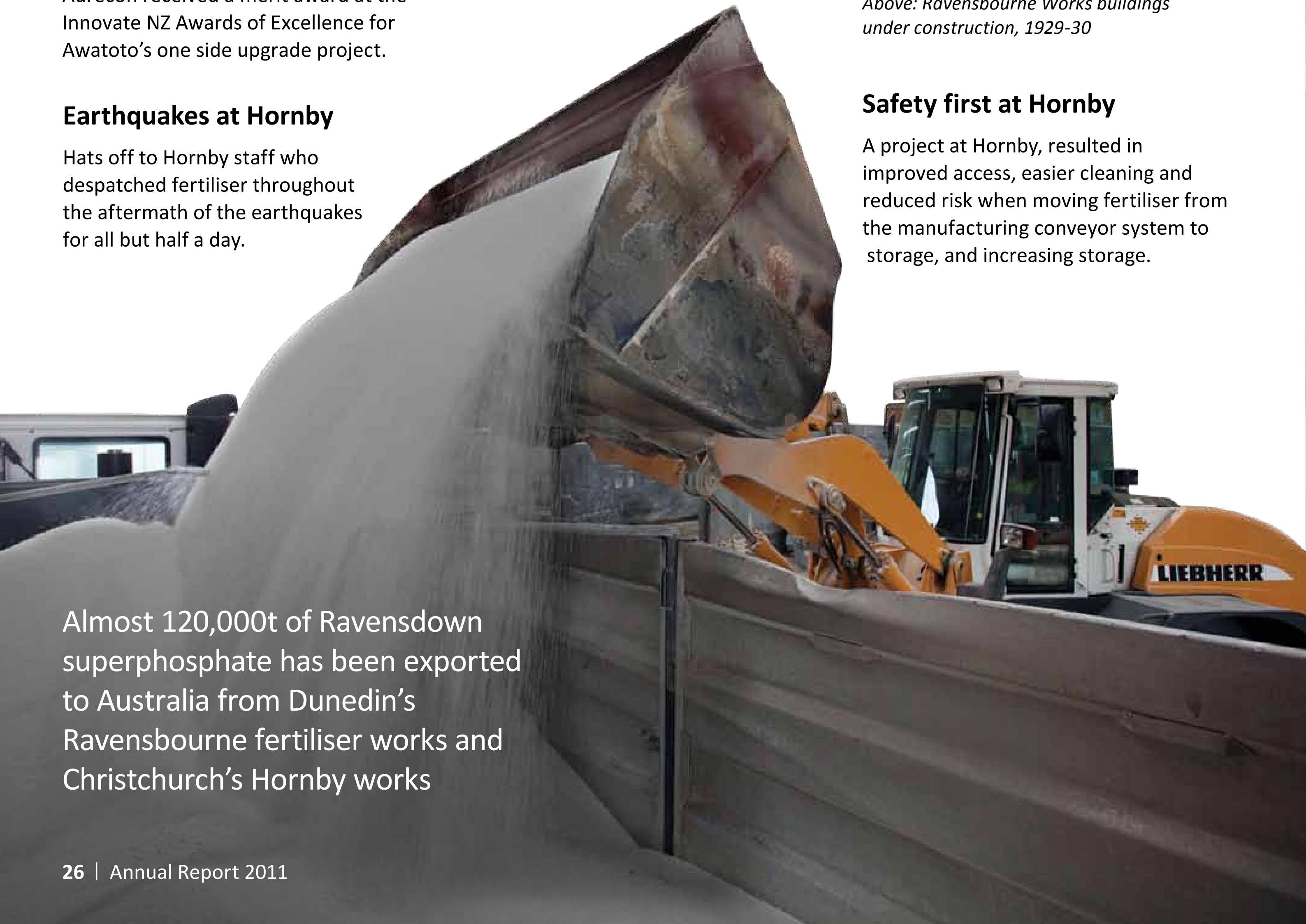
## Ravensbourne Works celebrated its 80th birthday in January.

In its first decade the works produced about 50,000t of fertiliser a year. Today it's producing almost 200,000t.

*Above: Ravensbourne Works buildings under construction, 1929-30*

## Safety first at Hornby

A project at Hornby, resulted in improved access, easier cleaning and reduced risk when moving fertiliser from the manufacturing conveyor system to storage, and increasing storage.




Almost 120,000t of Ravensdown superphosphate has been exported to Australia from Dunedin's Ravensbourne fertiliser works and Christchurch's Hornby works

# Stores

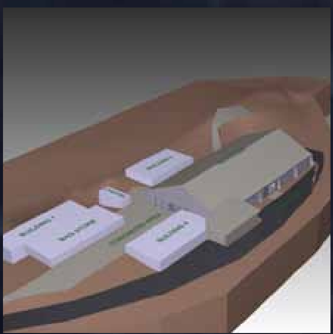
A new bag store at our Rakaia store is helping deal with a 30,000t increase in product in the last 10 years

## Improved storage for Southland

A former Bluff oyster shed has been given a facelift after we bought it from Invercargill City Council to extend and secure storage capacity for Southland customers.

## Balclutha

Work has started on a new purpose-built store at Balclutha which will give more product choice and improve handling.



## Mata

The board approved investment in a new service centre at Mata in Northland. It will combine a port store, market store and lime quarry on one site and is a demonstration of Ravensdown's commitment to the area. We are currently in the final stages of the consent process.

## Napier

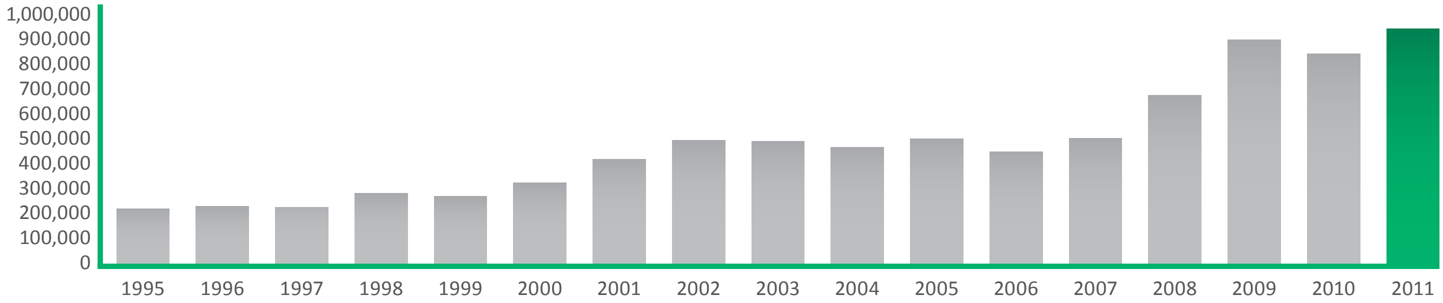
Increased bulk storage at Awatoto will reduce our reliance on expensive storage at the Port of Napier.

*Alan Behrnes, Store Manager, Rakaia*

# Finance at a glance

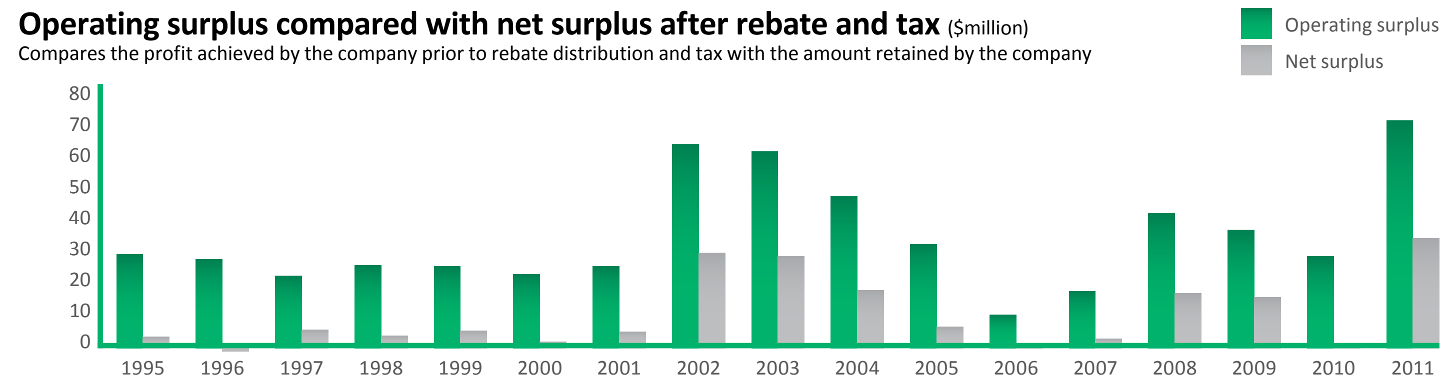
## Sales revenue ($'000)

Total sales made by Ravensdown after removing inter-company transactions




## Operating surplus compared with net surplus after rebate and tax ($million)

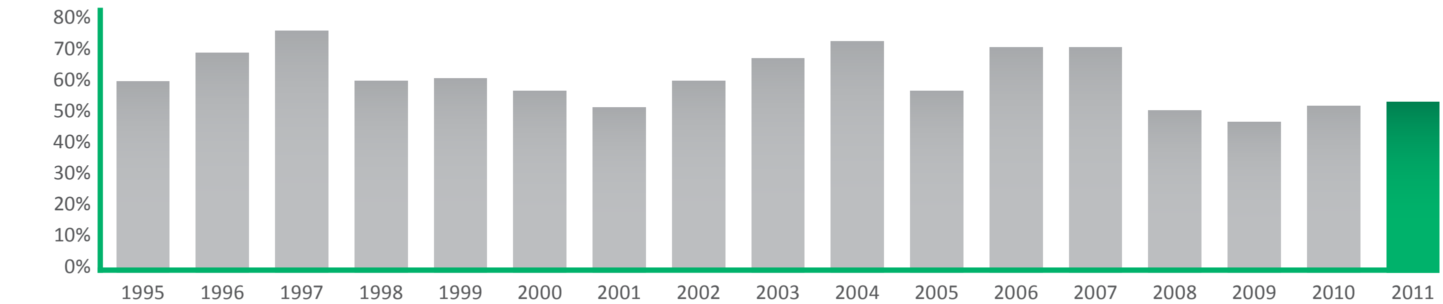
Compares the profit achieved by the company prior to rebate distribution and tax with the amount retained by the company




*(2007 onwards in accordance with NZIFRS)*

## Equity ratio (%)

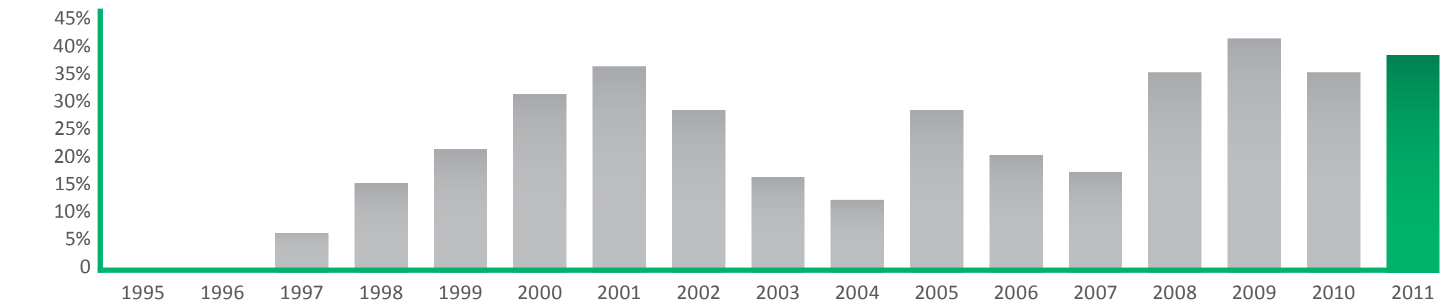
The ratio of equity to total assets compares the money creditors contribute to the business with the money owners contribute




*(Calculation excludes financial derivatives, provisions and deferred tax)*

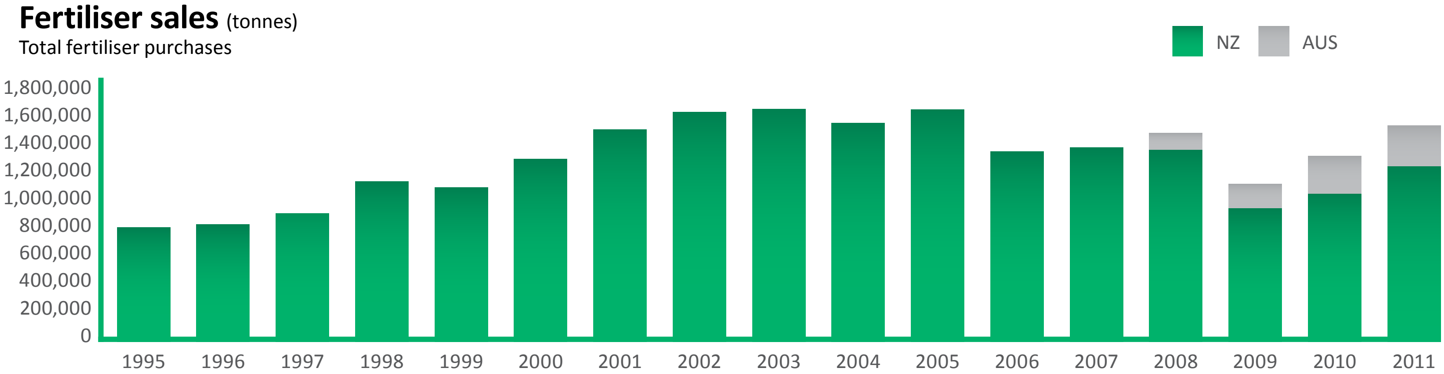
## Debt ratio (%)

Bank debt divided by total assets - illustrates how much bank debt is used to fund assets



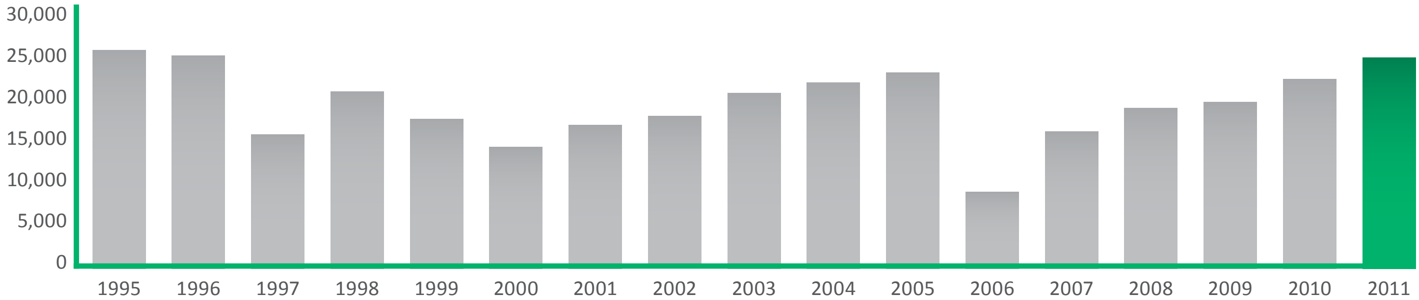
## Fertiliser sales (tonnes)

Total fertiliser purchases



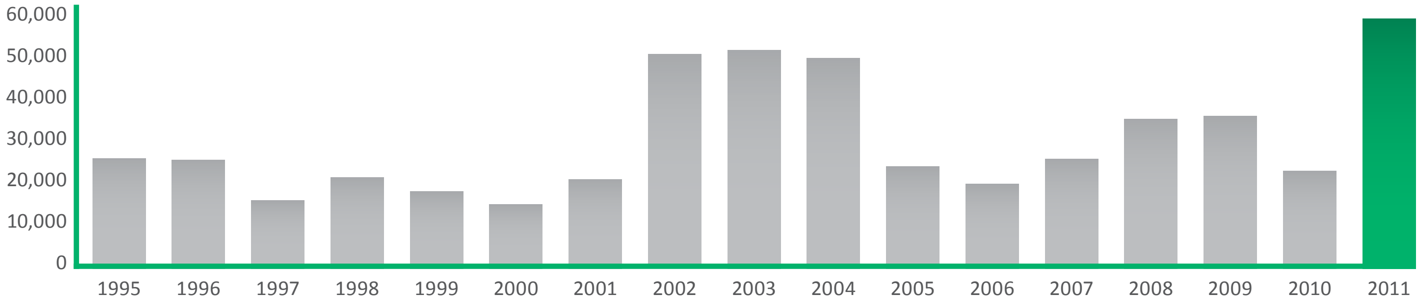

## Value of rebate to shareholders ($'000)

Total dollar of distribution to shareholders comprising rebates



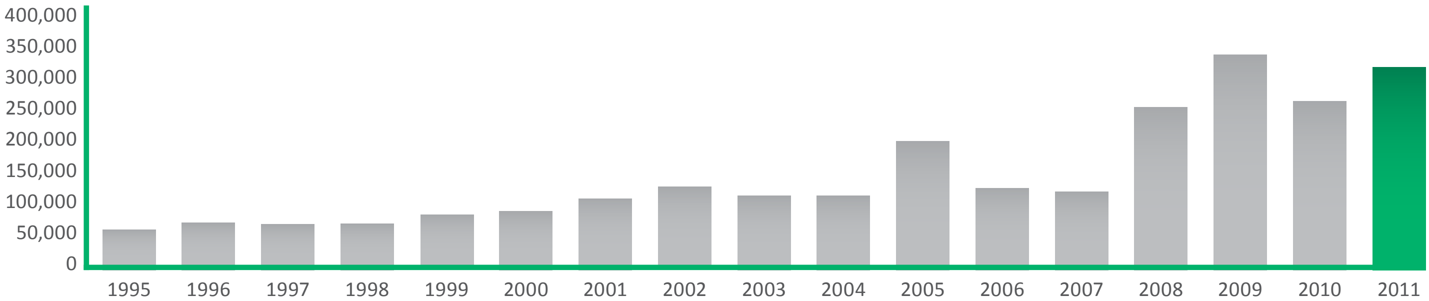

## Value of distribution to shareholders ($'000)

Total dollar value of distribution to shareholders comprising rebates and bonus issues



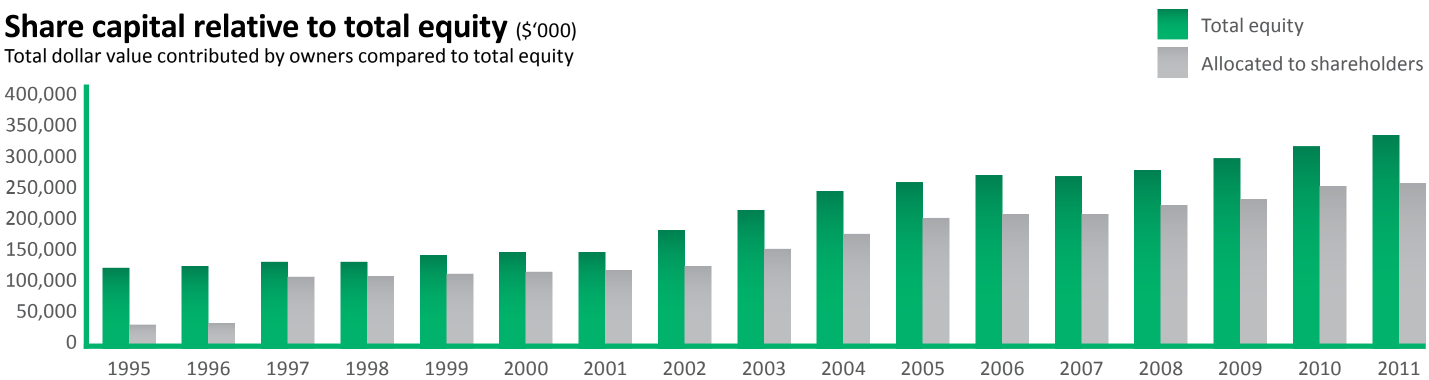

## Inventory ($'000)

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 Chief Executive Officer and Chief Financial Officer attend as exofficio members and the external auditors attend 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 5 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.

### Superannuation Committee

The Superannuation Committee is the trustee of the Ravensdown Staff Superannuation Scheme. The committee comprises two directors, two management representatives and a staff representative. It meets a minimum of twice each year and is responsible for the supervision of the scheme, including the ongoing investment strategy.

## 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 Committee | | Remuneration Committee | | Surrenders Committee | | Superannuation Committee | | Board and Co-op Structure Committee | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Director** | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| W T McLeod | 9 | 9 | 4 | 3 | 2 | 2 | | | 3 | 3 | 1 | 1 |
| P D Willock | 9 | 9 | 4 | 4 | 2 | 2 | | | | | 1 | 1 |
| JFC Henderson | 9 | 8 | 4 | 2 | | | 9 | 7 | | | | |
| E M Coutts | 9 | 9 | 4 | 4 | | | | | | | | |
| P G Inger | 9 | 9 | 4 | 3 | | | | | | | | |
| A P Reilly | 9 | 9 | | | 2 | 2 | | | | | 1 | 1 |
| C J Dennison | 9 | 9 | | | 2 | 2 | | | | | | |
| B D Watt | 9 | 8 | | | | | 9 | 8 | | | | |
| S G Gower | 9 | 8 | | | | | 9 | 9 | | | | |
| A C Howey | 9 | 9 | | | | | | | 3 | 3 | | |
| J L Williams | 9 | 9 | | | | | | | | | | |
| A S Wright | 9 | 8 | | | | | | | | | 1 | 1 |
| R T Turton | 9 | 9 | | | | | 9 | 7 | | | | |
| G J Cosgrove | 9 | 9 | | | | | | | | | 1 | 1 |

# *Directors' declaration*

In the opinion of the directors of Ravensdown Fertiliser Co-operative Limited, the financial statements and notes, on pages 34 to 77:

- 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 2011 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 2011.

For and on behalf of the Board of Directors:

| | |
|---|---|
| W T McLeod | P D Willock |
| Director | Director |

9 August 2011

# 2011 Financial Statements

# Income statement
## For the year ended 31 May

| | | Group | | Company | |
|---|---|---|---|---|---|
| *In thousands of New Zealand dollars* | *Note* | **2011** | **2010** | **2011** | **2010** |
| Revenue | *6* | 933,152 | 834,431 | 938,426 | 833,616 |
| Cost of sales | *7* | (784,994) | (738,056) | (799,695) | (748,024) |
| Gross profit | | 148,158 | 96,375 | 138,731 | 85,592 |
| Sales and marketing | | (22,629) | (20,834) | (22,451) | (20,722) |
| Administrative expenses | *8* | (28,521) | (25,451) | (24,550) | (20,125) |
| Other operating expense | | (7,034) | (6,848) | (7,226) | (6,629) |
| Results from operating activities before transactions with shareholders and finance costs | | 89,974 | 43,242 | 84,504 | 38,116 |
| Finance income | *10* | 1,768 | 1,491 | 3,283 | 1,644 |
| Finance expenses | *10* | (21,446) | (17,143) | (21,444) | (16,969) |
| Net finance costs | *10* | (19,678) | (15,652) | (18,161) | (15,325) |
| Discount on acquisition | | - | 30 | - | - |
| Share of profit/(loss) of equity accounted investees (after tax) | *15* | 1,325 | (205) | - | - |
| Profit before rebate and income tax | | 71,621 | 27,415 | 66,343 | 22,791 |
| Rebates | | (22,726) | (16,745) | (21,480) | (14,892) |
| | | 48,895 | 10,670 | 44,863 | 7,899 |
| Income tax (expense) | *11* | (15,392) | (10,474) | (14,941) | (9,214) |
| **Profit for the year before bonus share issue** | | **33,503** | **196** | **29,922** | **(1,315)** |
| Bonus share issue | | (24,055) | - | (24,055) | - |
| **Profit for the year** | | **9,448** | **196** | **5,867** | **(1,315)** |
| **Profit attributable to:** | | | | | |
| Owners of the company | | 9,452 | 233 | 5,867 | (1,315) |
| Non-controlling interest | | (4) | (37) | - | - |
| **Profit for the year** | | **9,448** | **196** | **5,867** | **(1,315)** |



*The notes on pages 45 to 77 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 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|---|
| **Profit for the year** | | **9,448** | **196** | **5,867** | **(1,315)** |
| Foreign currency translation differences for foreign operations | | 281 | (196) | 233 | (238) |
| Revaluation of non current assets | | 2,262 | 1,844 | 2,162 | 1,844 |
| Effective portion of changes in fair value of cash flow hedges | | (131,605) | (36,293) | (131,605) | (36,293) |
| Net change in fair value of cash flow hedges transferred to inventory | | 22,177 | (2,227) | 22,177 | (2,227) |
| Net change in fair value of cash flow hedges transferred to profit or loss | | 1,224 | 1,926 | 1,224 | 1,926 |
| Income tax on income and expense recognised directly in equity | *11* | 29,910 | 11,630 | 29,910 | 11,446 |
| **Other comprehensive income for the year** | | **(75,751)** | **(23,316)** | **(75,899)** | **(23,542)** |
| **Total comprehensive income for the year** | | **(66,303)** | **(23,120)** | **(70,032)** | **(24,857)** |
| **Attributable to:** | | | | | |
| Owners of the company | | (66,299) | (23,083) | (70,032) | (24,857) |
| Non-controlling interest | | (4) | (37) | - | - |
| **Total comprehensive income for the year** | | **(66,303)** | **(23,120)** | **(70,032)** | **(24,857)** |

*The notes on pages 45 to 77 are an integral part of these financial statements.*

## Statement of financial position
As at 31 May

| *In thousands of New Zealand dollars* | *Note* | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | *12* | 247,434 | 231,569 | 214,200 | 204,072 |
| Intangible assets | *13* | 5,771 | 6,050 | 5,034 | 5,308 |
| Mining deposits | *14* | 14,896 | 14,270 | 3,044 | 2,868 |
| Investments in equity accounted investees | *15* | 27,187 | 8,181 | 8,662 | 8,201 |
| Other financial assets | *16* | 533 | 7,955 | 136,593 | 49,679 |
| Deferred tax assets | *17* | 7,141 | - | 11,437 | - |
| **Total non-current assets** | | **302,962** | **268,025** | **378,970** | **270,128** |
| Inventories | *18* | 316,206 | 262,781 | 254,414 | 236,598 |
| Other financial assets | *16* | - | 12,837 | - | 12,837 |
| Taxation receivable | | 2,186 | 7,587 | 2,278 | 8,122 |
| Trade and other receivables | *19* | 141,811 | 123,273 | 137,203 | 148,009 |
| Cash and cash equivalents | *22* | 23,018 | 16,694 | 3,893 | 8,914 |
| **Total current assets** | | **483,221** | **423,172** | **397,788** | **414,480** |
| **Total assets** | | **786,183** | **691,197** | **776,758** | **684,608** |
| **Liabilities** | | | | | |
| Loans and borrowings | *23* | 146,686 | 69,856 | 146,686 | 69,856 |
| Other financial liabilities | *24* | 35,768 | 3,179 | 35,768 | 3,179 |
| Deferred tax liabilities | *17* | - | 23,191 | - | 19,108 |
| **Total non-current liabilities** | | **182,454** | **96,226** | **182,454** | **92,143** |
| Loans and borrowings | *23* | 146,362 | 164,649 | 146,362 | 164,649 |
| Trade and other payables | *27* | 77,162 | 74,466 | 80,331 | 77,117 |
| Other financial liabilities | *24* | 57,535 | 969 | 57,110 | 969 |
| Redeemable preference shares | *21* | 8,011 | 5,452 | - | - |
| Provision for rebate and bonus share issue | *25* | 43,926 | 15,115 | 42,730 | 14,643 |
| Provisions | *26* | 3,356 | 7,451 | 3,356 | 7,451 |
| **Total current liabilities** | | **336,352** | **268,102** | **329,889** | **264,829** |
| **Total liabilities** | | **518,806** | **364,328** | **512,343** | **356,972** |
| **Net Assets** | | **267,377** | **326,869** | **264,415** | **327,636** |



*The notes on pages 45 to 77 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 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|---|
| **Equity** | | | | | |
| Share capital | *20* | 256,895 | 250,084 | 256,895 | 250,084 |
| Reserves | | (18,179) | 57,572 | (20,716) | 55,183 |
| Retained earnings | | 28,442 | 18,990 | 28,236 | 22,369 |
| **Equity attributable to owners of the company** | | **267,158** | **326,646** | **264,415** | **327,636** |
| **Non-controlling interests** | | **219** | **223** | **-** | **-** |
| **Total equity** | | **267,377** | **326,869** | **264,415** | **327,636** |

*The notes on pages 45 to 77 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* | Co-operative shares | Translation reserve |
|---|---|---|
| **Balance at 1 June 2009** | **232,755** | **744** |
| **Profit for the year** | **-** | **-** |
| Foreign currency translation differences for foreign operations | - | (196) |
| Revaluation of property, plant and equipment, net of tax | - | - |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to inventory, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to profit or loss, net of tax | - | - |
| **Total other comprehensive income** | **-** | **(196)** |
| **Total comprehensive income for the year** | **-** | **(196)** |
| Co-operative shares issued | 11,500 | - |
| Co-operative shares surrendered | (5,668) | - |
| Co-operative shares allotted on bonus issue | 11,497 | - |
| Net operating capital - minority interest | - | - |
| **Total contributions by and distributions to owners** | **17,329** | **-** |
| **Balance at 31 May 2010** | **250,084** | **548** |
| **Balance at 1 June 2010** | **250,084** | **548** |
| **Profit for the year** | **-** | **-** |
| Foreign currency translation differences for foreign operations | - | 281 |
| Revaluation of property, plant and equipment, net of tax | - | - |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to inventory, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to profit or loss, net of tax | - | - |
| **Total other comprehensive income** | **-** | **281** |
| **Total comprehensive income for the year** | **-** | **281** |
| Co-operative shares issued | 12,140 | - |
| Co-operative shares surrendered | (5,329) | - |
| Co-operative shares allotted on bonus issue | - | - |
| Net opening capital - minority interest | - | - |
| **Total contributions by and distributions to owners** | **6,811** | **-** |
| **Balance at 31 May 2011** | **256,895** | **829** |

| Group | | | | | |
|---|---|---|---|---|---|
| Attributable to equity holders of the Company | | | | | |
| Hedging reserve | Revaluation reserve | Retained earnings | Total | Non-controlling interest | Total equity |
| **36,832** | **43,312** | **18,757** | **332,400** | **-** | **332,400** |
| **-** | **-** | **233** | **233** | (37) | **196** |
| - | - | - | **(196)** | - | **(196)** |
| - | 2,361 | - | **2,361** | - | **2,361** |
| (25,270) | - | - | **(25,270)** | - | **(25,270)** |
| (1,559) | - | - | **(1,559)** | - | **(1,559)** |
| 1,348 | - | - | **1,348** | - | **1,348** |
| **(25,481)** | **2,361** | **-** | **(23,316)** | **-** | **(23,316)** |
| **(25,481)** | **2,361** | **233** | **(23,083)** | **(37)** | **(23,120)** |
| - | - | - | **11,500** | | **11,500** |
| - | - | - | **(5,668)** | | **(5,668)** |
| - | - | - | **11,497** | | **11,497** |
| - | - | - | **-** | 260 | **260** |
| **-** | **-** | **-** | **17,329** | **260** | **17,589** |
| **11,351** | **45,673** | **18,990** | **326,646** | **223** | **326,869** |
| **11,351** | **45,673** | **18,990** | **326,646** | **223** | **326,869** |
| **-** | **-** | **9,452** | **9,452** | **(4)** | **9,448** |
| - | - | - | **281** | - | **281** |
| - | 1,689 | - | **1,689** | - | **1,689** |
| (94,545) | - | - | **(94,545)** | - | **(94,545)** |
| 15,967 | - | - | **15,967** | - | **15,967** |
| 857 | - | - | **857** | - | **857** |
| **(77,721)** | **1,689** | **-** | **(75,751)** | **-** | **(75,751)** |
| **(77,721)** | **1,689** | **9,452** | **(66,299)** | **(4)** | **(66,303)** |
| - | - | - | 12,140 | - | **12,140** |
| - | - | - | (5,329) | - | **(5,329)** |
| - | - | - | - | - | **-** |
| - | - | - | - | - | **-** |
| **-** | **-** | **-** | **6,811** | **-** | **6,811** |
| **(66,370)** | **47,362** | **28,442** | **267,158** | **219** | **267,377** |

*The notes on pages 45 to 77 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* | Co-operative shares | Translation reserve |
|---|---|---|
| **Balance at 1 June 2009** | **232,755** | **744** |
| **Profit for the year** | **-** | **-** |
| Foreign currency translation differences for foreign operations | - | (238) |
| Revaluation of property, plant and equipment, net of tax | - | - |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to inventory, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to profit or loss, net of tax | - | - |
| **Total other comprehensive income** | **-** | **(238)** |
| **Total comprehensive income for the year** | **-** | **(238)** |
| Co-operative shares issued | 11,500 | - |
| Co-operative shares surrendered | (5,668) | - |
| Co-operative shares allotted on bonus issue | 11,497 | - |
| **Total contributions by and distributions to owners** | **17,329** | **-** |
| **Balance at 31 May 2010** | **250,084** | **506** |
| **Balance at 1 June 2010** | **250,084** | **506** |
| **Profit for the year** | **-** | **-** |
| Foreign currency translation differences for foreign operations | - | 233 |
| Revaluation of property, plant and equipment, net of tax | - | - |
| Effective portion of changes in fair value of cash flow hedges, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to inventory, net of tax | - | - |
| Net change in fair value of cash flow hedges transferred to profit or loss, net of tax | - | - |
| **Total other comprehensive year** | **-** | **233** |
| **Total comprehensive income for the year** | **-** | **233** |
| Co-operative shares issued | 12,140 | - |
| Co-operative shares surrendered | (5,329) | - |
| Co-operative shares allotted on bonus issue | - | - |
| **Total contributions by and distributions to owners** | **6,811** | **-** |
| **Balance at 31 May 2011** | **256,895** | **739** |

## Company

| | Hedging reserve | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|
| | **36,832** | **41,149** | **23,684** | **335,164** |
| | **-** | **-** | **(1,315)** | **(1,315)** |
| | - | - | - | **(238)** |
| | - | 2,177 | - | **2,177** |
| | (25,270) | - | - | **(25,270)** |
| | (1,559) | - | - | **(1,559)** |
| | 1,348 | - | - | **1,348** |
| | **(25,481)** | **2,177** | **-** | **(23,542)** |
| | **(25,481)** | **2,177** | **(1,315)** | **(24,857)** |
| | - | - | - | **11,500** |
| | - | - | - | **(5,668)** |
| | - | - | - | **11,497** |
| | **-** | **-** | **-** | **17,329** |
| | **11,351** | **43,326** | **22,369** | **327,636** |
| | **11,351** | **43,326** | **22,369** | **327,636** |
| | **-** | **-** | **5,867** | **5,867** |
| | - | - | - | **233** |
| | - | 1,589 | - | **1,589** |
| | (94,545) | - | - | **(94,545)** |
| | 15,967 | - | - | **15,967** |
| | 857 | - | - | **857** |
| | **(77,721)** | **1,589** | **-** | **(75,899)** |
| | **(77,721)** | **1,589** | **5,867** | **(70,032)** |
| | - | - | - | **12,140** |
| | - | - | - | **(5,329)** |
| | - | - | - | **-** |
| | **-** | **-** | **-** | **6,811** |
| | **(66,370)** | **44,915** | **28,236** | **264,415** |

*The notes on pages 45 to 77 are an integral part of these financial statements.*

## Statement of cash flows
For the year ended 31 May

| | | Group | | Company | |
|---|---|---|---|---|---|
| *In thousands of New Zealand dollars* | *Note* | **2011** | **2010** | **2011** | **2010** |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | | 902,639 | 823,392 | 867,567 | 799,043 |
| Dividend received | | 41 | 28 | 41 | 28 |
| | | 902,680 | 823,420 | 867,608 | 799,071 |
| Cash was applied to | | | | | |
| Cash paid to suppliers and employees | | 880,461 | 676,142 | 856,233 | 656,417 |
| Income tax paid | | 9,426 | 16,095 | 8,777 | 16,673 |
| | | 889,887 | 692,237 | 865,010 | 673,090 |
| **Net Cash from/(used in) operating activities** | | **12,793** | **131,183** | **2,598** | **125,981** |
| Cash flows from investing activities | | | | | |
| Proceeds from sale of property, plant and equipment | | 62 | 794 | 62 | 423 |
| Cash received from held-to-maturity investments | | - | 500 | - | - |
| Cash acquired on acquisition | | - | 210 | - | - |
| Loans repaid by subsidiaries | | - | - | 12,743 | 16,886 |
| Loans repaid by equity accounted investees | | 1,796 | 1,284 | 1,796 | 1,284 |
| | | 1,858 | 2,788 | 14,601 | 18,593 |
| Cash was applied to | | | | | |
| Acquisition of property, plant and equipment | | 28,448 | 17,453 | 20,964 | 13,204 |
| Purchase of held-to-maturity investments | | - | 520 | - | - |
| Acquisition of other non-current assets | | 937 | 287 | 243 | 287 |
| Purchase of investments | | 835 | 50 | 835 | 50 |
| Acquisition of shares in subsidiary | | - | 230 | - | 260 |
| Loans advanced to subsidiaries | | - | - | 21,473 | 14,639 |
| Loans advanced to equity accounted investees | | 801 | 2,080 | 801 | 2,080 |
| | | 31,021 | 20,620 | 44,316 | 30,520 |
| **Net cash from/(used in) investing activities** | | **(29,163)** | **(17,832)** | **(29,715)** | **(11,927)** |



*The notes on pages 45 to 77 are an integral part of these financial statements.*

## Statement of cash flows *(continued)*
For the year ended 31 May

| | | Group | | Company | |
|---|---|---|---|---|---|
| *In thousands of New Zealand dollars* | *Note* | **2011** | **2010** | **2011** | **2010** |
| Cash flows from financing activities | | | | | |
| Interest received | | 1,773 | 1,424 | 3,283 | 1,572 |
| Bank advances | | 53,318 | - | 53,318 | - |
| Proceeds from issue of redeemable preference shares | | 2,614 | 4,071 | - | - |
| Proceeds from issue of share capital | | 1,234 | 77 | 1,234 | 77 |
| | | 58,939 | 5,572 | 57,835 | 1,649 |
| Cash was applied to | | | | | |
| Bank advances | | - | 81,112 | - | 81,116 |
| Interest paid | | 20,966 | 16,531 | 20,963 | 16,357 |
| Repay share capital | | 5,329 | 5,668 | 5,329 | 5,668 |
| Payment of rebates | | 10,520 | 7,892 | 9,903 | 7,892 |
| | | 36,815 | 111,203 | 36,195 | 111,033 |
| **Net cash from/(used in) financing activities** | | **22,124** | **(105,631)** | **21,640** | **(109,384)** |
| Net (decrease)/increase in cash and cash equivalents | | 5,754 | 7,720 | (5,477) | 4,670 |
| Cash and cash equivalents at 1 June | | 16,694 | 9,198 | 8,914 | 4,529 |
| Effect of exchange rate fluctuations on cash held | | 570 | (224) | 456 | (285) |
| **Cash and cash equivalents at 31 May** | *22* | **23,018** | **16,694** | **3,893** | **8,914** |

*The notes on pages 45 to 77 are an integral part of these financial statements.*

# Reconciliation of the profit for the period with the net cash from operating activities

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Profit for the year | 9,448 | 196 | 5,867 | (1,315) |
| Adjustments for: | | | | |
| **Items classified as financing activities** | | | | |
| Rebates to shareholders | 22,726 | 16,745 | 21,480 | 14,892 |
| Interest income | (1,773) | (1,424) | (3,283) | (1,572) |
| Interest expense | 21,111 | 17,143 | 21,108 | 16,969 |
| Discount on acquisition/business combination | - | (30) | - | - |
| Dividend received from associate | 42 | - | - | - |
| **Items not involving cash flows** | | | | |
| Depreciation and loss (gain) on disposals | 16,182 | 17,068 | 14,045 | 15,030 |
| Amortisation of intangible assets | 599 | 573 | 342 | 288 |
| Net (gain) loss on financial instruments | 338 | - | 338 | - |
| Decrease (increase) in deferred taxation | 190 | 4,887 | (33) | 4,508 |
| Revaluation of Government Bond | - | 2 | - | - |
| (Gain) loss on sale of associates | 467 | - | 935 | - |
| Provision for bonus share issue | 24,055 | - | 24,055 | - |
| Equity accounted (profits) losses from associated companies | (1,325) | 205 | - | - |
| Income tax expense | 5,775 | (10,506) | 6,196 | (11,966) |
| (Increase) decrease in inventories | (49,150) | 71,182 | (15,637) | 95,166 |
| (Increase) decrease in trade and other receivables, prepayments and advances | (35,919) | (11,425) | (73,442) | (36,113) |
| Increase (decrease) in trade and other payables | (184) | 26,163 | 290 | 29,731 |
| Change in provisions and employee benefits | 211 | 404 | 337 | 363 |
| **Net cash from operating activities** | **12,793** | **131,183** | **2,598** | **125,981** |



*The notes on pages 45 to 77 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 2011 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 9 August 2011.

**(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 12)
- Provisions (note 26)
- Fair value of derivatives (note 28)
- Contingencies (note 31)

## 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) 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.

(iii) 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 a liability as it is redeemable at the option of the shareholders.

(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, 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.

## Notes to the financial statements *(continued)*

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 l.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and 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.

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

# Notes to the financial statements *(continued)*

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 2011.

**(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 2011, may impact the Group and have not been applied in preparing these consolidated financial statements:

- NZ IAS 27 Consolidated and Separate Financial Statements amendments clarify that the consequential amendments to NZ IAS 21 The Effects of Changes in Foreign Exchange Rates, NZ IAS 28 and NZ IAS 31 resulting from NZ IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The standard will be effective for the Group's 2012 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
  - NZ IFRS 7 Financial Instruments amendments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The standard will be effective for the Group's 2012 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
- NZ IAS 1 Presentation of Financial Statements amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may by presented either in the statement of changes in equity or in the notes. This standard will be effective for the Group's 2012 financial statements. The Group has not yet considered the impact of the standard on its financial statements.
- NZ IAS 24 Related Party Disclosures (revised 2009) supersedes the earlier version of the standard. The revised standard amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amended standard will be effective for the Group's 2012 financial statements. The Group has not yet considered the impact of the standard on its 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 2014 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.
- 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.

## 5. Segment reporting *(continued)*

| 2011 Group | New Zealand | Australia | Adjustments | Total |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | | | | |
| 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 |

| 2010 Group | New Zealand | Australia | Adjustments | Total |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | | | | |
| Total external revenues | 596,683 | 237,748 | - | 834,431 |
| Intersegment revenue | 13,390 | 11,863 | (25,253) | - |
| Total segment revenue | 610,073 | 249,611 | (25,253) | 834,431 |
| Segment result before rebates and tax | 44,224 | (11,246) | (5,563) | 27,415 |
| Rebates | | | | (16,745) |
| Income tax expense | | | | (10,474) |
| Bonus share issue | | | | - |
| Profit for the year | | | | **196** |

| | New Zealand | Australia | Adjustments | Total |
|---|---|---|---|---|
| **Segment result before rebates and tax include the following items:** | | | | |
| Depreciation expense | (14,489) | (2,546) | - | (17,035) |
| Amortisation expense | (277) | - | - | (277) |
| Finance income | 1,276 | 215 | - | 1,491 |
| Finance expenses | (12,384) | (4,759) | - | (17,143) |
| Share of profit of equity accounted investees | (205) | - | - | (205) |

## 5. Segment reporting *(continued)*

| 2011 Group | New Zealand | Australia | Adjustments | Total |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | | | | |
| **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** |

| 2010 Group | New Zealand | Australia | Adjustments | Total |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | | | | |
| **Total assets** | 520,213 | 169,466 | 1,518 | 691,197 |
| **Total liabilities** | (198,898) | (167,265) | 1,835 | (364,328) |
| Investment in equity accounted investees | 8,181 | - | - | 8,181 |
| (included in total assets) | | | | |
| Expenditure on reportable non-current assets | 15,802 | 3,603 | - | 19,405 |
| **Entity wide products and services** | | | | |
| Farm inputs - external revenue | | | | 813,182 |
| Services and other income | | | | 21,249 |
| Total Group Revenue | | | | **834,431** |

## 6. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Sales | 931,850 | 832,893 | 936,271 | 831,637 |
| Dividends received | 1 | 28 | 43 | 28 |
| Other revenue | 1,301 | 1,510 | 2,112 | 1,951 |
| **Total revenues** | **933,152** | **834,431** | **938,426** | **833,616** |

## 7. Cost of sales

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Costs relating to sales during the period | 781,703 | 729,696 | 796,404 | 739,664 |
| Write-down of inventories to net realisable value | 3,291 | 8,360 | 3,291 | 8,360 |
| **Total cost of sales** | **784,994** | **738,056** | **799,695** | **748,024** |

## 8. Administrative expenses

The following items of expenditure are included in administrative expenses:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Auditor's remuneration to KPMG comprises: | | | | |
| Audit of financial statements | 221 | 136 | 114 | 102 |
| Other audit related services | 21 | 4 | 21 | 4 |
| **Total auditor's remuneration** | **242** | **140** | **135** | **106** |

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.

## 9. Personnel expenses

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Wages and salaries | 48,201 | 44,234 | 41,489 | 38,170 |
| Superannuation - defined contribution | 2,667 | 2,788 | 2,442 | 2,579 |
| Increase in liability for long-service leave | 193 | 60 | 193 | 60 |
| **Total personnel expenses** | **51,061** | **47,082** | **44,124** | **40,809** |

## 10. Finance income and expenses

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Gain on realisation of financial derivatives | - | 71 | - | 71 |
| Interest income on held-to-maturity assets | 29 | 37 | - | - |
| Intercompany interest | - | - | 1,654 | 509 |
| Interest income other | 1,739 | 1,383 | 1,629 | 1,064 |
| Finance income | 1,768 | 1,491 | 3,283 | 1,644 |
| Interest expense on financial liabilities measured at amortised cost | (19,742) | (14,605) | (19,740) | (14,431) |
| Fair value of cash flow hedges transferred from equity | (1,224) | (1,926) | (1,224) | (1,926) |
| Unwinding of discount on contingent deferred consideration | (145) | (612) | (145) | (612) |
| Net change in fair value of derivatives designated at fair value through profit or loss | (335) | - | (335) | - |
| Finance expense | (21,446) | (17,143) | (21,444) | (16,969) |
| **Net finance costs** | **(19,678)** | **(15,652)** | **(18,161)** | **(15,325)** |

## 11. Income tax expense in the income statement

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| **Current tax expense** | | | | |
| Current period | 15,671 | 5,143 | 15,496 | 4,469 |
| Adjustment for prior periods | 94 | (92) | 48 | (115) |
| | 15,765 | 5,051 | 15,544 | 4,354 |
| **Deferred tax expense** | | | | |
| Origination and reversal of temporary differences | 5 | 1,060 | (285) | 616 |
| Change in building depreciation | - | 4,557 | - | 4,557 |
| Reduction in tax rate | - | (314) | - | (313) |
| Adjustment for prior periods | (378) | 120 | (318) | - |
| | (373) | 5,423 | (603) | 4,860 |
| **Total income tax expense** | **15,392** | **10,474** | **14,941** | **9,214** |

### Reconciliation of effective tax rate

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Profit for the year before bonus share issue | 33,503 | 196 | 29,922 | (1,315) |
| Total income tax expense | 15,392 | 10,474 | 14,941 | 9,214 |
| Profit excluding income tax | 48,895 | 10,670 | 44,863 | 7,899 |
| Income tax using the Company's domestic tax rate | 14,669 | 3,201 | 13,459 | 2,370 |
| Non-deductible expenses | 1,827 | 2,866 | 2,140 | 2,704 |
| Tax exempt income | - | (1) | - | (1) |
| Share of profit of equity accounted investees | (397) | 62 | - | - |
| Other | (423) | 137 | (388) | 12 |
| Change in building depreciation | - | 4,557 | - | 4,557 |
| Reduction in tax rate | - | (314) | - | (313) |
| Under/(over) provided in prior periods | (284) | 28 | (270) | (115) |
| **Total income tax expense** | **15,392** | **10,474** | **14,941** | **9,214** |

### Income tax recognised directly in equity

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Derivatives | (30,483) | (11,113) | (30,483) | (11,113) |
| Revaluation of property, plant and equipment | 573 | (333) | 573 | (333) |
| Revaluation of  minerals of Ravensdown Supreme Limited | - | (184) | - | - |
| **Total income tax recognised directly in equity** | **(29,910)** | **(11,630)** | **(29,910)** | **(11,446)** |

## Income tax recognised directly in other comprehensive income

| *In thousands of New Zealand dollars* | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Before tax | Tax (expense) / benefit | Net of tax | Before tax | Tax (expense) / benefit | Net of tax |
| Foreign currency translation differences for foreign operations | 281 | - | 281 | (196) | - | (196) |
| Revaluation of property, plant and equipment | 2,262 | (573) | 1,689 | 1,844 | 517 | 2,361 |
| Effective portion of changes in fair value of cash flow hedges | (131,605) | 37,060 | (94,545) | (36,293) | 11,023 | (25,270) |
| Net change in fair value of cash flow hedges transferred to inventory | 22,177 | (6,210) | 15,967 | (2,227) | 668 | (1,559) |
| Net change in fair value of cash flow hedges transferred to profit or loss | 1,224 | (367) | 857 | 1,926 | (578) | 1,348 |
| | **(105,661)** | **29,910** | **(75,751)** | **(34,946)** | **11,630** | **(23,316)** |

| *In thousands of New Zealand dollars* | Company | | | | | |
|---|---|---|---|---|---|---|
| | 2011 | | | 2010 | | |
| | Before tax | Tax (expense) / benefit | Net of tax | Before tax | Tax (expense) / benefit | Net of tax |
| Foreign currency translation differences for foreign operations | 233 | - | 233 | (238) | - | (238) |
| Revaluation of property, plant and equipment | 2,162 | (573) | 1,589 | 1,844 | 333 | 2,177 |
| Effective portion of changes in fair value of cash flow hedges | (131,605) | 37,060 | (94,545) | (36,293) | 11,023 | (25,270) |
| Net change in fair value of cash flow hedges transferred to inventory | 22,177 | (6,210) | 15,967 | (2,227) | 668 | (1,559) |
| Net change in fair value of cash flow hedges transferred to profit or loss | 1,224 | (367) | 857 | 1,926 | (578) | 1,348 |
| | **(105,809)** | **29,910** | **(75,899)** | **(34,988)** | **11,446** | **(23,542)** |

## Imputation credits

| *In thousands of New Zealand dollars* | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Imputation credits at 1 June | 32,369 | 26,393 | 31,329 | 25,304 |
| New Zealand tax payments, net of refunds | 10,221 | 11,639 | 10,059 | 11,688 |
| Imputation credits attached to bonus share issues | - | (5,663) | - | (5,663) |
| Imputation credits at 31 May | **42,590** | **32,369** | **41,388** | **31,329** |

The imputation credits are available to shareholders of the Company:

| | | |
|---|---|---|
| Through the Company | 41,388 | 31,329 |
| Through subsidiaries | 1,202 | 1,040 |
| | **42,590** | **32,369** |

## 12. Property, plant and equipment

| *In thousands of New Zealand dollars* | Group | | | | |
|---|---|---|---|---|---|
| | **Land and improvements** | **Buildings and improvements** | **Plant, machinery and vehicles** | **Capital works in progress** | **Total** |
| **Cost or valuation** | | | | | |
| Balance at 1 June 2009 | 39,882 | 92,776 | 225,667 | 5,300 | 363,625 |
| Acquisitions through business combinations | - | - | 1,135 | - | 1,135 |
| Additions | 216 | 2,975 | 7,842 | 6,949 | 17,982 |
| Transfer from capital works in progress | - | 82 | 3,523 | (3,605) | - |
| Revaluations | 818 | (1,948) | - | - | (1,130) |
| Disposals | - | - | (1,807) | - | (1,807) |
| Effect of movements in exchange rates | (16) | (186) | (88) | (15) | (305) |
| **Balance at 31 May 2010** | **40,900** | **93,699** | **236,272** | **8,629** | **379,500** |
| 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** |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 June 2009 | - | 553 | 134,487 | - | 135,040 |
| Acquisitions through business combinations | - | - | 166 | - | 166 |
| Depreciation for the year | - | 3,248 | 13,787 | - | 17,035 |
| Revaluations | - | (3,291) | - | - | (3,291) |
| Disposals/capitalised | - | - | (1,019) | - | (1,019) |
| **Balance at 31 May 2010** | **-** | **510** | **147,421** | **-** | **147,931** |
| 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** |
| **Carrying amounts** | | | | | |
| At 1 June 2009 | 39,882 | 92,223 | 91,180 | 5,300 | 228,585 |
| **At 31 May 2010** | **40,900** | **93,189** | **88,851** | **8,629** | **231,569** |
| At 1 June 2010 | 40,900 | 93,189 | 88,851 | 8,629 | 231,569 |
| **At 31 May 2011** | **42,302** | **98,804** | **91,743** | **14,585** | **247,434** |

## 12. Property, plant and equipment *(continued)*

| *In thousands of New Zealand dollars* | Company<br>Land and improvements | Buildings and improvements | Plant, machinery and vehicles | Capital works in progress | Total |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| Balance at 1 June 2009 | 38,696 | 90,279 | 194,929 | 5,286 | 329,190 |
| Additions | 213 | 2,971 | 3,356 | 6,922 | 13,462 |
| Transfer from capital works in progress | 3 | 82 | 4,188 | (4,273) | - |
| Disposals | - | - | (1,549) | - | (1,549) |
| Revaluations | 818 | (1,948) | - | - | (1,130) |
| Effect of movements in exchange rates | (17) | (186) | (63) | - | (266) |
| **Balance at 31 May 2010** | **39,713** | **91,198** | **200,861** | **7,935** | **339,707** |
| 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** |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 June 2009 | - | 106 | 124,688 | - | 124,794 |
| Depreciation for the year | - | 3,191 | 11,960 | - | 15,151 |
| Revaluations | - | (3,291) | - | - | (3,291) |
| Disposals | - | - | (1,019) | - | (1,019) |
| **Balance at 31 May 2010** | **-** | **6** | **135,629** | **-** | **135,635** |
| 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** |
| **Carrying amounts** | | | | | |
| At 1 June 2009 | 38,696 | 90,173 | 70,241 | 5,286 | 204,396 |
| **At 31 May 2010** | **39,713** | **91,192** | **65,232** | **7,935** | **204,072** |
| 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** |

Revaluations
Land and buildings were independently valued as at 31 May 2011 by Mr H Doherty SNZPI, ANZIV, AREINZ of Harcourts Team Wellington. The methods used by the valuer are described in Note 4. If the cost model had been used the carrying value of land and buildings would have been $90.8 million (2010: $84.6 million) for the Company and Group.

## 13. Intangible assets

| | Group | | | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **Patents and Registrations** | **Resource Consents** | **Goodwill** | **Total** |
| **Cost** | | | | |
| Balance at 1 June 2009 | 1,318 | 4,932 | 722 | 6,972 |
| Acquisitions | 38 | 250 | - | 288 |
| **Balance at 31 May 2010** | **1,356** | **5,182** | **722** | **7,260** |
| Balance at 1 June 2010 | 1,356 | 5,182 | 722 | 7,260 |
| Acquisitions | - | 43 | - | 43 |
| **Balance at 31 May 2011** | **1,356** | **5,225** | **722** | **7,303** |
| **Amortisation** | | | | |
| Balance at 1 June 2009 | 422 | 511 | - | 933 |
| Amortisation for the year (Administrative expenses) | 81 | 196 | - | 277 |
| **Balance at 31 May 2010** | **503** | **707** | **-** | **1,210** |
| Balance at 1 June 2010 | 503 | 707 | - | 1,210 |
| Amortisation for the year (Administrative expenses) | 7 | 315 | - | 322 |
| **Balance at 31 May 2011** | **510** | **1,022** | **-** | **1,532** |
| **Carrying amounts** | | | | |
| At 1 June 2009 | 896 | 4,421 | 722 | 6,039 |
| **At 31 May 2010** | **853** | **4,475** | **722** | **6,050** |
| At 1 June 2010 | 853 | 4,475 | 722 | 6,050 |
| **At 31 May 2011** | **846** | **4,203** | **722** | **5,771** |

## 13. Intangible assets *(continued)*

| *In thousands of New Zealand dollars* | Company | | | |
|---|---|---|---|---|
| | Patents and Registrations | Resource Consents | Goodwill | Total |
| **Cost** | | | | |
| Balance at 1 June 2009 | 1,168 | 4,932 | - | 6,100 |
| Other acquisitions | 38 | 250 | - | 288 |
| **Balance at 31 May 2010** | **1,206** | **5,182** | **-** | **6,388** |
| 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** |
| **Amortisation** | | | | |
| Balance at 1 June 2009 | 298 | 512 | - | 810 |
| Amortisation for the year (Administrative expenses) | 74 | 196 | - | 270 |
| **Balance at 31 May 2010** | **372** | **708** | **-** | **1,080** |
| Balance at 1 June 2010 | 372 | 708 | - | 1,080 |
| Amortisation for the year (Administrative expenses) | 2 | 315 | - | 317 |
| **Balance at 31 May 2011** | **374** | **1,023** | **-** | **1,397** |
| **Carrying amounts** | | | | |
| At 1 June 2009 | 870 | 4,420 | - | 5,290 |
| **At 31 May 2010** | **834** | **4,474** | **-** | **5,308** |
| At 1 June 2010 | 834 | 4,474 | - | 5,308 |
| **At 31 May 2011** | **832** | **4,202** | **-** | **5,034** |

Total research and development expense recognised in profit and loss is $2.2 million (2010: $1.7 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 11 years and 20 years.

**Goodwill**
The purchase of the remaining 50% share in Supreme Lime Limited on 29 May 2009 resulted in goodwill of $722,000 being recognised on acquisition.

The recoverable amount of Supreme Lime 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 cashflows are discounted at a rate per the current capital expenditure policy to determine the recoverable amount.

## 14. Mining Deposits

Movements in carrying value of mining deposits:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Balance at 1 June | 14,270 | 14,883 | 2,868 | 2,887 |
| Other additions/ (reversals) | 898 | (319) | 201 | - |
| Amortisation for the year (Administrative expenses) | (272) | (294) | (25) | (19) |
| **Balance at 31 May** | **14,896** | **14,270** | **3,044** | **2,868** |

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

## 15. Equity accounted investees

Movements in carrying value of equity accounted investees:

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Balance at 1 June | 8,181 | 8,150 | 8,201 | 8,112 |
| Share of profit/(loss) | 1,325 | (205) | - | - |
| Associate becoming subsidiary in the year | - | (519) | - | (666) |
| Associate capital supplied in the year | 978 | 60 | 585 | 60 |
| Dividends received from associates | (42) | (28) | - | - |
| Loans to associates | 16,745 | 723 | (124) | 695 |
| **Balance at 31 May** | **27,187** | **8,181** | **8,662** | **8,201** |

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/(loss)** |
|---|---|---|---|---|
| 2010 Equity accounted investments | 11,210 | 7,011 | 9,065 | (190) |
| 2011 Equity accounted investments | 44,210 | 34,605 | 56,633 | 2,710 |

During the year the Company acquired the following equity accounted investees:

| **Company** | **Nature of business** | **Country** | **Share acquired** |
|---|---|---|---|
| Direct Farm Inputs Pty Limited | Selling of fertiliser | Australia | 50% |
| Ravensdown Shipping Services Pty Limited | Shipping services | Australia | 50% |
| Spreading Northland Limited | Ground spreading | New Zealand | 50% |
| SouthStar Fertilizers Limited | Fertiliser development and manufacturing | New Zealand | 20% |

## 16. Other financial assets

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Investments in subsidiaries | - | - | 136,590 | 42,252 |
| Held-to-maturity investments | 530 | 528 | - | - |
| Financial assets designated at fair value through profit or loss | 3 | 94 | 3 | 94 |
| Derivatives | - | 7,333 | - | 7,333 |
| **Other financial assets - non-current** | **533** | **7,955** | **136,593** | **49,679** |
| Derivatives | - | 12,837 | - | 12,837 |
| **Other financial assets - current** | **-** | **12,837** | **-** | **12,837** |

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% (2010: 6.5%) and matures within 2 years.

## 17. Deferred tax 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 | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net | |
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| Property, plant and equipment | - | - | 18,582 | 18,399 | 18,582 | 18,399 |
| Derivatives | (25,811) | (1,232) | - | 5,904 | (25,811) | 4,672 |
| Inventories | (347) | (131) | (1) | - | (348) | (131) |
| Trade and other payables | (1,383) | (1,337) | (1) | - | (1,384) | (1,337) |
| Provisions | - | (562) | - | - | - | (562) |
| Other items | (758) | (428) | 2,578 | 2,578 | 1,820 | 2,150 |
| **Tax (assets)/liabilities** | **(28,299)** | **(3,690)** | **21,158** | **26,881** | **(7,141)** | **23,191** |

## 17. Deferred tax and liabilities *(continued)*

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net | |
| *In thousands of New Zealand dollars* | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Property, plant and equipment | - | - | 16,485 | 16,758 | 16,485 | 16,758 |
| Derivatives | (25,811) | (1,232) | - | 5,904 | (25,811) | 4,672 |
| Inventories | (347) | (131) | - | - | (347) | (131) |
| Trade and other payables | (1,115) | (1,264) | - | - | (1,115) | (1,264) |
| Provisions | - | (562) | - | - | - | (562) |
| Other items | (649) | (365) | - | - | (649) | (365) |
| **Tax (assets)/liabilities** | **(27,922)** | **(3,554)** | **16,485** | **22,662** | **(11,437)** | **19,108** |

## Movement in temporary differences during the year

| | Group | | | | | |
|---|---|---|---|---|---|---|
| *In thousands of New Zealand dollars* | Property, plant and equipment | Derivatives | Payables | Provisions | Other | Total |
| **Balance 1 June 09** | **14,497** | **15,785** | **(1,261)** | **(2,052)** | **2,445** | **29,414** |
| Recognised in profit or loss | 4,264 | - | (76) | 1,477 | (242) | 5,423 |
| Recognised in other comprehensive income | (333) | (11,113) | - | - | (184) | (11,630) |
| Effect of movements in exchange rates | (29) | - | - | 13 | - | (16) |
| **Balance 31 May 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)** |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| *In thousands of New Zealand dollars* | Property, plant and equipment | Derivatives | Payables | Provisions | Other | Total |
| **Balance 1 June 09** | **13,605** | **15,785** | **(1,319)** | **(2,052)** | **(309)** | **25,710** |
| Recognised in profit or loss | 3,515 | - | 55 | 1,477 | (187) | 4,860 |
| Recognised in other comprehensive income | (333) | (11,113) | - | - | - | (11,446) |
| Effect of movements in exchange rates | (29) | - | - | 13 | - | (16) |
| **Balance 31 May 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)** |

## 18. Inventories

| In thousands of New Zealand dollars | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Finished goods | 270,499 | 242,527 | 210,887 | 218,259 |
| Raw materials | 39,364 | 14,843 | 39,364 | 14,843 |
| Plant spare parts | 6,343 | 5,411 | 4,163 | 3,496 |
| | **316,206** | **262,781** | **254,414** | **236,598** |

## 19. Trade and other receivables

| In thousands of New Zealand dollars | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Trade receivables from related parties | 343 | 293 | 5,147 | 25,964 |
| Other trade receivables | 132,980 | 119,918 | 123,390 | 119,253 |
| Prepayments | 8,488 | 3,062 | 8,666 | 2,792 |
| | **141,811** | **123,273** | **137,203** | **148,009** |

## 20. Share capital and reserves

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

**Share capital**
Ordinary co-operative shares

| | Ordinary co-operative shares | |
|---|---|---|
| *In thousands of shares* | **2011** | **2010** |
| On issue at 1 June | 250,669 | 233,257 |
| Shares allotted on bonus issue | - | 11,497 |
| Shares allotted during the year | 12,298 | 11,583 |
| Less: shares surrendered during the year | (5,329) | (5,668) |
| **On issue at 31 May** | **257,638** | **250,669** |

| | Partly paid ordinary co-operative shares | |
|---|---|---|
| Paid up | 546 | 753 |
| Unpaid | 744 | 587 |
| **Total partly paid** | **1,290** | **1,340** |

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 184 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.

## 21. Redeemable preference shares

| *In thousands of shares* | Redeemable preference shares 2011 | Redeemable preference shares 2010 |
|---|---|---|
| On issue at 1 June | 4,363 | - |
| Shares allotted during the year | 1,783 | 4,363 |
| Less: shares surrendered during the year | (18) | - |
| **On issue at 31 May** | **6,128** | **4,363** |

During the year ended 31 May 2011 1,782,849 redeemable preference shares were issued with a nominal value of one Australian dollar per share (2010: 4,363,142).

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. All shares rank equally with regard to the Group's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares. The redeemable preference shares are classified as current liabilities as they are technically repayable on demand, however the Board believes it is highly improbable that these liabilities will be required to be settled within the next 12 months.

## 22. Cash and cash equivalents

| *in thousands of New Zealand dollars* | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Bank balances | 11,279 | 11,872 | (57) | 5,403 |
| Foreign currency accounts | 7,228 | 656 | 7,228 | 610 |
| Call deposits | 7,388 | 7,002 | 4,593 | 5,737 |
| Cash and cash equivalents | 25,895 | 19,530 | 11,764 | 11,750 |
| Bank overdrafts with a right of offset against current accounts | (2,877) | (2,836) | (7,871) | (2,836) |
| **Cash and cash equivalents in the statement of cash flows** | **23,018** | **16,694** | **3,893** | **8,914** |

## 23. Loans and borrowings

| | | Group | | Company | |
|---|---|---|---|---|---|
| *in thousands of New Zealand dollars* | *Year of maturity* | **2011** | **2010** | **2011** | **2010** |
| **Non current liabilities** | | | | | |
| Loans and borrowings | *2012* | 146,686 | 69,856 | 146,686 | 69,856 |
| **Current liabilities** | | | | | |
| Loans and borrowings | *2011* | 146,362 | 164,649 | 146,362 | 164,649 |

The above loans are drawings on the Company's revolving credit facility. At 31 May 2011 the facility available was $405 million (2010: $405 million). The interest rate is currently 5.16% (2010: 4.35%).

The revolving credit facility agreement is subject to a Negative Pledge agreement dated 25 August 2008. Various covenants apply to the facility. There have not been any breaches of the banking covenants in the year. Three tranches of the revolving credit facility terminate in August 2011 and are therefore disclosed as current. Management have negotiated with the facility agent to refinance the funding facility. The Board approved the refinancing offer from the banking syndicate on the 9th August 2011.

## 24. Other financial liabilities

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| **Non-current liabilities** | | | | |
| Derivatives | 35,768 | 3,179 | 35,768 | 3,179 |
| | **35,768** | **3,179** | **35,768** | **3,179** |
| **Current liabilities** | | | | |
| Member deposits | 425 | - | - | - |
| Derivatives | 57,110 | 969 | 57,110 | 969 |
| | **57,535** | **969** | **57,110** | **969** |

## 25. Provision for rebate and bonus share issue

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Rebate | 21,219 | 15,115 | 20,023 | 14,643 |
| Bonus issue | 22,707 | - | 22,707 | - |
| | **43,926** | **15,115** | **42,730** | **14,643** |

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 Company equity, excluding the hedging reserve, is held by shareholders as share capital.

## 26. Provisions

| | Group and Company | |
|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** |
| Balance at start of period | 7,451 | 11,447 |
| Provisions made during the period | 1,389 | - |
| Unwinding of provisions during the period | (5,828) | (4,538) |
| Unwind of discount | 145 | 612 |
| Effects of movements in exchange rates | 199 | (70) |
| **Deferred rebate provision** | **3,356** | **7,451** |

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 shares capital based on rebateable tonnes sold to shareholders.

## 27. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Trade payables to related parties | 732 | 558 | 2,686 | 2,798 |
| Trade payables | 60,423 | 55,541 | 60,261 | 54,458 |
| Non-trade payables and accrued expenses | 10,904 | 13,752 | 10,744 | 13,271 |
| Employee benefits | 4,371 | 4,057 | 3,954 | 3,792 |
| Other payables | 732 | 558 | 2,686 | 2,798 |
| | **77,162** | **74,466** | **80,331** | **77,117** |

## 28. 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 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% percent of all trade payables denominated in a foreign currency.

At any point in time, the Group also hedges up to 100% percent 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 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:

| | Gross receivable | | Impairment | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| **Trade receivables** | | | | |
| Not past due | 119,189 | 103,619 | - | - |
| Past due 1 - 30 days | 5,926 | 11,853 | - | - |
| Past due more than 30 days | 10,520 | 5,794 | 2,312 | 1,055 |
| **Total** | **135,635** | **121,266** | **2,312** | **1,055** |

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

| *In thousands of New Zealand dollars* | **2011** | **2010** |
|---|---|---|
| Balance at 1 June | 1,055 | 962 |
| Impairment loss recognised/(reversed) | 1,257 | 93 |
| **Balance at 31 May** | **2,312** | **1,055** |

The impairment loss as at 31 May 2011 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 has revised their expectations downwards.

## 28. Financial instruments *(continued)*

**Liquidity risk**

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.

| | Group 2010 | | | | |
|---|---|---|---|---|---|
| *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 | 74,466 | 74,466 | 74,466 | - | - |
| Loans and borrowings | 234,505 | 240,297 | 167,108 | 2,535 | 70,654 |
| | 308,971 | 314,763 | 241,574 | 2,535 | 70,654 |
| *Derivative financial instruments* | | | | | |
| Gross settled cash flow hedge derivatives: | | | | | |
| Inflow | | 550,953 | 143,475 | 216,862 | 190,616 |
| Outflow | | (546,062) | (139,454) | (215,310) | (191,298) |
| | 16,611 | 4,891 | 4,021 | 1,552 | (682) |
| Net settled cash flow hedge derivatives | (590) | (7,963) | (323) | (969) | (6,671) |
| Periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss | | (546,062) | - | (260,552) | (285,509) |

## 28. Financial instruments *(continued)*

**Company 2011**

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

| *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 | 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) |

**Company 2010**

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

| *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 | 77,117 | 77,117 | 77,117 | - | - |
| Loans and borrowings | 234,505 | 240,297 | 167,108 | 2,535 | 70,654 |
| | 311,622 | 317,414 | 244,225 | 2,535 | 70,654 |
| *Derivative financial instruments* | | | | | |
| Gross settled cash flow hedge derivatives: | | | | | |
| Inflow | | 550,953 | 143,475 | 216,862 | 190,616 |
| Outflow | | (546,062) | (139,454) | (215,310) | (191,298) |
| | 16,611 | 4,891 | 4,021 | 1,552 | (682) |
| Net settled cash flow hedge derivatives | (590) | (7,963) | (323) | (969) | (6,671) |
| Periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss | | (546,062) | - | (260,552) | (285,509) |

## 28. Financial instruments *(continued)*

**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 2010.

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.

| | 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) | - |

| | Group and Company 2010 | | | |
|---|---|---|---|---|
| *In thousands of foreign currency* | **USD** | **EURO** | **GBP** | **AUD** |
| Foreign currency risk | | | | |
| Trade payables | (12,750) | - | - | - |
| Net balance sheet - foreign operations | - | - | - | (47) |
| Net balance sheet exposure before hedging activity | (12,750) | - | - | (47) |
| Forward exchange contracts relating to trade payables | 12,750 | - | - | - |
| Net unhedged exposure | - | - | - | (47) |
| NZD Equivalent | - | - | - | (59) |
| Sensitivity to 10% strengthening of NZD (pre tax): | | | | |
| Increase/(decrease) on equity | (50,730) | - | - | 5 |
| Increase/(decrease) on profit | 1,700 | - | - | - |
| Sensitivity to 10% weakening of NZD (pre tax): | | | | |
| Increase/(decrease) on equity | 62,286 | - | - | (6) |
| Increase/(decrease) on profit | (1,870) | - | - | - |

## 28. Financial instruments *(continued)*

**Foreign exchange derivatives**
There were no gains or losses on held-for-trading derivatives recognised in profit during 2011 or 2010.

**Interest rate risk**
**Cashflow Sensitivity**
At 31 May 2011 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 $3.3 million (2010: $2.2 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 2011 it is estimated that a general increase of one percentage point in interest rates would increase the Group's equity (pre tax) by approximately $2 million (2010: $2.3 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 2011 and 2010. At 31 May 2011 the fair value of the Group's financial instruments was a $93 million liability (2010: $16 million asset).

## 29. Operating leases

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

| | Group | | Company | |
|---|---|---|---|---|
| *In thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| Less than one year | 6,969 | 6,197 | 6,439 | 6,187 |
| Between one and five years | 18,063 | 15,617 | 17,203 | 15,605 |
| More than five years | 33,272 | 30,682 | 30,788 | 30,682 |
| **Total lease commitments** | **58,304** | **52,496** | **54,430** | **52,474** |

The Group leases motor vehicles and store premises.

During the year ended 31 May 2011 $6.8 million was recognised as an expense in the income statement in respect of operating leases (2010: $6.9 million).

## 30. Capital commitments

At 31 May 2011 the Group had capital commitments of $13.6 million (2010: $8.4 million)

## 31. Contingencies

The Company and the Group had no material contingent liabilities at balance date (2010: nil).

## 32. Related parties

| | Group | | Company | |
|---|---|---|---|---|
| *in thousands of New Zealand dollars* | **2011** | **2010** | **2011** | **2010** |
| *Transactions with Subsidiaries* | | | | |
| Sales of goods and services | - | - | 93,608 | 52,090 |
| Purchases of goods and services | - | - | (8,455) | (7,394) |
| Trade receivables | - | - | 4,804 | 25,671 |
| Trade payables | - | - | (1,954) | (2,240) |
| Closing advances | - | - | 114,514 | 23,978 |
| Closing loans | - | - | - | - |
| *Transactions with Associates* | | | | |
| Dividends received | 42 | 28 | 42 | 28 |
| Sales of goods and services | 37,047 | - | 1,081 | - |
| Purchases of goods and services | (10,484) | (929) | (10,484) | (929) |
| Trade receivables | 343 | 293 | 343 | 293 |
| Trade payables | (732) | (558) | (732) | (558) |
| Closing advances | 22,057 | 160 | 4,907 | 160 |
| Closing loans | - | - | - | - |
| *Transactions with key management personnel (including directors)* | | | | |
| Sales of goods and services | 3,504 | 3,133 | 3,504 | 3,133 |
| Purchases of goods and services | (76) | (78) | (76) | (78) |
| Closing advances / receivables | - | - | - | - |
| Closing loans / payables | (1) | (10) | (1) | (10) |
| Key management personnel compensation comprised: | | | | |
| Short-term employee benefits | (5,135) | (4,621) | (4,841) | (4,621) |
| Superannuation contributions | (355) | (323) | (328) | (323) |

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.

## 33. Group entities

Significant subsidiaries and associates

| | Country of Ownership Incorporation | Interest (%) | |
|---|---|---|---|
| | | **2011** | **2010** |
| **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 | New Zealand | 100.0% | 100.0% |
| Ravensdown Fertiliser Australia Limited | Australia | 100.0% | 100.0% |
| Ravensdown Holdings Australia Limited | New Zealand | 100.0% | 100.0% |
| Aerial Sowing Limited | New Zealand | 75.0% | 75.0% |
| **Equity accounted investees** | | | |
| Ravensdown Windy Point 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% | 0.0% |
| Direct Farm Inputs Pty Limited | Australia | 50.0% | 0.0% |
| Ravensdown Shipping Services Pty Limited | Australia | 50.0% | 0.0% |
| Southstar Fertilizers Limited | New Zealand | 20.0% | 0.0% |

## 34. Canterbury earthquakes

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

| *In thousands of New Zealand dollars* | Income statement | Asset revaluation reserve |
|---|---|---|
| De-recognition of Hornby manufacturing storage shed | - | 192 |
| De-recognition of head office fittings | 244 | - |
| Costs associated with repairs and relocation | 2,745 | - |

The Hornby manufacturing site experienced a production downtime of three months following the September 2010 earthquake. Increased utilisation of the two other New Zealand manufacturing sites at Napier and Dunedin resulted in sufficient manufactured stock to meet demand. Disaster recovery plans in place meant there were no material system down time experienced and no reduction in customer service resulting from the relocation of the Head Office following the February 2011 earthquake.

Ravensdown through its captive insurance company has claims lodged with its insurance underwriters in relation to these events. The claims will be recognised when the receivable is virtually certain.

## 35. Subsequent events

Subsequent to the financial year Management engaged the BNZ as Facility Agent to negotiate the refinancing of the funding facilities. The refinancing offer was signed by the Board on the 9th of August 2011.

On the 1st of June 2011 Wanganui Aero Work (2004) Limited acquired the assets of Taumarunui Aerial Co-operative Limited. The consideration was $3.25 million.

On the 1st of August 2011 the assets of C-Dax Agricultural Solutions a specialist manufacturer of ATV accessories were acquired. The final consideration is estimated to be $4.8 million after post settlement adjustments.

# 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 2011 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 9 August 2011

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

John Francis Clifford Henderson

# Audit Report

## 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 Co-operative Limited (''the company'') and the group, comprising the company and its subsidiaries, on pages 34 to 77. The financial statements comprise the statements of financial position as at 31 May 2011, 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 and International Financial Reporting Standards 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.

During the year, we have provided assistance with other assurance services. Other than this, in our capacity as auditors, we have no relationship with, or interests in, the company and group.

**Opinion**

In our opinion the financial statements on pages 34 to 77:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 May 2011 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 Co-operative Limited as far as appears from our examination of those records.

KPMG.

9 August 2011
Christchurch

# Statutory information



## Directors and remuneration

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

| | |
|---|---|
| W. T. McLeod | $159,625 |
| P. D. Willock | $70,000 |
| J. F. C. Henderson | $56,000 |
| A. P. Reilly | $56,000 |
| B. D. Watt | $56,000 |
| A. S. Wright | $56,000 |
| C. J. Dennison | $56,000 |
| A. C. Howey | $56,000 |
| S. G. Gower | $56,000 |
| P. G. Inger | $56,000 |
| J. L. Williams | $56,000 |
| R. T. Turton | $56,000 |
| G. J. Cosgrove | $56,000 |
| E. M. Coutts | $56,000 |

The Chairman is provided with a company motor vehicle. The Chairman also receives Directors' 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 Ltd |
| Director | Fertiliser Manufacturers Research Association |
| Director/Shareholder | Dunvegan Farms Ltd |
| Director/Shareholder | New Skyes Agriculture Ltd |
| Director | New Zealand Phosphate Company |

### Scott Gower

| | |
|---|---|
| Owner | High Glades Station |
| Trustee | Riverhills Trust |

### Bevin Watt

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

### Tony Reilly

| | |
|---|---|
| Director/Shareholder | Avondale Dairies Ltd |
| Chairman | Waingaro Dairy Ltd |
| Director | Cold Storage Nelson Ltd |
| Councillor | New Zealand Co-operative Association |

| | |
|---|---|
| Director/Shareholder | A.P. & K.M. Reilly Ltd |
| Director | Network Tasman Ltd |
| Chairman | Matariki Hills Ltd |

**John Henderson**

| | |
|---|---|
| Director/Shareholder | Hinau Station Ltd |
| Director/Shareholder | C-Dax Systems Ltd |
| Partner | Evans Henderson Woodbridge |
| Director | Athlumney Farms Ltd |
| Director | Clearsky Dairies Ltd |
| Director | Premier Dairies Ltd |
| Director | Tututotara Dairy Ltd |
| Trustee | Lagore Enterprises Trust |
| Director | Coronet Peak Station (Queenstown) Ltd |
| Trustee | Clarinbridge Trust |

**Chris Dennison**

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

**Tony Howey**

| | |
|---|---|
| Trustee | Te Aiterakihi Trust |
| Director/Shareholder | Levels Plain Irrigation Company Ltd |
| Director/Shareholder | Levels Irrigation Ltd |
| Director/Shareholder | Alpine Fresh Ltd |
| Director/Shareholder | Opuha Water Ltd |
| Director/Shareholder | Southern Packers |
| Director/Shareholder | Meadowlinks Farm Estate Ltd |
| Chairman/Shareholder | Seedlands Ltd |
| Director/Shareholder | Seedlands Property Ltd |
| Director | South Canterbury Chamber of Commerce |
| Director | Levels Plain Holdings Ltd |
| Director/Shareholder | Taron Holdings Ltd |
| Director/Shareholder | Grainstor Ltd |
| Committee Member | Orari-Opihi-Pareora Water Zone Committee |
| Director | Razon Holdings Ltd |

**Glen Inger**

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

**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 Ltd |
| Director | New Zealand Directories Holdings Ltd and subsidiaries |
| Member | Marsh New Zealand Advisory Board |
| Chair Designate | Audit Committee - Inland Revenue |

**Rhys Turton**

| | |
|---|---|
| Director/Shareholder | Turton Partners |
| Councillor | Co-operative Federation of Western Australia |
| Director | York and Districts Financial Services Ltd |
| 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 |

**Patrick Willock**

| | |
|---|---|
| Chairman | Eastland Helicopter Rescue Trust |

# Statutory information


## 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 | 18 |
| $120,000 - $130,000 | 17 |
| $130,000 - $140,000 | 12 |
| $140,000 - $150,000 | 5 |
| $150,000 - $160,000 | 11 |
| $160,000 - $170,000 | 5 |
| $170,000 - $180,000 | 1 |
| $180,000 - $190,000 | 4 |
| $210,000 - $220,000 | 1 |
| $220,000 - $230,000 | 1 |
| $240,000 - $250,000 | 1 |
| $280,000 - $290,000 | 1 |
| $290,000 - $300,000 | 1 |
| $310,000 - $320,000 | 1 |
| $330,000 - $340,000 | 2 |
| $340,000 - $350,000 | 1 |
| $360,000 - $370,000 | 2 |
| $370,000 - $380,000 | 1 |
| $560,000 - $570,000 | 1 |
| $1,110,000 - $1,120,000 | 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.

# Board of Directors' wards

1. **Bevin Watt**
   Dip.Ag, MNZIPM
   *Wholesaler of engine lubricants, sheep farmer, Gore*
   Elected 2001
   Committees: Hugh Williams Scholarship and Surrenders

2. **Chris Dennison**
   B.Com.Ag
   *Dairy and arable farmer, trading livestock, Oamaru*
   Elected 2005
   Committees: Hugh Williams Scholarship (Chair) and Remuneration

3. **Tony Howey**
   *Arable farmer, Timaru*
   Elected 2006
   Committees: Superannuation

4. **Tony Reilly**
   B.Com.Ag
   *Dairy farmer, Takaka*
   Elected 2004
   Committees: Remuneration

5. **Stuart Wright**
   B.Ag.Com
   *Arable farmer, Sheffield*
   Elected 2007
   Committees: Board and Co-operative Structure

6. **Jim Williams**
   *Arable farmer/livestock finisher, Masterton*
   Elected 2007

7. **John Henderson**
   LLB
   *Lawyer, sheep, beef and deer farmer, Hunterville*
   Elected 2004
   Committees: Surrenders (Chair) and Audit

8. **Scott Gower**
   *Sheep and beef farmer, Ohura*
   Elected 2006
   Committees: Surrenders

9. **Patrick Willock**
   Deputy Chairman
   *Retired sheep, beef and agroforestry farmer, Gisborne*
   Elected 2000
   Committees: Remuneration (Chair), Audit and Board and Co-operative Structure

10. **Bill McLeod**
    Chairman
    *Dairy farmer, transport operator, Morrinsville*
    Elected 2000
    Committees: Remuneration, Superannuation (Chair), Audit and Board and Co-operative Structure

## Independent Directors

**Glen Inger**
*Dairy, beef and agroforestry farmer, Auckland*
Appointed 2007
Committees: Audit

**Elizabeth Coutts**
*Auckland*
Appointed 2009
Committees: Audit (Chair)

## Western Australia Directors

**Gary Cosgrove**
*Arable farmer*
Elected 2008
Committees: Board and Co-operative Structure

**Rhys Turton**
*Arable farmer*
Elected 2008
Committees: Surrenders

# Board of Directors

| | | | | | | |
|---|---|---|---|---|---|---|
| Chris Dennison | Bill McLeod | Gary Cosgrove | Elizabeth Coutts | Stuart Wright | Scott Gower | Bevin Watt |

| Rhys Turton | Tony Howey | John Henderson | Patrick Willock | Glen Inger | Tony Reilly | Jim Williams |
| --- | --- | --- | --- | --- | --- | --- |

# Executive committee

## 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 2008.

## Richard Christie

B.Ag.Sc, M.B.A

**General Manager Strategic Development**

Richard has worked in the fertiliser industry for 21 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.

## Sean Connolly

B.Com, C.A

**Chief Financial Officer**

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

## Andrew Grundy

B.Ag.Sc

**General Manager Supply Chain**

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.

## Shane Harold

B.Ag

**General Manager Manufacturing and Lime**

Shane joined Ravensdown as a Field Officer 23 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 became General Manager Lime and Spreading in 2002 and took up his current role in 2009.

## Mark McAtamney

B.Com

**Chief Information Officer**

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

## 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.

## 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.

## 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.

## Mike Whitty

B. Com.Ag, C.A

**General Manager Marketing**

Mike has been with Ravensdown for 14 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.

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Ravensdown