Ravensdown

Annual Report 2009

Financial highlights

Before-tax profit

$36m

compared with $41.7m in 2007/08

Total distribution to shareholders

$32m

compared with $36m in 2007/08

Shareholder return per tonne

Comprising $15.10 per tonne rebate and $17.91 in 12 bonus shares per tonne fully imputed

$33.01

compared with $27.04 in 2007/08

Sales revenue

$892m

compared with $672m in 2007/08

Fertiliser sales in tonnes

1.081m

compared with 1.453m tonnes in 2007/08

Your Co-operative, your values


Bill McLeod
Ravensdown Chairman

Thirty-one years ago Ravensdown's first board said the new company would be for the benefit of the farming industry and the interests of individual farmers. This pledge remains at the heart of our Co-operative today.

Your investment in Ravensdown

Ravensdown is proud to be a co-operative and this year – as we have every year since inception – we paid you a rebate.

As you look at the Ravensdown result I'd like to highlight the value of the investment you have in our company. If you were an original shareholder in 1977 you would have invested $20 to be fully paid up and to purchase one tonne of fertiliser. In the last 31 years that $20 has grown to $184 with this latest bonus issue. That is more than a nine times increase without you investing a cent more in Ravensdown, and is in addition to the rebates you received.

Operating in your best interests

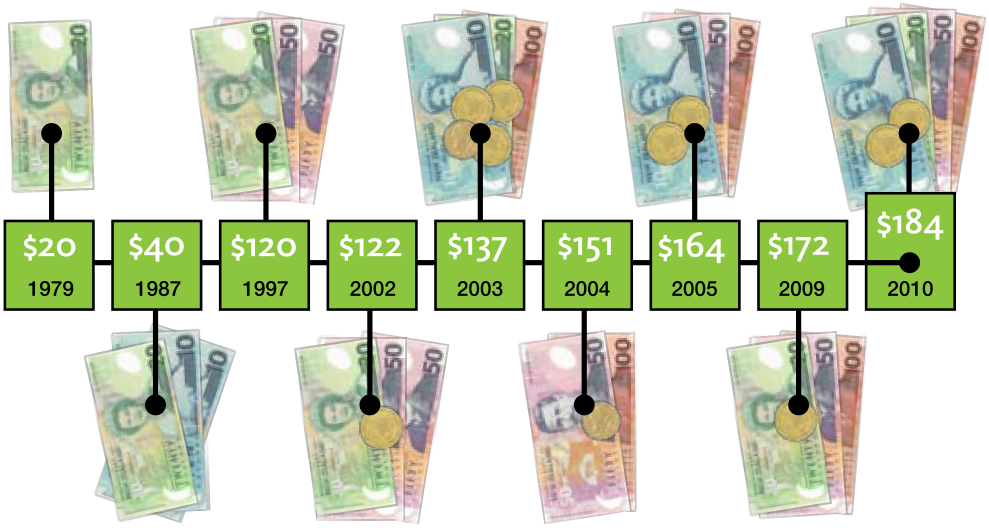
Because Ravensdown is a co-operative we operate in your best interests. Core values of your Co-operative are transparent pricing and supplying products at the lowest sustainable cost – and this is why we had market leading prices for much of the year.

Ravensdown succeeds because of the loyal support of customers and we never take that support for granted. We value your ownership in Ravensdown. When you buy products and services from us you're supporting an operation you own. This contributes to our success, makes us stronger and increases our bottom line and our return to you. To thank you for your loyalty to Ravensdown we introduced Loyalty Rewards.

In the last financial year loyal shareholders got $4m in Loyalty Rewards. Farmers who buy most of their fertiliser from Ravensdown get substantial savings – up to 40% – on our agchem, aglime and most animal health products.

We also invest around $2m each year in research and development on your behalf to identify new innovations to benefit your farming operations.

Growth of investment in Ravensdown



Helping you through

If there was ever a year we needed to help you through, it was the last one. During uncertain times you need certainty – you need to know you're getting the right advice and the right products and services. It's about putting on only what you need where you need it. Our soil testing, recommendations, proof of placement technology and nutrient budgets form the basis of this approach.

We help you by providing flexible payment options and giving you the option of a 1.5% direct debit discount or the same amount in Travel Dollars. And we partner with our suppliers like Vodafone and House of Travel to bring you good deals.

CEO and Chairman's report

Our job at Ravensdown is to get you your fertiliser at the lowest possible cost. The year we have just finished has been one of the most difficult years in your Co-operative's history. It has been a year when many of the world's fertiliser companies have suffered significant financial problems. The unprecedented increase in the fertiliser commodity prices created the first challenge. To even get your fertiliser was an issue when the cost of DAP at one stage was increasing every hour by USD20 or USD30 a tonne. Our long-term relationships with our very good suppliers certainly helped us here and we remain very grateful to them for the support.

The larger part of the problem was the very sudden major decline in fertiliser prices in October 2008. We have two jobs – we have to get fertiliser for you at the lowest possible cost, but we also have to have fertiliser available where and when you need it. If you do require fertiliser and find we have no stock at that time in your region, then that is a major problem. The requirement to have fertiliser available and the very long lead time to get fertiliser were critical for us. It can take more than three months from when we place the order for fertiliser to be loaded in Morocco, Saudi Arabia or Canada before we get it into your closest fertiliser store. Yet the expectation was that immediately the world fertiliser prices dropped, that the local fertiliser prices would follow. We did the best we could.

We reduced prices in December 2008, significantly reduced prices again in February 2009 and had a further and major decrease in late May 2009.

Overlain on all this were the other problems which you, as farmers, encountered. The combination of east coast droughts and a significant reduction in the prices of grain and the very significant drop and lack of cash flow in our dairy industry also meant that we had a major reduction in fertiliser volumes. You reduced

WESTERN AUSTRALIA

SPREADING

your fertiliser purchases to 61% of that required for maintenance. This reduction added to our problems.

We were proud that, despite all of this, we could deliver you a profit in your Co-operative of $36m for the 2008-2009 financial year.

This was despite stock impairments required by the accounting regulations. The profit was assisted by all staff forgoing bonuses for the 2008-2009 year. It was assisted by the fact that we ended up with some US dollars cover we did not need and that we could sell and make a considerable profit, and by the strong contribution from our new business in Western Australia.

Accompanying these issues we were also faced with a banking industry that had become extremely risk-averse as a result of the sub-prime collapse. This put additional pressure on us. We enjoy extremely competitive rates from our banks and to maintain these rates we needed to ensure that we satisfied all of the requirements of the banks. One of these was a substantial profit and the delivery of this profit locked in a significant financial benefit for your Co-operative.

Western Australia

The **Western Australia expansion** of Ravensdown rapidly has become a very important part of our business. We proved that we could deliver very good benefits to you, our Western Australian shareholders by leading prices down in Western Australia. For this we were rewarded by your support at a time when that market had also contracted. The synergies we had anticipated in the merger of Ravensdown with United Farmers of Western Australia were all realised. Our staff in Western Australia and our agents have done an excellent job in taking the Ravensdown message to you, the Western Australian farmers and we certainly thank you for the support that you have given us in this early stage of you being part of this Australasian Co-operative – Ravensdown. The Western Australian business also had its challenges. The planting season was late and this carried some of the fertiliser applications we anticipated for the 2008-09 year across into our 2009-2010 year.

We believe we can add significant value to you, our Western Australian shareholders, in this next planting season and we will be demonstrating this to you over the next few months.

Spreading

The major reduction in fertiliser applications in New Zealand not only affected the fertiliser business, it also had a big impact on the spreading businesses. Our spreading joint ventures all suffered with the halving of fertiliser application in March, April and May 2009. These reductions occurred so rapidly and with little warning and were very difficult to plan for.

Wanganui Aero Work had a difficult year with the significant reduction in fertiliser being applied by our hill country farmers as the combination


Kevin Brown

of drought and high superphosphate pricing meant a major reduction in your fertiliser usage. We also had a very tragic event occur in Wanganui Aero Work during the year. One of our very experienced and very skilled pilots – Kevin Brown – was unfortunately killed in an accident immediately prior to Christmas. The accident occurred just as Kevin was completing a large job and our heartfelt condolences go out to his family and friends. The circumstances leading to this tragedy are still under CAA investigation.

Lime

Our **agricultural lime businesses** have continued to expand during the 2008-2009 year and have also performed very strongly.

Many of you chose to apply lime rather than fertiliser during the year and we appreciate the business that this gave to our lime division.

During the year we developed a new quarry at East Cape, purchased a very important lime quarry in Northland – the Mata lime quarry – and also secured the other 50% of what was our joint venture lime quarry at Otorohanga – Supreme Lime. We are very excited to have Don and Jim Fraser at Mata now working with Ravensdown. The Fraser family is a long established Northland family and it is a pleasure to work with them. Similarly, the Ingleby farming group, which is associated with our East Cape quarry, is also a very important part of the Ravensdown family.

Agchem

Our **agricultural chemical business** continues to perform strongly. We have brought out a number of new products and we will continue to do this.

The other major development in agricultural chemicals and animal health is to provide pick-up points at our fertiliser stores for those of you where on-farm delivery is not such an attractive option.

The model of supplying you these inputs directly where we avoid the cost of bricks and mortar are extremely important. This is a low cost refinement we believe will add even more efficiency to our process. With the completion of this and the extensive range of products, we are confident that more and more of you will see the benefits of purchasing your agricultural chemicals from the company you own, knowing that all of the margins come back to you as purchasers and as shareholders.

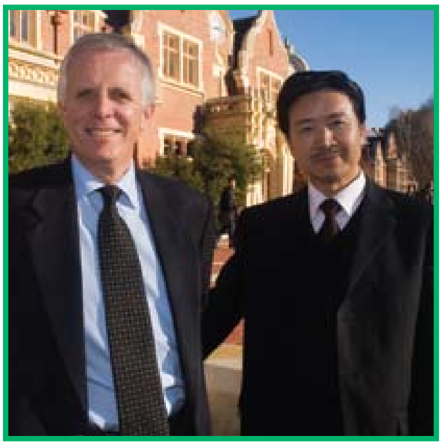
Animal health success

Our **animal health products** also continue to be significantly profitable at the same time as delivering you very good value. We are continuing to expand the range and to enhance the product delivery service. We do have the premium position on the supply of magnesium to farmers. We were concerned during the year when a magnesium product with a much lower concentration was offered in the market. We agonise when these events occur as to whether or not we should be more public in advising you of the shortfalls in buying a product which on the face of it seems very competitively priced, but does not contain anything like the same content of the essential elements you require.


LIME

PICK-UP POINTS


ANIMAL HEALTH


ECO-N DEVELOPERS
Dr Keith Cameron and Dr Hong Di

SUPER HIGH S

NUTRIENT MANAGEMENT PLAN

Protecting the environment

The **eco-n business** had a very good year in terms of its performance but suffered significantly as the dairy industry problems hit. We are continuing to work hard on your behalf to ensure the other major benefits of eco-n, that is, that this product reduces nitrate leaching into the waterways and reduces nitrate oxide emissions, are fully valued by the regulators controlling these environmental concerns.

The increased pasture production remains the important commercial driver. Results for the 2008/09 season at Lincoln University Dairy Farm confirm a 25% increase in pasture production using eco-n.

We were also delighted when we overcame the opposition to granting the eco-n patent, but concerned that a competitor has chosen to continue an extremely expensive fight by now taking further legal challenges to this product, delaying the inevitable ownership of this and the very important intellectual property to you – Ravensdown shareholders. Should they be successful, the only benefit will be to devalue this intellectual property. This will be a loss not only to you as Ravensdown shareholders, but to you as New Zealanders, as then the rest of the world can use this technology developed at Lincoln University with Ravensdown, without any revenue coming back to those who developed it.

Pricing looking forward

As we look forward the thing which will be most clearly on your minds is **what is going to happen to the prices of fertiliser**? We are concerned that the commodity shocks that we saw in 2007-2008 will come back as the world economies recover. None of the fertiliser commodity prices came down to their previous levels. We are still seeing some signs of strengthening, but remain concerned, looking out 3-4 years that prices could return to their previous heights. We believe that these would be driven by increasing food prices and so should these events occur the affordability of fertiliser should still remain.

We will continue to talk to you about the desirability of you utilising our technology for the application of fertiliser.

The technology which we have introduced into our spreading businesses ensures that the fertiliser goes where you need it to go. This not only means that you will be environmentally proactive – that your fertiliser will not pollute – but also will give you the benefit of up to $9/ha per application because the fertiliser is applied much more evenly. The co-efficient of variation of the spreading equipment Ravensdown uses is capable of achieving an in-paddock CV of 20% compared to that of the more traditional fertiliser spreading users in New Zealand of, on average, 37%.

Managing your nutrients

We are continuing to roll out **nutrient management plans** for our shareholders. These are an extremely valuable tool for you to utilise to manage your nutrient applications. These are not only important in terms of environmental concerns, but even more important to ensure you obtain the maximum efficiency from your fertiliser applications. The other benefit of nutrient management plans is that they allow an even greater benefit from the very sophisticated IT systems that Ravensdown has, and this will be demonstrated to you shortly with a much more sophisticated internet site.

Utilising **My Ravensdown**, you will have complete access to all of your nutrient efficiency and customer and shareholding information.

New spring product

The one product which has not come down to a satisfactory price level yet is superphosphate. To overcome this and to ensure that we do assist those of you who have not kept up your fertiliser applications over recent years, we have introduced a new fertiliser product – **Super High S**. This is specifically focused on this spring.

RAVENSDOWN BOARD OF DIRECTORS

QUEENSLAND

It is designed to provide you with 5.7% phosphate, but more importantly, a high level of very valuable and plant-available sulphur.

As most of you know, sulphur is the most easily leached of the nutrients and it is very much an under-estimated nutrient in terms of its importance to your productivity.

Ravensdown strategy

Our management and Board have been engaged in a lot of planning and discussion to determine the principal issues facing Ravensdown going forward and what we need to do to address them. We will continue to grow our business. If you do not have a business that grows, you will inevitably go backwards.

We must ensure your fertiliser business remains vibrant and vital.

The shocks that occurred during the major ramp up in fertiliser commodity prices required a major increase in the level of borrowings. Predicting that this will occur again in the next 4-5 years we will actively work to increase the strength of our balance sheet so that your Co-operative is well able to withstand these anticipated pressures.

Expansion into Queensland

We are continuing the expansion in Australia. The **Queensland business** working with the Queensland CANEGROWERS has been very successful. It is in its infancy. As we talk to you, the canegrowers, we get the same sense of excitement that pervaded through the New Zealand farmers when Ravensdown was first formed in 1977. You are extremely welcome as members of the Ravensdown family.

We are anticipating a significant growth in our business in Queensland as we provide you with more products and an extended service window as well as continuing to provide prices which reflect the costs of our commodities.

There will be opportunities in other parts of Australia and we are resolved to investigate these.

New Zealand target

For our New Zealand shareholders, the target is to move the level of service up again by giving you more integration through the supply chain. We will also continue to work vigorously to get our fertiliser prices at the lowest possible level.

Staff and Directors

This has been a tough year for all. **Our staff** have responded extremely well. They have accepted significantly greater workloads as we stopped replacing those who left our company from February 2009. They accepted that bonuses for the 2008-2009 year would not be paid, despite many of them meeting requirements for those bonuses and they continued to work willingly, intelligently, collaboratively and with an enormous spirit to make Ravensdown the strong company it is.

Our **Board of Directors** has also stood up to the challenges of a very demanding year. We were very sorry to lose the services of Bruce Irvine during the year, but also pleased to welcome Liz Coutts as a new independent director.

Our thanks go out to our Directors for the dedication and hard work that they put into Ravensdown.

Thank you

Finally, we thank you, our shareholders, who have supported Ravensdown during the year. We absolutely value your loyal support. That trust is the most important asset Ravensdown has.

Supporting the community

SPONSORSHIPS

Ravensdown contributes to the communities we operate in through a number of high level national and regional sponsorships and events. We support events that reward excellence and help others improve their businesses.

HELPING THE FUTURE OF FARMING

20-year-old Lincoln University student Kim Speedy was the 2009 recipient of the Hugh Williams Ravensdown Memorial Scholarship.

The annual scholarship offers sons or daughters of Ravensdown shareholders $5000 per year for the duration of their studies for an agricultural or horticultural degree at either Lincoln or Massey universities. Recipients are also offered paid holiday work with Ravensdown.

SHAREHOLDER MEETINGS

Transparency is a focus for Ravensdown and a key way we achieve this is through our regular shareholder meetings. Meetings during the last year demonstrate you appreciate the opportunity to hear firsthand what your Co-operative is doing. Around 300 people attended our meeting in Ashburton and hundreds came to meetings in Gisborne, Waipukurau, Taihape, Ashburton, Oamaru, Hamilton and Invercargill. Smaller events were also held in other centres. We also held a series of meetings with arable farmers to discuss our involvement in nutrition.

CHRISTCHURCH SHOW

TAIHAPE SHAREHOLDER MEETING

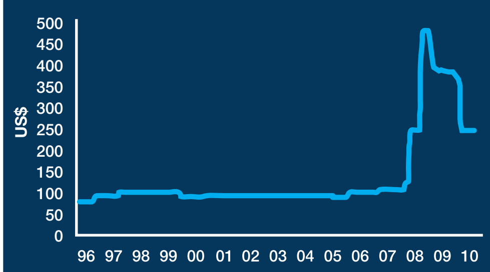
Sourcing products from around the world

The year was characterised by extreme volatility in international commodities and shipping, driven by supply and demand. Sourcing and shipping products from around the world are key competencies of Ravensdown.

We enjoy long-term relationships with a range of suppliers to ensure the best prices and security of supply. Our expansion into Australia has given us increased volumes adding logistical efficiencies.

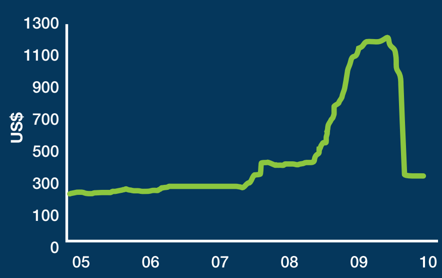
The international food security crisis saw fertiliser commodity prices increase to historic highs resulting in costs farmers couldn't recover. When this happened they chose to plant without nutrients. Demand fell and prices fell accordingly. New price levels for all nutrients have been established and are yet to be fully confirmed by the market. The exception was potash which remained at exceptionally high prices during the year.

Phosphate rock (FOB)



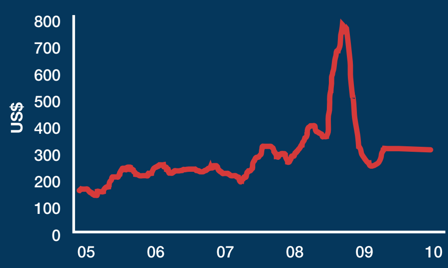
Suppliers lost support for their product after reaching highs of $US550/tonne and a new floor has been established in the $US120-$150 range for smaller but increasing volumes. The price has gained support at this level.

DAP (FOB)

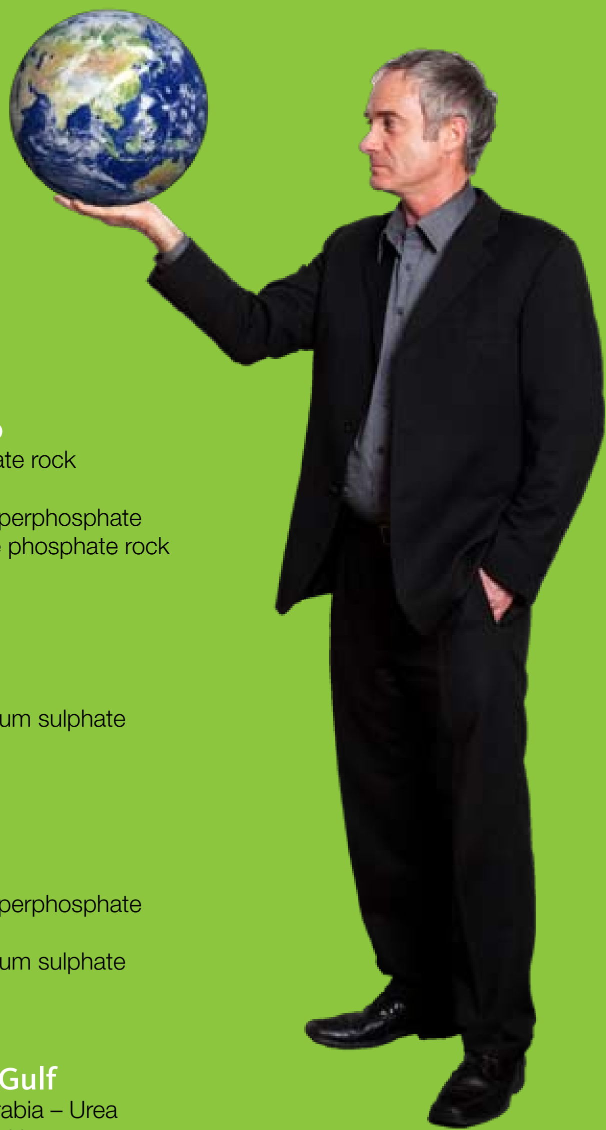


A lack of demand forced the DAP price back down closer to its long-term average resulting in adequate world supply at around $US120-150/tonne.

Urea (FOB)



In line with the other major nutrients urea has reduced and is now closer to its long-term average. Producers are always quick to respond to seasonal demand from India and South America but these subsidised economies have been more disciplined in their buying which has contained the price increases.



Andrew Grundy
General Manager – Supply Chain

China
- Urea
- Phosphate rock
- Ammonium sulphate
- DAP
- Triple superphosphate
- MAP

Australia
- Ammonium sulphate
- Urea
- DAP
- Christmas Island phosphate rock

Germany
- Sulphate of potash
- Ammonium sulphate
- Nitrophoska
- Potash

Israel
- Triple superphosphate
- Potash

Vietnam
- Phosphate rock

Morocco
- Phosphate rock
- DAP
- Triple superphosphate
- Reactive phosphate rock

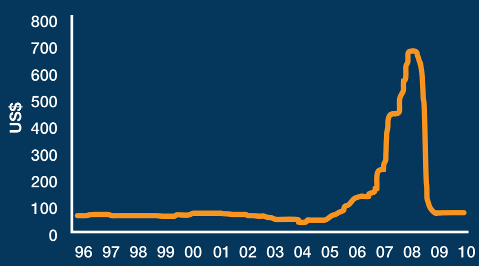
Canada
- Sulphur
- Ammonium sulphate
- Potash

USA
- Triple superphosphate
- DAP
- Ammonium sulphate
- MAP

Arabian Gulf
- Saudi Arabia – Urea
- Kuwait – Urea
- Oman – Urea
- Qatar – Urea

Belgium
- Sulphate of potash

Sulphur (FOB)



Sulphur is now back to its long-term pricing level. It is a by-product of petroleum and as new petroleum projects have come on line the supply has increased and the price has dropped.

OUTLOOK

International nutrient costs are stable to firming with some increases as world food resources continue to be under significant pressure from the ever increasing population.

Manufacturing

Our three manufacturing works convert phosphate rock and sulphur into superphosphate, and make sulphur and magnesium enriched products. We also provide high grade sulphuric acid for industrial use. These products comprise more than half our sales.

AWATOTO

- During the year we received a 14 year resource consent for our Awatoto works in Napier
- A $6m upgrade of our Awatoto works is now providing an improved work environment, greater efficiency and reliability, product traceability, lower overheads and a world class manufacturing plant
- We were pleased to resolve the court case regarding crop damage at Hawke's Bay's Plumpton Park orchard

HORNBY

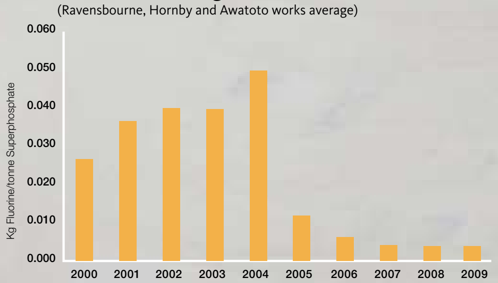
- The Environment Court allowed Hornby works in Christchurch a 15 year resource consent which has since been appealed by Ravensdown and four other interested parties. We are moving towards a positive outcome for the long-term viability of the site. We have extremely strong compliance history at Hornby, the site has had major improvements and we have been very proactive in our consultation
- Our Hornby works took part in an Energy Response project to reduce the energy load on the grid when required

RAVENSBOURNE

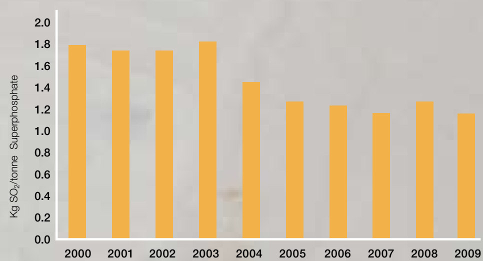
- We exported 18,000 tonnes of superphosphate to our shareholders in Western Australia. Using our expertise and capacity at the Ravensbourne works we gained the top level of the stringent Australian Quarantine Inspection Standard (AQIS) certification for importing bulk commodity products (like fertiliser) into Australia
- Our Ravensbourne works was key in developing our new Super High S product to meet the current needs of farmers

We continue to focus on our impact on the environments we operate in and introduce innovations to minimise this.

Fluoride discharged to air
(Ravensbourne, Hornby and Awatoto works average)



Sulphur dioxide discharged to air
(Ravensbourne, Hornby and Awatoto works average)



Find out what you're missing

Testing provides accurate information so you put on only what you need so it's more cost-effective and better for the environment.

ACCREDITATION

ARL is the leading agriculture/horticulture specialised lab in New Zealand and the only commercial feed testing lab using comprehensive NIR pastoral recommendations based on animal feeding studies.

YOUR LAB

Our 100%-owned analytical lab, ARL continues to be a successful business making a good contribution to Ravensdown's bottom-line.

A YEAR OF GROWTH

- 65,145 soil tests (including additional tests) completed – a 15% increase on the previous year
- Expanded our service to our Western Australian shareholders

ADVICE

Our skilled staff provide advice and recommendations.

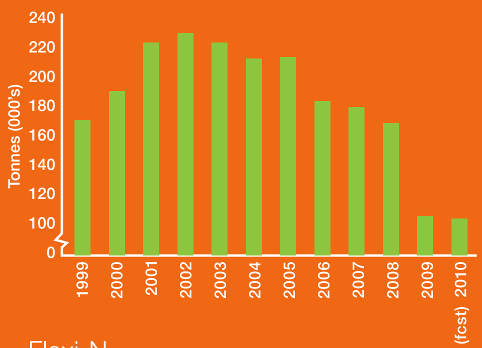
Products to help you grow quality pasture and crops

FERTILISER

Sales of our NPKS fertiliser fell by 30% compared to the previous year.

Agriculture is still the backbone of the New Zealand economy and we need fertiliser to maximise production.

Phosphate applied



Flexi-N
We introduced a new fertiliser range – called Flexi-N – to increase flexibility around applying nitrogen, phosphate and sulphur.

Super High S
As a direct result of the current economic and climatic conditions we developed a new product for spring 2009. Super High S has high sulphur in the plant-available form, sulphate, which is essential for growing productive high quality grass/clover pastures.

Clarendon
Skyrocketing international fertiliser commodity prices drove Ravensdown to look for alternatives closer to home. We worked with farmers around Clarendon Hill south of Dunedin to investigate the quality and quantity of New Zealand's only known phosphate reserve. We are evaluating results.

Flowfert
Ravensdown launched fertigation – the application of nutrients through an irrigation system – and is currently offering a liquid nitrogen called Flowfert N. Other nutrient options are being investigated. We also formed a relationship with irrigation company WaterForce to add value to fertigation.

LIME

- Sales were a robust 13% ahead of last year
- We purchased the remaining 50% of our Supreme lime quarry giving us full ownership of the Supreme and Waikaretu quarries and resources and we bought the Mata and East Cape quarries in the North Island
- We have been investing in lime for the last 11 years to guarantee you continued access to this important product at the lowest possible price

Ravensdown lime quarries

New Zealand has an insufficient nutrient base but a good climate for pastoral production so fertiliser underpins our intensive farming.

AGCHEM

- Agrochemical sales grew by 12% in a contracting market and difficult year
- Ravensdown continues to be the third largest agrochemical supplier in the pastoral market

New products

- Endure slug bait
- Backup for dock and buttercup
- Granit for broadleaf weeds

Our range

- Quality products
- Backed by technical staff
- Loyal fertiliser shareholders who also purchase agrochemicals are entitled to additional rewards

Products for healthy animals

The animal health business showed a 9% increase in revenue compared with the last financial year.

MAGNESIUM

Since moving into the animal health market in 1999, Ravensdown is now New Zealand's largest magnesium supplement supplier.

DRENCH

We are the third largest oral magnesium supplier and the third largest drench supplier.

NEW PRODUCTS

- Sweetwater (a flavouring agent)
- Two Ad-Lib products
- Starter Drench in 1 litre packs
- Two teat sprays
- Products backed by technical staff

NUTRITION

- Introduced grain-blended feed options like Dairy Hi Carb 18 to give cows a boost
- Developed Pick & Mix combos – mixing our nutrition products with the popular animal health range, including trace elements, magnesium, calcium, salt, zinc and Rumensin

eco-n

As dairy payouts fell mid-season and budgeted incomes decreased, sales of our nitrification inhibitor eco-n fell by 30% for the year.

IMPORTANT — DECISION

23 March 2009

AUCKLAND

Patent Application
In name of RAVENSDOWN FERTILISER COOPERATIVE LIMITED and LINCOLN UNIVERSITY
Opposition by BALLANCE AGRI-NUTRIENTS LIMITED

A copy of the decision of Assistant Commissioner Popplewell issued today is attached.

Yours sincerely

Helen Baxter
Hearings Office
For Commissioner of Patents, Trade Marks and Designs

ECO-N PATENT

During the year we overcame opposition to the granting of a patent for eco-n. The patent means Ravensdown and New Zealand have a patented technology we can take out to the world to reduce greenhouse gas emissions and nitrate leaching. We were disappointed when our competitor lodged a challenge to the decision in the high court.

FURTHER RESEARCH

Ravensdown continues to be the largest supplier of nitrification inhibitor technology to the dairy industry. The abundance of published trial work showing the efficacy of eco-n to date allows dairy farmers to continue to use our technology with confidence. In addition, we're encouraged by the recent announcement of a new partnership between the Ministry of Agriculture and Forestry (MAF), the fertiliser industry, DairyNZ, Fonterra, and Pastoral Greenhouse Gas Research Consortium (PGgRc). The partners are investing $10m over three years in a research programme to measure the effectiveness of nitrification inhibitors in reducing nitrous oxide emissions and nitrate leaching while enhancing pasture growth.

S I D D C

* Varies with soil, climate and farm system ‡ Measured from urine patches which are the main source of nitrous oxide emissions and nitrate leaching

From us to you

Our distribution options aim to make the right products available to you when you need them and at competitive prices.

CUSTOMER CENTRE

- Our Customer Centre operates all day every day aiming to provide you with a quality service
- In a recent satisfaction survey 89% of you gave our Customer Centre an excellence rating – up from 86% last year

SILOS

- More than 900 urea silos are installed around New Zealand
- We introduced larger urea and feed silos during the year

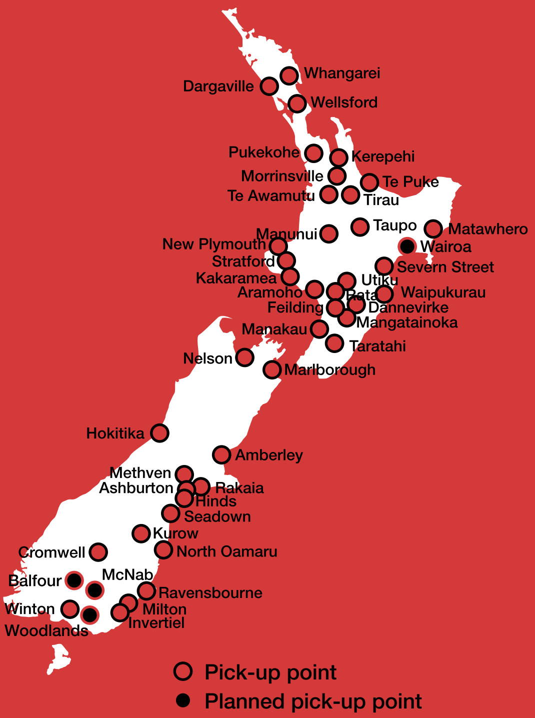
STORES

- We focus on improving our customer services to you
- In our annual service survey you gave the stores an average excellence rating of 92% – up from 84% last year
- We upgraded our Hinds store
- We took over the Mata store when we bought the lime quarry. Plans are well developed to build a new facility on site to help service our Northland market and provide significant efficiency gains for our customers

PICK-UP POINTS

- In response to customer feedback we added pick-up points to our range of distribution options
- These provide delivery within 24 hours
- We currently have 41 located at our stores and will be rolling them out to all Ravensdown stores

Ravensdown pick-up points



The precise way to grow

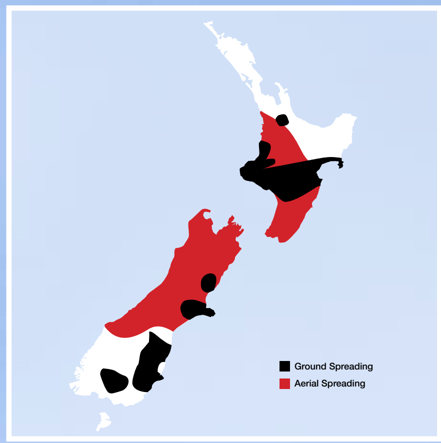
Our ground and aerial spreading operations aim to maximise your investment and protect the environment.

PROOF OF PLACEMENT

- More than 13,000 proof of placement maps were sent to customers proving fertiliser and lime were correctly applied to target areas
- Our "My Ravensdown" section of the website gives you access to these maps online
- We add value by using sophisticated equipment to give you confidence the right product goes on, in the right place, evenly and so you can prove you haven't compromised any environmentally sensitive areas
- Using our technology, under certain conditions, farmers can make $9/ha per application more from the same amount of fertiliser
- Our spreading equipment is capable of an in-paddock CV of 20% (traditional fertiliser spreaders in New Zealand average 37%)

AERIAL SPREADING

- Ravensdown expanded its interests in aerial spreading during the year and now provides service to the largest geographic region in New Zealand. At the end of 2008 we combined with three South Island aerial spreading businesses. Aerial spreading throughout the North Island and upper South Island is provided by Wanganui Aero Work which Ravensdown bought in 2004 and also expanded last year



GROUND SPREADING

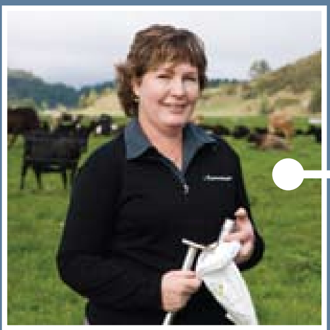
- Our ground spreading businesses also grew during the year with the addition of joint ventures in Canterbury and North Otago. We now have a fleet of 52 spreading truck and trailers, and seven spraying trucks operating across the country
- We grow this part of the business through joint ventures, retaining local staff and knowledge

Bringing it all together

Ravensdown has a range of powerful tools to help farmers manage nutrient levels on their farms.

NUTRIENT MANAGEMENT PLANS

- Help farmers maximise their profitability and environmental stewardship
- Provide a comprehensive history of the fertility of individual farms
- Plans are currently being completed for dairy farmers. Sheep and beef farmers will follow



ARL TESTING

FARMER

ACCOUNT MANAGER

OUR SOPHISTICATED IT SYSTEMS

Trans-Tasman developments

Our diversification into Australia is reaping rewards.

ECONOMIES OF SCALE

Spreading our overheads across an increased tonnage gives us more shipping and purchasing power and flexibility.

"We recently took delivery of your fertiliser and spread it over the past weekend. We would just like to let you know that this is the best quality fertiliser we have ever used. The granules are of consistent size and there is minimal dust if any. This makes the product a pleasure to work with. We hope that you will continue to provide your product in our area."

Queensland customer

WESTERN AUSTRALIA

In our first full year of operation we received excellent support from shareholders and this part of the business made a significant contribution to our total profit.

We've made the operational efficiencies we initially identified, including introducing Ravensdown's technology, systems and our Customer Centre.

Western Australian farmers who purchased fertiliser from Ravensdown in the last financial year will receive the same benefits as New Zealand shareholders – that is a rebate of A$12/tonne and 12 bonus shares. This will be the first full year rebate shareholders have received since 2004/05.

Return of shareholders

A number of shareholders have started buying from the Co-operative again since Ravensdown merged with United Farmers.

Ag Chemical support

Our Ag Chemical business continued to grow with sales 7% up on the previous year. Western Australian shareholders benefited through our aggressive pricing strategy on key agrochemical products which grew our volumes significantly.

Mark Brown

AGENTS

Our staff and agents in Western Australia continue to provide quality service to shareholders.

IMPROVING OUR SERVICE

- Our high quality ARL lab expanded its services to Western Australian farmers during the year
- We introduced Ravensdown's fertiliser recommendation program – SAFiRe – to WA farmers. SAFiRe is a state of the art computer program giving the account managers the ability to recommend fertiliser down to the exact nutrient needed for specific crops. It also calculates the lowest possible cost of these nutrients taking into account the various WA farming systems
- We rolled out a number of modifications to the Kwinana and Albany dispatch facilities to increase the efficiency, accuracy and quality of product loads, improving the overall service experience for trucks collecting fertiliser
- We commissioned a trace element coating plant
- As part of our operational efficiencies we leased out all three floors of our Rous Head Office building in North Fremantle generating significant income

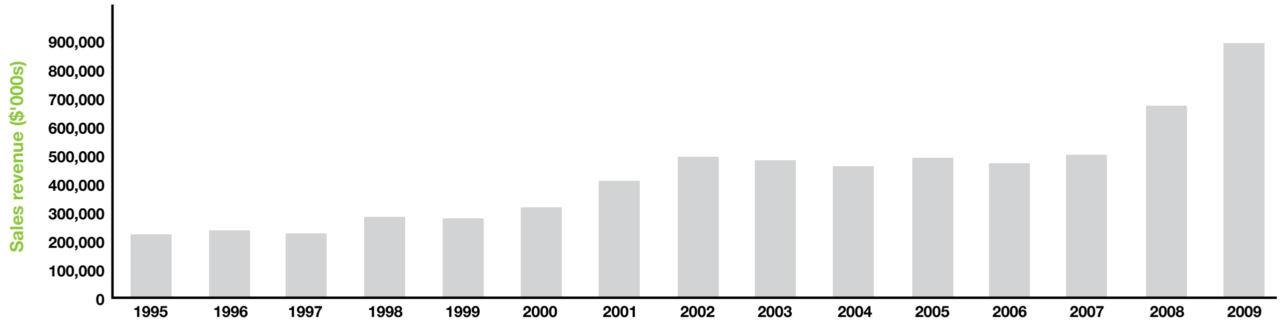
QUEENSLAND

Ravensdown's Queensland business started operating in the new financial year and sales are firm. Our timing was good: sugar is at a 30-year high and we were able to lead pricing down significantly in Queensland providing major benefits for canegrowers and farmers who joined Ravensdown in our first year of operation. Many leading Queensland canegrowers gave us at least part of their business. There is strong commitment to the development of the co-operative model in Queensland and we are committed to ensuring we can continue to exceed price, quality and service expectations.

Finance at a glance

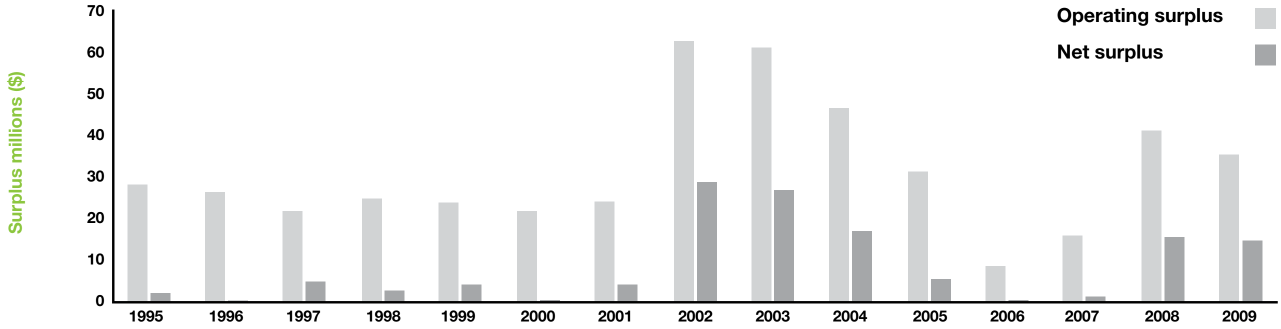
Sales revenue

Total sales made by Ravensdown after removing inter-company transactions



Operating surplus compared with net surplus after rebate and tax

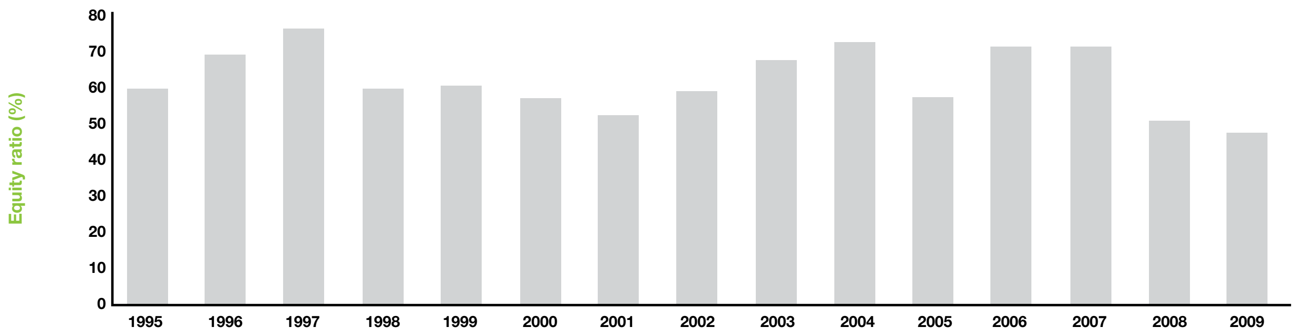
Compares the profit achieved by the company prior to rebate distribution and tax with the profit retained by the company



(2007 and 2008 in accordance with NZIFRS)

Equity ratio

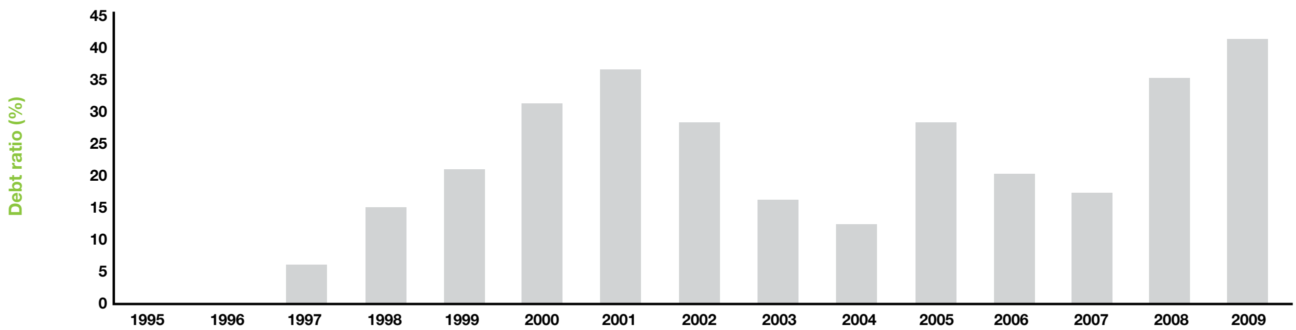
The ratio of equity to total assets compares the money creditors contribute to the business with the money owners contribute



(Calculation excludes financial derivatives, provisions and deferred tax)

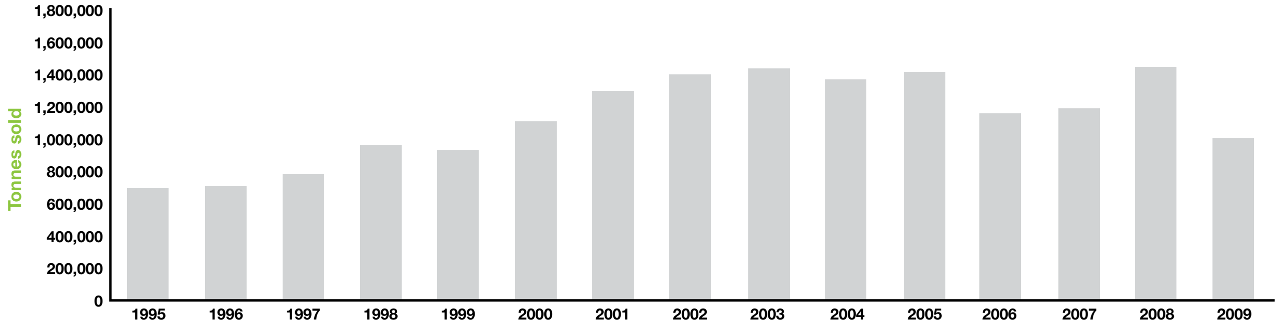
Debt ratio

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



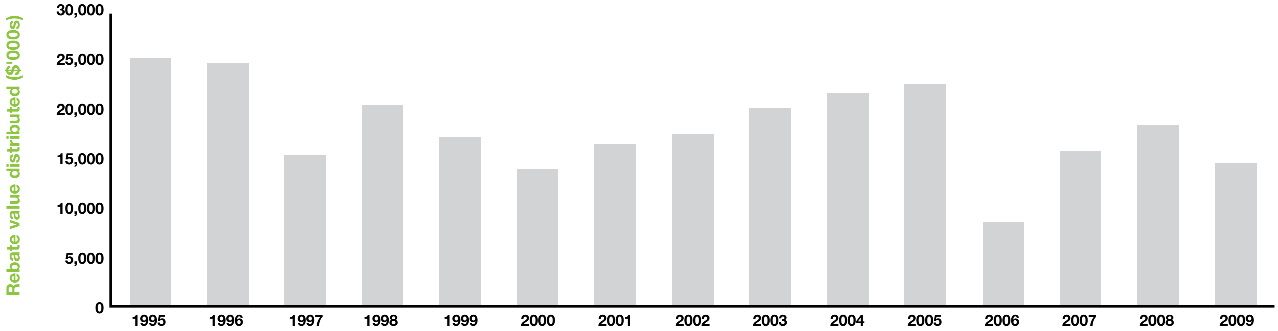
Fertiliser sales (NZ & WA)

Total shareholder fertiliser purchases



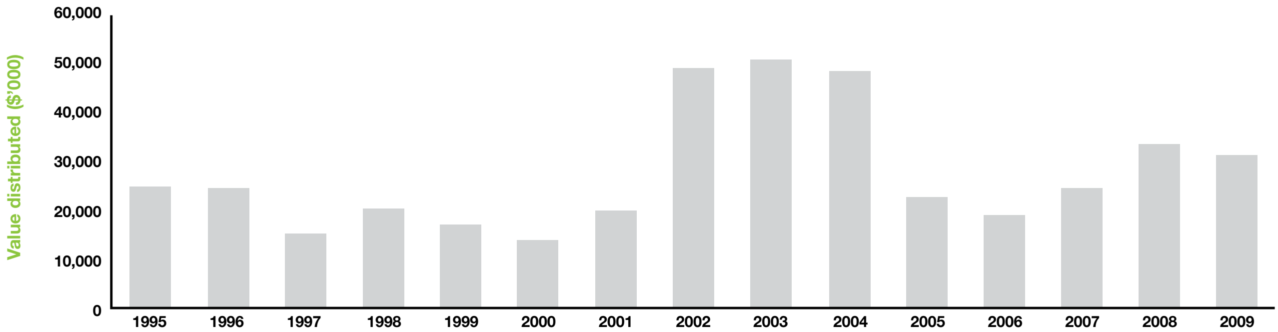
Value of rebate to shareholders

Total dollar value of distribution to shareholders comprising rebates



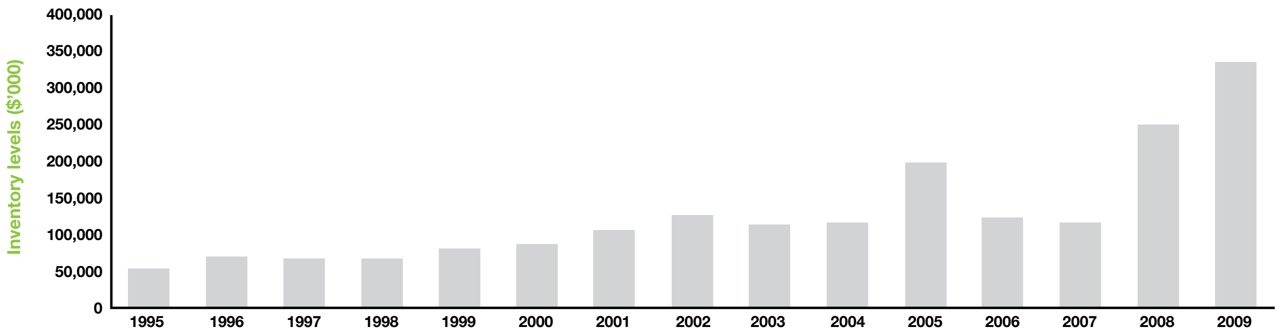
Value of distribution to shareholders

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



Inventory

Total inventory held by Ravensdown including manufactured product, raw materials, stock in transit at balance date and spare parts



Corporate governance

Approach
The Board and management of Ravensdown view corporate governance as an important issue and are committed to ensuring the Co-operative maintains best practice governance structures and adheres to the highest ethical standards.

Responsibility of the Board of Directors
The Board is elected by and responsible to the shareholders for the performance of the Co-operative. The focus of the Board is to protect and enhance long-term shareholder value. The Board oversees the management and approves overall strategy, rebates, budgets and plans, and also ensures effective safeguards and controls are in place to protect the business. The day-to-day running of the business has been delegated by the Board to the Chief Executive Officer. The Board utilises a number of committees to help in its work, the main ones being as follows:

Audit Committee
The Committee comprises five Directors who meet at least four times per year. The Committee provides a forum for communication between the Board and the external and internal auditors, and its main responsibilities are:

- Reviewing and reporting to the Board on annual budgets, financial statements, proposed rebates and pricing
- Reviewing the effectiveness of the organisation's internal control environment
- Determining the resource and scope of the internal audit function
- Overseeing the effective operation of the risk management framework and the legislative compliance system
- Recommending to the Board the appointment, removal and remuneration of the external auditors

Remuneration Committee
The Remuneration Committee makes recommendations to the Board on the remuneration of Directors and the CEO, and also reviews the remuneration of other senior managers within Ravensdown. The Committee consists of four Directors and receives information from remuneration consultants and the Directors Remuneration Survey to assist in its decisions.

Share Surrenders and Co-operative Structure Committee
This Committee consists of three Directors who consider and make recommendations to the Board regarding surrender, allotment and transfer applications from shareholders.

Superannuation Committee
The Superannuation Committee is the trustee of the Ravensdown Staff Superannuation Scheme. The Committee consists of two Directors, two management representatives and a staff representative and is responsible for the Scheme, including the ongoing investment strategy.

Directors' performance
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. As part of this work, management is also responsible for ensuring an appropriate insurance programme exists.

Ethical conduct
The Co-operative has published a Code of Business Conduct and an Employee Handbook to guide management and employees in carrying out their duties.

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.

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	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
W T McLeod	10	10	4	3	2	2			3	3
P D Willock	10	9	4	4	2	2				
JFC Henderson	10	10	4	4			11	11		
B R Irvine	10	8	4	4						
P G Inger	10	9	3	2						
A P Reilly	10	9			2	2				
C J Dennison	10	9			2	2				
B D Watt	10	10					11	11		
S G Gower	10	10					11	10		
A C Howey	10	10							3	2
J L Williams	10	10								
A S Wright	10	9								
R T Turton	10	9								
G J Cosgrove	10	10								

Directors' declaration

In the opinion of the Directors of Ravensdown Fertiliser Co-operative Limited, the financial statements and notes, on pages 30 to 57:

- 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 2009 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 to 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 2009.

For and on behalf of the Board of Directors:

W T McLeod
Director

Date 28 July 2009

P D Willock
Director

Date 28 July 2009

Ravensdown Fertiliser Co-operative Limited

2009 Financial Statements

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Income statement
for the year ended 31 May

In thousands of New Zealand dollars	Note	Group 2009	Group 2008	Company 2009	Company 2008
Revenue	7	891,556	672,410	883,181	659,988
Cost of sales		(830,785)	(571,513)	(820,578)	(560,976)
Gross profit		60,771	100,897	62,603	99,012
Sales and marketing		(19,747)	(21,093)	(19,716)	(21,073)
Administrative expenses	8	(23,183)	(24,123)	(20,863)	(21,586)
Other operating expenses		(7,595)	(5,182)	(7,588)	(5,180)
Results from operating activities before transactions with shareholders and finance costs		10,246	50,499	14,436	51,173
Finance income	10	58,637	970	58,872	1,167
Finance expenses	10	(32,201)	(12,363)	(31,971)	(12,138)
Net finance costs	10	26,436	(11,393)	26,901	(10,971)
Discount on acquisition	6	-	1,980	-	1,980
Share of profit of equity accounted investees (after tax)	14	(603)	650	-	-
Profit before rebate and income tax		**36,079**	**41,736**	**41,337**	**42,182**
Rebates		(14,399)	(18,555)	(14,399)	(18,555)
		21,680	23,181	26,938	23,627
Income tax (expense)/credit	11	(6,900)	(7,497)	(7,360)	(7,524)
Profit for the year attributable to the equity holders		**14,780**	**15,684**	**19,578**	**16,103**

Statement of recognised income and expense
for the year ended 31 May

In thousands of New Zealand dollars	Note	Group 2009	Group 2008	Company 2009	Company 2008
Foreign currency translation differences for foreign operations		(1,550)	2,294	(1,550)	2,294
Revaluation of non-current assets		4,521	8,535	977	8,535
Effective portion of changes in fair value of cash flow hedges		206,630	(37,599)	206,630	(37,599)
Net change in fair value of cash flow hedges transferred to inventory		(112,166)	35,716	(112,166)	35,716
Net change in fair value of cash flow hedges transferred to profit or loss		(182)	(661)	(182)	(661)
Income tax on income and expense recognised directly in equity		(29,268)	(994)	(27,887)	(994)
Income and expense recognised directly in equity		67,985	7,291	65,822	7,291
Profit for the period		14,780	15,684	19,578	16,103
Total recognised income and expense for the period	19	**82,765**	**22,975**	**85,400**	**23,394**

The notes on pages 34 to 57 are an integral part of these financial statements.

Balance sheet
as at 31 May

In thousands of New Zealand dollars	Note	Group 2009	Group 2008	Company 2009	Company 2008
Assets					
Property, plant and equipment	12	228,585	215,324	204,396	197,710
Intangible assets	13	6,039	5,107	5,290	5,076
Mining deposits		14,883	1,370	2,887	1,370
Investments in equity accounted investees	14	8,150	11,790	8,112	10,654
Other financial assets	15	14,868	1,199	57,049	28,226
Deferred tax assets	16	-	1,214	-	1,826
Total non-current assets		272,525	236,004	277,734	244,862
Inventories	17	334,542	249,758	332,560	248,369
Other financial assets	15	39,928	2,001	39,928	2,001
Current tax assets		-	568	-	124
Trade and other receivables	18	111,842	128,351	112,573	128,178
Cash and cash equivalents		12,023	10,170	7,354	4,355
Total current assets		498,335	390,848	492,415	383,027
Total assets		770,860	626,852	770,149	627,889
Liabilities					
Loans and borrowings		172,553	25,000	172,553	25,000
Other financial liabilities	20	412	11,289	412	11,289
Deferred tax liabilities	16	29,414	-	25,710	-
Total non-current liabilities		202,379	36,289	198,675	36,289
Loans and borrowings		146,639	193,031	146,639	193,031
Trade and other payables	22	47,909	76,254	47,217	77,162
Other financial liabilities	20	1,208	33,043	1,208	33,043
Current tax liabilities		2,876	-	3,797	-
Provision for rebate		14,505	18,582	14,505	18,582
Provisions	21	11,447	10,903	11,447	10,903
Total current liabilities		224,584	331,813	224,813	332,721
Total liabilities		426,963	368,102	423,488	369,010
Net assets		**343,897**	**258,750**	**346,661**	**258,879**
Equity					
Share capital	19	232,755	220,520	232,755	220,520
Reserves	19	80,888	12,903	78,725	12,903
Retained earnings	19	30,254	25,327	35,181	25,456
Total equity		**343,897**	**258,750**	**346,661**	**258,879**

The notes on pages 34 to 57 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 May

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Cash flows from operating activities				
Cash receipts from customers	906,955	627,351	890,235	612,508
Dividend received	1	41	3,004	1,341
	906,956	627,392	893,239	613,849
Cash was applied to				
Cash paid to suppliers and employees	923,738	733,467	907,803	720,845
Income tax paid	3,856	3,250	4,172	3,975
	927,594	736,717	911,975	724,820
Net cash from/(used in) operating activities	**(20,638)**	**(109,325)**	**(18,736)**	**(110,971)**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1,269	1,229	619	194
Cash acquired on acquisition	486	3,928	-	3,928
Proceeds of shares in subsidiaries	-	-	285	-
Loans repaid by subsidiaries	-	-	430	1,800
Loans repaid by equity accounted investees	589	320	589	320
	2,344	5,477	1,923	6,242
Cash was applied to				
Acquisition of property, plant and equipment	23,652	13,767	18,458	10,929
Acquisition of other non-current assets	2,021	1,272	2,021	1,272
Purchase of investments	-	900	-	900
Acquistion of shares in subsidiary	6,508	-	6,508	-
Loans advanced to subsidiaries	-	-	5,961	1,746
Loans advanced to equity accounted investees	2,525	1,217	2,525	1,217
	34,706	17,156	35,473	16,064
Net cash from/(used in) investing activities	**(32,362)**	**(11,679)**	**(33,550)**	**(9,822)**
Cash flows from financing activities				
Interest received	6,643	4,604	6,846	4,753
Bank advances	97,956	146,331	97,956	146,331
Proceeds from issue of share capital	189	157	189	157
	104,788	151,092	104,991	151,241
Cash was applied to				
Interest paid	31,947	12,441	31,717	12,138
Repay share capital	6,494	5,986	6,494	5,986
Payment of rebates	9,789	9,214	9,789	9,214
	48,230	27,641	48,000	27,338
Net cash from/(used in) financing activities	**56,558**	**123,451**	**56,991**	**123,903**
Net (decrease)/increase in cash and cash equivalents	3,558	2,447	4,705	3,110
Cash and cash equivalents at 1 June	10,170	7,153	4,355	675
Effect of exchange rate fluctuations on cash held	(1,705)	570	(1,706)	570
Cash and cash equivalents at 31 May	**12,023**	**10,170**	**7,354**	**4,355**
Cash and cash equivalents comprises				
Cash on hand	11,585	7,233	6,916	1,416
Bank balances	438	2,937	438	2,939
Cash and cash equivalents in the statement of cash flows	**12,023**	**10,170**	**7,354**	**4,355**

Statement of cash flows
for the year ended 31 May (continued)

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

	Group		Company	
In thousands of New Zealand dollars	**2009**	**2008**	**2009**	**2008**
Profit for the period	14,780	15,684	19,578	16,103
Adjustments for:				
Items classified as financing activities				
Rebates to shareholders	14,399	18,555	14,399	18,555
Interest received	(6,643)	(4,604)	(6,846)	(4,753)
Interest paid	32,201	12,441	31,971	12,138
Discount on acquisition/business combination	-	(1,980)	-	(1,980)
Items not involving cash flows				
Depreciation and loss (gain) on disposals	15,301	13,717	13,557	11,786
Amortisation of intangible assets	298	315	289	286
Net (gain)/loss on financial instruments	(22)	(11,834)	(22)	(11,834)
Decrease/(increase) in deferred taxation	(375)	5,801	(705)	5,295
Revaluation of Government Bond	(9)	(2)	-	-
Gain on sale of associates	-	(147)	-	(147)
Equity accounted (profits) losses from associated companies	603	(650)	-	-
Income tax expense	3,419	-	3,893	-
(Increase)/decrease in inventories	(83,432)	(111,224)	(83,226)	(110,981)
(Increase)/decrease in trade and other receivables and prepayments	18,551	(40,817)	18,954	(42,376)
(Increase)/decrease in tax refund due	-	(1,554)	-	(1,746)
Increase/(decrease) in trade and other payables	(29,119)	(3,042)	(29,987)	(1,221)
Change in provisions and employee benefits	(590)	16	(591)	(96)
Net cash from operating activities	**(20,638)**	**(109,325)**	**(18,736)**	**(110,971)**

The notes on pages 34 to 57 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 (separate financial statements) 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 2009 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 analysis, advice and supply of inputs and services to the agricultural sector.

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 equivalents to 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 accounting policies have been consistently applied by the Company and the Group and are consistent with those of previous years.

The financial statements were approved by the Board of Directors on 28 July 2009.

(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 discussed 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
The preparation of financial statements requires management 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:

- Business combinations (note 6)
- Fair value of derivatives (note 23)
- Fair value of land and buildings (note 12)

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. 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.

3 Significant accounting policies (continued)

(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 directly in equity, in the FCTR, to the extent that a hedging 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 equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(c) Financial instruments
(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, held-to-maturity investments, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents for the purpose of financial asset classification are classified as loans and receivables.

Accounting for finance income and expense is discussed in note 3(m).

Held-to-maturity investments
If the group has the positive intent and ability to hold debt securities to maturity then they are classified as held-to-maturity. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less any impairment losses.

Other
Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Other than those classified as held-to-maturity all non-derivative financial assets are classified as loans and receivables. All non-derivative financial liabilities are classified as other amortised cost.

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.

Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings
Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables
Trade and other payables are stated at cost.

(ii) 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.

3 Significant accounting policies (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) 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.

(iv) 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.

(v) 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 are reviewed at each balance sheet date to determine whether or not 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 equity instruments
Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price.

(ii) 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.

(iii) 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.

3 Significant accounting policies (continued)

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 equity, in which case it is recognised in 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 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) New standards and interpretations adopted early
NZ IAS 32 Financial Instruments Presentation was issued in February 2008. The amendment allows the Group to continue to classify its Co-operative shares as equity. Mandatory adoption is required for periods commencing on or after 1 January 2009.

NZ IFRS 8 Operating Segments replaces NZ IAS 14 Segment Reporting. NZ IFRS 8 requires qualitative and quantitative disclosures regarding the Group's reportable segments which are determined based on information reported internally. Mandatory adoption is required for periods commencing on or after 1 January 2009.

NZ IFRS 1 First Time Adoption of NZ IFRS has been amended to allow a previous GAAP carrying value of investments in subsidiaries to be used as deemed cost on transition to NZ IFRS. There are consequential amendments to other standards that do not impact the Group. Mandatory adoption is required for periods commencing on or after 1 January 2009.

(p) New standards adopted and interpretations not yet adopted
A number of new amendments and interpretations are not yet effective for the year ended 31 May 2009, may impact the Group, and have not been applied in preparing these consolidated financial statements:

- NZ IAS 1 Presentation of financial statements (revised) supersedes the 2003 version of NZ IAS 1.The revised standard introduces "total comprehensive income" (i.e. changes in equity during a period, other than those resulting from transactions with owners in their capacity as owners), and a "Statement of comprehensive income". It requires all non-owner changes in equity to be presented in one statement (i.e. a Statement of Comprehensive Income) or two statements (i.e. an Income Statement and a Statement of Comprehensive Income). The revised standard will be mandatory for the Group's 2010 financial statements and will impact the disclosures in the Group's primary statements.

- NZ IAS 23 Borrowing Costs supersedes the earlier version of the standard. The main change from the previous version is the removal of the option to expense borrowing costs incurred in respect of "qualifying assets" for full reporting entities. The amended standard will be effective for the 2010 Group financial statements. The Group has not yet considered the impact of the standard on its financial statements.

- NZ IFRS 3 Business Combinations (revised) superseded the 2004 version of NZ IFRS 3. The revised standard impacts the measurement of minority interests in an acquisition and the acquisition of minority interests subsequent to acquisition. The amendments also deal with accounting for step acquisitions, contingent considerations, acquisition costs and contingent liabilities of the acquiree. The revised standard will be mandatory for the Group's 2011 financial statements. In respect of the 2008 financial statements the $1.3 million transaction costs arising on acquisition of United Farmers Co-operative Limited (see note 6) would have been expensed had this revised standard been adopted early by the Group.

Notes to the financial statements

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 based on their listed market price, if available. If a listed market price is not available, then fair value 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 has two reportable segments, being its New Zealand and Australian operations. These segments are based on the Group's management and internal reporting structure. Corporate is included within the New Zealand segment.

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.

2009 Group

In thousands of New Zealand dollars	New Zealand	Australia	Eliminations	Total
Total external revenues	726,699	164,857	-	891,556
Inter-segment revenue	14,781	6,506	(21,287)	-
Total segment revenue	741,480	171,363	-	891,556
Segment result before transactions with shareholders and finance costs	(6,453)	15,398	1,301	10,246
Net finance costs				26,436
Share of profit of equity accounted investees				(603)
Rebates				(14,399)
Income tax expense				(6,900)
Profit for the period				**14,780**

5 Segment reporting (continued)

2008 Group

In thousands of New Zealand dollars	New Zealand	Australia	Eliminations	Total
Total external revenues	596,885	75,525	-	672,410
Inter-segment revenue	-	-	-	-
Total segment revenue	596,885	75,525	-	672,410
Segment result before transactions with shareholders and finance costs	49,475	1,024	-	50,499
Net finance costs				(11,393)
Discount on acquisition				1,980
Share of profit of equity accounted investees				650
Rebates				(18,555)
Income tax expense				(7,497)
Profit for the period				**15,684**

2009 Group

In thousands of New Zealand dollars	New Zealand	Australia	Eliminations	Total
Total assets	583,474	183,012	4,374	770,860
Total liabilities	(252,744)	(170,125)	(4,094)	(426,963)
Investment in equity accounted investees (included in total assets)	8,150			8,150
Expenditure on reportable non-current assets	25,944	3,881	-	29,825
Depreciation expense	15,871	2,252	-	18,123
Amortisation expense	281	-	-	281
Entity wide products and services				
Farm inputs - external revenue				872,729
Services and other income				18,827
Total Group revenue				**891,556**

2008 Group

In thousands of New Zealand dollars	New Zealand	Australia	Eliminations	Total
Total assets	487,479	141,483	(2,110)	626,852
Total liabilities	(236,411)	(133,801)	2,110	(368,102)
Investment in equity accounted investees (included in total assets)	11,790			11,790
Expenditure on reportable non-current assets	23,144	36,275	-	59,419
Depreciation expense	13,401	633	-	14,034
Amortisation expense	297	-	-	297
Entity wide products and services				
Farm inputs - external revenue				653,063
Services and other income				19,347
Total Group revenue				**672,410**

6 Acquisition and disposal of businesses

United Farmers Co-operative Limited
On 8 February 2008 the Group acquired certain business assets and liabilities of United Farmers Co-operative Limited. The business sells farm inputs in Western Australia.

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

In thousands of New Zealand dollars	Note	Recognised values on acquisition
Cash and cash equivalents		3,928
Trade and other receivables		9,456
Inventories		52,412
Property, plant and equipment	12	36,275
Deferred tax asset	16	3,026
Trade and other payables		(85,948)
Employee entitlements		(443)
Net identifiable assets and liabilities		**18,706**
6.8 million shares issued in the company (non-cash)		6,808
Deferred rebate incentive (non-cash)		9,918
		16,726
Discount on acquisition (recognised in the income statement)		**1,980**

Subsequent to acquisition date, the fair value of the deferred rebate incentive has been reassessed. The result being decreases to the deferred rebate incentive of $2.0 million and deferred tax assets of $0.6 million and an increase in the discount on acquisition of $1.4 million. The 2008 comparative figures have been adjusted accordingly.

Ravensdown Supreme Limited
On 29 May 2009 the Company purchased the remaining 50% of the shares in Supreme Lime Limited. The business operates two lime quarries in New Zealand.

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

In thousands of New Zealand dollars	Note	Recognised values on acquisition
Cash and cash equivalents		484
Trade and other receivables		1,249
Inventories		284
Property, plant and equipment	12	4,611
Accumulated Depreciation	12	(1,168)
Minerals		12,000
Deferred tax liability	16	(2,763)
Trade and other payables		(3,132)
Net identifiable assets and liabilities acquired		**11,565**
Fair value of assets acquired through step acquisition (50%)		5,783
Consideration paid (cash)		6,505
Goodwill recognised on acquisition	13	**722**

As part of the step acquisition, Ravensdown has revalued the existing 50% share, with the resulting $1.8m increase recognised within the revaluation reserve in equity. The values of assets and liabilities recognised on acquisition are their estimated fair values. Goodwill has been recognised as a result of this business combination as the acquiree believes the acquisition will introduce additional synergies to existing operations.

7 Revenue

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Sales	889,155	670,686	877,412	656,649
Dividends received	1	41	3,004	1,341
Other Income	2,400	1,683	2,765	1,998
Total revenues	**891,556**	**672,410**	**883,181**	**659,988**

8 Administrative expenses

The following items of expenditure are included in administrative expenses:

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Auditor's remuneration to KPMG comprises:				
Audit of financial statements	99	111	97	108
Other fees	3	41	3	41
Total auditor's remuneration	**102**	**152**	**100**	**149**

Other audit-related services include services in relation to the Australian Prospectus (2008: accounting advice and NZ IFRS conversion services).

9 Personnel expenses

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Wages and salaries	37,668	38,608	32,880	34,272
Superannuation — defined contribution	2,559	2,467	2,388	2,300
Increase in liability for long-service leave	124	77	124	77
Total personnel expenses	**40,351**	**41,152**	**35,392**	**36,649**

10 Finance income and expense

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Gain on realisation of financial derivatives	56,709	-	56,709	-
Interest income on held-to-maturity assets	37	37	-	-
Intercompany interest	-	-	477	433
Interest income other	1,891	933	1,686	734
Finance income	58,637	970	58,872	1,167
Interest expense on financial liabilities measured at amortised cost	(32,119)	(12,849)	(31,889)	(12,624)
Fair value of cash flow hedges transferred from equity	182	661	182	661
Unwinding of discount on contingent deferred consideration	(264)	(175)	(264)	(175)
Finance expense	(32,201)	(12,363)	(31,971)	(12,138)
Net finance costs	**26,436**	**(11,393)**	**26,901**	**(10,971)**

11 Income tax expense in the income statement

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Current tax expense				
Current period	6,261	2,526	7,063	2,857
Adjustment for prior periods	570	169	557	372
	6,831	2,695	7,620	3,229
Deferred tax expense				
Origination and reversal of temporary differences	989	4,802	660	4,295
Adjustment for prior periods	(920)	-	(920)	-
	69	4,802	(260)	4,295
Total income tax expense	**6,900**	**7,497**	**7,360**	**7,524**

Reconciliation of effective tax rate

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Profit/(loss) for the period	14,780	15,684	19,578	16,103
Total income tax expense	6,900	7,497	7,360	7,524
Profit excluding income tax	21,680	23,181	26,938	23,627
Income tax using the Company's domestic tax rate	6,504	7,650	8,081	7,797
Non-deductible expenses	488	35	486	33
Tax exempt income	-	(649)	(826)	(648)
Other	258	292	(18)	(30)
Under/(over) provided in prior periods	(350)	169	(363)	372
Total income tax expense	**6,900**	**7,497**	**7,360**	**7,524**

Income tax recognised directly in equity

In thousands of New Zealand dollars	Group 2009	Group 2008	Company 2009	Company 2008
Derivatives	28,291	(6)	28,291	(6)
Revaluation of property, plant and equipment	(404)	1,000	(404)	1,000
Revaluation of 50% minerals of Ravensdown Supreme Limited	1,381	-	-	-
Total income tax recognised directly in equity	**29,268**	**994**	**27,887**	**994**
Imputation credits				
Imputation credits at 1 June	26,799	24,597	25,598	22,540
New Zealand tax payments, net of refunds	4,447	5,252	4,559	6,108
Imputation credits attached to bonus share issues	(4,853)	(3,050)	(4,853)	(3,050)
Imputation credits at 31 May	**26,393**	**26,799**	**25,304**	**25,598**
The imputation credits are available to shareholders of the Company:				
Through the Company	25,304	25,598		
Through subsidiaries	1,089	1,201		
	26,393	**26,799**		

12 Property, plant and equipment

Group

In thousands of New Zealand dollars	Note	Land and improvements	Buildings and improvements	Plant, machinery and vehicles	Capital works in progress	Total
Cost or valuation						
Balance at 1 June 2007		25,242	65,072	184,171	5,428	279,913
Acquisitions through business combinations	6	2,400	24,402	9,473	-	36,275
Other additions		2,530	275	2,714	8,498	14,017
Transfer from capital works in progress		-	-	8,196	(8,196)	-
Revaluations		5,202	1,132	-	-	6,334
Disposals		-	(40)	(2,528)	-	(2,568)
Effect of movements in exchange rates		192	1,953	758	-	2,903
Balance at 31 May 2008		**35,566**	**92,794**	**202,784**	**5,730**	**336,874**
Balance at 1 June 2008		35,566	92,794	202,784	5,730	336,874
Acquisitions through business combinations	6	1,179	203	3,229	-	4,611
Other additions		881	2,375	6,009	14,736	24,001
Transfer from capital works in progress		-	-	15,166	(15,166)	-
Revaluations		2,315	(3,210)	-	-	(895)
Disposals		(130)	(110)	(1,844)	-	(2,084)
Effect of movements in exchange rates		71	724	323	-	1,118
Balance at 31 May 2009		**39,882**	**92,776**	**225,667**	**5,300**	**363,625**
Depreciation and impairment losses						
Balance at 1 June 2007		-	400	109,688	-	110,088
Depreciation for the year		-	2,292	11,742	-	14,034
Revaluations		-	(2,200)	-	-	(2,200)
Disposals/capitalised		-	-	(372)	-	(372)
Balance at 31 May 2008		**-**	**492**	**121,058**	**-**	**121,550**
Balance at 1 June 2008		-	492	121,058	-	121,550
Acquisitions through business combinations	6	-	(23)	(1,145)	-	(1,168)
Depreciation for the year		-	2,389	15,734	-	18,123
Revaluations		-	(2,304)	-	-	(2,304)
Disposals/capitalised		-	(1)	(1,160)	-	(1,161)
Balance at 31 May 2009		**-**	**553**	**134,487**	**-**	**135,040**
Carrying amounts						
At 1 June 2007		25,242	64,672	74,483	5,428	169,825
At 31 May 2008		**35,566**	**92,302**	**81,726**	**5,730**	**215,324**
At 1 June 2008		35,566	92,302	81,726	5,730	215,324
At 31 May 2009		**39,882**	**92,223**	**91,180**	**5,300**	**228,585**

12 Property, plant and equipment (continued)

Company

In thousands of New Zealand dollars	Note	Land and improvements	Buildings and improvements	Plant, Machinery and Vehicles	Capital works in progress	Total
Cost or valuation						
Balance at 1 June 2007		25,235	63,159	161,992	5,405	255,791
Acquisitions through business combinations	6	2,400	24,402	9,473	-	36,275
Other additions		2,530	275	185	8,371	11,361
Transfer from capital works in progress		-	-	8,196	(8,196)	-
Disposals		-	(40)	(1,098)	-	(1,138)
Revaluations		5,202	1,132	-	-	6,334
Effect of movements in exchange rates		192	1,953	758	-	2,903
Balance at 31 May 2008		**35,559**	**90,881**	**179,506**	**5,580**	**311,526**
Balance at 1 June 2008		35,559	90,881	179,506	5,580	311,526
Other additions		881	2,374	809	14,872	18,936
Transfer from capital works in progress		-	-	15,166	(15,166)	-
Disposals		(130)	(110)	(875)	-	(1,115)
Revaluations		2,315	(3,590)	-	-	(1,275)
Effect of movements in exchange rates		71	724	323	-	1,118
Balance at 31 May 2009		**38,696**	**90,279**	**194,929**	**5,286**	**329,190**
Depreciation and impairment losses						
Balance at 1 June 2007		-	16	103,694	-	103,710
Depreciation for the year		-	2,239	10,415	-	12,654
Revaluations		-	(2,200)	-	-	(2,200)
Disposals		-	(1)	(347)	-	(348)
Balance at 31 May 2008		**-**	**54**	**113,762**	**-**	**113,816**
Balance at 1 June 2008		-	54	113,762	-	113,816
Depreciation for the year		-	2,293	11,436	-	13,729
Revaluations		-	(2,240)	-	-	(2,240)
Disposals		-	(1)	(510)	-	(511)
Balance at 31 May 2009		**-**	**106**	**124,688**	**-**	**124,794**
Carrying amounts						
At 1 June 2007		25,235	63,143	58,298	5,405	152,081
At 31 May 2008		**35,559**	**90,827**	**65,744**	**5,580**	**197,710**
At 1 June 2008		35,559	90,827	65,744	5,580	197,710
At 31 May 2009		**38,696**	**90,173**	**70,241**	**5,286**	**204,396**

Revaluations

Land and buildings were independently valued as at 1 May 2009 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 $82.2 million (2008: $78.1 million). This value is materially the same for the Company and the Group.

13 Intangible assets

Group *In thousands of New Zealand dollars*	**Note**	**Patents and Registrations**	**Resource Consents**	**Goodwill**	**Total**
Cost					
Balance at 1 June 2007		1,318	3,510	-	4,828
Other acquisitions		-	931	-	931
Balance at 31 May 2008		**1,318**	**4,441**	**-**	**5,759**
Balance at 1 June 2008		1,318	4,441	-	5,759
Other acquisitions	6	-	491	722	1,213
Balance at 31 May 2009		**1,318**	**4,932**	**722**	**6,972**
Amortisation					
Balance at 1 June 2007		237	118	-	355
Amortisation for the year (Administrative Expenses)		102	195	-	297
Balance at 31 May 2008		**339**	**313**	**-**	**652**
Balance at 1 June 2008		339	313	-	652
Amortisation for the year (Administrative Expenses)		83	198	-	281
Balance at 31 May 2009		**422**	**511**	**-**	**933**
Carrying amounts					
At 1 June 2007		1,081	3,392	-	4,473
At 31 May 2008		**979**	**4,128**	**-**	**5,107**
At 1 June 2008		979	4,128	-	5,107
At 31 May 2009		**896**	**4,421**	**722**	**6,039**

Company *In thousands of New Zealand dollars*	**Patents and Registrations**	**Resource Consents**	**Goodwill**	**Total**
Cost				
Balance at 1 June 2007	1,168	3,510	-	4,678
Other acquisitions	-	931	-	931
Balance at 31 May 2008	**1,168**	**4,441**	**-**	**5,609**
Balance at 1 June 2008	1,168	4,441	-	5,609
Other acquisitions	-	491	-	491
Balance at 31 May 2009	**1,168**	**4,932**	**-**	**6,100**
Amortisation				
Balance at 1 June 2007	143	118	-	261
Amortisation for the year (Administrative Expenses)	77	195	-	272
Balance at 31 May 2008	**220**	**313**	**-**	**533**
Balance at 1 June 2008	220	313		533
Amortisation for the year (Administrative Expenses)	78	199	-	277
Balance at 31 May 2009	**298**	**512**	**-**	**810**
Carrying amounts				
At 1 June 2007	1,025	3,392	-	4,417
At 31 May 2008	**948**	**4,128**	**-**	**5,076**
At 1 June 2008	948	4,128	-	5,076
At 31 May 2009	**870**	**4,420**	**-**	**5,290**

Total research and development expense recognised in profit and loss is $1.9 million (2008: $2.1 million)

14 Equity accounted investees

Movements in carrying value of equity accounted investees:

In thousands of New Zealand dollars	Group		Company	
	2009	2008	2009	2008
Balance at 1 June	11,790	9,273	10,654	8,787
Share of profit/(loss)	(603)	650	-	-
Associate becoming subsidiary in the year	(3,870)	-	(3,375)	-
Associate capital supplied in the year	1,667	-	1,667	-
Loans to associates	(834)	1,867	(834)	1,867
Balance at 31 May	**8,150**	**11,790**	**8,112**	**10,654**

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)
2008 Equity Accounted Investments	21,445	7,198	11,017	1,300
2009 Equity Accounted Investments	12,688	5,496	9,057	(678)

15 Other financial assets

In thousands of New Zealand dollars	Group		Company	
	2009	2008	2009	2008
Investments in subsidiaries	-	-	42,697	27,537
Held-to-maturity investments	516	510	-	-
Other investments	44	44	44	44
Derivatives	14,308	645	14,308	645
Other financial assets — non-current	**14,868**	**1,199**	**57,049**	**28,226**
Derivatives	39,928	2,001	39,928	2,001
Other financial assets — current	**39,928**	**2,001**	**39,928**	**2,001**

Held-to-maturity investments have interest rates of 7% (2008: 7%) and mature within 1 year.

16 Deferred tax assets and liabilities

Unrecognised deferred tax assets

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

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets		Liabilities		Net	
In thousands of New Zealand dollars	2009	2008	2009	2008	2009	2008
Property, plant and equipment	-	(11)	14,497	15,459	14,497	15,448
Derivatives	(486)	(13,300)	16,271	794	15,785	(12,506)
Inventories	(20)	-	-	130	(20)	130
Trade and other payables	(1,319)	(1,128)	58	164	(1,261)	(964)
Provisions	(2,052)	(3,315)	-	-	(2,052)	(3,315)
Other items	(298)	(8)	2,763	1	2,465	(7)
Tax (assets)/liabilities	**(4,175)**	**(17,762)**	**33,589**	**16,548**	**29,414**	**(1,214)**

Company

	Assets		Liabilities		Net	
In thousands of New Zealand dollars	2009	2008	2009	2008	2009	2008
Property, plant and equipment	-	(11)	13,605	14,788	13,605	14,777
Derivatives	(486)	(13,300)	16,271	794	15,785	(12,506)
Inventories	(20)	-	-	130	(20)	130
Trade and other payables	(1,319)	(1,069)	-	164	(1,319)	(905)
Provisions	(2,052)	(3,315)	-	-	(2,052)	(3,315)
Other items	(289)	(7)	-	-	(289)	(7)
Tax (assets)/liabilities	**(4,166)**	**(17,702)**	**29,876**	**15,876**	**25,710**	**(1,826)**

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 07	13,388	(14,164)	(3,253)	-	(3)	(4,032)
Acquired in business combination	-	-	(51)	(2,975)	-	(3,026)
Recognised in profit or loss	1,060	1,664	2,340	(388)	126	4,802
Recognised in equity	1,000	(6)	-	-	-	994
Effect of movements in exchange rates	-	-	-	48	-	48
Balance 31 May 08	**15,448**	**(12,506)**	**(964)**	**(3,315)**	**123**	**(1,214)**
Acquired in business combination	-	-	-	-	1,382	1,382
Recognised in profit or loss	(547)	-	(296)	1,350	(438)	69
Recognised in equity	(404)	28,291	-	-	1,381	29,268
Effect of movements in exchange rates	-	-	(1)	(87)	(3)	(91)
Balance 31 May 09	**14,497**	**15,785**	**(1,261)**	**(2,052)**	**2,445**	**29,414**

Notes to the financial statements

16 Deferred tax assets and liabilities (continued)

Company

In thousands of New Zealand dollars	Property, plant and equipment	Derivatives	Payables	Provisions	Other	Total
Balance 1 June 07	13,185	(14,164)	(3,143)	-	(15)	(4,137)
Acquired in business combination	-	-	(51)	(2,975)	-	(3,026)
Recognised in profit or loss	592	1,664	2,289	(388)	138	4,295
Recognised in equity	1,000	(6)	-	-	-	994
Effect of movements in exchange rates	-	-	-	48	-	48
Balance 31 May 08	**14,777**	**(12,506)**	**(905)**	**(3,315)**	**123**	**(1,826)**
Recognised in profit or loss	(768)	-	(413)	1,350	(429)	(260)
Recognised in equity	(404)	28,291	-	-	-	27,887
Effect of movements in exchange rates	-	-	(1)	(87)	(3)	(91)
Balance 31 May 09	**13,605**	**15,785**	**(1,319)**	**(2,052)**	**(309)**	**25,710**

17 Inventories

	Group		Company	
In thousands of New Zealand dollars	**2009**	**2008**	**2009**	**2008**
Manufactured stocks and raw materials	329,382	245,026	329,098	245,026
Plant spare parts	5,160	4,732	3,462	3,343
	334,542	**249,758**	**332,560**	**248,369**

18 Trade and other receivables

	Group		Company	
In thousands of New Zealand dollars	**2009**	**2008**	**2009**	**2008**
Trade receivables	108,251	127,004	106,214	126,751
Other receivables	937	265	3,930	692
Pre-payments	2,654	1,082	2,429	735
	111,842	**128,351**	**112,573**	**128,178**

19 Capital and reserves

Reconciliation of movement in capital and reserves

Group — **Attributable to equity holders of the Company**

In thousands of New Zealand dollars	Co-operative shares	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 June 2007	207,902	-	(26,621)	32,233	15,830	229,344
Total recognised income and expense	-	2,294	(2,538)	7,535	15,684	22,975
Co-operative shares issued	12,417	-	-	-	-	12,417
Co-operative shares surrendered	(5,986)	-	-	-	-	(5,986)
Co-operative shares allotted on bonus issue	6,187	-	-	-	(6,187)	-
Balance at 31 May 2008	**220,520**	**2,294**	**(29,159)**	**39,768**	**25,327**	**258,750**
Balance at 1 June 2008	**220,520**	**2,294**	**(29,159)**	**39,768**	**25,327**	**258,750**
Total recognised income and expense	-	(1,550)	65,991	3,544	14,780	82,765
Co-operative shares issued	8,876	-	-	-	-	8,876
Co-operative shares surrendered	(6,494)	-	-	-	-	(6,494)
Co-operative shares allotted on bonus issue	9,853	-	-	-	(9,853)	-
Balance at 31 May 2009	**232,755**	**744**	**36,832**	**43,312**	**30,254**	**343,897**

Company

In thousands of New Zealand dollars	Co-operative shares	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 June 2007	207,902	-	(26,621)	32,233	15,540	229,054
Total recognised income and expense	-	2,294	(2,538)	7,535	16,103	23,394
Co-operative shares issued	12,417	-	-	-	-	12,417
Co-operative shares surrendered	(5,986)	-	-	-	-	(5,986)
Co-operative shares allotted on bonus issue	6,187	-	-	-	(6,187)	-
Balance at 31 May 2008	**220,520**	**2,294**	**(29,159)**	**39,768**	**25,456**	**258,879**
Balance at 1 June 2008	**220,520**	**2,294**	**(29,159)**	**39,768**	**25,456**	**258,879**
Total recognised income and expense	-	(1,550)	65,991	1,381	19,578	85,400
Co-operative shares issued	8,876	-	-	-	-	8,876
Co-operative shares surrendered	(6,494)	-	-	-	-	(6,494)
Co-operative shares allotted on bonus issue	9,853	-	-	-	(9,853)	-
Balance at 31 May 2009	**232,755**	**744**	**36,832**	**41,149**	**35,181**	**346,661**

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.

Notes to the financial statements

19 Capital and reserves (continued)

Co-operative shares

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

Share capital

In thousands of shares	Ordinary shares 2009	2008
On issue at 1 June	221,284	208,602
Shares allotted on bonus issue	9,853	6,187
Shares allotted during the year	8,697	12,481
Less: shares surrendered during the year	(6,577)	(5,986)
On issue at 31 May	**233,257**	**221,284**

At 31 May 2009, 232,148,242 shares (2008: 219,915,916) were fully paid. 1,108,583 shares (2008: 1,367,799) are paid up to an average value of $0.55 (2008: $0.47) per share. The share qualification quota is 172 shares per tonne (2008: 164 shares per tonne).

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 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.

20 Other financial liabilities

	Group		Company	
In thousands of New Zealand dollars	2009	2008	2009	2008
Non-current liabilities				
Derivatives	412	11,289	412	11,289
	412	**11,289**	**412**	**11,289**
Current liabilities				
Derivatives	1,208	33,043	1,208	33,043
	1,208	**33,043**	**1,208**	**33,043**

21 Provisions

In thousands of New Zealand dollars	Group and Company 2009	2008
Balance at start of period	10,903	-
Provisions made during the period	-	9,918
Unwind of discount	264	312
Effects of movements in exchange rates	280	673
Balance at the end of the period	**11,447**	**10,903**

Deferred rebate provision
The provision for deferred rebate relates to the acquisition of UFCC in 2008. Please refer to note 6 for further information.

22 Trade and other payables

In thousands of New Zealand dollars	Group		Company	
	2009	2008	2009	2008
Trade payables	31,304	48,941	29,689	48,496
Non-trade payables and accrued expenses	12,152	20,784	12,152	20,784
Employee benefits	3,805	5,639	3,569	5,425
Other payables	648	890	1,807	2,457
	47,909	**76,254**	**47,217**	**77,162**

23 Financial instruments

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

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

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 are 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 trade receivables at the reporting date is as follows:

In thousands of New Zealand dollars	Gross receivable		Impairment	
	2009	2008	2009	2008
Trade receivables				
Not past due	99,671	124,948	-	-
Past due 1 - 30 days	6,794	2,287	-	-
Past due more than 30 days	3,685	1,000	962	966
Total	**110,150**	**128,235**	**962**	**966**

23 Financial instruments (continued)

Liquidity risk

Group 2009

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	47,909	47,909	47,909	-	-
Loans and borrowings	319,192	326,843	2,883	149,392	174,568
	367,101	374,752	50,792	149,392	174,568
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		560,001	114,063	277,188	168,750
Outflow		(513,029)	(104,167)	(250,210)	(158,652)
	53,824	46,972	9,896	26,978	10,098
Net settled cash flow hedge derivatives	(1,208)	(1,119)	(331)	(788)	-

Group 2008

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	76,254	76,254	76,254	-	-
Loans and borrowings	218,031	232,713	4,720	201,237	26,756
	294,285	308,967	80,974	201,237	26,756
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		836,677	154,249	341,214	341,214
Outflow		(916,977)	(165,307)	(374,381)	(377,289)
	(42,007)	(80,300)	(11,058)	(33,167)	(36,075)
Net settled cash flow hedge derivatives	321	774	143	373	258

23 Financial instruments (continued)

Company 2009

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	47,217	47,217	47,217	-	-
Loans and borrowings	319,192	326,843	2,883	149,392	174,568
	366,409	374,060	50,100	149,392	174,568
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		560,001	114,063	277,188	168,750
Outflow		(513,029)	(104,167)	(250,210)	(158,652)
	53,824	46,972	9,896	26,978	10,098
Net settled cash flow hedge derivatives	(1,208)	(1,119)	(331)	(788)	-

Company 2008

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	77,162	77,162	77,162	-	-
Loans and borrowings	218,031	232,713	4,720	201,237	26,756
	295,193	309,875	81,882	201,237	26,756
Derivative financial instruments					
Gross settled cash flow hedge derivatives:					
Inflow		836,677	154,249	341,214	341,214
Outflow		(916,977)	(165,307)	(374,381)	(377,289)
	(42,007)	(80,300)	(11,058)	(33,167)	(36,075)
Net settled cash flow hedge derivatives	321	774	143	373	258

The bank loans are secured by a Negative Pledge Deed dated 25 August 2008.

23 Financial instruments (continued)

Foreign currency exchange risk

The exposure to foreign currency risk can be summarised as follows:

	Group and Company	
In thousands of foreign currency	**USD**	**AUD**
2009		
Foreign currency risk		
Trade payables	(35)	-
Net balance sheet - foreign operations	-	(13,617)
Net balance sheet exposure before hedging activity	(35)	(13,617)
Forward exchange contracts relating to trade payables	35	-
Net unhedged exposure	-	(13,617)
NZD Equivalent	-	(17,121)
Sensitivity to 10% strengthening of NZD (pre tax):		
Increase/(decrease) on equity	(51,164)	1,556
Increase/(decrease) on profit	5	-
Sensitivity to 10% weakening of NZD (pre tax):		
Increase/(decrease) on equity	62,715	(1,712)
Increase/(decrease) on profit	(6)	-
2008		
Foreign currency risk		
Trade payables	(11,467)	-
Net balance sheet - foreign operations	-	(6,269)
Net balance sheet exposure before hedging activity	(11,467)	(6,269)
Forward exchange contracts relating to trade payables	11,467	-
Net unhedged exposure	-	(6,269)
NZD Equivalent	-	(7,683)
Sensitivity to 10% strengthening of NZD (pre tax):		
Increase/(decrease) on equity	(82,885)	698
Increase/(decrease) on profit	1,332	-
Sensitivity to 10% weakening of NZD (pre tax):		
Increase/(decrease) on equity	102,276	(768)
Increase/(decrease) on profit	(1,465)	-

Foreign exchange derivatives

There were no gains or losses on held for trading derivatives recognised in profit during 2009 (2008: $5.0 million credit).

23 Financial instruments (continued)

Interest rate risk

Cashflow sensitivity
At 31 May 2009 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 $3.0 million (2008: $1.8 million). A decrease of one percentage point would increase the Group's profit before income tax by the same amounts. Cashflow sensitivity for the Company is materially the same as the Group.

Fair value sensitivity
At 31 May 2009 it is estimated that a general increase of one percentage point in interest rates would increase the Group's equity (pre tax) by approximately $0.2 million (2008: $0.5 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.

24 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
In thousands of New Zealand dollars	**2009**	**2008**	**2009**	**2008**
Less than one year	6,452	6,173	6,442	6,166
Between one and five years	16,373	17,229	16,351	17,229
More than five years	27,253	27,236	27,253	27,236
Total lease commitments	**50,078**	**50,638**	**50,046**	**50,631**

The Group leases motor vehicles and store premises. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every 3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index. During the year ended 31 May 2009 $6.8 million was recognised as an expense in the income statement in respect of operating leases (2008: $3.5 million).

25 Capital commitments

At 31 May 2009 the Group had capital commitments of $5.7 million (2008: $6.7 million).

26 Contingencies

The Company and the Group had no material contingent liabilities at balance date (2008: nil).

27 Related parties

In thousands of New Zealand dollars	Group		Company	
	2009	**2008**	**2009**	**2008**
Transactions with Subsidiaries				
Dividends received	-	-	3,003	1,300
Loan funds received	-	-	487	1,800
Loan funds paid	-	-	(6,094)	(1,746)
Closing advances / receivables	-	-	253	174
Closing loans / payables	-	-	(1,159)	(1,567)
Transactions with Associates				
Dividends received	-	40	-	40
Loan funds received	1,570	320	1,570	320
Loan funds paid	(2,905)	(1,217)	(2,905)	(1,217)
Closing advances / receivables	1,263	704	1,263	704
Closing loans / payables	(648)	(890)	(648)	(890)
Transactions with key management personnel (including directors)				
Sales of goods and services	2,871	1,421	2,871	1,421
Purchases of goods and services	(157)	(41)	(157)	(41)
Closing advances / receivables	-	3	-	3
Closing loans / payables	(9)	(24)	(9)	(24)
Key management personnel compensation comprised:				
Short-term employee benefits	(4,475)	(3,969)	(4,475)	(3,969)
Superannuation contributions	(284)	(284)	(284)	(284)

All transactions with related parties are priced on an arm's length basis.

28 Group entities

Significant subsidiaries and associates

	Country of Ownership Incorporation	Interest (%) 2009	2008
Subsidiaries			
Analytical Research Laboratories Limited	New Zealand	100%	100%
Ravensdown Growing Media Limited	New Zealand	100%	100%
Ravensdown Fertiliser Insurance Company Limited	New Zealand	100%	100%
Wanganui Aero Work (2004) Limited	New Zealand	100%	100%
Profarmer Limited	New Zealand	100%	100%
Spreading Southland Limited	New Zealand	100%	100%
Steve Forbes Bulk Spreading Limited	New Zealand	100%	50%
Ravensdown Supreme Limited	New Zealand	100%	50%
Equity accounted investees			
Ravensdown Windy Point Limited	New Zealand	50%	50%
Advanced Spreading Limited	New Zealand	33.3%	33.3%
Spreading Sandford Limited	New Zealand	50%	50%
Spreading Canterbury Limited	New Zealand	50%	50%
Spreading FBT Limited	New Zealand	50%	50%
Methane Reduction Technologies Limited	New Zealand	50%	50%
Aerial Sowing Limited	New Zealand	50%	0%

29 Subsequent event

On 28 July 2009 the Board of Directors approved subject to ratification at the Annual Meeting, a fully imputed bonus share issue of 12 shares per tonne recognising the increase in equity achieved by the Company during the year ended 31 May 2009.

	To be issued 2009	Actual bonus issue 2008
Bonus shares issued per tonne	12	8
Total number of bonus shares issued (000's)	11,537	9,853

Audit report

To the shareholders of Ravensdown Fertiliser Co-operative Limited

We have audited the financial statements on pages 30 to 57. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 May 2009. This information is stated in accordance with the accounting policies set out on pages 34 to 38.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 May 2009 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the company.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 30 to 57:

- comply with New Zealand generally accepted accounting practice;
- give a true and fair view of the financial position of the company and group as at 31 May 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 July 2009 and our unqualified opinion is expressed as at that date.

KPMG.

Christchurch

Ravensdown Fertiliser Co-operative Limited

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 2009 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 right of Ravensdown Fertiliser Co-operative Limited were held by Transacting Shareholders as that term is defined in the Co-operative Companies Act 1996.

Dated 28 July 2009

William Thomas McLeod

Patrick David Willock

Bevin David Watt

Christopher John Dennison

Antony Charles Howey

Anthony Page Reilly

Allan Stuart Wright

James Leonard Williams

John Francis Clifford Henderson

Scott Gordon Gower

Gary John Cosgrove

Rhys Trevor Turton

Peter Glen Inger

Executive committee

Rodney Green

B.Sc, M.Sc. Tech, FNZIM

Chief Executive Officer

Rodney has been CEO for 13 years. 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 the cement business in China.

Ross Aimer

B.Com. Admin

General Manager Sales

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

Richard Christie

B.Ag.Sc, M.B.A

General Manager Strategic Development

Richard has worked in the fertiliser industry for 19 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 five years, starting as Financial Controller - New Ventures. He has been CFO since 2005.

Shane Harold

B.Ag

General Manager Manufacturing and Lime

Shane joined Ravensdown as a Field Officer 21 years ago before becoming 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 new role in June this year.

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 2002. His role expanded to General Manager Supply Chain in June this year.

Mark McAtamney

B.Com

Chief Information Officer

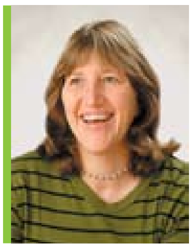
Mark started with Ravensdown in 2001 as Business Systems Manager. For the last six years he has been the Chief Information Officer developing our leading edge technologies.

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 Product Manager, Marketing Manager, R & D Manager and Supply Manager. 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 eight 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 year the position was extended to General Manager Australia.

Mike Whitty

B.Ag.Com, C.A

General Manager Marketing

Mike has been with Ravensdown for 12 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 this year.

Board of Directors' wards

1. Bevin Watt
Dip.Ag, MNZIPM
Gore
Contract grazing broker, sheep farmer
Elected 2001
Committees: Hugh Williams Scholarship, Surrenders and Co-operative Structure

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

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

4. Tony Reilly
B.Com.Ag
Takaka
Dairy farmer
Elected 2004
Committees: Board Appointments and Remuneration

5. Stuart Wright
B.Ag.Com
Sheffield
Arable farmer
Elected 2007

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

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

8. Scott Gower
Ohura
Sheep and beef farmer
Elected 2006
Committees: Surrenders and Co-operative Structure

9. Patrick Willock
Deputy Chairman
Gisborne
Sheep, beef and agroforestry farmer
Elected 2000
Committees: Board Appointments and Remuneration (Chair), Audit

10. Bill McLeod
Chairman
Morrinsville
Dairy farmer, transport operator
Elected 2000
Committees: Board Appointments and Remuneration, Superannuation (Chair), Audit

Western Australia Directors

Gary Cosgrove
Elected 2008

Rhys Turton
Elected 2008

Independent Director

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

Board of Directors

From left to right:
Tony Howey, Stuart Wright, Glen Inger, Jim Williams, Patrick Willock, Rhys Turton, Bill McLeod, Chris Dennison, Scott Gower, Gary Cosgrove, Tony Reilly, John Henderson and Bevin Watt

Statutory information

for the year ended 31 May 2009

Directors and remuneration

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

W.T. McLeod	$121,250	
P.D. Willock	$60,625	
J.F.C. Henderson	$48,500	
A.P. Reilly	$48,500	
B.D. Watt	$48,500	
A.S. Wright	$48,500	
C.J. Dennison	$48,500	
A.C. Howey	$48,500	
S.G. Gower	$48,500	
P.G. Inger	$48,500	
J.L. Williams	$48,500	
B.R. Irvine	$48,500	*Resigned 31 May 2009*
R.T. Turton	$48,500	
G.J. Cosgrove	$48,500	

The Chairman is provided with a company motor vehicle.

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:

W.T. McLeod	Chairman/Shareholder	Morrinsville Transport Ltd
	Director/Shareholder	Regional Transport Ltd
	Director/Shareholder	Morrinsville Transport Management Services Ltd
	Director/Shareholder	MTL Properties Ltd
	Shareholder	Fonterra Co-operative Group Limited
	Chairman	Fertiliser Manufacturers Research Association
	Director/Shareholder	Dunvegan Farms Ltd
	Director/Shareholder	New Skyes Agriculture Limited
	Director	New Zealand Phosphate Company
S.G. Gower	Director	Gordon Gower & Co
	Owner	High Glades Station
	Director	Toe Toe Farms
	Trustee	Riverhills Trust
B.D. Watt	Partner	Independent Enterprises
	Managing Director	The Grazing Bank Limited
	Managing Director	Southern Oil Limited
	Councillor	New Zealand Institute of Primary Industry Management
A.P. Reilly	Director/Shareholder	Avondale Dairies Limited
	Chairman	Waingaro Dairy Limited
	Director	Cold Storage Nelson Limited
	Councillor	New Zealand Co-operative Association
	Director/Shareholder	A.P & K.M. Reilly Ltd
	Director	Network Tasman Ltd
J.F.C. Henderson	Director/Shareholder	Hinau Station Limited
	Director/Shareholder	C-Dax Systems Limited
	Partner	Evans Henderson Woodbridge
	Director	Athlumney Farms Ltd
	Director	Clearsky Dairies Ltd
	Director	Premier Dairies Ltd
	Director	Tututotara Dairy Limited
	Trustee	Lagore Enterprises Trust
	Director	Coronet Peak Station (Queenstown) Limited

C.J. Dennison	Managing Director/Shareholder	Dennison Farms Ltd
	Chairman/Shareholder	Lower Waitaki Irrigation Company
	Director	South Island Barley Society
A.C. Howey	Trustee	Te Aiterakihi Trust
	Director/Shareholder	Levels Plain Irrigation Company Limited
	Director/Shareholder	Levels Irrigation Limited
	Director/Shareholder	Alpine Fresh Limited
	Director/Shareholder	Opuha Water Limited
	Director/Shareholder	Southern Packers
	Director/Shareholder	Meadowlinks Farm Estate
	Director/Shareholder	Seedlands Limited
	Director/Shareholder	Seedlands Property Ltd
	Director/Shareholder	Meadows Road Investment Limited
	Director	Levels Plain Holdings Limited
	Director	Opuha Dam Ltd
	Director	Grainstor Limited
P.G. Inger	Director/Shareholder	Journeys End Limited
	Director/Shareholder	Pukeko Creek Limited
	Director/Shareholder	Topuni Holdings Limited
	Director	Topuni Timber Limited
	Director	Subway Investments Limited
	Director/Shareholder	The Promised Land 2005 Limited
	Director	Sleepy Hollow Farm Limited
	Director	Blue Moon Limited
	Director/Shareholder	Tall Kauri Limited
	Director	Stonebridge Investments Limited
	Director	Karoola Limited
J.L. Williams	Partner	J L Williams Partnership
A.S. Wright	Director/Shareholder	Annat Farms Ltd
	Director/Shareholder	Otarama Investments Ltd
	Chairman	Foundation for Arable Research
	Chairman	NZ Nuffield Farming Scholarship Trust
B.R. Irvine	Chairman	Christchurch City Holdings Limited
	Chairman	House of Travel Holdings Ltd
	Director	Market Gardeners Limited
	Director	Godfrey Hirst (NZ) Ltd
	Director	Pyne Gould Corporation
	Director	Rakon Limited
	Director	Vbase Limited
	Director	Skope Industries Limited
	Director	Scenic Circle Hotels Ltd
	Director	ProvencoCadmus
	Director	Canterprise
	Director	SYFT Technologies Ltd
R.T. Turton	Director/Shareholder	Turton Partners
	Councillor	Co-operative Federation of Western Australia
G.J. Cosgrove	Director/Shareholder	Irwin Valley Pty. Ltd.
	Director/Shareholder	Cosgrove Farming Co.
	Director/Shareholder	Westwind Pty.Ltd.
	Director/Shareholder	Depothill Pty Ltd.

Statutory information

for the year ended 31 May 2009 (continued)

Donations

No donations were made to any charities during the year.

Executive officers remuneration

	No. of Officers
$100,000 - $110,000	16
$110,000 - $120,000	18
$120,000 - $130,000	15
$130,000 - $140,000	8
$140,000 - $150,000	5
$150,000 - $160,000	6
$160,000 - $170,000	2
$170,000 - $180,000	1
$190,000 - $200,000	1
$230,000 - $240,000	1
$250,000 - $260,000	1
$280,000 - $290,000	2
$290,000 - $300,000	1
$320,000 - $330,000	3
$330,000 - $340,000	1
$510,000 - $520,000	1
$810,000 - $820,000	1

Executive remuneration includes salary, bonuses and employer's contribution to superannuation and health schemes received in their capacity as employees.