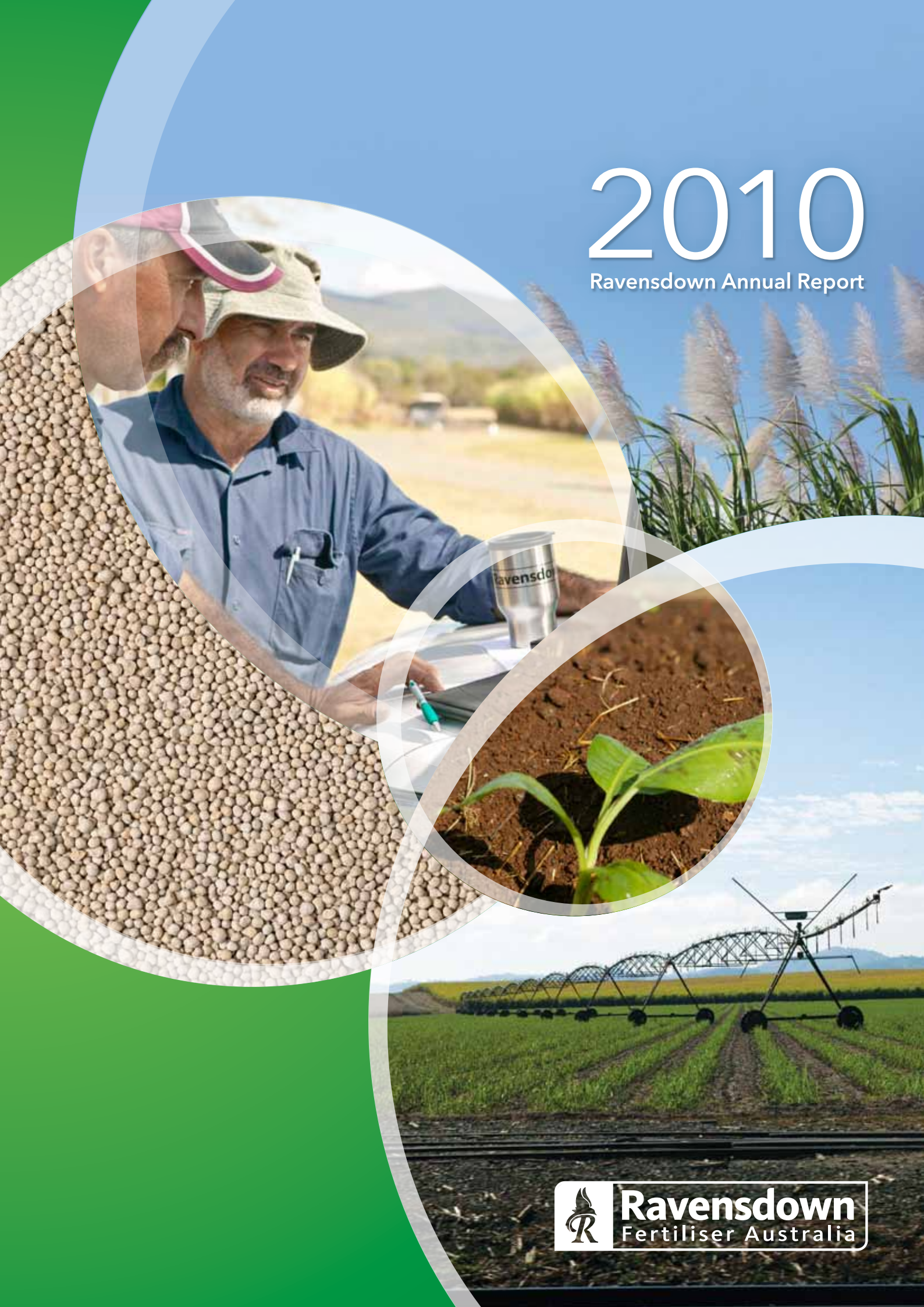
2010

Ravensdown Annual Report



Ravensdown
Fertiliser Australia

About Ravensdown

Ravensdown may be new in Queensland but we have a long and proud history in New Zealand.

When Ravensdown Fertiliser Co-operative Limited was created by farmers in 1977 the 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 Ravensdown today.

Innovation and expansion are part of Ravensdown's history. During the last 30 years Ravensdown has extended its product range to include a wider range of key farm inputs and focused on products and services to help farmers maximise their fertiliser investment while minimising their impact on the environment.

Ravensdown expanded its coverage within New Zealand by becoming nationwide in 1997 and today supplies close to half New Zealand's agriculture fertiliser.

In 2008 Ravensdown expanded in to Western Australia, merging with the United Farmers Co-operative. This move enabled us to spread overheads over an increased tonnage and gave us more shipping and purchasing power.

In 2009, the CANEGROWERS invited Ravensdown into Queensland. We make any decision to expand our business with care and due diligence and we saw this move as a win-win. Due to legislative requirements, we used Ravensdown Fertiliser Australia as the means to enter the Queensland market and it is of course this company in which you have a shareholding. We are committed to treating you as part of the wider Ravensdown shareholding family.

You wanted sustainable competition from a co-operative model with proven transparent pricing and for Ravensdown the move was entirely in keeping with our strategy to take our core competencies and products into new areas.

Having four key, large diverse markets between Australia and New Zealand – dairy, sheep and beef, arable, and sugar – gives us strength.

Ravensdown succeeds because of the loyal support we receive from customers – and we never take that support for granted. We value your ownership in Ravensdown Fertiliser Australia. When you buy from us you're supporting an organisation you own. This contributes to our success, makes us stronger and increases our bottom line and our return to you.

Chairman's Report

It is only a little over a year ago that the board and management of CANEGROWERS and Ravensdown Fertiliser Australia worked to bring back to Queensland a co-operative-model fertiliser company that once again would see growers have a stake in their own company.

Since our launch in Queensland we have received a lot of support and positive feedback from you about being part of a company that has such strong co-operative values including making decisions with you in mind, and returning profits to you – not a corporate.

Equally the support from CANEGROWERS, both at a state and local level, has been incredibly strong and encouraging.

The CANEGROWERS board, executive, management and staff have been singularly focused on bringing change to the Queensland fertiliser industry and an organisation with co-operative principles for its members. We have also received support from AgForce and QDO which too has been valuable on behalf of their members.

Ravensdown Fertiliser Australia financial performance and rebates

It is pleasing to report a before tax and rebate profit of $2.5m of which $1.5m is being distributed to shareholders, giving a net profit of $608,000 in the first year of operation. At the end of the first year you had invested $4.4m ($6.5m at July 2010). (This is shown as liability in the financial documents due to accounting standards.)

And, in the first year net assets grew to $15m and the business had a positive cashflow of $1.2m.

Shareholders purchased $27.6m during the financial year.

All figures in this report are in AUD unless otherwise stated.

A rebate of $10.40 a tonne will be paid to shareholders in the next quarter . This is in addition to the $20 a tonne that represents the Foundation Member Rebate.

This rebate acknowledges and rewards those members who join Ravensdown Fertiliser Australia in the first three years. Shareholders who are entitled to the Foundation Member Rebate are rewarded for ongoing support with the guaranteed rebate for six years (year 1 $20; year 2 $16; year 3, $12; years 4-6 $8) for purchases made in those years, in addition to any Australasian rebate.

Our service and product offer

When Ravensdown Fertiliser Australia entered the market we were constrained in the offer we could present to you. Because of timing and storage facilities limitations, we needed you to make your payments in advance and pick up your fertiliser within a two-month window. We know many of you went to a great deal of effort to show your support to Ravensdown Fertiliser Australia by taking as much of your fertiliser as you could within this window and finding novel storage solutions.

We certainly appreciate this significant commitment. Because of storage and time constraints we also had to offer a limited range of fertiliser.

During the year we have met with many hundreds of CANEGROWERS members and have sought to prioritise your requirements and modify our offer accordingly.

The first of these changes is around pre-payment, and in the latest ratooning offer we dropped the need to pre-pay for fertiliser. We modified the product range to include sulphur and ratios of nitrogen and phosphate to better meet your requests and the Reef Regulations. We also worked hard to extend our despatch period.

Storage

In our agreement with the CANEGROWERS we had indicated that probably in Year 4 we would build a fertiliser store. Given the support we have received from CANEGROWERS members and the significant investment you have made by taking shares in Ravensdown Fertiliser Australia, we have brought this forward. We have currently leased a new fertiliser shed on the Townsville port with a view to purchasing it.

We believe this demonstrates a very real commitment to meeting the needs of growers on a year-round basis.

It also offers the opportunity to increase access to horticultural growers, croppers and graziers.

Our leased store in Brisbane is also giving us this opportunity with both sets of infrastructure collectively allowing the business to grow rapidly.

Reef Regulations

The cane industry has had to accept significant regulation around its activities.

Ravensdown Fertiliser Australia moved quickly in January to provide shareholders with a Reef Regulations compliant soil testing and fertiliser recommendation service.

Using our IPONZ accredited laboratory we are able to provide growers with soil test results and recommendations within 14 working days. We believe this service is critical to ensuring you can maximise your crop productivity while staying compliant with these regulations.

Agronomy support

We understand that fertiliser represents a significant cost to growers, as well as being an investment. Complementing our soil testing and fertiliser recommendation service will be a growing team of agronomists/account managers. During the year we have made the first of these appointments and we are working to put together a complete team throughout Queensland.

Ravensdown group

The benefits of being a trans-Tasman business continue to grow and strengthen the operation.

Sourcing, shipping and distribution across the two countries bring efficiencies, give us more purchasing power, spread overheads and reduce costs. Having a stronger business benefits all those involved.

Thanks

Your Ravensdown Fertiliser Australia board (comprising CANEGROWERS Chairman, Alf Cristaudo and CANEGROWERS CEO Ian Ballantyne, and the Chairman, CEO and CFO of Ravensdown Fertiliser Co-operative) has worked to ensure that a strong and viable business has been set up in Queensland in a timely fashion and bringing forward our five-year plan as rapidly as possible as the tremendous support from Queensland growers has become apparent.

Our thanks also go to the staff involved who have worked to deliver fertiliser to you from effectively a greenfield position in May 2009.

Looking forward we will continue to develop our offer to you, making it easier to deal with your fertiliser buying company, providing an increasing range of services and products, employing skilled local people, and evolving a company you are proud to own.

Ravensdown Fertiliser Australia 2010 – Year 1

In our first full year of operation in Queensland, Ravensdown Fertiliser Australia received strong support from growers and farmers, with 38% of CANEGROWERS members purchasing from us.

Ravensdown Fertiliser Australia staff met with hundreds of growers at around 20 meetings throughout Queensland in April and May 2009 and 2010. We told you more about Ravensdown Fertiliser Australia, our specific offers and you gave us your feedback.

Your strong support means we can ramp-up our establishment plan. We are implementing the same support services and infrastructure customers enjoy in WA and New Zealand. Ravensdown Fertiliser Australia's new Townsville store is near completion, and we own premises in Brisbane, so we'll soon be able to supply fertiliser throughout the year, providing a greater range of blended products and including options for horticultural and arable farms.

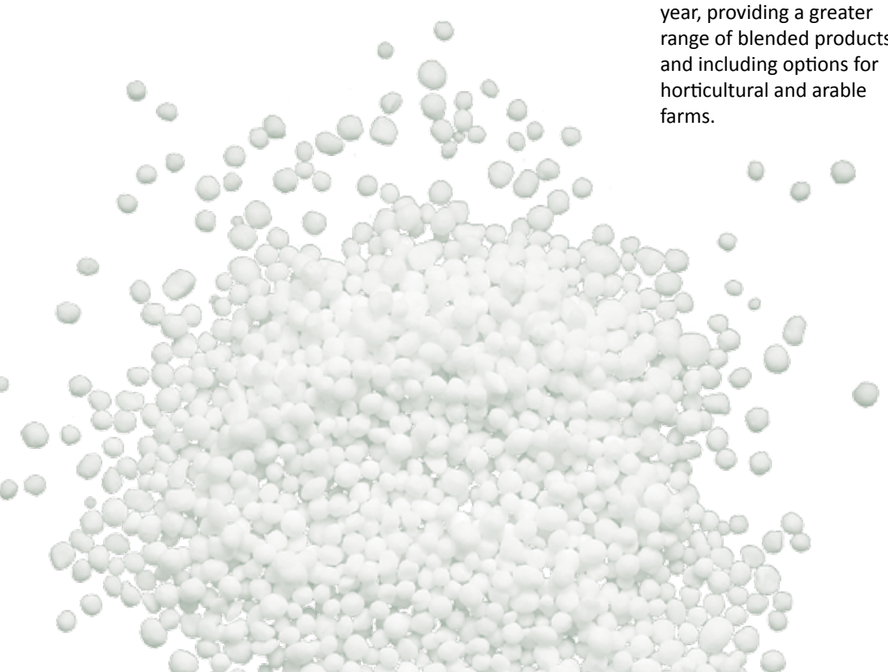
86% of the fertiliser you ordered is in 1 tonne bags so we've bought a new bagging plant.

CANEGROWERS

AGFORCE

QDO Queensland Dairyfarmers' Organisation

Ravensdown Fertiliser Australia acknowledges the strong industry support from CANEGROWERS Association, AgForce and the Queensland Dairy Farmers' Organisation. This support is greatly appreciated and has significantly helped our development in Queensland.



Timeline

April 2009
FIRST ratooning offer including Agforce and QDO (for July - August delivery) – 100% pre-payment

November 2009
Early planting offer to CANEGROWERS (for March - May 2010 delivery) – $200 pre-payment

December 2009
FIRST AgForce and QDO bulk urea ex Brisbane offer (for December - February delivery)

February 2010
SECOND Agforce and QDO bulk urea ex Brisbane offer (for February - March delivery)

February 2010
Administration mailout to make processing orders faster and easier

April 2010
SECOND ratooning and late planting offer (amended following feedback from growers) for delivery July - October. No pre-payment required

May 2010
Foundation Member Rebate announced ($20/t) and shareholder mailing

July 2010
Australasian rebate announcement

The Ravensdown Advantage

Ravensdown Fertiliser Australia operates with strong co-operative principles so we can bring you the Ravensdown Advantage.

Your business success is at the heart of our business.
When you told us how we could improve our offer we listened and made improvements:

- We increased the product choices
- We increased the months of dispatch
- We don't require a deposit
- We improved bag quality
- We now offer a range of payment options when you order

Ravensdown Fertiliser Australia

It's your company

As shareholders you benefit with any profit being returned to you. Ravensdown is pleased to have paid a rebate every year since it was created by farmers in 1977. This year's rebate is $10.40 a tonne purchased between 1 June 2009 and 31 May 2010 paid by Ravensdown Fertiliser Co-operative Limited to Ravensdown Fertiliser Australia and passed on in full to you. In addition, founding members of Ravensdown Fertiliser Australia have received the Founding Member Rebate of $20.

It's clear

With our co-operative values, we're committed to transparent pricing, selling products at cost. We're proud our entry into Queensland brought fertiliser prices back to a more realistic level.

A trans-Tasman focus

We continue to demonstrate the benefits of operating in New Zealand and Australia – especially economies of scale through sourcing and inventory management.

Bruce Keenan, Wayne Berginey and Brent Horne.

It pays to buy quality

Ravensdown Fertiliser Australia has a strong focus on product quality, sourcing and buying quality products so you can optimise your productivity and profitability.

Find out what you're missing

Ravensdown's high-tech 100%-owned analytical lab introduced soil testing services to Queensland in January so you can put on the nutrients you need and meet the Reef Regulations.

Passionate knowledgeable staff

Our quality products are backed with strong technical know-how. Wayne Berginey is our new agronomist based in Mackay. Bruce Keenan has been appointed to the role of Sales and Business Development Manager and Brent Horne is the Brisbane Store Manager. We're recruiting more fulltime staff in the region, and in the meantime are seconding our highly experienced New Zealand store, logistics and technical staff.

2010 Financial Statements

Contents




Directors' declaration




In the opinion of the directors of Ravensdown Fertiliser Australia Limited (the Company), the accompanying concise financial report of the Company for the financial year ended 31 May 2010 as set out on pages 12 to 35.

(a) has been derived from or is consistent with the full financial report for the financial year; and
(b) complies with Australian Standard AASB 1039 Concise Financial Reports.

Signed in accordance with a resolution of the directors:

C R Green
Director

A F Cristaudo
Director

6 August 2010

Directors' report

For the year ended 31 May 2010

The directors present their report together with the concise financial report of Ravensdown Fertiliser Australia Limited ("the Company") for the year ended 31 May 2010 and the auditor's report thereon.

Directors

All directors of the Company are non-executive. The directors of the Company at any time during or since the end of the financial year are:

Rodney Green (Chairman)
Rodney Green is the Chief Executive Officer of Ravensdown Fertiliser Co-operative Limited.

Rodney Green was appointed a director on 2 June 2009.

Other directorships and memberships: Director of various subsidiaries and affiliates of Ravensdown Fertiliser Co-operative Limited.

William McLeod
William McLeod is a dairy, sheep and beef farmer and Managing Director of Morrinsville Transport and Regional Transport.

He is the Chairman of Ravensdown Fertiliser Co-operative Limited.

William McLeod was appointed a director on 2 June 2009.

Other directorships and memberships: Director/shareholder – Morrinsville Transport Management Services Ltd; Chairman – Fertiliser Manufacturers Research Association; Director/shareholder – MTL Properties Ltd; Director/shareholder – Dunvegan Farms Ltd; Director – New Zealand Phosphate Company; Director/Shareholder – Grey Cliff Farms.

Sean Connolly
Sean Connolly is the Chief Financial Officer of Ravensdown Fertiliser Co-operative Limited.

Sean Connolly was appointed a director on 2 June 2009.

Other directorships and memberships: Member of New Zealand Institute of Chartered Accountants; Director of various subsidiaries and affiliates of Ravensdown Fertiliser Co-operative Limited; Director of a family company.

Ian Ballantyne
Ian Ballantyne is the Chief Executive Officer of Queensland Cane Growers Organisation Limited (CANEGROWERS).

Ian Ballantyne was appointed a director on 29 May 2009.

Other directorships and memberships include: Director – AUSTSAFE Superannuation Pty Ltd; Director – CANEGROWERS Financial Services Pty Ltd; Director – CANEGROWERS Superannuation Pty Ltd; Director – CANECARD Pty Ltd; CEO — Queensland Cane Growers Organisation Limited (CANEGROWERS); Fellow – Australian Institute of Management; Fellow – Australian Institute of Company Directors; Member – Australian Institute of Superannuation Trustees.

Alf Cristaudo
Alf Cristaudo is a cane grower farmer.

Alf Cristaudo was appointed a director on 29 May 2009.

Other directorships and memberships include: Chairman - Queensland Cane Growers Organisation Limited (CANEGROWERS); Chairman – CANEGROWERS Financial Services Pty Ltd; Chairman – CANEGROWERS Superannuation Pty Ltd; Chairman – Australian Sugar Industry Alliance; Director – Cooperative Research Centre for Sugar Industry Innovation through Biotechnology (CRC SIIB); President – World Association of Beet and Cane Growers.

Company Secretary

Alan Thomson
Alan Thomson is the Australian General Manager of Ravensdown Fertiliser Co-operative Limited.

Alan Thomson was appointed as Company Secretary on 23 July 2009.

Other directorships and memberships: Director – Ravensdown Growing Media Ltd; Director – Greengro Resources Ltd

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board meetings
Rodney Green	4
William McLeod	4
Sean Connolly	4
Ian Ballantyne	4
Alf Cristaudo	4

Remuneration report – audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel comprise the directors of the Company and a senior executive.

Compensation levels for directors are set to compensate for time spent on governance matters. In the case of directors who are executives of the ultimate parent company, compensation is foregone.

Compensation of the senior executive is set at a level appropriate to retain an appropriately experienced and qualified executive.

Key management personnel compensation comprised:

Australian Dollars

		Salary & fees	Superannuation contributions	Non-monetary benefits	Total $
Directors	Ian Ballantyne	13,760	1,238	-	14,998
	Alf Cristaudo	13,760	1,238	-	14,998
General Manager	Alan Thomson	224,014	20,161	15,000	259,175
	Total				**289,171**

The ultimate parent company's remuneration committee obtains independent advice on the appropriateness of compensation packages for both executives of the ultimate parent company and the Company.

In addition to a salary the Company also provides non-cash benefits to its senior executive.

Compensation levels are reviewed annually by the ultimate parent company's remuneration committee.

Key management personnel

Name	Position
Rodney Green	Director
William McLeod	Director
Sean Connolly	Director
Ian Ballantyne	Director
Alf Cristaudo	Director
Alan Thomson	General Manager and Company Secretary

Directors' report

For the year ended 31 May 2010 *(continued)*

William McLeod is paid by the ultimate parent company for his directorship of the Company.

Rodney Green and Sean Connolly as executives of the ultimate parent company are not compensated for their directorship of the Company.

None of the remuneration figures on page 15 are performance based and there has been no remuneration consisting of options.

Principal activities

The principal activities of the Company during the course of the financial year were the supply of inputs and services to the agricultural sector.

The Company was incorporated on 29 May 2009 and therefore no comparatives are included within the financial information.

Operating and financial review

The Company is committed to becoming a significant fertiliser supplier in Australia, working closely with its customers to meet their needs.

In May 2009, an offer for fertiliser was made, to principally meet the needs of the CANEGROWERS ratooning season. In July 2009, the Company commenced its first shipments into the Queensland ports of Townsville, Mackay and Brisbane. Urea, potash and DAP were the main product lines. These were offered to members of Queensland CANEGROWERS, AgForce and Queensland Dairyfarmers' Organisation (QDO) on a pre-payment basis. The initial orders resulted in approximately 1,500 farmers and growers taking up the offer of redeemable preference shares in the Company.

In December 2009, a further offer was made to members of CANEGROWERS for planting fertilisers for delivery in March to May 2010, and in December 2009 and February 2010 to some AgForce and QDO farmers for bulk urea for delivery ex-Brisbane from December 2009 to March 2010.

Key financial figures	**2010**
In thousands of Australian dollars	
Turnover	27,636
Redeemable preference shares	4,363
Results from operating activities before transactions with members and finance costs	2,362
Rebates to members	1,469

Environmental regulation

Licenses and consents are in place at each site the Company operates, determined in consultation with local environmental and regulatory authorities.

Dividends

There were no dividends paid during the financial year.

Redeemable preference shares

Australian International Financial Reporting Standards require redeemable preference shares held by members of the Company be classified as current liabilities as in limited circumstances members have the option of redemption. The board believes it is highly improbable that these liabilities will be required to be settled within the next 12 months.

Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years or that would warrant adjustment to the financial statements.

Likely developments

Further information on likely developments in the operations of the Company and the expected results of the operations have not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Directors' interests

The relevant interest each director owns either directly or indirectly in the Company is as follows:

Directors	**Redeemable preference shares**
Rodney Green	-
William McLeod	-
Sean Connolly	-
Ian Ballantyne	-
Alf Cristaudo	2,910

No director holds ordinary shares or share options in the Company.

Indemnification and insurance of officers and auditors

The Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

During the financial year the ultimate parent entity held insurance policies that cover directors' and officers' liability and legal expenses insurance contracts for the year ended 31 May 2010. The ultimate parent entity has not incurred any additional premiums to have these policies in place. The ultimate parent entity has agreed to continue the insurance contracts for the year ending 31 May 2011. The insurance contracts insure persons who are or have been directors or executive officers of the Company against certain liability (subject to specific exclusions).

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 36 and forms part of the directors' report for the financial year ended 31 May 2010.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

C R Green
Director

A F Cristaudo
Director

6 August 2010

Balance sheet

As at 31 May 2010

In thousands of Australian dollars	Note	2010
Assets		
Plant and equipment	11	655
Deferred tax assets	12	136
Total non-current assets		791
Inventories	13	10,520
Ultimate parent receivable	25	954
Trade and other receivables	14	1,598
Prepayments		53
Cash and cash equivalents	15	1,192
Total current assets		14,317
Total assets		15,108
Liabilities		
Redeemable preference shares	17	4,363
Ultimate parent payable	25	8,511
Trade and other payables	18	657
Current tax liabilities	10	591
Provision for rebate	19	378
Total current liabilities		14,500
Total liabilities		14,500
Net assets		**608**
Equity		
Share capital		-
Retained earnings		608
Total equity		**608**

Income statement

For the year ended 31 May 2010

In thousands of Australian dollars	Note	2010
Revenue	6	27,636
Cost of sales	7	(23,296)
Gross profit		4,340
Sales and marketing		(61)
Administrative expenses		(828)
Other operating expenses		(1,089)
Results from operating activities before transactions with members and finance costs		2,362
Finance income	9	170
Net finance income	9	170
Profit before rebate and income tax		2,532
Rebates		(1,469)
		1,063
Income tax (expense)/credit	10	(455)
Profit for the year attributable to the equity holders		**608**

The notes on pages 22 to 35 are an integral part of these financial statements.

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Statement of comprehensive income
For the year ended 31 May 2010

In thousands of Australian dollars	2010
Profit for the period	608
Income and expense recognised directly in equity	-
Total comprehensive income for the period	**608**

Statement of changes in equity
As at 31 May 2010

In thousands of Australian dollars	Ordinary shares	Retained earnings	Total equity
Balance at 1 June 2009	-	-	-
Total recognised income and expense	-	608	608
Shares issued	-	-	-
Balance at 31 May 2010	**-**	**608**	**608**

Statement of cash flows
For the year ended 31 May 2010

In thousands of Australian dollars	Note	2010
Cash flows from operating activities		30,450
Cash receipts from customers		30,450
Cash paid to suppliers and employees		32,027
		32,027
Net cash used in operating activities	24	**(1,577)**
Cash flows from investing activities		
Acquisition of plant and equipment		673
		673
Net cash used in investing activities		**(673)**
Cash flows from financing activities		
Interest received		170
Proceeds from issue of redeemable preference shares		3,272
		3,442
Net cash from financing activities		3,442
Net increase in cash and cash equivalents		1,192
Cash and cash equivalents at 1 June		-
Cash and cash equivalents at 31 May	15	**1,192**

The notes on pages 22 to 35 are an integral part of these financial statements.

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Notes to the financial statements

1. Reporting entity

Ravensdown Fertiliser Australia Limited (the "Company") is a company domiciled in Australia, registered under the Australian Corporations Act 2001.

Ravensdown Fertiliser Australia Limited is primarily involved in the 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 Australian Accounting Standards (AASBs)(including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

The accounting policies have been consistently applied by the Company. As this is the first year of trading, there are no comparative figures.

The financial statements were approved by the Board of Directors on 6th of August 2010.

(b) Basis of measurement
The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency
These financial statements are presented in Australian dollars ($), which is the Company's functional currency. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise noted.

(d) Use of estimates and judgements
The preparation of financial statements in conformity with AASB's requirements 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.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Going concern
The financial report has been prepared on a going concern basis. Current liabilities exceed current assets due to the A-IFRS requirement to classify redeemable preference shares liabilities as current liabilities, however the Board believe it is highly improbable that these liabilities will be required to be settled within the next 12 months. The Board believe the entity's future cash flows will be sufficient to enable it to meet its current and future obligations as and when they fall due.

(b) Foreign currency
Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Company 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 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.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

(c) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, 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 Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company 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 Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

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

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.

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) Share capital
Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

Preference share capital
Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(d) Plant and equipment
(i) Recognition and measurement
Items of plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

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

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs
The cost of replacing part of an item of 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 Company and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation
Depreciation is calculated over the depreciable amount which is the cost of an asset or other amount substituted for cost, less its residual value.

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 plant and equipment.

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

Mobile plant and motor vehicles	5 years	Diminishing value

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

(e) Leased assets
Leases where the Company 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 3(k).

(f) 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. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Impairment

(i) Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Notes to the financial statements *(continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

(ii) Non-financial assets
The carrying amounts of the Company'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.

(h) 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) Short term benefits
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company 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.

(j) 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 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, there is no continuing management involvement with the goods and the amount of the revenue can be measured reliably.

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

(k) 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.

(l) 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. All borrowing costs are recognised in profit or loss using the effective interest method.

(m) 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.

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 differences 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.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis.

(o) Rebate

Provisions for rebates are recognised when the obligations and the amounts of the distributions can be measured reliably. Rebates are calculated on the basis of the members patronage during the financial year.

(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 2010, may impact the Company, and have not been applied in preparing these financial statements:

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Company's 31 May 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 May 2012 or earlier. The Company has not yet determined the potential effect of the standard.

AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Company's 31 May 2012 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 31 May 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 AASB 2 - *Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Company's 31 May 2011 financial statements, are not expected to have a significant impact on the financial statements.

AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Company's 31 May 2011 financial statements, are not expected to have any impact on the financial statements.

AASB 2009-14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement - AASB 14* make amendments to Interpretation 14 AASB 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Company's 31 May 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Company's 31 May 2011 financial statements, with retrospective application required. The

Notes to the financial statements *(continued)*

Company has not yet determined the potential effect of the interpretation.

(q) Segment reporting
As of 1 June 2009 the Company determines and presents operating segments based on the information that is internally provided to the general manager, who is the Company's chief operating decision maker.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. An operating segments operating results are regularly reviewed by the Company's GM to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

4. Determination of fair values

A number of the Company'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) 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.

(b) 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. Financial instruments

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

(a) Credit risk
The Company'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 Company's customer base is primarily concentrated in the agriculture sector. The risk is mitigated through most customers also being shareholders of the Company. There is no material exposure to an individual counterparty. Investments and derivatives are only made with reputable financial banks.

(b) Liquidity risk
Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company 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.

(c) Market risk
The Board re-evaluates risk policies on a regular basis. The risk management committee of the ultimate parent company also considers the risks applicable to subsidiaries.

(d) Foreign currency risk
The Company is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the Company's functional currency, Australian dollars (AUD). As the Company purchases the majority of its inventory directly from its ultimate parent company in AUD, the Company's exposure to foreign currency risk is greatly reduced. Loans from the ultimate parent company are denominated in AUD.

(e) Interest rate risk
This risk is managed in accordance with the ultimate parent company's treasury policy.

(f) Commodity price risk
The Company is exposed to commodity price risk. This is partially mitigated through long term supply contracts negotiated by the ultimate parent company and through geographical diversity of suppliers.

(g) Capital management
The Company's capital includes share capital, redeemable preference shares and retained earnings. The Company'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. The Company'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 Company's management of capital during the period.

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

6. Revenue

In thousands of Australian dollars	2010
Sales of goods	27,636
Total revenues	**27,636**

7. Cost of sales

In thousands of Australian dollars	2010
Cost of sales	20,549
Distribution costs	2,747
	23,296

8. Personnel expenses

In thousands of Australian dollars	2010
Wages and salaries	505
Superannuation - defined contribution	25
Total personnel expenses	**530**

9. Finance income and expense

In thousands of Australian dollars	2010
Interest from ultimate parent	56
Interest income other	114
Finance income	170
Finance expense	-
Net finance income	**170**

Notes to the financial statements *(continued)*

10. Income tax expense in the income statement

In thousands of Australian dollars	2010
Current tax expense	
Current period	591
Deferred tax expense	
Origination and reversal of temporary differences	(136)
Total income tax expense	**455**

Numerical reconciliation between tax expense and pre-tax net profit

In thousands of Australian dollars	2010
Profit for the period	608
Total income tax expense	455
Profit excluding income tax	1,063
Income tax using the Company's domestic tax rate of 30%	319
Non-deductible expenses	136
Total income tax expense	**455**

11. Plant and equipment

In thousands of Australian dollars	Plant, machinery and vehicles	Capital works in progress	Total
Cost or valuation			
Balance at 1 June 2009	-	-	-
Additions	500	173	673
Balance at 31 May 2010	**500**	**173**	**673**
Depreciation and impairment losses			
Balance at 1 June 2009	-	-	-
Depreciation for the year	18	-	18
Balance at 31 May 2010	**18**	**-**	**18**
Carrying amounts			
At 1 June 2009	-	-	-
At 31 May 2010	**482**	**173**	**655**

12. Tax assets and liabilities

Current tax assets and liabilities
The company operates in one tax jurisdiction. The current tax liability for the company of $ 477,446 represents the net amount of income taxes payable to the relevant tax authority.

Unrecognised deferred tax assets and liabilities
The Company does not have any unrecognised deferred tax assets or liabilities.

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

In thousands of Australian dollars	Assets 2010	Liabilities 2010	Net 2010
Trade and other payables	23	-	23
Provisions	113	-	113
Tax assets	**136**	**-**	**136**

Movement in temporary differences during the year

In thousands of Australian dollars	Provisions	Payables	Total
Balance 1 June 09	-	-	-
Recognised in profit or loss	113	23	136
Balance 31 May 10	**113**	**23**	**136**

13. Inventories

In thousands of Australian dollars	2010
Finished goods	10,520
	10,520

14. Trade and other receivables

In thousands of Australian dollars	2010
Trade receivables	664
Other receivables	934
	1,598

Notes to the financial statements *(continued)*

15. Cash and cash equivalents

In thousands of Australian dollars	2010
Bank balances	
Call deposit	1,013
Bank balances	179
Cash and cash equivalents in statement of cash flows	**1,192**

16. Share capital

The Company has $100 of share capital held by Ravensdown Australia Holdings Limited which is a wholly owned subsidiary of Ravensdown Fertiliser Co-operative Limited.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Company.

All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.

17. Redeemable preference shares

In thousands of shares	2010
On issue at 1 June	-
Shares allotted during the year	4,363
On issue at 31 May	**4,363**

During the year ended 31 May 2010 4,363,142 redeemable preference shares were issued with a nominal value of one Australian dollar per share.

The holders of redeemable preference shares are not entitled to receive dividends but are entitled to receive rebates.

Redeemable preference shares do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that holders of redeemable preference shares participate only to the extent of the face value of the shares. The redeemable preference shares are classified as liabilities.

18. Trade and other payables

In thousands of Australian dollars	2010
Trade payables	258
Other payables	399
	657

19. Provision for rebate

In thousands of Australian dollars	2010
Balance at 1 June 2009	-
Rebate provided for during period	378
Balance at 31 May 2010	**378**

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

20. Financial instruments

(a) Credit risk
The carrying amount of financial assets represents the Company's maximum credit exposure.

In thousands of Australian dollars	Note	Carrying amount 2010
Ultimate parent receivable	25	954
Trade and other receivables	14	1,598
Cash and cash equivalents	15	1,192
		3,744

The Company 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 Australian dollars	Gross receivable 2010	Impairment 2010
Trade receivables		
Not past due	626	-
Past due 1 - 30 days	21	-
Past due more than 30 days	17	-
Total	**664**	**-**

(b) Liquidity risk
The following table sets out the contractual maturities for all financial liabilities.

In thousands of Australian dollars	**Carrying value**	**Contractual cash flows**	**0-3 months**	**3-12 months**	**1-3 years**	**On call**
Non-derivative financial liabilities						
Ultimate parent payable	8,511	8,511	8,511	-	-	-
Trade and other payables	657	657	657	-	-	-
Redeemable preference shares	4,363	-	-	-	-	4,363
	13,531	9,168	9,168	-	-	4,363

Redeemable preference shares are considered a liquidity risk as under certain conditions both the Company and the holders have the option of redemption. As redemption is subject to criteria being met the timing of contractual cash flows cannot be quantified. As they are technically repayable on demand they are classified as on call rather than at a stated maturity. The Board believe it is highly improbable that these liabilities will be required to be settled within the next 12 months.

Notes to the financial statements *(continued)*

(c) Foreign currency exchange risk
The Company had no exposure to foreign currency risk at 31 May 2010.

(d) Interest rate risk
Cashflow Sensitivity
At 31 May 2010 it is estimated that a general increase of one percentage point in interest rates would decrease the Company's profit before income tax by approximately $60,000. A decrease of one percentage point would increase the Company's profit before income tax by the same amount.

Fair value Sensitivity
The Company had no fair value exposure to interest rates at 31 May 2010.

(e) Fair values
Fair values versus carrying amounts
Carrying values approximate the fair values of all financial assets and liabilities. The basis for determining fair values is disclosed in Note 4. Cash and cash equivalents are held with major trading banks with a minimum credit rating of AA.

21. Operating leases

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

In thousands of Australian dollars	2010
Less than one year	495
Between one and five years	106
More than five years	-
Total Lease Commitments	**601**

The Company leases motor vehicles and premises.

22. Capital commitments

At 31 May 2010, the Company had no material capital commitments.

23. Contingencies

At 31 May 2010, the Company had no material contingent liabilities.

24. Reconciliation of cash flows from operating activities

In thousands of Australian dollars	2010
Profit for the year attributable to the equity holders	608
Adjustments for:	
Items classified as financing activities	
Rebates to shareholders	1,469
Interest received	(170)
	1,907
Items not involving cash flows	
Depreciation and loss (gain) on disposals	18
Decrease (increase) in deferred taxation	(136)
(Increase) decrease in inventories	(10,520)
(Increase) decrease in trade and other receivables	(1,598)
(Increase) decrease in prepayments	(53)
(Increase) decrease in ultimate parent receivable	(954)
(Increase) decrease in tax refund due	591
(Increase) decrease in ultimate parent payable	8,511
Increase (decrease) in trade and other payables	657
Net cash from operating activities	**(1,577)**

There were 1,091,260 redeemable preference shares ($1,091,260) issued in lieu of a cash rebate.

25. Related parties

Ravensdown Fertiliser Australia Limited is a subsidiary of Ravensdown Australia Holdings Limited. Ravensdown Australia Holdings Limited is a subsidiary of Ravensdown Fertiliser Co-operative Limited, a company incorporated in New Zealand.

The company transacts with Ravensdown Fertiliser Co-operative Limited in terms of receiving management services and purchasing fertiliser.

In thousands of Australian dollars	2010
Transactions with Parent	
Closing loans	(954)
Closing payables	8,511
	7,557

Notes to the financial statements *(continued)*

Transactions with key management personnel (including directors)

In Australian dollars	Transaction value	Outstanding value
Sale of Product		
Alf Cristaudo	22,865	3,020

Key management personnel compensation comprised:

In Australian dollars	
Short-term employee benefits	251,534
Superannuation contributions	22,637
	274,171

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

A non cash benefit of a motor vehicle is also provided to a member of the management team. This is not included in the above remuneration figures.

26. Segment reporting

The Company has one reportable segment based on the management and internal reporting structure. The results, assets and liabilities are stated in the income statement and balance sheet.

27. Subsequent event

There have been no events subsequent to balance date which would have a material effect on the Company's financial report to 31 May 2010.

28. Auditors' remuneration

In thousands of Australian dollars	2010
Auditor's remuneration to KPMG comprises:	
Audit of financial statements	25
Total auditor's remuneration	**25**

Audit Reports

KPMG

Independent auditor's report to the members of Ravensdown Fertiliser Australia Limited

Report on the financial report

We have audited the accompanying financial report of Ravensdown Fertiliser Australia Limited (the company), which comprises the balance sheet as at 31 May 2010, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 28 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

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

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Ravensdown Fertiliser Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 May 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 May 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Ravensdown Fertiliser Australia Limited for the year ended 31 May 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Grant Robinson
Partner

Perth

6 August 2010

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Ravensdown Fertiliser Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 31 May 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Grant Robinson
Partner

Perth

6 August 2010

Ravensdown Fertiliser Australia team

Back row (left to right): Alan Thomson, Sean Connolly, Ron Mullins, Ian Ballantyne, Bruce Keenan
Front row (left to right): Rodney Green, Bill McLeod, Alf Cristaudo