# Annual Report 2011


Ravensdown
Fertiliser Australia

# Financial highlights

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

Profit before rebate and tax

**$411k**

compared to $2.53M in 2009/10

Total distribution to shareholders

**$1.68M**

compared to $1.47M in 2009/10

Shareholder distribution per tonne

**$41.65**

Comprising $11.65/t Australasian rebate, $16.00/t Founding Member rebate and $14.00/t bonus issue

compared to $40.40 in 2009/10

Sales revenue

**$26.34M**

compared to $27.64M in 2009/10

# Chairman's report

2010/11 year has been extremely difficult for many of you, our shareholders in Queensland and Northern New South Wales. The prospect of buoyant sugar prices and good yields were significantly impacted by the wettest growing and ratooning season on record.


*RFA Chairman and Ravensdown Fertiliser Co-op CEO, Rodney Green*

For many, the repercussions of this continue with 'stand-over cane' and resultant lower concentration of sugar within the material being crushed. Fortunately, as the season progresses through into our new financial year, some regions are now cutting cane with reasonable yields and quality. At the same time, world prices are at a reasonable level.

Our dairy shareholders have also had a difficult year. While the physical climate presented problems, these have been to an extent dwarfed by the changes in income brought about by the milk price war. Fortunately for many of our cropping farmers, especially those growing cotton, it has been a better year and many of our grain farmers have experienced better yields and returns than they have for a number of years.

## RFA Financial Results

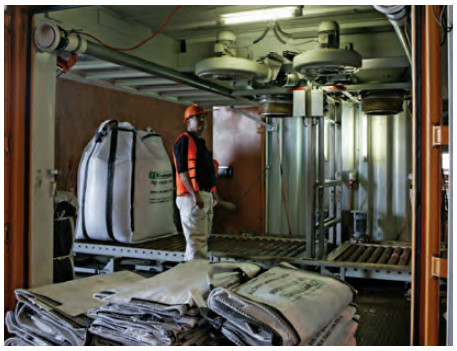
You purchased more fertiliser from us than you did the previous year, and I thank you for your continued support in what has been a trying period.

Our sales this year increased by 15% on the previous year. Our profit before tax and rebate was $411,000 this year compared to $2,532,000 last year.

We have always said to you, that our intention was to sell fertiliser to you at cost. When we come to you with a price for our fertiliser our focus is to make that price as low as sustainably possible. This year we had anticipated, prior to the wet conditions, that sales would increase above what they had previously been, and this was reflected in a lower price to you. As you know, we effectively take the international price of fertiliser and the costs associated in getting this over the wharf and into our stores, bagging it and getting it out to you. We add to this the general overheads of running any business, e.g. salaries, insurance, etc and an allowance for the rebate.

The net sum of this is that this year after tax and the rebate we ran at a loss of $766,000. In doing so however, it does reinforce the benefits of belonging to a larger Australasian co-operative.

In spite of the loss, shareholders will still receive a rebate of $41.65 per tonne; made up of $11.65 for the Ravensdown rebate, $16.00 for the Foundation Member rebate; and $14.00 being the value of the bonus shares in Ravensdown that will be allotted to you.



## Investment in Queensland

***Infrastructure***

When the CANEGROWERS Chairman, Mr. Alf Cristaudo, his Board and management team invited us to set up a grower owned fertiliser company in Queensland, they asked us for a five year plan. This included a plan for store infrastructure. I'm pleased to say that with your support we have been able to bring the first phase of that plan ahead by some 18 months, with the completion of the first stage of our Townsville store in September 2010 and the second stage being completed in August 2011.

This $7m investment is consistent with our promise to you, to use your capital to build infrastructure within Queensland. We've also invested in state of the art bagging equipment for this store, opened a new store in Mackay and have recently installed a blending plant in Brisbane.

***Investment - People***

Again as promised, we said we would continue to build a team of technically capable account managers to service your needs. We have now built this team to four people, headed up capably by our Sales Manager Bruce Keenan, with Wayne Berginey servicing our shareholder needs from Mackay through to Townsville, Richie Webb covering the south eastern Queensland region, and Jamie Thompson covering the region north of Townsville. This is a very experienced team that will ably lead our business in Queensland.

As our footprint in Queensland grows we have also expanded our store's team in Queensland and provided additional experienced staff from our New Zealand operations to ensure a high level of service and quality products are provided to you, our customers.

***Investment – Technology***

We've continued to enhance our soil testing and fertiliser recommendation service. We know how critical it is for many of you that your soil fertility recommendations are reef regulation compliant. We have now completed well over 500 programs for growers.

## Fertiliser Quality

Last year, as many of you know, quality granular ammonium sulphate was a very scarce commodity globally. We know that the ammonium sulphate some of you received last year caused problems, and for that I sincerely apologise. So far in the 2011/12 season we have had very good feedback on the quality of our fertiliser.

We know quality is so important to you and I can assure you that this continues to be a strong focus within the business.

## Product Range

In our first year of operation many of you showed your support for your new fertiliser company by slightly changing the products you had previously used to one from our limited initial range. Of course, to do the best thing by our shareholders it was imperative we were able to quickly increase our range of products. This year we have included the ability to produce custom blends so you can optimise your soil fertility by matching the product you need to your soils requirements. We now have a total of 34 standard blends.

## Growth

A key driver to further reduce your fertiliser costs is to increase sales. This growth will happen through three avenues: firstly through increasing sales to cropping and dairy farmers; secondly, our foundation shareholders increasing the proportion of the fertiliser they buy from us; and thirdly canegrowers who are not currently shareholders becoming shareholders.


As we have listened to your feedback, those of you who had the vision to join Ravensdown at the start have said to us that you believe you have done your bit. That is, you took out an initial shareholding with Ravensdown at a time when fertiliser prices were at record prices and sugar prices were very low. But nevertheless, you had the courage and vision to support the setup of your own fertiliser company.

As you know, under the current agreement with CANEGROWERS, you are required to buy additional shares for each additional tonne above that for which you already have a shareholding.

We wish to make it much easier for you, our existing shareholders, to carry on supporting your co-operative by purchasing an increased fertiliser tonnage without the need for upfront payment for additional shares. You will still retain all the rebate advantages of the Australasian rebate and the Foundation Member rebate up to the tonnage you held share quota for at 31 May 2011.

Ravensdown Fertiliser Australia is currently undertaking a review of its shareholding and rebate scheme for new customers and it is expected an announcement will be made in November 2011.

It is important that we continue to grow our shareholder base at the same time as we look to achieve increased volumes from our existing shareholders. Growth is pivotal to bringing you the lowest cost fertiliser.

## Outlook for the year ahead

With firm sugar prices and a reasonable outlook for grains and cotton, and the shareholding changes discussed above, we believe your fertiliser company is in a solid position to grow in the years ahead.

## Board and Staff

I would like to thank my fellow Board Members, Alf Cristaudo and Steve Greenwood from CANEGROWERS, and our Ravensdown Chairman Bill McLeod, and CFO Sean Connolly for their support and effort through the year.

Equally my thanks go to the Ravensdown team both in Queensland and New Zealand who continue to work hard to establish a fertiliser company that we can all be proud of.

## Support

We certainly welcome and appreciate the continued support from CANEGROWERS. Alf, Steve and their team have certainly been busy this year but have still given valuable support to your fertiliser company. QDO and AgForce too have had plenty to occupy them, and again we thank them.

# Co-operative principles

Ravensdown Fertiliser Australia is 100% owned by farmers – when you buy from us you're supporting an organisation you own.

**Our strong co-operative principles guide the way we operate:**

## We return our profits to you

This year Ravensdown Fertiliser Australia Members received $41.65 a tonne.

Last year the total Founding Member Rebate and rebate payment totalled $40.40. This is a direct benefit of owning your fertiliser company.

## We listen to you and respond

We've improved our offer:

- We've increased the number of products
- We don't require a deposit
- We've improved bag quality
- We're offering a range of payment options at the time of ordering.

## We focus on quality

Our focus on quality meant we were very disappointed with last year's ammonium sulphate shipment too. Any products that didn't contain ammonium sulphate were of our usual high quality. The issues with the poorer quality product were made worse by the very wet and humid weather and people choosing not to use bag liners. We have taken a number of steps to rectify this for the future.

## We bring competitive prices and price transparency

Ravensdown has successfully lowered the market by bringing transparency of pricing and consistency across the State for sustained periods of time, enabling shareholders to budget effectively.

## Your business is at the heart of ours

To help growers recover faster from floods and cyclone we introduced our adverse weather package and offered four months' interest free deferred terms.

## We work with you to grow your business

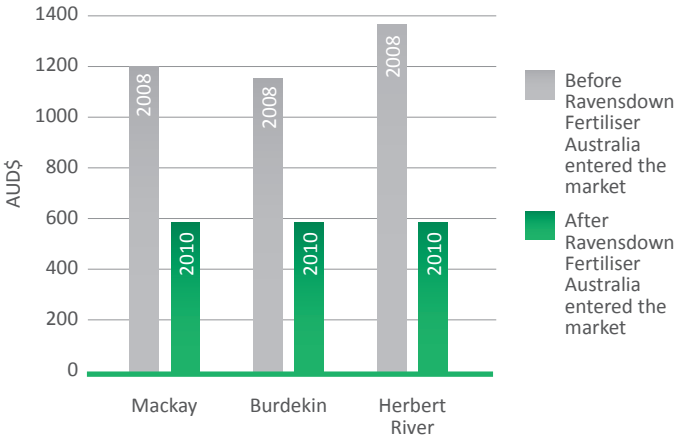
We've introduced agronomic support staff.

Additionally we have extended the number of standard mixes from 4 to 34 plus we have the ability to make custom blends for you.

## We take a hands-on approach to looking after the environment

We provide a reef regulation compliant soil testing and fertiliser recommendation service. You'll get results from our internationally accredited lab within 14 days. This service is critical to ensure you maximise your crop productivity while staying compliant with these regulations.

**Queensland Market Urea Prices**



# *Ravensdown Fertiliser Australia 2011 – Year 2 highlights*

Your support and investment in Ravensdown Fertiliser Australia meant we could speed up our establishment plan so you get fresher, better quality products where and when you need them.

*Mackay store*

We’ve invested in a new store in Mackay.


*Townsville store*

We’ve doubled the size of our Townsville store to 30,000t capacity.

Support in our second year continued with a greater percentage of CANEGROWER members buying from us.

CANEGROWERS

We also extended our offers to Queensland Dairyfarmers’ Organisation and AgForce.

QDO Queensland Dairyfarmers' Organisation

AGFORCE

## We’ve listened to your feedback and introduced new 1t fertiliser bags that are squatter and stronger.

The new bags have stronger strapping, softer ropes for easier handling and double the Australian standard UV protection. We’ve also made a shorter draw-off tube to better accommodate grower equipment.




## Ravensdown Fertiliser Australia provided $15,000 to three Queensland regional rescue helicopter services.

To encourage growers to return last season's bags we said we'd contribute to rescue helicopters. Bag collection continues to be a challenge for us but we are working towards having a permanent system in place and will let you know details shortly.

## As a result of your feedback we've increased our range of planting and ratooning mixes and improved delivery options.

Queensland CANEGROWER staff visited Ravensdown in New Zealand in September to develop the relationship and learn more about the Co-operative. Ravensdown's New Zealand Board reciprocated with a visit to Queensland in March.


Ravensdown
Fertiliser Australia
Issue 2 – May 2011

Our new ratooning offer is enclosed.

New Mackay store and Townsville extension

Our new Mackay store means growers and farmers can get easier access to our products. Ravensdown Fertiliser Australia's new shed is on Milton Street Mackay and has an 800t capacity.

Growers can now pick up their own fertiliser from Mackay or they can send in their carrier.

All Ravensdown Fertiliser Australia products will be available at the Mackay store. Product blending and bagging will take place at Townsville until tonnages from Mackay increase and we can bag and blend there.

Townsville extension and new plant

We are doubling the size of our Townsville store. When finished in mid-July the extended store will have 30,000t capacity.

We will also install a new state of the art blending plant alongside the bagging machine in Townsville. This will provide improvements in product quality and delivery.

And we're installing blending equipment in our Brisbane store.

You've invested in Ravensdown Fertiliser Australia and we're using this investment to improve local infrastructure so you get fresher, better quality products, where and when you need them.

- New store in Milton Street Mackay
- Expanding our Townsville store
- New blending plant in Brisbane

New bags

Stronger, heavier, squattey and easier to use. These are the features of the new 1t fertiliser

should always be considered.

For your safety please don't drag the bags or attempt lifting manoeuvres where excess weight is not applied evenly to the straps.

## We want to keep you up to date with company news so have introduced a newsletter. We also run copies of the newsletter and various articles in the CANEGROWER newsletter.

## 200 shareholders attended the company's first annual meeting in Townsville in November.

The meeting heard Ravensdown's entry into Queensland heralded lower prices, but growers who bought in say their decision was more about the long-term. We've also had other shareholder and grower meetings throughout the State.

# Directors' declaration

In the opinion of the directors of Ravensdown Fertiliser Australia Limited (the Company):

(a) the financial statements, notes and the Remuneration report in the Directors' report are 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 2011 and of its performance, for the financial year ended on that date,

  (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 described in note 2(a);

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) the directors have been given the declaration required by Section 295A of the Corporations Act 2001 from the General Manager for the financial year ended 31 May 2011.

**Signed in accordance with a resolution of the directors:**

C R Green
Director

S M Connolly
Director

12 August 2011

# 2011 Financial Statements

*Contents*

# Directors' report

For the year ended 31 May 2011

The directors present their report together with the concise financial report of Ravensdown Fertiliser Australia Limited ("the Company") for the year ended 31 May 2011 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; Director - 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.

**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.

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

Ian Ballantyne was appointed a director on 29 May 2009 and resigned on 27 August 2010.

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.

**Steven Greenwood**
Steven Greenwood is the Chief Executive Officer of Queensland Cane Growers Organisation Limited (CANEGROWERS).

Steven Greenwood was appointed a director on 19 November 2010.

Other directorships and memberships include: Director - CANEGROWERS Financial Services Pty Ltd; Director - CANEGROWERS Superannuation Pty Ltd; Director - CANECARD Pty Ltd; Director - QCGC Insurance Services Pty Ltd; CEO - Queensland Cane Growers Organisation Limited (CANEGROWERS).

## 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 - 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 held during time director held office | Board meetings attended |
|---|---|---|
| William McLeod | 4 | 3 |
| Rodney Green | 4 | 3 |
| Sean Connolly | 4 | 4 |
| Alf Cristaudo | 4 | 4 |
| Steven Greenwood | 3 | 3 |
| Ian Ballantyne | 1 | 1 |

## 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.

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, which are disclosed on a total cost basis, including any relevant FBT changes.

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

## Performance linked compensation

Performance linked compensation includes short-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive is an 'at-risk' bonus provided in the form of cash.

An incentive bonus was paid to the General Manager for achievement of specific targets, development of the business in Queensland and the management of exceptional events over the reporting period.

There has been no remuneration consisting of options.

## Key management personnel

| Name | Position |
|---|---|
| William McLeod | Director |
| Rodney Green | Director |
| Sean Connolly | Director |
| Ian Ballantyne | Director (resigned 27 August 2010) |
| Alf Cristaudo | Director |
| Steven Greenwood | Director |
| Alan Thomson | General Manager and Company Secretary |

# Directors' report *(continued)*

Key management personnel compensation comprised:

| | 2011 | | | | |
|---|---|---|---|---|---|
| *In Australian dollars* | **Salary & fees** | **Superannuation contributions** | **Non-monetary benefits** | **Bonus** | **Total $** |
| **Directors** | | | | | |
| William McLeod | 15,000 | - | - | - | 15,000 |
| Ian Ballantyne | 3,440 | 310 | - | - | 3,750 |
| Alf Cristaudo | 13,760 | 1,238 | - | - | 14,998 |
| Steven Greenwood | 8,750 | - | - | - | 8,750 |
| **General Manager** | | | | | |
| Alan Thomson | 200,469 | 18,043 | 7,500 | 20,000 | 246,012 |
| Total | | | | | **288,510** |

| | 2010 | | | | |
|---|---|---|---|---|---|
| *In Australian dollars* | **Salary & fees** | **Superannuation contributions** | **Non-monetary benefits** | **Bonus** | **Total $** |
| **Directors** | | | | | |
| William McLeod | 15,000 | - | - | - | 15,000 |
| 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 | | | | | **304,171** |

Rodney Green and Sean Connolly as executives of the ultimate parent company are not compensated for their directorship of the Company.
Steven Greenwood's remuneration as director is paid directly to CANEGROWERS.
The General Manager is employed under a general employment agreement. There are no termination clauses in the agreement.

## Principal activities

The principal activities of the Company during the course of the financial year was the supply of fertiliser and other related services to the agricultural sector.

The Company was incorporated on 29 May 2009.

## Operating and financial review

Despite the devastating Queensland floods, the Company increased the volume of fertiliser sold to its members this financial year. A reduction in international input prices allowed the Company to pass through these savings to its members resulting in revenues of $26.34M (2010: $27.64M.) The final profit however was negatively impacted by the flooding as growth targets were unable to be met. The profit / (loss) before taxes of ($1,267,000) (2010: $1,063,000) was after Foundation Member Rebates and the Australasian rebates totalling $1.68M (2010: $1.47M). These rebates highlight the benefit of being a member of the Ravensdown Group.

During the year the Company invested in its first store located on a long term lease at the Port of Townsville. The current storage capacity is not sufficient for the Company's future plans, therefore the company has entered into a conditional agreement for a new facility to be constructed alongside the existing facility. The combined facilities will provide the capacity required and will be a key distribution centre for the Company.

With a difficult climatic year in Queensland affecting growth and the desire to invest in Queensland infrastructure, the Company's shareholder invested an additional $1.0M of equity.

**Key financial figures**

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Turnover | 26,336 | 27,636 |
| Redeemable preference shares | 6,128 | 4,363 |
| Rebates to members | 1,678 | 1,469 |
| Results from operating activities before finance costs and taxes | (1,254) | 893 |

## 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 Accounting 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 believe it is highly improbable that the total liability will be required to be settled within the next 12 months.

## Events subsequent to reporting date

Subsequent to the financial year end, the conditions included in the second stage sale and purchase agreement for the Townsville store purchase were met by the vendor. Ravensdown Fertiliser Australia Limited's settlement amount for the second and final stage of the development is $3.82 million.

## 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 | |
|---|---|---|
| | 2011 | 2010 |
| William McLeod | - | - |
| Rodney Green | - | - |
| Sean Connolly | - | - |
| Ian Ballantyne | - | - |
| Alf Cristaudo | 3,750 | 2,910 |
| Steven Greenwood | - | - |

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 2011. 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 2012. 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 40 and forms part of the directors' report for the financial year ended 31 May 2011.

## 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

S M Connolly
Director

12 August 2011

## Balance sheet

As at 31 May 2011

| *In thousands of Australian dollars* | *Note* | 2011 | 2010 |
|---|---|---|---|
| **Assets** | | | |
| Plant and equipment | *11* | 5,160 | 655 |
| Deferred tax assets | *12* | 192 | 136 |
| **Total non-current assets** | | **5,352** | **791** |
| Inventories | *13* | 3,436 | 10,520 |
| Ultimate parent receivable | *25* | 195 | 954 |
| Trade and other receivables | *14* | 1,951 | 1,598 |
| Current tax assets | *10* | 454 | - |
| Prepayments | | 63 | 53 |
| Cash and cash equivalents | *15* | 1,617 | 1,192 |
| **Total current assets** | | **7,716** | **14,317** |
| **Total assets** | | **13,068** | **15,108** |
| **Liabilities** | | | |
| Member deposits | *17* | 327 | - |
| Redeemable preference shares | *17* | 6,128 | 4,363 |
| Ultimate parent advance | *25* | 3,332 | 8,511 |
| Trade and other payables | *18* | 777 | 657 |
| Current tax liabilities | *10* | - | 591 |
| Provision for rebate | *19* | 1,662 | 378 |
| **Total current liabilities** | | **12,226** | **14,500** |
| **Total liabilities** | | **12,226** | **14,500** |
| **Net assets** | | **842** | **608** |
| **Equity** | | | |
| Share capital | *16* | 1,000 | - |
| Retained earnings | | (158) | 608 |
| **Total equity** | | **842** | **608** |



*The notes on pages 22 to 39 are an integral part of these financial statements.*

## Income statement

For the year ended 31 May 2011

| *In thousands of Australian dollars* | *Note* | 2011 | 2010 |
|---|---|---|---|
| Revenue | *6* | 26,336 | 27,636 |
| Less rebates to members | | (1,678) | (1,469) |
| Net revenue | | 24,658 | 26,167 |
| Cost of sales | *7* | (23,875) | (23,296) |
| Gross profit | | 783 | 2,871 |
| Sales and marketing | | (49) | (61) |
| Administrative expenses | | (721) | (828) |
| Other operating expenses | | (1,267) | (1,089) |
| Results from operating activities before finance costs | | (1,254) | 893 |
| Finance income | *9* | 90 | 170 |
| Finance expense | *9* | (103) | - |
| Net finance income / (expense) | | (13) | 170 |
| Profit / (loss) before income tax | | (1,267) | 1,063 |
| Income tax (expense) / benefit | *10* | 501 | (455) |
| **Profit / (loss) for the year attributable to the equity holders** | | **(766)** | **608** |

*The notes on pages 22 to 39 are an integral part of these financial statements.*

## Statement of comprehensive income

For the year ended 31 May 2011

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Profit / (loss) for the period | (766) | 608 |
| Other comprehensive income | - | - |
| **Total comprehensive income / (loss) for the period** | **(766)** | **608** |

## Statement of changes in equity

As at 31 May 2011

| *In thousands of Australian dollars* | *Note* | Ordinary shares | Retained earnings | Total equity |
|---|---|---|---|---|
| **Balance at 1 June 2009** | | - | - | - |
| Profit for the period | | - | 608 | 608 |
| Other comprehensive income for the period | | - | - | - |
| **Balance at 31 May 2010** | | **-** | **608** | **608** |
| **Balance at 1 June 2010** | | - | 608 | 608 |
| Profit / (loss) for the period | | - | (766) | (766) |
| Shares issued | *16* | 1,000 | - | 1,000 |
| Other comprehensive income for the period | | - | - | - |
| **Balance at 31 May 2011** | | **1,000** | **(158)** | **842** |



*The notes on pages 22 to 39 are an integral part of these financial statements.*

## Statement of cash flows

For the year ended 31 May 2011

| *In thousands of Australian dollars* | *Note* | 2011 | 2010 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 29,313 | 30,450 |
| Cash paid to suppliers and employees | | (26,382) | (32,027) |
| Income tax paid | | (600) | - |
| **Net cash from / (used in) operating activities** | *24* | **2,331** | **(1,577)** |
| Acquisition of plant and equipment | | (4,847) | (673) |
| Proceeds on disposal of plant and equipment | | 255 | - |
| **Net cash used in investing activities** | | **(4,592)** | **(673)** |
| Cash flows from financing activities | | | |
| Interest received | | 90 | 170 |
| Proceeds from issue of share capital | | 1,000 | - |
| Proceeds from issue of redeemable preference shares | | 2,095 | 3,272 |
| Redemptions of redeemable preference shares | | (18) | - |
| Interest paid | | (103) | - |
| Rebate paid to shareholders | | (378) | - |
| **Net cash from financing activities** | | **2,686** | **3,442** |
| Net increase in cash and cash equivalents | | 425 | 1,192 |
| Cash and cash equivalents at 1 June | | 1,192 | - |
| **Cash and cash equivalents at 31 May** | *15* | **1,617** | **1,192** |

*The notes on pages 22 to 39 are an integral part of these financial statements.*

# 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. The address of the Company's registered office is 2 Birksgate Road, Rous Head, North Fremantle, WA 6159.

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 are general purpose financial statements which 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.

The financial statements were approved by the Board of Directors on 12 August 2011.

**(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 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.

The ultimate parent company has provided a letter of support in relation to the loans and advances made. Ravensdown Fertiliser Co-operative will not call upon any balance outstanding unless the Company is in a financial position to make such repayments without prejudicing the ability of the Company to conduct its normal business operations including its capacity to pay its liabilities.

**(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.

# Notes to the financial statements *(continued)*

## 3. Significant accounting policies *(continued)*

(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 |
| Buildings | 30 years | Straight line |
| Office equipment | 2 - 10 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.

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**

Defined contribution plans

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

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.

**(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 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.

# Notes to the financial statements *(continued)*

## 3. Significant accounting policies *(continued)*

**(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. For financial reporting purposes rebates are treated as a reduction of revenue.

**(p) New standards adopted and interpretations not yet adopted**

The following new amendment is not yet effective for the year ended 31 May 2011, may impact the Company, and has 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.

**(q) Segment reporting**
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.

**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.

**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.

**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.

**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.

**Interest rate risk**
The Company is not subjected directly to interest rate risk as it does not borrow directly from external counter parties. The Company incurs interest based on advances both to and from the ultimate parent company and is therefore subject to the ultimate parent company's treasury policy. The ultimate parent company enters into interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure in accordance with its treasury policy.

**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.

**Capital management**
The Company's capital includes share capital, redeemable preference shares classified as current liabilities 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.

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

# Notes to the financial statements *(continued)*

## 6. Revenue

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Sale of goods | 26,328 | 27,636 |
| Rental income | 8 | - |
| **Revenue before rebate** | **26,336** | **27,636** |

## 7. Cost of sales

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Cost of sales | 19,495 | 20,549 |
| Distribution costs | 5,127 | 2,747 |
| Rebate from ultimate parent company | (747) | - |
| **Total cost of sales** | **23,875** | **23,296** |

## 8. Personnel expenses

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Wages and salaries | 619 | 490 |
| Superannuation - defined contribution | 33 | 25 |
| **Total personnel expenses** | **652** | **515** |

## 9. Finance income and expense

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Interest from ultimate parent | - | 56 |
| Interest income other | 90 | 114 |
| Finance income | 90 | 170 |
| Interest to ultimate parent | (88) | - |
| Interest expense other | (15) | - |
| Finance expense | (103) | - |
| **Net finance income / (expense)** | **(13)** | **170** |

## 10. Income tax expense in the income statement

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| **Current tax expense** | | |
| Current period | (454) | 591 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (57) | (136) |
| Adjustment for prior periods | 10 | - |
| **Total income tax expense / (refund)** | **(501)** | **455** |

**Numerical reconciliation between tax expense and pre-tax net profit**

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Profit / (loss) for the period | (766) | 608 |
| Total income tax expense / (refund) | (501) | 455 |
| Profit / (loss) excluding income tax | (1,267) | 1,063 |
| Income tax using the Company's domestic tax rate of 30% | (380) | 319 |
| Non-deductible expenses | 5 | 136 |
| Reclassification from permanent to temporary differences | (136) | - |
| Under provided in prior periods | 10 | - |
| **Total income tax expense / (benefit)** | **(501)** | **455** |

# Notes to the financial statements *(continued)*

## 11. Property, plant and equipment

| *In thousands of Australian dollars* | Plant, machinery and vehicles | Building | 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** |
| Balance at 1 June 2010 | 500 | - | 173 | 673 |
| Additions | 13 | 4,820 | 14 | 4,847 |
| Disposals | (293) | - | - | (293) |
| Transfer from capital work in progress | 187 | - | (187) | - |
| **Balance at 31 May 2011** | **407** | **4,820** | **-** | **5,227** |
| **Depreciation and disposals** | | | | |
| Balance at 1 June 2009 | - | - | - | - |
| Depreciation for the year | 18 | - | - | 18 |
| **Balance at 31 May 2010** | **18** | **-** | **-** | **18** |
| Balance at 1 June 2010 | 18 | - | - | 18 |
| Depreciation for the year | 73 | 13 | - | 86 |
| Disposals | (37) | - | - | (37) |
| **Balance at 31 May 2011** | **54** | **13** | **-** | **67** |
| **Carrying amounts** | | | | |
| At 1 June 2009 | - | - | - | - |
| **At 31 May 2010** | **482** | **-** | **173** | **655** |
| At 1 June 2010 | 482 | - | 173 | 655 |
| **At 31 May 2011** | **353** | **4,807** | **-** | **5,160** |

## 12. Tax assets and liabilities

**Current tax assets and liabilities**
The company operates in one tax jurisdiction. The current tax asset for the company of $454,167 represents the net amount of income taxes receivable from the relevant tax authority (2010 liability: $590,860).

**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:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| *In thousands of Australian dollars* | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Provisions | 417 | 136 | - | - | 417 | 136 |
| Rebate receivable | - | - | (225) | - | (225) | - |
| | **417** | **136** | **(225)** | **-** | **192** | **136** |

**Movement in temporary differences during the year**

| *In thousands of Australian dollars* | Provisions | Rebate receivable | Total |
|---|---|---|---|
| **Balance 1 June 09** | **-** | **-** | **-** |
| Recognised in profit or loss | 136 | - | 136 |
| **Balance 31 May 10** | **136** | **-** | **136** |
| **Balance 1 June 10** | **136** | **-** | **136** |
| Recognised in profit or loss | 281 | (225) | 56 |
| **Balance 31 May 11** | **417** | **(225)** | **192** |

## 13. Inventories

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Finished goods at cost | 3,436 | 10,520 |
| | **3,436** | **10,520** |

# Notes to the financial statements *(continued)*

## 14. Trade and other receivables

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Trade receivables net of provision of $17,300 (2010: nil) | 807 | 664 |
| Other receivables including related party | 1,144 | 934 |
| | **1,951** | **1,598** |

## 15. Cash and cash equivalents

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Call deposit | 386 | 1,013 |
| Bank balances | 1,231 | 179 |
| Cash and cash equivalents in statement of cash flows | **1,617** | **1,192** |

## 16. Share capital

The Company issued 1,000 new ordinary shares at $1,000 per share to Ravensdown Australia Holdings Limited who is a wholly owned subsidiary of Ravensdown Fertiliser Co-operative Limited. This is in addition to the $100 of share capital already held by the entity and brings their holding up to $1,000,100 at 31 May 2011 (31 May 2010: $100).

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.

## 17. Redeemable preference shares

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

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

The holders of redeemable preference shares are not entitled to receive dividends but are entitled to receive rebates. Redeemable preference shares do not carry the right to vote. Preference shares rank ahead of ordinary shares but participate only to the extent of the face value of the shares. The redeemable preference shares are classified as current liabilities as they are technically repayable on demand, however the Board believes it is highly improbable that these liabilities will be required to be settled within the next 12 months.

Members deposits of $327,000 (2010: nil) represent monies received by both existing and prospective members awaiting allotment at balance date.

## 18. Trade and other payables

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Trade payables | 401 | 169 |
| Employee entitlements | 81 | 89 |
| Other payables | 295 | 399 |
| | **777** | **657** |

## 19. Provision for rebate

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Balance at 1 June | 378 | - |
| Rebate paid out to shareholders | (378) | - |
| Rebate provided for during period | 1,662 | 378 |
| **Balance at 31 May** | **1,662** | **378** |

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

# Notes to the financial statements *(continued)*

## 20. Financial Instruments

**(a) Credit risk**

The carrying amount of financial assets represents the Company's maximum credit exposure.

| | | Carrying amount | |
|---|---|---|---|
| *In thousands of Australian dollars* | *Note* | **2011** | **2010** |
| Ultimate parent receivable | *25* | 195 | 954 |
| Trade and other receivables | *14* | 1,951 | 1,598 |
| Cash and cash equivalents | *15* | 1,617 | 1,192 |
| | | **3,763** | **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:

| | Gross receivable | | Impairment | |
|---|---|---|---|---|
| *In thousands of Australian dollars* | **2011** | **2010** | **2011** | **2010** |
| **Trade receivables** | | | | |
| Not past due | 555 | 626 | - | - |
| Past due 1 - 30 days | 16 | 21 | - | - |
| Past due more than 30 days | 253 | 17 | 17 | - |
| **Total** | **824** | **664** | **17** | **-** |

## 20. Financial Instruments *(continued)*

**(b) Liquidity risk**

The following table sets out the contractual maturities for all financial liabilities.

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| *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 | 3,332 | 3,332 | 3,332 | - | - | - |
| Trade and other payables | 777 | 777 | 777 | - | - | - |
| Redeemable preference shares | 6,128 | - | - | - | - | 6,128 |
| | 10,237 | 4,109 | 4,109 | - | - | 6,128 |

| | 2010 | | | | | |
|---|---|---|---|---|---|---|
| *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.

**(c) Foreign currency exchange risk**

The Company had no exposure to foreign currency risk at 31 May 2011.

**(d) Interest rate risk**

Cashflow Sensitivity

At 31 May 2011 it is estimated that a general increase of one percentage point in interest rates would decrease the Company's profit before income tax by approximately $105,000 (2010: $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 2011.

**(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.

# Notes to the financial statements *(continued)*

## 21. Operating leases

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Less than one year | 405 | 495 |
| Between one and five years | 658 | 106 |
| More than five years | 1,900 | - |
| **Total Lease Commitments** | **2,963** | **601** |

The Company leases motor vehicles and premises.

## 22. Capital commitments

At 31 May 2011, the Company had no material capital commitments (2010: nil).

## 23. Contingencies

At 31 May 2011, the Company had no material contingent liabilities (2010: nil).

## 24. Reconciliation of cash flows from operating activities

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Profit (loss) for the year attributable to the equity holders | (766) | 608 |
| Adjustments for: | | |
| **Items classified as financing activities** | | |
| Rebates to shareholders | 1,678 | 1,469 |
| Interest received | (90) | - |
| Interest paid | 103 | (170) |
| | 925 | 1,907 |
| **Adjustments for:** | | |
| Depreciation and loss (gain) on disposals | 86 | 18 |
| Decrease (increase) in deferred tax assets | (56) | (136) |
| (Increase) decrease in inventories | 7,084 | (10,520) |
| (Increase) decrease in trade and other receivables | (353) | (1,598) |
| (Increase) decrease in prepayments | (10) | (53) |
| (Increase) decrease in ultimate parent receivable | 759 | (954) |
| (Increase) decrease in tax refund due | (1,045) | 591 |
| (Increase) decrease in ultimate parent payable | (5,179) | 8,511 |
| Increase (decrease) in trade and other payables | 120 | 657 |
| **Net cash from operating activities** | **2,331** | **(1,577)** |

In the year ended 31 May 2011, there were no redeemable preference shares issued in lieu of a cash rebate (2010: $1,091,260).

# Notes to the financial statements *(continued)*

## 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* | 2011 | 2010 |
|---|---|---|
| *Transactions with Parent* | | |
| Total purchases for the year | 12,832 | 32,119 |
| Closing receivables | 195 | 954 |
| Total ultimate parent receivable | 195 | 954 |
| Closing loans | (3,818) | - |
| Closing payables | (261) | (8,511) |
| Rebate from ultimate parent company | 747 | - |
| Total ultimate parent advance | (3,332) | (8,511) |

Loans outstanding between the Company and its ultimate parent (Ravensdown Fertiliser Cooperative Limited) are repayable upon demand, are interest bearing and unsecured. At 31 May 2011 the interest rate was 5.8% (2010: 7%).

During the year, the ultimate parent company formed Direct Farm Inputs Pty Limited with a 50% shareholding. Ravensdown Fertiliser Australia Limited sold fertiliser to this entity.

| *Transactions with Other Related Parties* | 2011 | 2010 |
|---|---|---|
| Total sales for the year to Direct Farm Inputs Pty Limited | 118 | - |
| Closing receivables | 97 | - |

**Transactions with key management personnel (including directors)**

| | Transaction value | | Outstanding value | |
|---|---|---|---|---|
| *In Australian dollars* | 2011 | 2010 | 2011 | 2010 |
| Sale of Product | | | | |
| Alf Cristaudo | 16,608 | 22,865 | 2,517 | 3,020 |

Key management personnel compensation comprised:

| | 2011 | 2010 |
|---|---|---|
| Short-term employee benefits | 261,419 | 266,534 |
| Superannuation contributions | 19,591 | 22,637 |
| | **281,010** | **289,171** |

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 supplies fertiliser and related inputs to the agricultural sector in Queensland which is the basis for its one reportable operating segment. This is reflected in how the business is managed and in the management structure responsible for the key resource allocation decisions and performance assessment.

Performance is measured based on profit before rebates and income tax, as included in the internal management reports that are reviewed by the General manager. Profit before rebates and income tax is used to measure performance as management believes that such information is the most relevant in evaluating results relative to other entities that operate within the industry. The results, assets and liabilities are stated in the income statement and balance sheet.

## 27. Subsequent event

Subsequent to the financial year end the conditions included in the second stage sale and purchase agreement for the Townsville store purchase were met by the vendor. Ravensdown Fertiliser Australia Limited's settlement amount for the second and final stage of the development is $3.82 million.

## 28. Auditors' Remuneration

| *In thousands of Australian dollars* | 2011 | 2010 |
|---|---|---|
| Auditor's remuneration to KPMG comprises: | | |
| Audit and review of financial statements | 81 | 25 |
| Other fees | 15 | - |
| **Total auditor's remuneration** | **96** | **25** |

# Audit Report

## 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 2011, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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, a true and fair 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.

*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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001.*

KPMG

KPMG

Grant Robinson
Partner

Perth
12 August 2011

## 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 2011 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
12 August 2011

# Ravensdown Fertiliser Australia team

**Rodney Green**

Director
Chairman

**Bill McLeod**

Director

**Sean Connolly**

Director

**Alf Cristaudo**

Director

**Steve Greenwood**

Director

**Alan Thomson**

Company
Secretary and
General Manager

**Bruce Keenan**

Sales/Business
Development
Manager

**Ron Mullins**

Chief Operating
Officer
CANEGROWERS

Ravensdown
Fertiliser Australia

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