

Gisborne Holdings Limited

Interim Report

**For the six months
ended 31 December 2009**

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Chairman's report

Tauwhareparae Farms net income for the six months ended 31 December 2009 was \$738,000. The comparative figure for the previous six months recorded a net income of \$1,510,000. You should be aware that in the previous six month period there was an average increase in the market valuation of sheep of 15.0% and the average decrease in the market valuation of cattle of 4.5%. This was not the case in the current six month period, with average sheep values decreasing by 24.8% and average cattle values decreasing by 13%. The climatic conditions through the winter were quite difficult and as a result the company had to apply fertilizer earlier than would normally be the case. This is shown in the increase in farming expenditure which increased by \$263,000 over the previous corresponding period with the fertilizer component of this increasing by \$307,000. The company however remains on track to achieve an annual net income in excess of the budget for the year.

Points to note were -

- Gross profit reduced from \$4.1million in 2008 to \$2.8million this year, mainly because of the change in livestock valuations.
- Sheep sales were \$625,000 compared to \$570,000 for the corresponding period in 2008 – the average sale price increasing \$25 from \$60 to \$85 - a 42% increase.
- Cattle sales were \$542,000 compared to \$632,000 for the corresponding period in 2008 – the average sale price decreasing \$91 from \$761 to \$670 - a 27% decrease.

Livestock on hand are shown on page 25.

- As at 31 December 2009 the company had 57,188 sheep on hand at a market value of \$4.6million. This compares with 62,961 on hand at a market valuation of \$4.4million at 31 December 2008.
- As at 31 December 2009 the company had 7,020 cattle on hand at a market value of \$4.1million. This compares with 7,141 on hand at a market value of \$4.5million at 31 December 2008.
- The 2009 lambing and calving results were 144% lambs docked and 82% calves marked to date with some R2yr heifers not yet marked. This compares with the 2008 calving results of 142% lambs docked and 86% calves marked.

The Board resolved on 27 January 2010 that a dividend of \$1 million be declared and paid to the shareholder on 19 February 2010 as agreed in the Statement of Corporate Intent.

The Board envisages a reduced net income for the year ended 30 June 2010 as there is unlikely to be a large increase in sheep values that was present in the year ended 30 June 2009. The Board can assure you that every endeavour will be made to maximise returns in the coming financial year. It is also likely that the company will receive income from the valuation of carbon credits. This amount cannot be quantified at this stage until a report has been prepared for the Board by our consultant. The heavy rain experienced in late January will result in approximately \$30,000 in repair costs that were unbudgeted.

My compliments are extended to Don Green as supervisor and to his team of managers and staff on what they have achieved over the last six months.

Mark Egan
Chairman

19 February 2010

**Income statement (Unaudited)
for the six months ended 31 December 2009**

		6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
		\$000	\$000	\$000
	Notes			
Continuing activities				
- Sheep Sales	13	625	570	2,861
- Cattle Sales	13	542	632	1,636
- Wool sales		170	120	358
- Forestry grants received		85	181	188
- Forestry value increase		-	-	448
Total Revenue		1,422	1,503	5,491
Cost of Sales				
- Sheep	13	(1,248)	(2,105)	(1,011)
- Cattle	13	(115)	(527)	69
Total Cost of Sales		(1,363)	(2,632)	942
Gross Profit		2,785	4,135	6,433
Other income		55	13	116
Total Income		2,840	4,148	6549
Expenditure from continuing activities				
- Farming Expenditure		835	572	1,537
- Employee Benefit Expenditure		403	428	780
- Administrative Expenditure		281	223	450
- Depreciation		130	143	282
- Fair value losses on financial instruments	11	(41)	211	165
- Loss on sale of assets		-	14	22
- Financing Expenditure		139	190	365
Total expenditure from continuing activities		1,747	1,781	3,601
Expenditure from discontinued activities		-	5	5
Total expenditure		1,747	1,786	3,606
Operating profit/(loss) from continuing activities		1,093	2,367	(2,948)
Operating profit/(loss) from discontinued activities		-	(5)	(5)
Net Operating Profit/(loss) before taxation	2	1,093	2,362	2,943
Taxation (expense) / credit	5	(355)	(852)	(111)
Net Operating Profit/(loss) after taxation		738	1,510	2,832


**Statement of recognised income and expense (Unaudited)
for the six months ended 31 December 2009**

		6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
		\$000	\$000	\$000
	Notes			
Revaluation of property plant & equipment		-	-	(3,894)
Net Loss/ (Gain) on available-for-sale financial assets	4	-	(1)	(2)
Deferred tax on Revaluation of Buildings		-	-	(71)
		-----	-----	-----
Net income recognised directly in equity		-	(1)	(3,967)
Profit/(loss) for the year		738	1,510	2,832
		-----	-----	-----
Total recognised income and expense for the period		738	1,509	(1,135)
		-----	-----	-----

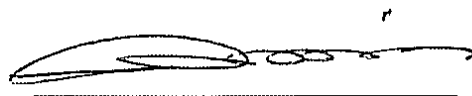
Balance sheet (Unaudited) for the six months ended 31 December 2009

		6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
		\$000	\$000	\$000
	Notes			
Owner's equity				
Share capital	3	21,200	21,200	21,200
Retained earnings	4	(5,344)	(6,403)	(6,081)
Revaluation reserves	4	21,831	25,798	21,831
Total equity		37,687	40,595	36,950
Represented by:				
Current assets				
Bank balances, deposits and cash		187	87	25
Receivables and prepayments	6	37	218	355
Inventories	7	146	24	46
Taxation		-	1	1
Total current assets		370	330	427
Current liabilities				
Bank (secured)	8	745	698	-
Payables and accruals	9	312	352	307
Financial Liabilities – current	10	-	-	-
Total current liabilities		1,057	1,050	307
Net working capital		(687)	(720)	120
Non-current assets				
Property plant & equipment	12	31,382	35,128	31,149
Biological assets	13	11,361	10,964	9,743
Available-for-sale-financial assets	14	198	189	189
Total non-current assets		42,941	46,281	41,081
Non current Financial liabilities				
Derivative Financial Instruments	11	153	239	193
Financial Liabilities - Term loan	10	3,733	3,733	3,733
Deferred Tax	5	681	994	325
Total non-current liabilities		4,567	4,966	4,251
Net assets		37,687	40,595	36,950

For and on behalf of the Board of Directors who authorised the issue of the financial statements on 19th February 2010



Director



Director

Statements of cash flows (Unaudited) for the six months ended 31 December 2009

		6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
		\$000	\$000	\$000
	Notes			
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		1,476	1,884	5,403
Income tax refunds/payments		1	-	-
Goods and services tax (net)		27	6	(66)
		<u>1,504</u>	<u>1,890</u>	<u>5,337</u>
Cash was disbursed to:				
Payments to suppliers & employees		1,723	1,389	2,955
		<u>1,723</u>	<u>1,389</u>	<u>2,955</u>
Net cash inflow / (outflow) from operating activities	18	<u>(219)</u>	<u>501</u>	<u>2,382</u>
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of fixed assets		29	30	39
Cash was applied to:				
Purchase of fixed assets		130	88	120
Forest asset expenditure		117	180	201
Purchase of available for sale financial assets		-	-	-
Capitalised Farm Development		-	-	35
		<u>247</u>	<u>268</u>	<u>356</u>
Net cash outflow from investing activities		<u>(218)</u>	<u>(238)</u>	<u>(317)</u>
Cash flows from financing activities				
Cash was provided from:				
Interest Received		-	-	1
		<u>-</u>	<u>-</u>	<u>1</u>
Cash was applied to:				
Dividends paid		-	-	1,000
Interest Paid		146	206	374
		<u>146</u>	<u>206</u>	<u>1,374</u>
Net cash inflow / (outflow) from financing activities		<u>(146)</u>	<u>(206)</u>	<u>(1,373)</u>
Net increase / (decrease) in cash held		(583)	57	693
Opening cash brought forward		25	(668)	(668)
Ending cash carried forward		<u>(558)</u>	<u>(611)</u>	<u>25</u>
Cash at year end:				
Cash balances		187	87	25
Bank wholesale advances		(745)	(698)	-
Ending cash carried forward		<u>(558)</u>	<u>(611)</u>	<u>25</u>

Notes to and forming part of the financial statements

1. Statement of accounting policies

Corporate Information

Gisborne Holdings Limited (the Company) is a Council-Controlled Organisation as defined in section 6 of the Local Government Act 2002. The Company is wholly owned by Gisborne District Council and is registered under the Companies Act 1993.

The Group consists of Gisborne Holdings Limited, its 100% owned subsidiaries Tauwhareparae Holdings Limited, Tauwhareparae Farms Limited and Tauwhareparae Forests Limited.

The Interim Financial Statements for Gisborne Holdings Limited are for the six months ended 31 December 2009. The Financial Statements were authorised for issue on the 19th February 2010.

Principal Activities

The principal activities during the year were:

- The production and supply of livestock
- The planting, growing and tendering of forestry
- The maintenance and reversion of native forestry areas

There have been no significant changes in the nature of these activities during the year.

Basis of Interim Preparation

The financial statements and Group financial statements of Gisborne Holdings Limited have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

The results of the operations of Tauwhareparae Farms Limited have been consolidated into the financial statements from acquisition date of 30 April 1998.

Statement of Compliance

The Financial Statements comply with the New Zealand equivalents to IFRS (NZ IFRS), and other applicable Financial Reporting Standards, as applicable for profit orientated entities. Compliance with NZ IFRS ensures compliance with international financial reporting standards

The accounting policies set out below have been applied consistently to both periods presented in these financial statements and in preparing an opening NZ IFRS balance sheet as at 1 July 2005 for the purposes of the transition to NZ IFRS.

Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of Gisborne Holdings Limited is New Zealand dollars.

Notes to and forming part of the financial statements

1. Statement of accounting policies (continued)

NZ IFRS 8 – Operating Segments

Application of NZIFRS 8 is mandatory for reporting periods that begin on or after 1 January 2009, which for Gisborne Holdings Limited, is the year commencing 1 July 2009. Gisborne Holdings Limited has elected not to apply this standard as it meets the exemption criteria.

Accounting policies

The accounting policies applied in the preparation of the interim financial statements are consistent with those used in the annual report for the year ended 30 June 2009 with the following exceptions: Livestock numbers have been estimated as 31 December 2009 based on actual purchases and sales during the period and estimated breeding and deaths. Inventories have not been adjusted at 31 December 2009 with the exception of wool, and taxation calculations are estimates only. Fixed Assets and Forestry have not been revalued and are stated at the 30 June 2009 valuation plus expenditure since.

Basis of consolidation - purchase method

The consolidated financial statements include the holding company and its subsidiaries. The subsidiaries are accounted for using the purchase method which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis.

All significant inter-company transactions are eliminated on consolidation.

Subsidiaries

The Company consolidates in the group financial statements all entities where the Company has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Company controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Company or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Goods and services tax

All items in the financial statements are exclusive of goods and services tax (GST) with the exception of receivables and payables which are stated with GST included. Where GST is irrecoverable as an input tax then it is recognised as part of the related asset or expense.

Revenue Recognition

Revenue is measured at the fair value of consideration received. It is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividends

Dividends are recognised when the right to receive payment has been established.

Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to and forming part of the financial statements

1. Statement of accounting policies (continued)

Government grants and subsidies

The Company receives government grants from the Ministry of Agriculture and Forestry which subsidises the cost of forestry establishment, silviculture and thinning. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current tax and deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Accounts receivable

Trade receivables and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Notes to and forming part of the financial statements

1. Statement of accounting policies (continued)

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the company will not be able to collect the debt.

Inventories

Wool on hand is valued at fair value less estimated point of sale costs at time of harvest. Consumable stocks are valued at the lower of cost, determined on a first-in first-out basis, and net realisable value. This valuation includes allowances for slow moving and obsolete inventories.

Livestock

Livestock is valued at fair value less point of sale costs. These values are not the same as those used for calculating taxation. Changes in the value of existing productive livestock and the numbers and/or composition of the livestock are treated as revenue items.

Property plant & equipment

Recognition

Property, plant and equipment are recognised when it is probable that future economic benefits will flow to the company, and the cost of the item can be measured reliably.

Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits or service potential associated with the item will flow to the company and the cost of the item can be reliably measured.

Plant and Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and improvements, including buildings, are valued at fair market value as determined by independent registered valuers on an annual basis. Other fixed assets are recorded at historical cost less accumulated depreciation and any accumulated impairment costs.

Derecognition

Property, plant and equipment are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

Notes to and forming part of the financial statements

1. Statement of accounting policies (continued)

Revaluation of Land, Improvements and Buildings

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit and loss.

Any revaluation decrease is recognised in profit and loss, except to the extent that it offsets a previous revaluation increase for the same asset, in which case the decrease is debited to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

Depreciation is provided on a straight line basis on all fixed assets other than freehold land and improvements, at rates which will write off the cost of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Years	Depreciation rate
Land improvements	10 years	(10%)
Buildings	40 years	(2.5%)
Plant and equipment	10 years	(10%)
Motor vehicles	5 years	(20%)

Capital work in progress is not depreciated. The total cost of a project is transferred to freehold buildings and/or plant and equipment on its completion and then depreciated

Impairment of non financial assets

If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the income statement. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the income statement.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are accounted for as follows:

- On property, plant and equipment that are not revalued, the reversal is recognised in the income statement; and
- On revalued property, plant and equipment, the reversal is recognised as an upward revaluation.

Notes to and forming part of the financial statements

1. Statement of accounting policies (continued)

Employee entitlements

Provision is made in respect of the Company's liability for annual leave and bonuses due. Annual leave is calculated on an actual entitlement basis at current rates of pay.

Forestry Assets

Forestry assets are valued on the basis of fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. Forestry Assets are revalued annually by an independent valuer. Valuation movements pass through the income statement. The costs to maintain the forestry assets are included in the income statement.

Leases

Finance leases

Leases which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments.

The leased assets and the corresponding lease liabilities are recognised in the balance sheet. The leased assets are depreciated over the period the Company is expected to benefit from their use.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

Financial instruments

The Company is party to financial instruments as part of its normal operations.

These financial instruments include bank accounts, short term deposits, interest rate swaps, investments, debtors, creditors and loans. All financial instruments are recognised in the balance sheet and all revenues and expenses in relation to financial instruments are recognised in the income statement, with the exception of available-for-sale financial assets where the gains or losses after initial recognition are treated as detailed below.

Except for loans, which are recorded at amortised cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Financial assets

The Company classifies its financial assets in the following categories:

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to and forming part of the financial statements

1. Statement of accounting policies (continued)

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Impairment of financial assets

At each balance sheet date the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the income statement.

Financial liabilities

The Company classifies its financial liabilities in the following categories:

(a) *Trade and other payables*

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(b) *Interest-bearing Loans and Borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to and forming part of the financial statements

1. Statement of accounting policies (continued)

Derivative Financial Instruments

The Group uses derivative financial instruments in the form of interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuation. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Cash Flow Statement

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Company invests as part of its day-to-day cash management.

Operating activities includes cash received from all income sources of the Company and records the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets, and of investments such as securities, not falling within the definition of cash.

Financing activities comprise the change in equity and debt capital structure of the Company.

Provisions

Provisions are recognised for future expenditure of uncertain amounts or timing, when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

If the time value of money is material, provisions are determined by discounting the expected future cashflows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Cost Allocation

Expenditure has been reported by function. The Company believes this is more relevant to the user than reporting by the nature of the expenses.

The Company has derived the net cost of service for each significant activity using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those which cannot be identified in an economically feasible manner with a specific activity.

Direct costs are charged directly to the significant activities. Indirect costs are charged to significant activities on a pre determined basis.

Notes to and forming part of the financial statements

Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with other the two years presented.

Notes to and forming part of the financial statements

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
2. Net operating surplus / (deficit) before taxation			
After crediting:			
Financing income	8	1	1
Forest asset revaluation	-	-	448
Depreciation recovered			
- Plant and equipment	-	-	-
- Motor vehicles	28	-	-
Gain of disposal of assets			
- Buildings and equipment	-	-	98
- Plant and equipment	-	-	(1)
After charging:			
Audit fees and expenses - annual	21	17	35
Depreciation:			
- Buildings	114	106	213
- Plant and equipment	13	13	24
- Vehicles	31	24	44
Directors' fees and expenses	53	56	98
Employee benefit expenditure	403	428	780
Interest expense:			
- Term loans	134	157	320
- Wholesale Advance facility	5	33	45
Loss on sale of assets			
- Plant and Equipment	-	-	4
- Motor Vehicles	-	14	18
3. Share capital			
Issued and paid up capital			
1,200,090 Ordinary Shares fully paid	21,200	21,200	21,200
	_____	_____	_____
	21,200	21,200	21,200
	_____	_____	_____

Notes to and forming part of the financial statements

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
4. Retained Earnings and Reserves			
Retained Earnings			
Balance 1 July	(6,082)	(7,913)	(7,913)
Net Profit/(loss) for the year	738	1,510	2,832
Dividends paid	-	-	(1,000)
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December	(5,344)	(6,403)	(6,081)
	<u> </u>	<u> </u>	<u> </u>
Asset Revaluation Reserve			
Balance 1 July	21,836	25,802	25,802
Revaluation of Land	-	-	(4,326)
Revaluation of other land improvements	-	-	192
Revaluation of Buildings	-	-	239
Deferred tax on Revaluation of Buildings	-	-	(71)
	<u> </u>	<u> </u>	<u> </u>
Balance 31 December	21,836	25,802	21,836
	<u> </u>	<u> </u>	<u> </u>
Available for sale Revaluation Reserve			
Balance 1 July	(5)	(3)	(3)
Revaluation/(Impairment) of Investments	-	(1)	(2)
	<u> </u>	<u> </u>	<u> </u>
Balance 31 December	(5)	(4)	(5)
	<u> </u>	<u> </u>	<u> </u>
Total closing balance Revaluation Reserves	21,831	25,798	21,831
	<u> </u>	<u> </u>	<u> </u>

Nature and Purpose of Reserves

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another.

Available-for-sale Revaluation Reserve

The available-for-sale revaluation reserve arises on revaluation of investments which are recognised as available-for-sale financial assets.

Dividends	2010		2009	
	Cents per Share	Total \$000	Cents per Share	Total \$000
Recognised amounts				
Fully paid ordinary shares				
- final – prior year	0.0	0	0.833	1,000

Notes to and forming part of the financial statements

5. Income Tax

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
(a) Income Tax			
The major components of income tax expense are:			
Income Statement			
<i>Deferred income tax</i>			
Relating to origination and reversal of temporary differences	(355)	(852)	(111)
Income tax expense reported in the income statement	(355)	(852)	(111)
(b) Amounts charged or credited directly to equity			
Relating to revaluation of buildings	-	-	(71)
	-	-	(71)

Notes to and forming part of the financial statements

5. Income Tax (continued)

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate			
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:			
Accounting profit /(Loss) before tax from continuing operations	1,097	2,367	2947
Loss before tax from discontinued operations	-	(5)	(5)
Total accounting profit/(Loss) before income tax	1,097	2,362	2942
At the Group's statutory income tax rate of 30% (2009: 30%)	329	709	883
Herd Livestock Adjustment	-	-	(743)
Deductible Farm development & Expenditure	(1)	(1)	(3)
Other	27	144	(26)
Aggregate income tax expense/(Credit)	355	852	111
Aggregate income tax expense is attributable to:			
Continuing operations	355	852	111
Discontinued operations	-	-	-
	355	852	111

Notes to and forming part of the financial statements

5. Income Tax (continued)

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
(d) Recognised deferred tax assets and liabilities			
Deferred income tax at 31 December relates to the following:			
<i>(i) Deferred tax liabilities</i>			
Biological Assets	321	1,103	838
Fair-valued buildings (including depreciation)			
Accelerated depreciation: plant & equipment, motor vehicles	548	472	535
Other	(57)	78	(64)
	<hr/>	<hr/>	<hr/>
Gross deferred tax liabilities	812	1,653	1,309
Set-off of deferred tax assets	(131)	(583)	(984)
	<hr/>	<hr/>	<hr/>
Net deferred tax liabilities	681	1,070	325
	<hr/>	<hr/>	<hr/>
<i>(ii) Deferred tax assets</i>			
Tax Losses	131	583	984
	<hr/>	<hr/>	<hr/>
Gross deferred tax assets	131	583	984
Set-off of deferred tax assets against liabilities	(131)	(583)	(984)
	<hr/>	<hr/>	<hr/>
Net deferred tax assets	-	-	-
	<hr/>	<hr/>	<hr/>
Imputation credit account			
Balance as at 1 July	1	7	7
Resident withholding tax paid during the year	-	-	-
Imputation credits attached to dividends received	-	-	-
Imputation credits attached to dividends paid	-	-	6
Taxation refunds received during the year	(1)	-	-
	<hr/>	<hr/>	<hr/>
Balance as at 31 December	-	7	1
	<hr/>	<hr/>	<hr/>

Notes to and forming part of the financial statements

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
6. Receivables and prepayments			
Trade receivables	8	16	84
Prepayments	29	31	4
Insurance claim relating to Puketawa house fire	-	171	267
	<u>37</u>	<u>218</u>	<u>355</u>
7. Inventories			
Farm supplies on hand	15	24	15
Wool on hand	131	-	31
	<u>146</u>	<u>24</u>	<u>46</u>
No inventories are pledged as security for liabilities nor are any inventories subject to retention of title clauses.			
8. Bank (secured)			
Tauwhareparae Farms Limited has a wholesale advance facility with a limit of \$2 million with Westpac NZ Ltd.. The facility is secured by way of a general security agreement including a mortgage over Tauwhareparae Farms Limited's freehold land. The balance at 31 December 2009 was \$745,000 (2008: \$698,000).			
9. Payables and accruals			
Trade creditors and accruals	274	315	276
Accrued staff entitlements	38	37	31
	<u>312</u>	<u>352</u>	<u>307</u>
10. Financial liabilities			
Westpac Banking Corporation	3,733	3,733	3,733
	<u>3,733</u>	<u>3,733</u>	<u>3,733</u>
Less current portion	-	-	-
Term portion	<u>3,733</u>	<u>3,733</u>	<u>3,733</u>

Tauwhareparae Farms Limited has a \$4 million wholesale term loan facility with Westpac NZ Ltd. The loan is secured by way of a general security agreement including a mortgage over the Company's freehold land. Both term loans are due to expire on the 30th April 2012. One portion of the loan totalling \$1,733,312 (December 2008: \$1,733,312) is subject to a fixed interest rate of 3.9% expiring on the 11th January 2010. The second portion of the loan totalling \$2,000,000 (December 2008: \$2,000,000) is subject to a fixed interest rate of 3.8% expiring on the 29th January 2010.

Notes to and forming part of the financial statements

Defaults and Breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

11. Derivative financial instruments

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
Non-current liability			
Interest rate swap contracts	153	239	193

Interest bearing loans of the Company currently bear an average variable interest rate of 3.9 %. In order to put a cap on interest rates the Company has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover 100% (2008 100%) of the principal outstanding. The Swaps cover loans due to expire on 30th April 2012. The fixed interest rates range between 5.67% and 7.85% (2008: 7.85% and 8.05%) and the variable interest rates are at the BKBM bill rate plus a margin of 1%.

Interest rate risk

The Company's financial assets and liabilities which are exposed to interest rate risk include cash and deposits and secured bank loans. The Company adopts a policy of reducing the exposure to changes in interest rates by utilising interest rate swaps to limit future interest costs.

Notes to and forming part of the financial statements

12. Property plant & equipment

Group	\$000 Freehold Land & Improvements	\$000 Buildings	\$000 Plant & Equipment	\$000 Motor Vehicles	\$000 Total
Six months ended 31 December 2009					
At 1 July net of accumulated depreciation and impairment	28,125	2,777	132	115	31,149
Additions at cost	-	267	16	108	391
Disposals at net book value	-	-	-	-	-
Revaluations	-	-	-	-	-
Depreciation charged for the period	(76)	(38)	(13)	(31)	(158)
At 31 December 2008 net of accumulated depreciation and impairment	28,049	3,006	135	192	31,382
Cost or fair value	28,049	3,006	413	536	32,004
Accumulated depreciation And impairment	-	-	278	344	622
Net Carrying Amount	28,049	3,006	135	192	31,382

Carrying Amounts if Property plant & equipment were measured at Cost Less Accumulated Depreciation and Impairment.

If property plant and equipment were measured using the cost model the carrying amounts would be as follows:

	\$000 Freehold Land & Improvements	\$000 Buildings	\$000 Plant & Equipment	\$000 Motor Vehicles	\$000 Total
Cost or fair value	691	1,853	413	536	3,493
Accumulated depreciation And impairment	521	339	278	344	1,482
Net Carrying Amount	170	1,514	135	192	2,011

Notes to and forming part of the financial statements

The fair value of freehold land (including forestry land) and improvements (including buildings) are determined by independent valuation. The independent valuation was performed by Bruce Cowper of AgFirst Valuations, an independent registered valuer. The fair value as per the valuation as at 30 June was \$30,878,000. (2008: \$34,950,000)

Fair value is the amount for which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable to those held by the group.

Notes to and forming part of the financial statements

13. Biological Assets (Consumable)

Biological Assets consist of sheep and cattle (Livestock) and plantation trees (Forestry)

The company farms livestock for the sale of sheep, lambs, cattle and calves

As at 31 December 2009 the company had 57,188 sheep, 7,020 cattle, 1,442.1 hectares of forestry.
(December 2008: 62,961 sheep, 7,141 cattle, 1,281.6 hectares of forestry)

During the period the company sold 7,391 sheep, 809 cattle and no trees were harvested.
(December 2008: 9,529 sheep, 831 cattle and no trees were harvested).

(A) Reconciliation of opening balance to closing balance

For the six months ended 31 December 2009

	Sheep		Cattle		Forestry		Total
	Quantity	\$000	Quantity	\$000	Hectares	\$000	\$000
Opening Balance as at 1 July	31,546	3,350	5,783	3,907	1,384.2	2,486	9,743
Natural Increase	33,708	2,280	2,172	591	-	-	2,871
Purchases	43	32	28	104	57.9	119	255
Change in Fair Value	-	(340)	-	175	-	-	(165)
Sales	(7,391)	(625)	(809)	(542)	-	-	(1,167)
Deaths & Killed	(718)	(67)	(154)	(109)	-	-	(176)
Closing Balance as at 31 December	57,188	4,630	7,020	4,126	1,442.1	2,605	11,361

For the six months ended 31 December 2008

	Sheep		Cattle		Forestry		Total
	Quantity	\$000	Quantity	\$000	Hectares	\$000	\$000
Opening Balance as at 1 July	37,512	2,301	5,896	3,892	1,281.6	1,842	8,035
Natural Increase	36,853	2,363	2,124	654	-	-	3,017
Purchases	61	38	26	84	104.7	175	297
Change in Fair Value	-	454	-	554	-	-	1008
Sales	(9,529)	(570)	(831)	(632)	-	-	(1202)
Deaths & Killed	(1,936)	(142)	(74)	(49)	-	-	(191)
Closing Balance as at 31 December	62,961	4,444	7,141	4,503	1,386.3	2,017	10,964

Notes to and forming part of the financial statements

13. Biological Assets (Consumable) (continued)

(B) The fair value of biological assets as at end of the year was:

Consumable Biological Assets

Livestock

SHEEP	31 December 2009		31 December 2008	
	Quantity	\$000	Quantity	\$000
Mature sheep				
Mixed age ewes	22,138	2,008	23,353	1,713
Two tooth ewes	5,817	702	5,182	537
Breeding rams	180	14	304	24
Immature sheep				
Ewe hoggets	12,655	893	16,246	1,071
Ram & wether hoggets	16,398	1,013	17,876	1,098
Total sheep	57,188	4,630	62,961	4,444

CATTLE

	2009		2008	
	Quantity	\$000	Quantity	\$000
Mature cattle				
Mixed age cows	2,060	1,621	1,974	1,581
Rising three year heifers	898	753	831	747
Rising two year heifers	997	598	1,161	745
Rising three year & older steers	18	16	211	185
Rising two year steers & bulls	779	502	733	542
Breeding bulls	96	170	107	190
Immature cattle				
R1 Heifers	1,091	208	1,060	232
R1 Steers & Bulls	1,081	258	1,064	281
Total cattle	7,020	4,126	7,141	4,503

FORESTRY

	2009		2008	
	Hectares	\$000	Hectares	\$000
Forest tree crop				
Total Forestry	1,442.1	2,605	1,386.3	2,017
TOTAL BIOLOGICAL ASSETS AS AT 31 DECEMBER		11,361		10,964

Notes to and forming part of the financial statements

13. Biological Assets (Consumable) (continued)

The fair value of livestock is determined by independent valuation as at 31 December 2009. The independent livestock valuation was performed by PGG Wrightson Limited, independent livestock agents, in accordance with the Company's accounting policy detailed in note 1.

The independent valuation used the quoted price in an active market as the appropriate basis for determining fair value. Where there is more than one active market that the company has access to, the most relevant market has been used.

The gain on initial recognition of livestock sold is recognised in the income statement in the year of harvest. At time of harvest, wool is recorded as inventory.

The fair value of the forest tree crop is determined by independent valuation. The independent forestry valuation as at 30 June 2009 was performed by PF Olsen and Company Limited, independent providers of professional forestry services. The fair value is assessed as follows:

- The maturity value of the existing tree crop and the future costs of realising that revenue are determined.
- Future costs and revenue are discounted from the year in which they occur to the date of the valuation by applying an appropriate discount rate.

The appropriate discount rate is determined by considering the recent sales of forests and the relative sensitivity of the value of the forest to future log prices.

Significant assumptions applied in this determination of fair value are:

Appropriate Discount Rate (Pre tax)	7.0%
Rate of inflation	3.0%
Rate of tax	30%

During the period \$ of forestry development expenditure was capitalised to the forest asset.

(C) Cost of sales and Gross Profit – Biological Assets

	Quantity	Average Price \$	2009 \$000	Quantity	Average Price \$	2008 \$000
Livestock						
Sheep						
Sales	7,391	85	625	9,529	60	570
Less cost of sales						
Opening stock	31,546	106	3,350	37,512	61	2,301
Add Purchases	43	733	32	61	615	38
Less closing stock	57,188	81	4,630	62,961	71	4,444
Total cost of sales			(1,248)			(2,105)
Gross profit from Sheep			1,873			2,675

Notes to and forming part of the financial statements

13. Biological Assets (Consumable) (continued)

	Quantity	Average Price \$	2009 \$000	Quantity	Average Price \$	2008 \$000
Cattle						
Sales	809	670	542	831	761	632
Less cost of sales						
Opening stock	5,783	676	3,907	5,896	660	3,892
Add Purchases	28	3,732	104	26	3,238	84
Less Closing stock	7,020	588	4,126	7,141	636	4,503
Total cost of sales			(115)			(527)
Gross profit from cattle			657			1,159
Forestry						
Sales			-			-
Forest value increase (impairment)			-			-
Gross Profit from forestry			-			-

Notes to and forming part of the financial statements

14. Available-for-sale Financial Assets

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
At fair value			
Shares - unlisted	197	188	187
Shares – listed	1	1	1
	<u>198</u>	<u>189</u>	<u>188</u>

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(a) Listed shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

Market risk

The Group has listed shares with a current market value of \$1,164.28 (December 2008: \$1,701.64). If the market value of the shares increased/decreased by 10% the fair value would increase/decrease by \$116 (December 2008: \$170)

There are no individually material investments.

(b) Unlisted shares

Valuation assumptions

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair value recorded in equity are reasonable and the most appropriate at the balance sheet date.

15. Capital commitments

There were no material capital commitments at balance date. (2008:\$NIL).

16. Segment information

Tauwhareparae Farms Limited operates predominantly in one industry segment, its primary business being sheep and beef farming with the sale of livestock and wool providing ongoing revenue. Those activities are conducted in one geographical location, inland from Tolaga Bay on the East Coast of the North Island of New Zealand.

17. Contingencies

The company had no contingencies at balance date (December 2009:\$NIL).

Notes to and forming part of the financial statements

18. Reconciliation of net operating surplus / (deficit) after taxation with cash inflow / (outflow) from operating activities

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
Reported net operating surplus / (deficit) after taxation	738	1,510	2,832
Add back non-cash items:			
Depreciation	130	143	283
Forest Value Impairment (Revaluation)	-		(448)
Livestock revaluation	(1,499)	(2,753)	(1,064)
Net loss (gain) on disposal of assets	-		(75)
Movement in derivative financial statements taken to the Income Statement	(41)	212	165
Increase/(decrease) in deferred tax liability excluding transfers to reserves	355	852	111
Other fixed & investment assets changes/(cred	(1)	2	-
	<u>(1,056)</u>	<u>(1,530)</u>	<u>(1,028)</u>
Add back items classified as financing activity			
Interest received	-	-	(1)
Interest paid	146	206	374
	<u>146</u>	<u>206</u>	<u>373</u>
(Decrease)/(increase) in working capital:			
Accounts receivables & prepayments excluding capital disposal accruals	51	314	176
Inventories	(100)	16	(6)
Accounts payable and accruals excluding capital expenditure accruals	2	(15)	35
	<u>(47)</u>	<u>315</u>	<u>205</u>
Net working capital movements	(47)	315	205
Net cash inflow / (outflow) from operating activities	<u>(219)</u>	<u>501</u>	<u>2,382</u>

Notes to and forming part of the financial statements

19. Subsequent events

No significant items/events have occurred between year-end and the signing of the financial statements.

20. Financial instruments

At balance date the Company had the following financial assets: cash and bank balances, accounts receivable, investments, interest rate swaps; and the following financial liabilities: accounts payable, bank funding.

Categories of Financial Instruments as defined in IAS 39

	6 Months to December 2009	6 Months to December 2008	12 Months to June 2009 (Audited)
	\$000	\$000	\$000
Financial Assets (IAS 39)			
Non-current assets			
Investments	198	189	189
	<u>198</u>	<u>189</u>	<u>189</u>
Available for sale financial assets	198	189	189
	<u>198</u>	<u>189</u>	<u>189</u>
Current Assets			
Trade receivables and prepayments	37	218	351
Cash and cash equivalents	187	87	25
	<u>224</u>	<u>305</u>	<u>376</u>
Receivables	224	305	376
	<u>224</u>	<u>305</u>	<u>376</u>
Financial Liabilities (IAS 39)			
Non-current liabilities			
Term loan	3,733	3,733	3,733
	<u>3,733</u>	<u>3,733</u>	<u>3,733</u>
Financial liabilities measured at amortised cost	3,733	3,733	3,733
	<u>3,733</u>	<u>3,733</u>	<u>3,733</u>
Current liabilities			
Bank secured	745	698	-
Trade payables and accruals	274	315	276
	<u>1,019</u>	<u>1,013</u>	<u>276</u>
Financial liabilities measured at amortised cost	1,019	1,013	276
	<u>1,019</u>	<u>1,013</u>	<u>276</u>
Derivative financial instruments			
Interest rate swaps	152	239	193
	<u>152</u>	<u>239</u>	<u>193</u>
Held for trading	152	239	193
	<u>152</u>	<u>239</u>	<u>193</u>

Notes to and forming part of the financial statements

20. Financial instruments (continued)

Credit risk

The values attached to each financial item in the statement of financial position represents the maximum credit risk. There are no significant concentrations of credit risk.

Fair value

All financial instruments recognised in the statement of financial position are recorded at fair value.

Interest rate risk

The term loan principal of \$1,733,312 million is subject to a fixed rate of interest of 3.9% for two years, expiring on the 11th of January 2010. The additional \$2 million is currently subject to a fixed interest rate of 3.8% expiring 29th January 2010. The interest rate on the bank wholesale advance facility is variable. The Company seeks to obtain the most competitive market rate of interest at all times.

21. Government Grants

The Company receives Government grants in the form of forestry grants from the East Coast Forestry Project. There are no contingencies and unfulfilled conditions relating to these grants at balance date.

22. Risk identification and management

The Company has in place policies and procedures to identify areas of significant business risk, and implement procedures to effectively manage those risks. Where appropriate the Board obtains advice directly from external advisors. Once a significant business risk is identified, the Board is advised and corrective action is taken promptly to mitigate and monitor the risk.

23. Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Directory

Directors

William Stavers Busby (Chairman)	Retired 25/11/09
Christopher Mark Egan (Chairman)	Appointed 4/11/09
Peter David Andrew	
Robert David Rennie Elliott	
Donald Bruce Green	
Daniel John Griffin	Appointed 25/11/09
Graham Lewknor Johnson	Retired 25/11/09
Gary Lee Alexander	Resigned 30/10/09
Peter Stanley Reeves	Appointed 4/11/09

Registered office

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PO Box 1325
GISBORNE

Telephone 0-6-869 1234
Facsimile 0-6-867 8357

Senior management

Company Secretary – Richard Stannard – Graham & Dobson Limited

Auditor

Marcus Henry
Ernst & Young on behalf of the Office of the Auditor General

Bankers

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Gisborne Branch
PO Box 942
GISBORNE

Solicitors

Nolans
PO Box 1141
GISBORNE