

TATUA

The Tatua Co-operative Dairy Company Limited *The year in Review*

annualreport 2010

people
product
partnership
performance





2010



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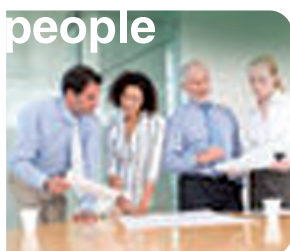
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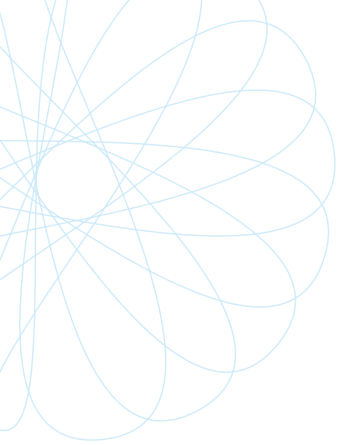
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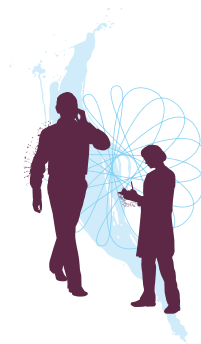
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report

from the chairman & chief executive officer



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Overview

The 2009/10 financial year was a year of two distinct halves for Tatua.

The first half of the year began with the flow on effects of the Global Financial Crisis very evident. Prices had fallen dramatically during early 2009. Tatua had to try to balance the trade off between selling commodity product into a weak market, while maintaining strong cash flow, versus building inventory in anticipation that the market would stabilise and prices would recover.

The market turned upward sharply in August and September 2009, with whole milk powder leading the market recovery. Tatua had both low inventory and a number of fixed contracts in place when the market recovered. This resulted in a lag in price recovery for our product mix, which is based around caseinate, whey protein concentrate and anhydrous milk fat.

The second half of the year was characterised by rising commodity prices and volatile exchange rates. Tatua was able to respond strongly, with our commodity product mix recovering, while a concerted effort was made to reduce costs across the organisation. We kept our specialised added value plants full and carefully managed our foreign exchange hedging activities to minimise the impact of currency volatility.

The summer and autumn were again very dry for our Supplying Shareholders, which reduced our overall milk

intake by 5.8% from the previous year.

Despite these challenges, Tatua has again delivered a creditable financial result to its Suppliers. In addition, we have implemented a number of key activities to position the Company even more strongly for the future.

Financial Results Summary

Tatua generated Group revenues of NZ\$166 million for the 12 month period to 31 July 2010. Earnings before payout and taxation were NZ\$73.2 million, which equated to 633.7 cents per kilogram of milksolids.

The Board decided on a final payout of \$6.32 per kilogram of milksolids. There were no retentions from earnings, with the Company maintaining a strong balance sheet.

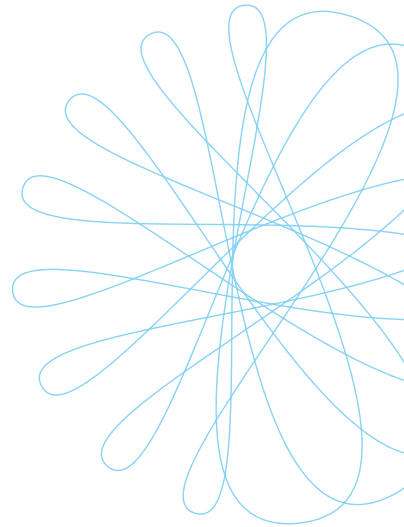
Shareholder supplied milk volumes reduced to 11.5 million kilograms of milksolids, from 12.3 million kilograms of milksolids the previous year.

Cashflow was strong and the Company's gearing ratio, (debt divided by debt plus equity) was 27% down from 30% in 2009.

In December 2009 Tatua declared a notional dividend (\$7.84 million net). This is in addition to normal payout to Suppliers. No further cash is paid and imputation credits are attached.



SB Allen | CHAIRMAN



PD McGilvary | CHIEF EXECUTIVE OFFICER

2010

International Market Overview

The recovery in demand for dairy commodities during the first half of the season was led by China, indirectly as a major force in the global economy, and directly as a significant and growing importer of whole milk powder (WMP).

Dairy supply during 2009 was a year of lower than normal growth in global milk production, as farmers responded to low farm-gate prices and high production costs. The United States reduced its milk supply early as a result of ongoing cow cull programmes and lower milk production. The United States production recovered later in the year due to improved milk yields. In Europe, very cold and wet conditions capped milk supply, while government stocks were largely committed to domestic programmes, thereby limiting their impact on global supplies.

A recovery in demand combined with a minimal milk supply response resulted in a firmer market and rising prices through 2009/10.

Strategic Progress

This year we have continued to implement the key themes of our strategic plan.

Key amongst these has been the decision to approve two major new capital projects:

1. Expansion and re-development of our Foods products processing plant; and
2. De-bottlenecking our specialised products drier.

These two projects will be undertaken over three years with the objective of increasing our ability to manufacture specialised added value products. These products are the “essence of Tatua”, with the projects assisting to underpin Tatua’s growth over the next 4 – 5 years.

Directors

During the year Mr Ross Townshend joined the Board as an appointed Director following the retirement of Mr Phillip Lough.



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Ross has substantial experience in the New Zealand dairy and related industries.

Mrs Karen Semmens and Mr Bruce Wilton retired by rotation during the year. Both members offered themselves for re-election, and were elected unopposed.

Outlook

The prospects for Tatua in 2010/11 are positive. Dairy markets remain firm, again underpinned by demand from Asia, especially China.

Milk supplies in New Zealand, Australia, the United States, Latin America and Europe are expected to continue to increase in response to historically high prices.

This may cause prices to weaken later in 2010/11, but offsetting this are high grain prices caused by earlier fires in Russia and low corn yields in the United States.

While world growth prospects remain muted, demand from Australia and Asia continues to be robust. These are Tatua's biggest markets.

On balance we see the market remaining positive for Tatua with a possible weakening bias toward the latter part of the financial year.

Acknowledgements

Any organisation is only as good as its staff.

This year we have continued to put in place a number of initiatives to grow the capability of our staff. It is only through our staff that we will succeed as a Company.

Despite the trying market conditions this year our staff have delivered a solid and creditable result for Tatua.

We thank all our staff for responding to the challenges this year.

Our Supplying Shareholders have been farming under very trying conditions. Three dry summers in a row and the flow on consequences of the Global Financial Crisis have meant that many farmers have had to re-organise their farm business and farming systems. Changes in banking policies and the uncertainties of income in a volatile market have made life on the farm difficult. In spite of this, we have maintained a very high quality milk supply and great loyalty from our Shareholders.

Most of our customers have a long-term relationship with Tatua. We thank you for your ongoing support and loyalty, and for your willingness to share in the development and success of new products and innovations.



2010

Tatua has survived and strengthened its position during some of the most challenging global economic conditions since the 1920s. We remain one hundred percent New Zealand farmer owned, and have continued to invest with confidence in the Company. We are a truly international specialist dairy company,

New Zealand owned, with a strong global customer orientation.

We look forward to continuing to work closely with you all in the year ahead.

SB Allen | CHAIRMAN

PD McGilvary | CHIEF EXECUTIVE OFFICER

New General Manager Operations

Brendhan Greaney was appointed General Manager Operations at Tatua during the year. Brendhan replaced Ewen Gardner who left Tatua in December 2009 after serving the Company for 16 years.

Brendhan comes to Tatua following a career in the dairy industry in New Zealand and overseas, including 15 years experience working for the NZDG, the Dairy Board and Fonterra in New Zealand, Asia & the Middle East.

Working at Tatua brings Brendhan home to the Waikato to be closer to family. He grew up at Waitoa and has returned from nine years off shore, most recently working as regional general manager of operations for Fonterra Brands in Singapore for the past four years. In Singapore he was responsible for manufacturing, supply chain, procurement and health and safety for the company's fast moving consumer goods business in more than eleven countries across Asia and the Middle East.

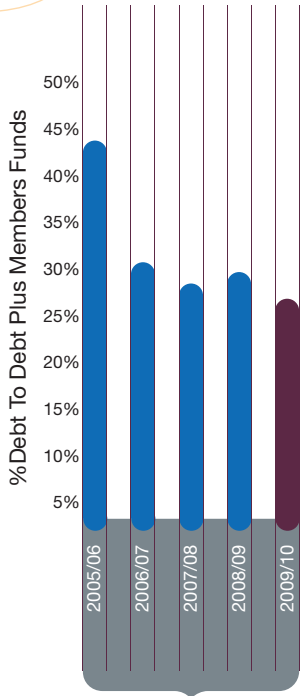
Brendhan went to school in Hamilton, and graduated from Waikato University with a Bachelor of Management Studies, majoring in Accounting and Finance. He is married to Paula and has a 3 year old son, Nicholas.

Brendhan took up the position in April and brings to Tatua proven operations management and leadership, international dairy experience and commercial ability.

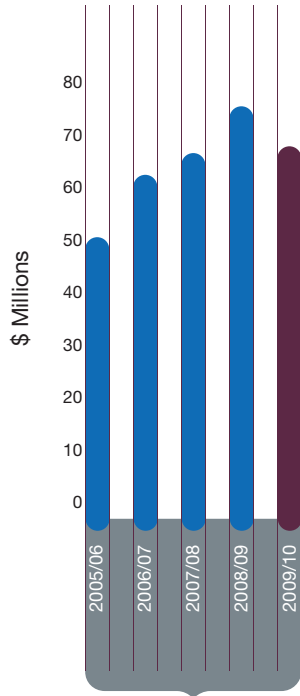


Brendhan Greaney

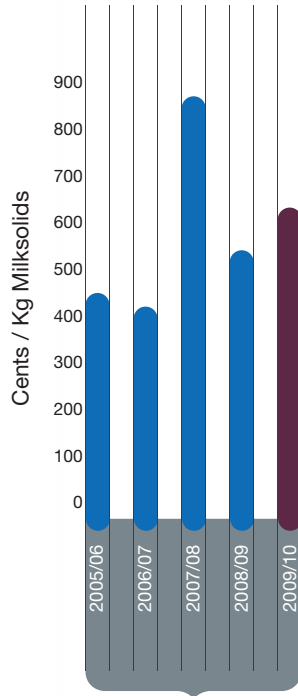
2009/2010 in review



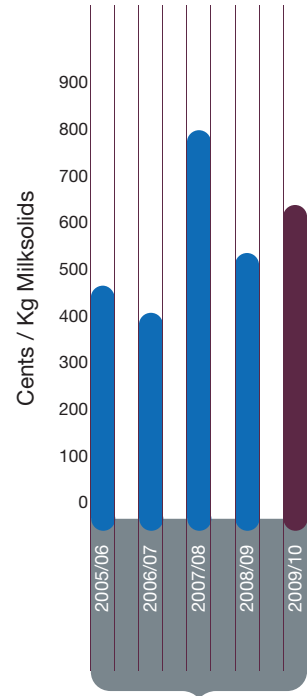
■ Gearing



■ Members Funds



■ Group Surplus Before Payout And Tax



■ Payout - Income Equivalent

key financial performance summary

		2009/10	2008/09
Milk Received from Suppliers	litres	131,090,125	137,933,597
Milk solids Received from Suppliers	kg	11,553,201	12,261,432
Group Revenue	\$	166,360,398	203,995,907
Group Surplus Before Payout & Tax	cts/kg m'solids	633.8	539.2
Group Depreciation	cts/kg m'solids	49.3	43.9
Cash Payout to Suppliers	cts/kg m'solids	632.0	538.0
Capital Expenditure (Net)	\$	4,412,135	7,133,725
Group Assets	\$	122,899,920	129,409,212
Gearing: Debt to Debt + Equity	%	27.1	29.7

statutory information

for the Year Ended 31 July 2010

Principal Activities

The principal activity of the Group is the collection of milk from suppliers and processing this milk into a diverse range of products that are sold in domestic and international markets.

Co-operative Company

The Board of Directors resolved on the 20th July 2010 that, in the opinion of the Board, the Company has been a co-operative company during the year ended 30 July 2010 because its principal activity has been processing and marketing products derived from milk supplied by its shareholders and because 100% of the voting rights in the Company are held by those shareholders.

Role Of The Board

Tatua's Board of Directors is committed to managing the Group in an ethical and professional manner, and in the best interests of the company and its shareholders.

Key responsibilities of the Board include:

- Defining the strategic direction for Tatua and establishing policies to support the effective management of the company;
- Appointing and overseeing the performance and review of the CEO;
- Setting the terms of CEO and executive management employment;
- Monitoring the financial performance of the company, and Tatua's risk management;
- Ensuring that Tatua has robust corporate governance practices; and
- Ensuring Tatua's regulatory and legislative compliance.

The Board and management are committed to continuous improvement and have embarked upon a programme to ensure that its governance practices meet best practice standards.

Framework

The Board delegates the day to day operations of the company to the CEO through a framework of formal delegations.

The company's corporate governance framework includes the company's Constitution, Charter, Terms of Reference for the Board's Committees and a range of policies including Ethics, Risk Management, Environment, Health & Safety, and policies and procedures for employees.

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Board Composition

The Board can have up to seven elected directors from Shareholders, and up to three appointed directors. Pursuant to the Constitution of the company, one third of elected directors retire by rotation each year. Mrs K Semmens and Mr B Wilton retired by rotation during the year and were reelected.

Mr RE Townshend was appointed to the board on 10 December 2009. Mr PV Lough retired on 10 December 2009.

Board Meetings Held During The Year

	Meetings Attended
SB Allen (Chairman)	7
KM Old (Deputy Chairman)	7
PV Lough	2
MJF Luxton	6
DP Muggeridge	7
PM Schuyt	7
KJ Semmens	7
RE Townshend	5
BR Wilton	7
Board Meetings Held	7

Board Committees

People and Remuneration Committee:

Membership comprises Messrs KM Old (Chairman), SB Allen, RE Townshend, BR Wilton. The function of the committee is to assist the Board to ensure that the organisation fulfils all its remuneration, performance management, legal, and organisational development needs. It also assists with senior management appointments.

Finance and Audit Committee:

Membership comprises Messrs PM Schuyt (Chairman), MJF Luxton, DP Muggeridge, KM Old, KJ Semmens. The function of the committee is to assist the Board to ensure that the organisation fulfils its audit, financial and risk management obligations and responsibilities. Approval of the annual accounts is undertaken by the full Board.



Directors Remuneration

Directors' remuneration is approved by shareholder resolution at the Annual General Meeting based upon a recommendation from the Directors' Remuneration Committee, which is comprised of non-Director shareholders. The following persons held office as Director during the year and received the following remuneration:

SB Allen	\$85,000
MJF Luxton	\$35,000
DP Muggeridge	\$35,000
KM Old	\$42,500
PM Schuyt	\$45,000
KJ Semmens	\$35,000
RE Townshend	\$24,120
BR Wilton	\$35,000
PV Lough	\$12,608
	\$349,228

Directors' Shareholdings

At 31 July 2010 Directors held the following shares in the Company:

	Beneficially Held	Non Beneficially Held	Held By Associated Persons
SB Allen	751,255	-	403,800
MJF Luxton	1,506,565	-	1,186,910
DP Muggeridge	432,250	-	-
KM Old	511,660	-	1,065,445
KJ Semmens	330,270	-	-
BR Wilton	592,345	-	-

Directors' Insurance

The Company paid insurance premiums during the year for Directors and Officers Liability Insurance as permitted by the Constitution and the Companies Act 1993. This insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or related body corporate) incurred in their capacity as Director or executive employee unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

2010

Employees' Remuneration

During the year to 31 July 2010 the following number of employees of the Group received total remuneration of at least \$100,000: Total remuneration includes salary and other benefits received in the capacity as an employee, e.g. company vehicles, insurance and superannuation.

Number of Employees

	Group	Parent
\$100,000 - \$109,999	7	7
\$110,000 - \$119,999	7	7
\$120,000 - \$129,999	6	5
\$130,000 - \$139,999	3	3
\$140,000 - \$149,999	1	1
\$150,000 - \$159,999	3	2
\$160,000 - \$169,999	4	4
\$170,000 - \$179,999	3	3
\$190,000 - \$199,999	1	1
\$210,000 - \$219,999	1	-
\$230,000 - \$239,999	1	1
\$250,000 - \$259,999	1	1
\$340,000 - \$349,999	1	1
\$360,000 - \$369,999	1	-
\$690,000 - \$699,999	1	1

Donations & Grants

Donations and grants for the year ended 31 July 2010 were less than \$1,000 (2009: less than \$1,000).

Disclosure Of Interests

Directors have declared that they are to be regarded as having an interest in any contract that may be made with entities below by virtue of their directorship or membership of those entities.

All Directors, in their capacity as Supplying Shareholders, conduct business with the Company. Directors who hold shares in the Company do so on the basis that they are Supplying Shareholders.

Director	Position	Company
SB Allen	Director	Claybrook Farms Ltd
	Director	Rangitata Plains Ltd
	Director	Rangitata Dairies Ltd
	Director	Genetic Technologies Ltd
	Director	Sarah Ethne Allen Holdings Ltd
	Director	RDGP Limited
	Director	Claybrook South Ltd
	Alternate	
	Director	Cheadle Farms Ltd
	Beneficiary	Allen Children Trust
	Trustee	Cheadle Trust
	Trustee	SB & BL Allen Family Trust
	Trustee	JES Allen Estate
	DP Mugeridge	Director
KM Old	Director	Kold Holdings Ltd
	Director	NZ Animal Evaluation Ltd
PM Schuyt	Director	Apata Ltd
	Director	Apata Suppliers Ltd
	Director	Golden Bay Fruit 2008 Ltd
	Director	Business Investments (No 9) Ltd
	Director	Dairy Investment Fund Ltd
	Director	Port Nelson Ltd
	Director	Waikatolink Limited
	Director	Landcare Research New Zealand Ltd
	Trustee	WWF NZ
	Councillor	University of Waikato
KJ Semmens	Director	Semmco Holdings Ltd
BR Wilton	Director	Brandmar Ltd

Director	Position	Company
MJF Luxton	Director	Wallace Corporation Ltd
	Director	J.D. & R.D. Wallace Ltd
	Director	Impac Services Ltd
	Director	Impac Solutions Ltd
	Director	Luxton and Co Ltd
	Director	Marire Holdings Ltd
	Director	JoRoBros Ltd
	Director	Luxlink Farms Ltd
	Director	Kaimai Cheese Company Ltd
	Director	DairyNZ Ltd
	Trustee	Luxton Family Trust
	Trustee	Massey University Foundation
	Trustee	RJ Douglas Trust
	Trustee	HD Hight Trust
	Director	Mangatea Ltd
	Director	Pukekara Ltd
	Director	Alsmere Ltd
	Director	Nakuru Ltd
	Director	Wicklow Ltd
	Director	Templeview North Ltd
	Director	Dairy Insight (PGGR Consortia) Ltd
	Director	Level 8 Ltd
	Director	BroJo Farms Ltd
Director	Landcare Research New Zealand Ltd	
Director	Te Mata Holdings 2010 Ltd	
Director	Dexcel Holdings Ltd	
RE Townshend	Director	Robert Monk Transport Ltd
	Director	Ranworth Farm Ltd
	Director	Townshend Aviation Ltd
	Director	RML Engineering Ltd
Director	Tramline Holdings Ltd	

balance sheet

as at 31 July 2010

	Note	Group		Parent	
		2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Current Assets					
Cash & Cash Equivalents	17	6,668,286	5,287,511	4,535,784	1,914,114
Derivatives	21	10,118,954	9,864,817	10,118,954	9,864,817
Receivables & Prepayments	16	30,567,473	35,265,349	15,489,132	23,892,255
Owing by Subsidiaries	26	-	-	17,755,657	6,002,012
Tax Receivable		1,125	1,062	1,125	1,062
Inventories	15	27,295,593	26,159,071	22,232,931	23,697,194
Biological Assets	12	867,477	885,870	867,477	885,870
Total Current Assets		75,518,908	77,463,680	71,001,060	66,257,324
Non Current Assets					
Property, Plant & Equipment	10	45,958,222	49,854,577	45,935,773	49,772,913
Investment Property	13	1,100,000	1,060,000	1,100,000	1,060,000
Intangible Assets	11	240,150	165,718	240,150	165,718
Deferred Tax Asset	14	-	786,620	-	438,610
Investments		82,640	78,617	1,758,681	1,754,658
Total Non Current Assets		47,381,012	51,945,532	49,034,604	53,191,899
Total Assets		122,899,920	129,409,212	120,035,664	119,449,223
Current Liabilities					
Loans & Borrowings	19	3,797,699	26,402,049	2,200,000	20,000,000
Derivatives	21	1,803,736	3,865,247	1,803,736	3,865,247
Accounts Payable & Accruals	20	9,071,297	8,137,095	7,610,705	6,920,244
Tax Payable		242,176	344,849	-	-
Finance Lease - Current	23	-	26,104	-	-
Owing to Suppliers		10,265,119	5,196,212	10,265,119	5,196,212
Owing to Subsidiaries	26	-	-	3,145,765	462,927
Total Current Liabilities		25,180,027	43,971,556	25,025,325	36,444,630
Non Current Liabilities					
Loans & Borrowings	19	27,988,497	10,550,000	27,988,497	10,550,000
Deferred Tax Liability	14	2,158,587	-	2,508,992	-
Total Non Current Liabilities		30,147,084	10,550,000	30,497,489	10,550,000
TOTAL Liabilities Excluding Co-operative Shares Classified as a Liability		55,327,111	54,521,556	55,522,814	46,994,630
PLUS Co-operative Shares		28,349,545	30,232,380	28,349,545	30,232,380
Total Liabilities		83,676,656	84,753,936	83,872,359	77,227,010
Net Assets		39,223,264	44,655,276	36,163,305	42,222,213
Equity		39,223,264	44,655,276	36,163,305	42,222,213
Memorandum Account					
Members Funds					
Co-operative shares classified as a liability	18	28,349,545	30,232,380	28,349,545	30,232,380
Retained Earnings		23,820,727	26,972,850	21,771,343	25,515,019
Reserves		15,402,537	17,682,426	14,391,962	16,707,194
Total Members Funds		67,572,809	74,887,656	64,512,850	72,454,593

For and on behalf of the Board

SB Allen Chairman of Directors
16th November 2010



KM Old Deputy Chairman
16th November 2010



The accompanying notes form part of and are to be read in conjunction with these financial statements.

statement of comprehensive income

For The Year Ended 31 July 2010

	Note	Group		Parent	
		Year Ended 31 July 2010 (\$)	Year Ended 31 July 2009 (\$)	Year Ended 31 July 2010 (\$)	Year Ended 31 July 2009 (\$)
Profit or Loss Items					
Total Operating Revenue		166,360,398	203,995,907	163,769,970	191,243,780
less Payments for Milk Supplied		(73,016,227)	(65,966,505)	(73,016,227)	(65,966,505)
less Other Cost of Sales		(81,500,740)	(90,823,860)	(82,734,693)	(82,104,902)
Gross Profit		11,843,431	47,205,542	8,019,050	43,172,373
plus Other Income	5	709,195	482,433	522,882	482,433
less Sales & Marketing Expenses		(14,201,085)	(14,782,266)	(11,235,229)	(12,081,372)
less Administration Expenses	6	(5,730,067)	(6,071,303)	(5,800,228)	(6,055,745)
Surplus/(Deficit) from Operating Activities		(7,378,526)	26,834,406	(8,493,525)	25,517,689
Finance Income	8	9,359,953	263,935	9,368,250	254,555
less Finance Expenses	8	(1,778,181)	(26,947,108)	(1,681,442)	(26,631,532)
Net Finance Income/(Expenses)		7,581,772	(26,683,173)	7,686,808	(26,376,977)
Surplus/(Deficit) before Income Tax		203,246	151,233	(806,717)	(859,288)
less Income Tax (Expense)/Benefit	9	(3,355,369)	(114,346)	(2,936,959)	254,800
Tax Paid Surplus/(Deficit)		(3,152,123)	36,887	(3,743,676)	(604,488)
Other Comprehensive Income					
Movement in Land Revaluation Reserve		(2,401,500)	(2,423,000)	(2,401,500)	(2,423,000)
Movement in Hedging Reserve		100,384	9,611,906	100,384	9,611,906
Movement in Foreign Exchange Reserve		35,343	829,231	-	-
Income Tax on Other Comprehensive Income		(14,116)	(2,901,542)	(14,116)	(2,901,542)
Other Comprehensive Income for the Period		(2,279,889)	5,116,595	(2,315,232)	4,287,364
Total Comprehensive Income/(Loss)		(5,432,012)	5,153,482	(6,058,908)	3,682,876

The accompanying notes form part of and are to be read in conjunction with these financial statements.



statement of changes in equity

For The Year Ended 31 July 2010

Group

	Translation Reserve (\$)	Hedging Reserve (\$)	Revaluation Reserve (\$)	Retained Earnings (\$)	Total Equity (\$)
Balance at 1 August 2008	146,001	(1,553,079)	13,972,909	26,935,963	39,501,794
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	829,231	-	-	-	829,231
Movement in Land Revaluation Reserve	-	-	(2,423,000)	-	(2,423,000)
Movement in Hedging Reserve	-	6,710,364	-	-	6,710,364
Total Other Comprehensive Income	829,231	6,710,364	(2,423,000)	-	5,116,595
Tax Paid Surplus/(Deficit)	-	-	-	36,887	36,887
Total Comprehensive Income	829,231	6,710,364	(2,423,000)	36,887	5,153,482
Balance at 31 July 2009	975,232	5,157,285	11,549,909	26,972,850	44,655,276
Balance at 1 August 2009	975,232	5,157,285	11,549,909	26,972,850	44,655,276
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	35,343	-	-	-	35,343
Movement in Land Revaluation Reserve	-	-	(2,401,500)	-	(2,401,500)
Movement in Hedging Reserve	-	86,268	-	-	86,268
Total Other Comprehensive Income	35,343	86,268	(2,401,500)	-	(2,279,889)
Tax Paid Surplus/(Deficit)	-	-	-	(3,152,123)	(3,152,123)
Total Comprehensive Income	35,343	86,268	(2,401,500)	(3,152,123)	(5,432,012)
Balance at 31 July 2010	1,010,575	5,243,553	9,148,409	23,820,727	39,223,264

Parent

	Translation Reserve (\$)	Hedging Reserve (\$)	Revaluation Reserve (\$)	Retained Earnings (\$)	Total Equity (\$)
Balance at 1 August 2008	-	(1,553,079)	13,972,909	26,119,507	38,539,337
Other Comprehensive Income					
Movement in Land Revaluation Reserve	-	-	(2,423,000)	-	(2,423,000)
Movement in Hedging Reserve	-	6,710,364	-	-	6,710,364
Total Other Comprehensive Income	-	6,710,364	(2,423,000)	-	4,287,364
Tax Paid Surplus/(Deficit)	-	-	-	(604,488)	(604,488)
Total Comprehensive Income	-	6,710,364	(2,423,000)	(604,488)	3,682,876
Balance at 31 July 2009	-	5,157,285	11,549,909	25,515,019	42,222,213
Balance at 1 August 2009	-	5,157,285	11,549,909	25,515,019	42,222,213
Other Comprehensive Income					
Movement in Land Revaluation Reserve	-	-	(2,401,500)	-	(2,401,500)
Movement in Hedging Reserve	-	86,268	-	-	86,268
Total Other Comprehensive Income	-	86,268	(2,401,500)	-	(2,315,232)
Tax Paid Surplus/(Deficit)	-	-	-	(3,743,676)	(3,743,676)
Total Comprehensive Income	-	86,268	(2,401,500)	(3,743,676)	(6,058,908)
Balance at 31 July 2010	-	5,243,553	9,148,409	21,771,343	36,163,305

The accompanying notes form part of and are to be read in conjunction with these financial statements.

statement of cash flows

for the Year Ended 31 July 2010

	Group		Parent		
	Note	Year Ended 31 July 2010 (\$)	Year Ended 31 July 2009 (\$)	Year Ended 31 July 2010 (\$)	Year Ended 31 July 2009 (\$)
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		178,980,217	178,127,904	168,093,710	171,236,777
Dividends Received		1,727	1,017	1,727	1,017
Interest Received		50,237	104,565	58,534	95,185
		179,032,181	178,233,486	168,153,971	171,332,979
Cash was applied to:					
Payments for Milk		(67,947,320)	(76,126,040)	(67,947,320)	(76,126,040)
Payments to Creditors & Employees		(95,926,686)	(99,740,231)	(89,240,472)	(91,020,866)
Interest Paid		(1,772,352)	(2,630,815)	(1,675,613)	(2,315,239)
Taxation Paid		(527,014)	(866,482)	(3,536)	(1,324,340)
		(166,173,372)	(179,363,568)	(158,866,941)	(170,786,485)
Net Cash Flows From Operating Activities	25	12,858,809	(1,130,082)	9,287,030	546,494
Cash Flows From Investing Activities					
Cash was applied to:					
Acquisition of Property, Plant & Equipment		(4,227,103)	(7,089,919)	(4,218,779)	(6,968,407)
Acquisition of Intangible Assets		(198,220)	(105,095)	(198,220)	(105,095)
Purchase of Share Investments		(4,023)	(20,726)	(4,023)	(1,020,726)
		(4,429,346)	(7,215,740)	(4,421,022)	(8,094,228)
Net Cash Flows From / (Applied To) Investing Activities		(4,429,346)	(7,215,740)	(4,421,022)	(8,094,228)
Cash Flows From Financing Activities					
Cash was provided from:					
Increase in Share Capital		721,468	3,492,422	721,468	3,492,422
Proceeds from Borrowings		-	5,505,613	-	5,400,000
		721,468	8,998,035	721,468	8,892,422
Cash was applied to:					
Decrease in Share Capital		(2,604,303)	(443,983)	(2,604,303)	(443,983)
Repayment of Borrowings		(5,165,853)	-	(361,503)	-
		(7,770,156)	(443,983)	(2,965,806)	(443,983)
Net Cash Flows From / (Applied To) Financing Activities		(7,048,688)	8,554,052	(2,244,338)	8,448,439
Net Increase / (Decrease) in Cash & Cash Equivalents		1,380,775	208,230	2,621,670	900,705
Add: Opening Cash & Cash Equivalents Balance		5,287,511	5,079,281	1,914,114	1,013,409
Closing Cash & Cash Equivalents Balance	17	6,668,286	5,287,511	4,535,784	1,914,114

The accompanying notes form part of and are to be read in conjunction with these financial statements.

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The Tatua Co-operative Dairy Company Limited [The year in Review](#)

1. Reporting Entity

The Tatua Co-operative Dairy Company Limited (the parent company) is a co-operative company domiciled and incorporated in New Zealand, and registered under the Co-operative Companies Act 1996 and the Companies Act 1993. At 31 July 2010 the Group consists of The Tatua Co-operative Dairy Company Ltd and its subsidiaries Tatua Japan Co. Ltd and Tatua Insurance Ltd.

The Group is a producer and marketer of dairy products with sales to both domestic and export markets.

These financial statements are for the year ended 31 July 2010.

2. Basis Of Preparation

(a) Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

These accounting policies have been applied consistently to all periods presented in these financial statements.

These financial statements were approved by the Board of Directors on 16th November 2010, and have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis except for the following:

- Biological assets are measured at fair value less point-of-sale costs
- Investment property is measured at fair value
- Derivative financial instruments are measured at fair value
- Land and improvements are valued at fair value

The methods used to measure fair values are discussed further in Note 4.

The financial statements have been prepared on a going concern basis.

(c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (NZD), which is the Company's functional currency, and rounded to the nearest dollar.

(d) Use of Estimates and Judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

[Note 4](#) Determination Of Fair Values - (C) Investment Property & (D) Derivatives

[Note 10](#) Property, Plant & Equipment - Revaluation Of Land & Improvements

[Note 14](#) Deferred Tax Assets And Liabilities - Utilisation of Tax Losses

[Note 21](#) Financial Instruments - Valuation of Derviative Financial Instruments

3. Significant Accounting Policies

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

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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(ii) Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to NZD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. 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. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the gain or loss on disposal.

(c) Financial Instruments

(i) Non-derivative Financial Instruments

Non-derivative financial instruments comprise receivables, cash and cash equivalents, owing by subsidiaries, loans and borrowings, owing to suppliers, owing to subsidiaries and accounts payable & accruals. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Receivables

Receivables are stated at their cost less impairment losses and are classified as loans and receivables.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Accounting for finance income and expense is discussed in note 3(p).

Cash and cash equivalents are classified as loans and receivables or other non-derivative financial liabilities.

Loans and Borrowings

Interest-bearing borrowings are classified as other non-derivative financial liabilities and are measured at amortised cost using the effective interest rate.

Accounts Payable & Accruals

Trade and other payables are stated at cost and are classified as other non-derivative financial liabilities.

(ii) Derivative Financial Instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and held in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss as part of finance expense/income.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss as part of finance expense/income.

Economic Hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses and separately disclosed.

(d) Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment (except land and improvements) are measured at cost less accumulated depreciation and impairment losses. Land is stated at fair value. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

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

(ii) Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain on remeasurement is recognised in other comprehensive income and held in equity, any loss is recognised in profit and loss, unless there is a credit balance existing in the revaluation surplus in respect of the land component of the property.

(iii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit and loss on a straight line basis over the estimated useful lives of the items of plant, property and equipment. Land is not depreciated.

The Group has established the following useful lives:

- Land improvements - 20 years
- Buildings - 5 to 40 years
- Plant and equipment - 3 to 10 years
- Vehicles - 5 years

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

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(e) Intangible Assets

(i) Recognition and Measurement

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

* Software - 5 years

(f) Biological Assets

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. An independent valuation is used to obtain the fair value of these assets.

(g) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss. Fair value is determined in accordance with the policy in Note 4(c).

(h) Leased Assets

Leases that the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's balance sheet.

(i) Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Milk included within inventories is valued using Tatua's payout and the purchase price of milk from other parties.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

(i) Impairment of Receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows. Since all of the receivables are current they are not discounted.

(ii) Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, biological assets, investment property 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 flows that are

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largely independent from other assets and groups. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the 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 (other than goodwill). An impairment loss is reversed only to the extent that the assets 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.

(k) Employee Benefits

(i) Defined Contribution Plans

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

(ii) Termination Benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) 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, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(n) Other Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(o) 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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(p) Finance Income and Expenses

Finance income comprises interest income on funds invested, changes in fair value of financial assets at fair value through profit or loss and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except for those that are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

(q) 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 or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(r) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, except for Accounts Receivable and Accounts Payable which are stated inclusive of GST.

(s) Co-operative Shares

Shares in the co-operative are held in proportion to the current or expected milk supply. The share standard is five 50 cent shares for every kilogram of milksolids. Shares are issued or redeemed annually to ensure compliance with the share standard. Due to their redemption nature, shares are classified as a liability in the balance sheet.

(t) New Standards and Interpretations

A number of new standards are effective for the period ended 31 July 2010, and have been applied by the Group in preparing these financial statements. Those applicable to the Group are:

(i) NZ IAS 1, Presentation of Financial Statements (revised)

This standard is effective for periods beginning on or after 1 January 2009. The revised standard has resulted in the presentation of a "Statement of Comprehensive Income", which replaces the Profit and Loss Statement. This statement presents a total of profit for the period and other comprehensive income items (i.e. non-owner changes in equity). A Statement of Changes in Equity has also been presented. Comparative information has been re-presented so that it is in conformity with the revised standard.

(ii) NZIFRS 7, Financial Instruments: Disclosures (revised)

This standard is effective for periods beginning on or after 1 January 2009. This revised standard requires additional disclosures in relation to financial instruments carried at fair value including fair value hierarchy. This standard relates to disclosures only (see Note 21 & Note 22).

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(iii) NZ IFRS 8, Operating Segments

This standard is effective for periods beginning on or after 1 January 2009. This standard sets out a new way of determining segments by focusing on information provided to the "chief operating decision maker". The standard sets out requirements for disclosures about products and services, geographical areas and major customers. The standard includes consequential amendments to NZIAS 34 Interim Financial Reporting. This standard relates to disclosures only. The Company has not applied this standard due to the fact that its shares are not traded in a public market such as the domestic stock exchange.

(iv) NZ IAS 23, Borrowing Costs (revised)

This standard supersedes NZIAS 23 Borrowing Costs and is effective for periods beginning on or after 1 January 2009. The main change from the previous version is the removal of the option to expense borrowing costs incurred in respect of "qualifying assets" for full reporting entities. This new standard will have no impact on the Group.

A number of new or revised standards are not yet effective for the period ended 31 July 2010, and have not been applied by the Group in preparing these financial statements. Those relevant to the Group are:

(i) NZ IAS 7 (Amendment) Statement of Cash Flows

Effective for periods beginning on or after 1 January 2010.

The amendment requires that only expenditure that results in a recognised asset can be classified as cash flow from investing activities.

(ii) NZ IAS 39 (Amendments) Financial instruments: Recognition and Measurement

Effective for periods beginning on or after 1 January 2010.

These amendments include clarification of the treatment of gains and losses on a cashflow hedge.

(iii) NZIFRS 9 - Financial Instruments: Classification and Measurement

Effective for periods beginning on or after 1 January 2013.

This standard simplifies how an entity should classify and measure financial assets.

(iv) NZ IAS 24 (revised) Related Party Disclosures

Effective for periods beginning on or after 1 January 2011.

The revised standard amends the definition of a related party.

The impact of these amendments on the Group's financial statements has not yet been determined.

There are a number of other standards and interpretations which are not yet effective and management consider they will have no impact on the Group.

4. Determination Of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, Plant and Equipment

The fair value of land within property, plant and equipment is based on market values determined by an independent valuer. The market value of land is the estimated amount for which land could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(b) Biological Assets

The fair value of livestock is based on the market price of livestock of similar age, breed and genetic make-up, and is determined by Allied Farmers Rural Limited.

(c) Investment Property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property every reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged

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on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

(d) Derivatives

The fair value of forward exchange contracts and options is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on independent valuations provided by the bank. The valuation is tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(e) Non derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Other Income

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Sundry Asset Sales/Gain on Disposal of Property	55,950	95,586	55,950	95,586
Rental Income From Investment Property	108,000	108,000	108,000	108,000
Rental Income from Farm Houses	12,285	10,950	12,285	10,950
Freight Costs Recharged	-	103,360	-	103,360
Insurance Claim Proceeds	256,057	66,780	256,057	66,780
Sundry Income	276,903	97,757	90,590	97,757
Total	709,195	482,433	522,882	482,433

6. Administration Expenses

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
The following items are included in administration expenses:				
Auditors Remuneration				
(RM Aitken & Associates & KPMG)				
• Audit of Financial Statements	120,200	120,807	100,000	100,000
• Tax Services	31,396	38,296	31,396	38,296
Loss on Disposal of Property, Plant & Equipment	-	49,218	-	49,218
Directors' Fees	336,620	319,585	336,620	319,585
Directors' Expenses	19,440	84,735	19,440	84,735

Tax services are in relation to the compilation of the Company's annual tax return and advice on operational tax matters.

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7. Personnel Expenses

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Wages and Salaries	17,472,520	16,056,278	16,339,805	14,957,552
Superannuation Contributions and other Employee Related Expenses	1,901,655	2,258,314	1,721,783	1,938,298
Increase in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	415,549	354,764	550,525	265,533
Total	19,789,724	18,669,356	18,612,113	17,161,383

8. Finance Income & Expense

Recognised in Profit or loss	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Interest Income	50,237	104,565	58,534	95,185
Net Foreign Exchange Gain	7,094,452	-	7,094,452	-
Net Change in Fair Value of Derivatives	2,215,264	159,370	2,215,264	159,370
Total Finance Income	9,359,953	263,935	9,368,250	254,555
Net Foreign Exchange Loss	-	(23,852,048)	-	(23,852,048)
Financial Overheads	(5,829)	(4,879)	(5,829)	(4,879)
Net Change in Fair Value of Derivatives	-	(618,736)	-	(618,736)
Interest Expense on External Borrowings	(1,772,352)	(2,471,445)	(1,675,613)	(2,155,869)
Total Finance Expenses	(1,778,181)	(26,947,108)	(1,681,442)	(26,631,532)
Net Finance Income/(Expenses)	7,581,772	(26,683,173)	7,686,808	(26,376,977)

9. Income Tax Expense

Income Tax Recognised in profit or Loss	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Current Tax Expense				
Current Period	425,167	93,702	3,473	-
Adjustment For Prior Periods	(889)	(26,374)	-	(26,374)
	424,278	67,328	3,473	(26,374)
Deferred Tax Expense				
Origination and Reversal of Temporary Differences	2,931,091	47,018	2,933,486	(228,426)
	2,931,091	47,018	2,933,486	(228,426)
Total Income Tax Expense	3,355,369	114,346	2,936,959	(254,800)

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Reconciliation of Effective Tax Rate	GROUP		GROUP	
	2010 (%)	2010 (\$)	2009 (%)	2009 (\$)
Profit for the Period		(3,152,123)		36,887
Total Income Tax Expense		3,355,369		114,346
Profit Excluding Income Tax		203,246		151,233
Income Tax Using The Group's Domestic Tax Rate	30.0	60,972	30.0	45,372
Impact of Tax Rate in Foreign Countries	48.6	98,725	48.6	73,478
Effect of Change in Tax Rate	(39.5)	(80,296)	(1.3)	(1,914)
Effect of Change in Building Depreciation Rules	1592.1	3,235,884	0.0	-
Non-deductible Expenses	18.0	36,576	1.7	2,580
Tax Credits Converted to Losses	1.3	2,685	0.1	150
Under/(over) Provided in Prior Periods	0.4	823	(3.5)	(5,320)
	1650.9	3,355,369	75.6	114,346

Reconciliation of Effective Tax Rate	GROUP		GROUP	
	2010 (%)	2010 (\$)	2009 (%)	2009 (\$)
Profit/(Loss) for the Period		(3,743,676)		(604,488)
Total Income Tax Expense		2,936,959		(254,800)
Profit/(Loss) Excluding Income Tax		(806,717)		(859,288)
Income Tax Using The Company's Domestic Tax Rate	30.0	(242,015)	30.0	(257,784)
Effect of Change in Tax Rate	10.0	(80,296)	0.2	(1,914)
Effect of Change in Building Depreciation Rules	(401.1)	3,235,884	0.0	-
Non-deductible Expenses	(2.3)	18,789	(1.2)	10,071
Tax Credits Converted to Losses	(0.3)	2,685	(0.0)	150
Under/(Over) Provided in Prior Periods	(0.2)	1,912	0.6	(5,323)
	(364.1)	2,936,959	29.7	(254,800)

In May 2010 the Government announced a reduction in the company tax rate to 28% and the removal of depreciation deductions for buildings. Both of these changes are effective from the 2011/2012 income year. In accordance with NZ IAS 12 the deferred tax liability has been restated to reflect these changes, resulting in an increase in income tax expense for the period of \$3.2 million.

Income Tax Recognised Directly In Other Comprehensive Income	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Derivatives	(14,115)	(2,901,542)	(14,115)	(2,901,542)
Total Income Tax Recognised Directly in Other Comprehensive Income	(14,115)	(2,901,542)	(14,115)	(2,901,542)
Imputation Credits	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Imputation Credits Opening Balance	3,866,342	2,534,403	3,866,342	2,534,403
New Zealand Tax Payments, Net of Refunds	-	1,331,195	-	1,331,195
Imputation Credits Attached to Dividends Received	787	744	787	744
Imputation Credits Attached to Dividends Paid	(3,861,493)	-	(3,861,493)	-
Resident Withholding Tax on Dividends Received	63	-	63	-
Imputation Credits Closing Balance	5,699	3,866,342	5,699	3,866,342

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10. Property, Plant & Equipment

GROUP	Land & Improvements (\$)	Buildings (\$)	Plant & Equipment (\$)	Vehicles (\$)	Capital Work In Progress (\$)	Total (\$)
• Cost or Deemed Cost						
Balance at 1 August 2008	18,958,455	16,812,649	80,220,968	2,862,287	1,722,322	120,576,681
Additions	28,598	271,124	2,014,880	790,659	3,881,903	6,987,164
Revaluation of Land & Improvements to Fair Value	(2,423,000)	-	-	-	-	(2,423,000)
Disposals	-	-	-	(400,815)	-	(400,815)
Effect of Movement in Exchange Rates	-	-	41,312	-	-	41,312
Balance at 31 July 2009	16,564,053	17,083,773	82,277,160	3,252,131	5,604,225	124,781,342
Balance at 1 August 2009	16,564,053	17,083,773	82,277,160	3,252,131	5,604,225	124,781,342
Additions	93	2,464,224	6,706,827	391,168	(5,150,177)	4,412,135
Revaluation of Land & Improvements to Fair Value	(2,401,500)	-	-	-	-	(2,401,500)
Disposals	-	-	(6,985)	(349,362)	-	(356,347)
Effect of Movement in Exchange Rates	-	-	(505)	-	-	(505)
Balance at 31 July 2010	14,162,646	19,547,997	88,976,497	3,293,937	454,048	126,435,125
• Depreciation and Impairment Losses						
Balance at 1 August 2008	418,848	8,564,378	59,414,852	1,325,239	-	69,723,317
Depreciation	93,444	490,293	4,260,591	535,987	-	5,380,315
Disposals	-	-	-	(143,510)	-	(143,510)
Effect of Movement in Exchange Rates	-	-	(33,357)	-	-	(33,357)
Balance at 31 July 2009	512,292	9,054,671	63,642,086	1,717,716	-	74,926,765
Balance at 1 August 2009	512,292	9,054,671	63,642,086	1,717,716	-	74,926,765
Depreciation	90,920	543,962	4,561,651	503,708	-	5,700,241
Disposals	-	-	(6,323)	(134,951)	-	(141,274)
Effect of Movement in Exchange Rates	-	-	(8,829)	-	-	(8,829)
Balance at 31 July 2010	603,212	9,598,633	68,188,585	2,086,473	-	80,476,903
• Carrying Amounts						
At 1 August 2008	18,539,607	8,248,271	20,806,116	1,537,048	1,722,322	50,853,364
At 31 July 2009	16,051,761	8,029,102	18,635,074	1,534,415	5,604,225	49,854,577
At 1 August 2009	16,051,761	8,029,102	18,635,074	1,534,415	5,604,225	49,854,577
At 31 July 2010	13,559,434	9,949,364	20,787,912	1,207,464	454,048	45,958,222

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PARENT	Land & Improvements (\$)	Buildings (\$)	Plant & Equipment (\$)	Vehicles (\$)	Capital Work In Progress (\$)	Total (\$)
• Cost or Deemed Cost						
Balance at 1 August 2008	18,958,455	16,812,649	79,776,351	2,862,287	1,722,322	120,132,064
Additions	28,598	271,124	2,152,003	790,659	3,881,903	7,124,287
Revaluation of Land & Improvements to Fair Value	(2,423,000)					(2,423,000)
Disposals				(400,815)		(400,815)
Balance at 31 July 2009	16,564,053	17,083,773	81,928,354	3,252,131	5,604,225	124,432,536
Balance at 1 August 2009	16,564,053	17,083,773	81,928,354	3,252,131	5,604,225	124,432,536
Additions	93	2,464,224	6,706,827	391,168	(5,150,177)	4,412,135
Revaluation of Land & Improvements to Fair Value	(2,401,500)					(2,401,500)
Disposals			(6,985)	(349,362)		(356,347)
Balance at 31 July 2010	14,162,646	19,547,997	88,628,196	3,293,937	454,048	126,086,824
• Depreciation and Impairment Losses						
Balance at 1 August 2008	418,848	8,564,378	59,121,360	1,325,239	-	69,429,825
Depreciation	93,444	490,293	4,253,584	535,987	-	5,373,308
Disposals				(143,510)	-	(143,510)
Balance at 31 July 2009	512,292	9,054,671	63,374,944	1,717,716	-	74,659,623
Balance at 1 August 2009	512,292	9,054,671	63,374,944	1,717,716	-	74,659,623
Depreciation	90,920	543,962	4,494,112	503,708		5,632,702
Disposals			(6,323)	(134,951)		(141,274)
Balance at 31 July 2010	603,212	9,598,633	67,862,733	2,086,473	-	80,151,051
• Carrying Amounts						
At 1 August 2008	18,539,607	8,248,271	20,654,991	1,537,048	1,722,322	50,702,239
At 31 July 2009	16,051,761	8,029,102	18,553,410	1,534,415	5,604,225	49,772,913
At 1 August 2009	16,051,761	8,029,102	18,553,410	1,534,415	5,604,225	49,772,913
At 31 July 2010	13,559,434	9,949,364	20,765,463	1,207,464	454,048	45,935,773

Revaluation of Land & Improvements

Land and improvements were revalued as at 31 July 2010 by Fergusson Williams and Associates Ltd, independent registered valuers. The valuation established a market value and was undertaken in accordance with the Property Institute of New Zealand (PINZ) International Valuation Standards. Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction.

The value of the land and improvements at cost is \$5,014,144 (2009: \$5,014,144).

Depreciation

Depreciation is recognised as part of other cost of sales in the Profit or Loss.

Capital Work in Progress

During the year ending 31 July 2010, the Group undertook numerous minor capital projects to maintain and improve the Groups infrastructure. The cost incurred of all capital works in progress up to the reporting date totalled \$454,048 (2009: \$5,604,225).

During the year ending 31 July 2010, \$5,604,225 (2009: \$1,164,389) of the previous year's capital work in progress was reclassified to various fixed asset categories.

No borrowing costs were capitalised during the year (2009: \$46,363).

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11. Intangible Assets

Cost	GROUP		PARENT	
	Software (\$)	Total (\$)	Software (\$)	Total (\$)
Balance at 1 August 2008	601,586	601,586	601,586	601,586
Additions	165,231	165,231	165,231	165,231
Balance at 31 Jul 2009	766,817	766,817	766,817	766,817
Balance at 1 August 2009	766,817	766,817	766,817	766,817
Additions	198,220	198,220	198,220	198,220
Balance at 31 July 2010	965,037	965,037	965,037	965,037
• Amortisation and Impairment Losses				
Balance at 1 August 2008	540,963	540,963	540,963	540,963
Amortisation for the Year	60,136	60,136	60,136	60,136
Balance at 31 Jul 2009	601,099	601,099	601,099	601,099
Balance at 1 August 2009	601,099	601,099	601,099	601,099
Amortisation for the Year	123,788	123,788	123,788	123,788
Balance at 31 July 2010	724,887	724,887	724,887	724,887
• Carrying Amounts				
At 1 June 2008	60,623	60,623	60,623	60,623
At 31 July 2009	165,718	165,718	165,718	165,718
At 1 August 2009	165,718	165,718	165,718	165,718
At 31 July 2010	240,150	240,150	240,150	240,150

Amortisation

The amortisation is recognised as part of administration expenses in the Profit or Loss.

12. Biological Assets

	PARENT/ GROUP (\$)
Balance at 1 June 2008	1,543,900
Increase due to acquisitions	15,750
Decrease due to sales	(33,866)
Net increase due to births/(deaths)	17,910
Change in fair value due to class movements	104,700
Change in fair value less estimated point-of-sale costs	(762,524)
Balance at 31 July 2009	885,870
Non-current	-
Current	885,870
Balance at 1 Aug 2009	885,870
Increase due to acquisitions	-
Decrease due to sales	(42,878)
Net increase due to births/(deaths)	22,255
Change in fair value due to class movements	112,522
Change in fair value less estimated point-of-sale costs	(110,292)
Balance at 31 July 2010	867,477
Non-current	-
Current	867,477

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As at 31 July 2010, livestock held comprised 751 cows, heifers and calves (2009: 774). This livestock is farmed on Tatu's dairy farm. Milk production from this farm was 176,044 kilograms milksolids (2009: 179,184).

The Group is exposed to a number of risks related to its livestock:

The Group's livestock and related milk production is exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has standard animal husbandry processes in place aimed at monitoring and mitigating those risks.

13. Investment Property

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Balance at 1 June	1,060,000	1,140,000	1,060,000	1,140,000
Change in Fair Value	40,000	(80,000)	40,000	(80,000)
Balance at 31 July	1,100,000	1,060,000	1,100,000	1,060,000

Investment property comprises land and buildings that are leased to PGG Wrightsons Ltd. The lease contains an initial non-cancellable period of 10 years. Subsequent renewals are negotiated with the lessee.

The Investment Property was independently valued on 31 July 2010 by Telfer Young (Waikato) Limited, a registered valuer. The basis of the valuation was market value, based on the property's highest and best use.

14. Deferred Tax Assets And Liabilities

Recognised Deferred Tax Assets and Liabilities - GROUP

	ASSETS		LIABILITIES		NET	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	-	1,969,401	(880,470)	-	(880,470)	1,969,401
Investment Property	-	79,654	(243,650)	-	(243,650)	79,654
Derivatives	-	-	(2,224,380)	(2,210,265)	(2,224,380)	(2,210,265)
Inventory	350,408	348,013	-	-	350,408	348,013
Provisions & Accruals	556,065	452,665	-	-	556,065	452,665
Tax Loss Carry-forwards	283,440	147,152	-	-	283,440	147,152
Tax Assets /(Liabilities)	1,189,913	2,996,885	(3,348,500)	(2,210,265)	(2,158,587)	786,620

Movement in Temporary Differences During The Year

	Balance	Recognised in	Recognised	Balance	Recognised in	Recognised	Balance
	1 August 2008	Profit or Loss	in Other	31 July 2009	Profit or Loss	in Other	31 July 2010
	(\$)	(\$)	Income (\$)	(\$)	(\$)	Income (\$)	(\$)
Deferred tax assets and liabilities are attributable to the following:							
Property, Plant and Equipment	1,915,210	54,191	-	1,969,401	(2,849,871)	-	(880,470)
Investment Property	73,654	6,000	-	79,654	(323,304)	-	(243,650)
Derivatives	691,277	-	(2,901,542)	(2,210,265)	-	(14,115)	(2,224,380)
Biological Assets	(49,194)	49,194	-	-	-	-	-
Inventory	465,443	(117,430)	-	348,013	2,395	-	350,408
Provisions & Accruals	480,780	(28,115)	-	452,665	103,400	-	556,065
Other Items	158,013	(158,013)	-	-	-	-	-
Tax Loss Carry-forwards	-	147,152	-	147,152	136,288	-	283,440
Tax Assets /(Liabilities)	3,735,183	(47,021)	(2,901,542)	786,620	(2,931,092)	(14,115)	(2,158,587)

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Recognised Deferred Tax Assets and Liabilities - PARENT

	ASSETS		LIABILITIES		NET	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	-	1,969,404	(880,467)	-	(880,467)	1,969,404
Investment Property	-	79,654	(243,650)	-	(243,650)	79,654
Derivatives	-	-	(2,224,380)	(2,210,265)	(2,224,380)	(2,210,265)
Provisions & Accruals	556,065	452,665	-	-	556,065	452,665
Tax Loss Carry-forwards	283,440	147,152	-	-	283,440	147,152
Tax Assets /(Liabilities)	839,505	2,648,875	(3,348,497)	(2,210,265)	(2,508,992)	438,610

Movement in Temporary Differences During The Year

	Balance 1 August 2008 (\$)	Recognised		Balance 31 July 2009 (\$)	Recognised		Balance 31 July 2010 (\$)
		Recognised in Profit or Loss (\$)	in Other Comprehensive Income (\$)		Recognised in Profit or Loss (\$)	in Other Comprehensive Income (\$)	
Deferred tax assets and liabilities are attributable to the following:							
Property, Plant and Equipment	1,915,210	54,194	-	1,969,404	(2,849,871)	-	(880,467)
Investment Property	73,654	6,000	-	79,654	(323,304)	-	(243,650)
Derivatives	691,277	-	(2,901,542)	(2,210,265)	-	(14,115)	(2,224,380)
Biological Assets	(49,194)	49,194	-	-	-	-	-
Provisions & Accruals	480,780	(28,115)	-	452,665	103,400	-	556,065
Tax Loss Carry-forwards	-	147,152	-	147,152	136,288	-	283,440
Tax Assets /(Liabilities)	3,111,727	228,425	(2,901,542)	438,610	(2,933,487)	(14,115)	(2,508,992)

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. Recognition of the deferred tax asset is based on the ability of the company to record taxable profits through retentions or through the reclassification of payout.

15. Inventories

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Finished Goods	20,781,563	19,115,964	15,718,901	16,654,087
Raw Materials	6,514,030	7,043,107	6,514,030	7,043,107
	27,295,593	26,159,071	22,232,931	23,697,194
Inventory valued at net realisable value included in finish goods above:	1,311,774	5,284,406	1,311,774	5,284,406

16. Receivables & Prepayments

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Trade Receivables	28,652,039	33,023,482	13,894,621	21,958,872
Prepayments and Sundries	1,915,434	2,241,867	1,594,511	1,933,383
	30,567,473	35,265,349	15,489,132	23,892,255

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GROUP Trade Receivables Denominated in Foreign Currencies

	USD (\$)	AUD (\$)	JPY (¥)	EUR (\$)
2010	7,570,872	1,619,953	836,205,344	32,850
2009	11,291,007	2,327,724	695,056,827	33,415

PARENT Trade Receivables Denominated in Foreign Currencies

	USD (\$)	AUD (\$)	JPY (¥)	EUR (\$)
2010	7,570,872	1,619,953	3,673,320	32,850
2009	11,291,007	2,327,724	3,740,000	33,415

17. Cash & Cash Equivalents

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Bank Deposits	6,668,286	5,287,511	4,542,844	1,914,114
Bank Overdrafts Used For Cash Management Purposes	-	-	(7,060)	-
Cash and Cash Equivalents in the Statement of Cash Flows	6,668,286	5,287,511	4,535,784	1,914,114

18. Members Funds

As at 31 July 2010 56,699,090 (2009: 60,464,760) fully paid shares were on issue to shareholders.

Voting Rights • Under the Company Constitution, voting may take place by show of hands, voice or poll. On a poll, one vote may be cast for every whole 1,000kg of qualifying milksolids held. No shareholder shall cast votes exceeding 5% of the total votes which could be cast if all shareholders were present and voting.

Redemption Features • Shares are redeemed at nominal value of 50 cents, or paid up value if lower. Bonus shares are subject to a loyalty clause.

Treasury Stock • As at 31 July 2010 3,765,670 shares were held as treasury stock. (2009: Nil)

Reserves:

Translation Reserve • The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging Reserve • The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Revaluation Reserve • The revaluation reserve relates to the revaluation of land and improvements.

Retained Earnings:

All retained earnings are attributable to equity holders of the Company.

19. Loans & Borrowings

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Current				
JPY Bank Loan	1,597,699	6,402,049	-	-
Bank Loan	2,200,000	20,000,000	2,200,000	20,000,000
	3,797,699	26,402,049	2,200,000	20,000,000
Non Current				
JPY Bank Loan	7,988,497	-	7,988,497	-
Bank Loan	20,000,000	10,550,000	20,000,000	10,550,000
	27,988,497	10,550,000	27,988,497	10,550,000

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2010	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current					
JPY Bank Loan	JPY	1.12%	2010	¥100,000,000	1,597,699
Bank Loan	NZD	4.700%	2010	2,200,000	2,200,000
Non Current					
JPY Bank Loan	JPY	0.95%	2012	¥500,000,000	7,988,497
Bank Loan	NZD	3.19%	2012	20,000,000	20,000,000
2009					
Current					
JPY Bank Loan	JPY	1.09%	2009	400,000,000	6,402,049
Bank Loan	NZD	3.04%	2009	20,000,000	20,000,000
Non Current					
Bank Loan	NtD	3.45%	2010	10,550,000	10,550,000

The Group's bank loans are secured by first ranking mortgages, general security deed, and interlocking guarantee from all companies within the Group. The Group's borrowings are subject to various covenants such as minimum equity, interest cover ratio and gearing ratio.

20. Accounts Payable & Accruals

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Trade Payables	3,217,277	3,651,367	2,960,700	3,646,764
Employee Entitlements	2,305,498	1,889,949	2,305,498	1,754,973
Accruals	3,548,522	2,595,779	2,344,507	1,518,507
Total	9,071,297	8,137,095	7,610,705	6,920,244

21. Financial Instruments

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

Credit Risk

The Group's exposure to Credit risk is mainly influenced by its customer base. There is no risk concentration either geographically or by sector.

Tatua has a credit policy under which each customer is assessed for credit worthiness and assigned a credit limit. Where available the Group reviews external credit reports for both country and customer risk. Credit limits are reviewed on a regular basis. The Group's credit policy requires certain risk mitigations such as insurance, letters of credit or prepayment depending on the country and/or customer.

The Group does not require collateral for trade and other receivables. However, where practicable, New Zealand based customers are registered on the Personal Property and Securities Register.

Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from financial liabilities and has credit lines in place to cover any timing differences.

Foreign Currency Risk

The Group is exposed to foreign currency risk predominantly on sales that are denominated in a currency other than the Group's functional currency. The New Zealand dollar (\$) is the presentation currency of the Group. The currencies in which transactions are primarily denominated are United States dollars, Japanese yen and Australian dollars.

The Group has a policy of maintaining a level of foreign currency hedging that allows for a degree of certainty in its future cash flows and to help protect it against sudden increases in the value of the New Zealand dollar against the United States dollar, Japanese yen and Australian dollar.

The Group uses forward exchange contracts and currency options to hedge its foreign currency exposure. All of the forward exchange contracts and options have maturities of less than two years at the balance date.

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Forecast Transactions

The Group classifies its forward exchange and option contracts, hedging forecast transactions, as cash flow hedges.

Interest Rate Risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances, bank overdraft and borrowings. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Other Market Price Risk

The entity is not exposed to substantial other market price risk arising from financial instruments.

Capital Management

The Group's members funds includes co-operative shares, reserves and retained earnings. The Group's policy is to maintain a strong members funds base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business.

The Group's objective is to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group distributes its surplus by way of payout. However, in order to retain or modify the capital structure, the Group may decide to retain profits within the business.

The Board primarily monitors capital on the basis of the gearing ratio. For the period ending 31 July 2010 the gearing ratio was 27.1% (31 July 2009: 30%). This ratio is calculated as net interest bearing debt divided by total capital. Net interest bearing debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as members funds plus net interest bearing debt. Tatua is a co-operative company, and as such, members funds change in proportion to milk supplied. Refer to Note 18. The Group is required to meet certain ratios under its bank covenants, including a requirement that Group members funds be not less than \$40,000,000 NZD, but otherwise the Group is not subject to any externally imposed capital requirements.

There have been no material changes in the Group's management of capital during the period.

Quantitative Disclosures

a. Credit Risk

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status. The Group's maximum exposure to credit risk for trade and other receivables, by geographic region, is as follows:

	GROUP Carrying Amount		PARENT Carrying Amount	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Asia/ Pacific	24,731,748	17,815,415	9,974,330	6,750,805
Americas/Europe	3,632,093	8,678,538	3,632,093	8,678,538
Other	288,198	6,529,529	288,198	6,529,529
	28,652,039	33,023,482	13,894,621	21,958,872

The status of Group trade receivables at the reporting date is as follows:

	Gross Receivable		Gross Receivable	
	2010 (\$)	Impairment 2010 (\$)	2009 (\$)	Impairment 2009 (\$)
Not past due	23,971,497	-	28,792,077	-
Past due 0-30 days	4,503,905	-	3,474,297	-
Past due 31-120 days	176,637	-	757,108	-
	28,652,039	-	33,023,482	-

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The status of Parent trade receivables at the reporting date is as follows:

	Gross Receivable 2010 (\$)	Impairment 2010 (\$)	Gross Receivable 2009 (\$)	Impairment 2009 (\$)
Not past due	9,214,079	-	17,727,467	-
Past due 0-30 days	4,503,905	-	3,474,297	-
Past due 31-120 days	176,637	-	757,108	-
	13,894,621	-	21,958,872	-

b. Liquidity Risk

The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis.

GROUP	2010 Balance Sheet (\$)	Contractual Cash Flows(\$)	Less than 6 Months (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Loans & Borrowings (note 19)	31,786,196	31,786,196	3,797,699	-	27,988,497	-
Accounts Payable & Accruals (note 20)	9,071,297	9,071,297	9,071,297	-	-	-
Owing to Suppliers	10,265,119	10,265,119	10,265,119	-	-	-
Co-operative Shares	28,349,545	28,349,545	-	28,349,545	-	-
Total non-Derivative Liabilities	79,472,157	79,472,157	23,134,115	28,349,545	27,988,497	-
	2009 Balance Sheet (\$)	Contractual Cash Flows(\$)	Less than 6 Months (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Loans & Borrowings (note 19)	36,952,049	36,952,049	26,402,049	-	10,550,000	-
Accounts Payable & Accruals (note 20)	8,137,095	8,137,095	8,137,095	-	-	-
Owing to Suppliers	5,196,212	5,196,212	5,196,212	-	-	-
Co-operative Shares	30,232,380	30,232,380	-	30,232,380	-	-
Total non-Derivative Liabilities	80,517,736	80,517,736	39,735,356	30,232,380	10,550,000	-
PARENT	2010 Balance Sheet (\$)	Contractual Cash Flows(\$)	Less than 6 Months (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Loans & Borrowings (note 19)	30,188,497	30,188,497	2,200,000	-	27,988,497	-
Accounts Payable & Accruals (note 20)	7,610,705	7,610,705	7,610,705	-	-	-
Owing to Suppliers	10,265,119	10,265,119	10,265,119	-	-	-
Owing to Subsidiaries	3,145,765	3,145,765	3,145,765	-	-	-
Co-operative Shares	28,349,545	28,349,545	-	28,349,545	-	-
Total non-Derivative Liabilities	79,559,631	79,559,631	23,221,589	28,349,545	27,988,497	-
	2009 Balance Sheet (\$)	Contractual Cash Flows(\$)	Less than 6 Months (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Loans & Borrowings (note 19)	30,550,000	30,550,000	20,000,000	-	10,550,000	-
Accounts Payable & Accruals (note 20)	6,920,244	6,920,244	6,920,244	-	-	-
Owing to Suppliers	5,196,212	5,196,212	5,196,212	-	-	-
Owing to Subsidiaries	462,927	462,927	462,927	-	-	-
Co-operative Shares	30,232,380	30,232,380	-	30,232,380	-	-
Total non-Derivative Liabilities	73,361,763	73,361,763	32,579,383	30,232,380	10,550,000	-

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c. Foreign Currency Exchange Risk

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

	2010	USD (\$)	AUD (\$)	JPY (¥)
Net Cash Flow Exposure Before Hedging				
less Foreign Exchange		65,109,223	10,032,896	3,352,671,159
(next 12 months)		55,345,550	6,800,000	2,510,000,000
Net Unhedged Exposure		9,763,673	3,232,896	842,671,159
	2009	USD (\$)	AUD (\$)	JPY (¥)
Net Cash Flow Exposure Before Hedging				
less Foreign Exchange		51,717,557	12,258,120	2,574,663,064
(next 12 months)		42,000,000	8,750,000	1,700,000,000
Net Unhedged Exposure		9,717,557	3,508,120	874,663,064

d. Interest Rate Risk - Repricing Analysis

Variable Rate Instruments (also refer to note 19)

GROUP		6 Months	6-12 Months	1-2 Years	More Than
2010	Total (\$)	or Less (\$)	(\$)	(\$)	2 Years (\$)
Cash and Cash Equivalents	6,668,286	6,668,286	-	-	-
NZD Bank Loans	(22,200,000)	(2,200,000)	-	(20,000,000)	-
JPY Bank Loans	(9,586,196)	(1,597,699)	-	(7,988,497)	-
Total	(25,117,910)	2,870,587	-	(27,988,497)	-
	2009	6 Months	6-12 Months	1-2 Years	More Than
	Total (\$)	or Less (\$)	(\$)	(\$)	2 Years (\$)
Cash and Cash Equivalents	5,287,511	5,287,511	-	-	-
NZD Bank Loans	(6,402,049)	(6,402,049)	-	-	-
JPY Bank Loans	(30,550,000)	(20,000,000)	-	(10,550,000)	-
Total	(31,664,538)	(21,114,538)	-	(10,550,000)	-
	PARENT	6 Months	6-12 Months	1-2 Years	More Than
	2010	Total (\$)	or Less (\$)	(\$)	2 Years (\$)
Cash and Cash Equivalents	4,535,784	4,535,784	-	-	-
NZD Bank Loans	(22,200,000)	(2,200,000)	-	(20,000,000)	-
JPY Bank Loans	(7,988,497)	-	-	(7,988,497)	-
Total	(25,652,713)	2,335,784	-	(27,988,497)	-
	2009	6 Months	6-12 Months	1-2 Years	More Than
	Total (\$)	or Less (\$)	(\$)	(\$)	2 Years (\$)
Cash and Cash Equivalents	1,914,114	1,914,114	-	-	-
NZD Bank Loans	(30,550,000)	(20,000,000)	-	(10,550,000)	-
Total	(28,635,886)	(18,085,886)	-	(10,550,000)	-

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e. Sensitivity Analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

Interest Rates:

At 31 July it is estimated that a general increase of one percentage point in NZ interest rates would decrease the Parents profit before income tax by approximately \$139,000 (2009: \$192,000). Interest rate swaps have been included in this calculation.

Foreign Exchange Rates:

The Group has a foreign exchange policy to mitigate the risk associated with the fluctuations in the value of the New Zealand Dollar. At 31 July it is estimated that a general increase of one cent in the NZD/USD exchange rate would decrease the Group's profit by \$781,000 (2009: \$706,000). Foreign exchange hedging has been included in this calculation.

f. Hedging

Interest Rate Hedges

The Group has a policy of monitoring interest rate movements and where appropriate taking out interest rate cover. The Group currently has a number of interest rate swaps in place.

	GROUP		PARENT	
	2010 (\$)	2009 (\$)	2010 (\$)	2009 (\$)
Interest Rate Swaps				
Notional Contract Amount	15,000,000	10,000,000	15,000,000	10,000,000
Fair Value				
Assets	-	-	-	-
Liabilities	(735,943)	(431,208)	(735,943)	(431,208)
Net Fair Value	(735,943)	(431,208)	(735,943)	(431,208)
	2010	Less than 12 Months	More than 12 Months	Total
Interest Rate Hedges		-	15,000,000	15,000,000
	2009	Less than 12 Months	More than 12 Months	Total
Interest Rate Hedges		10,000,000	-	10,000,000

Foreign Currency Hedges

The Group and Parent's foreign exchange rate contracts and options notional amounts and fair values are presented below.

2010		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts:	Buy	86,598,306	21,495,497	108,093,803
	Sell	-	-	-
Option Contracts:	Call	47,417,108	17,677,488	65,094,596
	Put	(53,834,737)	(20,245,633)	(74,080,370)
2009		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts:	Buy	77,488,984	23,584,848	101,073,832
	Sell	-	-	-
Option Contracts:	Call	25,893,012	9,465,467	35,358,479
	Put	(29,402,112)	(11,123,802)	(40,525,914)
Fair Value:		2010 (\$)	2009 (\$)	
Assets		10,118,954	9,864,817	
Liabilities		(1,803,736)	(3,434,039)	
Net Fair Value		8,315,218	6,430,778	

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Estimation of Fair Values

The methods used in determining the fair values of financial instruments are discussed in note 4. The fair values of financial assets and financial liabilities approximates or equals their carrying values.

Interest Rates Used For Determining Fair Value

The Group uses the government yield curve as of 31 July 2010 plus an appropriate credit spread to discount financial instruments. The interest rates for determining fair values are as described in note 19.

g. Fair value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

GROUP		Level 1	Level 2	Level 3	Total
2010					
Derivative Financial Assets	-	10,118,954	-	10,118,954	
	-	10,118,954	-	10,118,954	
Derivative Financial Liabilities	-	(1,803,736)	-	(1,803,736)	
	-	(1,803,736)	-	(1,803,736)	
Total	-	8,315,218	-	8,315,218	
2009					
Derivative Financial Assets	-	9,864,817	-	9,864,817	
	-	9,864,817	-	9,864,817	
Derivative Financial Liabilities	-	(3,865,247)	-	(3,865,247)	
	-	(3,865,247)	-	(3,865,247)	
Total	-	5,999,570	-	5,999,570	
PARENT					
2010					
Derivative Financial Assets	-	10,118,954	-	10,118,954	
	-	10,118,954	-	10,118,954	
Derivative Financial Liabilities	-	(1,803,736)	-	(1,803,736)	
	-	(1,803,736)	-	(1,803,736)	
Total	-	8,315,218	-	8,315,218	
2009					
Derivative Financial Assets	-	9,864,817	-	9,864,817	
	-	9,864,817	-	9,864,817	
Derivative Financial Liabilities	-	(3,865,247)	-	(3,865,247)	
	-	(3,865,247)	-	(3,865,247)	
Total	-	5,999,570	-	5,999,570	

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22. Financial Instruments Classification

GROUP 2010	Derivatives					Total Carrying Amount
	Held for Hedging	Loans & Receivables	Available For Sale	Other Amortised Cost		
In New Zealand Dollars						
Assets						
Cash & Cash Equivalents	-	6,668,286	-	-	-	6,668,286
Trade & Other Receivables	-	28,652,039	-	-	-	28,652,039
Derivative Assets	10,118,954	-	-	-	-	10,118,954
Total Current Assets	10,118,954	35,320,325	-	-	-	45,439,279
Other investments	-	-	82,640	-	-	82,640
Total Non Current Assets	-	-	82,640	-	-	82,640
Total Assets	10,118,954	35,320,325	82,640	-	-	45,521,919
Liabilities						
Trade & Other payables	-	-	-	9,071,297	-	9,071,297
Derivative Liabilities	1,803,736	-	-	-	-	1,803,736
Interest Bearing Loans & Borrowings	-	-	-	3,797,699	-	3,797,699
Due to Related Parties	-	-	-	10,265,119	-	10,265,119
Total Current Liabilities	1,803,736	-	-	23,134,115	-	24,937,851
Interest Bearing loans & Borrowings	-	-	-	27,988,497	-	27,988,497
Total Non Current Liabilities	-	-	-	27,988,497	-	27,988,497
Total Liabilities	1,803,736	-	-	51,122,612	-	52,926,348
GROUP 2009						
	Derivatives					
	Held for Hedging	Loans & Receivables	Available For Sale	Other Amortised Cost		Total Carrying Amount
In New Zealand Dollars						
Assets						
Cash & Cash Equivalents	-	5,287,511	-	-	-	5,287,511
Trade & Other Receivables	-	33,023,482	-	-	-	33,023,482
Derivative Assets	9,864,817	-	-	-	-	9,864,817
Total Current Assets	9,864,817	38,310,993	-	-	-	48,175,810
Other investments	-	-	78,617	-	-	78,617
Total Non Current Assets	-	-	78,617	-	-	78,617
Total Assets	9,864,817	38,310,993	78,617	-	-	48,254,427
Liabilities						
Trade & Other payables	-	-	-	8,137,095	-	8,137,095
Derivative Liabilities	3,865,247	-	-	-	-	3,865,247
Interest Bearing Loans & Borrowings	-	-	-	26,402,049	-	26,402,049
Due to Related Parties	-	-	-	5,196,212	-	5,196,212
Total Current Liabilities	3,865,247	-	-	39,735,356	-	43,600,603
Interest Bearing loans & Borrowings	-	-	-	10,550,000	-	10,550,000
Total Non Current Liabilities	-	-	-	10,550,000	-	10,550,000
Total Liabilities	3,865,247	-	-	50,285,356	-	54,150,603

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PARENT 2010		Derivatives	Loans &	Available For	Other	Total Carrying
In New Zealand Dollars		Held for	Receivables	Sale	Amortised Cost	Amount
		Hedging				
Assets						
Cash & Cash Equivalents	-	-	4,535,784	-	-	4,535,784
Trade & Other Receivables	-	-	13,894,621	-	-	13,894,621
Derivative Assets	10,118,954	-	-	-	-	10,118,954
Total Current Assets	10,118,954	18,430,405	-	-	-	28,549,359
Other investments	-	-	-	82,640	-	82,640
Total Non Current Assets	-	-	-	82,640	-	82,640
Total Assets	10,118,954	18,430,405	82,640	-	-	28,631,999
Liabilities						
Trade & Other payables	-	-	-	-	7,610,705	7,610,705
Derivative Liabilities	1,803,736	-	-	-	-	1,803,736
Interest Bearing Loans & Borrowings	-	-	-	-	2,200,000	2,200,000
Due to Related Parties	-	-	-	-	10,265,119	10,265,119
Total Current Liabilities	1,803,736	-	-	-	20,075,824	21,879,560
Interest Bearing loans & Borrowings	-	-	-	-	27,988,497	27,988,497
Total Non Current Liabilities	-	-	-	-	27,988,497	27,988,497
Total Liabilities	1,803,736	-	-	-	48,064,321	49,868,057
PARENT 2009						
In New Zealand Dollars		Derivatives	Loans &	Available For	Other	Total Carrying
		Held for	Receivables	Sale	Amortised Cost	Amount
		Hedging				
Assets						
Cash & Cash Equivalents	-	-	1,914,114	-	-	1,914,114
Trade & Other Receivables	-	-	21,958,872	-	-	21,958,872
Derivative Assets	9,864,817	-	-	-	-	9,864,817
Total Current Assets	9,864,817	23,872,986	-	-	-	33,737,803
Other investments	-	-	-	-	78,617	78,617
Total Non Current Assets	-	-	-	-	78,617	78,617
Total Assets	9,864,817	23,872,986	-	-	78,617	33,816,420
Liabilities						
Bank Overdraft	-	-	-	-	-	-
Trade & Other payables	-	-	-	-	6,920,244	6,920,244
Derivative Liabilities	3,865,247	-	-	-	-	3,865,247
Interest Bearing Loans & Borrowings	-	-	-	-	20,000,000	20,000,000
Due to Related Parties	-	-	-	-	5,196,212	5,196,212
Total Current Liabilities	3,865,247	-	-	-	32,116,456	35,981,703
Interest Bearing loans & Borrowings	-	-	-	-	10,550,000	10,550,000
Total Non Current Liabilities	-	-	-	-	10,550,000	10,550,000
Total Liabilities	3,865,247	-	-	-	42,666,456	46,531,703

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23. Leases

Finance Leases

[Leases As Lessee](#)

The Group leases its "office fit out" in Japan. The future minimum lease payments are as follows:

	Group	
	2010 (\$)	2009 (\$)
Less Than 1 Year	-	26,104
1 - 5 Years	-	-
More Than 5 Years	-	-
	-	26,104

Operating Leases

[Leases As Lessor](#)

The Group leases out its investment property held under an operating lease. The future minimum lease payments under non-cancellable leases are as follows:

	Group/Parent	
	2010 (\$)	2009 (\$)
Less Than 1 Year	108,000	108,000
1 - 5 Years	432,000	432,000
More Than 5 Years	-	108,000
	540,000	648,000

During the year ended 31 July 2010, \$120,285 was recognised as rental income in the income statement (2009: \$118,950). Repairs and maintenance expenses, recognised in the cost of sales, was as follows:

	GROUP		PARENT	
	Year Ended 31 July 2010	Year Ended 31 July 2009	Year Ended 31 July 2010	Year Ended 31 July 2009
Income generating property	2,593	5,710	2,593	5,710

24. Capital Commitments

During the period ended 31 July 2010, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is \$508,159 (2009: \$777,754). These commitments are expected to be settled in the following financial year.

25. Reconciliation Of Cash Flows From Operating Activities

	GROUP		PARENT	
	Year Ended 31 July 2010	Year Ended 31 July 2009	Year Ended 31 July 2010	Year Ended 31 July 2009
Profit / (Loss) For The Year	(3,152,123)	36,887	(3,743,676)	(604,488)
Adjustments For Non Cash Items:				
Depreciation	5,691,412	5,305,646	5,632,702	5,373,308
Amortisation Of Intangible Assets	123,788	60,136	123,788	60,136
Movement In Deferred Tax	2,945,207	2,948,563	2,947,602	2,673,117
Movement In Investment Property	(40,000)	80,000	(40,000)	80,000
Movement in Livestock Valuation	18,393	658,030	18,393	658,030
	5,586,677	9,089,262	4,938,809	8,240,103

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	GROUP		PARENT	
	Year Ended 31 July 2010	Year Ended 31 July 2009	Year Ended 31 July 2010	Year Ended 31 July 2009
Movements in Working Capital:				
Trade and Other Receivables	4,697,813	(3,621,212)	(3,350,585)	2,908,837
Derivatives - Assets	(254,137)	(9,335,929)	(254,137)	(9,335,929)
Derivatives - Liabilities	(2,061,511)	244,059	(2,061,511)	244,059
Inventories	(1,136,522)	6,766,643	1,464,263	3,834,790
Owing to Suppliers	5,068,907	(10,159,535)	5,068,907	(10,159,535)
Trade and Other Payables	805,425	(1,939,174)	3,373,299	(1,937,484)
	7,119,975	(18,045,148)	4,240,236	(14,445,262)
Items Classified as Investing/ Financing Activities	152,157	7,825,804	107,985	6,751,653
Net Cash Flows From/(Applied to) Operating	12,858,809	(1,130,082)	9,287,030	546,494

26. Related Party Transactions

Directors and Shareholders

Directors and Shareholders may conduct business with the Group in the normal course of their business. All of these transactions are conducted on commercial terms and conditions.

Key Management Personnel

Key management personnel compensation	GROUP		PARENT	
	Year Ended 31 July 2010	Year Ended 31 July 2009	Year Ended 31 July 2010	Year Ended 31 July 2009
Short Term Employee Benefits	1,045,865	852,252	683,506	683,196
Long Term Employee Benefits	205,263	110,526	205,263	110,526

Transactions and Balances with Key Management Personnel

Key management personnel may conduct business with the Group. All of these transactions are conducted on commercial terms and conditions.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows: Nil (2009: Nil).

Transactions and Balances with Other Related Parties

Elected directors conduct business with the Group in the normal course of their business activities. All of these transactions are conducted on normal commercial terms and conditions.

Apart from director's fees the Group has not used the services of directors. Directors fees are separately disclosed within the directors report.

Directors Farm Supply (included in Owing to Suppliers)

	Value of Transactions 09/10	Balance Outstanding 31 July 2010	Value of Transactions 08/09	Balance Outstanding 31 July 2009
Directors' Farm Supply (including Owing to Suppliers)	4,372,431	568,119	4,129,570	315,268

Transactions and Balances with Subsidiaries

Tatua and its subsidiaries, Tatua Japan and Tatua Insurance, conduct business with the Group in the normal course of their business activities. All of these transactions are conducted on normal commercial terms and conditions.

notes

to the financial statements

The Tatua Co-operative Dairy Company Limited [The year in Review](#)

PARENT	Value of Transactions 09/10	Balance Outstanding 31 July 2010	Value of Transactions 08/09	Balance Outstanding 31 July 2009
Sales by Tatua to Tatua Japan	42,638,028	-	45,368,644	-
Sales by Tatua Insurance to Tatua	534,134	-	-	-
Money owing by Tatua Japan to Tatua	-	17,755,657	-	6,002,012
Money owing by Tatua to Tatua Insurance	-	-	-	-
Money owing by Tatua to Tatua Japan	-	(3,145,765)	-	(462,927)
Money owing by Tatua to Tatua Insurance	-	-	-	-
	43,172,162	14,609,892	45,368,644	5,539,085

27. Group Entities

Subsidiaries	Incorporation	Ownership Interest	
		2010	2009
Tatua Japan Limited	Japan	100%	100%
Tatua Insurance Ltd	NZ	100%	100%

28. Subsequent Events

There were no material events subsequent to 31 July 2010 that would impact these financial statements.

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Milk Received From Suppliers

	2009/10	2008/09	2007/08	2006/07	2005/06
Litres	131,090,125	137,933,597	124,051,530	140,665,355	138,137,325
Milksolids	11,553,201	12,261,432	10,881,745	12,567,644	12,237,952

Income Equivalent Payout (Cents/kg ms)

	2009/10	2008/09	2007/08	2006/07	2005/06
Made up of:					
Cash Payout	632.0	538.0	800.0	410.0	435.0
Imputation Credits	-	-	-	-	24.1
Total Income Equivalent Payout	632.0	538.0	800.0	410.0	459.1

Summary Of Milk Payment Rates

		2009/10		2008/09	
		Cents / kg Fat	Cents / kg Protein	Cents / kg Fat	Cents / kg Protein
Advance Rate	20 July	161.0	488.0	252.0	664.0
Retrospective Increase	20 October	13.0	41.0	-	-
Retrospective Increase	20 December	27.0	81.0	-	-
Retrospective Increase	20 January	-	-	-	-
Retrospective Increase	20 February	-	-	-	-
Retrospective Increase	20 March	27.0	81.0	-	-
Retrospective Increase	20 April	22.0	65.0	-	-
Retrospective Increase	20 May	16.0	49.0	-	-
Retrospective Increase	20 June	18.0	56.0	12.0	31.0
Retrospective Increase	20 July	11.0	32.0	31.0	82.0
Retrospective Increase	20 August	10.0	33.0	12.0	31.0
Retrospective Increase	20 September	6.0	16.0	-	-
Final Payment	20 October	27.8	84.7	10.8503	28.4481
Total Payout Averaged Over All Grades		338.8069	1,026.6877	317.8503	836.4481



audit report



To the shareholders of The Tatua Co-Operative Dairy Company

We have audited the financial statements on pages 10 to 41. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 July 2010. This information is stated in accordance with the accounting policies set out on pages 15 to 21.

Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 31 July 2010 and the results of their operations and cash flows for the year ended on that date.

Auditors' Responsibilities

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

Basis of Opinion

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

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

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

Our firm has also provided other services to the company and certain of its subsidiaries in relation to taxation. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 10 to 41:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company and group as at 31 July 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 16th November 2010 and our unqualified opinion is expressed as at that date.

A handwritten signature of the KPMG firm in dark red ink.

Hamilton



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Registered Office 3434 State Highway 26, Tatuani NEW ZEALAND
Postal Address Private Bag 800, Morrinsville 3340 NEW ZEALAND
Telephone +64 7 889 3999
Facsimile +64 7 889 6492
Web Site Address www.tatua.com



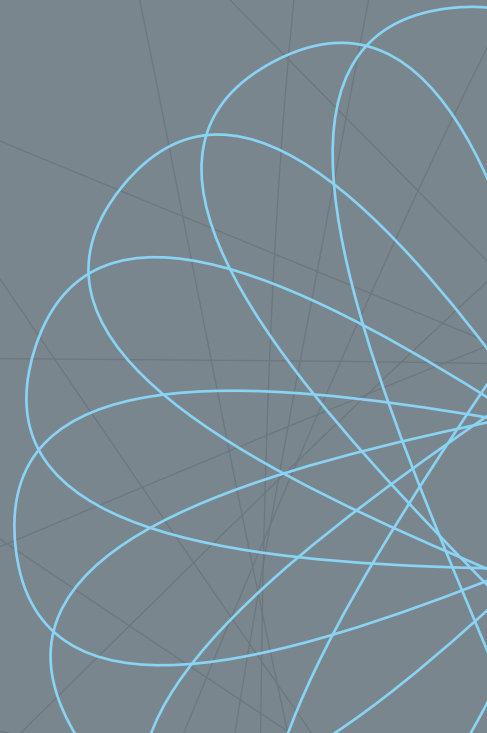
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Chairman SB Allen, B.Com., Dip.P.E.
Deputy Chairman KM Old, B.M.S., M.B.A., Ph.D (Waikato)
Directors MJF Luxton, Q.S.O., B.Agr.Sc., M.Man.
DP Muggeridge
P Schuyt, B.Com., C.A.
KJ Semmens
RE Townshend, B.Tech (Massey), AMP (Harvard)
BR Wilton, B.Agr.Sc.
Chief Executive Officer P D McGilvary, B.C.A. (Hons)
General Manager - Marketing & Sales JT Powell, B.Sc., Dip. Dairy Sci. & Tech.
General Manager - Operations BA Greaney, B.M.S
General Manager
- Finance & Corporate Administration CJ Foster, B.M.S., C.A., Grad.Dip. Treas. & Fin. Mgmt.
Company Secretary WG Callister, C.A.
Auditors KPMG (Hamilton)
Solicitors Harkness Henry & Co
Bankers Bank of New Zealand Ltd
Insurance Brokers Willis New Zealand Ltd

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