

TATUA

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

annual report 2011





2011

contents

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

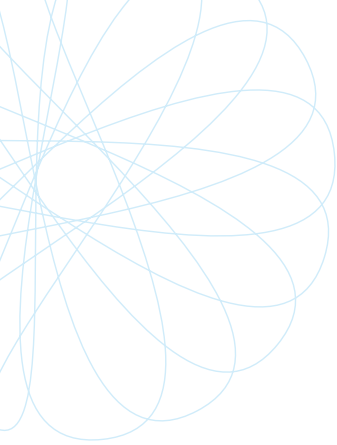
- 2-5 Report from the Chairman & Chief Executive Officer
- 6 2010/2011 in Review
- 6 Key Financial Performance Summary
- 7-9 Statutory Information

Financial Statements

- 10 Balance Sheet
- 11 Statement of Comprehensive Income
- 12 Statement of Changes in Equity
- 13 Statement of Cash Flows
- 14-41 Notes to the Financial Statements
- 42 Statistics
- 43 Audit Report

- 44 Directory





report

from the chairman & chief executive officer



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

OVERVIEW

2010/11 was a record year for Tatua.

Tatua's product mix performed strongly.

Demand for all products, both specialised added value and bulk ingredients, remained firm for the whole year.

Milk supply returned to more normal levels after the drought affected 2009/10 season, with Tatua's own supply milk reaching 136.5 million litres, 4.1% up on the previous year.

The combination of firm market conditions coupled with normal milk flows resulted in the Company achieving its highest earnings ever of NZ\$104.6 million.

Foreign exchange markets were challenging. The New Zealand Dollar (NZD) appreciated from 0.72 to the United States Dollar (USD) at the start of the year, to 0.88 by year end.

Tatua's foreign exchange hedging policies managed to achieve an overall conversion rate of 0.70, which blunted the full impact of the strong NZD.

In March 2011 our biggest market, Japan, suffered a major setback through a magnitude 9.0 earthquake and subsequent tsunami. Our staff in New Zealand and Japan responded strongly to this devastating event, working closely with our customers to minimise the impacts on their businesses. Tatua is committed to the Japanese market.

In addition to achieving a positive financial result Tatua completed two major capital projects during the year.

The first was construction and commissioning of a new foods processing plant. This new plant doubles the Company's capacity to produce specialised long life cream based products such as mascarpone, cheese sauce, whipping cream and dairy flavours.

The second project was the installation of a high speed packing line for our specialised drier. Phase two of this project will be completed in 2011/12 and involves an expansion of our capacity to process liquids prior to spray drying.

In all respects 2010/11 was a very satisfying year for Tatua. Not only has the Company delivered a record financial result, but it has continued to make strong strategic progress as well.

At the same time the Company continued to manage its balance sheet carefully to ensure we have the resilience to deal with unexpected shocks and capture opportunities as they arise.

FINANCIAL RESULTS SUMMARY

Tatua generated Group revenues of NZ\$200 million for the 12 month period to 31 July 2011. Earnings before payout and taxation were NZ\$104.6 million, which equated to 868.3 cents per kilogram of milksolids.

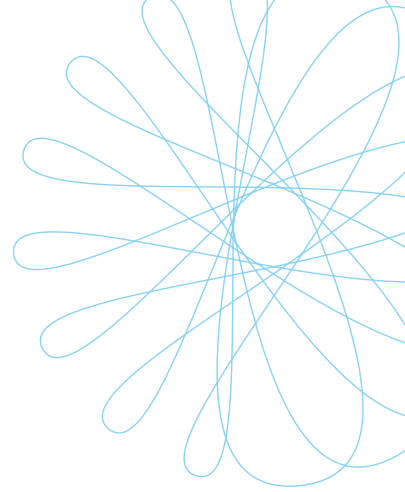


SB Allen | CHAIRMAN



PD McGilvary | CHIEF EXECUTIVE OFFICER

2011



The Board decided on a final payout of \$8.10 per kilogram of milksolids. A pre-tax retention of 58.3 cents per kilogram of milksolids was made from earnings, ensuring the maintenance of a strong balance sheet.

Cashflow was strong and the Company's gearing ratio, (debt divided by debt plus equity) was 28.5%, compared to 27.1% in 2010.

INTERNATIONAL DAIRY MARKET OVERVIEW

The international dairy market began strongly and got even stronger, before tapering away at the end of the year.

Demand, especially from China, Russia and the Middle East, was strong at the beginning of the year, helped by the relative strength of their currencies against the USD.

Fears that New Zealand might experience drought conditions after December, combined with widespread flooding in Australia, pushed the market even higher in the early part of 2011.

The market began to soften towards the end of the season.

Returns for our bulk ingredient products held up well and demand for our specialised products also remained strong throughout the year.

STRATEGIC PROGRESS

Tatua is continuing to implement the four themes of its strategic plan.

In addition to implementing the major capital projects described below, substantial progress was made on optimising our total business.

A number of performance improvement initiatives were completed in the manufacturing side of Tatua's business. These are important to ensure Tatua remains competitive with larger scale milk processing businesses while continuing to grow the margins from its specialised added value business.

During the year Tatua became the first company in New Zealand to achieve the FSSC 22000 quality assurance standard. This makes Tatua one of only 400 companies worldwide to have achieved this level of quality assurance. Achieving this standard gives Tatua's global customers confidence that products are produced in accordance with the highest international standards.

Tatua continues to work on building relationships with other dairy manufacturers to share technology and resources for mutual benefit.

DIRECTORS

Hon John Luxton and Dr Kevin Old retired by rotation during the year. Both members offered themselves for re-election, and were elected unopposed.



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

OUTLOOK

The global market for dairy is expected to be much softer in 2011/12 than it was in 2010/11.

Prices have been falling consistently on Fonterra's global dairy trade auction since June 2011.

This trend is expected to continue into the second half of 2011/12, driven by increasing milk supplies in both Europe (up 2.2%) and the USA (up 1.7%), as well as New Zealand.

New Zealand is enjoying almost perfect spring grass growing conditions, which has seen milk supply increase by between 10 – 15% over the previous year.

While there is no guarantee that climatic conditions will remain favourable for the full year it is likely the additional milk received to date will keep prices in check.

Coupled to this are growing uncertainties on the demand side with worsening debt problems in Europe and the USA likely to put a dampener on global economic growth.

With increasing supply and slowing demand, prices are likely to remain under downward pressure. Most New Zealand dairy producers, including Tatua, have lowered their payout predictions as a result.

ACKNOWLEDGEMENTS

Any organisation is only as good as the people who comprise it. Tatua is essentially a family business.

The hard work and dedication of Tatua's supplying farms and Tatua staff has achieved something special this year.

Continued support of supplying shareholders through good times and not such good times provides the confidence to continue to make investments for the long term success of Tatua.

Milk quality in the 2010/11 season continued the same high standards of the previous year. The hard work and effort by supplying farms that goes into getting this result is appreciated.

Staff have delivered a great outcome for Tatua while coping with major plant expansions and the ever greater business complexities. For all your efforts we thank you. The efforts of all staff and the support of their families is gratefully acknowledged.

Finally, no acknowledgement would be complete without recognising Tatua's customers. No customers, no business. It's that simple. Tatua has some wonderful customer relationships, many built over an extended period of time.

TATUA

Thank you to all customers for your continuing support. Through the support of its supplying shareholders, staff and customers Tatua has developed into a complete and vibrant business in the 10 years since the New Zealand dairy industry was deregulated. Despite the turmoil in the world Tatua is confident that the next ten years will be even more successful.

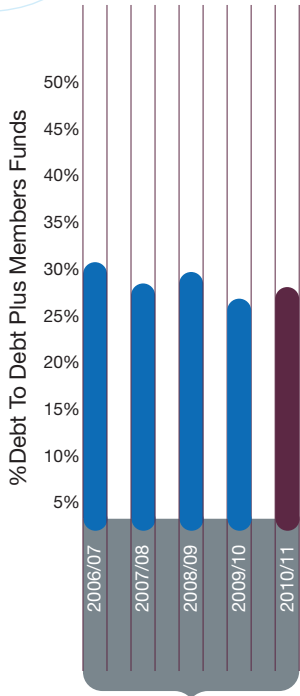
SB Allen | CHAIRMAN *S. B. Allen*
PD McGilvary | CHIEF EXECUTIVE OFFICER *[Signature]*

MAJOR CAPITAL PROJECTS

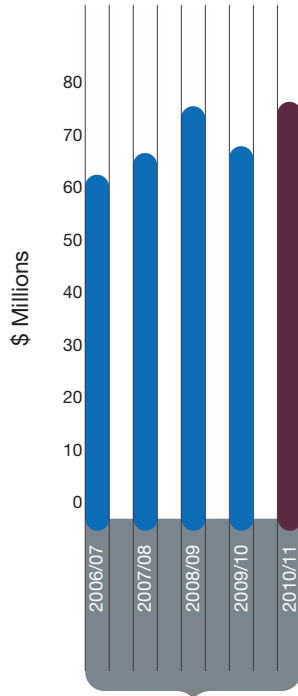
Tatua made a substantial investment in new facilities and plant during the year. The Company completed the first phase of a major capital expansion, which will increase both production capacity and capability for the foods and specialised powder operations. The investment is a strong endorsement of the future prospects for Tatua by both the Board and Shareholders



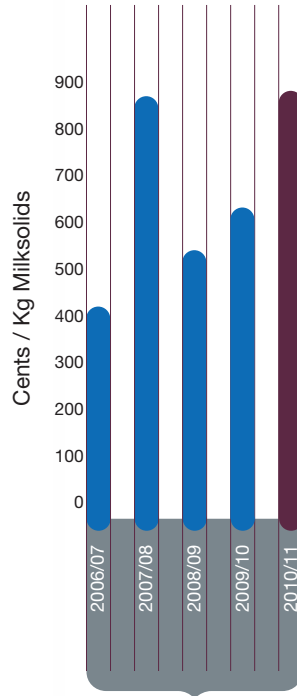
2010/2011 in review



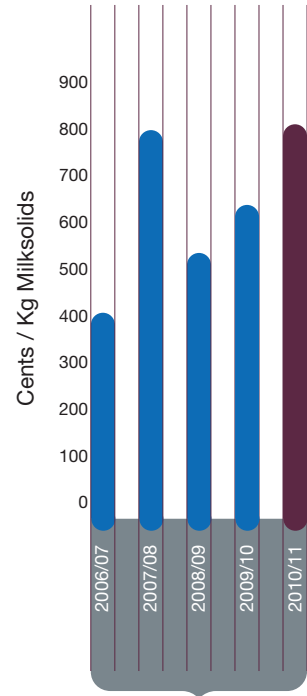
■ Gearing



■ Members Funds



■ Group Surplus Before Payout And Tax



■ Payout - Income Equivalent

key financial performance summary

		2010/11	2009/10
Milk Received from Suppliers	litres	136,455,945	131,090,125
Milk solids Received from Suppliers	kg	12,041,622	11,553,201
Group Revenue	\$	199,841,076	166,360,398
Group Surplus Before Payout & Tax	cts/kg m'solids	868.3	633.8
Group Depreciation	cts/kg m'solids	50.2	49.3
Cash Payout to Suppliers	cts/kg m'solids	810.0	632.0
Capital Expenditure (Net)	\$	18,651,919	7,133,725
Group Assets	\$	141,782,049	122,899,920
Gearing: Debt to Debt + Equity	%	28.5	27.1

statutory information

for the Year Ended 31 July 2011

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 19th July 2011 that, in the opinion of the Board, the Company has been a co-operative company during the year ended 30 July 2011 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 reviewing the performance 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 achieving governance practices which meet best practice.

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.

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

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.

Dr KM Old and Mr J Luxton retired by rotation during the year and were re-elected.

Board Meetings Held During The Year

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

Board Committees

People and Remuneration Committee:

Membership comprises Dr KM Old (Chairman), Messrs SB Allen, RE Townshend, BR Wilton. The function of the committee is to assist the Board to ensure that the organisation fulfils its remuneration, performance management 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, Dr KM Old, and Mrs KJ Semmens. The function of the committee is to assist the Board to ensure that the organisation fulfils its audit, legal, financial and risk management obligations and responsibilities. Approval of the annual accounts is undertaken by the full Board.

Farm Advisory Committee:

Membership comprises Messrs DP Muggeridge (Chairman), SB Allen and BR Wilton. The function of the committee is to assist the Board to ensure that the Company fulfils its governance and related responsibilities in regard to company owned land used for dairy farming purposes.



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	\$35,000
BR Wilton	\$35,000
	\$347,500

In December 2010, Messers PM Schuyt & RE Townshend received an additional \$2,100 each for duties in accordance with Section 161 of the Companies Act.

Directors' Shareholdings

At 31 July 2011 Directors held the following shares in the Company:

	Beneficially Held	Non Beneficially Held	Held By Associated Persons
SB Allen	727,615	-	407,415
MJF Luxton	1,883,875	-	986,375
DP Muggeridge	483,415	-	-
KM Old	604,555	-	1,354,440
KJ Semmens	321,435	-	-
BR Wilton	588,280	-	-

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.

Employees' Remuneration

During the year to 31 July 2011 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	13	12
\$110,000 - \$119,999	6	6
\$120,000 - \$129,999	3	3
\$130,000 - \$139,999	7	6
\$140,000 - \$149,999	4	4
\$150,000 - \$159,999	3	3
\$160,000 - \$169,999	2	1
\$170,000 - \$179,999	3	3
\$180,000 - \$189,999	3	2
\$200,000 - \$209,999	1	1
\$220,000 - \$229,999	1	-
\$260,000 - \$269,999	2	2
\$330,000 - \$339,999	1	1
\$370,000 - \$379,999	1	-
\$620,000 - \$629,999	1	1

Donations & Grants

Donations and grants for the year ended 31 July 2011 were \$9,200 (2010: 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	Claybrook No 7 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
	Director	Phillip Yates Securities Ltd
	Alternate Director	Cheadle Farms Ltd
	Beneficiary	Allen Children Trust
	Trustee	Cheadle Trust
	Trustee	SB & BL Allen Family Trust
	Trustee	JES Allen Estate
	Trustee	David Johnstone Charitable Trust
	Trustee	Sarah Ethne Allen Trust
	DP Muggeridge KM Old	Director
Director		Kold Holdings Ltd
Director		NZ Animal Evaluation Ltd
PM Schuyt	Director	Apata Limited
	Director	Golden Bay Fruit 2008 Ltd
	Director	Dairy Investment Fund Ltd
	Director	Port Nelson Ltd
	Director	Sirtrack Ltd
	Director	Landcare Research New Zealand Ltd
	Trustee	WWF NZ
RE Townshend	Councillor	University of Waikato
	CEO	CHH (HBU) Ltd
	Director	Robert Monk Transport Ltd
	Director	Ranworth Farm Ltd
	Director	Townshend Aviation Ltd
	Director	RML Holdings Ltd
	Director	Tramline Holdings Ltd
	Director	Waikato Link Ltd
	Director	Zygem Corporation Ltd
	Director	11 Ants Analytical Ltd
	Trustee	RE & PD Townshend Foundation Trust
	Trustee	Dassler Boswell Trusts

Director	Position	Company
MJF Luxton	Chairman	DairyNZ Ltd
	Co-Chairman	Waikato River Authority
	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	Landcare Research New Zealand Ltd
	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	Dexcel Holdings Ltd
	Director	Royal New Zealand Ballet Company
	Trustee	Luxton Family Trust
	Trustee	Massey University Foundation
	Trustee	RJ Douglas Trust
	Trustee	Morrinsville Wallace Art Gallery
Member	Constitutional Advisory Panel	
Member	NZTE Global Agribusiness Project Advisory Group	
Member	Ahuwhenua Trust Management Group	
KJ Semmens	Director	Semmco Holdings Ltd
	Trustee	Karena-K Trust
	Trustee	Terrene Trust
BR Wilton	Trustee	Victerr Trust
	Director	Brandmar Ltd

balance sheet

as at 31 July 2011

	Note	Group		Parent	
		2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Current Assets					
Cash & Cash Equivalents	17	3,318,128	6,668,286	548,098	4,535,784
Derivatives	21	17,136,177	10,118,954	17,136,177	10,118,954
Receivables & Prepayments	16	30,593,977	30,567,473	15,277,581	15,489,132
Owing by Subsidiaries	26	-	-	14,039,941	17,755,657
Tax Receivable		188,157	1,125	-	1,125
Inventories	15	32,903,758	27,295,593	27,011,201	22,232,931
Biological Assets	12	936,089	867,477	936,089	867,477
Total Current Assets		85,076,286	75,518,908	74,949,087	71,001,060
Non Current Assets					
Property, Plant & Equipment	10	55,282,865	45,958,222	55,237,856	45,935,773
Investment Property	13	1,130,000	1,100,000	1,130,000	1,100,000
Intangible Assets	11	213,529	240,150	213,529	240,150
Investments		79,369	82,640	1,755,410	1,758,681
Total Non Current Assets		56,705,763	47,381,012	58,336,795	49,034,604
Total Assets		141,782,049	122,899,920	133,285,882	120,035,664
Current Liabilities					
Loans & Borrowings	19	13,373,927	3,797,699	8,932,114	2,200,000
Derivatives	21	2,009,429	1,803,736	2,009,429	1,803,736
Accounts Payable & Accruals	20	8,965,932	9,071,297	7,707,279	7,610,705
Tax Payable		1,194,430	242,176	1,170,337	-
Owing to Suppliers		17,128,132	10,265,119	17,128,132	10,265,119
Owing to Subsidiaries	26	-	-	131,713	3,145,765
Total Current Liabilities		42,671,850	25,180,027	37,079,004	25,025,325
Non Current Liabilities					
Loans & Borrowings	19	20,000,000	27,988,497	20,000,000	27,988,497
Deferred Tax Liability	14	3,671,868	2,158,587	3,866,476	2,508,992
Total Non Current Liabilities		23,671,868	30,147,084	23,866,476	30,497,489
TOTAL Liabilities Excluding Co-operative Shares Classified as a Liability		66,343,718	55,327,111	60,945,480	55,522,814
PLUS Co-operative Shares		29,747,718	28,349,545	29,747,718	28,349,545
Total Liabilities		96,091,436	83,676,656	90,693,198	83,872,359
Net Assets		45,690,613	39,223,264	42,592,684	36,163,305
Equity		45,690,613	39,223,264	42,592,684	36,163,305
Memorandum Account					
Members Funds					
Co-operative shares classified as a liability	18	29,747,718	28,349,545	29,747,718	28,349,545
Retained Earnings		28,804,288	23,820,727	26,377,398	21,771,343
Reserves		16,886,325	15,402,537	16,215,286	14,391,962
Total Members Funds		75,438,331	67,572,809	72,340,402	64,512,850

For and on behalf of the Board

SB Allen Chairman of Directors
31st October 2011



KM Old Deputy Chairman
31st October 2011



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 2011

	Note	Group		Parent	
		Year Ended 31 July 2011 (\$)	Year Ended 31 July 2010 (\$)	Year Ended 31 July 2011 (\$)	Year Ended 31 July 2010 (\$)
Profit or Loss Items					
Total Operating Revenue		199,841,076	166,360,398	194,177,633	163,769,970
less Payments for Milk Supplied		(97,537,138)	(73,016,227)	(97,537,138)	(73,016,227)
less Other Cost of Sales		(85,549,830)	(81,500,740)	(83,394,440)	(82,734,693)
Gross Profit		16,754,108	11,843,431	13,246,055	8,019,050
plus Other Income	5	615,903	709,195	400,039	522,882
less Sales & Marketing Expenses		(14,650,809)	(14,201,085)	(11,669,165)	(11,235,229)
less Administration Expenses	6	(5,728,112)	(5,730,067)	(5,756,271)	(5,800,228)
Surplus/(Deficit) from Operating Activities		(3,008,910)	(7,378,526)	(3,779,342)	(8,493,525)
Finance Income	8	12,053,154	9,359,953	12,028,657	9,368,250
less Finance Expenses	8	(2,019,046)	(1,778,181)	(1,799,551)	(1,681,442)
Net Finance Income/(Expenses)		10,034,108	7,581,772	10,229,106	7,686,808
Surplus/(Deficit) before Income Tax		7,025,198	203,246	6,449,764	(806,717)
less Income Tax (Expense)/Benefit	9	(2,041,637)	(3,355,369)	(1,843,709)	(2,936,959)
Tax Paid Surplus/(Deficit)		4,983,561	(3,152,123)	4,606,055	(3,743,676)
Other Comprehensive Income					
Movement in Land Revaluation Reserve		(3,020,000)	(2,401,500)	(3,020,000)	(2,401,500)
Movement in Hedging Reserve		6,541,617	100,384	6,541,617	100,384
Movement in Foreign Exchange Reserve		(339,536)	35,343	-	-
Income Tax on Other Comprehensive Income		(1,698,293)	(14,116)	(1,698,293)	(14,116)
Other Comprehensive Income for the Period		1,483,788	(2,279,889)	1,823,324	(2,315,232)
Total Comprehensive Income/(Loss)		6,467,349	(5,432,012)	6,429,379	(6,058,908)

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 2011

Group

	Translation Reserve (\$)	Hedging Reserve (\$)	Revaluation Reserve (\$)	Retained Earnings (\$)	Total Equity (\$)
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
Balance at 1 August 2010	1,010,575	5,243,553	9,148,409	23,820,727	39,223,264
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	(339,536)	-	-	-	(339,536)
Movement in Land Revaluation Reserve	-	-	(3,020,000)	-	(3,020,000)
Movement in Hedging Reserve	-	4,843,324	-	-	4,843,324
Total Other Comprehensive Income	(339,536)	4,843,324	(3,020,000)	-	1,483,788
Tax Paid Surplus/(Deficit)	-	-	-	4,983,561	4,983,561
Total Comprehensive Income	(339,536)	4,843,324	(3,020,000)	4,983,561	6,467,349
Balance at 31 July 2011	671,039	10,086,877	6,128,409	28,804,288	45,690,613

Parent

	Translation Reserve (\$)	Hedging Reserve (\$)	Revaluation Reserve (\$)	Retained Earnings (\$)	Total Equity (\$)
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
Balance at 1 August 2010	-	5,243,553	9,148,409	21,771,343	36,163,305
Other Comprehensive Income					
Movement in Land Revaluation Reserve	-	-	(3,020,000)	-	(3,020,000)
Movement in Hedging Reserve	-	4,843,324	-	-	4,843,324
Total Other Comprehensive Income	-	4,843,324	(3,020,000)	-	1,823,324
Tax Paid Surplus/(Deficit)	-	-	-	4,606,055	4,606,055
Total Comprehensive Income	-	4,843,324	(3,020,000)	4,606,055	6,429,379
Balance at 31 July 2011	-	10,086,877	6,128,409	26,377,398	42,592,684

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 2011

	Group		Parent		
	Note	Year Ended 31 July 2011 (\$)	Year Ended 31 July 2010 (\$)	Year Ended 31 July 2011 (\$)	Year Ended 31 July 2010 (\$)
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		211,657,830	178,980,217	209,804,283	168,093,710
Dividends Received		1,047	1,727	1,047	1,727
Interest Received		140,859	50,237	116,362	58,534
		211,799,736	179,032,181	209,921,692	168,153,971
Cash was applied to:					
Payments for Milk		(90,674,125)	(67,947,320)	(90,674,125)	(67,947,320)
Payments to Creditors & Employees		(105,576,915)	(95,926,686)	(102,170,221)	(89,240,472)
Interest Paid		(2,014,088)	(1,772,352)	(1,794,593)	(1,675,613)
Taxation Paid		(1,461,427)	(527,014)	(1,013,056)	(3,536)
		(199,726,555)	(166,173,372)	(195,651,995)	(158,866,941)
Net Cash Flows From Operating Activities	25	12,073,181	12,858,809	14,269,697	9,287,030
Cash Flows From Investing Activities					
Cash was applied to:					
Acquisition of Property, Plant & Equipment		(18,285,549)	(4,227,103)	(18,275,479)	(4,218,779)
Acquisition of Intangible Assets		(126,965)	(198,220)	(126,965)	(198,220)
Purchase of Share Investments		3,271	(4,023)	3,271	(4,023)
		(18,409,243)	(4,429,346)	(18,399,173)	(4,421,022)
Net Cash Flows From / (Applied To) Investing Activities		(18,409,243)	(4,429,346)	(18,399,173)	(4,421,022)
Cash Flows From Financing Activities					
Cash was provided from:					
Increase in Share Capital		2,074,465	721,468	2,074,465	721,468
Proceeds from Borrowings		1,587,731	-	-	-
		3,662,196	721,468	2,074,465	721,468
Cash was applied to:					
Decrease in Share Capital		(676,292)	(2,604,303)	(676,292)	(2,604,303)
Repayment of Borrowings		-	(5,165,853)	(1,256,383)	(361,503)
		(676,292)	(7,770,156)	(1,932,675)	(2,965,806)
Net Cash Flows From / (Applied To) Financing Activities		2,985,904	(7,048,688)	141,790	(2,244,338)
Net Increase / (Decrease) in Cash & Cash Equivalents		(3,350,158)	1,380,775	(3,987,686)	2,621,670
Add: Opening Cash & Cash Equivalents Balance		6,668,286	5,287,511	4,535,784	1,914,114
Closing Cash & Cash Equivalents Balance	17	3,318,128	6,668,286	548,098	4,535,784

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

notes

to the financial statements

Note	Page
1. Reporting Entity	15
2. Basis Of Preparation	15
3. Significant Accounting Policies	15
4. Determination Of Fair Values	21
5. Other Income	22
6. Administration Expenses	22
7. Personnel Expenses	23
8. Finance Income And Expense	23
9. Income Tax Expense	23
10. Property, Plant & Equipment	25
11. Intangible Assets	27
12. Biological Assets	27
13. Investment Property	28
14. Deferred Tax Assets And Liabilities	28
15. Inventories	29
16. Receivables & Prepayments	29
17. Cash & Cash Equivalents	30
18. Members Funds	30
19. Loans & Borrowings	30
20. Accounts Payable & Accruals	31
21. Financial Instruments	31
22. Financial Instruments Classification	37
23. Leases	39
24. Capital Commitments	39
25. Reconciliation Of Cash Flows From Operating Activities	39
26. Related Party Transactions	40
27. Group Entities	41
28. Subsequent Events	41

notes

to the financial statements

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 2011 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 2011.

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 31 October 2011, 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 Derivative 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.

(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.

notes

to the 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.

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 following page).

notes

to the financial statements

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

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.

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. 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 specific parcel of land.

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.

(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.

notes

to the financial statements

(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 at the price determined under the Dairy Industry Restructuring Act (DIRA).

(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 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.

notes

to the financial statements

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

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.

(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.

notes

to the financial statements

(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 2011, and have been applied by the Group in preparing these financial statements. Those applicable to the Group are:

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

The amendment requires that only expenditure that results in a recognised asset can be classified as cash flow from investing activities. The revised standard has no impact on the Group.

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

This revised standard is 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.

A number of new or revised standards are not yet effective for the period ended 31 July 2011, and have not been applied by the Group in preparing these financial statements. Those relevant to the Group are:

(i) NZ IFRS 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.

(ii) 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.

(iii) NZ IAS 12 Deferred Tax: Recovery of Underlying Assets

Effective for periods beginning on or after 1 January 2012.

The amendments introduce an exception to the general measurements requirements of NZIAS 12 in respect of investment properties measured at fair value.

(iv) NZ IAS 1 Presentation of Items of Other Comprehensive Income

Effective for periods beginning on or after 1 July 2012.

The amendments require an entity to present separately items of other comprehensive income that would be reclassified to profit and loss if certain conditions are met from those that would never be reclassified to profit and loss.

notes

to the financial statements

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

- (v) NZ IFRS 10 Consolidated Financial Statements
Effective for periods beginning on or after 1 January 2013.
The amendments introduce a new approach to determining which investees should be consolidated.
- (vi) NZ IFRS 12 Disclosure of Interests in Other Entities
Effective for periods beginning on or after 1 January 2013.
The amendments introduces new disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.
- (vii) NZ IFRS 13 Fair Value Measurement
Effective for periods beginning on or after 1 January 2013.
NZ IFRS 13 replaces the fair value measurement guidance contained in individual NZ IFRSs with a single source of fair value measurement guidance.

The amendments introduce a new approach to determining which investees should be consolidated.

- (viii) NZ IAS 27 (2011) Separate Financial Statements
Effective for periods beginning on or after 1 January 2013.
This standard supersedes NZ IAS 27 (2008).
- (ix) FRS-44, New Zealand Additional
This standard prescribes the New Zealand specific disclosures which are required in addition to those required under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs). FRS-44 contains the New Zealand specific disclosure requirements which have been relocated from existing NZ IFRSs and have been retained because they are considered important in the New Zealand environment. FRS-44 is effective for all annual reporting periods beginning on or after 1 July 2011, early adoption is permitted. If early adopted, an entity must also adopt the relevant requirements of Amendments to New Zealand equivalents to International Financial Reporting Standards and Australian Accounting Standards (Harmonisation Amendments) for the same period.

Harmonisation Amendments: Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards.

This document sets out amendments to NZ IFRS as a result of proposals to harmonise New Zealand and Australian financial reporting standards. The aim of the harmonisation is to eliminate the differences between accounting standards in Australia and New Zealand and create more comparability in financial reporting between the countries. As a result a number of NZ specific amendments have been removed or amended and are summarised below. These amendments are effective for all annual reporting periods beginning on or after 1 July 2011, early adoption is permitted. If early adopted, an entity must also adopt the relevant requirements of FRS-44, New Zealand Additional Disclosures for the same period.

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.

notes

to the financial statements

(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 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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Sundry Asset Sales/Gain on Disposal of Property, Plant & Equipment	107,477	55,950	107,477	55,950
Rental Income From Investment Property	108,000	108,000	108,000	108,000
Rental Income from Farm Houses	12,011	12,285	12,011	12,285
Insurance Claim Proceeds	-	256,057	-	256,057
Sundry Income	388,415	276,903	172,551	90,590
Total	615,903	709,195	400,039	522,882

6. Administration Expenses

	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
The following items are included in administration expenses:				
Auditors Remuneration (KPMG)				
• Audit of Financial Statements	124,500	120,200	104,500	100,000
• Tax Services	59,107	31,396	46,312	31,396
Loss on Disposal of Property, Plant & Equipment	-	-	-	-
Directors' Fees	351,700	336,620	351,700	336,620
Directors' Expenses	53,224	19,440	53,224	19,440

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

notes

to the financial statements

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

7. Personnel Expenses

	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Wages and Salaries	18,221,736	17,472,520	16,828,380	16,339,805
Superannuation Contributions and Other Employee Related Expenses	2,205,502	1,901,655	1,914,274	1,721,783
Increase in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	497,879	415,549	497,879	550,525
Total	20,925,117	19,789,724	19,240,533	18,612,113

8. Finance Income & Expense

	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Recognised in Profit or loss				
Interest Income	140,859	50,237	116,362	58,534
Net Foreign Exchange Gain	11,642,382	7,094,452	11,642,382	7,094,452
Net Change in Fair Value of Derivatives	269,913	2,215,264	269,913	2,215,264
Total Finance Income	12,053,154	9,359,953	12,028,657	9,368,250
Financial Overheads	(4,958)	(5,829)	(4,958)	(5,829)
Interest Expense on External Borrowings	(2,014,088)	(1,772,352)	(1,794,593)	(1,675,613)
Total Finance Expenses	(2,019,046)	(1,778,181)	(1,799,551)	(1,681,442)
Net Finance Income/(Expenses)	10,034,108	7,581,772	10,229,106	7,686,808

9. Income Tax Expense

	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Income Tax Recognised in profit or Loss				
Current Tax Expense				
Current Period	2,233,326	425,167	2,184,518	3,473
Adjustment For Prior Periods	(6,677)	(889)	-	-
	2,226,649	424,278	2,184,518	3,473
Deferred Tax Expense				
Origination and Reversal of Temporary Differences	(185,012)	2,931,091	(340,809)	2,933,486
	(185,012)	2,931,091	(340,809)	2,933,486
Total Income Tax Expense	2,041,637	3,355,369	1,843,709	2,936,959

notes

to the financial statements

Reconciliation of Effective Tax Rate	GROUP		GROUP	
	2011 (%)	2011 (\$)	2010 (%)	2010 (\$)
Profit for the Period		4,983,561		(3,152,123)
Total Income Tax Expense		2,041,637		3,355,369
Profit Excluding Income Tax		7,025,198		203,246
Income Tax Using The Group's				
Domestic Tax Rate	30.0%	2,107,638	30.0%	60,972
Impact of Tax Rate in Foreign Countries	0.1%	6,112	48.6%	98,725
Effect of Change in Tax Rate	1.4%	98,217	(39.5%)	(80,296)
Effect of Change in Building Depreciation Rules	(2.7%)	(191,418)	1592.1%	3,235,884
Non-deductible Expenses	0.3%	21,038	18.0%	36,576
Tax Credits Converted to Losses	(0.0%)	(314)	1.3%	2,685
Under/(over) Provided in Prior Periods	0.0%	364	0.4%	823
	29.1%	2,041,637	1650.9%	3,355,369
Reconciliation of Effective Tax Rate				
	PARENT		PARENT	
	2011 (%)	2011 (\$)	2010 (%)	2010 (\$)
Profit/(Loss) for the Period		4,606,055		(3,743,676)
Total Income Tax Expense		1,843,709		2,936,959
Profit/(Loss) Excluding Income Tax		6,449,764		(806,717)
Income Tax Using The Company's				
Domestic Tax Rate	30.0%	1,934,930	30.0%	(242,015)
Effect of Change in Tax Rate	1.3%	84,310	10.0%	(80,296)
Effect of Change in Building Depreciation Rules	(3.0%)	(191,418)	(401.1%)	3,235,884
Non-deductible Expenses	0.1%	9,240	(2.3%)	18,789
Tax Credits Converted to Losses	(0.0%)	(314)	(0.3%)	2,685
Loss Offset with Group Companies	0.1%	6,597	0.0%	-
Under/(over) Provided in Prior Periods	0.0%	364	(0.2%)	1,912
	28.6%	1,843,709	(364.1%)	2,936,959

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.

Income Tax Recognised Directly In Other Comprehensive Income	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Derivatives	(1,698,293)	(14,115)	(1,698,293)	(14,115)
Total Income Tax Recognised Directly in Other Comprehensive Income	(1,698,293)	(14,115)	(1,698,293)	(14,115)
Imputation Credits				
	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Imputation Credits Opening Balance	5,699	3,866,342	5,699	3,866,342
New Zealand Tax Payments, Net of Refunds	500,000	-	500,000	-
Imputation Credits Attached to				
Dividends Received	439	787	439	787
Imputation Credits Attached to Dividends Paid	-	(3,861,493)	-	(3,861,493)
Resident Withholding Tax on				
Dividends Received	44	63	44	63
Imputation Credits Closing Balance	506,182	5,699	506,182	5,699

notes

to the financial statements

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

10. Property, Plant & Equipment

GROUP	Land & Improvements (\$)	Buildings (\$)	Plant & Equipment (\$)	Vehicles (\$)	Capital Work In Progress (\$)	Total (\$)
• Cost or Deemed Cost						
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
Balance at 1 August 2010	14,162,646	19,547,997	88,976,497	3,293,937	454,048	126,435,125
Additions	7,100	27,320	663,663	395,278	17,558,558	18,651,919
Revaluation of Land & Improvements to Fair Value	(3,020,000)	-	-	-	-	(3,020,000)
Disposals	-	-	(62,351)	(345,728)	-	(408,079)
Effect of Movement in Exchange Rates	-	-	-	-	-	-
Balance at 31 July 2011	11,149,746	19,575,317	89,577,809	3,343,487	18,012,606	141,658,965
• Depreciation and Impairment Losses						
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
Balance at 1 August 2010	603,212	9,598,633	68,188,585	2,086,473	-	80,476,903
Depreciation	85,380	473,652	5,024,918	457,468	-	6,041,418
Disposals	-	-	(8,774)	(133,447)	-	(142,221)
Effect of Movement in Exchange Rates	-	-	-	-	-	-
Balance at 31 July 2011	688,592	10,072,285	73,204,729	2,410,494	-	86,376,100
• Carrying Amounts						
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
At 1 August 2010	13,559,434	9,949,364	20,787,912	1,207,464	454,048	45,958,222
At 31 July 2011	10,461,154	9,503,032	16,373,080	932,993	18,012,606	55,282,865

notes

to the financial statements

PARENT	Land & Improvements (\$)	Buildings (\$)	Plant & Equipment (\$)	Vehicles (\$)	Capital Work In Progress (\$)	Total (\$)
• Cost or Deemed Cost						
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
Balance at 1 August 2010	14,162,646	19,547,997	88,628,196	3,293,937	454,048	126,086,824
Additions	7,100	27,320	623,846	395,278	17,558,558	18,612,102
Revaluation of Land & Improvements to Fair Value	(3,020,000)					(3,020,000)
Disposals			(62,351)	(345,728)		(408,079)
Balance at 31 July 2011	11,149,746	19,575,317	89,189,691	3,343,487	18,012,606	141,270,847
• Depreciation and Impairment Losses						
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
Balance at 1 August 2010	603,212	9,598,633	67,862,733	2,086,473	-	80,151,051
Depreciation	85,380	473,652	5,007,661	457,468		6,024,161
Disposals			(8,774)	(133,447)		(142,221)
Balance at 31 July 2011	688,592	10,072,285	72,861,620	2,410,494	-	86,032,991
• Carrying Amounts						
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
At 1 August 2010	13,559,434	9,949,364	20,765,463	1,207,464	454,048	45,935,773
At 31 July 2011	10,461,154	9,503,032	16,328,071	932,993	18,012,606	55,237,856

Revaluation of Land & Improvements

Land and improvements were revalued as at 31 July 2011 by Fergusson Williams and Associates Ltd, independent registered valuers, resulting in a downwards revaluation of \$3,020,000 (2010: \$2,401,500). 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 (2010: \$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 2011, the Group undertook numerous capital projects to maintain and improve the Groups infrastructure. The cost incurred of all capital works in progress up to the reporting date totalled \$18,012,606 (2010: \$454,048).

During the year ending 31 July 2011, \$454,048 (2010: \$5,604,225) of the previous year's capital work in progress was reclassified to various fixed asset categories.

Borrowing costs of \$326,653 (2010: Nil) were capitalised during the year.

notes

to the financial statements

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

11. Intangible Assets

Cost	GROUP		PARENT	
	Software (\$)	Total (\$)	Software (\$)	Total (\$)
Balance at 1 August 2009	766,817	766,817	766,817	766,817
Additions	198,220	198,220	198,220	198,220
Disposals	-	-	-	-
Balance at 31 Jul 2010	965,037	965,037	965,037	965,037
Balance at 1 August 2010	965,037	965,037	965,037	965,037
Additions	126,965	126,965	126,965	126,965
Disposals	-	-	-	-
Balance at 31 Jul 2011	1,092,002	1,092,002	1,092,002	1,092,002
• Amortisation and Impairment Losses				
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
Disposals	-	-	-	-
Balance at 31 Jul 2010	724,887	724,887	724,887	724,887
Balance at 1 August 2010	724,887	724,887	724,887	724,887
Amortisation for the Year	153,586	153,586	153,586	153,586
Disposals	-	-	-	-
Balance at 31 Jul 2011	878,473	878,473	878,473	878,473
• Carrying Amounts				
At 1 August 2009	165,718	165,718	165,718	165,718
At 31 July 2010	240,150	240,150	240,150	240,150
At 1 August 2010	240,150	240,150	240,150	240,150
At 31 July 2011	213,529	213,529	213,529	213,529

Amortisation

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

12. Biological Assets

	PARENT/GROUP (\$)
Balance at 1 August 2009	885,870
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
	867,477
Balance at 1 August 2010	867,477
Decrease due to sales	(154,344)
Net increase due to births/(deaths)	17,519
Change in fair value due to class movements	112,602
Change in fair value less estimated point-of-sale costs	92,835
Balance at 31 July 2011	936,089
Non-current	-
Current	936,089
	936,089

notes

to the financial statements

As at 31 July 2011, livestock held comprised 719 cows, heifers and calves (2010: 751). This livestock is farmed on Tatu's dairy farm. Milk production from this farm was 151,089 kilograms milksolids (2010: 176,044).

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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Balance at 1 August	1,100,000	1,060,000	1,100,000	1,060,000
Change in Fair Value	30,000	40,000	30,000	40,000
Balance at 31 July	1,130,000	1,100,000	1,130,000	1,100,000

Investment property comprises the AgCentral 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 2011 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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	-	-	(486,479)	(880,470)	(486,479)	(880,470)
Investment Property	-	-	(81,015)	(243,650)	(81,015)	(243,650)
Derivatives	-	-	(3,922,673)	(2,224,380)	(3,922,673)	(2,224,380)
Inventory	194,690	350,408	-	-	194,690	350,408
Provisions & Accruals	623,609	556,065	-	-	623,609	556,065
Tax Loss Carry-forwards	-	283,440	-	-	-	283,440
Tax Assets /(Liabilities)	818,299	1,189,913	(4,490,167)	(3,348,500)	(3,671,868)	(2,158,587)

Movement in Temporary Differences During The Year	Recognised			Recognised			
	Balance 1 August 2009	Recognised in Profit or Loss	in Other Comprehensive Income (\$)	Balance 31 July 2010	Recognised in Profit or Loss	in Other Comprehensive Income (\$)	Balance 31 July 2011
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)

Deferred tax assets and liabilities are attributable to the following:

Property, Plant and Equipment	1,969,401	(2,849,871)	-	(880,470)	393,991	-	(486,479)
Investment Property	79,654	(323,304)	-	(243,650)	162,635	-	(81,015)
Derivatives	(2,210,265)	-	(14,115)	(2,224,380)	-	(1,698,293)	(3,922,673)
Biological Assets	-	-	-	-	-	-	-
Inventory	348,013	2,395	-	350,408	(155,718)	-	194,690
Provisions & Accruals	452,665	103,400	-	556,065	67,544	-	623,609
Other Items	-	-	-	-	-	-	-
Tax Loss Carry-forwards	147,152	136,288	-	283,440	(283,440)	-	-
Tax Assets/(Liabilities)	786,620	(2,931,092)	(14,115)	(2,158,587)	185,012	(1,698,293)	(3,671,868)

notes

to the financial statements

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

Recognised Deferred Tax Assets and Liabilities - PARENT	ASSETS		LIABILITIES		NET	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	-	-	(486,398)	(880,467)	(486,398)	(880,467)
Investment Property	-	-	(81,014)	(243,650)	(81,014)	(243,650)
Derivatives	-	-	(3,922,674)	(2,224,380)	(3,922,674)	(2,224,380)
Provisions & Accruals	623,610	556,065	-	-	623,610	556,065
Tax Loss Carry-forwards	-	283,440	-	-	-	283,440
Tax Assets/(Liabilities)	623,610	839,505	(4,490,086)	(3,348,497)	(3,866,476)	(2,508,992)

Movement in Temporary Differences During The Year	Balance 1 August 2009	Recognised in Profit or Loss	Recognised in Other Comprehensive Income (\$)	Balance 31 July 2010	Recognised in Profit or Loss	Recognised in Other Comprehensive Income (\$)	Balance 31 July 2011

Deferred tax assets and liabilities are attributable to the following:

Property, Plant and Equipment	1,969,404	(2,849,871)	-	(880,467)	394,069	-	(486,398)
Investment Property	79,654	(323,304)	-	(243,650)	162,636	-	(81,014)
Derivatives	(2,210,265)	-	(14,115)	(2,224,380)	(1)	(1,698,293)	(3,922,674)
Biological Assets	-	-	-	-	-	-	-
Provisions & Accruals	452,665	103,400	-	556,065	67,545	-	623,610
Tax Loss Carry-forwards	147,152	136,288	-	283,440	(283,440)	-	-
Tax Assets/(Liabilities)	438,610	(2,933,487)	(14,115)	(2,508,992)	340,809	(1,698,293)	(3,866,476)

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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Finished Goods	26,923,190	20,781,563	21,030,633	15,718,901
Raw Materials	5,980,568	6,514,030	5,980,568	6,514,030
	32,903,758	27,295,593	27,011,201	22,232,931
Inventory valued at net realisable value included in finished goods above:	561,446	1,311,774	561,446	1,311,774

16. Receivables & Prepayments

	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Trade Receivables	28,322,146	28,652,039	13,432,019	13,894,621
Prepayments and Sundries	2,271,831	1,915,434	1,845,562	1,594,511
	30,593,977	30,567,473	15,277,581	15,489,132

notes

to the financial statements

GROUP Trade Receivables Denominated in Foreign Currencies

	USD (\$)	AUD (\$)	JPY (¥)	EUR (\$)
2011	7,835,226	1,991,101	1,017,221,825	21,422
2010	7,570,872	1,619,953	836,205,344	32,850

PARENT Trade Receivables Denominated in Foreign Currencies

	USD (\$)	AUD (\$)	JPY (¥)	EUR (\$)
2011	7,835,226	1,991,101	6,434,720	21,422
2010	7,570,872	1,619,953	3,673,320	32,850

17. Cash & Cash Equivalents

	GROUP		PARENT	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Bank Deposits	3,318,128	6,668,286	548,098	4,542,844
Bank Overdrafts Used for Cash Management Purposes	-	-	-	(7,060)
Cash and Cash Equivalents in the Statement of Cash Flows	3,318,128	6,668,286	548,098	4,535,784

18. Members Funds

As at 31 July 2011 59,495,435 (2010: 56,699,090) 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 2011 no shares were held as treasury stock. (2010: 3,765,670)

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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Current				
JPY Bank Loan	9,623,927	1,597,699	5,182,114	-
Bank Loan	3,750,000	2,200,000	3,750,000	2,200,000
	13,373,927	3,797,699	8,932,114	2,200,000
Non Current				
JPY Bank Loan	-	7,988,497	-	7,988,497
Bank Loan	20,000,000	20,000,000	20,000,000	20,000,000
	20,000,000	27,988,497	20,000,000	27,988,497
Total	33,373,927	31,786,196	28,932,114	30,188,497

notes

to the financial statements

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

2011	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current					
JPY Bank Loan	JPY	1.08%	2012	¥650,000,000	\$9,623,927
Bank Loan	NZD	4.20%	2012	\$3,750,000	\$3,750,000
Non Current					
Bank Loan	NZD	3.56%	2013	\$20,000,000	\$20,000,000
2010					
Current					
JPY Bank Loan	JPY	1.12%	2010	¥100,000,000	\$1,597,699
Bank Loan	NZD	4.70%	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

The Group's bank loans are secured by first mortgages, preferred security interest in all present and after acquired property, and an interlocking guarantee from 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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Trade Payables	3,397,483	3,217,277	3,397,483	2,960,700
Employee Entitlements	2,803,377	2,305,498	2,803,377	2,305,498
Accruals	2,765,072	3,548,522	1,506,419	2,344,507
	8,965,932	9,071,297	7,707,279	7,610,705

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, purchase money security interests over 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.

notes

to the financial statements

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 2011 the gearing ratio was 28% (2010: 27%). 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 \$60,000,000 NZD (2010: \$40,000,000), 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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Asia/ Pacific	23,507,742	24,731,748	8,617,615	9,974,330
Americas/Europe	4,608,520	3,632,093	4,608,520	3,632,093
Other	205,884	288,198	205,884	288,198
	28,322,146	28,652,039	13,432,019	13,894,621

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

	Gross Receivable		Gross Receivable	
	2011 (\$)	Impairment 2011 (\$)	2010 (\$)	Impairment 2010 (\$)
Not past due	26,290,413	-	23,971,497	-
Past due 0-30 days	1,851,490	-	4,503,905	-
Past due 31-120 days	180,243	-	176,637	-
	28,322,146	-	28,652,039	-

notes

to the financial statements

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

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

	Gross Receivable 2011 (\$)	Impairment 2011 (\$)	Gross Receivable 2010 (\$)	Impairment 2010 (\$)
Not past due	11,400,286	-	9,214,079	-
Past due 0-30 days	1,851,490	-	4,503,905	-
Past due 31-120 days	180,243	-	176,637	-
	13,432,019	-	13,894,621	-

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	2011 Balance Sheet (\$)	Contractual Cash Flows(\$)	Less than 6 Months (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Loans & Borrowings (note 19)	33,373,927	33,373,927	13,373,927	-	-	20,000,000
Accounts Payable & Accruals (note 20)	8,965,932	8,965,932	8,965,932	-	-	-
Owing to Suppliers	17,128,132	17,128,132	17,128,132	-	-	-
Co-operative Shares	29,747,718	29,747,718	-	29,747,718	-	-
Total non-Derivative Liabilities	89,215,709	89,215,709	39,467,991	29,747,718	-	20,000,000

	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	-

PARENT	2011 Balance Sheet (\$)	Contractual Cash Flows(\$)	Less than 6 Months (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Loans & Borrowings (note 19)	28,932,114	28,932,114	8,932,114	-	-	20,000,000
Accounts Payable & Accruals (note 20)	7,707,279	7,707,279	7,707,279	-	-	-
Owing to Suppliers	17,128,132	17,128,132	17,128,132	-	-	-
Owing to Subsidiaries	131,713	131,713	131,713	-	-	-
Co-operative Shares	29,747,718	29,747,718	-	29,747,718	-	-
Total non-Derivative Liabilities	83,646,956	83,646,956	33,899,238	29,747,718	-	20,000,000

	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	-

notes

to the financial statements

c. Foreign Currency Exchange Risk

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

2011	USD (\$)	AUD (\$)	JPY (¥)
Net Cash Flow Exposure Before Hedging	91,582,000	12,081,000	3,219,142,000
less Foreign Exchange Contracts and Options (next 12 months)	66,868,000	800,000	2,650,000,000
Net Unhedged Exposure	24,714,000	11,281,000	569,142,000

2010	USD (\$)	AUD (\$)	JPY (¥)
Net Cash Flow Exposure Before Hedging	65,109,000	10,033,000	3,352,671,000
less Foreign Exchange Contracts and Options (next 12 months)	55,345,000	6,800,000	2,510,000,000
Net Unhedged Exposure	9,764,000	3,233,000	842,671,000

d. Interest Rate Risk - Repricing Analysis

Variable Rate Instruments (also refer to note 19)

GROUP 2011	Total (\$)	6 Months or Less (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Cash and Cash Equivalents	3,318,128	3,318,128	-	-	-
NZD Bank Loans	(23,750,000)	(3,750,000)	-	-	(20,000,000)
JPY Bank Loans	(9,623,927)	(9,623,927)	-	-	-
Total	(30,055,799)	(10,055,799)	-	-	(20,000,000)

2010	Total (\$)	6 Months or Less (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 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)	-

PARENT 2011	Total (\$)	6 Months or Less (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 2 Years (\$)
Cash and Cash Equivalents	548,098	548,098	-	-	-
NZD Bank Loans	(23,750,000)	(3,750,000)	-	-	(20,000,000)
JPY Bank Loans	(5,182,114)	(5,182,114)	-	-	-
Total	(28,384,016)	(8,384,016)	-	-	(20,000,000)

2010	Total (\$)	6 Months or Less (\$)	6-12 Months (\$)	1-2 Years (\$)	More Than 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)	-

notes

to the financial statements

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

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 Parent's profit before income tax by approximately \$47,000 (2010: \$139,000). 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 \$405,000 (2010: \$781,000). 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	
	2011 (\$)	2010 (\$)	2011 (\$)	2010 (\$)
Interest Rate Swaps				
Notional Contract Amount	22,000,000	15,000,000	22,000,000	15,000,000
Fair Value				
Assets	-	-	-	-
Liabilities	(812,448)	(735,943)	(812,448)	(735,943)
Net Fair Value	(812,448)	(735,943)	(812,448)	(735,943)
	2011	Less than 12 Months	More than 12 Months	Total
Interest Rate Hedges		-	22,000,000	22,000,000
	2010	Less than 12 Months	More than 12 Months	Total
Interest Rate Hedges		-	15,000,000	15,000,000

Foreign Currency Hedges

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

2011		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts:	Buy	62,289,089	24,460,913	86,750,002
	Sell	2,628,754	-	2,628,754
Option Contracts:	Call	71,912,841	12,857,666	84,770,507
	Put	(80,287,751)	(14,459,248)	(94,746,999)
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)
Fair Value:		2011 (\$)	2010 (\$)	
Assets		17,136,177	10,118,954	
Liabilities		(1,196,981)	(1,067,793)	
Net Fair Value		15,939,196	9,051,161	

notes

to the financial statements

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 2011 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 Hierachy

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
2011				
Derivative Financial Assets	-	17,136,177	-	17,136,177
	-	17,136,177	-	17,136,177
Derivative Financial Liabilities	-	(2,009,429)	-	(2,009,429)
	-	(2,009,429)	-	(2,009,429)
Total	-	15,126,748	-	15,126,748
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
PARENT				
2011				
Derivative Financial Assets	-	17,136,177	-	17,136,177
	-	17,136,177	-	17,136,177
Derivative Financial Liabilities	-	(2,009,429)	-	(2,009,429)
	-	(2,009,429)	-	(2,009,429)
Total	-	15,126,748	-	15,126,748
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

notes

to the financial statements

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

22. Financial Instruments Classification

GROUP 2011	Derivatives Held for Hedging	Loans & Receivables	Available For Sale	Other Amortised Cost	Total Carrying Amount
In New Zealand Dollars					
Assets					
Cash & Cash Equivalents	-	3,318,128	-	-	3,318,128
Trade & Other Receivables	-	28,322,146	-	-	28,322,146
Derivative Assets	17,136,177	-	-	-	17,136,177
Total Current Assets	17,136,177	31,640,274	-	-	48,776,451
Other investments	-	-	79,369	-	79,369
Total Non Current Assets	-	-	79,369	-	79,369
Total Assets	17,136,177	31,640,274	79,369	-	48,855,820
Liabilities					
Trade & Other payables	-	-	-	8,965,932	8,965,932
Derivative Liabilities	2,009,429	-	-	-	2,009,429
Interest Bearing Loans & Borrowings	-	-	-	13,373,927	13,373,927
Due to Related Parties	-	-	-	17,128,132	17,128,132
Total Current Liabilities	2,009,429	-	-	39,467,991	41,477,420
Interest Bearing loans & Borrowings	-	-	-	20,000,000	20,000,000
Total Non Current Liabilities	-	-	-	20,000,000	20,000,000
Total Liabilities	2,009,429	-	-	59,467,991	61,477,420
GROUP 2010					
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

notes

to the financial statements

PARENT 2011	Derivatives Held for Hedging	Loans & Receivables	Available For Sale	Other Amortised Cost	Total Carrying Amount
In New Zealand Dollars					
Assets					
Cash & Cash Equivalents	-	548,098	-	-	548,098
Trade & Other Receivables	-	13,432,019	-	-	13,432,019
Owing by Subsidiaries	-	14,039,941	-	-	14,039,941
Derivative Assets	17,136,177	-	-	-	17,136,177
Total Current Assets	17,136,177	28,020,058	-	-	45,156,235
Other investments	-	-	79,369	-	79,369
Total Non Current Assets	-	-	79,369	-	79,369
Total Assets	17,136,177	28,020,058	79,369	-	45,235,604
Liabilities					
Trade & Other payables	-	-	-	7,707,279	7,707,279
Owing by Subsidiaries	-	-	-	131,713	131,713
Derivative Liabilities	2,009,429	-	-	-	2,009,429
Interest Bearing Loans & Borrowings	-	-	-	8,932,114	8,932,114
Due to Related Parties	-	-	-	17,128,132	17,128,132
Total Current Liabilities	2,009,429	-	-	33,899,235	35,908,667
Interest Bearing loans & Borrowings	-	-	-	20,000,000	20,000,000
Total Non Current Liabilities	-	-	-	20,000,000	20,000,000
Total Liabilities	2,009,429	-	-	53,899,238	55,908,667
PARENT 2010					
In New Zealand Dollars					
Assets					
Cash & Cash Equivalents	-	4,535,784	-	-	4,535,784
Trade & Other Receivables	-	13,894,621	-	-	13,894,621
Owing by Subsidiaries	-	17,755,657	-	-	17,755,657
Derivative Assets	10,118,954	-	-	-	10,118,954
Total Current Assets	10,118,954	36,186,062	-	-	46,305,016
Other investments	-	-	82,640	-	82,640
Total Non Current Assets	-	-	82,640	-	82,640
Total Assets	10,118,954	36,186,062	82,640	-	46,387,656
Liabilities					
Trade & Other payables	-	-	-	7,610,705	7,610,705
Owing by Subsidiaries	-	-	-	3,145,765	3,145,765
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	-	-	23,221,589	25,025,325
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	-	-	51,210,086	53,013,822

notes

to the financial statements

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

23. Leases

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	
	2011 (\$)	2010 (\$)
Less Than 1 Year	108,000	108,000
1 - 5 Years	324,000	432,000
More Than 5 Years	-	-
	432,000	540,000

During the year ended 31 July 2011, \$120,011 was recognised as rental income in the income statement (2010: \$120,285). Repairs and maintenance expenses, recognised in the cost of sales, was as follows:

	GROUP		PARENT	
	Year Ended 31 July 2011	Year Ended 31 July 2010	Year Ended 31 July 2011	Year Ended 31 July 2010
Income generating property	19,428	2,593	19,428	2,593

24. Capital Commitments

During the period ended 31 July 2011, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is \$2,030,902 (2010: \$508,159). 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 2011	Year Ended 31 July 2010	Year Ended 31 July 2011	Year Ended 31 July 2010
Profit / (Loss) For The Year	4,983,561	(3,152,123)	4,606,055	(3,743,676)
Adjustments For Non Cash Items:				
Depreciation	6,041,418	5,691,412	6,024,161	5,632,702
Amortisation Of Intangible Assets	153,586	123,788	153,586	123,788
Movement In Deferred Tax	1,513,281	2,945,207	1,357,484	2,947,602
Movement In Investment Property	(30,000)	(40,000)	(30,000)	(40,000)
Movement in Livestock Valuation	(68,612)	18,393	(68,612)	18,393
	12,593,234	5,586,677	12,042,674	4,938,809

notes

to the financial statements

	GROUP		PARENT	
	Year Ended 31 July 2011	Year Ended 31 July 2010	Year Ended 31 July 2011	Year Ended 31 July 2010
Movements in Working Capital:				
Trade and Other Receivables	(213,536)	4,697,813	3,928,392	(3,350,585)
Derivatives - Assets	(7,017,223)	(254,137)	(7,017,223)	(254,137)
Derivatives - Liabilities	205,693	(2,061,511)	205,693	(2,061,511)
Inventories	(5,608,165)	(1,136,522)	(4,778,270)	1,464,263
Owing to Suppliers	6,863,013	5,068,907	6,863,013	5,068,907
Trade and Other Payables	846,889	805,425	(1,747,141)	3,373,299
	(4,923,329)	7,119,975	(2,545,536)	4,240,236
Items Classified as Investing/ Financing Activities	4,403,276	152,157	4,772,559	107,985
Net Cash Flows From/(Applied to) Operating Activities	12,073,181	12,858,809	14,269,697	9,287,030

Items classified as Investing/Financing Activities relate to movements in the hedging reserve and translation reserve (Group only).

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 2011	Year Ended 31 July 2010	Year Ended 31 July 2011	Year Ended 31 July 2010
Short Term Employee Benefits	998,466	1,045,865	622,814	683,506
Long Term Employee Benefits	100,000	100,000	100,000	100,000

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 (2010: 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.

Directors fees of \$347,500 (2010: \$349,228) are separately disclosed within the directors report. In December 2010, Messrs PM Schuyt and RE Townshead received an additional \$2,100 each for duties in accordance with Section 161 of the Companies Act.

Directors Farm Supply (included in Owing to Suppliers)

	Value of Transactions 10/11	Balance Outstanding 31 July 2011	Value of Transactions 09/10	Balance Outstanding 31 July 2010
Directors' Farm Supply (including Owing to Suppliers)	6,421,468	1,070,274	4,372,431	568,119

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 10/11	Balance Outstanding 31 July 2011	Value of Transactions 09/10	Balance Outstanding 31 July 2010
Sales by Tatua to Tatua Japan	44,563,713	-	42,638,028	-
Sales by Tatua Insurance to Tatua	525,000	-	534,134	-
Money owing by Tatua Japan to Tatua	-	14,039,941	-	17,755,657
Money owing by Tatua to Tatua Insurance	-	-	-	-
Money owing by Tatua to Tatua Japan	-	(131,713)	-	(3,145,765)
Money owing by Tatua to Tatua Insurance	-	-	-	-
	45,088,713	13,908,228	43,172,162	14,609,892

27. Group Entities

Subsidiaries	Incorporation	Ownership Interest	
		2011	2010
Tatua Japan Limited	Japan	100%	100%
Tatua Insurance Ltd	NZ	100%	100%

28. Subsequent Events

There were no material events subsequent to 31 July 2011 that would impact these financial statements.

statistics

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

Milk Received From Suppliers

	2010/11	2009/10	2008/09	2007/08	2006/07
Litres	136,455,945	131,090,125	137,933,597	124,051,530	140,665,355
Milksolids	12,041,622	11,553,201	12,261,432	10,881,745	12,567,644

Income Equivalent Payout (Cents/kg ms)

	2010/11	2009/10	2008/09	2007/08	2006/07
Made up of:					
Cash Payout	810.0	632.0	538.0	800.0	410.0
Imputation Credits	-	-	-	-	-
Total Income Equivalent Payout	810.0	632.0	538.0	800.0	410.0

Summary Of Milk Payment Rates

		2010/11		2009/10	
		Cents / kg Fat	Cents / kg Protein	Cents / kg Fat	Cents / kg Protein
Advance Rate	20 July	244.0	678.0	161.0	488.0
Retrospective Increase	20 October	-	-	13.0	41.0
Retrospective Increase	20 December	23.0	63.0	27.0	81.0
Retrospective Increase	20 March	31.0	87.0	27.0	81.0
Retrospective Increase	20 April	20.0	55.0	22.0	65.0
Retrospective Increase	20 May	20.0	56.0	16.0	49.0
Retrospective Increase	20 June	20.0	55.0	18.0	56.0
Retrospective Increase	20 July	26.0	71.0	11.0	32.0
Retrospective Increase	20 August	25.0	71.0	10.0	33.0
Retrospective Increase	20 September	26.0	72.0	6.0	16.0
Final Payment	20 October	25.3169	70.6580	27.8069	84.6877
Total Payout Averaged Over All Grades		460.3169	1,278.6580	338.8069	1,026.6877



audit report

To the Shareholders of the Tatua Co-Operative Dairy Company Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of The Tatua Co-Operative Dairy Company Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 10 to 41. The financial statements comprise the balance sheet as at 31 July 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

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

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

Our firm has also provided other services to the company and group in relation to taxation and general accounting services. 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 and group.

Opinion

In our opinion the financial statements on pages 10 to 41:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 July 2011 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by The Tatua Co-Operative Dairy Company Limited as far as appears from our examination of those records.

31 October 2011
Hamilton

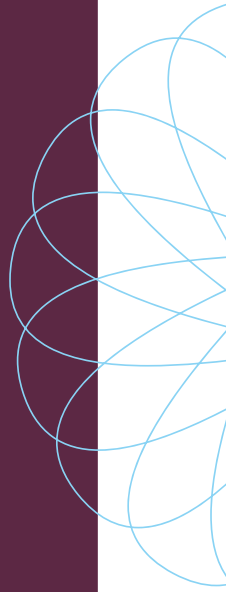
Registered Office	3434 State Highway 26, Tatuani, NEW ZEALAND
Postal Address	Private Bag 800, Morrinsville 3340, NEW ZEALAND
Telephone	+64 7 889 3999
Facsimile	+64 7 889 6492
Web Site Address	www.tatua.com

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

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 Muggerridge 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 & 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



2011



www.tatua.com

