TASMAN FARMS LIMITED

2008 ANNUAL REPORT OF

TASMAN FARMS LIMITED

TASMAN FARMS LIMITED

Contents

Financial Calendar

Annual Meeting
23rd October 2008 at 3.00 pm
Devon Hotel
390 Devon Street East
New Plymouth, New Zealand

Proxies Close
21st October 2008 at 3.00 pm

Results Announced
Annual: September
Half Yearly: February

Highlights

For the year ended 31st May 2008

Net Profit / (Loss) after Taxation and Minorities

Audited Group Net Profit after Tax and Minorities was $2.09 million compared with a surplus of $0.22 million in 2007 (after re-statement of comparatives profit to comply with transition to NZ IFRS)

Core Operating Earnings

Operating earnings before interest and tax was a profit of $4.6m compared with $4.00m for the year ended 31st May 2007.

Revenue

Revenue increased to $33.89 million from $25.87 million last year.

Milk Payouts

Farm gate milk payouts increased to A$6.46 per kilogram milk solids compared with A$4.11 per kilogram milk solids in 2007.

Group Production

Group Production was 3.40 million kilograms of milk solids, compared with 3.50 million kilograms of milk solids last year.

Livestock Owned

Livestock owned by the dairy operations decreased during the year and the beef operations dairy beef finishing enterprise stock numbers declined due to the limited availability of bull calves with the high milk payout. The sheep operations continued to reduce in numbers.

	2008	2007	% Change
Dairy Cattle including replacements	22,678	23,962	(6%)
Dairy Beef Bulls and Beef Cattle	12,284	13,113	(7%)
Sheep	1,562	4,896	(68%)

Livestock Sales

Dairy cow sales decreased. Numbers of bulls slaughtered increased with the expansion of the beef cattle and Techno beef enterprises following the opportunities presented by the mainland Australian drought in the prior year. Lamb sales decreased in line with the downsizing of the sheep operation.

	2008	2007	% Change
Mixed Age Dairy Cows	2,800	3,201	(13%)
Non Dairy Cattle	5,356	4,299	25%
Lambs	4,137	5,308	(22%)

Non Dairy Operations

The Woolnorth non dairy operations have contributed a significant loss to the overall operation. Drought conditions reduced beef slaughter prices, notwithstanding the continued strength of manufacturing beef prices in the United States. The impact of the strengthening Australian dollar against the US dollar was largely responsible for the reduced beef schedule. The sheep operation has been downsized.

Net Tangible Assets

On a per share basis the Net Tangible Assets of the company were $2.23 at 31st May 2008 ($0.90 2007 following restatement of prior year comparative balance sheet upon transition to NZ IFRS).

Highlights (continued)

For the year ended 31st May 2008

Production – Kilograms of Milk Solids

Production from the farms operated by the Group in 2008 was as follows:

	2008	2007	% Change
Tasman Farmdale Limited	1,174,272	1,223,988	(4%)
The Van Diemen's Land Company Dairies Limited	2,225,573	2,275,853	(3%)
Total	3,399,845	3,499,841	(3%)

Dairy Farm Operations

	2008	2007
Number of Farms:		
Managed	1	1
Lower Order Sharefarmed	19	20
50:50 Sharefarmed	3	2
Total	23	23

Facts at a Glance

	2008 NZ$000	2007 NZ$000
Revenue	33,885	25,869
Earnings Per Share (cents)	3.11c	0.32c
Net Profit/(Loss) After Tax and Minorities	2,086	218
Shareholders' Funds	149,399	60,125
Net Debt and Minority Interests (excl tax liability)	55,514	49,813
Deferred Tax Liability	47,946	12,312
Total Assets	252,859	122,250

Corporate Governance Statement

Role of the Board

The Board of Directors of Tasman Farms Limited (the "Company") is elected by the shareholders to supervise the management of the Company and its subsidiary companies (the "Group"). The Board establishes the Group's objectives, annual budgets and the overall policy framework within which the business is conducted. The Board monitors Management's performance relative to these goals and plans, and has delegated the day to day management of the Group to the General Manager.

The Board has the obligation to protect and enhance the value of the assets of the Company. It achieves this through the approval of the appropriate corporate strategies, with particular regard to portfolio composition and return expectations, including the approval of transactions relating to acquisitions and divestments and capital expenditures above delegated authority limits, financial and dividend policy and the review of performance against strategic objectives.

Committees established by the Board review and analyse policies and strategies, usually developed by Management, which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The Board supports the concept of the separation of the role of Chairman from that of General Manager. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, and to interface with the General Manager.

The composition and terms of reference of the Board, the Chairman, the Committees and the General Manager are reviewed annually by the Board. The Chairman annually assesses the effectiveness of the Board and its committees.

The Chairman of the Board, with the assistance of the General Manager, establishes the agenda for each Board Meeting. Each Board member is able to suggest items for the Agenda.

Change of Control

In late 2007 the New Plymouth District Council (NPDC), based in the Taranaki region of New Zealand, launched a takeover bid for Tasman Farms Limited (TFL), the parent company of the Van Diemen's Land Company (VDL). In February 2008 this bid was finalized with NPDC purchasing some 74.33% of TFL.

This change of control heralded some significant changes to both the governance and management of Tasman Farms Limited and the Van Diemen's Land Company.

A number of Directors of Tasman Farms Limited and The Van Diemen's Land Company resigned and a number of new directors were appointed.

The Directors of VDL determined that it was important for the management and administration of VDL to return to Smithton Tasmania and on the 31st of July 2008 the Timaru offices of Tasman Farms Limited and the Van Diemen's Land Company closed. A new management team is in place and will move into purpose built office facilities in Smithton in late September. There has been a positive response from the Tasmanian farming community to the return of management of VDL to Tasmania.

Board Operations and Membership

The Board comprises six Directors: a Non Executive Chairman and five Non Executive Directors. The Company's Constitution sets out policies and procedures on the operation of the Board, including the appointment and removal of Directors.

Board Committees

The Board has one formally constituted committee detailed as follows:

Audit and Risk Committee

The Committee reviews the Group’s financial statements and announcements, liaises with the external auditors, and monitors the accounting system and financial controls. The Committee also has delegated authority to make Treasury decisions on behalf of the Board provided they are consistent with approved Board Treasury policy.

TASMAN FARMS LIMITED

Directors' Profiles

John Watson of Victoria is Chairman of Incitec Pivot Limited and Chairman of the Dairy Co-operative Research Centre, Director of Tassel Group Limited and during the year was Chairman of the Australian Export Wheat Commission. He has an extensive history in the food and agriculture industries and is an experienced public company director. (Chairman of Tasman Farms Ltd, Governor of the Van Diemens Land Company, member of the Audit and Risk Committee)

John Andrews is a Stockbroker and Investment Analyst with Forsyth Barr based in Wellington. John has been a qualified accountant for 24 years and a member of the New Zealand Exchange (NZX Broker) for 18 years. John brings Financial and Securities industry expertise to the board. John is a member of the Institute of Directors in New Zealand (INC). (Chairman of the Audit and Risk Committee)

Tim Breward is a Chartered Accountant and is Managing Principal of the Launceston based Chartered Accounting firm Johnson Breward Brown. He provides general business and corporate taxation advice to a large cross section of business, including a large and broad rural client base. Tim has been a Director of the TFL subsidiary company the Van Diemen's Land Company (VDL) since 2002 and has been closely associated with the Group for the past 18 years.

Miles Hampton of Tasmania was until 2006 managing director of the pre-eminent Tasmanian agribusiness and public company Roberts Limited, a position he held for 20 years. A qualified accountant and company secretary, Miles has served as a director of a number of companies and is currently a director of Tasmanian Perpetual Trustees Limited, Forestry Tasmania, Australian Pharmaceutical Industries Limited, Hobart Water and Impact Fertilisers Pty Ltd.

Phil Newland of Auckland is an experienced director having held board positions with a range of private and public directorships both in New Zealand and Australia. He is an independent director for Abano Healthcare Group and has previously held directorships including Pacific Retail Group, Gen-I and The National Property Trust. Phil was previously a senior commercial solicitor with New Zealand firm Russell McVeagh.

Dr Robin Pratt of Christchurch is professional director and is currently Chairman of International Accreditation NZ, director of Land care Research Ltd, and laboratory, export and manufacturing businesses in NZ. Robin's governance experience includes tourism, science and technology, manufacturing and the primary sector. He was group chief executive of a diversified conglomerate and has executive management experience in healthcare. He operates his own consulting business focusing on mentoring CEOs and strategic management. (Member of the Audit and Risk Committee)

Changes to the Board of Directors

J C Watson, AM (Chairman)	Appointed Chairman 4 March 2008 and Appointed Director 27 February 2008
J T Andrews	Appointed 21 March 2007
T J Breward	Appointed 27th February 2008
M L Hampton	Appointed 4 March 2008
P S Newland	Appointed 16 June 2008
Dr R Pratt	Appointed 27 February 2008
E O Sullivan	Appointed 15 June 2001 and resigned 27 February 2008
C C Armer	Appointed 15 June 2001 and resigned 27 February 2008
A J Pye	Appointed 15 June 2001 and resigned 27 February 2008

TASMAN FARMS LIMITED

Chairman's Report

On behalf of the Directors of Tasman Farms Limited I present the seventh Annual Report of Tasman Farms Limited to Shareholders indicating a sound performance in a challenging season.

Directors are pleased to announce the result for the Tasman Farms Limited Group for the full year ended 31st May 2008. This result shows a strong improvement in profitability over the 2007 year driven by:

- A significant increase in dairy payout, tempered by a drop in dairy production driven by drought conditions through late summer and early autumn.
- The current dairy boom led to a significant rise in both dairy farm values and dairy stock values
- A continuing decline in beef schedules has led to a reduction in beef returns and also to the value of beef stock.

Group Result

Tasman Farms Limited (TasFarms) generated a net profit after tax and minority interests of $2.09m. This result reflects the consolidation of the Group's North West Tasmanian farming operations, all of which are owned by the 98.14% subsidiary, The Van Diemen's Land Company (VDL).

This result was significantly improved from the previous year's net profit after tax of $0.22m.

All of this improvement can be attributed to the buoyant dairy industry which has led to increased payout and significant increases in land and stock values. Drought conditions through late summer and early autumn impacted negatively on production across both dairy and beef farming operations and a continuing strong exchange rate has impacted negatively on beef returns. Record prices for fertilisers which are integral to pasture based systems have had a significant impact on farm expenditure across all businesses.

Operating earnings before interest and tax was a profit of $4.6m compared with $4.00m for the year ended 31st May 2007.

Final production was down 3% on the previous year to 3.40M kilograms of milk solids; at the half year production was down 5.6% on the previous corresponding period.

Climatic conditions in North West Tasmania were mixed through until the end of December 2007with a cold spell in late September/October reducing peak milk flows. Below average rain led into one of the driest summer/autumn periods since Tasmanian records began.

The farmgate milk price for the year ended 31st May 2008 was AUD $6.46 per kilogram of milk solids, up a significant 57% from AUD $4.11 per kilogram of milk solids in the 2007/08 season.

Of the 23 dairy farms 19 operated under Variable Order Share farming Agreements and three under 50:50 Share farming Agreements with one remaining as a managed operation. This is testimony to the Company's career progression structures.

The Woolnorth non dairy operations have contributed a significant loss to the overall operation. Drought conditions reduced beef slaughter prices, notwithstanding the continued strength of manufacturing beef prices in the United States. The impact of the strengthening Australian dollar against the US dollar was largely responsible for the reduced beef schedule. Bull slaughter weights were marginally better than the previous year offsetting the slight reduction in Australian slaughter prices. The sheep operation has been downsized. The financial contribution was also adversely affected at year end by a reduction in sheep, beef cow and heifer values.

Net Tangible Assets

In 2008 Tasman Farms adopted International Financial Reporting Standards (IFRS). The Groups subsidiary VDL had previously adopted IFRS in Australia. Following the adoption of IFRS the group has been required to recognise a deferred tax liability of approximately $47.95 million. This reflects an Australian capital gains tax liability that may arise if all assets are sold at book value.

After accounting for the performance of VDL for the year ended 31st May 2008, and the adoption of IFRS, the net tangible asset value at 31st May 2008 was NZ$149.4M, or $2.23 per share. At 31st May 2008, the Tasmanian farms were revalued in line with the Group's valuation policy, following an opinion obtained from a professional valuer. The farms were previously valued at 31st May 2006. It should be noted that dairy stock and dairy farm asset values move with milk payout values and can be expected to remain volatile in line with current volatile milk prices.

Outlook

Since the start of the new financial year, weather conditions throughout June and July 2008 have been exceptionally good enabling North West Tasmania to continue to recover from the earlier drought. The 2008 calving is well advanced and early season milk flows are encouraging and up on last year.

As all farm returns and costs are in Australian dollars any change against the NZ dollar will impact on reported net returns.

In light of these recent international developments, TasFarms' major milk processor in Tasmania, Fonterra Australia (Bonlac Supply Company Limited) announced its opening price for the 2008/09 season at approximately AUD$5.45 per kilogram of milk solids, up 7% from AUD$5.10 per kilogram of milk solids announced in July 2007. The Fonterra Australia opening price represents a committed level which may increase further with step-ups throughout the season although Fonterra has flagged that the level of step ups is likely to be less than the record $1.36 achieved during 2007/08.

Summary

In summary, the Tasmanian operations of Tasman Farms conducted by VDL were profitable despite a challenging year effecting autumn milk flows, slaughter prices and closing beef stock values.

John C. Watson.

J Watson AM
Chairman
19th September 2008

TASMAN FARMS LIMITED

Statutory Disclosures

The Directors submit their Annual Report for Tasman Farms Limited and its subsidiaries for the year ended 31st May 2008.

Principal Activities

Tasman Farms Limited and its subsidiaries operate predominantly in the breeding and grazing of livestock.

Group Profit

The Net Profit for the Year after Tax and Minority Interests was a surplus of $2.086 million ($0.218 million profit in 2007), details of which are shown on page 13 of the Annual Report.

Appropriation and Reserves

The Revaluation Reserve increased to $95.853 million ($12.16 million 2007) following exchange rate movements and the revaluation of Tasmanian farms in 2008.

Full details of reserve movements can be found in Note 14 on page 31 of the Annual Report.

Dividend

The Directors have not declared a dividend.

Financial Statements

The Financial Statements and Auditor's Report are detailed on pages 12 to 39 of the Annual Report.

Annual Meeting

The Annual Meeting of shareholders of the Company will be held at the Devon Hotel, New Plymouth, 390 Devon Street East, New Plymouth on Thursday, 23rd October 2008 commencing at 3.00 pm.

Directors

In accordance with Clause 19.2 of the Company's Constitution, the following Directors', appointed by the Board since the last Annual Meeting automatically retire and offer themselves for election.

Mr TJ Breward
Mr M Hampton
Mr PS Newland
Dr R Pratt
Mr JC Watson

Biographical details of Directors can be found on page 7 of the Annual Report.

The disclosures in respect of the Interests Register and Employee Remuneration are detailed on pages 40 to 42 of the Annual Report.

Statutory Disclosures (continued)

Auditors

The Office of the Auditor General are automatically reappointed as Auditors of the Company. This follows the acquisition of a majority shareholding in the Company by New Plymouth District Council.

Shareholding Information

Shareholding disclosures are detailed on page 43 of the Annual Report.

For and on behalf of the Board:

J Watson
Chairman

J T Andrews
Director
Chairman of Audit and Risk Committee

19th September 2008

Balance Sheet

As at 31st May 2008

	Notes	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
Current Assets					
Cash and Cash Equivalents		184	85	39	17
Trade and other receivables	4	2,574	1,807	203	27
Consumable Stocks	5	481	254	-	-
Other Livestock	7	6,332	9,119	-	-
Total Current Assets		9,571	11,265	242	44
Non Current Assets					
Dairy Cattle	7	24,004	19,911	-	-
Investments	6	2,116	1,942	52,162	52,004
Property, Plant and Equipment	8	215,024	87,170	25	29
Intangible Asset – Software	9	17	9	17	9
Memorabilia	20	2,127	1,953	-	-
Total Non Current Assets		243,288	110,985	52,204	52,042
Total Assets		252,859	122,250	52,446	52,086
Current Liabilities					
Interest Bearing Borrowings	23(b)	222	187	-	-
Trade and other payables	10	2,001	1,465	1,417	893
Employee Entitlements	11	118	110	49	42
Total Current Liabilities		2,341	1,762	1,466	935
Non Current Liabilities					
Interest Bearing Loans	2 &23(b)	50,319	46,761	-	-
Deferred Tax Liability	22	47,946	12,312	-	-
Total Non Current Liabilities		98,265	59,073	-	-
Equity					
Equity Attributable to Equity Holders of the Parent					
Contributed Equity	12	69,826	69,826	69,826	69,826
Asset Revaluation Reserve	14	95,853	12,161	-	-
Currency Fluctuation Reserve	14	3,819	323	-	-
Retained Earnings	13	(20,099)	(22,185)	(18,846)	(18,675)
Parent Interests		149,399	60,125	50,980	51,151
Minority Interest		2,854	1,289	-	-
Total Equity		152,253	61,414	50,980	51,151
Total Funds Employed		252,859	122,250	52,446	52,086

John Watson
Chairman

John Andrews
Chairman of Audit and Risk Committee

For and on behalf of the Board, which is authorised to issue the Financial Report on 19th September 2008.
The accompanying notes form part of the Financial Statements

TASMAN FARMS LIMITED

Income Statement

For the year ended 31st May 2008

	Notes	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
Revenue		33,885	25,869	534	485
Cost of Sales		2,799	1,002	-	-
Gross Profit		31,086	24,867	534	485
Other Income	15	219	163	-	50
Farm Working Expenses	16	24,310	18,927	-	-
Administration Expenses	16	2,270	2,108	705	654
Finance Costs	17	3,641	3,438	-	-
Profit/(Loss) from continuing operations before income tax		1,084	557	(171)	(119)
Income tax expense/(benefit)	22	(1,045)	332	-	-
Net profit/(loss) for period		2,129	225	(171)	(119)
Attributable to:					
Minority Interest		43	7	-	-
Members of the Parent		2,086	218	(171)	(119)

Basic earnings per share

Earnings per share for profit attributable to the ordinary equity holders of the company:	Cents	Cents
Basic earnings per share (cents)	3.11	0.32

The accompanying notes form part of the Financial Statements.

TASMAN FARMS LIMITED

Consolidated Statement of Changes in Equity

For the year ended 31st May 2008

	Issued Capital	Currency Fluctuation Reserve	Asset Revaluation Reserve	Retained Earnings	Minority Interest	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Balance at 1 June 2006	69,826	2,441	13,487	(22,403)	1,355	64,706
Foreign Currency Translation	-	(2,118)	(1,326)	-	(73)	(3,517)
Revaluation of Land & Buildings	-	-	-	-	-	-
Tax on Items Taken to Equity	-	-	-	-	-	-
Total income and expense for the period recognised in Equity	-	(2,118)	(1,326)	-	(73)	(3,517)
Profit/(loss) for the period	-	-	-	218	7	225
Total income and expense for the period	-	(2,118)	(1,326)	218	(66)	(3,292)
Equity Transactions						
Shares Issued	-	-	-	-	-	-
Balance at 31 May 2007	69,826	323	12,161	(22,185)	1,289	61,414
Balance at 1 June 2007	69,826	323	12,161	(22,185)	1,289	61,414
Foreign Currency Translation	-	3,496	2,067	-	104	5,667
Revaluation of Land & Buildings	-	-	116,607	-	2,210	118,817
Tax on Items Taken to Equity	-	-	(34,982)	-	(663)	(35,645)
Total income and expense for the period recognised in Equity	-	3,496	83,692	-	1,651	88,839
Profit/(loss) for the period	-	-	-	2,086	43	2,129
Total income and expense for the period	-	3,496	83,692	2,086	1,694	90,968
Equity Transactions						
Shares Issued	-	-	-	-	-	-
Purchase of shares from Minority Interest	-	-	-	-	(129)	(129)
Balance at 31 May 2008	69,826	3,819	95,853	(20,099)	2,854	152,253

Parent Company Statement of Changes in Equity

For the year ended 31st May 2008

	Issued Capital	Retained Earnings	Total
	NZ$000	NZ$000	NZ$000
Balance at 1 June 2006	69,826	(18,556)	51,270
Profit/(loss) for the period	-	(119)	(119)
Total income and expense for the period	-	(119)	(119)
Equity Transactions			
Shares Issued	-	-	-
Balance at 31 May 2007	69,826	(18,675)	51,151
Balance at 1 June 2007	69,826	(18,675)	51,151
Profit/(loss) for the period	-	(171)	(171)
Total income and expense for the period	-	(171)	(171)
Equity Transactions			
Shares Issued	-	-	-
Balance at 31 May 2008	69,826	(18,846)	50,980

The accompanying notes form part of the Financial Statements.

TASMAN FARMS LIMITED

Cash Flow Statement

For the year ended 31st May 2008

	Notes	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
Cash Flows from Operating Activities					
Receipts from Customers		24,543	18,889	534	535
Dairy Stock Sales	7	1,346	1,751	-	-
Interest Received	15	68	34	-	-
Dividends Received	15	134	80	-	-
Payment to Suppliers and Employees		(19,599)	(17,061)	(852)	(745)
Dairy Stock Purchases	7	(370)	(749)	-	-
Finance Costs	17	(3,911)	(3,521)	-	-
Net Cash Flows from/(used in) operating activities	23	2,211	(577)	(318)	(210)
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant and Equipment		61	14	8	-
Advance/(repayment) to non related parties		206	(291)	-	-
Purchase of Property, Plant and Equipment		(1,683)	(726)	-	(7)
Acquisition of Additional shares in subsidiary	26	(158)	-	(158)	-
Advance from/(to) Subsidiary Company		-	-	490	217
Net Cash Flows from/(used in) investing activities		(1,574)	(1,003)	340	210
Cash Flows from Financing Activities					
Proceeds from Borrowings		-	1,386	-	-
Repayment of Borrowings		(578)	-	-	-
Net Cash Flows from/(used in) financing activities		(578)	1,386	-	-
Net Increase/ (Decrease) in Cash Held		59	(194)	22	-
Add Opening Cash Brought Forward		(102)	91	17	17
Net Foreign exchange differences		5	1	-	-
Ending Cash & Cash Equivalents Carried Forward		(38)	(102)	39	17
Being:					
Westpac Banking Corporation – In Funds		184	85	39	17
Westpac Banking Corporation – Overdraft		(222)	(187)	-	-
Cash and Cash Equivalents at end of period		(38)	(102)	39	17

The accompanying notes form part of the Financial Statements.

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity
The financial report of Tasman Farms Limited for the year ended 31 May 2008 was authorised for issue in accordance with a resolution of the directors on the 19th September 2008.

Tasman Farms Limited is a Company registered under the New Zealand Companies Act 1993 and is quoted on Unlisted, the Internet based trading facility. Tasman Farms Limited is an issuer for the purposes of the Financial Reporting Act 1993. The Financial Statements and Group Financial Statements of Tasman Farms Limited have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The Group consists of Tasman Farms Limited and its subsidiaries.

The nature of the operations and principal activities of the Group are described in the General Disclosures section of this Annual Report.

Basis of preparation
The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have also been prepared on a historical cost basis, except for land and buildings, memorabilia, derivative financial instruments, and certain other investments which have been measured at fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Statement of Compliance
The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

These are the first set of financial statements prepared based on NZ IFRS and comparatives for the year ended 31 May 2007 have been restated accordingly. Reconciliations of equity at 1 June 2007 and 31 May 2006 and profit for the year ended 31 May 2007 under NZ IFRS to the balances reported in the 31 May 2007 financial statements are detailed in note 30.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Tasman Farms Limited and its subsidiaries (as outlined in note 24) as at 31 May each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The Consolidated Group Financial Statements include the holding company and its subsidiaries are accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the Parent Company Financial Statements, investments in subsidiaries are stated at the lower of cost and net realisable value.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

New accounting standards and interpretations
Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 May 2008. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
NZ IFRS 8	Operating Segments	New standard replacing NZ IAS 14 Segment Reporting, which adopts a management approach to segment reporting.	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under NZ IAS 14 Segment Reporting.	1 June 2009
NZ IAS 23 (revised)	Borrowing Costs	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	The amendments to NZ IAS 23 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial statements.	1 June 2009
NZ IAS 1 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	The amendments are expected to only affect the presentation of the Group's financial statements and will not have a direct impact on the measurement and recognition of amounts under the current NZ IAS 1. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 June 2009

Significant accounting judgements, estimates and assumptions
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates estimates and judgements incorporated in the financial report based upon historical knowledge and best available current information. Estimates assume a reasonable expectation of future events are based upon current trends and economic data and opinions obtained both externally and internally.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(i) *Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary difference to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary difference. More information concerning this issue can be obtained from Note 22 to the financial statements.

(ii) *Livestock valuations*
Livestock valuations are based upon advice from an independent valuer, Roberts Limited. Management review this information and make recommendations to the Court of Directors concerning various adjustments that may be warranted to this advice. In the current year the Roberts Limited valuation has been reduced by an amount to reflect the impact of one poor line of stock and estimated selling costs. More information concerning this issue can be obtained from Note 7 to the financial statements.

Specific Accounting Policies
The following specific accounting policies, which materially affect the measurement of financial performance and the financial position, have been applied:

(a) Foreign currency translation

(i) Functional and presentation currency. Both the functional and presentation currency of Tasman Farms Limited is New Zealand dollars ($). The Tasmanian subsidiaries' functional currency is Australian dollars which is translated to presentation currency.

(ii) Transactions & balances: Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

(iii) Translation of Group Companies functional currency to presentation currency. All foreign operations are independent. The Statements of Financial Performance and Cash Flows of those operations are translated at the average rate during the year and the Statements of Financial Position of those operations are translated at the exchange rate prevailing at balance date. The exchange difference arising from the translation of the opening net investment at an exchange rate different from that which was previously reported is taken to the foreign currency translation reserve.

(b) Cash and cash equivalents.

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(c) Trade and other receivables

Trade receivables, which generally have 30 day terms are recognised and carried at original invoice amount less a provision for any uncollectible debts. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(d) Livestock and Inventories

The policies for livestock and inventories are summarised as follows:
(i) Dairy, Beef and Sheep Livestock – In accordance with NZ IAS 41: Agriculture, the livestock have been valued at the market as at 31 May 2008 less estimated costs of sale. Any movement in valuation due to biological changes or market price is recorded in the profit and loss account. Livestock will next be valued at 31 May 2009.
(ii) Consumable stores – are stated at the lower of cost determined on a weighted average basis and net realisable value.
(iii) Wool – where wool is sold shortly after balance date and the selling price is known, the wool stocks are recorded at market selling price less any costs of disposal, otherwise it is recorded at cost.

(e) Derivative Financial Instruments

The Group uses derivative financial instruments (interest rate swaps) to hedge its risk associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and subsequently re-measured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Swaps are entered into with the objective of reducing the risk of rising interest rates. Any gains or losses arising from the changes in fair value of derivatives are taken directly to profit or loss for the year. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense or interest revenue over the period of the Agreement.

(f) Investments in Co-operative Supply Companies.

Long term investments in co-operative supply companies are carried at cost, being the fair value of consideration given. The carrying value of investments is reviewed annually by the directors to ensure it is not in excess of the recoverable amount. Movements in the fair value of investments are recognised through the statement of financial performance.

(g) Plant, Property and Equipment

Farm land, buildings and improvements are measured at fair value based on revaluations being performed on a periodic but at least triennial basis; by a registered independent valuer. Where Directors consider that the existing use value of a revalued item differs materially from its carrying amount, all items within the class are revalued based on independent valuation.

Properties are included in the financial statements at their independent valuation prepared by Mr David D Johnston (A.A.P.I) as at the 31 May 2008.

Items of plant and equipment not included in the valuation prepared by Mr David D Johnston (A.A.P.I) are recorded at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation rates are calculated to allocate the assets cost or valuation less estimated residual value over their expected useful lives.

Buildings	1% SL
Motor Vehicles	20%DV
Plant and Machinery	10% DV to 20% DV

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Revaluations of land and buildings
Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

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

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(h) Intangible assets – Software

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation or impairment losses. The amortisation expense charged on assets is taken to the income statement.

At each reporting date Tasman Farms Limited assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(i) Memorabilia

Memorabilia is recorded at valuation based on a Valuation Report at 31st May 2006 prepared by R L Broughton of Broughton Archival Consultancy, an Independent Registered Valuer. It is not depreciated as it is a naturally appreciating asset. Revaluation of the memorabilia will be conducted on a cyclical basis with sufficient frequency to ensure the accounting value does not differ from the carrying amount materially.

(j) Trade and other payables

Trade and other payables are carried at cost - due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

(k) Interest Bearing loans and borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains or losses are recognised in the income statement when liabilities are derecognised as well as through the amortisation process.

Borrowing Costs
Borrowing costs are recognised as an expense when incurred. Interest incurred in the holding and development of conversion properties is capitalised to the cost of those properties.

(l) Employee Entitlements

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount based on remuneration rates which are expected to be paid when the liability is settled. Other employee entitlements payable later than one year have been measured at cost unless the amount is material and then these are measured at the present value of the estimated future outflows to be made for those entitlements. Contributions are made by the group to employee superannuation funds and are charged as expenses when incurred.

(m) Development Expenditure

Development expenditure on items resulting in a future benefit to the Group is capitalised to the cost of land and buildings. Development expenditure relates to items such as fertiliser expended above normal maintenance levels and is expected to result in future benefits to the Group.

(n) Leases

Operating lease payments where the lessors effectively retain substantially all the risks and benefits of ownership of leased items are included in the determination of the net surplus in equal instalments over the lease term.

(o) Contributed Equity

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods – control of the goods has passed to the buyer.
(ii) Interest – Control of the right to receive the interest payment.
(iii) Dividend – Control of the right to receive the dividend payment.

(q) June Production Income

Production Income received up to the 20 June on farms with only spring calving dairy herds, has been accrued into the financial year to the 31 May 2008 on the basis that it encompasses a full season's production and the costs incurred in obtaining the production have been expenses in the current financial year.

(r) Income Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised or when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

(r) Income Taxes (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Income taxes relating to item recognised directly in equity are recognised in equity and not in the income statement.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred on a purchase is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.
Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2. CAPITAL MANAGEMENT

When managing capital, the Company's objective is to ensure the Group continues as a going concern as well as well as maintain an optimal return to shareholders and benefits for other stakeholders. The Company also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The debt leverage of the consolidated entity (Debt / (Debt + Equity)) as at the 31 May 2008 is 40% (2007: 50%). The consolidated entity aims to operate at a leverage ratio of between 25% and 50%.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans and overdrafts, and cash and short term deposits.

The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The group also enters into derivative transactions, principally interest rate swap contracts. The purpose is to manage the interest rate risk arising from the group's source of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments is undertaken. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Directors review and agree policies for managing each of these risks as summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Credit Risk
Credit Risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party. The Group does not hold any credit derivatives to offset its credit exposure.

Credit risk exposure is concentrated with the large milk and meat processors supplied by the Group's Tasmanian farms. 100% (100% 2007) of the trade receivables are due from the Dairy and Meat Industry, namely Dairy Co-operatives, Meat Processors and sharefarmers. The Group is not exposed to any other concentrations of credit risk. This risk is minimised by monitoring receivable balances on an on-going basis to ensure all outstanding amounts are paid within a two week period. The company is a shareholder in the major milk supplier Fonterra Australia (Bonlac Supply Company) Limited. The Group performs credit evaluations on all entities requiring credit and generally does not require collateral. At balance date there were no past due or impaired receivables.

Commodity Price Risk
The Groups' exposure to commodity price risk is primarily with international milk commodity prices and the Unites States manufacturing beef prices. Commodity price risk is minimised by forward contracts taken out by the milk and meat processors to which the group sells. Due to the nature of the international commodity markets most sales by the processors take place at spot prices. This risk is with our customers, not directly with the group.

Liquidity risk
The group's objective is to maintain liquidity of funding through the use of bank overdrafts, bank loans and normal credit terms for the dairy and beef industries.

The table below reflects all contractual fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of the 31 May 2008. The remaining contractual maturities of the Group's and Parent entities financial liabilities are:

	Consolidated		Parent	
	2008 NZ$000	2007 NZ$000	2008 NZ$000	2007 NZ$000
6 months or less	2,341	1,762	1,466	935
6 – 12 months	-	-	-	-
1- 5 years	1,227	1,468	-	-
Over five years	49,092	45,293	-	-

Maturity analysis of financial assets and liabilities based on management's expectations
The risk implied from values shown in the tables below reflects a balanced view of cash inflows and outflows.

As at 31 May 2008 Parent	**≤ 6 months NZ$000**	**6 -12 months NZ$000**	**1-5 yrs NZ$000**	**> 5 years NZ$000**	**Total**
Financial assets					
Cash & Cash Equivalents	39	-	-	-	39
Trade and other receivables	1,660	-	-	-	186
Derivatives	-	-	-	-	-
Financial liabilities					
Trade & Other Payables	106	-	-	1,360	1,466
Interest Bearing Loans	-	-	-	-	-
Net Maturity	80	-	-	(1,360)	(1,280)

As at 31 May 2008 Consolidated	**≤ 6 months NZ$000**	**6 -12 months NZ$000**	**1-5 yrs NZ$000**	**> 5 years NZ$000**	**Total**
Financial assets					
Cash & Cash Equivalents	184	-	-	-	184
Trade and other receivables	2,015	-	-	-	2,015
Derivatives	489	-	-	-	489
Financial liabilities					
Trade & Other Payables	2,119	-	-	-	2,119
Interest Bearing Loans	222	-	1,227	49,092	50,541
Net Maturity	202	-	(1,227)	(49,092)	(50,117)

Refer to Note 23(b) for details of credit facilities available and currently being utilised by the Group.

Interest Rate Risk
The Groups exposure to market risk for changes in interest rates related primarily to the Groups long term debt obligations. The range of interest rates on long-term debt at year end is based on 90 Day Bank Bill rates plus a margin and line fees.

At balance date the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated		**Parent**	
	2008 NZ$000	**2007 NZ$000**	**2008 NZ$000**	**2007 NZ$000**
Financial Assets				
Cash & Cash equivalents	184	85	39	17
Financial Liabilities				
Bank Overdraft	222	187	-	-
Bank Loans	50,319	46,761	-	-

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. To manage this mix in a cost efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Such swaps are designed to hedge underlying debt obligations.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and hedging positions. The group had the following loan facilities partially covered by interest rate swap agreements at 31 May 2008.

Overdraft facility
The loan is repayable to Rabobank and is unsecured. As the loan is an overdraft facility there is no set period for repayment.

Secured Loan
The amounts owed to the Lenders are secured by mortgages over certain freehold properties held by the Group and a first ranking debenture over all the assets and undertakings of the Group. The loan is repayable on the 20 November 2020. Capital repayments of $200,000 are required annually on the 31 December. Interest rate on the loan is agreed on a quarterly basis.

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 31 May 2008, assuming all other variables remain constant, the effect on profit and equity as a result in changes in interest rate would be as follows:

	Consolidated		Parent	
	2008 NZ$000	**2007 NZ$000**	**2008 NZ$000**	**2007 NZ$000**
Change in Profit/(Loss)				
Increase interest rate by 1%	(129)	(134)	-	-
Decrease interest rate by 1%	129	134	-	-
Change in Equity				
Increase interest rate by 1%	(129)	(134)	-	-
Decrease interest rate by 1%	129	134	-	-

The above interest rate sensitivity analysis has been performed based upon the assumption that all other variables remain unchanged and has only been applied to the portion of group debt that is not fixed as a result of the interest rate swap; refer to discussion and details below.

Interest Rate Swaps
The Group has entered into interest rate swaps which are economic hedges but do not satisfy the requirements for hedge accounting. The Group has entered into an interest rate swap with a notional principal of AUS$30,000,000, which fixes the interest rate of this portion of the group term debt at 8.07%.

The weighted average interest rate on the total Group debt is 8.38%; with AUS$30,000,000 at 8.07%, AUS$11,000,000 at 9.14% and the overdraft at 13.26%.

The swap matures on 31 August 2009.The Group is economically hedged but does not qualify for hedge accounting. The swaps are measured at fair value by comparing the fixed rate to the market variable rate at balance date. All movements in the fair value are recognised in the profit or loss in the period they occur.

Foreign Currency Risk
As a result of significant operations in Australia, The Group's balance sheet can be affected significantly by movements in the AUS$/NZ$ exchange rates. The Group seeks to mitigate the effect of this foreign currency exposure by effectively operating and being financed in Australian dollars. The majority of the Group's investment in the foreign operation is hedged in this manner.

	2008	**2007**
Closing foreign exchange rates at 31 May for the NZD/AUD were	0.8148	0. 8875

The following sensitivity is based on foreign currency risk exposures in existence at balance sheet date:

At the 31 May 2008, had the New Zealand dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been effected as follows:

	Consolidated		Parent	
	2008 NZ$000	**2007 NZ$000**	**2008 NZ$000**	**2007 NZ$000**
Change in Profit/(Loss)				
NZD/AUD +10%	(208)	(31)	-	-
NZD/AUD -10%	256	38	-	-
Change in Equity				
NZD/AUD +10%	(13,904)	(6,763)	-	-
NZD/AUD -10%	17,123	8,363	-	-

The equity movements are sensitive to exchange rate movements because of the large asset base of the Group held in Australia.

		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
4.	**ACCOUNTS RECEIVABLE**				
	Trade Receivables	1,660	1,185	186	27
	Allowance for impairment loss	-	-	-	-
	Total Trade Receivables	1,660	1,185	186	27
					-
	Other Receivables				
	Derivative Financial Instruments	489	72	-	-
	Sharefarmer Advances	248	428	-	-
	Other receivables	107	69		
	Prepayments	70	53	17	-
	Carrying amount of trade and other receivables	2,574	1,807	203	27

Trade Receivables are non-interest bearing and are generally on 30 Day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
5	**CONSUMABLES STOCKS**				
	Stores	94	70	-	-
	Wool on hand	34	45	-	-
	Fodder on Hand	353	139	-	-
	Total Consumable Inventory	481	254	**-**	**-**
6	**INVESTMENTS**				
	Shares in Dairy Co-operatives	2,115	1,941	-	-
	Shares in Fertiliser Co-operatives	1	1	-	-
	Investments in Subsidiaries (note 24) – at Cost	-	-	52,162	52,004
	Total Investments	2,116	1,942	52,162	52,004

Long term investments in co-operative supply companies are carried at cost, being the fair value of consideration given. The carrying value of investments is reviewed annually by the directors to ensure it is not in excess of the recoverable amount.

Notes to the Financial Statements

For the year ended 31st May 2008

		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
7.	**LIVESTOCK**				
	Current (at net market value)				
	Sheep	150	337	-	-
	Beef Livestock	6,182	8,783	-	-
	Total Current	6,332	9,119		
	Non Current (at net market value)	24,004	19,911	-	-
	Dairy Livestock	-	-		
	Total Livestock	30,336	29,031		
(i)	**Physical quantities of livestock**				
	Sheep Livestock	**#**	**#**	**#**	**#**
	Breeding Ewes	1,535	4,190	-	-
	Sale Lambs	-	637	-	-
	Rams	27	69	-	-
	Total Sheep Livestock	1,562	4,190	-	-
	Beef Livestock	**#**	**#**	**#**	**#**
	Breeding Cows	1,329	1,413	-	-
	Calves	502	391	-	-
	Dairy Beef calves	4,051	5,433	-	-
	Bulls, Steers, and trading stock	6,402	5,876	-	-
	Total Beef livestock	12,284	13,113	-	-
(ii)	**Reconciliation of carrying amount**				
	Sheep Livestock	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
	Carrying value at beginning of period	337	880	-	-
	Foreign Exchange Adjustment to opening balance	-	-	-	-
	Carrying value at end of period	150	337	-	-
	Increase/ (Decrease) in stock	17	(35)	-	-
	Sales	334	318	-	-
	Purchases	-	-	-	-
	Trading Surplus / (Deficit)	334	318	**-**	**-**
	Gains/(losses) arising from changes in fair value less estimated point of sale costs,	130	190	**-**	-
	Beef Livestock	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
	Carrying value at beginning of period	8,783	7,925	-	-
	Foreign Exchange Adjustment to opening balance	588	(457)	-	-
	Carrying value at end of period	6,182	8,783	-	-
	Increase/ (Decrease) in stock	(3,189)	1,315	-	-
	Sales	3,571	3,405	-	-
	Purchases	1,286	1,629	-	-
	Trading Surplus / (Deficit)	2,285	1,776	**-**	**-**
	Gains/(losses) arising from changes in fair value less estimated point of sale costs,	(904)	3,091	**-**	-

Notes to the Financial Statements
For the year ended 31st May 2008

		Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
(i)	**Physical quantities of livestock**				
	Dairy Livestock	**#**	**#**	**#**	**#**
	Mixed age cows	14,224	14,744	-	-
	Rising 2 year heifers	4,601	4,654	-	-
	Rising 1 year heifers	3,853	4,564	-	-
	Total dairy livestock	22,678	23,962	-	-
(ii)	**Reconciliation of carrying amount**				
	Dairy Livestock	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
	Carrying value at beginning of period	19,911	(20,436)	-	-
	Exchange Rate Adjustment	(1,911)	1,111	-	-
	Carrying value at end of period	24,004	19,911	-	-
	Increase/(Decrease) in Stock	**2,183**	**586**	**-**	**-**
	Purchases	370	(749)	-	-
	Sales	(1,346)	1,751	-	-
	Trading Surplus/(Deficit)	**976**	**1,002**	**-**	**-**
	Gains/(losses) arising from changes in fair value less estimated point of sale costs,	**3,159**	**1,588**	**-**	-

Nature of Assets
Beef cattle and sheep are run on the Non Dairying areas of Woolnorth in North West Tasmania. The sheep flock is a prime lamb producing unit with lambs available for sale. The beef unit comprises a bull beef operation with calves sourced from dairy units owned by the Group and around the district, and a beef cow herd. All beef calves and bulls are finished on the Woolnorth property until they are ready for slaughter.

Dairy cattle are run on the Group's 23 dairy units in the North West of Tasmania, 11 of which are on the Woolnorth property. The milking dairy cows are carried on the dairy units and the replacement dairy heifers are run on the Southern Grazing Block of the Woolnorth non-dairy operations.

Valuation of Livestock
Sheep, beef cattle and dairy cattle are valued annually at balance date based upon values obtained from Roberts Limited, which in the current year has been reduced by Directors to reflect a poor line of dairy stock and estimated selling costs.

8 RECONCILIATION OF CARRYING AMOUNT AT BEGINNING AND END OF PERIOD

	Consolidated			Parent		
	Land and Buildings NZ$000	**Plant and Equipment NZ$000**	**Total NZ$000**	**Land and Buildings NZ$000**	**Plant and Equipment $000**	**Total $000**
(a) **YEAR ENDED 31 MAY 2008**						
As at 1 June 2007, net of accumulated depreciation and impairments	85,749	1,421	87,170	-	29	29
Foreign exchange adjustment on opening	7,651	124	7,774	-	-	-
Additions	1,540	237	1,776	-		
Disposals	-	(65)	(65)	-	-	-
Revaluation	118,817	-	118,817	-	-	-
Impairment	-	-	-	-	-	-
Gain/ (loss) on disposal	-	13	13	-	-	-
Foreign exchange adjustment on profit and loss items	(9)	(17)	(26)	-		
Depreciation Charge for the year	(150)	(286)	(436)	-	(4)	(4)
As at 31 May 2008, net of accumulated depreciation	213,598	1,427	215,024	-	25	25
(b) **YEAR ENDED 31 MAY 2007**						
As at 1 June 2006, net of accumulated depreciation and impairments	90,428	1,442	91,870	-	35	35
Foreign exchange adjustment on opening	(4,731)	196	(4,535)	-	-	-
Additions	235	50	285	-	2	2
Disposals	-	(50)	(50)	-	-	-
Revaluation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Gain/ (loss) on disposal	-	19	19	-	-	-
Foreign exchange adjustment on profit and loss items	12	20	32	-		
Depreciation Charge for the year	(195)	(256)	(451)	-	(8)	(8)
As at 31 May 2007, net of accumulated depreciation	85,749	1,421	87,170	-	29	29
As at 31 May 2008						
Cost or Fair Value	215,187	5,495	220,682	-	83	83
Accumulated depreciation and impairment	1,589	4,068	5,657	-	58	58
Net carrying amount	213,598	1,427	215,024	-	27	27
As at 31 May 2007						
Cost or Fair Value	87,062	4,978	92,040	-	83	83
Accumulated depreciation and impairment	1,313	3,557	4,870	-	54	54
Net carrying amount	85,749	1,421	87,170	-	29	29

The valuation basis for land and buildings was fair market value based on existing use. A valuation was carried out as at 31st May 2008 by Mr David Johnston, (A.A.P.I.), certified practising valuer, of Esk Property. The increase was recorded against the asset revaluation reserve. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction. Fair value is determined by reference to recent market transactions for properties comparable in size and location to those held by the Group

Notes to the Financial Statements

For the year ended 31st May 2008

		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
9.	**INTANGIBLE ASSETS – SOFTWARE**				
	At I June 2007 net of accumulated amortisation and impairment.	9	11	9	11
	Additions	10	-	10	-
	Impairment	-	-	-	-
	Amortisation	(2)	(2)	(2)	(2)
	Year ended 31 May 2008 net of accumulated amortisation and impairment.	17	9	17	9

Intangible assets are made up of off the shelf software. Software costs are carried at cost less accumulated amortisation and accumulated impairment losses. This group of assets have a finite life and are amortised over 5 years. Review of the assets showed no evidence of impairment in the current year.

10.	**TRADE & OTHER PAYABLES**				
	Trade Accounts Payable	1,761	1,303	57	24
	Other Payables	240	162	-	-
	Advance from Subsidiary		-	1,360	869
	Total Trade and Other Payables	2,001	1,465	1,417	893

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

11.	**EMPLOYEE ENTITLEMENTS**				
	Employee benefits:				
	Accrued wages, salaries and on cost provision for employee entitlements.	118	110	49	42

Superannuation Commitments – Contributions by the Tasmanian subsidiaries of up to 9% of employee's wages and salaries are legally enforceable in Australia.

12.	**CONTRIBUTED EQUITY**				
	Issued and Fully Paid Up				
	Ordinary Shares				
	Opening Balance	69,826	69,826	69,826	69,826
	Shares Issued	-	-	-	-
	Closing Balance	69,826	69,826	69,826	69,826

(a) **Movement in Ordinary Shares**

Total shares on issue are 67,135,857 (2007 67,135,857). Each share carries one vote and all shares rank pari passu.

(b) **Terms and conditions of Contributed Equity**

Ordinary shares have the right to receive dividends as declared and in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares.

13.	**RETAINED EARNINGS**				
	Opening Balance	(22,185)	(22,403)	(18,675)	(18,556)
	Net Profit/(Loss) for the Year	2,086	218	(171)	(119)
	Dividend Paid	-	-	-	-
	Closing Balance	(20,099)	(22,185)	(18,846)	(18,675)

14 RESERVES

	Consolidated			Parent		
	Asset revaluation reserve	Foreign currency translation reserve	Total	Asset revaluation reserve	Foreign currency translation reserve	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
As at 1 June 2006	13,487	2,441	15,928	-		-
Foreign currency translation	(1,326)	(2,118)	(3,444)	-		-
Gain / (loss on investment						-
As at 31 May 2007	12,161	323	12,484	-	-	-
Revaluation of land and buildings	116,607	-	116,607	-	-	-
Deferred tax liability on items taken directly to equity	(34,982)	-	(34,982)	-	-	-
Foreign currency translation	2,067	3,496	5,563	-	-	-
				-	-	
As at 31 May 2008	95,853	3,819	99,672	-	-	-

(c) Nature and Purpose of Reserves

Asset Revaluation Reserve
The asset revaluation reserve is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. It can only be used for distributions in limited circumstances.

Currency Fluctuation Reserve
The foreign currency fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
15.	**OTHER INCOME**				
	Interest Income	68	33	-	-
	Dividends Received	134	80	-	-
	Gain on Sale of Assets	17	-	-	-
	Other	-	50	-	50
	Total Other Income	219	163	-	50
16	**OPERATING SURPLUS**				
	After Charging:				
	Employee benefits expense	1,964	1,756	436	438
	Depreciation	436	451	6	6
	Amortisation	2	2	2	2
	Loss (Gain) on Sale of Assets	(17)	19	-	2
	Lease and Rental Costs	47	46	3	3
	Audit Fee	46	38	24	17
	Fees Payable to Auditors for Other Services	-	-	-	-
	Directors' Fees	208	176	73	52
17	**FINANCE COSTS**			-	-
	FX Movement in TFL/VDL Advance	117	(8)	-	-
	Interest – movement in derivatives	(387)	(76)	-	-
	Interest – overdraft	9	5	-	-
	Interest - commercial bills	3,902	3,516	-	-
	Total Finance Costs	3,641	3,438	-	-

Notes to the Financial Statements

For the year ended 31st May 2008

		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
18	**EARNINGS PER SHARE**				
	Net profit from continuing operations attributable to ordinary equity holders of the parent ($000)	2,086	218	-	-
	Number of ordinary shares for basic earnings per share	67,135,857	67,135,857	-	-
	Earnings per share for profit attributable to the ordinary equity holders of the company (cents)	3.11	0.32	-	-

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

		Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
19	**LEASE COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES:**				
	Not later than one year	37	34	-	-
	Later than one year and not later than two years	37	34	-	-
	Later than two years and not later than five years	110	101	-	-
	Greater than five years	296	304	-	-
	Total Operating Lease Commitments	480	473	-	-
20	**MEMORABILIA**				
	Closing Balance	2,127	1,953	-	-

Memorabilia was acquired with The Van Diemen's Land Company on 2 November 1993. It represents historical documents and records dating back to the incorporation of the Company in 1825 and is the single largest opus of Tasmanian history. Memorabilia was revalued at 31 May 2006 by Robert Broughton (ALIA, ASA, Grad. Dip, Museum Studies Cert. Cult. Heritage (Building), Cert. Maritime Arch) of Broughton Archival Consultancy at a value of A$1,733,100.

21 CONTINGENCY LIABILITIES

There are no contingent liabilities as at balance date (2007 nil).

Notes to the Financial Statements

For the year ended 31st May 2008

22	INCOME TAX	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 $000	Parent 2007 $000
(a)	**Income Tax expense**				
	The major components of income tax are:				
	Income Statement				
	Current income tax benefit/ (expense)	(384)	(205)	-	-
	Deferred tax benefit/ (expense)	1,429	(127)	-	-
	Income Tax benefit / (expense) reported in the income statement	1,045	(332)	-	-
(b)	**Amounts Charge or credited directly to equity**				
	Deferred income tax related to items charged (credited) directly to equity				
	Net gain on revaluation of Land and Buildings	(35,645)	-	-	-
	Income tax expense reported in equity	(35,645)	-	-	-
(c)	**A reconciliation of income tax benefit// (expense) applicable to the accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effect income tax rate is a follows:**				
	Accounting profit /(loss) before income tax	1,084	557	(171)	(119)
	At statutory income tax rate of 33%	358	184	(56)	(39)
	Non deductible items	7	3	-	-
	Foreign Tax rate Adjustment	19	18	-	-
	Movements in temporary differences	(1,429)	127	-	-
	Tax Effect of losses not recognised	-	-	56	39
	Total income tax expense / (benefit)	(1,045)	332	**-**	**-**
(d)	**Deferred tax assets / liabilities**				
	Deferred tax assets from temporary differences on:				
	Trade and other payables	-	4	-	-
	Provisions	20	20	-	-
	Losses available	6,683	3,890	-	-
	Deferred tax asset offset	(6,703)	(3,914)	-	-
	Total Deferred Tax Assets	-	-	-	-
	Deferred tax liabilities from temporary differences on:				
	Trade and other receivables	111	180	-	-
	Revaluations – land, livestock & memorabilia	54,539	16,045	-	-
	Deferred tax asset offset	(6,703)	(3,914)	-	-
	Total Deferred Tax Liability	47,946	12,312	-	-

As a result of the adoption of NZ IFRS, it has been a requirement to record the tax impact of the possible future sale of all of the group's assets. In addition, the standards do not permit the reduction of the deferred tax liability for a significant amount of losses which are subject to restrictions in relation to the timing of the recoupment. The Directors estimate that the local statutory tax effect value of such closes not recorded is AUS$5,233,999 (2007: AUS$6,325,775) and NZ$56,000 (2007: NZ$710,000) in the parent company. Following the change in shareholding for the parent company, all previous tax losses in the parent were lost.

Notes to the Financial Statements
For the year ended 31st May 2008

23.	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
(a) RECONCILIATION OF NET PROFIT/LOSS) AFTER TAXATION TO NET CASH FLOWS FROM OPERATIONS				
Operating Profit/(Loss) After Taxation and Before Minority Interests	2,129	225	(171)	(119)
Adjustment for:				
Depreciation	436	451	6	6
Amortisation	2	2	2	2
Foreign Exchange Loss	118	-	-	-
Net Fair Value Change on Derivative	(386)	(76)	-	-
Items Classified as Investing Activities:				
- Loss on Sale of Assets Included in Investing Activities	-	19	-	2
- Profit on Sale of Assets Included in Investing Activities	(27)	-	-	-
	2,272	621	(163)	(109)
Movement in Working Capital				
(Increase)/Decrease in Trade and Other Receivables	(358)	(186)	(176)	(13)
Less Movement in Receivables Reclassified to Investing	-	28	-	-
(Increase)/Decrease in Other Livestock	3,392	(806)	-	-
(Increase)/Decrease in Dairy Livestock	(2,183)	(613)	-	-
Deferred Taxation	(1,045)	332	-	-
(Increase)/Decrease in Consumable Stocks	(192)	(65)	-	-
Increase/(Decrease) in Trade and Other Payables	325	112	21	(88)
(Increase) / Decrease in employee entitlements	-	-	-	-
Net Cash from Operating Activities	**2,211**	**(577)**	**(318)**	**(210)**

(b) Credit stand-by arrangements and loan facilities:
Unrestricted access was available to the following lines of Credit:

Total Facilities

	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
Total Facilities				
Bank Overdraft	307	250	-	-
Revolving Credit Facility	52,500	46,761	-	-
Used at balance date:				
Bank Overdraft	222	187	-	-
Revolving Credit Facility	50,319	46,761	-	-
Unused at balance date:				
Bank Overdraft	85	63	-	-
Revolving Credit Facility	2,181	0	-	-

The liability is secured by a registered charge over the property and registered equitable mortgage over the assets of the Van Diemen's Land Company. The Bank overdraft is secured by a guarantee from Rabobank to Westpac. In addition, the secured liabilities are secured by a cross guarantee, a registered charge over the property, and registered equitable mortgage over the assets of subsidiary Tasman Farmdale Limited.

24. RELATED PARTY TRANSACTIONS

Prior to 14 November 2001 Tasman Agriculture Limited held 100% of shares on issue which meant it was the ultimate controlling entity of Tasman Farms Limited. On 14 November 2001 Tasman Agriculture Limited (in Liquidation) distributed one share in Tasman Farms Limited to its shareholders for every share held in Tasman Agriculture Limited by way of an in specie Liquidation distribution.

(a) The Group financial accounts include the financial statements of Tasman Farms Limited and its subsidiaries; all entities have a 31 May balance date

Investments in subsidiary companies all undertaking dairy farming activities are as follows:

Significant Subsidiary Companies	Country of Incorporation	*Percent Held*	
		2008	**2007**
The Van Diemen's Land Company	United Kingdom	98.14%	97.93%
The Van Diemen's Land Company – Dairies Limited	Australia	98.14%	97.93%
Tasman Farmdale Limited	Australia	98.14%	97.93%
Tasman Farms Pty Limited	Australia	98.14%	97.93%

Van Diemen's Land Company compiles consolidated accounts in Australia, total investment in VDL and consolidated entities is $52,162k (2007: $52,004k).

(b) Key Management Personnel
Details relating to key management personnel, including remuneration paid, are included in note 25.

(c) Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions, there were no loans payable or receivable from related parties at year end. (2007: nil). There were no bad debts or provision for bad debts required in 2008 (2007: nil)

Related Party		Payment for services from Related Parties NZ$000	Loan from Related Parties NZ$000	Other Transactions with Related Parties NZ$000
Consolidated	**2008** **2007**	- -	- -	- -
Parent entity:				
Management fees received from subsidiary Van Diemen's Land Company	**2008** **2007**	534 485	1,360 869	- -

At 31st May 2008, Tasman Farms Limited owed its subsidiary The Van Diemen's Land Company ("VDL") NZ$1,360,342 (2007 NZ$869,931).This amount has accrued through the incurring of costs by Tasman Farms Limited in addition to the administration fees charged.. Outstanding balances at year-end are unsecured, interest free and repayable on demand.

A Director, Mr T J Breward is also a director of Johnson Breward Brown Pty Limited which has provided accounting and taxation services to the subsidiary (Van Diemen's Land Company for the 2008 year, for a total fee of AUD $67,110 (2007: $59,969). These services have been charged based on normal commercial terms and conditions. There are no amounts outstanding as at 31 May 2008.

A Director during the year, Mr I N Robert provided consultancy services to the subsidiary (Van Diemen's Land Company) for the 2008 year, for a total fee of AUD$3,600 (2007: nil). These services have been charged based on normal commercial terms and conditions. There are no amounts outstanding as at 31 May 2008.

Management Fees charged to the Dairy Holdings Limited Group by Tasman Farms Limited of $272,833 (2007 $243,500) to reflect costs associated with the management of Dairy Holdings Limited by Tasman Farms Limited staff.

Notes to the Financial Statements

For the year ended 31st May 2008

25. KEY MANAGEMENT PERSONNEL

Details of remuneration ranges for key management personnel within the Group are:

Compensation for Key Management Personnel

	Consolidated 2008 NZ$000	Consolidated 2007 NZ$000	Parent 2008 NZ$000	Parent 2007 NZ$000
Short-term employee benefits	575	-	289	-
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
Total compensation	575	-	289	-

Directors holding office of The Van Diemen's Land Company during the year were,

J C Watson, AM (Governor)	Appointed Governor 4 March 2008 and Appointed Director 27 February 2008
T J Breward	Appointed 2 September 2002
J T Andrews	Appointed 21 March 2007
Dr R Pratt	Appointed 27 February 2008
M L Hampton	Appointed 4 March 2008
P S Newland	Appointed 16 June 2008
E O Sullivan	Appointed 15 June 2001 and resigned 27 February 2008
C C Armer	Appointed 15 June 2001 and resigned 27 February 2008
A J Pye	Appointed 15 June 2001 and resigned 27 February 2008
I N Roberts	Appointed 2 September 2002 and resigned 27 February 2008

Directors holding office at the 31st May 2008 in Tasman Farmdale Limited, Tasman Farms Pty Limited and The Van Diemen's Land Company – Dairies Limited during the year were, T Breward, N Morris and J Watson.

26 BUSINESS COMBINATION

Acquisition of additional shares in Van Diemen's Land Company and Consolidated entities

On December 2007, Tasman Farms Limited acquired an additional 0.21% of the shares of The Van Diemen's Land Company, increasing Tasman Farms Limited's shareholding to 98.14% (2007: 97.93%). The total consideration paid for acquiring the additional shares was $158,360.

27. CAPITAL EXPENDITURE COMMITMENTS

Group estimated capital expenditure contracted for at balance date but not provided for was nil (2007 nil). Parent estimated capital expenditure is nil (2007 nil).

	Consolidated		New Zealand		Australia	
	2008	2007	2008	2007	2008	2007
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
28. SEGMENT INFORMATION						
Revenue	33,885	25,869	534	485	33,351	25,384
Profit/(Loss) After Taxation	2,129	225	(171)	(119)	2,300	344
Total Assets	252,781	122,250	284	82	252,497	122,168

There were no inter-segment sales in respect of the year ended 31st May 2008 (2007 nil).
The Group operates as pastoralists and in dairy farming, and in two geographical areas – New Zealand and Tasmania.

29. SUBSEQUENT EVENTS

On 31st July 2007 the Timaru office of Tasman Farms Limited was closed and the Management Agreement with Dairy Farm Holdings Limited was terminated. These changes have resulted in redundancy payments to a number of staff and the end of Management Fee income that was received from Dairy Farm Holdings Limited. The costs of employee redundancy and relocation of the office is estimated to be $190,000. In addition the Van Diemen's Land subsidiaries finance facility with RaboBank has been increased by $1,450,000 during September 2008 to cover working capital requirements.

30. IMPACT OF ADOPTION OF NZ IFRS

The impacts of adopting NZ IFRS on the total equity and profit after tax as reported under previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) are illustrated below:

(a) Reconciliation of total equity as presented under previous NZ GAAP to that under NZ IFRS

	Consolidated 31 May 2007 NZ$000	Consolidated 1 June 2006 NZ$000	Parent 31 May 2007 NZ$000	Parent 1 June 2006 NZ$000
Total equity under previous NZ GAAP	73,727	77,375	51,151	51,270
Adjustments to retained earnings (net of tax):			-	-
Transfer from Asset Revaluation Reserve (a)	6,325	6,325	-	
Transfer from Currency Reserve (a)	616	616	-	-
Additional tax charge (b)	(332)	-	-	--
Adjustments to other reserves (net of tax):			-	-
Transfer Asset Revaluation Reserve to RE (a)	(5,417)	(6,325)	-	
Transfer Currency Reserve to RE (a)	(836)	(616)	-	-
Tax Effect of revaluation of Land & Buildings (b)	(12,669)	(12,669)	-	--
Total equity under NZ IFRS	61,414	64,706	51,151	51,270

(b) Reconciliation of profit after tax as presented under previous NZ GAAP to that under NZ IFRS

	Consolidated 31 May 2007 NZ$000	Parent 31 May 2007 NZ$000
Prior year profit/(loss) after tax as previously reported	557	(119)
NZ GAAP to NZ IFRS transition adjustments:		-
Additional tax charge	332	-
Prior Year Profit (Loss) after tax under NZ IFRS	225	(119)

(a) In accordance with NZ IFRS 1 the group is eligible to apply certain exemptions in the transition to NZ IFRS. This has allowed the transferring of the previous currency reserve into retained earnings on transition.
(b) The revaluation of land and buildings recognised under previous NZ GAAP has been tax-effected under NZ IAS 12 "Income Taxes" at the tax rate of 30%. This has resulted in a decrease in total equity and an adjustment to the prior year reported profit number.

AUDIT REPORT
TO THE READERS OF TASMAN FARMS LIMITED AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2008

The Auditor-General is the auditor of Tasman Farms Limited (the company) and group. The Auditor- General has appointed me, Tim May, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the company and group on his behalf, for the year ended 31 May 2008.

Unqualified Opinion

In our opinion:

- The financial statements of the company and group on pages 12 to 37:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 31 May 2008; and
    - the results of operations and cash flows for the year ended on that date.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 19 September 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and performance information did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion

The audit involved performing procedures to test the information presented in the financial statements and performance information. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:
- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

The Board of Directors is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company and group as at 31 May 2008. They must also give a true and fair view of the results of operations and cash flows for the year ended on that date. The Board of Director's responsibilities arise from the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the company or any of its subsidiaries

Tim May
Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand

Entries in the Interest Register Made During the Year

Interests Register

Each Company in the Group is required to maintain an Interests Register in which the particulars of certain transactions and matters involving the Directors must be recorded. The Interests Registers for the Parent Company and its subsidiaries are available for inspection at the Head Office of the Parent Company.

Disclosure of Interest in Proposed Transactions

As required under the Companies Act 1993 there were no specific disclosures recorded during the year in respect of Directors' interests in proposed transactions.

Directors' Disclosure of Interest in Other Companies

Directors Holding Office during the Year

Director	Other Companies	Relationship
J T Andrews	The Van Diemen's Land Company	Director and Shareholder
T J Breward	Johnson Breward Brown Pty Limited	Director and Shareholder
M L Hampton	Hobart Regional Water Authority Tasmanian Perpetual Trustees Limited Forestry Tasmania Australian Pharmaceutical Industries Limited Impact Fertilisers Pty Limited The Van Diemen's Land Company	Director Director Director Director Director Director and Shareholder
P Newland	Abano Healthcare Group Limited BG Capital Limited BG Trustees Limited The Van Diemen's Land Company	Director Director Director Director and Shareholder
R Pratt	Feronia Limited Fibre Tech NZ Limited Landcare Research New Plymouth District Council Testing Laboratory Registration Council and IANZ Taranaki Investment Management Limited The Van Diemen's Land Company	Managing Director Director Director Consulting and Project Management Chairman Consulting and Project Management Director and Shareholder
J C Watson	Incitec Pivot Limited Cooperative Research Centre for Innovative Dairy Products Tassal Group Limited Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand The Van Diemen's Land Company The Export Wheat Commission	Chairman Chairman Director Member Director and Shareholder Chairman

Directors who resigned during the year

Director	Other Companies	Relationship
C C Armer (Appointed 28th September 2001)	Dairy Holdings Limited Dairy Holdings Limited Subsidiaries Fonterra Co-operative Group Limited Armer Farms (NI) Limited The Van Diemen's Land Company	Director/Shareholder Director Director/Shareholder Director/Shareholder Director/Shareholder
A J Pye (Appointed 28th September 2001)	***New Zealand Companies*** A J Pye & Co Limited St Andrews Transport Limited Dairy Holdings Limited Dairy Holdings Limited Subsidiaries ***Australian Companies*** East Wyambi Pty Limited Parilla Management Pty Limited &Associated Companies Rushy Holdings Pty Limited and Associated Companies The Van Diemen's Land Company	 Director Director Director/Shareholder Director Director Director/Shareholder/Secretary Director/Shareholder Director/Shareholder
E O Sullivan (Appointed 28th September 2001)	Opuha Water Limited Scales Corporation Limited and Subsidiaries Pines Resort Body Corporate South Canterbury Finance Limited and Subsidiaries Director of various other associated and subsidiary companies in the various groups and other private companies in a professional capacity. Order of St John, National Body Craighead Diocesan School Foundation The Van Diemen's Land Company	Director Director Chairman Director Member Chairman Governor/Shareholder

Directors' Disclosure of Remuneration

	Total Remuneration and Other Benefits Paid (NZD)			
	Tasman Farms Limited		The Van Diemen's Land Company	
	2008 ($)	2007($)	2008 ($)	2007($)
C C Armer (to 27th February 2008)	(1)11,100	(1) 20,800	13,007	17,329
J T Andrews	(1)11,200	2,692	(2)24,543	4,666
T J Breward (from 22nd February for	4,432	-	(2)22,869	(3) 18,022
Tasman Farms Limited)			-	-
M Hampton (from 4th March 2008)	4,432	-	9,168	-
P Newland (from 16th June 2008)	-	-	-	-
Dr R Pratt (from 27th February 2008)	4,432	-	9,168	-
A J Pye(to 27th February 2008)	7,500	10,000	13,007	17,329
I N Roberts(to 27th February 2008)	-	-	(2)17,170	17,329
E O Sullivan(to 27th February 2008)	(1)16,200	(2) 21,200	(2)26,708	(3) 35, 351
J Watson (from 27th February 2008)	20,000	-	5,799	-

Notes:

(1) This included Consultancy Fees of $1,200 for JT Andrews, $1,200 for EO Sullivan and $3,600 for C C Armer.

(2) This included Consultancy Fees of $694 for TJ Breward, $694 for E O Sullivan, $694 for JT Andrews and $4,162 for IN Roberts.

Effective from 1st June 2008 the Board of Tasman Farms Limited resolved to adopt Director's Fees as follows:

	Tasman Farms Limited Fee Per Annum ($)	The Van Diemen's Land Company Fee Per Annum ($)
Chairman	nil	AUD $80,000
Non Executive Director	nil	AUD $45,000

Entries in the Interest Register Made During the Year (continued)

Disclosure of Relevant Interest in Ordinary Shares in the Company
As at 31st May 2008

Director	Shares Held
J T Andrews	-
T J Breward	-
M Hampton	-
P Newland	-
Dr R Pratt	-
J Watson	-

Disclosure of Relevant Interest in Ordinary Shares in the Company (Directors who retired)

Name	Number of ordinary shares held or controlled	Percentage of total shares
Alan Pye	395,940	0.59%
Edward Sullivan and Jennifer Sullivan (in which Edward Sullivan has a beneficial interest)	41,000	0.061%
Seadown Holdings Limited (in which Edward Sullivan is an Associated Person)	10,000	0.015%
Dairy Holdings Limited (in which Colin Armer and Alan Pye hold a beneficial interest)	27,863,755	41.50%

Directors of the Company CC Armer, AJ Pye and EO Sullivan had the above shareholdings in the company during the year. These shares were sold on or before the 25th February 2008.

Use of Company Information

There were no notices from Directors of the Company requesting the use of Company information received in their capacity as Directors which would not otherwise have been available to them.

Particulars of Indemnity and Insurance

The Company effected Directors and Officers Liability and Company Reimbursement Insurance coverage with QBE International Insurance Limited for the period 1st June 2008 to 31st May 2009.

Employee Remuneration

Details of remuneration ranges for employees within the Group are:

Remuneration Ranges	Number of Employees	
	Tasman Farms Limited Parent Company	The Van Diemen's Land Company
$130,000 to $139,999	-	1
$140,000 to $149,999	-	1
$280,000 to $289,999	1	-

TASMAN FARMS LIMITED

Shareholder Information

Shareholding Statistics

On 31st August 2008 the total number of voting securities (as defined in the above Act) of the Company was 67,135,857.

Twenty Largest Shareholders As At 31st August 2008	Number of Shares	Percentage of Issued Capital
1. NEW PLYMOUTH DISTRICT COUNCIL	49,902,057	74.33%
2. FORSYTH BARR CUSTODIANS LIMITED	6,710,000	9.99%
3. HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET -NZCSD	5,750,000	8.56%
4. HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD	1,000,000	1.49%
5. CHRISTOPHER CARBROOKE ALPE	216,106	0.32%
6. LYNNE MARIE MARX-SHEATHERWALTER BRENT SHEATHERPATRICIA VERA SHEATHERSIMON MIDDLETON PALMER	195,264	0.29%
7. CLAIRE JOSEPHINE COCKS	107,040	0.16%
8. LEVERAGED EQUITIES FINANCE LIMITED	95,915	0.14%
9. JOAN CANNJEREMY JAMES RICKMAN	91,600	0.14%
10. CUSTODIAL SERVICES LIMITED	83,560	0.12%
11. ANZ NOMINEES LIMITED - NZCSD	82,250	0.12%
12. WILLIAM MARVIN GRIFFIN	80,000	0.12%
13. GRAEME LESLIE TEEJOANNE MAREE STEENSALFRED PHILLIP DREIFUSS	72,809	0.11%
14. CUSTODIAL SERVICES LIMITED	70,500	0.11%
15. THOMAS ALAN PEGLER (SNR)	65,400	0.10%
16. JOANNA EDITH SINCLAIR	55,000	0.08%
17. RONALD IVOR SHEWAN	51,740	0.08%
18. DIANNE ELIZABETH BUCKNELL	51,260	0.08%
19. GURBAKSH SINGH BELLING	50,000	0.07%
20. OWEN WILLIAM HOPGOOD	47,996	0.07%
Total	64,778,497	96.49%

Distribution of Shareholders and Shareholdings as At 31st August 2008

Size of Holding	Holders	Shares	Percentage
1-999	99	46,122	0.07%
1,000-4,999	173	407,707	0.60%
5,000-9,999	68	455,220	0.68%
10,000-49,999	71	1,442,907	2.15%
50,000 Plus	17	64,783,901	96.50%
Total	428	67,135,857	100.00%

TASMAN FARMS LIMITED

Directory

Current Board of Directors

Chairman:
J Watson AM

Directors:
JT Andrews
TJ Breward
M Hampton
P Newland
R Pratt

General Manager
N Morris BAgSc MBA

Registered Office:
Staples Rodway
P O Box 146
Taranaki Mail Centre
NEW PLYMOUTH
New Zealand 4340

Telephone:	00613 64 522 911
Facsimile:	00613 64 522 519
E-mail:	office@vdlfarms.com.au

Auditors:
Ernst & Young
Ernst & Young House
227 Cambridge Terrace
P O Box 2091
Christchurch

Share Registrar:
Computershare Registry Services Limited
Level 2
159 Hurstmere Road
North Shore
Auckland
Private Bag 92119
Auckland 1020

Telephone:	09 488-8777
Facsimile:	09 488-8787