LANDCORP FARMING LIMITED

Full-year results for announcement to the market
27 August 2010

Landcorp

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Reporting Period	12 months to 30 June 2010
Previous Reporting Period	12 months to 30 June 2009

	12 months to 30 June 2010	12 months to 30 June 2009	Percentage change
	Amount (000s)	*Amount (000s)*	
Revenue from ordinary activities	$NZ 162,951	$NZ 160,337	2%
Net operating profit (loss)	$NZ 10,013[1]	$NZ 6,857	46%
Net profit (loss) (after tax)	($NZ 5,841)[2]	$NZ 10,330	(157%)
Total comprehensive income	($NZ 112,478)	($NZ 76,009)	(48%)

Final Dividend (declared)	$NZ 18,000	$NZ 10,000	80%

2009/10 Financial Results

Landcorp made a net operating profit before tax of $10.0 million for the year ended 30 June 2010, compared with $6.9 million for 2008/09. The result is a creditable reflection of the company's long-term strategy and of tight expenditure control, all in the face of volatile product pricing, high exchange rates and the general cost pressures on farming.

[1] The tax expense under NZIFRS is based on a number of assumptions (for example unrealised balance date revaluations) and is not related to the actual tax expense Landcorp pays. Therefore it is not possible to apportion the tax expense under NZ IFRS over ordinary activities.

[2] NPAT as reported under NZ IFRS is significantly different to the reported profit under previous NZ GAAP. The net profit after tax includes significant gains arising from the value change in livestock over the period. As the majority of these gains arise on livestock held for breeding and/or production, rather than sale, and are stated at a particular point in time, they do not represent cash flows that are realised in the ordinary course of livestock farming.

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In addition to the net operating profit, Landcorp achieved pre-tax gains of $8.7 million on farm sales (2008/09: $3.8 million). On this basis, Landcorp will pay the shareholder total dividends for 2009/10 of $18.0 million, with $9 million of this being a special dividend funded from farm sale proceeds. Under our Protected Land Agreement with the Crown (September 2007), $17.4 million of the dividend total will be diverted back to Landcorp in the form of redeemable preference shares. The balance ($0.6 million) will be paid in cash. The 2010/11 year will be the final one in the four-year dividend diversion scheme through which the company receives the balance outstanding on its sale to the Crown of nine properties set aside for public policy purposes under the 2007 agreement.

As has been previously outlined, net profit after tax under NZ IFRS is not a meaningful number as it incorporates a number of unrealised revaluations on livestock, derivatives and land.

Total shareholder return for 2009/10 was a loss of $112.5 million (2008/09: $76.0 million loss) due largely to unrealised reductions in the value of Landcorp-owned farms. These reductions amounted to $120.5 million (2008/09: $97.9 million reduction) after dairy and drystock (sheep and beef) farms fell in value by 14 and 10 per cent respectively.

Landcorp's improved net operating profit for the year was due largely to industry-wide recovery in dairying, and to reduction in Landcorp's expenses as farm budgets were tightened and interest costs were cut. Landcorp revenues from dairy, livestock and forestry operations during 2009/10 were $162.9 million, up 1.6 per cent from the previous year ($160.3 million). The increase reflected a 29.5 per cent jump in milk revenue to $70.2 million (2008/09: $54.2 million), more than offsetting income reductions from sheep and deer farming.

2010/11 Outlook

At this early stage of the 2010/11 season, Landcorp's livestock and pastures are in good condition. Subject to external market movements and/or climatic conditions, Landcorp is well placed to meet 2010/11 targets.