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Underwater – US$49.2 million Olam rice farm on the Benue River (Nigeria) flood plain.

Company: Olam International Ltd.

Ticker: SGX O32; OTC OLMIY / OLMIF

Industry: Agricultural Commodity Trading & Processing

Thesis: Strong Sell

Report Date: November 27, 2012

Price: S$1.66

Market Cap: S$4.0 billion

Float: 67.4%

Avg Volume: 15.5 million shares

Avg Volume: 15.5 million shares

- Olam runs a high risk of failure. Its “asset heavy” strategy appears to be an off-the-rails CapEx and acquisition binge. Management talks about the “gestation” of these projects, but our research makes clear that they are marred by incompetence and perhaps significant misconduct. The vast majority of the acquisitions we have researched are of low quality assets that appear to bring little more than cosmetic benefits to Olam. In short, these projects are “pie in the sky” that we strongly believe are destroying substantial amounts of capital.
- Bondholders in particular should be asking where their money goes (and how will they get it back). Olam has spent S$571.0 million less on acquisitions than announced. However, it has spent S$996.2 million on unattributed non-acquisition CapEx – most of it since FY2011. One possible interpretation is that Olam is doing far more greenfield projects than realized, which greatly increases its risk profile. Another possible interpretation is that Olam has problems with internal controls and significant cash leakage.
- Over the years, Olam has committed a shocking number of accounting gaffes. We can conceive of two possible interpretations of its accounting track record – either its accounting functions are blithely incompetent; or, there could be malfeasance. (Both could be true as well.) The former interpretation has ominous implications for Olam’s oft self-promoted ability to manage risk. The latter interpretation obviously has even more dire implications.
- We believe it is instructive to view Olam through the lens of failed US trader Enron Corp. There are a number of material similarities in the way their businesses developed, and their action.
- We value Olam on a liquidation basis because our opinion is that it is likely to fail. In the event of a liquidation, we estimate the present value of unsecured bonds to be 14 to 33 cents on the dollar. The equity would likely be wiped out, or given “nuisance value” at best.

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Introduction

Olam is an extreme example of an increasingly important conflict in modern finance: the clash between accounting and business reality. When accounting gets the upper hand, the results can be toxic for investors – particularly when combined with heavy debt levels. Our main problem with Olam, though, is not that it has significant non-cash earnings and high debt levels. We believe that Olam's fatal flaw, and one of its best kept secrets, is that its CapEx projects seem to be a fiscal black hole. Olam's insistence that investors accept a "gestation period" for its investments seems akin to what a degenerate gambler might say to his friends and family in order to get more money to gamble.[1]

Muddy Waters does not believe in the "gestation period" – particularly after studying the almost three-year old acquisition of Crown Flour Mill. As we discuss in this report, CFM's assets at the time of acquisition were worth only a fraction of what Olam booked, and CFM has only been generating a 0.9% PAT margin while burning cash.

The non-cash accounting profits are significant to understanding how Olam is able to finance what, in our view, is an off-the-rails CapEx binge. One thing that investors must understand about Olam's non-cash accounting gains is that at least 62.5% of its reported negative goodwill profit has not come from buying assets below their carrying values. Rather, Olam revalued those assets upward, and then booked the negative goodwill.

The acquisition of bankrupt SK Foods is an example of a transaction in which Olam significantly upped the book values of acquired assets. The re-valuation allowed Olam to book negative goodwill that equated to 26.2% of Olam's FY2010 PAT. Olam increased the book value of SK's assets by S$73.1 million. Moreover, Olam was the sole bidder for SK, which has been called a "racketeering organization" by the United States Department of Justice. According to a source familiar with the bankruptcy process, a number of potential strategic buyers were uncomfortable with the short time period in which to do due diligence. (Apparently they do not have the ability to quickly spot value that Olam does.) Olam is now arguing to two different tax assessors in California that the value of the SK assets is only US$16.9 million (versus an assessed value of US$168.8 million).[2]

Olam seems to be falling into the same Accounting Gain – CapEx vicious cycle that ensnared Enron. Olam has been very upfront about its goal to generate US$1 billion (S$1.2 billion) in PAT by FY2016. However, non-cash accounting gains equate to 37.9% of PAT from FY2010 through FY2012.[3] It seems that Olam's only choice to move the needle toward S$1.2 billion is to continue to buy more questionable assets, while going full throttle in its trading business, which seems to merely consume ever more cash as its volumes increase (which is another parallel to Enron). Using

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[1] http://www.ft.com/intl/cms/s/0/2114ef1c-36b3-11e2-a90e-00144feabdc0.html#axzz2DLeWvu3B

[2] We recognize that this could be a negotiating position, but assuming that Olam wants to pass the laugh test in its discussions with the assessors, these valuations should have some basis in reality. Our research shows they likely do.

[3] Calculated assuming no taxes on biological gains, remeasurement of investment, and negative goodwill.

conservative assumptions, our model forecasts that Olam will have to raise and / or refinance as much as S$4.6 billion over the next four quarters. We believe our model assumptions are conservative, particularly in light of Olam's CEO announcing plans to spend an average of S$226 million to S$308 million on investments per quarter over the next three years, as mentioned above. Our model assumes only S$214 million of investments per quarter.

Olam is now riding the tiger. We think the only way off at this point is to fall.

Summary

Olam's Aggressive Accounting Masks its Poor Performance and Incentivizes it to Spend Increasingly Precious Cash

Olam frequently books non-cash accounting gains ("NCAGs") in its income statement. The two primary non-cash accounting gains Olam records are negative goodwill and biological gains. Both types of gains encourage companies to spend money on asset purchases, with the possible result being – as in Enron Corp's case – the asset quality becomes less important than the potential to recognize accounting gains. The rub is that these non-cash gains cost real cash.

From FY2010 through FY2012, NCAGs equated to 37.9%[4] of Olam's PAT. It is well-known that biological gains are driven by valuation models. However, we think that analysts misunderstand how Olam generates much of its negative goodwill. Much of the negative goodwill is also driven by valuation models. At least 62.5% of Olam's reported negative goodwill arises not from buying assets below book values; but rather, making (model-based) determinations at the time of acquisition that the assets are worth more than Olam is paying. Not to worry though, Olam CEO Sunny Verghese says that management runs a "clean honest business".[5]

As we detail in this report, we cannot account for a total of S$996.2 million of Olam's non-acquisition CapEx. We believe that bondholders in particular should be asking where their money has gone, and how they will get it back.

Olam's Looming Solvency Crisis

One quarter ago (as of the end of FY2012), Olam seems to have had only three weeks of operating cash. The Company reported S$1.1 billion in cash, but that number is misleading. S$602.1 million of the cash balance appears to come from Olam withdrawing significant margin from its brokerage accounts.[6]

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[4] Calculated assuming no taxes on biological gains, remeasurement of investment, and negative goodwill
[5] http://www.ft.com/intl/cms/s/0/2114ef1c-36b3-11e2-a90e-00144feabdc0.html#axzz2DLeWvu3B
[6] Per Olam's audited FY2012 Cash Flow statement

Olam also had S$445.7 million of overdrafts as of FY2012.[7] In other words, the overdrafts mean that Olam took more money out of its bank accounts than it had in them – this brings some of us back to freshman year of college. Overdraft money is not cheap. Its subsidiaries pay up to 22% annual interest on these overdrafts.[8]

Olam thus only had roughly S$60 million of truly free cash as of FY2012.[9] Olam's cash burn in FY2012 was S$1.1 billion, or over S$20 million per week. [10]

Olam's capital structure includes a significant amount of loans and bonds that are due within the next 12 months. As of September 30, 2012, Olam had S$1.38 billion in cash and short-term fixed deposits, and S$3.75 billion in borrowings due within the next 12 months. Our model shows that Olam could have to raise or refinance as much as S$4.6 billion over the next 12 months in order to stay solvent. We believe our model assumptions are conservative. However, this was before (only within the 24 hours prior to publication of this report) Olam CEO Sunny Verghese defiantly announced plans to spend an average of S$226 million to S$308 million on investments per quarter over the next three years.[11] Our model assumes only S$214 million of investments per quarter.

After adjusting Olam's EBITDA to remove non-cash accounting gains, it is showing that Olam is currently leveraged at 9.3x gross debt to LTM EBITDA, and 1.6x interest coverage. Our model shows that if Olam's borrowing costs do not change, its interest coverage (excluding non-cash accounting gains) could get close to 1.0x over the next 12 months, which would be well below its minimum interest coverage covenant of 1.5x.[12] (We are unclear whether the covenant includes or excludes non-cash accounting gains.)

Olam's Trading Business Appears to be a Failing Business Model

Trading volumes have grown 86.6% since FY2009. From FY 2009 through Q1 2013, Olam's net cash used in operations has been S$2.5 billion.[13] We assume that much of the OCF burn is attributable to the trading business. Much of Olam's trading profit appears dependent on export incentives that Olam receives from governments. These programs are politically sensitive, and this type of income seems unsustainable.

Olam is a Black Box

After Enron collapsed, Bethany McLean asked "Why were so many people willing to believe in something that so few actually understood?"[14] The same question should be asked about the analysts who are bullish on Olam. Our analysis of various analysts'

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[7] Id.
[8] Olam FY2012 Annual Report, p. 156, Note 23.
[9] After subtracting out cash generated from margin account withdrawals and overdrafts from banks
[10] Cash burn is defined as Net Operating Cash Flow minus Cash Used in Investments.
[11] http://www.bloomberg.com/news/2012-11-26/olam-seeks-more-debt-for-deal-funding-amid-muddy-waters-dispute.html
[12] CEO Sunny Verghese stated that this is the covenant level in a recent conference call.
[13] Including Q12013.
[14] "Why Enron Went Bust", *Fortune*, December 24, 2001.

financial models makes clear that they have no idea how Olam's financial statements work, based on widely varying estimates for virtually every model input. The Company publicly admits that its business is difficult to understand.[15] Good things seldom come of investing in something one does not understand – particularly when there is a high degree of leverage.

Is Olam's Accounting Credible?

Olam has produced some of the worst accounting gaffes we've ever seen—often surpassing the US-listed China RTO frauds. At the very least, these numerous accounting problems over the years strongly suggest that Olam's accounting functions are incompetent. It is hard to understand how Olam can be an effective risk manager when looking at the confusion it has had over its accounts. Moreover, some of the accounting revisions are so unusual as to suggest irregularities.

Olam's CapEx is Off the Rails

Olam's snowballing CapEx appears to be destroying significant investor value, and pushing the company toward collapse. Olam tells investors that its CapEx projects are creating long-term value, and are generally meeting their targets while they are gestating. On the back of these statements, Olam borrows more money for more projects. Given Olam's true CapEx track record, Olam reminds us of a degenerate gambler, losing money only to borrow more from friends and family; and, then doubling down, losing again, borrowing more, and so on.

The truly interesting aspect of Olam's CapEx is that it seems to spend less cash on acquisitions than perceived; but, it spends much more on non-acquisition CapEx than investors understand. This implicates various possibilities, including the possibility that Olam is pursuing more greenfield projects than investors realize. If true, that fact would alter Olam's risk profile. Another potential issue is the specter of poor internal controls and substantial cash leakage.

The total acquisition consideration Olam has announced exceeds disclosed cash consideration payments by S$571 million.[16] Yet investors and analysts are often unaware when a project has died or been put on indefinite hold.

On the other hand, Olam's non-acquisition CapEx has become massive. We cannot account for cumulative S$996.2 million in booked (but unattributed) CapEx over the last four years.[17] Olam has so far failed to release information allowing us to bridge this gap.

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[15] http://www.ft.com/intl/cms/s/0/baaae8bc-33ba-11e2-9ae7-00144feabdc0.html#axzz2DLeWvu3B
[16] See *Acquisitions: All Hat, No Cattle*
[17] See *Non-Acquisition Capital Expenditures—So Black Holes Do Exist!*

Viewing Olam through the Enron Lens

Comparisons to Enron are overused, but in the case of Olam, the similarities really are uncanny. We believe that the single biggest factor in Enron's collapse was its use of accounting techniques similar to Olam's value gains. Both companies married problematic trading businesses with asset heavy businesses. Both companies were "black boxes" to analysts and investors. Enron's notable inability to produce a balance sheet on time for its earnings announcements has a parallel in Olam's often revised accounts. Enron's antipathy toward short-sellers was clearly borne out of insecurity. We believe that Olam is the same in this regard.

Valuation

We value Olam on a liquidation basis because we believe its value is less than its debt, and that it is at significant risk of defaulting on its obligations. In the event of bankruptcy, our recovery model shows that recoverable assets for unsecured creditors of Olam would likely be 45.8 cents on the dollar. This is the value of assets ignoring the time it takes to complete a bankruptcy process, uncertainty, risk of fraud, and time value of money. Because of the lengthy bankruptcy process in Singapore, and an assumed required IRR of 15% on a distressed bond purchase, we believe the fair price for Olam's unsecured obligations is 14 to 33 cents on the dollar, depending on recovery times. In such a scenario, the equity would be wiped out, or worth nuisance value at best.

Report Background

On November 19, 2012, Muddy Waters's Director of Research, Carson Block, spoke about Olam at the Ira Sohn conference in London. His talk was 15 minutes long, and he delivered a general overview of a portion of our negative investment thesis on Olam.

In the one week since, Olam has reacted in a stunningly defensive way. We understand from press reports that Olam has filed a defamation suit against Muddy Waters and Mr. Block. It is clear that Olam greatly fears the public knowing the truth about this company – that it is yet another emperor with no clothes.

CEO Sunny Verghese has suggested that instead of shorting Olam, Muddy Waters should go long and work with the board to improve the Company.[18] Thank you, Mr. Verghese, but we must politely decline. While we would be happy to have one or more conversations with you and your board about our views on Olam,[19] we have a policy against wasting cash (strange as this may seem to Olam). This policy unfortunately precludes us from purchasing any Olam securities at this time.

We always feel sympathy for investors who have misplaced their trust in unworthy managements. This is certainly the case of our feeling toward Olam's investors. But in no way are we intimidated by Olam.

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[18] http://www.ft.com/intl/cms/s/0/2114ef1c-36b3-11e2-a90e-00144feabdc0.html#axzz2DLeWvu3B

[19] This is a sincere offer, although we will not do so under the threat of lawsuit.

Olam Background

Olam is an agri commodity trader that has moved into production, processing, and distribution in recent years. It started in 1989 in Nigeria as part of an Indian conglomerate, the Kewalram Chanrai Group ("KC"). KC had been producing cotton products for the domestic Nigerian market, and it created Olam to develop export markets for cotton and its cotton products. KC tapped Olam's current CEO Sunny Verghese to run the new business.

Olam then expanded into exporting Nigerian agri commodities – first cashews, then sheanuts, and then into cocoa, coffee, and other commodities. Olam expanded its sources to other countries in Africa, and then into Asia. In 1995, Olam moved its headquarters from London to Singapore.[20] It IPOed in Singapore in 2005. At the end of the quarter prior to its IPO, its tangible fixed assets were only S$26.6 million.

From its early days, Olam generated additional margin by frequently sourcing from the farm gate, versus buying at the ports. While it breaks out sales by group, Olam is not transparent about how much of each specific commodity it sells. These are niche commodities in the global agriculture world, and by focusing on them, Olam has largely avoided competing with the ABCDs (i.e., ADM, Bunge, Cargill, and Louis Dreyfus). However, it has become a flatter world, and sending recent graduates from Indian business schools into the African bush to buy crops is not the competitive advantage it once was. The financial crisis has also negatively impacted agri commodity traders, causing them to often tie up more capital in return for lower profits than before.

In 2008 Olam began aggressively implementing an M&A based growth strategy – focusing on production, processing, and distribution. It is this strategy, coupled with expanded trading, that has driven what we believe is essentially a modestly profitable (at a smaller scale) trading business to take on crushing debt levels and, in our opinion, destroy substantial amounts of investor funds.

Research Methodology

Muddy Waters spent approximately three months researching Olam full-time. Our team includes experts in forensic accounting, law, investigations, production, international trade, and finance. We employed investigators to research Olam operations in numerous countries across four continents. We consulted with various experts, including in agriculture, Nigerian law, export incentives, agri commodities trading, bankruptcy, valuation, and shipping. Our hallmark is to understand the way a business really is – not necessarily only what management wants investors to see. As is typical when we research a company, we believe that through our field research, due diligence and analysis of publicly available information, we have developed a clearer picture about its operations and business, and we set out here our opinions and thesis based upon that clearer picture.

[20] Olam IPO prospectus

A portion of our analysis relies on publicly available financial statements and other information filed with the Corporate Affairs Commission of Nigeria.[21] These analyses are almost identical to the analyses we have performed on China-based companies using their State Administration of Industry and Commerce ("SAIC") files.

Olam's Aggressive Accounting Masks Its Poor Performance and Incentivizes It to Spend Increasingly Precious Cash

Olam frequently books non-cash accounting gains ("NCAGs") in its income statement. The two primary non-cash accounting gains Olam records are negative goodwill and biological gains. Both types of gains incentivize companies to spend money on asset purchases, and the possible result is that – as in Enron Corp's case – the asset quality becomes less important than the potential to recognize accounting gains. The rub is that these non-cash gains cost real cash. Furthermore, a majority of Olam's negative goodwill comes from its own upward revaluation of asset values, rather than comparisons to the book values of the assets at the time Olam acquired them. In other words, much of Olam's negative goodwill has come not from acquiring assets below their book values; but, rather by revaluing them at the time of the acquisition.

Negative goodwill and biological gains have become an integral part of Olam's reported net earnings. The table below shows the relationship between NCAG and reported net income to shareholders, and adjusted return on average assets.

Relationship Between Non-Cash Accounting Gains and Investments

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Reported Net Income	403.8	444.6	359.7	252.0	167.7	109.0	87.2
Reported Income from Non-Cash Accounting Gains ("NCAG"):							
Negative Goodwill	3.2	79.8	118.2	3.7	5.3	0.2	-
Remeasurement of Investment	-	12.0	-	-	-	-	-
Biological Gains	110.9	80.4	54.0	-	-	-	-
Total NCAG	**114.1**	**172.2**	**172.2**	**3.7**	**5.3**	**0.2**	**0.0**
Adjusted Net Income exc. NCAG	289.8	272.4	187.5	248.3	162.4	108.8	87.2
NCAG as % of Net Income[1]	28.2%	38.7%	47.9%	1.5%	3.1%	0.2%	0.0%
Cumulative NCAG	467.6	353.5	181.4	9.2	5.4	0.2	0.0
Adjusted Assets - Ending Balance[3]	13,360.4	12,226.6	7,623.3	5,406.2	6,224.8	3,177.4	2,358.2
Average Adjusted Assets	12,793.5	9,924.9	6,514.8	5,815.5	4,701.1	2,767.8	2,249.5
Return on Average Adj. Assets - Reported NI	3.2%	4.5%	5.5%	4.3%	3.6%	3.9%	3.9%
Return on Average Adj. Assets - Excluding NCAG[1]	2.3%	2.7%	2.9%	4.3%	3.5%	3.9%	3.9%

Note:
1 Calculated assuming no taxes on NCAG gains
2 Cumulative NCAG was subtracted from the total ending balance of assets
3 Adjusted Assets calculated as total assets net of cumulative NCAG gains

As is shown in the table above, Olam has relied heavily on NCAG income as a contributor to net income over the past three years. Similarly heavy use of NCAG

[21] http://www.cacnigeria.org/jm/

accounting is, in our view, one of the primary reasons Enron collapsed. These gains encouraged Enron to spend substantial amounts of cash on low to negative return projects, which is what we think Olam is doing now. Once a company begins heavily relying on NCAG, it becomes hard to stop because the YoY net income comparisons would be unfavorable without continuing to take such gains. In other words, once companies start recording these gains, it becomes hard to stop riding the tiger.

Negative Goodwill

We think analysts and investors are missing a major point regarding Olam's negative goodwill. Much of its negative goodwill comes from it revaluing assets at the time of acquisition, rather than it acquiring them below their book values. Olam has recorded negative goodwill on acquisitions since Q4 2007, when it booked S$189,000 in negative goodwill on its acquisition of Rudra International Ltd. Goodwill is booked following an acquisition based on subtracting the net assets acquired from the price paid. If the price is higher than the net assets acquired, the acquirer records goodwill. If the price paid is lower than the net assets acquired, the acquirer records negative goodwill—an immediate gain on the purchase. This gain flows through the income statement—in Olam's case, it is booked as "Other income".

There are two critical points to make about Olam's negative goodwill. First, negative goodwill is not "real" income in that there is no positive cash flow associated with it when booked.

More important though is that at least 62.5% of Olam's negative goodwill resulted from acquisitions in which Olam increased the values of the acquired assets, which then resulted in the negative goodwill. For instance, with the SK Foods acquisition, the negative goodwill from which represented 26.3% of FY2010 net income, Olam revalued the PP&E upward by S$73.1 million (62.6%) from the book value at the time of the acquisition. We believe that investors should be particularly skeptical of such negative goodwill, because it is not clear that the revaluations are free from management influence.

Olam booked small amounts of negative goodwill in FY2008 and FY2009. The stakes escalated greatly in FY2010 when Olam booked S$118.2 million in negative goodwill. The S$118.2 million booked under negative goodwill in Olam's FY2010 Annual Report for FY2010 was S$29.2 million higher than the negative goodwill recorded for FY2010 in Olam's Q4 2010 financial statements for the fiscal year. In other words, Olam somehow realized after reporting results that the assets were worth even more than it had previously thought. Olam recorded another S$79.8 million in negative goodwill in FY 2011, but slowed down in FY2012 with only S$3.2 million in negative goodwill.[22] Since going public, Olam has recorded S$210.4 million in negative goodwill, S$201.2 million of which was recorded during the past three fiscal years.

[22] Id.

Companies reporting significant NCAG are strongly incentivized to continue expanding their balance sheet in search of more assets on which they can book NCAG. Because companies want to grow earnings, the transactions that generate NCAG generally get bigger and require more and more cash. Enron employees joked that they were encouraged to spend $10 in order to generate $5 in current earnings.[23] Olam has been explicit and aggressive about trying to grow reported earnings.

As we show next, the possibility that Olam will focus on buying NCAGs is a real danger for Olam's investors. While the cash Olam spends and debt Olam assumes are real, we believe that its NCAGs are misleading accounting line items that can fool investors into believing the company is more profitable than it really is. Further, the acquisitions and expansion that drive the NCAGs have put Olam in a precarious position regarding leverage. If the pattern of acquiring assets for questionable NCAG continues, Olam investors may have a significant risk of default.

We believe that the significant NCAGs Olam booked following the acquisitions of SK Foods (negative goodwill), tt Timber (negative goodwill), and NZFSU (gain on remeasurement of investment upon business combination) are largely – if not completely – unjustified. Because Olam's NCAGs on these assets (with the exception of NZFSU) were based on Olam's revaluations, it means that the sellers were carrying, and / or sold, the assets below fair value. Negative goodwill from revaluation is generally rare in acquisitions because it means that the seller has decided to part with it for *less* than fair value (not to say anything about the expected value of future earnings).

Yet, Olam claims to capture negative goodwill *on a fairly regular basis*. Olam's gain on remeasurement of investment upon business combination of NZFSU is defensible from the perspective that the valuations were not subjective – Olam paid higher prices to acquire more NZFSU equity. Our argument with the gain though is that it seems perverse to book a profit on an investment when you appear to have thrown more good money after bad, just at a higher price. Further, the increasing price for NZFSU's shares might have reflected Olam's support for the company and the possibility of a buyout.

We do not believe that Olam is really that savvy of a shopper, and we also believe that most of Olam's NCAG acquisitions are poor investments. Olam appears to be hemorrhaging money on NZFSU and facing serious problems at Olam Tomato Processors (SK Foods), while tt Timber appears to have gone nowhere. Negative goodwill and re-measurement gains from these and other transactions (including biological gains) that occurred during FY2010 and FY2011 represented 26.1% of Olam's reported PAT during those periods.[24]

[23] MW discussion with a leading journalist who previously covered Enron.
[24] Ignoring tax impact on those gains

tt Timber Acquisition Illustrates how Olam Generates Negative Goodwill through Revaluation

In most instances, the prior financials of companies acquired by Olam are not readily available. However, in some instances, they are. In the case of the tt Timber acquisition, Olam acquired an entity with publicly available financial data. We found that Olam marked up the assets acquired by a significant amount, which resulted in Olam booking a gain and boosting PAT. Because DLH is a public company, its filings, which contain information on tt Timber, are available online.[25]

[25] http://www.dlh.com/Investor.aspx

Below is the purchase price allocation for DLH's acquisition of tt Timber on January 23, 2006:[26]

(million DKK)	The tt Group	
	Carrying amount prior to acquisition	Fair value at acquisition date a
Intangible assets	1.7	10.2
Property, plant and equipment	213.1	253.8
Financial assets	-	-
Inventories	334.5	334.5
Receivables	171.6	171.6
Cash	51.5	51.5
Loans	(168.5)	(168.5)
Deferred tax	(0.9)	(0.1)
Trade payables	(66.0)	(66.0)
Pension liability	-	-
Other payables	(121.8)	(125.9)
Net assets	415.2	461.1
Goodwill		0
Negative goodwill		(32.7)
Cash funds taken over		(51.5)
Provisions		-
Subordinated loan		(111.8)
Share capital increase		(102.0)
Acquisition cost in cash including costs		163.1

The fair value increase in the intangibles from DKK1.7 million to DKK10.2 million, amounting to S$2.3 million, is in relation to the FSC certification of parts of the forestry concession in the Congo Brazzavile and in Gabon.[27]

DLH had impaired tt Timber by S$27 million (DKK117 million), which was reversed in 2010 upon the sale to Olam.[28] In 2010, DLH had a number of subsidiaries held for sale, however, tt Timber was the most significant.

[26] DLH 2006 Annual Report, p.56.
[27] DLH 2007 Annual Report, p.65.
[28] DLH 2010 Annual Report, p.84.

In addition, the group closed down a number of small sales companies, and these are also recognised under discontinued activities together with the costs of laying off personnel and dispose off systems used in the forestry and production activities.

Discontinued operations generated a profit of DKK 26 million in total compared with a loss of DKK 492 million in 2009.

	Group		Parent company	
(DKK million)	2010	2009	2010	2009
Intangible assets	1.2	0.9	-	-
Tangible assets	168.3	60.8	0.7	0.7
Other non-current assets	0.3	-	178.6	-
Inventories	150.6	-	-	-
Trade receivables	27.6	-	-	-
Other receivables	36.0	-	(5.9)	-
Cash	30.1	-	0.1	-
Assets held for sale	414.1	61.7	173.5	0.7
Credit institutions	56.5	-	34.3	-
Trade payables and other payables	30.2	-	-	-
Other payables	90.3	-	11.1	-
	177.0	-	45.3	-

We have converted these accounts into Singapore Dollars and compared them to Olam's purchase accounting allocation.[29] As can be seen from the table above, DLH has never given any significant value to its intangible assets; however, Olam has revalued the concessions from DLH's S$270,000 to S$100.8 million. In the process of upping the concession value, Olam booked S$58.4 million in profit in FY2011. The foregoing facts strongly suggest that Olam aggressively valued tt Timber's concessions in order to improve Olam's reported profit.

Olam's Looming Solvency Crisis

At the end of FY2012, Olam seems to have had only three weeks of operating cash. The Company reported S$1.1 billion in cash, but that number is misleading. S$602.2 million of the cash balance came from Olam withdrawing substantial amounts of cash from its margin accounts. S$445.7 million came from overdrafts.[30] Net-net, Olam had only approximately S$60 million of truly free cash as of the end of FY2012.

Historical Margin Account Assets/Liabilities

Figures in S$ '000s	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005
Margin deposits with brokers	97,414	553,357	219,208	70,238	1,495,238	236,782	NA	NA
Amounts due to brokers	(237,981)	(96,224)	(66,393)	(5,399)	(1,240,965)	(150,620)	NA	NA
Net Asset/Liabilities	**(140,567)**	**457,133**	**152,815**	**64,839**	**254,273**	**86,162**	**43,147**	**57,335**

Sources: Olam Annual Reports

Olam as a physical trader engages in extensive hedging (and possibly speculating) with financial instruments. Many – to most – of these transactions are likely executed with brokers. Brokers require margin in order to execute most transactions – the margin is to manage the risk that their clients will default. In the case of exchange-traded contracts, the exchanges will require a margin from the broker, which in turn will demand a higher margin from the client. In other words, margin with brokers is part of working capital. It

[29] Olam 2011 Annual Report, p.131.
[30] Id.

is questionable how Olam can hedge with negative net margin at its brokers. We therefore suspect that Olam drew down its margin accounts just before the end of the quarter in order to appear to be more liquid than it really is.

Olam has suggested that it does not need margin with its brokers because it has begun to net off its transactions on a daily basis; however, for the reasons suggested above this does not seem to be correct. Additionally, if it indeed started to net off its accounts, then why did it substantially increase its margin at brokers in Q1 2013 from a net liability of S$141 million as of Q4 2012 to a net asset of S$234 million (which happens to coincide with Olam's recent debt raising)?

Olam first ended a quarter without margin in its brokerage accounts in Q3 2011. Below is the ending broker margin balance by quarter since Olam went public. It is odd that as Olam's sales and inventory have grown substantially, its quarter end margin balances have gone negative three times.

Margin Accounts with Brokers by Quarter

Figures in S$ '000s	**FQ1 2013**	**FQ4 2012**	**FQ3 2012**	**FQ2 2012**	**FQ1 2012**	**FQ4 2011**	**FQ3 2011**	**FQ2 2011**
Margin Accounts with / (Amount Due to) Brokers	234.5	(140.6)	(30.3)	33.9	411.3	457.1	(117.1)	596.2
	FQ1 2011	**FQ4 2010**	**FQ3 2010**	**FQ2 2010**	**FQ1 2010**	**FQ4 2009**	**FQ3 2009**	**FQ2 2009**
Margin Accounts with / (Amount Due to) Brokers	139.3	152.8	92.3	265.9	170.9	64.8	49.9	145.1
	FQ1 2009	**FQ4 2008**	**FQ3 2008**	**FQ2 2008**	**FQ1 2008**	**FQ4 2007**	**FQ3 2007**	**FQ2 2007**
Margin Accounts with / (Amount Due to) Brokers	237.6	264.0	265.1	175.6	180.9	79.6	137.2	109.9
	FQ1 2007	**FQ4 2006**	**FQ3 2006**	**FQ2 2006**	**FQ1 2006**	**FQ4 2005**	**FQ3 2005**	**FQ2 2005**
Margin Accounts with / (Amount Due to) Brokers	147.7	43.1	40.5	45.7	39.9	57.3	40.1	12.1

It is also very interesting that the margin accounts and amounts due to brokers changed in two quiet footnote restatements of margin (with changes of over S$1 billion in the FY2008 figures):

Margin Account Restatement

Figures in S$ '000s	**FY2008 Restatement**	
	Restated	Original
Margin deposits with brokers	264,038	1,495,238
Amounts due to brokers	(9,765)	(1,240,965)
Net Margin Asset/Liabilities	**254,273**	**254,273**

Sources: Olam 2008 annual report, p. 147, Olam 2009 annual report, p. 147

Margin Account Restatement		
Figures in S$ '000s	**FY2009 Restatement**	
	2010 AR	2009 AR
Margin deposits with brokers	84,198	70,238
Amounts due to brokers	(19,359)	(5,399)
Net Margin Asset/Liabilities	**64,839**	**64,839**

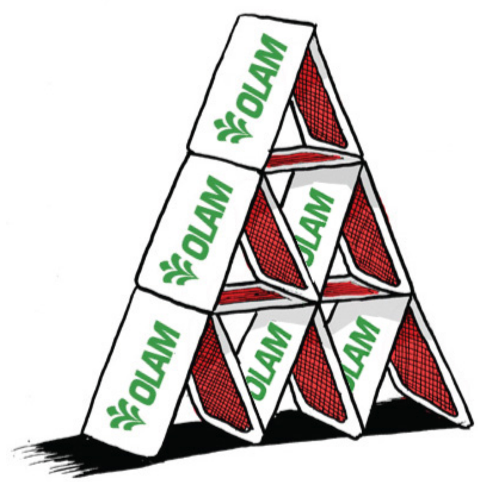
Sources: Olam 2009 annual report, p. 147, Olam 2010 annual report, p. 141

Olam's inability to accurately identify margin deposits and liabilities to brokers approximately 100 days after closing the fiscal year greatly calls Olam's claims of having superior risk management into question.

Olam also had S$445.7 million of overdrafts as of the FY2012. In other words, it took more money out of its bank accounts than it had in them – this brings some of us back to freshman year of college.[31] This money is not cheap. Its subsidiaries pay up to 22% annual interest on these overdrafts.[32]

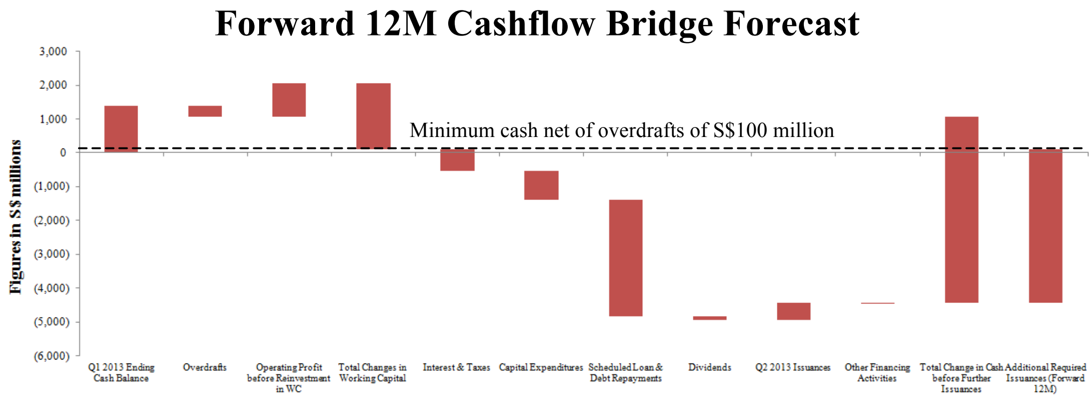
Olam thus only had approximately S$60 million of truly free cash as of FY2012. Olam's cash burn from operations and investments in FY2012 was negative S$1.1 billion, or over S$20 million per week.

We estimate that Olam could have to raise or refinance a total of S$4.6 billion in the next 12 months in order to stay solvent. This is based on conservative assumptions, including that Olam's borrowing costs do not increase. Olam's capital structure includes a significant amount of loans and bonds that are due within the next 12 months. As of September 30, 2012, Olam had S$1.38 billion in cash and short-term fixed deposits net of overdrafts, and S$3.75 billion in borrowings due within the next 12 months.



Below is a bridge showing how our model arrived at S$4.6 billion in required issuances or refinancing over the next 12 months:

[31] 2012 Annual Report, p. 166 (Note 32).
[32] FY2012 Annual Report, p. 158.



The assumptions we use in our model are conservative. We arrived at a twelve-month operating cash burn of S$1.6 billion by calculating revenue based off of sales volume for each product group, with a blended YoY growth of 35.0% over the next twelve months (beginning with Q2 2013).

We also estimated sales revenue per MT assuming QoQ growth of 0.75%, which was more generous than nearly all of the bullish analysts. The blended growth rate for total revenue was 11.0%, and we assumed that COGS would decline to 81.0% of revenue going forward, an improvement of 71 basis points over FY2012. We kept other figures, such as sales and logistics constant relative to volume and / or revenue; calculated depreciation based off of a standard schedule; assumed no gains or losses on derivatives; and assumed a 5.0% year-over-year increase in Other Income for each quarter, with S$9.4 million / quarter in income from jointly controlled entities (the average of the past eight quarters). Our FY2013 revenue estimate comes in at S$22.9 billion, S$2.3 billion higher than the Bloomberg consensus figure.

However, the conservative projections were not enough to keep the model from projecting a financial disaster awaiting Olam in the next twelve months if it cannot raise or refinance S$4.6 billion. Below is our forecast of the current debt maturity schedule:

Debt Repayment Schedule				
Figures in S$mm	**Q2 2013**	**Q3 2013**	**Q4 2013**	**Q1 2014**
Loans[1]	879.1	NA	NA	428.9
Bonds[1]	NA	350.0	NA	273.5
Total Other Current Loans - Q1 2013[2]	1,501.2			
Estimated OCL Repayment Schedule (% of outstanding)[3,4]	0%	0%	40%	60%
Estimated OCL Repayment Schedule (S$mm)[4]	0.0	0.0	600.5	900.7
Total Repayments	879.1	350.0	600.5	1,603.1

Notes:

1 Taken from Bloomberg

2 Taken from Olam Q1 2013 financial results

3 Muddy Waters assumption, designed to be conservative by assuming all current loans as of Q1 2013 without explicitly given maturity dates mature in Q4 2013 and Q1 2014

4 OCL stands for Other Current Loans

To be conservative, we assumed that all Other Current Loans were due in Q4 2013 and Q1 2014, with a 40/60 split, respectively.

Assuming that Olam requires a minimum of S$100 million in cash on hand to continue operating, we believe that Olam may have to raise or refinance S$4.6 billion in debt in the next twelve months to stay solvent. A large part of this is due to increasingly negative changes in working capital—as Olam attempts to capture additional revenue, its balance sheet has become bloated. We assume capital expenditures of S$1.5 billion equally weighted over each of the next seven quarters, or S$214 million per quarter.[33] However, this was before (only within the 24 hours prior to publication of this report) Olam CEO Sunny Verghese defiantly announced plans to spend an average of S$226 million to S$308 million on investments per quarter over the next three years.[34] Our model assumes only S$214 million of investments per quarter.

Combined with a highly levered balance sheet, record low operating margins, and continued capital expenditures and acquisitions, Olam runs a high risk of financial ruin. Even assuming that Olam can raise the money required to keep its operations running, our model forecasts that it will barely be able to cover the interest - assuming its borrowing costs do not increase.

[33] Based Management guidance during the Q4 2012 and Q1 2013 conference calls, during which they guided towards S$1.7 billion in capital expenditures over the next 18 – 24 months. We subtracted out the S$0.2 billion in capital expenditures recorded in Q1 2013 to arrive at S$1.5 billion, and allocated it over the next seven quarters to be conservative

[34] http://www.bloomberg.com/news/2012-11-26/olam-seeks-more-debt-for-deal-funding-amid-muddy-waters-dispute.html

Our forecasts are below:

Olam - Forecasted Leverage								
Figures in S$ millions	**FQ4 2014**	**FQ3 2014**	**FQ2 2014**	**FQ1 2014**	**FQ4 2013**	**FQ3 2013**	**FQ2 2013**	**FQ1 2013**
Cash & Equivalents[1]	2,359.4	413.9	997.5	413.9	992.9	413.9	413.9	1,318.9
Total Borrowings	10,285.7	10,285.7	9,997.3	9,997.3	9,105.3	9,705.8	8,265.4	8,367.0
Net Issuances / (Repayments)	0.0	288.4	0.0	892.0	(600.5)	1,440.3	(601.6)	1,277.0
Interest Expense	167.1	164.8	162.5	155.2	152.8	146.0	135.1	134.5
Average Interest Expense	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.78%
Adjusted EBITDA	200.8	398.9	301.5	164.0	170.2	347.7	261.4	210.3
LTM Adj. EBITDA	1,065.1	1,034.5	983.3	943.2	989.5	996.2	902.9	895.3
Debt / Adj. EBITDA	**9.7x**	**9.9x**	**10.2x**	**10.6x**	**9.2x**	**9.7x**	**9.2x**	**9.3x**
Adj. EBITDA / Interest	**1.2x**	**2.4x**	**1.9x**	**1.1x**	**1.1x**	**2.4x**	**1.9x**	**1.6x**
Net Debt / Adj. EBITDA	**7.4x**	**9.5x**	**9.2x**	**10.2x**	**8.2x**	**9.3x**	**8.7x**	**7.9x**

Note:

1 Cash & Equivalents is reported without subtracting out bank overdrafts. We estimated S$100mm as the minimum cash on hand, and assumed that the bank overdrafts would stay constant at S$313.9mm, the Q1 2013 ending balance. We believe these were conservative assumptions

2 Adjusted EBITDA is calculated by starting with earnings before income tax, adding back share of JV loss/(gain), depreciation, amortization, biological losses/(gains), interest income, and interest expense

Our model assumes that it will be able to continue to raise debt at 6.5% yields, despite the effective rate for last quarter being 28 basis points higher.[35] If credit markets tightened or investors began to question Olam's viability as a business (which we think is long overdue), a significant change in interest rates could wipe out Olam. Once Olam can no longer pay interest on debt outstanding, it will become virtually impossible to raise more debt. Further, our debt maturities forecast after Q1 2014 are extremely conservative and might understate the amount due—we did not peg any of the non-current term loans as maturing in the periods following Q1 2014 in our model, likely making Olam even more vulnerable to changes in fixed income markets than our model projects. It is well known that yields on bonds have reached record lows due to influxes of investment capital into bond funds. Eventually, this tide will turn, and we believe Olam might be swept out to sea.

[35] Calculated by dividing interest expense by the average of the beginning borrowings balance and the ending borrowings balance.

Olam's Trading Business Appears to be a Failing Business Model

Cash Burn

Olam's core trading business appears to be scaled well beyond what it should be. Since FY2009, trading volumes are up 86.6%, yet Olam's operating cash flow has been **negative** S$2.5 billion.[36] Most of this burn should be attributable to the trading business.

Our interpretation is that Olam's core trading business model is not a good model when scaled up to its present levels. Olam's pre-IPO success was based on its focus on niche trading commodities. The large trading companies focus on wheat, corn, soy, and palm. Olam was focusing on cashews, cotton, cocoa, and coffee. Olam has established strong positions in its core commodities, but if it wanted to grow trading, it would likely have to move into other commodities.

Incidentally, Olam could now be facing increasing competition in its niches. On November 13, 2012, Carlyle announced that it is leading a private equity consortium that is investing in Export Trading Group, which is based in Tanzania and is one of the world's largest traders of cashews.[37]

The issue is that Olam does not have the same position, and therefore inherent advantages, in other commodities as it does in its core business. In part, that is because the world is a flatter place, and many of these commodities already had well-developed supply chains by the time Olam began trading them. If Olam's purported advantage in new commodities is that it buys from farm gate, it is unlikely that other (and larger) traders have not already thought of doing the same thing. Buying from farm gate has a number of risks that other traders seem happy to transfer to third parties. If Olam could manage those risks, then there would seem to be an opportunity for some additional profit. However, we question how a company with as many accounting and execution issues as Olam has can manage these risks at the same time growing its trading volumes at its present rate.

Physical commodity trading is a difficult business. One can generate accounting profits, but cash is often plowed right back into working capital – especially inventories and receivables. This became even more so in agri commodities in the wake of the financial crisis. The prices of many commodities have stayed high, but due to decreased demand, margins have compressed and customers take longer to pay. Thus, agri commodity traders need more capital to produce the same, or lower, profits. It seems as though the scale of Olam's trading business is well into negative incremental cash returns.

Nigerian Export Incentives

Olam's trading business is also heavily dependent on export subsidies – particularly from the governments of Nigeria and Gabon. We do not view these subsidies as being

[36] From Q12010 through Q12013.
[37] http://www.ft.com/intl/cms/s/0/5bb7c8fe-2db4-11e2-8ece-00144feabdc0.html#axzz2CDaFoKR0

sustainable. The Nigerian export subsidies (called "EEGs") have been particularly controversial, with allegations of corruption within the program. Nigeria stops issuing the grants every few years when the program (again) becomes politically problematic.[38] Recent events in the secondary market for Nigerian EEGs signal the uncertainty inherent in the program. The EEG certificates (called "NDCCs") are to be used as credits toward import duties.

In February 2011, CLSA published a research report that highlighted the importance of EEGs to Olam, and questioned the sustainability of Olam's profits if the EEG program were scaled down or terminated.[39]

Olam's denied that EEGs are material to its profits because it claims to pass along most of the benefit to the farmers. We question Olam's assertions, and think that Olam's profits could be heavily reliant on the EEGs.

EEG Effect on Profitability

Olam was quick to point out that the EEGs constituted 0.7%, 1.0% and 0.8% of total revenue in the financial years 2008, 2009 and 2010 respectively. Olam wanted to obfuscate the issue by making the market believe that because the EEGs are an insignificant proportion of revenue, then their absence would have little effect on Olam's profitability. However, the effect of EEGs on the bottom line is very important because, like any trading company, Olam generates substantial amounts of revenue with very low margins. The most important figure for trading companies is the bottom line.

Olam's Government Handouts

Figures in S$000s	2012	2011	2010	2009	2008
Profit After Tax (PAT)	**403,825**	**444,568**	**359,749**	**252,029**	**167,677**
Export inventives and subsidies	113,683	94,491	95,243	104,541	72,085
Grant income (Republic of Gabon)	25,903	32,654	-	-	-
Total government grants	**139,586**	**127,145**	**95,243**	**104,541**	**72,085**
Government grants as a proportion of PAT	**35%**	**29%**	**26%**	**41%**	**43%**
EEGs[1]	NA	NA	84,500	89,200	60,100
EEGs as a proportion of PAT	**NA**	**NA**	**23%**	**35%**	**36%**

Note:
1 EEG figures per Olam's response to CLSA report

As we can see from the table above, the incentives are equivalent to a disproportionately large amount of Olam's PAT.[40] The effect on earnings is much higher when considering total government grants. This raises questions over Olam's dependence on these handouts.

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[38] It is also not clear to us that export grants are not in part quid pro quo for direct investment into these countries.
[39] "Clarifications on CSLA Analyst Report dated 21st February 2011" as posted on Olam's website.
[40] Assuming they are not taxed. It is difficult to know what tax rates should apply to export incentives – particularly given the likely existence of sophisticated transfer pricing strategies.

Olam, in its response to CLSA, claimed the following (emphasis added):

> "When we receive export incentives in Nigeria which are recorded separately as a line item in our P&L, we **have to** pass on almost all of this to our suppliers thereby increasing our costs of procurement. Therefore, what is recorded as export incentives does not directly flow down to our profits."[41]

In the above paragraph, Olam obfuscates the issue further, by emphasizing that it "**[has] to** pass on" the incentives to their suppliers. If companies are forced to pass on the incentives to their suppliers, then it does not look like there is any incentive at all. The aim of the EEGs is stated succinctly in a recent article (emphasis added):

> "The Export Expansion Grant is an initiative of the Federal Government, aimed at encouraging exporters of non-oil products, including agro-commodities as part of efforts to cushion the effects of infrastructural deficiencies, **reduce overall unit cost of production and increase the competitiveness of Nigerian products in the international market**."[42]

The same article quotes the Nigerian Minister of Trade and Investment, Mr. Aganga as saying (emphasis added):

> "The EEG is not under any threat. The Federal Government has no intention of terminating the EEG. Instead, what we are trying to do is to strengthen the processes and procedures involved in the implementation of the EEG **to ensure that it becomes most beneficial to both the exporters and the government**…We are putting structures in place to make sure that the EEG is not abused in the future."[43]

The aim of the EEG is to clearly benefit the exporter, if there was no financial benefit to the exporter in receiving a grant then there would be no motivation for the exporter to increase its export sales. It does not seem logical or realistic that Olam is forced to pass on its incentives to its suppliers.

We have spoken to Nigerian businesspeople regarding Olam, and they have opined that farmers sell to Olam because there is generally little competition for Olam on the supply side. They believe that Olam is a strong negotiator and receives the lowest price possible from the farmers. The apparent lack of competition suggests that Olam's suppliers have little to no power in determining the pricing, and so could not force Olam to give up their subsidies.

Finally and perhaps most revealing, Olam argues publicly about the importance and necessity of the EEGs to the growth of exports while simultaneously telling investors that

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[41] "Clarifications on CSLA Analyst Report dated 21st February 2011" as posted on Olam's website.
[42] http://allafrica.com/stories/201208290128.html
[43] Ibid.

EEGs do not significantly impact its P&L. In 2008, the Managing Director of Olam Nigeria appealed to the Nigerian Senate to review the EEG, which was suspended at the time.[44] In 2010, Olam presented a position paper to improve the EEGs, which contained the phrase *"EEG policy – essential for survival and growth of value added exports"*.[45] Another example is the swift response to suggestions that customs are rejecting EEGs by stating that all their EEGs remain valid.[46] If Olam were really passing along EEG benefits on to suppliers, their disappearance would have little to no effect on Olam's bottom line.

Are EEGs Sustainable?

The EEGs have had a colorful history of being suspended, changed, and not being honored by Nigerian Customs. While the present Nigerian government appears to stand strongly behind the EEGs, this is not concrete. Since 2007, the EEG has been suspended twice – in 2008 and 2011 – for various reasons, including possible abuse of the EEG by exporters.[47] This has also created a backlog of approximately NGN100 billion that is yet to be paid by the Nigerian government.[48]

Additionally, the EEG faces pressure from both the Nigerian Customs Service and local businesses. As recently as 2011, the Nigerian Customs Service has rejected NGN60 billion of EEGs issued to companies like Olam, rendering them worthless.[49] Having spoken to an EEG expert, we understand the Nigerian Customs Service has been given a quota for the amount of duties it must collect, and the EEGs hinder their ability to meet the quota. This has affected the NDCC's market value. Third parties had been charging a 5% discount when purchasing the EEGs from exporters, however, this has now increased to 20% in light of the increased risk of rejection and this reduces Olam's recoverability on the EEGs.[50,51]

Grant Income in Gabon

The grant income from the Republic of Gabon, which relates to "the conceptualization, marketing and promotion of the special economic zone in Gabon", 52 decreased from S$32.7 million in 2011 to S$25.9 million in 2012.[53] As the special economic zone is filled up, we would not be surprised if this grant income continues to decrease.

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[44] http://allafrica.com/stories/200802190877.html
[45] http://www.nigerianexporter.org/download/OLam-EEG-presentation-Jul2010.pdf
[46] http://www.businessdayonline.com/NG/index.php/markets/companies-and-market/46535--eeg-credit-certificates-still-valid-says-olam-boss
[47] http://www.nassnig.org/nass2/ordersenate.php?id=987
[48] Based on discussions with an EEG expert.
[49] http://www.businessdayonline.com/NG/index.php/news/76-hot-topic/46394-olam-faces-hurdles-on-eeg-scheme-loses-n490m-to-flood
[50] Per conversations with an industry expert.
[51] http://www.businessdayonline.com/NG/index.php/news/76-hot-topic/46394-olam-faces-hurdles-on-eeg-scheme-loses-n490m-to-flood
[52] 2012 Annual Report, p. 128.
[53] Ibid.

Worryingly, the decrease in the grant received from Gabon coincided with a 20% increase in export incentives and subsidies received. The general increase in grants and subsidies could also be a reflection of Olam's increased capital investment in countries that provide these incentives. The attainment of more subsidies could also be the reason why Olam continues to invest significant amounts of capital in highly questionable and barely profitable companies, particularly in Nigeria.

Conclusion

Investors should be wary of Olam's increasing dependence on government handouts. These handouts are unlikely to last over the long-term, nor possibly in the short- to medium-terms. With subsidies/funding from governments adding up to the equivalent of 34.4% of FY2012 PAT (up from the equivalent of 28.6% in FY2011), investing in Olam is partly placing trust in the continued generosity of third-world governments. The grants likely mask poor performance in Olam's trading business, and could also be influencing Olam's investment decisions. Based on the analyses of some of Olam's acquisitions in West Africa, it appears that Olam might be investing significant amounts of capital in order to increase its government subsidies as opposed to investing in companies with high quality earnings.

Olam is a Black Box

"Why were so many people willing to believe in something that so few actually understood?" – Bethany McLean, *Why Enron Went Bust*[54]

When Fortune Magazine journalist Bethany McLean famously wrote her first article on Enron Corp., she quoted bullish analysts saying that Enron was impossible for them to understand. Goldman Sachs's analyst was even quoted calling Enron a "black box".

In our view, poorly understood and highly leveraged companies are a potentially lethal combination for investors.

Olam is just as much of a black box to its (largely bullish) sell-side analysts as Enron was. The 19-analyst revenue estimates on Bloomberg show wide estimate ranges in the FY2013 and FY2014 forecasts. Bloomberg showed only two estimates for the recently announced Q1 2013 number. Both of these data points indicate that the analysts do not

[54] *Fortune*, December 24, 2001.

understand how Olam's financial statements really work. A recent *Financial Times* article on Olam reinforces this point.[55]

Analysts have no idea how to forecast Olam's CapEx, and all seem to have greatly underestimated FY2013 levels based on Q1. The analysts generally drive their models off of two ratios that Olam frequently proffers as metrics by which to measure its business: Gross and Net Contributions. GC and NC are largely irrelevant in our view because they exclude Olam's significant – and quixotic – staff costs. Further, Olam has subtly changed the definitions of GC and NC from one fiscal year to the next.

Olam's seemingly outsized Level 3 derivatives holdings are potentially risky, and are impossible for outsiders to analyze (in terms of risk and accuracy of valuations). The tremendous fluctuations in Olam's income tax rate indicate that the composition of its profits changes substantially from year-to-year, which certainly makes it hard to understand the business.

Analysts' annual revenue and earnings estimate ranges are substantial, and indicate that analysts do not know how to model the Company. Despite already being in Q2 2013, the 19 estimates for FY2013 revenue range from S$18.2 billion to S$23.3 billion (28.0% greater). The 19 FY2014 ranges are even greater – from S$19.4 billion to S$27.8 billion (43.3% greater). Only two analysts had ventured guesses at Q1 2013 numbers, which is yet another sign that they do not know how to model the Company. Interestingly, Olam's reported Q1 2013 revenue of S$4.7 billion beat the average of the estimates by 34.5%; yet, the reported EPS exactly met the two-analyst consensus of S$0.016, with the help of fair value and biological asset gains, which it took for the first time ever in a Q1 period.

[55] "Complex business makes Olam vulnerable," *Financial Times*, November 21, 2012.

When analysts can't even copy Management's CapEx guidance, should investors rely on their other assumptions? Below are FY2013 and FY2014 CapEx estimates by analysts at five banks. In addition to ranging greatly from one to another, they project FY2013 CapEx far below explicit Management guidance:

Capital Expenditure Projections				
	FY 2013E	FY 2014E	Total	**Recommendation**
Goldman Sachs	798.1	562.9	1,361.0	Buy
Citi	400.0	200.0	600.0	Buy
Merrill Lynch	300.0	300.0	600.0	Sell
UBS	109.3	112.6	221.8	Buy
Deutsche Bank	550.0	450.0	1,000.0	Buy
Average:	**431.5**	**325.1**	**756.6**	
Management Guidance[1]	**850.0**	**850.0**	**1,700.0**	

Note:

1 Olam Management guided to S$1.7 billion in capital expenditures over the next 18 - 24 months in FQ4 2012

Olam Management's commentary:

> "So, we have, as of FY2012, spent S$4.4 billion. And based on the investments committed, an additional S$1.7 billion will be spend over the next 18 to 24 months to complete these initiatives."
> - Shekhar Anantharaman, Q4 2012 Call

> "So, as far as the total CapEx is concerned, we had given you at the end of the full-year results briefing that we'll need about S$1.7 billion in the next 12 months. I think FY2013 plus probably another six months of FY2014."
> - Shekhar Anantharaman, Q1 2013 Call

The real risk in not understanding Olam's CapEx is that the Company has S$3.75 billion in borrowings maturing in the next 12 months, is generally operating cash flow negative (and Management has guided towards negative cash flows from operations for the next two years as well), and had only S$1.38 billion in cash and short-term fixed deposits at the end of Q1 2013. There is not a lot of room for error.

The dynamic analyst models we have reviewed generally are driven by Gross and Net Contribution estimates. Most of the models use hard-coded growth rates for product segment volumes, usually assuming that the underlying prices are constant.

The issue with this approach is that GC and NC are fairly irrelevant measures because they exclude Olam's staff costs. Olam defines GC as total revenue minus COGS, shipping and logistics expenses, claims and commissions, net gain / loss from changes in fair values of biological assets (definitely not our favorite accounting metric), net measurement of derivative instruments (ditto with respect to Level 3), non-controlling interests and non-recurring exceptional items.[56] NC is GC minus finance costs, excluding interest expense and income. However, these two metrics exclude two key items – staff costs and other operating expenses.

Olam's staff costs are material to its operations, but they are also quixotic with little rhyme or reason. The table below shows the lack of correlation between staff costs and revenue, volume, or reporting period:

	Q1 2013	FQ4 2012	FQ3 2012	FQ2 2012	FQ1 2012	FQ4 2011	FQ3 2011	FQ2 2011
Revenue (S$mm)	4,697.7	5,148.8	4,260.9	4,496.4	3,239.2	4,574.2	4,773.4	4,123.6
Volume (MT)	3,680,565	3,455,660	2,696,403	2,660,436	1,862,076	2,293,275	2,253,502	2,322,678
Staff Costs (S$mm)	115.2	180.1	74.6	86.1	85.3	99.0	79.0	97.5
Staff Costs / Rev	2.5%	3.5%	1.8%	1.9%	2.6%	2.2%	1.7%	2.4%
Staff Costs / Volume (S$/MT)	31.3	52.1	27.7	32.4	45.8	43.2	35.1	42.0
YoY Change in Staff Costs	135.0%	182.0%	94.4%	88.3%	130.0%	143.0%	120.9%	182.3%
QoQ Change in Staff Costs	(36.0%)	141.4%	(13.4%)	0.9%	(13.8%)	25.3%	(19.0%)	48.5%

The following table shows Olam's tax rates between FY2005 and FY2012. Note the volatility that began in FY2008.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
EBT	73,788	96,738	126,186	164,969	258,024	420,195	510,265	437,910
Income Tax Expense	(7,878)	(9,531)	(17,165)	2,708	(5,995)	(60,466)	(65,697)	(34,085)
Income Tax Rate	10.7%	9.9%	13.6%	(1.6%)	2.3%	14.4%	12.9%	7.8%

Olam's tax rate fluctuations make no sense to us – even controlling for non-cash accounting gains.[57] In general, Olam is buying commodities in Africa, Asia, and South America; and then, selling them to North America and Europe. It likely uses sophisticated "transfer pricing" strategies whereby it looks to minimize the reported income in high tax jurisdictions, which are generally the source and destination countries. Typically the way to minimize taxes involves using intermediate entities in low and zero tax jurisdictions, or jurisdictions with preferential tax treaties with source and destination countries. Companies using transfer-pricing strategies generally try to book as much of the profit on a transaction as possible in the intermediate entities.

Transfer pricing is obviously complex, and can cause some fluctuations in tax rates, depending on the particular jurisdictions' relative compositions in a given period. However, we do not believe transfer pricing explains the fluctuations in the income tax rate. But even if the fluctuations are attributable to changing transfer-pricing mechanisms, the fact remains: analysts and investors cannot project the tax rate with any confidence.

[56] http://olamonline.com/wp-content/uploads/2012/11/14Nov2012-Q1FY2013_ResultsANN.pdf, p. 11.
[57] See *Olam's Aggressive Accounting Masks Its Poor Performance and Incentivizes it to Spend Increasingly Precious Cash.*

Level 3 Derivatives – Who Decides How Much These are Worth?

In order to allow more comparability between companies, the accounting standards require companies to classify their derivatives based on the fair value hierarchy as set out below:

- *Level 1* – Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2* – Valuations based on quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- *Level 3* – Valuations based on inputs that are unobservable and deemed significant to the overall fair value measurement. This includes situations where there is little, if any, market activity for the asset or liability.

Per the three levels of the fair value hierarchy, Level 3 derivatives have some unobservable inputs and these inputs are deemed significant to the overall fair value measure. As such, the fair value determination of the Level 3 derivatives allows for significant management discretion in its valuation and makes this category of derivative extremely susceptible to manipulation.

Investors should be wary of companies with significant Level 3 balances as these denote that the company is carrying an asset/liability whose value is not fully quantifiable or necessarily understood. Listed companies that really value transparency should prefer to have their derivatives in Level 1 and Level 2; however, this is not always possible.

Level 3 Derivatives and the Balance Sheet

(Note that all figures in this section exclude convertible bonds from calculations.)

From FY2006 to FY2010, Olam's derivative financial liabilities outweighed its derivative financial assets. In 2011, there was a reversal with a derivative net asset balance of S$22.8 million of in the year and in 2012 the net derivative assets stood at S$186.5 million, as per the table below:

Derivative Financial Instruments[1]								
Figures in S$ '000s	**Q1 2013[2]**	**FY 2012**	**FY 2011**	**FY 2010**	**FY 2009**	**FY 2008[3]**	**FY 2007**	**FY 2006**
Assets	927,754	1,302,200	2,310,071	597,258	336,078	1,832,755	388,032	199,614
Liabilities	1,163,654	1,115,711	2,287,250	608,046	402,283	2,010,994	488,630	213,458
Net position	**(235,900)**	**186,489**	**22,821**	**(10,788)**	**(66,205)**	**(178,239)**	**(100,598)**	**(13,844)**

Source: Olam financials

Note:

1 Figures excluding convertible bonds and short-term investments

2 Not excluding convertible bonds and short-term investments in Q1 2013 due to lack of disclosure

3 Restated as S$837,557 in derivative assets and S$1,015,796 in derivative liabilities in FY 2009 AR

Perhaps unsurprisingly the turnaround in the derivative balance coincided with the first time that Olam recognized the management-sensitive Level 3 derivatives by re-categorizing Level 2 derivatives as per the note below:[58]

> **Financial instruments transferred from Level 2 to Level 3**
> During the financial year ended 30 June 2011, the Group transferred certain financial instruments from Level 2 to Level 3 of the fair value hierarchy, due to changes in inputs to the valuation models to better represent the fair value of the physical forward contracts. The carrying amount of the total financial assets transferred from FY2010 was $72,621,000.[59]

We understand from the note above, that S$72.6 million of the 2011 Level 3 derivative balance was physical contracts that was moved over from Level 2. From talks with analysts, we understand that due to the volatility in cotton prices during FY2011, Olam was left with Level 3 derivatives, and this could pertain to the physical cotton contracts moved from Level 2. The composition of the remaining Level 3 balance of S$418.5 million is less clear, though this may also relate to cotton.

The higher Level 3 balance in 2011 may be justifiable; however, it is interesting and worth noting that the derivative net liability balance of S$468.4 million[60] for Level 1 and 2 is netted out by a new Level 3 net asset balance of S$491.2 million, which left Olam with its first net asset derivative balance of S$22.8 million on open derivative positions.

Olam stated that because the 2011 Level 3 derivatives included derivatives affected by the cotton price volatility, the 2012 Level 3 derivatives balances were expected to be minimal, as volatility was no longer an issue; and, the previous Level 3 balance was expected to be unwound. However, while the Level 3 derivatives did decrease, there remained a net asset of S$322 million, and this outweighed the Level 1 and 2 derivative liability of S$135.6 million, which allowed Olam to end the year with a derivative net asset balance of S$186.5 million.[61]

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[58] 2011 Annual Report, p. 165.
[59] Olam 2011 Annual Report.
[60] Excluding short-term investment that was added to FY2011 Level 2 derivative assets balance in the FY2012 Annual Report.
[61] Excluding short-term investments.

Those of a cynical nature may also question how a total net derivative asset of S$186.5 million on June 30, 2012 suffered a dramatic reverse of S$422.4 million in just three months to a net derivative liability of S$235.9 million as reported in Olam's Q1 2013 results; however, this might merely have been connected to the unwinding of contracts in line with sales of the underlying commodities.

Level 3 Derivatives and the Income Statement

The potential effect of possible management manipulation of Level 3 derivatives can also have a significant effect on the income statement. Consider the following note in 2012 annual report (emphasis added):[62]

> For certain commodity contracts, the fair value had been determined using a fair value model. The valuation requires management to make certain assumptions about the model inputs, including forward prices, credit risk and volatility that may not be supported by observable market data. **Management has determined that the potential effect of adjusting the assumptions to the model inputs of the valuation model by +/- 1% would have changed the profit or loss for the Group by $12,182,000 (2011: $3,764,000).** The carrying amount of the physical contracts at 30 June 2012 is $322,136,000 (2011: $491,188,000).

This note implies two issues:

1. Management's discretionary input in valuing the Level 3 derivatives has a serious impact on the income statement

2. The extraordinary increase in sensitivity from S$3.8 million per +/- 1% in 2011 to S$12.2 million despite a decline in overall value of the Level 3 derivatives

With Olam's apparent focus on its PAT and share price, this note raises serious questions over the extent to which its valuation of the Level 3 derivatives has affected the income statement. In 2012, a 1% change in the inputs in the valuation of a Level 3 derivative could lead to an additional S$12.2 million in earnings. It should also be noted that it is not unusual for commodity prices, which we assume are one factor in the models, to have the potential to fluctuate greatly.

The majority of the derivatives are "Held for Hedging" ("HFH") and as per the 2012AR, Olam designates all hedges as cash flow hedges.[63] Most, if not all, of the Level 3 derivatives should be HFH, and as Olam claims that all the hedges are effective hedges, then any unrealized gains will hit the Statement of Comprehensive Income. Only the realized gains/losses will affect the profit and loss accounts. It should be noted that HFH derivatives are not used for speculation.

[62] 2012 Annual Report, p. 171.
[63] Annual Report, p. 123, Note 2.32.

We have studied Olam's accounts in depth. However, it has been next to impossible to decipher its hedging practices, and there is a serious concern as to how much these assumptions may have influenced profits.

To put it another way, there is a fair question as to whether there are any earnings in the business at all, once we strip out fair value biological gains, government subsidies, and the possible effect of Management changes on these Level 3 derivatives.

Additionally, there should also be concern over why the sensitivity has increased so much in one year. We can envisage three possibilities, none of which are particularly comforting:[64]

1. The notional amount of Level 3 derivatives has grown 300%, which means Olam is pushing more and more of its derivative contracts into Level 3. This could allow it to potentially manipulate their value and inflate the balance sheet or profits.

2. The existing Level 3 derivatives may have become more illiquid and may require more parameters and inputs to be decided by Management, which would increase the sensitivity to Management's assumptions. The issue is that if these derivatives and the underlying commodity are becoming more illiquid, then at some point Olam may need to take a large write-off in its income statement.

3. Management is intentionally manipulating the Level 3 valuation model in order to inflate the balance sheet, reported profits, or both.

Is Olam's Accounting Credible?

Olam has produced some of the worst accounting gaffes we've ever seen – in both the quantity and substance of these revisions. Olam's accounting track record, at the very least, strongly suggests incompetence (to say nothing of calling its risk management claims into question). At worst, these issues could be indicative of fraud. We have noted suspected China RTO frauds listed in the US have had similarly unusual revisions (albeit with far fewer incidences per company). On February 21, 2011, CLSA strongly criticized Olam for some of these issues. Olam responded in part by saying that these are intra-year reclassification issues, and that investors should take comfort that the changes have no effect on P&L because they are all essentially re-classification changes:

> All the differences between the unaudited accounts and AR that have been referred to in the CLSA's Report, are essentially re-classification changes between subsidiary accounts in different jurisdictions as compared to Group consolidation; and/or re-classification between line items within the Group accounts. However, this does not lead to any inaccuracy in reported profits, net assets or point to any lack of internal controls, as has been stated in the CLSA report. None of these adjustments have any P&L impact.[65]

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[64] There could be other possibilities that we were unable to identify.
[65] Clarifications on CLSA Analyst Report on Olam dated 21st February 2011

There are three points to make about the Company's response:

- It did not address the times when accounts have changed from audited statement to audited statement (e.g., FY2009 to FY2010).
- While some of the many changes made by Olam could be reclassifications, a disturbingly high proportion of the changes do not have offsetting changes in similar accounts; therefore, it strains credibility to claim that all of these revisions were reclassifications.
- Further, one could interpret Olam's statement about the consistency of net income as meaning that Olam's accounting is bottom up. In other words, it could be viewed as even more disturbing that with all of these accounting revisions, Olam's net income does not change.

Likely in response to the scrutiny caused by the CLSA report, Olam cut down significantly on the changes in FY2011 and FY2012. However, CapEx has increased tremendously, and we wonder whether at least part of reported CapEx is somehow used to plug these accounting problems (in lieu of the former methods). Further, we were unable to come close to reconciling income statement FY2011 COGS with inventory accounts in the notes to the financial statements – the un-reconciled difference is S$1.0 billion (details provided later in this section).

Below is a summary of the accounting revisions we have noted, accompanied by further details and explanation of certain key points:[66]

1) We believe Olam management could be using its desired net income as an input rather than an output when constructing its financials, and that the reported figures might therefore be misleading for investors. This possibility is supported by:
    a. The extensive and prevalent restatements of numbers between quarterly reports and audited annual reports consistently maintain constant net income figures, despite defying apparent accounting logic in certain cases. Significant changes to inventory write-downs, allowance for doubtful accounts, fair value measurements of derivatives, gain/loss on disposal of PP&E, negative goodwill, interest income, interest expense, and numerous other operating cash flow items totaling hundreds of millions of SGD exist between Olam's quarterly and annual filings, yet the net income in *every* year from FY2006 to FY2011 remained identical between the Q4 filing and the annual report
    b. We are also suspicious of Olam's reported balance sheet figures. Just as changes to operating cash flow items have no effect on Olam's income

[66] Some accounting revisions have been pointed out in the CLSA report and in reports by third party researchers.

statement, Olam's balance sheet is largely impervious to frequent changes in financing, investing, and working capital items on the statement of cash flows.

2) Olam restated certain 2008 figures in 2009. Note 41 of the 2009 AR appears at first glance to show that some assets and liabilities were cancelled out, some assets were moved from "other" to interests in jointly controlled entities, and profits/losses resulting from foreign exchange rates were moved into/out of COGS. However, some of the figures that appear to be offsetting each other are coming from completely unrelated line items, and the changes leave S$64.5 million in unexplained adjustments to the COGS.
3) Office equipment in the FY2009AR appears to have been restated as Biological Assets in the FY2010AR with no disclosure being made. The FY2009 earnings were restated in FY2010 to account for new gains on the new "biological assets"; however, biological gains were added to "other income" and a mysterious new charge appeared in COGS for the exact same amount, leaving the net income exactly the same. On the statement of cash flows, there was a concurrent decline in purchases of PP&E to preserve the cash balance.
4) Olam is including seeds given to farmers (called "annual crops") on its balance sheet despite the fact that it doesn't own them; the farmers do. Further, in FY2012, Olam recorded S$46.8 million in net additions to biological assets. Olam specifically noted that the increase was primarily from annual crops and livestock, despite the fact that the total hectares of annual crops were **cut in half** over the year. The Company's explanation for this is that when it discussed land area, it now only discusses hectares it controls.
5) Numerous accounting entries that appear wrong:
    a. In Q3 2012, Olam reported receiving proceeds of S$4.7 million from disposal of PP&E in Q3 on its statement of cash flows. In the very same line item, Olam reported receiving S$3.1 million in proceeds from disposal of PP&E in the first nine months of 2012—implying that Olam received negative S$1.6 million in proceeds in the first six months of the year. This is contradicted by the Q2 2012 statement of cash flows, which shows that Olam recorded S$2.0 million in proceeds from the disposal of PP&E in those first six months.
    b. In Q1 2012, biological gains/losses were marked as being zero. However, given that biological gains/(losses) are partly calculated based on a DCF model on a quarterly basis, it is unlikely for this to have been the case. The balance of biological assets declined by S$56.5 million during the quarter, suggesting that Olam may have omitted a significant biological loss from its earnings (although it is possible that some portion of this was attributable to harvests). Net income for the period was S$33.3 million—

so any omitted biological loss would have forced Olam to end the quarter at a loss. In its most recent quarterly filing, Olam attempted to rewrite history by claiming that it did not begin quarterly calculations of fair value of biological assets until Q3 2012 (this is patently false—Olam recorded biological gains in Q2 2011, Q3 2011, and Q4 2011—the company merely skipped Q1 2012):

> The quarterly results include an operational gain of S$10.1 million in Q1 FY2013 on account of fair valuation of biological assets. The quarterly exercise of fair valuation of biological assets was started from only Q3 FY2012 and hence there was no operational gain/ loss booked in the corresponding period of FY2012.[67]

c. During Q4 2011, Olam reported zero interest income on the income statement and zero interest income received on the statement of cash flows, despite reporting an average cash balance of S$818.1 million for the quarter.
d. In Q3 2010, Olam reported receiving interest income of **negative** S$11.7 million on its statement of cash flows. There was no footnote to explain why this was the case, or revision of it later.
e. In Q3 2008, Olam reported receiving proceeds of S$27.5 million from capital expenditures and paying out S$1.7 million relating to disposal of PP&E.

6) Appearance of window dressing Q4 results to improve FY results:
   a. Commodity Financial Services earns all of its Gross and Net Contributions in Q4 of FY2009 and FY2010. We find this suspicious and have seen this type of lumpy accounting treatment before in Chinese RTO companies.
   b. Shipping and Logistics varies widely from quarter to quarter. In Q4 2012, it nearly tripled from the prior quarter, despite overall sales volume only increasing by 28.2%. Volume is a very strong indicator of what Shipping and Logistics expenses should be: for there to be a 7.0x magnitude difference in the change is odd.

We believe that to an extent Olam Management might be using desired income and cash balances as inputs into its financial statements rather than outputs. Olam's financials contain frequent revisions of material line items for material amounts, with no corresponding impact on the bottom line. These issues are reminiscent of the US-listed China RTO frauds. We are unaware of similar restatement patterns for any companies that are comparable in size to Olam. We have reproduced the most egregious changes in this report.

[67] FY2013 Q1 Filing, p. 13

There is also the issue of certain numbers that make no sense. For instance, from its IPO through Q2 2010, interest income recorded on the income statement always matched interest income received as recorded on the statement of cash flows. This is standard for many companies that are generating interest without the use of non-current assets: even accrued interest falls under interest income because the asset under which the accrual is being generated is itself cash or a cash equivalent, making the accrual also a cash equivalent. However, in Q3 2010, Olam recorded S$1.6 million in interest income on the income statement, and then recorded **negative** S$11.7 million in interest income received on the statement of cash flows. In Q4 2011, Olam reported no interest income on the income statement or statement of cash flows, despite reporting an average cash balance of S$818.1 million for the quarter. In Q3 2008, Olam reported receiving proceeds of S$27.5 million from capital expenditures and paying out S$1.7 million relating to disposal of PP&E.

Many of the quarterly numbers reported do not match annual reports, or even other quarters. In these instances, it is clear that the numbers have been changed. However, many of these changes should flow through multiple statements. For instance, if there is a change to earnings before taxes on the income statement, that should flow through to the top line of the cash flow statement, and if there were a change in the ending cash balance on the cash flows statement, that should flow through to the ending cash balance on the balance sheet. We found that in a majority of the cases, the corresponding changes to the income statements and balance sheets that should have been coinciding with the changes Olam made to its statement of cash flows were non-existent. These occurrences strongly reinforce our opinion that Olam's accounting is highly problematic. Below are examples:

a. In FY2009, Olam recorded no biological gains. In FY2010, Olam revised the FY2009 numbers to account for fair value changes in biological assets, which increased FY2009 Other Income by S$19.0 million. **Somehow, this did not have any impact on FY2009's net income.**
b. In FY2006, Olam's statement of cash flows in its AR made adjustments to its changes in payables and changes in receivables for the year: changes in payables were adjusted down by S$12.8 million and changes in receivables were adjusted upwards by S$12.8 million. It is worth noting that the final number for changes in receivables was (S$16.9 million), meaning that Olam had previously overstated its changes in receivables by 75.7%. A decrease in payables only has the same effect as an increase in receivables on the balance sheet; these are most likely different accounts with different parties and it is hard to think of a good explanation for why they would be mixed up.
c. During FY2007, 16 out of 27 accounts (beside totals) were inconsistent from Q4 to the AR statements of cash flows, including two **nine-figure changes**. These include:

i. Proceeds from issuance of medium term notes declined by S$213.7 million. **No change to medium term notes on the balance sheet.**
ii. Proceeds from loans from banks increased by S$195.3 million. **No change to amount due to bankers on the balance sheet.**
iii. Change in payables declined by S$30.7 million. **No change to payables on the balance sheet.**
iv. The overall decline in cash and cash equivalents increased by S$18.4 million. **Even though the change in cash and cash equivalents changed by S$18.4 million on the statement of cash flows, the "cash and bank balances" line item on the balance sheet remained the same between the two filings.**
v. Interest expense paid declined by S$16.8 million.
vi. Taxes paid declined by S$10.5 million. **No change to provision for taxation on the balance sheet.**
vii. Interest income increased by S$3.1 million (34.9%). **This likely should have affected net income, but did not.**
viii. Depreciation of PP&E increased by S$0.2 million in the AR. **But PP&E on the balance sheet remained exactly the same.**
ix. The prior gain on disposal of PP&E declined by S$0.2 million and became a loss on disposal. **This should have affected net income, but did not**
x. Change in receivables declined by S$2.0 million. **Trade receivables declined by S$6.6 million on the balance sheet—inconsistent with the change to the statement of cash flows.**
xi. Proceeds from disposal of PP&E increased by S$0.8 million.
xii. Purchases of PP&E increased by S$2.7 million. **No change to PP&E on the balance sheet.**
xiii. Cash used for acquisitions of subsidiaries declined by S$1.1 million.
xiv. Investments in jointly controlled entities went from zero to S$0.8 million.
xv. Net effect of exchange rate changes increased by S$2.7 million.

d. On the FY2007 balance sheet, trade receivables decreased by S$6.6 million and margin accounts with brokers increased by the same amount. Similar to other balancing changes made in Olam's audited reports, we do not see how this could be a simple reclassification because there is no apparent relationship.
e. During FY2008, there were a total of 18 discrepancies between the Q4 numbers and the annual report figures on the statement of cash flows. There were only 28 line items total (excluding figures within the statement

of cash flows that rely on prior figures—though most of these were also restated). The discrepancies included:

i. Receivables increased by an extra S$55.7 million based on the statement of cash flows. **Receivables did not change at all on the balance sheet.**
ii. Acquisitions of subsidiaries declined by S$55.5 million.
iii. Proceeds in loans from banks declined by S$48.7 million, and the final net cash balance presented on the statement of cash flows declined by S$48.7 million: exactly the same amount. **However, on the balance sheet, "cash and bank balances" and "amounts due to bankers" remained exactly the same.**
iv. Interest expense paid increased from S$206.2 million to S$218.8 million.
v. Net effect of foreign exchange rate changes declined by S$10.3 million.
vi. Taxes paid declined by S$5.0 million.
vii. Interest income declined by S$3.9 million. **This likely should have impacted the income statement, but did not.**
viii. Amortization of intangible assets increased by S$0.8 million. **This likely should have impacted the income statement, but did not. Intangible assets remained the same on the balance sheet as well.**

f. 25 out of 36 total line items in the FY2009 AR statement of cash flows differed from the figures provided in Q4 2009 statement of cash flows. These included numerous items that should have had a material effect on net income, yet net income remained the same:
   i. Loans to jointly controlled entities increased by S$251.7 million while investments in jointly controlled entities declined by S$233.9 million.
   ii. Change in net measurement of derivative instruments moved from S$33.8 million to S$61.1 million.
   iii. Decreases in receivables increased by S$25.3 million. **Receivables increased by S$0.7 million.**
   iv. Increases in inventories increased by S$25.2 million. **Inventories on the balance sheet only increased by S$13,919.**
   v. Allowance for doubtful debts increased from zero to S$19.4 million. **Adding this in also likely should have reduced net income—it did not.**

vi. Increase in payables declined by S$12.8 million. Instead of decreasing, the payables on the balance sheet **increased** by S$52.33 million.
vii. Inventory write-downs went from zero to S$11.2. million. **Adding this in likely should have reduced net income and reduced inventory—it did neither.**
viii. Interest expense paid decreased by S$10.2 million. **Changing this also likely should have changed net income—it did not.**
ix. Proceeds from disposal of PP&E decreased by S$8.2 million. **PP&E on the balance sheet did not change.**
x. Purchases of PP&E increased by S$4.5 million. **PP&E on the balance sheet did not change.**
xi. Share of results from jointly controlled entities increased by S$0.7 million.
xii. Share of results from associates decreased by S$0.7 million.
xiii. Olam recorded S$0.9 million in gain on disposals in its Q4 earnings release. In the AR, this was reversed to a S$0.9 million loss. **Changing this also should have reduced net income—it did not.**
xiv. Negative goodwill recorded declined from S$5.8 million to S$3.7 million. **Changing this also should have reduced net income—it did not.**
xv. Impairments of assets increased by S$3.3 million. **Changing this also likely should have reduced net income and decreased PP&E—it did neither.**
xvi. Amortization of intangible assets declined from S$6.1 million to S$2.7 million. **Changing this also likely should have changed net income—it did not.**
xvii. Decrease in prepayments declined by S$7.8 million. **There was no change to prepayments.**
xviii. Interest income received increased by S$3.1 million. **Changing this also likely should have changed net income—it did not.**
xix. Investments in associates decreased by S$24.5 million.
xx. Proceeds from loans from banks increased by S$0.5 million.
xxi. Net effect of exchange rate changes on cash and equivalents decreased by S$5.7 million.
xxii. Net cash and equivalents increased by S$2.5 million based on the statement of cash flows. Olam got this one right.

g. 23 out of 35 total line items in the FY2010 AR statement of cash flows differed from the figures provided in the Q4 2010 statement of cash flows.

It is also worth noting that certain figures in the Q4 2010 statements were inconsistent with the Q3 2010 statements: for instance, the statement of cash flows in Q4 2010 showed zero proceeds from disposal of PP&E, but the balance of S$16.1 million for the year was more than double the balance shown in the Q3 statement of cash flows (S$7.9 million). Similarly, "Investment in jointly controlled entities / associates" declined from S$107.7 million in the first 9 months to S$85.5 million in the fiscal year, despite the Q4 investment being zero. Discrepancies with the annual report included the following:

i. Increase in receivables declined by S$362.0 million. **Receivables on the balance sheet increased by S$0.1 million.**
ii. Increase in payables and other current liabilities decreased by S$150.3 million. **Total change in those items on the balance sheet between the Q4 and annual report for FY2012 was negative S$38.4 million.**
iii. Purchase of PP&E increased by S$105.8 million. **No change to PP&E on the balance sheet.**
iv. Cash spent on acquisitions declined by S$81.6 million.
v. Proceeds from borrowings declined by S$82.4 million. **Borrowings only declined by S$13.3 million on the balance sheet.**
vi. Fair value gains on biological assets of S$54.0 million were added, which **likely should have boosted net income before tax by S$54.0 million.**
vii. Net effect of exchange rates on cash declined by S$50.3 million.
viii. Interest expense paid decreased by S$37.7 million.
ix. Negative goodwill increased by S$29.2 million. **Changing this also likely should have changed net income.**
x. Increase in inventories declined by S$16.1 million. **Moving in the opposite direction, inventories increased by S$46.2 million on the balance sheet.**
xi. Allowance for doubtful debts moved from zero in the Q4 filing to S$10.1 million. **Changing this also likely should have changed net income.**
xii. Proceeds from disposal of PP&E declined by S$8.0 million.

h. In the 2011 AR, there were only two numbers that changed from the Q4 filing: proceeds from borrowings increased by S$133.0 million and the net effect of the exchange rate decreased by S$133.0 million. The two changes cancelled each other out, and there was no end effect on cash and cash equivalents. All figures reported on the balance sheet were consistent between the two filings. However, it is hard to understand how borrowings and foreign exchange effects could affect one another. **Further, nothing on the balance sheet was changed—if S$133.0 million in borrowings disappeared, this likely should have been reflected on the balance sheet.**

FY2011 COGS Reconciliation

In its Annual Reports, Olam provides a footnote detailing costs/contra-costs incorporated into its calculation of COGS. We attempted to reconcile FY2011 income statement COGS with inventory accounts in the notes to the financial statements and found that the two numbers are off by **S$1.0 billion**. The FY2012 difference of S$83.8 million could be reasonable because of operating expenses for biological assets and fair value gains. However, the FY2011 number is too large for us to explain. We calculated this number by summing the costs/contra-costs included in the COGS calculation from the COGS footnote and adding in the inventory sold (which was provided in a separate footnote to the financials), and comparing the figure ("COGS per footnotes") with the COGS line item on Olam's income statement:

Reconciliation of COGS: Footnote to Income Statement

S$ million	FY 2012	FY 2011
Gain / (loss) on derivatives[1]	116.9	(1,018.1)
Foreign exchange gains[1]	10.5	239.0
Export incentives and subsidies[1]	113.7	94.5
Grant income[1]	25.9	32.7
Inventories written down[1]	(15.0)	(23.7)
Inventory costs[2]	14,034.8	11,433.3
COGS per footnotes	**13,782.8**	**12,108.9**
COGS per Income Statement	**13,866.6**	**13,127.0**
Difference	**(83.8)**	**(1,018.1)**

Notes:
1 Figures taken from 2012 AR, p. 128, Note 6
2 Figures taken from 2012 AR, p. 152, Note 18

2009 Restatement

There was a serious restatement between the 2008 and 2009 buried in Note 41 of the 2009 AR. At first glance, it simply seems like some assets and liabilities were cancelled out, assets were moved from “other” to interests in jointly controlled entities, and profits/losses resulting from foreign exchange rates were moved into/out of COGS. See below:

2009 AR, p. 173:

41. Comparatives

The following profit and loss account and balance sheet comparative figures have been reclassified to conform with current year's presentation:

	As previously stated $'000	Adjustments $'000	As reclassified $'000
Group:			
Profit and loss			
Cost of goods sold	(6,519,233)	14,325	(6,504,908)
(Loss)/gain on foreign exchange	21,470	(14,325)	7,145
Balance sheet			
Non-current assets			
Deferred tax assets	32,534	4,175	36,709
Interest in jointly controlled entities	1,593	829	2,422
Other non-current assets	24,408	(658)	23,750
Current assets			
Other current assets	292,819	(171)	292,648
Fair value of derivative financial instruments	1,832,755	(995,198)	837,557
Current liabilities			
Fair value of derivative financial instruments	(2,010,994)	995,198	(1,015,796)
Non-current liabilities			
Deferred tax liabilities	–	(4,175)	(4,175)

However, this restatement doesn't jibe with the changes made to Note 5 in the 2009 AR, which provides a breakdown of costs included in the cost of goods sold. See Note 5 from the 2008 AR and the 2009 AR:

2008 AR (p. 128):

5. Cost of goods sold

The following items have been included in arriving at cost of goods sold:

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
This is stated after charging/(crediting):				
Realised loss on derivatives [1]	134,907	6,701	122,260	4,325
Foreign exchange gain on cost of goods sold [2]	(20,536)	(19,181)	–	–
Export incentives and subsidies received [3]	(2,165)	(48,199)	–	–
Inventories (written back)/ written down	(1,971)	2,093	(3,120)	300

(1) Realised loss on derivatives recognised on occurrence of sales and purchases of physical commodities.

(2) Foreign exchange gain arising between the time of receiving payments for purchase of goods and the time of sale of such goods.

(3) Export incentives and subsidies relate to income from government agencies of various countries for export of agricultural products.

2009 AR (p. 124):

5. Cost of goods sold

The following items have been included in arriving at cost of goods sold:

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
This is stated after (charging)/crediting:				
Realised loss on derivatives [1]	(113,266)	(125,972)	(170,656)	(133,861)
Foreign exchange gain on cost of goods sold [2]	25,461	20,536	–	–
Export incentives and subsidies received [3]	104,541	72,085	–	–
Inventories (written down)/ written back	(11,248)	1,971	(5,094)	3,120

[1] Realised loss on derivatives recognised on occurrence of sales and purchases of physical commodities.

[2] Foreign exchange gain arising between the time of receiving payments for purchase of goods and the time of sale of such goods.

[3] Export incentives and subsidies relate to income from government agencies of various countries for export of agricultural products.

Clearly the difference in the COGS line items between the original 2008 AR and the 2008 figures Annual Report is significantly greater than the S$14.3 million reported in Note 41. Furthermore, there was **no** change to the foreign exchange line item within the cost of goods sold footnote, meaning that the $14.3 million adjustment made to the foreign exchange line item is completely unrelated to simply moving it into or outside of COGS. There were significant changes to gains/losses on derivatives and export incentives. The restatement makes no sense—for it to be correct, there must have been S$64.5 million in other unexplained increases within the cost of goods sold that were unrelated to the massive declines in derivatives and export incentives. We find this baffling. See below table for a side-by-side comparison of the original COGS breakdown and the restatement within the FY2009 AR:

FY 2008 COGS Breakdown			
Figures in S$ '000s	**2009 AR**	**2008 AR**	**Difference**
Realized loss on derivatives	(125,972)	(134,907)	(8,935)
Foreign exchange gain on COGS	20,536	20,536	0
Export incentives and subsidies received	72,085	2,165	(69,920)
Inventories (written down)/written back	1,971	1,971	0
Total	(31,380)	(110,235)	(78,855)

Olam's treatment of the adjustment is much more concerning than the adjustments themselves. As a listed company, Olam should be open with restatements and their reasons for them, but instead, Olam appear to obfuscate these issues by releasing seemingly misleading disclosures. These issues raise questions over of how many restatements are made that are not discernible and just how reliable are Olam's accounts.

Biological Assets

Generally, people do not refer to how much money they might make in future years as though it has already been earned. But that is exactly what Olam does in its accounting statements: Olam uses potential future income from biological assets as a significant portion of its present net income. This accounting mitigates the P&L impact of its poor business performance.

Biological gains actually have a higher future cost than does negative goodwill. Companies may take biological gains on biological assets (e.g., livestock, almond orchards) when the estimated present value of those assets has increased above their carrying values. However, today's biological gain is tomorrow's loss. Unlike negative goodwill, the gains booked today must be balanced out by losses as the asset's productivity decreases.

Olam has booked a total of S$264.2 million in profit from biological gains. Biological gains for each period are determined via an internal model that has numerous inputs that are not made public – as a result, it could be susceptible to manipulation by Management. Biological assets are a mark-to-model asset, and Olam treats them similar to how Enron treated its power contracts: recognizing big gains upfront.

Aggressive accounting isn't exclusive to Olam's income statement. Part of Olam's biological assets is its annual crops:

> Annual crops consist of seeds for various commodities (cotton, onions, tomatoes and other vegetables) that are given to farmers to sow and grow. Farmers take all the harvest risks and bear all the farming costs. On harvesting of the commodities, the Group has the first right to buy the produce from these farms.[68]

You read that right: Olam is booking farmers' future crops as its own assets. Further, in FY2012, Olam managed to record S$46.8 million in net additions to biological assets, which it reported was primarily from annual crops and livestock, despite the fact that the total hectares of annual crops were **cut in half** over the year (emphasis added):

> At the end of the year, the Group's total planted area of plantations and annual crops that is yielding is approximately 15,374 (2011: 14,710) hectares and **2,522** (2011: **4,504**) hectares respectively excluding hectares for those commodities whose plantations are not managed by the Group.

[68] Olam 2012 Annual Report, p. 142.

Below is the footnote detailing net additions to biological assets:[69]

12. Biological assets

Biological assets consist of plantations, annual crops and livestock.

	Group	
	2012 $'000	2011 $'000
As at 1 July	453,168	181,883
Net additions [(1)]	46,754	95,097
Business combinations (Note 11)	22,630	87,629
Foreign currency translation adjustments	(2,087)	8,194
Net change in fair value less estimated costs to sell	110,874	80,365
As at 30 June	631,339	453,168

[(1)] These are mainly net additions to annual crops and livestock.

Biological Gains on Office Equipment

In the 2010 AR, some 2009 figures were restated when biological assets were added in. These restatements included a suspicious yet comical redistribution of PP&E from the office equipment category to biological assets. Below is Note 9 from the 2009 AR (pg. 128):

9. Property, plant and equipment

Group	Freehold land $'000	Leasehold land and buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Computers $'000	Capital work-in-progress $'000	Total $'000
Cost									
As at 1 July 2007	9,056	38,105	71,413	27,135	7,401	7,966	4,961	11,962	177,999
Additions	1,561	13,181	37,920	6,674	3,125	2,917	1,884	6,943	74,205
Acquired through business combination	20,915	104,948	105,122	7,014	289	262	22	6,268	244,840
Disposals	(886)	(1,510)	(7,643)	(3,308)	(170)	(374	(383)	(219)	(14,493)
Reclassification	(2,221)	7,612	5,360	125	(936)	1,458	(7)	(11,391)	–
Foreign currency translation adjustment	(122)	(790)	(3,385)	(1,363)	(561)	(411	(336)	(756)	(7,724)
As at 30 June 2008 and 1 July 2008	**28,303**	**161,546**	**208,787**	**36,277**	**9,148**	**11,818**	**6,141**	**12,807**	**474,827**
Additions	**14,094**	**18,539**	**30,322**	**5,735**	**596**	**24,990**	**2,767**	**109,959**	**207,002**
Acquired through business combination	**–**	**–**	**15,911**	**–**	**–**	**–**	**–**	**–**	**15,911**
Disposals	**–**	**(5,860)**	**(1,956)**	**(3,568)**	**(378)**	**(587**	**(309)**	**(2)**	**(12,660)**
Reclassification	**–**	**3,196**	**4,962**	**(542)**	**(44)**	**41**	**31**	**(7,644)**	**–**
Foreign currency translation adjustment	**(2,676)**	**(13,900)**	**(17,702)**	**(3,300)**	**(467)**	**135**	**(253)**	**185**	**(37,978)**
As at 30 June 2009	**39,721**	**163,521**	**240,324**	**34,602**	**8,855**	**36,397**	**8,377**	**115,305**	**647,102**

[69] Olam 2012 Annual Report

The FY2009 ending balance for "Office Equipment" on a cost basis is S$36.4 million. Below is the PP&E note to the financials published with the 2010 AR (Note 10, p. 119):

10. Property, plant and equipment

Group	Freehold land $'000	Leasehold land and buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Furniture and fittings $'000	Office equipment $'000	Computers $'000	Capital work-in-progress $'000	Total $'000
Cost									
As at 1 July 2008	28,303	161,546	208,787	36,277	9,148	11,818	6,141	12,807	474,827
Additions	14,094	18,539	30,322	5,735	596	6,018	2,767	109,959	188,030
Acquired through business combination	–	–	15,911	–	–	–	–	–	15,911
Disposals	–	(5,860)	(1,956)	(3,568)	(378)	(587)	(309)	(2)	(12,660)
Reclassification	–	3,196	4,962	(542)	(44)	41	31	(7,644)	–
Foreign currency translation adjustment	(2,676)	(13,900)	(17,702)	(3,300)	(467)	(522)	(253)	185	(38,635)
As at 30 June 2009 and 1 July 2009	39,721	163,521	240,324	34,602	8,855	16,768	8,377	115,305	627,473
Additions	6,140	2,652	62,646	8,952	1,885	6,916	3,994	78,039	171,224
Acquired through business combinations	38,691	158,507	279,680	1,882	793	89	417	118	480,177
Disposals	(1,089)	(2,108)	(4,318)	(6,081)	(517)	(799)	(347)	(1,587)	(16,846)
Reclassification	(4,227)	36,355	88,548	(355)	1,292	(2,884)	1,428	(120,157)	–
Foreign currency translation adjustment	(4,166)	(4,139)	(15,119)	(2,842)	(733)	(1,849)	(347)	(11,575)	(40,770)
As at 30 June 2010	75,070	354,788	651,761	36,158	11,575	18,241	13,522	60,143	1,221,258

The cost basis for "Office Equipment" as of June 30, 2009 decreased from S$36.4 million in the FY2009 AR to S$16.8 million in the FY2010 AR. So what happened to the S$19.6 million (S$19,629,000 to be precise)? It turned into biological assets (p. 88, 2010 AR):

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Non-current assets					
Property, plant and equipment	10	**1,054,166**	514,334	**4,673**	2,974
Intangible assets	11	**341,586**	127,538	**19,456**	8,940
Biological assets	12	**181,883**	19,629	**–**	–
Subsidiary companies	13	**–**	–	**789,954**	314,556
Deferred tax assets	9	**63,978**	74,704	**9,697**	13,096
Interests in jointly controlled entities	14	**195,958**	294,407	**170,980**	254,586
Investment in associates	15	**271,279**	106,520	**271,422**	105,817
Long term investment	16	**18,752**	–	**18,752**	–
Other non-current assets	22	**4,161**	11,154	**–**	10,922
		2,131,763	1,148,286	**1,284,934**	710,891

With the addition of biological assets to the FY2009 financials, there was also a change in the income statement: "Other Income" in FY2009 increased by S$19.0 million to account for the new biological gains. This should have affected net income, and subsequently affected the statement of cash flows. However, instead, COGS also increased by an identical amount, as did capital expenditures. Given that Olam was simply moving assets from one category to another, this is hard to understand.

We understand that biological computers are a number of years off. However, if Olam has succeeded in developing biological computers, we would consider changing our investment thesis.

Olam's CapEx is Off the Rails

Olam's snowballing CapEx is, in our view, destroying investor value, and pushing the company toward collapse. Olam tells investors that its CapEx projects are creating significant long-term value, and are generally meeting their targets. Then Olam borrows more money for more projects. In this way, Olam reminds us of a degenerate gambler, losing money only to delude others (possibly as well as itself), borrowing more and doubling down; losing again, borrowing more and doubling down; and so on. Olam regularly touts its ability to manage risk. However, just saying something does not make it true. On a macro level, it is obvious that something is severely amiss with Olam's CapEx spending.

The truly interesting aspect of Olam's CapEx is that it seems to spend less cash on acquisitions than perceived; but, spends much more on non-acquisition CapEx than investors understand. This implicates various possibilities, including the possibility that Olam is pursuing more greenfield projects than investors realize. If true, that fact would alter Olam's risk profile. Another issue is the specter of poor internal controls and substantial cash leakage.

The total acquisition consideration Olam has announced exceeds actual payments **by S$571 million**. Yet investors and analysts are often unaware when a project has died. Olam does not publicize the failure. When Olam does buy companies, it often buys businesses that are on life support – heavily indebted and marginally profitable. It often announces consideration numbers well in excess of cash payments. Rusmolco is one example (actual cash outlay of S$8.5 million, versus announced "up to" S$75 million).[70] Despite spending far less on acquisitions than announced, Olam's cash burn and debt levels ceaselessly increase.

On the other hand, Olam's non-acquisition CapEx has become massive. We cannot account for cumulative S$996.2 million in booked (but unattributed) non-acquisition CapEx over the last four years. Olam has never satisfactorily explained its FY2012 non-acquisition CapEx of S$875 million.

[70] Olam 2012 Annual Report, p. 138 (Note 11).

Acquisitions: All Hat, No Cattle

Olam has won awards for transparency; however, we believe these accolades were not due. Olam excels at disclosing volumes of information. The usefulness and accuracy of it are different matters. Olam's acquisitions highlight this issue.

It is eye-opening to read through analyst reports and find mentions of joint ventures and greenfield projects that analysts cite as contributing to Olam meeting its 2016 S$1.2 billion net income target, yet have never materialized since their public announcement. Olam has a knack for generating publicity for new agreements, while it avoids informing investors and analysts when the agreements fail to materialize. Here are just three examples of such agreements that have fallen to the wayside with little to no disclosure:

1. The joint venture with the Lababidi Group to build a port-based sugar refinery in Lagos failed to launch. We understand that this project stalled due to permit problems, and Olam reported that minimal CapEx has been spent on it. Some analysts have included the joint venture in their financial models as contributing to Olam's 2016 S$1.2 billion PAT goal, which may present a serious problem for Olam. Olam's 4Q2011 financial statements cite the Nigerian Sugar Refinery among those items accounting for its spend on property, plant, and equipment.[71]

2. Two joint ventures with the Modandola Group were announced in 2009 to build a sugar refinery and purchase a share in Standard Flour Mill; however, they have since never been mentioned by name.[72] We understand these never commenced.

3. The groundbreaking joint venture with Chinatex was announced in 2007. Two whole pages were devoted to the joint venture in the 2007 annual report,[73] but after that it was not mentioned again (see *The China Syndrome*). We understand this never commenced.

Olam also confuses investors and analysts by discussing acquisitions in the annual reports that have not yet been completed, such as the Brazil sugar mill.[74] Further confusion arises from the press releases that provide the enterprise value but, and this may be for procedural reasons, Olam does not give any indication of how much cash would actually be spent (it seems very little, because the facility is heavily indebted - US$100 million out of US$128.8 million value, according to the *Financial Times*.)[75]

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[71] Olam, 4Q11, Financial statements, p. 21.

[72] In the investor presentation for Crown Flower Mills pg. 19, there is a comparison table to an unnamed "Earlier Deal" and a foot note indicating that "The earlier deal announced on September 15, 2008 prior to due diligence. The deal was not consummated nor completed."

[73] FY2007 Annual Report, pp. 20-21.

[74] p.45 2012 Annual Report implies that the investment closed: "…we did not invest until we had secured a facility offering significant structural advantages, and was available at the right price."

[75] May 29, 2012 *Financial Times* article, "Olam pays $129 million for Brazilian Sugar Mill."

Looking through analyst reports there is a gross overestimate of cash paid for acquisitions. We believe this may be part of the reason why investors seem not to have noticed the disparity between CapEx announced and the amount actually spent. The table below sets out the actual cash spent on acquisitions and the amounts analysts had thought were spent:

Acquistions	Cash Out Flow per Annual Reports	Company press releases and Analyst perception of Cash Out Flows on Acquisitions	
	S$000s	USDm	S$000s
FY2012			
Almond Orchards	29,156	33	41,441
Vallabhdas Kanji Limited	22,216	18	22,882
Hemarus Industries Limited	9,678	74	93,815
Titanium Holding Company SA & subsidiaries	229,732	167	212,290
Progida Group - short term loand and share consideration	0	38	48,306
Macao Commodities Trading	14,817	20	25,424
Milky Projects - RUSMOLCO	8,460	75	95,340
Others (Wool + Trusty Foods)	28,737	0	0
UAP - not completing until Q3 2013 at earliest **(1)**	0	129	163,731
Kayass - completed after reporting date **(2)**	0	67	84,535
Total FY2012 Cash out flow on acquisitions	**342,796**	**620**	**787,763**
Overstatement			**444,967**
FY2011			
tt Timber International AG	51,530	39	48,659
Britannia Food Ingredients Holdings Limited and Britannia Storage and Distribution Limited	23,109	50	61,750
NZ Farming Systems Uruguay Limited	93,700	134	165,490
Almond Orchards	74,263	57	69,778
Gilroy Foods & Flavours	312,561	250	308,750
Total FY2011 Cash out flow on acquisitions	**555,163**	**530**	**654,427**
Overstatement			**99,264**
FY2010			
SK Foods	54,721	39	54,027
Almond Orchards	389,574	259	358,793
Crown Flour Mills	86,018	108	149,058
Dunavant + Algoda	3,440	0	0
Total FY2010 Cash out flow on acquisitions	**533,753**	**406**	**561,878**
Overstatement			**28,125**
FY2009			
Industrias Martin Cubero	15,911	10	14,555
Total FY2009 Cash out flow on acquisitions	**15,911**	**10**	**14,555**
Overstatement			**(1,356)**
Total Overstatement			**570,999**

Notes:
(1) UAP has been included as although not completed it has been included in 2012 initiatives on p.19 and discussed in detail on p.45 2012 AR.
(2) Kayass was also not completed by reporting date, however, it is included by at least one analyst in their model and is mentioned as a 2012 initiative on p.19 2012 AR.

Non-Acquisition Capital Expenditure – So Black Holes do Exist!

When looking through the Olam cash flow statement in the 2012 Annual Report, one figure stood out more than any other, and that was the S$875 million cash out flow for the purchase of property, plant and equipment. This number does not include acquisition spending. There is a distinct lack of disclosure for this expenditure, particularly when as much as 60.3% of this spend was deployed in one quarter, Q4 2012.

As Olam has avoided delineating its CapEx spend, we have gathered all evidence possible from announcements on Olam's website, local press, and analyst reports in order to build a model of Olam's capital expenditures. We were shocked by the disparity between the amount of capital expenditure that was spent compared to the amount Olam has disclosed on a project-by-project basis. As can be seen in the table below, Olam has spent S$1.587 billion over the last four years on property, plant and equipment.

However, we have only been able to find announced projects totaling S$590.8 million, a difference of S$996.2 million. To reiterate, we have reviewed and analyzed all press releases and presentations on Olam's websites and read through all the analyst reports we could obtain but have not been able to identify any further announced capital spend to bridge this gap.

We understand that Olam only announces projects that will require a capital investment over US$15 million. Olam may argue that this undisclosed spending is all maintenance. However, it is unreasonable to suggest that it spent S$500 million on routine maintenance in 2012 alone. Additionally, if these are all smaller projects, for example US$10 million, then Olam would have to be spending US$10 million on 57 projects alone in 2012, and 100 over the last four years. That would be surprising.

As a stakeholder in the company, especially a bondholder, the most worrying questions must be, "Where has my money gone?" and, "How am I going to get it back?"

Announced Capex					
Date Announced	Project	Total Capex Commitment USDm	Capex spent in the year USDm	Total Capex Spend S$000s	Source
		FY2012			
Jun-12	NZSFU capex	39	39	50,075	Annual report
Dec-11	Expansion of CFM	50	25	31,780	Analyst reports
Mar-12	Rubber JV with Republic of Gabon	183	0	0	Understanding from company
Aug-11	Hemarus Industries Limited - additional capex	7	0	0	FY13 Analyst reports
Feb-12	Ghana Wheat Mill	55	39	49,577	Based on overspend as per press release
Dec-11	Rice Mill In Nasarawa	49	10	12,712	Mill not built
Jan-12	Rusmolco	320	0	0	Funded by Rusmolco internal accruals and subsidies from Russian Government
Unknown	Vietnam soluble coffee expansion	?	?	?	Mentioned in quarterlies but only found 2008 press release
Unknown	Tomato sachet plant Nigeria	?	?	?	Q4 2012
Unknown	Farming USA	?	?	?	Q4 2012
FY2011 Capex	Greenfield Cocoa Processing Facility - Ivory Coast	44	22	27,649	Analyst reports
FY2011 Capex	Australian Almond Processing Plant (AUD)	55	18	23,860	Analyst reports
FY2011 Capex	SEZ Gabon (SGD)	12	6	7,627	Development costs do not appear to be capitalised into PPE and appear to be expensed so are excluded.
FY2011 Capex	Gabon Palm	236	34	42,839	Analyst reports
FY2011 Capex	Gabon Fertilizer	1,300	41	51,992	Analyst reports
FY2011 Capex	Greenfield fat filled milk powder plant-Malaysia	15	5	6,175	Analyst reports
Total Estimated Capex 2012		2,365	239	**304,286**	
Cash out flow per Annual Report				874,931	
Unattributed Capex				**570,645**	
		FY2011			
Aug-10	Greenfield Cocoa Processing Facility	44	22	26,861	Analyst reports
May-11	Australian Almond Processing Plant (AUD)	55	18	23,860	Analyst reports
Unknown	Almond maintenance and capex	114	114	148,503	Analyst reports
Jun-11	NZSFU	12	12	15,305	Annual report
Aug-10	SEZ Gabon	6	6	7,410	Development costs do not appear to be capitalised into PPE and appear to be expensed so are excluded.
Nov-10	Gabon Palm	236	3	3,088	Analyst reports
Nov-10	Gabon Fertilizer	1,300	0	0	Analyst reports
Feb-11	Greenfield fat filled milk powder plant-Malaysia	15	5	6,175	Analyst reports
FY2010 Capex	Ghana Wheat Mill	55	28	33,963	Based on overspend as per press release
Total Estimated Capex 2011		**1,837**	**207**	**265,164**	
Cash out flow per Annual Report				333,830	
Unattributed Capex				**68,666**	
		FY2010			
Feb-10	Ghana Wheat Mill	55	0	0	Analyst reports
Jan-10	CFM additional expansion	6	6	7,619	Press Release
Total Estimated Capex 2010		**61**	**6**	**7,619**	
Cash out flow per Annual Report				171,223	
Unattributed Capex				**163,604**	
		FY2009			
Nov-08	GSIL (Indian Sugar Mill)	10	10	**13,714**	Press Release
Cash out flow per Annual Report				207,003	
Unattributed Capex				**193,289**	
Total unattributed capex				**996,204**	

Crown Flour Mill: a Case Study in Overpaying and Misleading Investors

The truth about the January 2010 Crown Flour Mill ("CFM") acquisition should greatly alarm investors, particularly given the money Olam is now spending on acquisitions and CapEx. There is more than a hint of impropriety about this transaction, including massive asset value overstatement, and misleading disclosures about the asset at the time of purchase. However, CFM appears to be far away from hitting any of the profitability targets Olam laid out for it almost three years ago. It did not even generate positive operating cash flow in FY2011.

Olam Bought Massively Overvalued Assets, and then Overvalued Them by Another 25%

When Olam acquired CFM on January 12, 2010, it valued the net PP&E at S$168.6 million. The PP&E was revalued upward in two steps – first by 257.2% by the former owners, the Lababidi Group, and then by 25% by Olam itself upon purchasing CFM. The real book value of the acquired assets should have been less than S$38 million – probably much less. To corroborate that CFM's assets were overvalued when Olam acquired the company, our investigators learned that Olam demolished one of the two factory buildings at the main factory, and replaced substantially all of the acquired equipment. Olam has never taken an impairment on CFM. In fact, it revalued CFM's PP&E upward by 25.0% 13 days after its prior balance sheet. Olam bought CFM from a questionable seller - the Lababidi Group, which is controlled by Chief Maan Lababidi, who was arrested in 2012 for his alleged role in a Nigerian stock fraud. He was subsequently released but remains clouded in suspicion.

Step 1: CY2007 upward valuation of 257.2%.

Under the former owner, the Lababidi Group, CFM revalued its assets in CY2007 upward by 257.2%, from S$54.5 million to S$194.5 million. Without the revaluation, that PP&E would have been worth only S$38.6 million at the end of CY2008.

Prior to 2009, CFM consisted of three separate companies – Crown Flour Mills, Inter-state Flour Mills, and Mix & Bake Flour Mills. Chief Lababidi controlled all of them. Near the end of CY2007, the three CFM companies had the assets revalued by a local valuation firm.[76] The result was a stunning 257.2% increase in the group's net PP&E from S$55.5 million (NGN 4.5 billion) to S$194.5 million (NGN 15.9 billion). The tables below show the effects of the revaluation on the 2007 and 2008 combined balance sheets in NGN and SGD:

Crown Flour Revaluations - NGN

	Without Revaluation December 31,		With Revaluation December 31,		Revaluation December 31,		Revaluation Mark-Up[1] December 31,	
Figures in NGN	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Inter-State Flour Mills Ltd	1,671,896,779	1,471,602,183	2,443,935,144	2,243,640,548	772,038,365	772,038,365	46.2%	52.5%
Mix and Bake Flour Mill Industries Ltd	251,208,493	(42,421,240)	3,598,687,646	3,358,545,866	3,347,479,153	3,400,967,106	1,332.6%	NA[2]
Crown Flour Mills Ltd	2,534,788,423	2,345,848,911	9,879,129,000	9,551,857,121	7,344,340,577	7,206,008,210	289.7%	307.2%
Total	**4,457,893,695**	**3,775,029,854**	**15,921,751,790**	**15,154,043,535**	**11,463,858,095**	**11,379,013,681**	257.2%	301.4%

Notes:
1 Revaluation Mark-Up calculated as revaluation as a percent of what the value of the PP&E would be after subtracting out the revaluation
2 The increase in value due to revaluation in CY 2007 increased Mix and Bake's PP&E by so much that the ending balance in FY 2008 was less than the revaluation gain itself

Crown Flour Revaluations - S$

	Without Revaluation December 31,		With Revaluation December 31,		Revaluation December 31,		Revaluation Mark-Up[1] December 31,	
Figures in S$	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Inter-State Flour Mills Ltd	20,422,258	15,064,710	29,852,725	22,968,023	9,430,467	7,903,314	46.2%	52.5%
Mix and Bake Flour Mill Industries Ltd	3,068,518	(434,264)	43,958,054	34,381,247	40,889,537	34,815,511	1,332.6%	NA[2]
Crown Flour Mills Ltd	30,962,500	24,014,325	120,673,793	97,781,829	89,711,293	73,767,505	289.7%	307.2%
Total	**54,453,276**	**38,644,770**	**194,484,572**	**155,131,100**	**140,031,296**	**116,486,329**	257.2%	301.4%

Notes:
1 Revaluation Mark-Up calculated as revaluation as a percent of what the value of the PP&E would be after subtracting out the revaluation
2 The increase in value due to revaluation in CY 2007 increased Mix and Bake's PP&E by so much that the ending balance in FY 2008 was less than the revaluation gain itself

A note to the FY 2011 CFM financials confirmed that the numbers were correct:

	2011 ₦'000	2010 ₦'000
13. **REVALUATION RESERVE**		
Revaluation reserve	11,379,014	11,379,014

The Company's fixed assets were revalued on open market basis on December 31, 2007 by Messrs Oludemi Jagun Dosumun & Co. (Chartered Surveyors and Valuers).

[76] The firm was Oludemi Jagun Dosumm & Co.

The CY2008 Directors' Reports from the three CFM companies make clear that the PP&E was in poor shape.

Excerpts from the 2008 Directors Reports, Future Developments[77]	
Crown Flour Mills	The Company will continue to place more emphasis on the quality of its finished Products, and **seek improvement on existing production lines, as well as replacement of existing manufacturing facilities.**
Inter-State Flour Mills	The Company is expanding its production capacity. It intends to place more emphasis on the development of its full range of finished products and also **intends to install new production lines while replacing all existing facilities.**
Mix & Bake Flour Mills	The Company is expanding its production capacity. It intends to place more emphasis on the development of its full range of finished products and also **intends to install new production lines while replacing all existing facilities.**

CFM Lagos workers spoke to our investigators and told them that the acquired PP&E was old and poorly maintained, and that Olam disposed of it after the acquisition and demolished some of the factory buildings in Lagos. Below are some quotes our investigators received from current CFM Lagos workers.

> "Initially two buildings were used for production, but one of the factories has been demolished early in the year of 2011 and a new construction is ongoing."

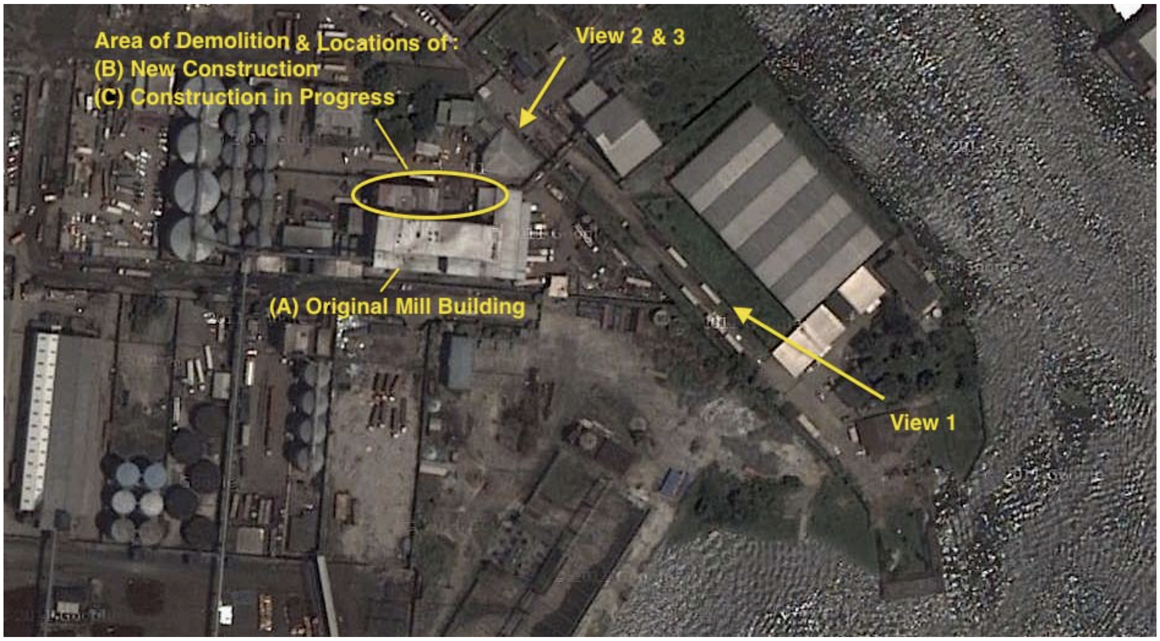
> "Most of the equipments bought from the Lababidi Group were outdated and the new owner replaced them."

When asked about what equipment was added immediately after the acquisitions:

> "Only equipments were replaced. One of the factories was demolished and is being reconstructed."

Analysis of satellite and investigators' photographs confirm some portions of the plant were demolished. Below is a satellite image of Tin Can Island, including the plot where CFM is located. Photographs of the current physical plant at CFM were taken from several angles along the river. The locations of the angles from which the photographs were taken are marked on the image. The locations of the original mill, the new construction, and construction in progress are indicated in the photos below:

[77] Report of the Directors, Crown Flour Mills Ltd, Mix & Bake Flour Mill Industries Ltd, Interstate Flour Mills Ltd, December 31, 2008.



Prior to Acquisition and Demolition

View 1: A.) Original Mill B.) New Construction C.) Construction in Progress

Step 2: Olam ups the PP&E value by 25% upon acquisition.

When Olam bought CFM on January 12, 2010, it valued the PP&E at S$168.6 million, which was a 25% increase over CFM's carrying value in only 13 days. Below is Olam's allocation of the CFM purchase price, which shows the S$168.6 million PP&E value.

2010 AR, p. 124

	Tomato processing assets (l) S$'000	Almond orchards assets (ll) S$'000	Crown Flour Mills Limited (lll) S$'000	Dunavant Mozambique and Algodao du Vale du Zambigi (lV) S$'000	Total S$'000
Property, plant and equipment	189,911	115,185	168,582	6,499	480,177
Intangible assets	–	216,005	–	–	216,005
Biological assets	–	108,675	–	–	108,675
Inventories	11,770	–	48,339	1,714	61,823
Trade and other receivables	–	–	45,668	219	45,887
Cash and bank balances	–	–	820	–	820
	201,681	439,865	263,409	8,432	913,387
Trade and other payables	–	–	(80,904)	(8,148)	(89,052)
Accruals and provisions	–	–	(5,355)	–	(5,355)
Bank overdrafts	–	–	(16,784)	–	(16,784)
Bank loans	–	–	(80,286)	(2,105)	(82,391)
Deferred tax liabilities	(52,497)	(26,554)	(10,026)	–	(89,077)
	(52,497)	(26,554)	(193,355)	(10,253)	(282,659)
Total identifiable net assets/(liabilities) at fair value	149,184	413,311	70,054	(1,821)	630,728
Non-controlling interest measured based on proportionate share of net identifiable liabilities	–	–	–	1,470	1,470
Net identifiable assets/(liabilities)	149,184	413,311	70,054	(351)	632,198
Goodwill arising on acquisition	–	–	–	3,791	3,791
Negative goodwill arising on acquisitions	(94,463)	(23,737)	–	–	(118,200)
Purchase consideration satisfied by cash	54,721	389,574	70,054	3,440	517,789
Cash and cash equivalents of subsidiary acquired	–	–	15,964	–	15,964
Net cash outflow on acquisitions	54,721	389,574	86,018	3,440	533,753

Below is the PP&E detail from CFM's audited financial statements showing that its carrying value was only NGN 14.4 billion, or S$134.9 million. Olam upped the valuation by 25.0% just 13 days later:

CFM FY 2010 Audited Financials:

COST/VALUATION	Land & Buildings NGN	Plant & Machinery NGN	Motor Vehicles NGN	Furniture's Fittings & Equipment NGN	Generators NGN	Construction in Progress NGN	Total NGN
At January 1, 2010	10,232,050	5,145,875	565,762	169,396	617,700	42,346	16,773,12
Addition	15,215	39,714	19,415	47,573	24,899	-	146,81
Reclassification	-	40,806	-	-	-	(40,806)	
As At June 30, 2010	**10,247,265**	**5,226,395**	**585,177**	**216,969**	**642,599**	**1,540**	**16,919,94**
Depreciation							
At January 1, 2010	1,008,949	662,750	375,767	46,396	325,857	-	2,419,71
Charge for the period	223,273	120,551	53,667	12,762	59,119	-	469,37
As At June 30, 2010	**1,232,222**	**783,301**	**429,434**	**59,158**	**384,976**	**-**	**2,889,09**
Net Book Value							
As At June 30, 2010	**9,015,043**	**4,443,094 [redacted]**	**5,743**	**157,811**	**257,623**	**1,540**	**14,030,85**
At December 31, 2009	**9,223,101**	**4,4 [redacted]**	**189,995**	**123,000**	**291,843**	**42,346**	**14,353,41**

The company's fixed assets were revalued on open market basis on December 31, 2007 by Messrs Oludemi Jagun Dosumun & Co. (Chartered Surveyors and Valuers).

The June 30, 2010 financials show that instead of the increase Olam recorded on its Group-level accounts, CFM's net book value of PP&E **decreased** in the first six months of Olam's ownership. This confirms that the 25% increase in value recorded at the Group level is pure fiction; it did not even make it down to the entity.

It is hard to think that Olam's acquisition of CFM was a clean deal. With CFM, Olam bought equipment that was of low quality and apparently later scrapped. Yet Olam took no impairment. The sellers had revalued it upward by 257.2% two years before selling it to Olam. 13 days after buying CFM, Olam then did its own upward revaluation of exactly 25.0% on top of the earlier revaluation. CFM is the acquisition we have studied most closely, but we suspect that its problems are not atypical of Olam's acquisitions.

View 2: New Construction (Green Building) and Construction in Progress

View 3: Detail of Construction in Progress

The controlling shareholder of CFM, "Chief" Maan Lababidi, was arrested in June 2012 for his alleged role in an alleged stock fraud allegedly carried out by one of his other companies, allegedly Starcomms.[78] He has been released, but remains clouded in suspicion. The good Chief is also being sued by former CFM investors for an alleged discrepancy of about 50% of the proceeds Olam paid for CFM.[79]

"Chief Rocka"[80] Lababidi is a US citizen and a graduate of the University of Texas. Hook 'em Horns!

CFM was bleeding money and appears to have been on the ropes at the time Olam acquired it.

When Olam acquired CFM in January 2010, it had book value of shareholders' equity of S$42.2 million. However, as we showed supra, that included a significant and highly questionable PP&E revaluation. Without that revaluation, CFM's shareholders' equity would have been negative S$64.7 million.

Below is a table showing summary income statement data in SGD for the four years prior to Olam's acquisition of CFM. CY2006 – CY2008 are not pro forma for the 2009 combination. CY2009 is consolidated. CFM was consistently losing money.

CFM Historical Financials (SGD)				
		As of Dec. 31,		
Figures in S$ '000s	**2009**	**2008**	**2007**	**2006**
Turnover	159,033	93,827	84,155	100,697
Profit / (loss) before taxes	(26,726)	(41,404)	(451)	1,096
Taxes	489	(415)	(539)	(1,197)
Profit / (loss) after taxes	(26,237)	(41,819)	(990)	(101)

[78] http://dailyindependentnig.com/2012/06/investors-demand-refund-of-starcomms-2008-placement-monies/
[79] http://www.gmolegal.com/firmnews.asp?newsid=1;
[80] We're just having fun here – this is a reference to "Chief Rocka" by Lords of the Underground.

Below is the source for the above table in NGN. Note that CY2006 Loss after Taxes does not add up. (Our table above does the math properly.) Such basic math and accounting problems can be indications of fraud.

	June 30, 2010 (6 months) ₦'000	December 31, 2009 (12 months) ₦'000	2008 (12 months) ₦'000	2007 (12 months) ₦'000	2006 (12 months) ₦'000
Turnover	11,833,066	16,399,565	7,900,673	7,021,266	8,147,429
Profit/(loss) before taxation	331,782	(2,756,028)	(3,486,372)	(37,625)	88,672
Taxation	(39,310)	[redacted]	(34,938)	(45,000)	(96,810)
Profit/(loss) after taxation	292,472	(2,705,571)	(3,521,310)	(82,625)	(232,634)
Basic earnings/(loss) per share (Naira)	₦0.29k	(₦2.71k)	(₦0.60k)	(₦0.14k)	(₦0.40k)

CFM had overdrawn its bank accounts by S$15.9 million at the time of the acquisition – hardly the hallmark of a successful business.

CFM Cash Balances	
	12/31/09
Cash at bank and in hand (NGN '000s)	406,555
Bank overdrafts (NGN '000s)	(2,101,838)
Negotiable Duty Credit Certificate (NGN '000s)	NA
Total (NGN '000s)	(1,695,283)
Total (S$ '000s)	(15,931)

CFM is failing to live up to management profitability projections for the business.

When Olam acquired CFM, it projected that CFM would achieve the following profitability milestones at "steady state" in 2012 – 2013:[81]

- EBITDA of US$35 million. FY2011 reported EBITDA was only US$11.8 million (NGN 1.8 billion).
- EBITDA margins in excess of 15%. FY2011 reported EBITDA margin was only 6.7%.
- Profits Before Tax of US$23.3 million. FY2011 reported PBT was only US$1.7 million (NGN 260 million).
- PBT margin in excess of 10%. FY2011 reported PBT margin was only 1.0%.

[81] Profitability targets available in the presentation at http://olamonline.com/wp-content/uploads/2011/12/20100112_crownmills.pdf

The acquisitions we have analyzed are generally consistent in providing Olam with revenue, but with minimal (to no) profits. CFM fits this pattern.

CFM's reported operating cash flow since Olam acquired it has been negative:

Crown Flour Mills Cash Flows				
	FY2011		2H2010	
	N$'000	S$'000	N$'000	S$'000
Net cash used in operating activities	**(83,013)**	**(701)**	**(2,049,034)**	**(18,996)**
Net cash used in investing activities	(1,071,991)	(9,057)	(146,816)	(1,361)
Cash provided/(used) in financing activities	(2,002,727)	(16,921)	3,077,540	28,532
Net change of cash in the year	(3,157,731)	(26,680)	881,690	8,174

The table below shows CFM maintaining net overdraft balances since Olam acquired it: [82]

CFM Cash Balances		
	6/30/11	**6/30/10**
Cash at bank and in hand (NGN '000s)	142,528	353,596
Bank overdrafts (NGN '000s)	(4,168,400)	(1,510,190)
Negotiable Duty Credit Certificate (NGN '000s)	54,549	343,000
Total (NGN '000s)	(3,971,323)	(813,593)
Total (S$ '000s)	(31,989)	(7,600)

[82] N$:S$ at average rate of each corresponding period end

Below is CFM's post-acquisition reported income statement and our production estimates:

Crown Flour Mills Income Statement				
	FY2011	**2HFY2010**	**FY2011**	**2HFY2010**
	N$000	N$000	S$000	S$000
Turnover	26,766,122	11,833,066	215,602	110,542
Cost of sales	(23,187,598)	(9,882,477)	(186,781)	(92,316)
Gross profit	3,578,524	1,950,589	28,821	18,226
Selling expenses	(603,809)	(213,834)	(4,865)	(1,999)
Administrative expenses	(2,145,931)	(1,155,167)	(17,278)	(10,790)
Operating profit	828,784	581,588	6,678	5,437
Other income	-	1,517	-	19
Interest charges	(568,717)	(370,703)	(4,583)	(3,466)
Exchange gain	-	119,380	-	1,112
Exceptional item				
Pre-tax income	260,067	331,782	2,095	3,102
Taxation	(10,988)	(39,310)	(89)	(364)
Net income	249,079	292,472	2,006	2,738
Net income	249,079	292,472	2,105	2,723
Interest	568,717	370,703	4,805	3,452
Depreciation	970,285	469,372	8,198	4,370
Taxation	10,988	39,310	93	366
EBITDA	1,799,069	1,171,857	15,201	10,911
Gross Margin	13.4%	16.5%	13.4%	16.5%
Net Margin	0.90%	2.50%	0.90%	2.50%
Flour Prices (50kg Bag)	5,200	4,300		
Total Sales of 50kg Bags	5,147	2,752		
Annual Production (MT)	257,367	137,594		
Avg. Daily Production (MT)[1]	919	983		

Note:

1 Based on 280 days production, which is what Olam IR said was the number of production days per year

Olam’s acquisition cash flow accounting for the CFM raises serious concerns.

Olam’s cash flow accounting for CFM raises concerns about whether Olam knows how much cash it really spent on the acquisition. The issue with Olam’s accounting is that it states it paid S$15.9 million more in cash than it seems it should have.

The FY2010 AR (p. 124) details the cash outflows for the acquisition. Olam is claiming that it paid cash consideration of 1x book value, or S$70.1 million. (As we explain supra, the book value was inflated.) However, there is another disclosure that Olam had an additional cash outflow of S$15.9 million for Cash and Cash Equivalents of Subsidiary Acquired. This S$15.9 million outflow seems to match the net overdraft balance CFM maintained.

The problem is that Olam already subtracted this overdraft balance to arrive at the S$70.1 million book value. If Olam paid the S$15.9 to the bank, then there should be no issue. However, the fact that there was still a significant overdraft balance as of June 30, 2010 is concerning. What is this S$15.9 million cash outflow?

You Say “Tomato”; I say Whatever I Want – sometimes Sayler, sometimes Salyer

“We pack garbage for them anyway and they always take it, but we’ve hit new lows.” – Randal Rahal, former Director of SK Foods (the predecessor to Olam Tomato Processing) on SK Foods prior to its sale to Olam.

We recommend that investors disregard S$94.5 million (26%) of profit after taxes for the 2010 financial year (and associated shareholders’ equity) because it resulted from highly questionable negative goodwill associated with an upward re-valuation of the acquired assets of SK Foods – now called Olam Tomato Processing. There are three reasons why the re-valuation is highly questionable: 1) the book value of the assets at the time Olam acquired them was S$73.1 million lower, 2) Olam is now appealing the tax assessors’ valuations of the assets to levels far below even the book value at the time Olam acquired them, and 3) Olam seems not to have been able to realize value from the assets.

S$94.5 million Negative Goodwill Gain from SK Foods is Likely Unjustified

This section will explain our opinion that Olam’s acquisition of SK, although purchased out of bankruptcy, was not the bargain the company claimed it to be. The primary reasons for our contention are listed below.

- The Company’s S$94.5 million negative goodwill gain[83] resulted largely from valuing the PP&E at S$189.9 million (US$130.6 million). However, the SK Foods bankruptcy documents include a detailed schedule of assets, which report

[83] Olam 2010 Annual Report, Note 11.

the book value of SK Foods PP&E as being only S$116.8 (US$80.3) million at the time of the acquisition, a difference of S$73.1 million (US$50.3 million).[84]

- In the course of investigating the valuation discrepancy, we uncovered an incidence of a major upwards tax assessment asset value revaluation of the Williams plant one year post-acquisition, which covers much of the S$73.1 (US$50.3) million difference. One might wonder whether Olam sought this reappraisal to support the negative goodwill.

- This upwards revision of the PP&E asset value at the Williams plant was followed by a more recent effort to undo the upward assessment through an appeal filed by Olam. The appeal claimed that its Williams plant should only be assessed by the local tax authority at one-tenth of its current value or US$7.1 million (from its current US$70.4 million valuation), a US$63.3 (S$77.3 million[85]) downward revaluation.

- There appear to be legacy issues that Olam hasn't fully resolved, including probable product safety and sanitation issues. We also question whether Olam has been able to salvage key customer relationships. These are exactly the kinds of issues one would want to understand through due diligence, for which many other potential bidders apparently felt there was not enough time.

- Since the acquisition, it appears that Olam has been earning a negative return on the investment. Now, some three years into the new business plan, the Company has finally disclosed that the operation is under-performing, required a large inventory liquidation and write down as well as operational "resizing." As of 4Q12, Olam Tomato Processors was ignominiously listed along with the Company's chronic disclosed underachievers Open Country Dairy Limited (OCDL) and Pure Circle as operating "below par".[86] (As is clear from our report, those three companies are only the tip of the iceberg of Olam's poorly performing investments.)

Background – a "Racketeering Organization"[87]

SK Foods was a tomato processor with two processing facilities in Lemoore and Williams, California. It was a large supplier of processed tomatoes to US packaged goods companies, such as Kraft, Frito-Lay, and other major brands. According to the Company, SK was the second largest tomato processor in the US and in the top five in the world. However, in 2008 SK foods shocked the nation as a major scandal unfolded. As a result of a joint investigation by the FBI, IRS-Criminal Investigation, FDA Office of

[84] Based on Sing Dollar: US Dollar exchange rate of 0.68752 from July 6, 2009, the date of the acquisition as identified in the Company's FY2010 Annual Report, p. 125.
[85] Based on S$: US$ exchange rate as of October 26, 2012.
[86] Olam 4Q2012 financial statements, p. 22.
[87] "SK Foods Former and CEO Scott Salyer Pleads Guilty to Racketeering and Price Fixing in California," US Department of Justice, March 23, 2012, http://www.justice.gov/atr/public/press_releases/2012/281505.htm

Criminal Investigations, and the US DOJ Anti-Trust Division, ten of its officers and senior managers, including the owner and CEO Scott Salyer, were indicted for, and plead guilty to, charges relating to racketeering, money laundering, anti-trust, food misbranding and food adulteration.[88] Salyer admitted to the US Department of Justice that:

> "SK Foods routinely falsified the lab test results for its tomato paste… ordered employees… to falsify tomato paste grading factor, and… lied about its product's percentage of natural tomato soluble solids, mold count, production date, and whether the tomato paste qualified as "organic."[89]

As revelations of the sale of unsafe products being sold for years and cover–ups through document fraud came to light, considerable concern about product quality and safety was justified. Trade magazines such as *Food Safety News* brought to light the comments of company executives such as Randall Lee Rahal, a Director of SK Foods, and the salesman, who in December of 2008, was one of the first to plead guilty and cooperate in the investigation.[90] Rahal's statements on SK's operations revealed little to no concern for quality, and no intention to improve:

> "We pack garbage for them anyway and they always take it, but we've hit new lows."[91]

For a period of more than ten years, CEO Salyer and key managers and employees coordinated a racketeering enterprise, paid kickbacks to customers to buy products and pay inflated prices, and falsified product quality documents to allow moldy tomato paste and other sub-standard products to be passed off as compliant with FDA requirements, USDA requirements, "organic", or compliant with other customer specifications. The scandal was national news, and these headlines caught the attention of Olam, which was eager to expand its US and packaged food businesses. To Olam, an opportunity to pick up a large processing company at a discount, gain quick entry to a new segment of the US processed foods market, and potentially pick up over $200 million in revenue, must have looked ripe.

Others Looked, Olam Leapt

On May 15, 2009, SK Foods filed for Chapter 11 bankruptcy. The bankruptcy proceedings were fast-tracked in order to sell the company as a going concern prior to the start of the July tomato harvest and the canning season. An ambitious goal of closing the

[88] "SK Foods Former Owner and CEO Salyer Indicted in Sacramento, Vice President for Operations Agrees to Plead Guilty to Related Charges," US Attorney's Office, Feb 18, 2010, http://www.fbi.gov/sacramento/press-releases/2010/sc021810.htm
[89] "SK Foods Former Owner and CEO Scott Salyer Pleads Guilty to Racketeering and Price Fixing in California," U.S. Department of Justice, March 23, 2012.
[90] "SK Foods Former Owner and CEO Salyer Indicted in Sacramento, Vice President for Operations Agrees to Plead Guilty to Related Charges," US Attorney's Office, February 18, 2010, http://www.fbi.gov/sacramento/press-releases/2010/sc021810.htm
[91] "Ten Year of Bribery and Bad Tomatoes", *Food Safety News*, February 20, 2010. http://www.foodsafetynews.com/2010/02/ten-years-of-bribery-and-bad-tomatos/

sale of the company by the end of June was set. This meant an abbreviated period was available not only to find potential buyers and enable them to conduct due diligence, but also to hold an auction, work out a settlement for the 520 creditors severed by the court (of the 3,500 in total)[92], and close on a trade sale. A list of 47 potential buyers was contacted; 33 companies signed Non-Disclosure Agreements; and ten conducted site visits.[93] Only Olam and a newly formed entity (which dropped out after being unable to obtain financing) submitted bids.[94] A person familiar with the liquidation process stated that most of the potential bidders did not feel comfortable with the short window to conduct due diligence – particularly given the myriad issues associated with SK.[95] Olam, however, appears to have had a much stronger desire, and much higher tolerance for the risk associated with the acquisition of the pariah processor. Olam ultimately was the sole bidder.

Following the acquisition, Olam booked a S$94.5 million negative goodwill gain. Although SK was purchased out of bankruptcy, we seriously question the underlying revaluation of the assets and company. In our opinion, little – to none – of this gain is justified.

PP&E Valuation Increased

According to the Company's 2010 AR note 11, Olam booked a S$94.5 million negative goodwill gain. This appears to have primarily resulted from an asset assessment that valued PP&E at S$189.9 million (US$130.6 million). This higher value coincides perfectly with the company's estimated replacement cost of US$120-$130 million announced in the June 26, 2009 investor presentation.[96]

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[92] US Bankruptcy Court, Eastern District of California, Sacramento Division, Case 09-29162-D-11, Chapter 11, , Case 09-29161-D-11, Chapter 11, Reporter's transcript of proceedings held at the United States Courthouse, Sacramento, California, on Thursday, June 25 ,2009, pg. 60.

[93] US Bankruptcy Court, Eastern District of California, Sacramento Division, Case 09-29162-D-11, Chapter 11, , Case 09-29161-D-11, Chapter 11, Reporter's transcript of proceedings held at the United States Courthouse, Sacramento, California, on Thursday, June 25, 2009, pg. 47.

[94] US Bankruptcy Court, Eastern District of California, Sacramento Division, Case 09-29162-D-11, Chapter 11, , Case 09-29161-D-11, Chapter 11, Reporter's transcript of proceedings held at the United States Courthouse, Sacramento, California, on Thursday, June 25, 2009, pg. 48.

[95] Interview conducted by Muddy Waters' research team.

[96] SK Foods was actually two companies: SK Foods and RHM Industries/Specialty Foods

Evidently Olam determined the value of the PP&E and its potential to provide a negative goodwill gain, prior to the close of the sale. Again, many other potential buyers felt that the time period was too short to do due diligence, let alone estimate the equipment's replacement costs. The SK Foods Bankruptcy documents, which include a detailed 284-page schedule of assets and liabilities, indicate that the book value of SK Foods' assets, was only US$80.3 million, which was a difference of US$50 million.

SK Foods - Schedules of Assets & Liabilities	**Totals by Category (USD)**	**PPE (USD)**
Real Property	$5,683,869.00	$5,683,869.00
Petty cash, bank accounts	$14,361,272.00	
Security deposits	$5,300.00	
Interest in insurance policies		
Licenses and intangibles	$29,949,961.32	
Vehicles	$210,282.03	$210,282.03
Office equipment	$3,987,963.42	$3,987,963.42
Machinery	$70,406,360.00	$70,406,360.00
Inventory	$44,638,474.67	
Total	**$169,243,182.44**	**$80,288,474.45**

Our additional investigation into the valuation of these assets found that the Williams land, physical plant, and fixed assets were valued by the Colusa County Assessors Office in 2008 and 2009 at only US$13.4 million (approx. S$19.4 million). Interestingly, in 2010, the year following the sale and subsequent to the issuance of Olam's FY2010 Annual Report, the assessed value of the fixed assets jumped from US$6.7 million in 2009 to US$38 million in 2010, and the total assessed value of all assets increased by US$40.7 million to US$54.2 million.

	2008	**2009**	**2010**	2011	2012
Owner	**RHM Industrial**	**Olam TP***	**Olam TP***	Olam TP*	Olam TP*
Land	$335,805	$342,521	$341,709	$344,282	$351,167
Structural	$5,954,534	$6,073,624	$6,059,229	$6,104,854	$6,226,951
Growing	$-	$-	$-	$-	$-
Fixed	**$6,755,980**	**$6,698,360**	**$38,082,700**	$42,909,955	$49,559,090
Personal Property	$369,400	$366,760	$9,687,560	$12,836,747	$14,240,700
Total	**$13,415,719**	**$13,481,265**	**$54,171,198**	$62,195,838	$70,377,908

Was this a result of an effort by the Company to cover up a mistake and request an upwards adjustment, or did the county government simply see a new multinational corporation move into the neighborhood and perceive an opportunity to boost its tax revenue? When questioned about the matter, the Colusa County Assessors Office was not forthcoming on the details behind the large revaluation.

Whatever the real reason for the increase in valuation one year after the close of the transaction, Olam's Tomato Processors, Inc. does not believe that this is an accurate valuation for its assets. It has filed an appeal of this valuation. Olam is now arguing that its Williams plant should only be assessed by the local tax authority at US$7.0 million, one-tenth its US$70.4 million assessment. Olam's appeal is available in the Appendix *Colusa County Application for Changed Assessment*. The details are below:

Olam Tomato Processors, Inc.	**Application for Changed Assessment (8-29-2012)**	
	A. Value on Roll (US$)	B. Applicants Opinion of Value (US$)
Land	351,167	35,000
Improvements/Structures	6,229,951	625,000
Trees/Vines		
Fixtures	49,559,090	5,000,000
Personal Property	14,240,700	1,425,000
Total	**70,380,908**	**7,085,000**

Olam is also contesting tax assessment increases at its Lemoore plant. In August of this year, Olam filed a series of property assessment appeals. According to the appeal documents available in the Appendix *Lemoore Property Assessment Appeals*, Olam's official opinion of the combined value of the land, structures and fixtures is only US$9,820,050, versus its current assessed value of $98.4 million. Management contests the county assessor's valuation on the basis of:

1. A decline in value. The assessor's roll value exceeds the market value as of January 1 of the current year.
2. Assessor's value of personal property and/or fixtures exceeds market value.

We recognize that Olam could be staking out a negotiating position; but, if we assume that Olam wants to pass the laugh test in its appeals, these 90% proposed reductions should not be too far from the mark.

Product Quality Issues, Still?

Our investigators visited the Williams plant in October 2012. Three workers were very willing to speak with our investigators. They expressed their opinion that the management was "very unprofessional." Their comments provide an inside look into a company with possible issues with management, operations, and quality.[97] (Note that we have been unable to confirm these comments outside of these interviews.)

- There are a lot of younger bosses who are only 19-20 years old.

[97] Investigative interviews conducted in October of 2012.

- The equipment is dirty, frequently with "moho" (mold) on the underside.
- The workers also complained of low wages. They were paid only US$12.64 per hour, US$3.56 lower than the US$16.20 per hour at the Morning Star plant down the road.
- They received no training, were issued gloves that would fall apart, and promotions are not based on performance.
- The workers also stated that they would not eat canned tomato products.

Perhaps, most troubling however were their statements that starting in late September, a large quantity of product had been put "on hold." The workers explained that there was a large warehouse on the premises, and this is full of boxes that contained an orange sticker labeled "HOLD." This inventory might be better having been destroyed.

Olam Discloses the Tomato Processor is Still Underperforming in Year 3, but for a Questionable Reason

At the time of the acquisition, the company announced that capacity utilization would initially be lower, given the limited time to complete contracts with growers, but was expected to scale up in FY2011, reach steady state in FY2012, and then be able to deliver revenue in line with that generated by SK Foods prior to 2008. Additionally, the company estimated that within three years it would potentially generate US$200 million in revenue with EBITDA margins of 12-13%.[98] These numbers too seem highly questionable, as cursory due diligence at the time of the acquisition should have raised red flags.

The bankruptcy documents provide information on sales prior to FY2008. In the final eight months of FY2007 (ended June 30, 2007) SK generated revenue of US$103.8 million.[99] On an annualized basis, that would amount to US$155.7 million.[100][101] This revenue was earned in part through SK's corrupt activities involving bribing buyers for contracts and inflating sales prices. A revenue projection in-line with inflated historical levels that does not discount for lost customers and reputational issues seems to be overly optimistic.

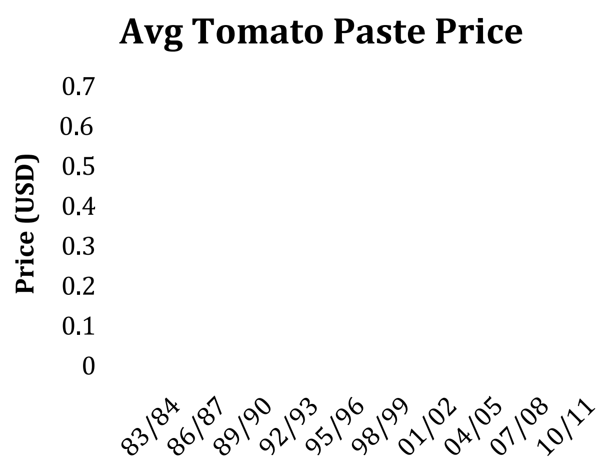
Subsequent to the acquisition, Olam initially reported positive news, listing Olam Tomato Processors as among fourteen of the midstream businesses adding higher margin to the value chain in the 2010 Annual Report,[102] and later noting a "very strong performance in the spiced and dehydrates business on the back of consolidation of the performance of the

[98] http://olamonline.com/wp-content/uploads/2011/12/20090626_release.pdf
[99] Based on USD:SGD forex rates of 0.6534 from June 30, 2007.
[100] US Bankruptcy Court Eastern District of California, Sacramento Division, Case No. 09-29162-D-11, Schedules of Assets and Liabilities, for SK Foods, LP, Form 7, Statement of Financial Affairs. Note, the Global Notes and Statements of Limitations, Methodology, and Disclaimer, Note 4 indicates that consolidated accounting records were maintained with RHM at the time of the bankruptcy filing. The note at schedule G also indicates that "to the best of their knowledge, the Debtors believe all contracts [involving RHM Industrial/Specialty Foods] are under SK Foods LP."
[101] The annualized revenue calculation assumes that sales are not seasonal.
[102] Olam, 2010 Annual Report, p.29.

tomato processing facility and operations of Gilroy Foods into the segment."[103] However, beginning in the financial statements for 3Q2012, the Company reversed itself and began disclosing problems in the tomato processing business. In the 4Q2012 financial statements, the Company elaborated (emphasis added):

> The tomato processing business in California however continued to face unfavorable trading conditions, and had a poor Q4, to end FY2012 well below plan. Due to a global industry wide supply glut, there had been an excess inventory build up in the industrial paste business, leading to softer market prices. Most of our industrial paste inventory has been liquidated or <u>marked down to market</u> in Q4 FY2012. More importantly, multiple initiatives have been taken to increase own farming volumes, the enhancement of product mix, <u>expand value added retail lines, enter into long term outsourcing contracts with customers</u> and <u>re-size industrial paste capacity</u>, which should enable this business to deliver in-line with our strategic plans from FY2013 onwards.[104]

Olam's excuse of a glut in the tomato paste market is questionable. Olam's mark down of paste prices seems to be due to its own failure to sell through. Olam bought into the industry just after paste prices peaked in the 2008-2009 season. While market prices for tomato paste have declined since their acquisition, they remain above the historical trend, and are still 22% above those from 1999-2006.



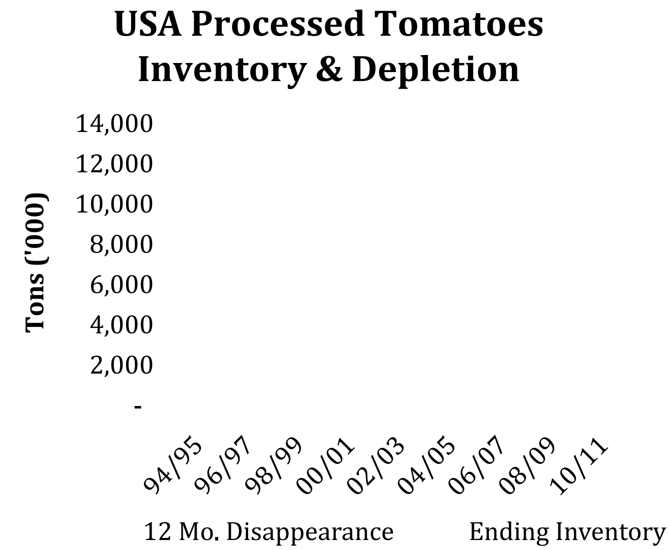
Source: Westcon Foods[105]

Additionally, channel checks with a major multinational tomato sauce manufacturer's global buyer contradict the claim of a "global glut." Industry statistics do show a build up in inventory starting in the 2008-2009 canning season, but the 2011-2012 season saw

[103] Olam, 2011, 2Q11 Quarterly Financial Reports, p.13.
[104] Olam 4Q2012 financial statements, p.p. 19-20.
[105] Source: Westcon Foods, California Historical Pricing - Processing Tomatoes, 31 NTSS Industrial Tomato Paste, Updated October 8, 2012, 1981. Forward (Price per pound in U.S.$) General/spot market price – FOB Factory (Priced date of shipment)

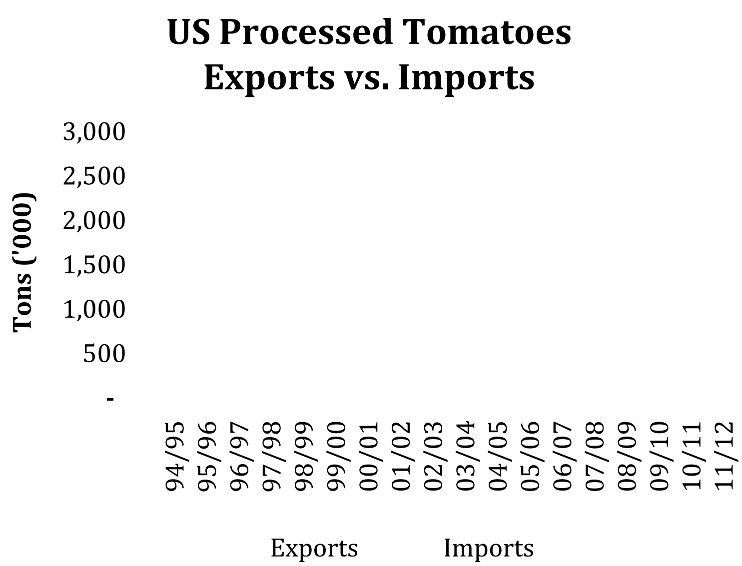
record depletions and record exports.[106] Since Olam purchased the cannery in the 2009-2010, its production-planning decisions fed into any industry inventory build-ups in 2010-2011. Its corrective actions to re-size capacity, seek long-term contracts, and produce more product for retail, indicate there may be serious problems with its inherited customer base, resulting in insufficient demand. It seems that SK did not just produce tainted tomatoes, but also a tainted company reputation.

[106] Tomato Growers Association, Tomato Bulletin, January 19, 2012. http://ctga.org/static/uploads/Bulletin_1.19.12.pdf



Source: Westcon Foods[107]

US tomato exports have been experiencing rapid growth every year since the 2006-2007 season (with the exception of 2009-2010 due to global impact of the financial crisis), tripling in volumes by tonnage over this period. Certainly with its global reach and sales network, the market dynamics that enable record growth of exports for the industry as a whole should enable Olam to exploit this opportunity and outperform.



Source: Westcon Foods [108]

[107] Source: Westcon Foods, USA Estimated Processed Tomato Supply & Inventory, (converted to raw short tons), Updated August 15, 2012.

Excess inventory and write downs imply a failure to plan and execute properly.

We find it interesting that given the synergies Olam claims when making the case for its global acquisition binge, which included buying an existing tomato paste distribution business in Africa, the Company does not plan to utilize its own sources of paste to supply its African operations upon start up. As per the HSBC analyst report from July of this summer, the plans for supplying the tomato paste sachet business in Nigeria now under construction will rely on supply from China when it commences operations, and only later might source tomato paste from the US.[109] Why wait when there is a company owned processing plant in the US in need of customers?

The Company's recent disclosures of inventory liquidation, and the comments made by current workers suggests that the tomato processing operations may be experiencing product quality issues, again.

Conclusion

Olam jumped into a very troubled business, but one which offered the prospect of booking negative goodwill gains. Management's efforts to turn around the company to date seem to have been ineffective. Quality issues might remain and the company may be facing yet another large inventory write down in the near future. In summary, we believe that not only are these negative goodwill gains largely unjustified, but also the projections of hitting originally announced targets of US$200 million in revenue and EBITDA margins of 12-13% were wishful thinking.

NZFSU, Waiting for ROI 'Til the Cows Come Home?

Olam's incremental acquisition of NZFSU was an easily avoidable blunder. One might conclude that Olam's rationale for buying this flawed company was to generate non cash accounting profits. Olam has hemorrhaged significant cash on this flawed investment.

In 2009, Olam bought 14% of New Zealand Farming Systems Uruguay ("NZFSU")[110], a company founded on the idea of applying New Zealand pastoral farming expertise in Uruguay, which has high quality, low cost and under-utilized farmland.

Over the last three years, Olam has increased its shareholding in a quest to take the company private. Unfortunately for Olam investors, Olam succeeded.[111] NZFSU is a project that should never have gone beyond the planning phase. The company was plagued with red flags, such as known accounting irregularity, poor planning,

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[108] Source: Westcon Foods, USA Estimated Processed Tomato Supply & Inventory, (converted to raw short tons), Updated August 15, 2012, Import/Export Data is based on 12 months actual data from the Food Institute.
[109] Olam International, HSBC Global research, July 17, 2012 www.research.hsbc.com
[110] http://olamonline.com/wp-content/uploads/2011/12/20090901_release.pdf
[111] http://www.nzfsu.co.nz/imagenes/6d/1-Notice_of_Dominant_Ownership_-_12_November.pdf.pdf

unrestrained spending, negative free cash flow, high debt, and a web of related parties. These facts were established prior to, and during, Olam's acquisition process. It could be said that Olam either did not perform adequate due diligence, or was not concerned by the myriad of problems. Olam has consequently squandered substantial capital on this acquisition, including by providing a credit line of up to US$110 million in loans to keep the company solvent.

Immediately prior to Olam's investment, NZFSU's 2009 financials submitted to the New Zealand Exchange included the following publicized gaffe that was referred to the Securities Commission for investigation.[112] [113] This is the first time we have seen an admission of possible accounting shenanigans in a company's accounts. The New Zealand Exchange investigated, and was apparently satisfied with NZFSU's explanation.

3 Reconciliation of the Profit for the Year with the Net Cash from Operating Activities

	Group		Company
	2009	2008	2009
	US$000	US$000	US$000
Net loss for the year	(45,851)	(7,956)	(23,592)
Adjustments for:			
Depreciation - fudge this to equal depn in FA note 11S 2391 - via non ca:	2,391	1,049	-
Change in fair value of Farm Properties below cost	3,595	-	-
Unrealised foreign exchange losses	1,471	-	140
Other non-cash items	(777)	-	2
Change in the value of livestock due to physical changes	(6,242)	(2,610)	-
Change in the value of livestock due to price changes	20,247	(14,285)	

Prior to Olam acquiring a controlling stake in NZFSU, there was a cozy family of relationships between NZFSU, management company PGG Wrightson (PGG), and PGG contract companies. NZFSU Chairman Keith Smith was also the chairman of PGG. NZFSU bought three farms from PGG and gave PGG a contract to manage the farms that paid based on gross asset value, not profitability.[114] The management contract allowed PGG to supply inputs and services to the farm, which it did through a series of subsidiaries, many of which have NZFSU as their only customer. This can be seen in the table on page 10 of the Grant Samuel report below:[115]

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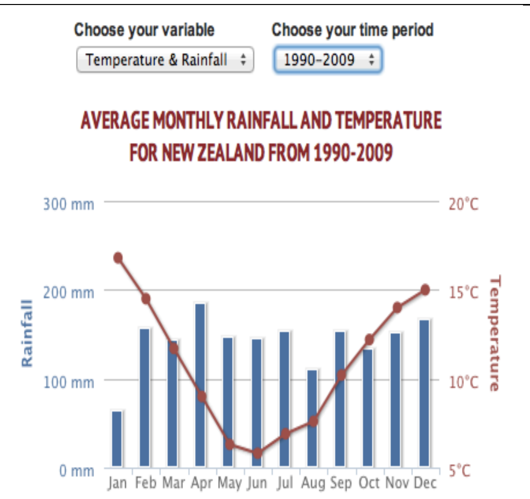
[112] http://www.news.com.au/business/fudge-this-statement-sent-to-stock-market/story-e6frfm1i-1225766774765
[113] http://www.nbr.co.nz/article/nzfsu-fudge-comment-referred-sec-com-109691
[114] http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10603633
[115] Grant Samuel report "Target Company Statement" May 23, 2011.

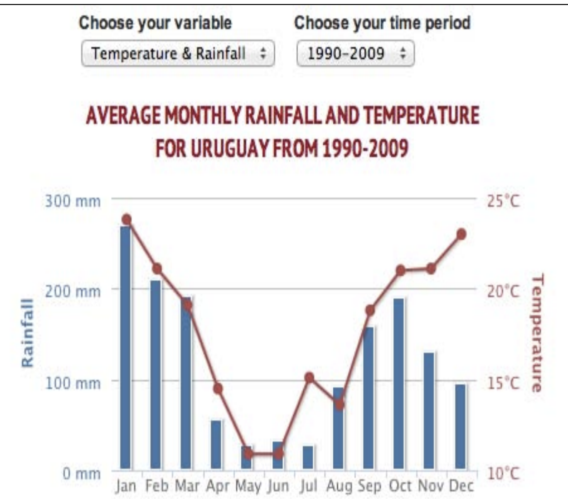
PGW Uruguayan Trading Subsidiaries	
Subsidiary	**Description**
Wrightson PAS S.A.	PGW's Uruguayan trading company established in the late 1990s to investigate the potential for commercial operations in Uruguay. Seeds, fertiliser and chemicals are sourced through Wrightson PAS.
Agrosan S.A.	This is a wholly owned subsidiary of Wrightson PAS which was acquired in June 2007. Unlike its parent Wrightson PAS who sources product from suppliers aligned to PGG Wrightson Limited in New Zealand, product from non PGG Wrightson Limited suppliers such as Pioneer Seeds, DuPont chemicals, and Chinese chemicals are sourced through Agrosan.
PGG Wrightson Uruguay Limited S.A.	PGG Wrightson Uruguay, which is owned directly from New Zealand, was established in December 2006. PGG Wrightson Uruguay employs the management and administration staff, and provides their services to NZFS under the existing management contract. PGG Wrightson Uruguay also sources certain plant and machinery for NZFS.
Hunker S.A.	Hunker is a wholly owned subsidiary of PGG Wrightson Uruguay, and was established in June 2007. Hunker holds a number of farm machinery and related franchises in Uruguay and sources machinery locally on behalf of NZFS. Virtually no activity was conducted by Hunker on behalf of NZFS in the past 12 months.
Romualdo Rodriguez Negocios Rurales	Romualdo Rodriguez Negocios Rurales is a 51% owned subsidiary of PGG Wrightson Uruguay, and was acquired in June 2008. The founders of Romualdo Rodriguez Negocios Rurales continue to manage this business and own the balance of the shares. Romualdo Rodriguez Negocios Rurales provide livestock and real estate services to NZFS.
Veterinaria Las Places S.A.	Veterinaria Las Places is a 51% owned subsidiary of PGG Wrightson Uruguay, and was acquired in August 2008. This was a family business, with the original Guarneri family retaining management and the balance of the shares. Animal health products, fencing equipment and clothing is sourced through this company.
Lanelle S.A.	Lanelle is a 70% owned subsidiary of PGG Wrightson Uruguay, and was established in August 2008. The other partners are Messrs Roberto and Fernando Bachino, the consultants engaged by NZFSU to undertake feasibility studies and development plans since NZFS arrived in Uruguay. Lanelle has been set up to source and install irrigation

Our research shows it doesn't rain as much, or as consistently, in Uruguay as it does in New Zealand, making it difficult for grass fed diary farms to have a consistent, adequate supply of cattle feed, and diminishing the *raison d'etre* of this farm. The lack of quality feed results in lower milk production, herd quality, and healthy progeny. The acquired land requires irrigation systems, and the herd must be fed concentrated feeds, which increase the production cost by 41%.[116]

[116] Grant Samuel report "Target Company Statement" 23 May 23, 2011, p.23.

Rainfall Comparison Using Latest Available World Bank Information





A Flawed Business Plan from the Start

Grant Samuel, an investment and advisory group based in Australia, raised a fundamental problem with the NZFSU business model in its independent appraisal reporting, **"NZS has determined that a New Zealand based system involving predominantly grass feeding is not viable for a Uruguayan environment".**[117]

Olam's involvement with NZFSU has not improved the quality of its management (other than no more embarrassing fudging disclosures). NZFSU breached a covenant to bondholders by not providing a copy of its business plan to all bondholders by February 18, 2011.[118] Fortunately for NZFSU, this breach was waived by the bondholders on March 29, 2011.[119] NZFSU is cash flow negative. It lost US$41.9 million over the last two years, and owes Olam at least US$95 million on a US$110 million short-term loan due soon. It must raise capital to "meet the remainder of the capital works program and to replenish the current funding lines used to meet operating cash requirements."[120]

Will Olam Double Down Again on NZFSU?

According to the NZFSU Chairman's review, NZFSU's milk production was well below what was expected under the business plan. The Chairman also emphasized that milk

117 Ibid. p.23.
118 As per press release on NZFSU website dated February 25, 2011.
119 As per press release on NZFSU website dated April 1, 2011.
120 27-Aug-2012-NZFSU_financial_statements_June2012.pdf

prices were expected to continue to trend downward.[121] On the financial side, NZFSU expects that it will require an additional US$160 million to complete development of its existing farms, fund working capital and repay loans until operating cash flows reach break even.[122] Olam's Q1 2013 results reiterated that milk production levels are still 10% behind the forecast.

Now that Olam has bought NZFSU, investors will have to hope that past performance will be not be a guarantor for future results.

Olam's M&A team would have, or at least should have, known that NZFSU has been losing money since before they targeted the company, is illiquid in the market, and was founded on incorrect assumptions that will require enormous capital to fix. This acquisition is puzzling, and might only make sense from a financial engineering perspective where Olam buys positions at various prices from low to high, then books a) revaluation gains for throwing good money after bad – particularly given that market perceptions that Olam will support or acquire the company might have helped push the stock price up, and b) biological gains on cattle.

Rusmolco – Likely Making NZFSU Seem Like a Good Idea (Which is Not Easy)

Olam announced a partnership with Rusmolco on January 30, 2012. The partnership created Milky Projects Limited, with Olam owning 75% of the shares.

In Olam's call with analysts regarding the partnership on January 30, 2012, Olam stressed that it is going to leverage the expertise Olam gained from NZFSU (we all know how well that worked out). In classic Olam style, its press release announced a purchase price of "up to" US$75 million. However, there is a lot of room to reach the US$75 million mark. The actual cash out flow is only S$8.5 million, and appears to be loss-making. Typical of Olam, Rusmolco is heavily indebted S$90 million.[123]

Unfortunately for investors, Rusmolco bears more than a passing resemblance to NZFSU. Rusmolco appears to be loss-making. [124] Never fear, Management has assured the market that the cash will be funded, not by Olam, but through Rusmolco's internal accruals and Russian government subsidies[125]. It appears that some of the incentives are really just US$109.9 million of debt from state-owned lender Russian Agricultural Bank.[126] Apparently US$53.4 million of the loan will be to replenish working capital. Working capital replenishment is the largest single use of the loan.

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[121] NZFSU 2012 Annual Report, p.4.
[122] NZFSU 2012 Annual Report, p.16.
[123] Olam 2012 Annual Report, pp. 137-138 (Note 11).
[124] Lee Wen Chang, CIMB, "Sinking its roots in Russia," January 31, 2012.
[125] http://olamonline.com/wp-content/files_mf/1328174851OlamRUSMOLCO_DairyPartnership.pdf
[126] http://rbcnews.com/free/20120816140006.shtml

Essentially, the business plan is to partner a loss-making dairy company in Russia with a Singaporean company that runs a loss-making dairy operation in Uruguay, with the hope that their combined dairy and farming expertise plus a cash injection of US$320 million, financed by cash-flows from the loss-making dairy in Russia and loans from Russian banks, will put the partnership on the path to profitability.

Olam deserves a lot of credit for its presentation skills. Its slick Power Points on Rusmolco seem to have given a number of analysts a favorable impression of the transaction.

Ghana Flour Mill, 74.6% Cost Overrun and Apparent Reporting Error

On February 11, 2010, Olam announced its intention to construct a 500 MT/Day, 115,000 MT per year greenfield flourmill in Ghana. The project cost was projected to be US$31.5 million.[127] On February 27, 2012 the Company announced the completion of the mill with a production capacity of 115,000 MT per year at a total cost of US$55 million.[128] **This is a cost overrun of 74.6%.** Such inability to control costs might partly explain how Olam's CapEx has exploded in recent periods.

Olam stated in Q3 2012 that capacity utilization was in excess of 70%, and that it expected the mill to be profitable within the year.[129] However, in Q4 2012, Olam stated that it had only attained 50% capacity utilization in the first three months of production, and that the mill was profitable. Claims that the mill ramped up to 70% full capacity utilization are already impressive, but questionable. If the total production capacity utilization dropped from 70% at the end of Q3 2012 to only 50% over the first three months of operations, this must mean that the first five weeks of Q4 2012 were running at less than about 36.5% capacity utilization. In production operations such as milling, economies of a scale are the key to profitability. Cutting production capacity by half should not boost profitability in a brand new flourmill. These reports defy basic logic. We believe that the Company made a reporting error at best.

Olam has also announced that it will increase its planned investment in Ghana by a prudent 5x – from US$90 million to US$450 million.[130]

Underwater on the Nasarawa Rice Farm

In 2011 Olam initiated a greenfield rice farm in Nasarawa State, Nigeria. Per Olam's announcement, this is a 6,000 hectare, US$49.2 million project.[131] However, an African

[127] Olam, Press Release, February 11, 2010, US$:SGD as of February 11, 2010.
[128] Olam, Press Release, February 27, 2012, US$:SGD as of February 17, 2012.
[129] Olam, 3Q12 financial statement, p. 19.
[130] February 27, 2012 news release.
[131] http://olamonline.com/olam-to-invest-us49-2-million-in-a-greenfield-fully-integrated-mechanised-and-irrigated-rice-farming-and-rice-milling-facility-in-nigeria-3. Numerous media reports cover this investment as being 10,000 Ha and $90 million dollars and typically include quotes on the project contents

press report states the project is 10,000 hectares for US$90 million.[132]

Little Evidence of Risk Management

On December 1, 2011, Olam announced a new 6,000 Ha greenfield state-of-the-art rice farm in a remote, difficult to access section of Nasarawa State, Nigeria, with a total investment projected to be US$49.2 million).[133] The Company intends to invest heavily in mechanization and support the farm operation with a new rice mill. The Company expects that at its peak the farm will produce two annual crops per year yielding five MT/Ha/Harvest each, with a total crop of 60,000 MT. After milling, this will be converted into 36,000 MT per year of rice.

This farm is located in a flood plain, known locally as a 'fadama'[134] Flood plains by definition are broad, flat areas of land frequently inundated by floods. In Nigeria, floods are the most common and widespread of all natural hazards.[135] Prior to this flood, Nigeria had experienced severe floods in 2001, 2003, 2007, 2009 and 2010. **Out of Nigeria's Top 10 worst natural disasters, there are nine floods.**[136] Nasarawa State, where the farm is located, experienced major floods in 1996, 1999, 2000, 2002 and 2004.[137] We question the wisdom of such large investments in a region that experiences an intense rainy season, chronic flooding, and suffers from an underdeveloped system of infrastructure.[138]

This September, Nigeria experienced heavy rainfall, which caused widespread flooding and massive damage, submerging most or all of Olam's Nasarawa rice farm. Compounding the flooding downstream, the Nyos dam was opened to prevent it from collapsing. The Nyos Dam, in Western Cameroun, controls water flow into the Benue, one of Nigeria's two major rivers. Olam's farm is located along the Benue. A 2005 UNDP report predicted that the dam was at "a point of potential collapse,'' a failure that could release up to 55 million cubic feet of water downstream into Nigeria.[139]

Olam has said that only the first phase of the project had been initiated, that it involved only 1,000 Ha, and that the crop had been planted just one month before the flooding. Since that time, exact estimates of the farm area destroyed have varied from 500 to 1,000 Ha. The total impact is yet to be announced, and management did not disclose any detail

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from Project Manager Regi George. We question how it could be that the locals have one story and investors another?

[132] http://afrimoney.com/2012/05/nigeria-nasarawa-to-sign-pact-with-olam-on-rice-farming/

[133] http://olamonline.com/olam-to-invest-us49-2-million-in-a-greenfield-fully-integrated-mechanised-and-irrigated-rice-farming-and-rice-milling-facility-in-nigeria-3

[134] http://allafrica.com/stories/201205290639.html

[135] The Nigerian National Emergency Management Agency notes that "at times floods are caused by collapse of dams," " even the northern parts of the country that have less rainfall are also prone to annual flood" and suggest that citizens "avoid building in a flood plain." www.nema.gov.ng/emergency-zones/floods.aspx

[136] http://www.preventionweb.net/english/countries/statistics/?cid=126

[137] http://www.ajol.info/index.php/jasem/article/view/17327/62979

[138] http://www.nasarawastate.com.ng/index.php?option=com_content&view=article&id=24&Itemid=34

[139] http://www.channelstv.com/home/2012/09/28/over-a-million-nigerians-will-die-if-nyos-dam-should-collapse-says-nema/

in its 1Q2013 financial statement. However, our field team visited the site in early October and reported extensive damage throughout the community and the region. The photograph below depicts one of Olam's rice fields still submerged, more than two weeks after the flood.

Olam's Nasarawa rice farm (approximate location) along the Benue River.

A photograph from Olam's Nasarawa rice farm, taken in October 2012

Is Olam Massively Overpromising?

Olam claims that this farm will be able to produce 10 MT/ha of rice per year via two crops of five tons each.[140] We consulted two Africa-based agriculture experts, including one who specializes in rice, to learn whether this target is realistic. We learned that in the developing world, annual rice yields are generally two to four MT/ha. In the developed world, the best annual yields are generally seven to eight MT/ha. These figures are both based on one crop cycle per year. It is theoretically possible to have two crops per year in Nigeria, each of five MT/ha. However, this apparently requires near flawless planning, execution, and very cooperative weather conditions. Olam and other companies have engaged in testing new agricultural techniques in Nigeria, but with mixed results.[141]

We believe it is extremely unlikely Olam can achieve the targeted production levels, especially across the full 6,000 Ha. If the announced IRR of 28%[142] is indeed based on the 10 MT/Ha yield, then we believe this project will fail to achieve its objectives.

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[140] Olam December 2011 press release.

[141] Developing the rice industry in Africa, Nigeria assessment, July 2012, Bill & Melinda Gates Foundation.

[142] Olam, Press Release, December 1, 2011

Kayass Sowing Chaos

Olam's purchase of Kayass Enterprises just before the close of FY2012 is worrying, and its projections for the business approach the absurd. Kayass appears to be insolvent and is losing substantial amounts of money. In fact, its CY2011 operating loss was almost one-third of its revenue, and its after tax loss was almost 70% of revenue!

Olam reported to investors that it acquired Kayass for S$84.2 million (US$66.5 million) on June 7, 2012. Based on the CY2011 financials (shown below), it appears Olam assumed all of Kayass's liabilities as the consideration. However, this seems to be a reckless thing to do, considering Kayass's total assets were only S$61.8 million as of CY2011. Further, Kayass's interest expenses are roughly 20% of its average 2011 debt.

Olam says it expects to earn an equity IRR of 35% on Kayass.[143] Can Olam even make such a projection (along with a 20% EBITDA margin by FY2016)[144] in good faith?

Once again, we are left to conclude that Olam wants assets at almost any price:

Kayass / Ranona Balance Sheet

	NGN		SGD	
	CY 2011	CY 2010	CY 2011	CY 2010
Fixed Assets	6,260,514,634	6,727,215,170	50,008,864	56,799,946
Non Current Assets	123,229,595	8,562,467	984,356	72,296
Current Assets	1,347,793,908	1,828,918,835	10,766,150	15,442,124
Total Assets	**7,731,538,137**	**8,564,696,472**	**61,759,370**	**72,314,365**
Current Liabilities	2,513,360,701	3,932,498,472	20,076,674	33,203,293
Other Liabilities	26,278,022	25,519,728	209,908	215,471
Term Loans	7,138,310,376	4,311,879,643	57,020,678	36,406,525
Advances from Directors	618,099,765	614,099,765	4,937,368	5,185,033
Total Liabilities	**10,296,048,864**	**8,883,997,608**	**82,244,629**	**75,010,323**
Shareholder's Equity	**(2,564,510,727)**	**(319,301,136)**	**(20,485,260)**	**(2,695,958)**

Source: Ranona Ltd. audited financials (Ranona Ltd. is the operating subsidiary of Kayass)

143 http://olamonline.com/olam-international-acquires-kayass-enterprises-dairy-products-and-beverages-business-in-nigeria-for-us66-5m
144 Id.

Kayass / Ranona Income Statement				
	NGN		SGD	
	CY 2011	CY 2010	CY 2011	CY 2010
Turnover	3,229,859,779	2,391,854,494	26,035,583	21,559,900
Cost of Sales	2,879,912,043	2,697,320,642	23,214,689	24,313,336
Gross Profit	349,947,736	(305,466,148)	2,820,894	(2,753,437)
SG&A	1,391,036,820	639,886,313	11,213,011	5,767,861
Net Loss before Other Charges	(1,041,089,084)	(945,352,461)	(8,392,117)	(8,521,298)
Interest Charges	(1,172,004,255)	(721,845,871)	(9,447,411)	(6,506,635)
Other Income	(28,331,937)	(55,936,860)	(228,381)	(504,208)
Exceptional Loss	(139,371,553)	(55,395,200)	(1,123,460)	(499,326)
Loss before Taxation	(2,380,796,829)	(1,778,530,392)	(19,191,370)	(16,031,467)
Taxation	135,836,652	84,728,065	1,094,966	763,729
Loss after Taxation	**(2,244,960,177)**	**(1,693,802,327)**	**(18,096,404)**	**(15,267,738)**

Source: Ranona Ltd. audited financials (Ranona Ltd. is the operating subsidiary of Kayass)

Shouldn't China be Easier than Africa?

Four of the China initiatives Olam has announced in the past six years either never got off the ground, or have been significantly scaled down or wound up. These presumably small, manageable operations should have been easy for Olam to at least maintain, if not expand. Olam's repeated failure to manage small projects provides investors vital clues about its ability to manage more complicated and expensive projects.

Between FY2006 and FY2007, Olam started three 100% owned subsidiaries in China, Olam Shanghai Limited for S$S1.59 million, Olam Shandong Limited for S$2.22 million, and Olam Dalian Limited for S$795,000. All three companies had exactly the same stated principal activities: sourcing, processing, packaging and merchandising of agricultural products.

The quality of Olam's business decisions is evident: Olam Dalian was deregistered during FY2009. The Olam Shandong operation is selling its factory and other assets in Jiaozhou, as its management is no longer interested in processing peanuts.[145] Olam Shanghai is still operating.

On February 7, 2007, Olam announced two joint ventures with Chinatex, a state-owned commodity trader. The joint ventures were a S$21.1 million deal for a 35% stake in Chinatex subsidiary CTGO related to soybean sourcing and processing, and a 50:50 domestic China cotton joint venture, which according to the Olam press release, would conduct "sourcing, ginning, inland logistics, distribution and risk management for the domestic cotton market. As part of the transaction, the parties also propose to enter into a

[145] http://www.xiemaowang.com/detail/56313630210.html)

preferential purchase arrangement, whereby Olam could supply 30% of Chinatex's annual cotton imports, on a competitive basis."[146] This deal was supposed to close in six months and per Olam, "The Oilseed and Cotton joint ventures are expected to be earnings and value accretive from the first year onwards."[147]

However, the CTGO announced deal fell through after Olam experienced delays in obtaining government approval to conduct business with a State Owned Enterprise in China.[148] We are skeptical that this would be the case, given that the joint venture does not appear to be in a politically sensitive industry. We believe that the other Chinatex joint venture fell through as well.

Oops – Queensland Cotton Holdings Loses a Key Supplier

Between June and October of 2007, Olam acquired the publically traded Australian company Queensland Cotton Holding (QCH) for a total consideration of A$166.5 million (US$136.3 million),[149] which was approximately 24.2x TTM PAT. (PAT for the year ended February 28, 2007 was down 47% YoY.[150] PAT had been quite volatile for this business.) QCH markets and gins several commodities, including grains, wool, cotton, almonds and pulses. To acquire this company, Olam raised its offer twice, eventually bidding A$5.90 per share to beat Louis Dreyfus's final offer of A$5.85 per share.[151] Olam paid a 76.1% premium to QCH's A$3.35 share price the day before the announcement.[152]

The year before this acquisition, QCH had purchased a collection of assets from Twynam Holdings, including a cotton farm, several cotton gins, and the rights to gin and market Twynam cotton over five to six years for US$25 million.[153]

However, Twynam appears to have changed its mind about wanting to sell cotton to QCH. After Olam bought QCH, Twynam seemed to surprise Olam by selling its water rights back to the federal government.

Twynam's water rights sale appears to have significantly diminished the value of QCH. That Twynam would do this so soon after Olam bought QCH, and that Olam appeared to have no legal recourse against Twynam, is another example of poor quality due diligence efforts by Olam's management.

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146 http://olamonline.com/wp-content/uploads/2011/12/20070207_release.pdf
147 http://olamonline.com/wp-content/uploads/2011/12/20070207_release.pdf
148 http://olamonline.com/wp-content/uploads/2011/10/fin_present_2q2008.pdf
149 http://olamonline.com/wp-content/uploads/2011/12/20070622_offer.pdf
150 http://www.smh.com.au/news/Business/Drought-cuts-Qld-Cotton-profit-in-half/2007/04/27/1177459948727.html
151 http://www.bloomberg.com/apps/news?pid=newsarchive&sid=ajTgMOwQvAQ4
152 http://olamonline.com/wp-content/uploads/2011/12/20070307_release.pdf
153 http://business.highbeam.com/436240/article-1G1-140974794/queensland-cotton-acquire-twynam-group-gins

Gabon Urea Fertilizer Project – Just a Load of Fertilizer?

If Olam were our child, we would of course encourage it to think it could do anything. When it got discouraged, we'd read to it "The Little Engine that Could" and tell it that if it works hard, it can be an astronaut someday. But Olam is not a child – it is a public company. And we cannot tell it that it just has dare to dream in order to pull off the Gabon fertilizer project when – to our minds – it lacks the capability to do so.

Olam's planned urea joint venture fertilizer plant in Gabon created a good deal of excitement among investors. However, we are skeptical that it will live up to expectations – let alone that will ever be commissioned. The issues we see with the project are:

- As we show in this report, Olam is a poor planner and executor of far simpler projects than this one.
- The lack of demonstrable progress and unnerving silence by Tata Chemicals are early warning signs that the project might not advance.
- The apparent government supply contract at preferential prices has potential issues, including:
    - the gas provider appears to actually be a private business, rather than the government; and
    - the amount of supply in question would equal 75% of Gabon's proven gas reserves, and the prorated annual supply to the plant would consume 30% of Gabon's current annual gas output.

In November 2010, Olam announced a joint venture with the government of the Republic of Gabon ("RoG") to build a US$1.3 billion urea based fertilizer plant.[154] Olam was to own 80% of the project, and RoG 20%. In April 2011, Olam announced that Tata Chemicals will take a 25.1% stake in the project for approximately US$290 million at a premium to the valuation at which Olam is contributing its share.[155] The remainder of the project is supposed to be financed mainly by US$146 million equity from Olam and approximately US$845 million of debt.[156] At the time of the Tata announcement, Olam immodestly projected that its equity IRR on the project will go from over 30% to over 50%.[157]

In the two years since the announcement there has been little progress, although Olam claims to have spent approximately US$52 million in FY2012 on site preparation.[158] As of March 21, 2012, Technip, the company hired to design and build the factory stated it

[154] Olam November 13, 2010 press release.
[155] http://olamonline.com/wp-content/files_mf/1321959233gabon_jvanalyst_ppt_12apr2011_masnet_readonly.pdf
[156] http://olamonline.com/tata-chemicals-to-invest-us290m-for-25-1-stake-in-olam-and-the-republic-of-gabons-urea-manufacturing-project-in-gabon
[157] http://olamonline.com/wp-content/files_mf/1321959233gabon_jvanalyst_ppt_12apr2011_masnet_readonly.pdf
[158] Analyst reports.

was helping Olam raise the money.[159] This could indicate that one of the issues is financing. Along those lines, Tata has not yet invested in the venture. During Olam's Q1 2013 analyst briefing, Olam stated that Tata would be investing in March 2013. An analyst who covers Tata said that Tata would not comment on Olam's statement. However, Tata apparently confirmed that there has been no financial closure on the project, and that no company had been awarded the turnkey contract. (Technip's current position is therefore unclear to us.)

Because Olam has demonstrated issues in planning and executing far simpler projects, we do not preclude that the delay is due to a non-financing related issue.

One of the core rationales of the project is questionable. Olam announced that it had entered into a "definitive" gas supply contract with the RoG (emphasis added):

> "Pursuant to this Agreement, the Company is pleased to announce that it has now signed the Implementation and Assignment Agreement and **Definitive** Gas Supply contract with RoG for a cumulative quantity of **0.75 trillion cubic feet** of natural gas for this phase of the Project for a period of 25 years at a **competitive fixed price**."[160]

We suspect that the RoG does not actually own the gas supply, as we had seen references on the World Bank IFC projects website to the fact that the natural gas is to be supplied to the plant by a local gas provider.[161] We have spoken to investors and analysts who have spoken with the company. We have yet to hear anything but very convoluted explanations, including that private parties own the gas and the RoG has a back to back contract with them and that the RoG is looking to buy back the gas from the private operators and become the sole marketer for the gas. There is also the suggestion that there is a law pending in Gabon's parliament to authorize the government to take these actions. Still confused? So are we. We call upon the Company to disclose more information about the contract with the RoG, and the stability of the gas price and to clarify the question on ownership.

The gas quantity guarantee also raises issues. Olam's announcement states the RoG will be providing a gas contract for a quantity of "0.75 Trillion cubic feet of natural gas." We question whether such an amount is available over 25 years. The US Department of

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[159] http://www.technip.com/sites/default/files/technip/publications/attachments/2011_references_VA.pdf p. 40.

[160] http://olamonline.com/olam-international-announces-the-signing-of-the-implementation-and-assignment-agreement-and-definitive-gas-supply-contract-for-its-proposed-fertiliser-project-with-the-republic-of-gabon

[161] See http://www.ifc.org/ifcext/spiwebsite1.nsf/651aeb16abd09c1f8525797d006976ba/11b4cdbae2d9255d85257ab60016999b?OpenDocument. According to the World Bank, the project will have a natural gas demand of up to 3,000,000 m3/day of gaseous natural gas which is expected to be supplied to the plant by a local gas provider. Currently details related to the route, distance, and construction responsibility of the pipeline have not been finalized. GFC is committed to assessing impacts and appropriate mitigation of those impacts, and to provide this information to IFC once completed and prior to the beginning of any activity related to the construction of the pipeline.

Energy estimates that Gabon has only one trillion cubic feet of proven natural gas reserves, making the guarantee equivalent to up to 75% of this estimate of its proven reserves.[162] Gabon's annual natural gas output is only 73 billion cubic feet per year.[163] On an annualized basis over 25 years, this commitment is about 30% of annual production.

We wonder whether the project has lost one of its key rationales – particularly from the Tata point of view – because of the massive and cheap natural gas supply that has come online in North America due to hydraulic fracturing (fracking). The North American market seemed to be one of the key markets for the proposed Gabon plant. Olam's initial 2010 announcement presentation slides 21 and 22 focused on the US as an export market for the fertilizer. [164] Since the initial announcement of the project, the natural gas extraction technique known as fracking has made it clear that the US will become the world leader in natural gas production, driving down gas prices and making US or North American urea production economical.

One of Tata's competitors, the Indian Farmers Fertilizer Cooperative ("IFFCO"), recently announced it was entering into a joint venture in Canada to supply urea fertilizer to North America and India.[165] North America is a net importer of urea fertilizer presently; but, it is conceivable that it could quickly become an exporter. The following excerpt from a Reuters article on the IFFCO project is ominous for the Gabon project:

> "The U.S. imports more than two-thirds of its urea production, but still, if all the rumored projects became reality North America would quickly have a surplus, said David Asbridge, president of NPK Fertilizer Advisory Services."[166]

A document that the International Finance Corporation ("IFC") recently, and briefly, published on its website raises even more questions about the Gabon project. Although the document, which is dated November 7, 2012, is no longer available on the IFC website, it is accessible by Google's Web Cache.[167] The document is a summary of a proposal for the IFC to provide a US$150 to US$200 million senior loan. The summary states that Olam owns 78% of the project, RoG 12%, and Tata only 10%, which contradicts our understanding of the deal terms. If this document is correct, then Olam's overall exposure is barely reduced by Tata's participation – only the RoG's is. The document also states that the estimated cost is US$1.5 to US$2.0 billion, which is higher than Olam has previously disclosed. This document indicates that Olam could be on the hook for substantially more cash (and risk) than it previously disclosed.

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162 http://www.eia.gov/EMEU/cabs/Gabon/pdf.pdf
163 Id.
164 http://olamonline.com/wp-content/uploads/2011/12/nov152010-gabon_fertilizer-ppt.pdf
165 http://in.reuters.com/article/2012/10/09/india-iffco-canada-nitrogen-urea-idINDEE8980B420121009
166 http://in.reuters.com/article/2012/10/09/india-iffco-canada-nitrogen-urea-idINDEE8980B420121009
167 http://webcache.googleusercontent.com/search?q=cache%3Ahttp%3A%2F%2Fwww.ifc.org%2FIFCExt%2Fspiwebsite1.nsf%2FDocsByUNIDForPrint%2FE9FB1D887CE8B86985257AAF0070183B%3Fopendocument&aq=f&oq=cache&sugexp=chrome,mod=5&sourceid=chrome&ie=UTF-8

Viewing Olam through the Enron Lens

Enron offers a useful perspective by which to evaluate Olam. While both companies married trading businesses to "asset heavy" production and distribution businesses, the similarities are more than skin-deep. Both companies appear to have tried to scale their trading businesses too far and too fast, which resulted in substantial cash burns. Enron's CapEx binge produced some awful results. Our view is that Olam's CapEx is "off-the-rails" and destroys significant value. Enron's CEO, Jeff Skilling, departed just as the market was becoming aware of critical problems in its business. The June 2012 departure of Olam's long-serving CFO for a Riyadh, Saudi Arabia job might have portended a similar fate for Olam. Both Enron and Olam have made significant use of non-cash accounting gains that turn theoretical future profits into gains today, but incentivized the companies to make questionable investments that generate accounting profits. Both companies have demonstrated considerable antipathy toward their critics, which is often a sign of insecurity – it certainly was in Enron's case. Enron prided itself in being an ethical company; but, it became clear in its aftermath that it was anything but. Olam trumpets its ethics as well, but there are possible cracks in that veneer.

Both Olam and Enron appear to have scaled their trading businesses too far, and too fast. In Enron's final full year of operations before collapsing, it grew its trading revenue by 150%.[168] Trading businesses are generally low margin, and are capital intensive due to inventories and accounts receivable. When growing a trading business rapidly, a company will generally burn a lot of cash. At the end of the day, it is cash – and not purely accounting profits – that businesses exist to generate.

There is also a limit to how quickly you can grow any business – let alone for a commodity trader. If you have a leading position in supplying cashews, you can grow in-line with the market, or even take some market share from competitors. But if the latter is the case, how are you doing it? Are you discounting or offering better terms (both damaging to cash flow)? Are you executing that much better than your competitors, even though the industry is mature? The bottom line is that one should not expect to grow trading in a given commodity much more rapidly than demand for that commodity is growing.

You can move into other commodities, but that generally only makes sense if there is not a lot of established competition in that commodity, or you have an inherent advantage that you can transplant to that commodity. Olam states that it has inherent advantages that it can "repeat" across "adjacent" commodities. Its "repeatable" model is buying from the farm gate, rather than the port. This sounds good, but it is really just a transfer of risk from the intermediary traders to Olam. This can work well if Olam manages the risk, but we suspect risk management is little more than a hollow phrase at Olam. A company with internal accounting systems apparently this poor, and that is growing its trading volumes this rapidly, is highly unlikely to be able to manage these risks. If other trading firms, such as ADM, Cargill, and Noble are not buying from the farm gate, it is not because they failed to think of it.

[168] Including sales of power contracts.

In our view, it takes a lot of discipline to be a public trading company. The antithesis of this discipline is to set a PAT growth target of approximately 200% over four years. But Olam top management owns a significant number of Olam shares, just as Enron management had significant stock options. The interim result in both cases is high debt levels and substantial cash burns.

Enron's CapEx binge seems to have been spread over fewer projects than Olam's. Despite the presumably greater concentration of management attention Enron's international CapEx projects could command, some of them did famously poorly. Olam is a different company obviously, but the myriad CapEx problems we identify in this report indicate that Olam is replicating Enron's lack of success. Enron had the advantage that it was initially an asset heavy company (it owned and operated pipelines). Olam is new to this. Rather than Olam making fewer and higher quality acquisitions, it seems to generally be purchasing troubled businesses. It has demonstrated no acumen for turning operations around – in fact, SK Foods gives the opposite impression. As the Crown Flour Mill acquisition shows, the reality of Olam's asset acquisitions can vary greatly from the hype. We have every reason to expect that Olam's CapEx binge will end disastrously.

It quickly became clear after Enron collapsed that CEO Jeffrey Skilling's unexpected departure months earlier was a sign of the Company's intractable problems. It is possible that the same will be said about the apparently unexpected June 2012 resignation of Olam's then-CFO, Krishnan Ravi Kumar. Mr. Kumar left Olam to join Saudi Telecom in Riyadh, Saudi Arabia. Mr. Kumar had headed Olam's corporate finance and treasury function for almost 20 years.[169] We understand that some analysts were surprised by Mr. Kumar's departure, and some thought Mr. Kumar could have been next in line to run Olam.

Olam announced Mr. Kumar's resignation on June 20, 2012. Between June 6, 2012 and June 26, 2012, Olam purchased 52.2 million of its shares at a total cost of S$95.5 million.[170] Olam bought 31.2 million of these shares (59.8%) subsequent to the announcement.

This report extensively covers Olam's use of non-cash accounting gains to book theoretical future profits in present periods, and the unhealthy incentives that creates. We will not repeat that discussion. What is worth noting is that Enron's use of "mark to model" accounting, which accomplished much the same thing (i.e., estimating future economic benefits, and then booking present gains based on the estimates), was likely integral in its failure. Enron employees joked that they were encouraged to spend $10 in cash to buy $5 of accounting profits. Given our opinion that Olam management lacks the discipline necessary to prudently manage its trading business, and the numerous CapEx issues we have detailed in this report, it seems reasonable to conclude that Olam is caught in the same vicious cycle.

[169] http://olamonline.com/olam-international-announces-senior-management-changes-2
[170] Source: Bloomberg.

Both Enron and, in our view, Olam betrayed their substantial insecurity in their reactions to critics. Jeff Skilling famously called a presumed short seller an "asshole" on a conference call after the investor questioned why Enron was always unable to produce a balance sheet with its earnings announcement. When a former CLSA analyst published a report in February 2011 criticizing Olam's accounting practices, the Company publicly responded forcefully, despite having a policy of not commenting on analyst coverage.[171] The analyst left CLSA soon thereafter. (As we discuss in this report, we believe that the response did not sufficiently address the analyst's concerns.)

We now have a first hand perspective on how deep Olam's antipathy toward critics goes. Olam has purportedly filed suit against Muddy Waters and Carson Block for the 15-minute talk on Olam he gave on November 19, 2012 at the Ira Sohn conference in London. According to articles, the suit includes a request for an injunction against further public discussion of Olam. There are several examples of better known investors discussing in greater length and detail (and who released slides) discussing negative theses on companies they are short at Ira Sohn and similar conferences. They have seldom – if ever – drawn lawsuits from these companies. Yet it apparently took Olam all of three days to file a suit. During the past week, Olam has had two conference calls, and has been very active in the media attempting to impugn our credibility – despite it evidently having little idea what Mr. Block said or thinks. Olam is hardly the picture of confidence. It is clear to us that it desperately wants to prevent us from releasing our research. Oh well.

Both companies prided themselves on being ethical companies. One of the truisms we have found in business and life is that the louder one states he is ethical, the less likely that is to be true. Truly upstanding people and companies generally let their actions speak for themselves.

Enron's hypocrisy is clear. It had a 62-page code of ethics it gave to employees[172] – at the same time it was manipulating energy markets to cause blackouts in California, burning billions of dollars of investor funds, and committing accounting fraud.

Olam frequently states that it is improving the lives of farmers, employees, and others in the developing world – its website prominently features a ten-page "Livelihood Charter" that describes Olam's efforts to improve the lives of rural communities in the developing world.[173] Olam publishes an annual "Sustainability Report" – the 2012 version is 42 pages long.[174] Yet, there are newspaper and non-governmental organization reports alleging various abuses by Olam, including being a "Congo-trashing company" by engaging in illegal logging and land grabs;[175] [176] failing to pay taxes;[177] corrupting

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[171] http://olamonline.com/wp-content/uploads/2011/12/feb232011-clarificationstoclsareport.pdf
[172] The full code is available for download at http://bobsutton.typepad.com/files/enron-ethics.pdf
[173] http://olamonline.com/wp-content/files_mf/1335955044OlamLivelihoodCharter2012.pdf
[174] Ironically, Olam provides investors with glossy versions of this report printed on high quality paper: http://olamonline.com/wp-content/uploads/2012/10/CRS-2012-Report_Olam.pdf
[175] http://www.redd-monitor.org/2012/10/05/alarm-bells-ringing-olam-international-and-redd-in-the-republic-of-congo/

Laotian officials in order to seize ancestral land from villagers in order to plant coffee plantations;[178] and depriving cashew processing factory employees in Mozambique of toilets and minimum wages.[179] These are only allegations, but if they are true, then Olam would appear to be a hypocrite as well.

Particularly in response to the Ira Sohn talk, Olam is emphatically emphasizing its ethics and integrity. Sunny Verghese recently stated "All that we know is that we run a clean and honest business and we are completely and utterly confident of that. Our auditors are confident of that. Our board's audit committee is confident of that. Our whole board and management team is confident of that.".[180] Confidence is not certainty.

Valuation

Our recovery model shows that recoverable assets for unsecured creditors of Olam would be 45.8 cents on the dollar. Because of the lengthy bankruptcy process in Singapore, and an expected required IRR of 15% on a distressed bond purchase, we believe the fair price for Olam's unsecured obligations is 14 to 33 cents on the dollar, depending on recovery times. Based on our conversation with expert liquidators in Singapore, and recovery statistics from the World Bank, the time that creditors have to wait to actually get control of assets could be as long as seven years, which leads to our 14 cents on the dollar downside scenario. A breakdown of all our assumptions is provided in the Appendix.

We believe that we have been generous in our estimates. Despite the plethora of accounting red flags we came across, we chose to give full credit for cash balances and other current assets for the purposes of this recovery analysis.

Due to lack of disclosure, the composition of balance sheet items in our recovery model is based on the annual report.

28.5% of Olam's PP&E is actually capital work-in-progress. As is evidenced in this paper, Olam has a track record of adopting risky, costly projects that appear to go nowhere. We believe that recovering capital work-in-progress, like part-built pieces of an export zone, and wasted spending on many projects yet to materialize years later will have a recovery of approximately 10%.

While some of the machinery may be valuable, the majority of it is in third-world countries, where it can be easily stripped and sold by unscrupulous employees, or lack of proper maintenance could ruin it. The four to five year wait for litigation likely means that most of this equipment will allow creditors to realize a small percentage of the present value—our estimate is 12.5%. We do however give credit for freehold land holdings and even leasehold land and buildings, and are assuming 95% recovery.

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[176] http://www.wrm.org.uy/bulletin/180/Gabon.html and http://gabonenervant.blogspot.com/2012/05/danger-of-olams-land-grab-in-gabon.html
[177] http://www.greenpeace.org/international/en/news/features/world-bank-congo-forest_300807/
[178] http://www.corpwatch.org/article.php?id=15736
[179] http://allafrica.com/stories/201105310708.html
[180] http://www.ft.com/intl/cms/s/0/2114ef1c-36b3-11e2-a90e-00144feabdc0.html#axzz2DLeWvu3B

Although we suspect Olam could be overpaying for land in frontier markets, we assumed a 95% recovery with the 5% deduction to account for selling costs. All in, we believe that bondholders can expect to recover 42% of the PP&E recorded on Olam's balance sheet.

Based on our research, there are only two items of any real value in the intangibles: the OK Foods brand (which makes up S$110 million of the S$115 million in brands on the balance sheet) and water rights in Australia. OK Foods has moderate market share in Nigeria, and it is possible that a large food company could find value in it. We valued Olam's water rights at the most recent transaction price we could find, and found that they have declined significantly from the time of acquisition, due to Olam buying during a drought at the peak of the market. We believe that items such as goodwill and forestry concession rights have no value.

We have detailed biological gains within this report, and it is clearly not appropriate for bondholders to expect to recover the full value of biological assets. Annual crops are defined by Olam as seeds given to farmers:

> "Annual crops consist of seeds for various commodities (cotton, onions, tomatoes and other vegetables) that are given to farmers to sow and grow. Farmers take all the harvest risks and bear all the farming costs. On harvesting of the commodities, the Group has the first right to buy the produce from these farms."[181]

We do not believe these should be accounted for as assets: they are merely agreements with poor farmers. As a result, we believe the recovery on these is zero. Some items will allow bondholders to recover money: livestock in New Zealand and almond orchards. The New Zealand cattle market is fairly transparent, so we incorporated NZFSU's estimate of the value in the recovery model. We think there is a very high probability of Olam being stripped of its assets in Russia in the event of bankruptcy, and we assigned the Rusmolco assets a recovery value of zero. We assigned almonds a recovery rate of 50%: Olam has taken S$194 million of gains in the almond orchards. 50% gives the company some credit that the almonds might be of value. However, if you don't own the land and cannot get to them, then they might not exactly be accessible—as is the situation with Olam's sale-leaseback of its almond orchards.

Olam's jointly controlled entities are primarily operating in the Ivory Coast. Olam has loaned money to these JVs and we expect that creditors will seek to recover funds loaned. The total investment was S$255 million, and the loan was S$152.9 million. We believe it will be difficult to collect on loans made to entities in the Ivory Coast. At best, we think Olam can get 80 cents on the dollar due to its partial equity holding.

Olam has three investments in associates: Open Country Dairy, Pure Circle and New Castle Agri Terminal. Open Country Dairy is impaired as per items in the 2012 annual report.[182] Pure Circle is a listed company, and we valued Olam's share of Pure Circle at a

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[181] 2012 Annual Repport, p. 142 (Note 12).
[182] 2012 Annual Report, p. 149.

20% liquidity discount due to potential weakness in a bankruptcy and underwriting spread from banks placing out the shares. New Castle Agri Terminal is a partially built project and is not operational. A buyer would likely have to spend substantial amounts of money, so we valued it at only 10% of carrying value.

Receivables are pretty straightforward. Muddy Waters has always warned of the difficulty of doing business in emerging markets, and collecting receivables could be very tough. We do not know the Emerging Market vs. Developed Market mix in the Americas or Europe, as the company does not disclose this level of detail. You can see our calculations in the table, but our value is effectively 60 cents on the dollar.

We think inventories are another problem area for bondholders. Years of court battles would make it very difficult to get to inventory which almost entirely sits at the subsidiary level. Because all of Olam's inventory is agricultural products, it is highly likely that there would be significant spoilage during the bankruptcy process. Cotton can be preserved if properly stored, but these inventories are still spread out across emerging markets, just like Olam's receivables. Breaking out recovery rates for different products, we calculated that the total recoverable value would be approximately 38% of the carrying value. We valued supplier advances at zero—we do not believe bondholders will be able to collect from individual suppliers.

Understanding the recovery of inventories is crucial to the Olam recovery analysis, as it is such a huge proportion of the current assets. At the outset, it might seem like recovery should be quite high as Olam classifies roughly 75% of its inventory as "Readily Marketable Inventory" ("RMI"). RMI is defined in the annual report as inventories which are "liquid, hedged, and sold forward". Olam regularly refers to its RMI when discussing "net gearing" so as to appear less geared it actually is.

We believe the inventory could be less liquid than the company portrays to investors because Olam buys most of its inventory at the farm gate, and it is held by local Olam subsidiaries. Roughly 87% of inventory is held at the subsidiary level. We find it hard to believe that a physical product sitting in an emerging market warehouse would be readily liquid at the carrying value which is cost or "fair value" depending on management decides to carry it. Anecdotal evidence from traders that previously worked for Olam in Africa suggests wide bid-offer spreads, and there is no reason to think that Olam would be able to liquidate without taking a significant haircut on the value of its inventories. Additionally, in a liquidation scenario, it would be difficult for a creditor to get to the asset quickly enough to sell it and move the cash up to the parent in a timely manner. Experienced professionals in emerging market recovery scenarios warn that local management faced with an unwinding company will typically liquidate inventory quickly and keep the cash for themselves. It is a mistake to think that holding bonds in Singapore means that one would be able to quickly sell cotton sitting in a Mozambique storage facility at a price equal to last mark, and soon enough to avoid experiencing commodity price risk.

We discussed hedging in greater detail earlier in the report, but it is important to remember that hedges are performed by the parent company, not the subsidiary holding the inventory. Therefore, our Mozambique cotton subsidiary might have a very hard time netting versus a hedge made at the Singapore entity level.

In a liquidation scenario, it would be hard for the creditor to take control a subsidiary located in an undeveloped country with few safeguards for foreign investors, shift the inventory to the parent, and then deliver it into a hedged futures contract. The second choice is that the hedges are also not perfect commodity hedges. Experienced professionals know that different commodities trade at different prices all over the world, and that the correlations are not always strong enough to truly offset risk or even to really net out the balances.

Being long coffee through a Vietnamese subsidiary and short Chicago coffee futures at the parent still has a lot of basis risk, but we believe that this is the type of position that Olam Management includes in the RMI and presents to investors as easily recoverable. We understand that Olam only hedges using front month contracts, and rolls them as delivery date approaches, at which point it covers the short and sells to the customer. In a liquidation scenario, there is no longer any cash for rolling contracts.

Our analysis of US customs and shipping data show that sales contracts for certain commodities might be inked at a subsidiary that is totally different from the subsidiary holding the inventory. Indian cashews make their way to Olam USA, Olam Vietnam will move goods to Olam India. The sales process is labyrinthine at best. In a liquidation scenario, it would be excruciating to match up these contracts and manage to deliver inventory effectively enough to ensure a high recovery rate for bondholders. In the credit crisis, matching up CDS contracts between counterparties was almost impossible and the collapse of Lehman created total chaos despite having far fewer subsidiaries and far fewer customers. Simply, if the Singaporean entity is in liquidation, who is going to co-ordinate the shipments between entities and movement of goods?

For all of the reasons stated above, we do not believe that RMI is the cash equivalent that management presents to investors. Our recovery assumption for inventory incorporates the risks stated above.

Net derivative assets were S$186 million, however, these include S$322 million in net Level 3 derivatives. Level 3 derivative values are derived from management's models. Combined with the fact that the majority of the derivatives are meant for hedging, there is a large risk to bondholders should Olam declare bankruptcy and cease normal operations. We also built in assumptions for Olam's other current assets.

The total asset amount recoverable comes to S$5.3 billion. This is what the recoverable assets would be worth if recovered right away.

As evidenced by CFM, there are secured loans also guaranteed by the parent. We are unsure as to how much, but there will be secured creditors standing ahead of unsecured bondholders. Based on figures provided in the 2012 AR, priority and secured creditors stand at S$577 million, but this number could be larger when incorporating priority and secured creditors at the subsidiary level.

The balance of the bond valuation comes from simple time value of money calculations. Even though bondholders might get through the courts in Singapore in several years' time, they would then be forced to continue legal battles in the various third world countries where Olam has operations. In two of the biggest areas of investment, Nigeria and Gabon, the World Bank offers the following statistics: the time to recover funds in Nigeria is an average of two years, with recoveries of 28 cents on the dollar; and, the time to recover funds in Gabon averages five years for 15 cents on the dollar.

Olam Appendix: Quarterlies vs. Annuals – Can a Company with Accounts this Inconsistent Really Manage Risk?

Statements of Cash Flows

FY 2005 Comparison - Statement of Cash Flows			
Figures in S$mm	**2005 AR**	**Q4 2005**	**Difference**
Cash Flow from Operating Activities			
Profit before Taxation	**73.8**	**74.9**	**(1.1)**
Adjustments for:			
Share of results from jointly controlled entities	0.0	0.0	**0.0**
Depreciation of PP&E	7.6	7.6	**0.0**
Loss/(gain) on disposal of PP&E	(0.1)	(0.1)	**0.0**
Net measurement of derivative instruments	0.0	0.0	**0.0**
Cost of share-based payment	1.1	0.0	**1.1**
Interest income	(2.1)	(2.1)	**0.0**
Interest expense	51.5	51.5	**0.0**
Operating cash flows before reinvestment in WC	**131.7**	**131.7**	**0.0**
Decrease in amount due from related party	3.0	3.0	**0.0**
Decrease/(increase) in inventories	(541.0)	(541.0)	**0.0**
Decrease/(increase) in receivables	(276.0)	(276.0)	**0.0**
Decrease/(increase) in advance payments to suppliers	(0.8)	(0.8)	**0.0**
(Decrease)/Increase in payables	20.0	20.0	**0.0**
Cash used in operations	**(663.1)**	**(663.1)**	**0.0**
Interest income received	2.1	2.1	**0.0**
Interest expense paid	(47.0)	(47.0)	**0.0**
Tax paid	(5.3)	(5.3)	**0.0**
Net cash flows from/(used in) operating activities	**(713.3)**	**(713.3)**	**0.0**
Cash flows from investing activities			
Proceeds from disposal of PP&E	0.7	0.7	**0.0**
Purchase of PP&E	(25.9)	(25.9)	**0.0**
Investment in jointly controlled entities	(1.4)	(1.4)	**0.0**
(Loan to)/repayment from jointly controlled entities	0.0	0.0	**0.0**
Net cash used in investing activities	**(26.6)**	**(26.6)**	**0.0**
Cash flows from financing activities			
Proceeds/Repayments of loans from banks	505.4	505.4	**0.0**
Repayment of term loan from bank	(0.3)	(0.3)	**0.0**
Decrease in amount due to a corporate shareholder	(1.4)	(1.4)	**0.0**
Repayment of long term loan from a corporate shareholder	(8.6)	(8.6)	**0.0**
Proceeds from issuance of shares	245.4	245.4	**0.0**
Expenses on issuance of ordinary shares	(10.9)	(10.9)	**0.0**
Dividends paid on ordinary shares by the Company	(24.3)	(24.3)	**0.0**
(Repayment of)/proceeds from issue of medium term notes	85.8	85.8	**0.0**
Net cash flows from financing activities	**791.2**	**791.2**	**0.0**
Net effect of exchange rate changes on cash & equivalents	**3.9**	**3.9**	**0.0**
Net increase/(decrease) in cash & equivalents	**55.2**	**55.2**	**0.0**

FY 2006 Comparison - Statement of Cash Flows			
Figures in S$mm	**2006 AR**	**Q4 2006**	**Difference**
Cash Flow from Operating Activities			
Profit before Taxation	**96.7**	**96.7**	**0.0**
Adjustments for:			
Share of results from jointly controlled entities	(0.2)	(0.2)	**0.0**
Depreciation of PP&E	12.1	12.1	**0.0**
Loss/(gain) on disposal of PP&E	(0.1)	(0.1)	**0.0**
Net measurement of derivative instruments	(0.5)	(0.5)	**0.0**
Cost of share-based payment	1.7	1.7	**0.0**
Interest income	(11.1)	(11.1)	**0.0**
Interest expense	94.7	94.7	**0.0**
Operating cash flows before reinvestment in WC	**193.4**	**193.4**	**0.0**
Decrease in amount due from related party	0.0	0.0	**0.0**
Decrease/(increase) in inventories	5.1	5.1	**0.0**
Decrease/(increase) in receivables	179.7	192.5	**(12.8)**
Decrease/(increase) in advance payments to suppliers	(69.8)	(69.8)	**0.0**
(Decrease)/Increase in payables	(16.9)	(29.7)	**12.8**
Cash used in operations	**291.5**	**291.6**	**(0.0)**
Interest income received	11.1	11.1	**0.0**
Interest expense paid	(83.5)	(83.5)	**0.0**
Tax paid	(5.7)	(5.7)	**0.0**
Net cash flows from/(used in) operating activities	**213.4**	**213.4**	**(0.0)**
Cash flows from investing activities			
Proceeds from disposal of PP&E	0.7	0.7	**0.0**
Purchase of PP&E	(48.4)	(48.4)	**0.0**
Investment in jointly controlled entities	0.0	0.0	**0.0**
(Loan to)/repayment from jointly controlled entities	(0.6)	(0.6)	**0.0**
Net cash used in investing activities	**(48.3)**	**(48.3)**	**0.0**
Cash flows from financing activities			
Proceeds/Repayments of loans from banks	(142.6)	(142.6)	**(0.0)**
Repayment of term loan from bank	0.0	0.0	**0.0**
Decrease in amount due to a corporate shareholder	0.0	0.0	**0.0**
Repayment of long term loan from a corporate shareholder	0.0	0.0	**0.0**
Proceeds from issuance of shares	0.0	0.0	**0.0**
Expenses on issuance of ordinary shares	0.0	0.0	**0.0**
Dividends paid on ordinary shares by the Company	(33.6)	(33.6)	**0.0**
(Repayment of)/proceeds from issue of medium term notes	217.4	217.4	**0.0**
Net cash flows from financing activities	**41.2**	**41.2**	**(0.0)**
Net effect of exchange rate changes on cash & equivalents	**(26.8)**	**(26.8)**	**0.0**
Net increase/(decrease) in cash & equivalents	**179.6**	**179.6**	**(0.0)**

FY 2007 Comparison - Statement of Cash Flows			
Figures in S$mm	**2007 AR**	**Q4 2007**	**Difference**
Cash Flow from Operating Activities			
Profit before Taxation	**126.2**	**126.2**	**0.0**
Adjustments for:			
Share of results from jointly controlled entities	0.4	0.4	**0.0**
Depreciation of PP&E	17.2	17.0	**0.2**
Loss/(gain) on disposal of PP&E	0.0	(0.1)	**0.2**
Net measurement of derivative instruments	0.2	0.2	**0.0**
Negative goodwill arising from acquisition of subsidiary	(0.2)	(0.2)	**0.0**
Cost of share-based payment	5.6	5.6	**0.0**
Interest income	(11.9)	(8.8)	**(3.1)**
Interest expense	147.1	147.1	**0.0**
Amortisation of intangible assets	0.0	0.0	**0.0**
Operating cash flows before reinvestment in WC	**284.6**	**287.3**	**(2.7)**
Increase in inventories	(143.5)	(143.5)	**0.0**
Decrease/(increase) in receivables	(192.8)	(194.7)	**2.0**
Decrease/(increase) in advance payments to suppliers	(95.0)	(95.0)	**0.0**
Increase in payables	121.1	151.8	**(30.7)**
Cash used in operations	**(25.5)**	**5.9**	**(31.4)**
Interest income received	11.9	8.8	**3.1**
Interest expense paid	(138.7)	(155.5)	**16.8**
Tax paid	(8.3)	(18.7)	**10.5**
Net cash flows from/(used in) operating activities	**(160.6)**	**(159.5)**	**(1.1)**
Cash flows from investing activities			
Proceeds from disposal of PP&E	2.5	1.8	**0.8**
Purchase of PP&E	(45.8)	(43.1)	**(2.7)**
Investment in government security bills	(13.5)	(13.5)	**0.0**
Acquisition of subsidiaries, net of cash acquired	(113.7)	(114.8)	**1.1**
Purchases of available-for-sale financial assets	(81.1)	(81.1)	**0.0**
Investment in jointly controlled entities	(0.8)	0.0	**(0.8)**
(Loan to)/repayment from jointly controlled entities	(9.0)	(9.0)	**0.0**
Net cash used in investing activities	**(261.4)**	**(259.8)**	**(1.6)**
Cash flows from financing activities			
Proceeds from loans from banks	218.2	22.9	**195.3**
Proceeds from issuance of shares on exercise of share options	0.8	0.8	**(0.0)**
Proceeds from issuance of shares on preferential share offer	0.0	0.0	**0.0**
Dividends paid on ordinary shares by the Company	(46.6)	(46.6)	**0.0**
(Repayment of)/proceeds from issue of medium term notes	190.5	404.2	**(213.7)**
Net cash flows from financing activities	**362.8**	**381.2**	**(18.4)**
Net effect of exchange rate changes on cash & equivalents	**(20.6)**	**(23.3)**	**2.7**
Net increase/(decrease) in cash & equivalents	**(79.8)**	**(61.4)**	**(18.4)**

FY 2008 Comparison - Statement of Cash Flows			
Figures in S$mm	**2008 AR**	**Q4 2008**	**Difference**
Cash Flow from Operating Activities			
Profit before Taxation	**165.0**	**165.0**	**0.0**
Adjustments for:			
Share of results from jointly controlled entities	0.2	0.2	**0.0**
Depreciation of PP&E	33.8	33.8	**0.0**
Loss/(gain) on disposal of PP&E	(0.6)	(0.6)	**(0.0)**
Net measurement of derivative instruments	(11.0)	(11.0)	**0.0**
Negative goodwill arising from acquisition of subsidiary	(5.3)	(5.3)	**0.0**
Cost of share-based payment	5.6	5.6	**0.0**
Interest income	(19.6)	(23.5)	**3.9**
Interest expense	201.4	201.4	**0.0**
Amortisation of intangible assets	2.2	1.4	**0.8**
Operating cash flows before reinvestment in WC	**371.5**	**366.9**	**4.6**
Increase in inventories	(456.0)	(456.0)	**(0.0)**
Decrease/(increase) in receivables	(428.3)	(372.6)	**(55.7)**
Decrease/(increase) in advance payments to suppliers	(117.1)	(124.3)	**7.3**
Increase in payables	124.6	114.5	**10.0**
Cash used in operations	**(505.4)**	**(471.5)**	**(33.8)**
Interest income received	19.6	23.5	**(3.9)**
Interest expense paid	(218.8)	(206.2)	**(12.6)**
Tax paid	(7.0)	(12.0)	**5.0**
Net cash flows from/(used in) operating activities	**(711.5)**	**(666.2)**	**(45.3)**
Cash flows from investing activities			
Proceeds from disposal of PP&E	7.0	4.9	**2.1**
Purchase of PP&E	(74.2)	(72.1)	**(2.1)**
Investment in government security bills	13.5	13.5	**0.0**
Acquisition of subsidiaries, net of cash acquired	(162.0)	(217.5)	**55.5**
Purchases of available-for-sale financial assets	0.0	0.0	**0.0**
Investment in jointly controlled entities	(0.1)	0.0	**(0.1)**
(Loan to)/repayment from jointly controlled entities	0.3	0.1	**0.2**
Net cash used in investing activities	**(215.5)**	**(271.1)**	**55.6**
Cash flows from financing activities			
Proceeds from loans from banks	1,110.4	1,159.0	**(48.7)**
Proceeds from issuance of shares on exercise of share options	3.8	3.8	**0.0**
Proceeds from issuance of shares on preferential share offer	303.3	303.3	**0.0**
Dividends paid on ordinary shares by the Company	(54.5)	(54.5)	**0.0**
(Repayment of)/proceeds from issue of medium term notes	(410.8)	(410.8)	**0.0**
Net cash flows from financing activities	**952.2**	**1,000.9**	**(48.7)**
Net effect of exchange rate changes on cash & equivalents	**(48.6)**	**(38.3)**	**(10.3)**
Net increase/(decrease) in cash & equivalents	**(23.4)**	**25.3**	**(48.7)**

FY 2009 Comparison - Statement of Cash Flows			
Figures in S$mm	**2009 AR**	**Q4 2009**	**Difference**
Cash Flow from Operating Activities			
Profit before Taxation	**258.0**	**258.0**	**0.0**
Adjustments for:			
Share of results from jointly controlled entities	(40.4)	(41.1)	**0.7**
Share of results from associate	(0.7)	0.0	**(0.7)**
Inventories written-down/(written back)	11.2	0.0	**11.2**
Allowance for doubtful debt/(written back)	19.4	0.0	**19.4**
Depreciation of PP&E	40.5	40.5	**0.0**
Loss/(gain) on disposal of PP&E	0.9	(0.9)	**1.8**
Gain on convertible bonds buyback	(100.7)	(100.7)	**0.0**
Net measurement of derivative instruments	(61.1)	(33.8)	**(27.3)**
Negative goodwill arising from acquisition of subsidiary	(3.7)	(5.8)	**2.0**
Impairment of assets	14.2	10.8	**3.3**
Cost of share-based payment	4.3	4.2	**0.1**
Interest income	(18.9)	(18.9)	**0.0**
Interest expense	239.2	239.2	**0.0**
Amortisation of intangible assets	2.7	6.1	**(3.3)**
Operating cash flows before reinvestment in WC	**365.0**	**357.8**	**7.2**
Increase in inventories	(187.4)	(162.3)	**(25.2)**
Decrease/(increase) in receivables	217.6	192.3	**25.3**
Decrease/(increase) in advance payments to suppliers	94.6	102.4	**(7.8)**
Increase in payables	142.0	154.7	**(12.8)**
Cash used in operations	**631.6**	**644.9**	**(13.3)**
Interest income received	22.0	18.9	**3.1**
Interest expense paid	(217.4)	(227.6)	**10.2**
Tax paid	(5.4)	(18.9)	**13.6**
Net cash flows from/(used in) operating activities	**430.9**	**417.3**	**13.6**
Cash flows from investing activities			
Proceeds from disposal of PP&E	7.2	15.4	**(8.2)**
Purchase of PP&E	(207.0)	(202.5)	**(4.5)**
Purchase of software	(1.1)	(1.1)	**0.0**
Investment in government security bills	0.0	0.0	**0.0**
Acquisition of subsidiaries, net of cash acquired	(15.9)	(15.9)	**0.0**
(Loan to)/repayment from jointly controlled entities	(251.8)	(0.1)	**(251.7)**
Investment in associate	(75.7)	(100.2)	**24.5**
Investment in jointly controlled entities	0.2	(233.8)	**233.9**
Net cash used in investing activities	(544.1)	(538.2)	**(5.9)**
Cash flows from financing activities			
Proceeds from loans from banks	63.0	62.4	**0.5**
Proceeds from issuance of shares on exercise of share options	3.7	3.7	**0.0**
Proceeds from issuance of convertible bonds	417.4	417.4	**0.0**
Payment on convertible bonds buyback	(110.6)	(110.6)	**0.0**
Proceeds from issuance of shares on preferential share offer	NA	NA	**NA**
Dividends paid on ordinary shares by the Company	(42.8)	(42.8)	**0.0**
Repayment of medium term notes	(131.9)	(131.9)	**0.0**
Net cash flows from financing activities	**198.8**	**198.3**	**0.5**
Net effect of exchange rate changes on cash & equivalents	**18.8**	**24.5**	**(5.7)**
Net increase/(decrease) in cash & equivalents	**104.4**	**101.9**	**2.5**

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FY 2010 Comparison - Statement of Cash Flows			
Figures in S$mm	**2010 AR**	**Q4 2010**	**Difference**
Cash Flow from Operating Activities			
Profit before Taxation	**420.2**	**420.2**	**0.0**
Adjustments for:			
Allowance for doubtful debts	10.1	0.0	**10.1**
Amortization of intangibles + depreciation of PP&E	71.8	71.8	**0.0**
Cost of share-based payment	12.4	12.4	**0.0**
Fair value of biological assets	(54.0)	0.0	**(54.0)**
Loss/(gain) on disposal of PPE	(0.3)	(0.1)	**(0.2)**
Impairment on investment of associate	0.0	0.0	**0.0**
Interest income	(21.7)	(21.7)	**0.0**
Interest expense	227.5	227.5	**0.0**
Inventories written down/(written back)	(0.4)	0.0	**(0.4)**
Net measurement of derivative instruments	(77.9)	(77.9)	**0.0**
Negative goodwill from acquisitions	(118.2)	(89.0)	**(29.2)**
Impairment of fixed assets and intangible assets	4.8	1.4	**3.4**
Share of results from jointly controlled & associates	(12.9)	(12.9)	**0.0**
Share of results of minority interests	0.0	(0.3)	**0.3**
Operating cash flow before reinvestment in WC	**461.3**	**531.3**	**(70.0)**
Decrease/(Increase) in inventories	(621.1)	(637.1)	**16.1**
Decrease/(Increase) in receivables and other current assets	(449.3)	(811.3)	**362.0**
Decrease/(Increase) in advance payments to suppliers	29.4	19.9	**9.5**
(Decrease)/increase in payables and other current liabilities	(58.4)	91.9	**(150.3)**
Cash flow generated from/(used in) operations	**(638.0)**	**(805.3)**	**167.3**
Interest income received	21.7	21.7	**0.1**
Interest expense paid	(200.8)	(238.4)	**37.7**
Tax (paid)/refund	(36.6)	(34.8)	**(1.7)**
Total cash flow used in operations	**(853.6)**	**(1,056.9)**	**203.3**
Cash flow from investing activities			
Proceeds from disposal of PPE	8.1	16.1	**(8.0)**
Purchase of PPE	(171.2)	(65.4)	**(105.8)**
Purchase of intangible assets	(10.9)	0.0	**(10.9)**
Acquisitions	(533.8)	(615.4)	**81.6**
Investment in associates / jointly controlled entities	(94.3)	(85.5)	**(8.8)**
Long term investment	(18.8)	0.0	**(18.8)**
Investment in jointly controlling interest	0.0	0.0	**0.0**
Net cash flow used in investing activities	**(820.9)**	**(750.2)**	**(70.6)**
Cash flow from financing activities			
Dividends paid	(96.1)	(96.1)	**0.0**
Proceeds from borrowings	739.4	821.7	**(82.4)**
Proceeds from medium term notes	125.3	125.3	**(0.0)**
Proceeds from issuance of shares on exercise of share options	11.0	11.0	**0.0**
Proceeds from issuance of convertible bonds	684.8	684.8	**0.0**
Proceeds from issuance of shares for cash	437.4	437.4	**0.0**
Net cash flow from financing activities	**1,901.8**	**1,984.2**	**(82.4)**
Net effect of exchange rate changes on cash & equivalents	**7.9**	**58.2**	**(50.3)**
Net increase in cash & cash equivalents	**235.3**	**235.3**	**0.0**

FY 2011 Comparison - Statement of Cash Flows

Figures in S$mm	2011 AR	Q4 2011	Difference
Cash Flow from Operating Activities			
Profit before Taxation	**510.3**	**510.3**	**0.0**
Adjustments for:			
Allowance for doubtful accounts	7.4	7.4	**0.0**
Depreciation & Amortization	107.6	107.6	**0.0**
Share-based compensation expense	24.0	24.0	**0.0**
Fair value of biological assets	(80.4)	(80.4)	**0.0**
Loss/(gain) on disposal of PP&E	(1.0)	(1.0)	**0.0**
Impairment of investment in associate	35.6	35.6	**0.0**
Interest income	(12.4)	(12.4)	**0.0**
Interest expense	344.4	344.4	**0.0**
Inventories written down, net	23.7	23.7	**0.0**
Net measurement of derivative instruments	(28.1)	(28.1)	**0.0**
Negative goodwill	(79.8)	(79.8)	**0.0**
Share of results from jointly controlled entities and associates	(28.2)	(28.2)	**0.0**
Gain on remeasurement of investment upon business combination	(12.0)	(12.0)	**0.0**
Operating cash flows before reinvestment in WC	**811.1**	**811.1**	**0.0**
Increase in inventories	(1,152.8)	(1,152.8)	**0.0**
Increase in receivables and other current assets	(866.6)	(866.6)	**0.0**
Invcrease in advance payments to suppliers	(11.1)	(11.1)	**0.0**
Increase/(decrease) in margin account with brokers	(360.1)	(360.1)	**0.0**
(Decrease)/increase in payables and other current liabilities	295.7	295.7	**0.0**
Cash flows from/(used in) operations	**(1,283.8)**	**(1,283.8)**	**0.0**
Interest income received	12.4	12.4	**0.0**
Interest expense paid	(306.6)	(306.6)	**0.0**
Tax paid	(45.1)	(45.1)	**0.0**
Net cash flows from/(used in) operating activities	**(1,623.1)**	**(1,623.1)**	**0.0**
Cash flows from investing activities			
Proceeds from disposal of PP&E	11.1	11.1	**0.0**
Purchase of PP&E	(333.8)	(333.8)	**0.0**
Purchase of intangibles	(26.8)	(26.8)	**0.0**
Acquisition of subsidiaries, net of cash acquired	(555.2)	(555.2)	**0.0**
Investment in associate	0.0	0.0	**0.0**
Acquisition of non-controlling interests	(13.6)	(13.6)	**0.0**
Equity contribution by non-controlling interests	17.8	17.8	**0.0**
Net cash used in investing activities	**(900.5)**	**(900.5)**	**0.0**
Cash flows from financing activities			
Dividends paid on ordinary shares by the Company	(53.1)	(53.1)	**0.0**
Proceeds from borrowings, net	1,969.1	1,836.1	**133.0**
Proceeds from issuance of shares on exercise of share options	39.5	39.5	**0.0**
Proceeds from issuance of bonds	328.8	328.8	**0.0**
Proceeds from issuance of shares for cash	241.8	241.8	**0.0**
Proceeds from issuance of shares on preferential share offer	0.0	0.0	**0.0**
Purchase of treasury shares	0.0	0.0	**0.0**
Net cash flows from financing activities	**2,525.9**	**2,393.0**	**133.0**
Net effect of exchange rate changes on cash & equivalents	**(71.1)**	**61.8**	**(133.0)**
Net increase/(decrease) in cash & equivalents	**(68.9)**	**(68.9)**	**0.0**

Balance Sheets

FY 2006 Comparison - Balance Sheet			
Figures in S$ '000s	**2006 AR**	**Q4 2006**	**Difference**
Non-current assets			
PP&E	72,518	72,518	0
Deferred tax assets	4,608	4,608	0
Long term investments	1,611	2,194	(583)
Other receivables	453	0	453
Total	**79,190**	**79,320**	**(130)**
Current assets			
Trade receivables	426,778	426,778	0
Margin accounts with brokers	43,147	43,147	0
Inventories	1,013,904	1,013,904	0
Advance payments to suppliers	160,669	160,669	0
Other receivables	138,622	325,279	(186,657)
Fixed deposits	133,885	133,885	0
Cash and bank balances	162,356	162,356	0
Fair value of derivative financial instruments	199,614	0	199,614
Total	**2,278,975**	**2,266,018**	**12,957**
Current liabilities			
Trade payables and accruals	134,874	134,874	0
Other payables	31,712	232,342	(200,630)
Amount due to bankers	783,312	783,312	0
Medium term notes	352,508	352,508	0
Provision for taxation	13,251	13,251	0
Fair value of derivative financial instruments	213,458	0	213,458
Total	**1,529,115**	**1,516,287**	**12,828**
Net current assets	**749,860**	**749,731**	**129**
Non-current liabilities			
Term loans from banks	(213,330)	(213,330)	0
Medium term notes	(127,681)	(127,681)	0
Total	**(341,011)**	**(341,011)**	**0**
Net assets	**488,039**	**488,040**	**(1)**
Equity			
Share capital	396,954	396,954	0
Reserves	91,032	129,632	(38,600)
Fair value adjustment reserves	0	(41,978)	41,978
Share-based compensation reserves	0	3,378	(3,378)
Non-controlling interest	53	53	0
Total equity	**488,039**	**488,039**	**0**

FY 2007 Comparison - Balance Sheet			
Figures in S$ '000s	**2007 AR**	**Q4 2007**	**Difference**
Non-current assets			
PP&E	129,348	129,348	0
Deferred tax assets	7,762	7,762	0
Long term investments	81,091	83,042	(1,951)
Interest in jointly controlled entities	1,942	0	1,942
Intangible asset	96,203	20,066	76,137
Goodwill arising on consolidation	0	76,137	(76,137)
Other receivables	9,466	9,466	0
Total	**325,812**	**325,821**	**(9)**
Current assets			
Trade receivables	508,193	514,760	(6,567)
Margin accounts with brokers	86,162	79,595	6,567
Inventories	1,163,203	1,163,203	0
Advance payments to suppliers	255,706	255,706	0
Other receivables	199,416	199,407	9
Short term investment	13,461	13,461	0
Fixed deposits	43,372	43,372	0
Cash and bank balances	194,235	194,235	0
Fair value of derivative financial instruments	388,032	388,032	0
Total	**2,851,780**	**2,851,771**	**9**
Current liabilities			
Trade payables and accruals	255,522	255,522	0
Other payables	55,927	55,927	0
Amount due to bankers	545,555	545,555	0
Medium term notes	450,000	450,000	0
Provision for taxation	24,878	24,878	0
Fair value of derivative financial instruments	488,630	488,630	0
Total	1,820,512	1,820,512	0
Net current assets	**1,031,268**	**1,031,259**	**9**
Non-current liabilities			
Term loans from banks	(489,991)	(489,991)	0
Medium term notes	(434,340)	(434,340)	0
Total	**(924,331)**	**(924,331)**	**0**
Net assets	**432,749**	**432,749**	**0**
Equity			
Share capital	397,730	397,730	0
Reserves	34,992	34,992	0
Non-controlling interest	27	27	0
Total equity	**432,749**	**432,749**	**0**

FY 2008 Comparison - Balance Sheet			
Figures in S$ '000s	**2008 AR**	**Q4 2008**	**Difference**
Non-current assets			
PP&E	403,391	403,391	0
Intangible asset	130,259	130,259	0
Deferred tax assets	32,534	36,709	(4,175)
Interest in jointly controlled entities	1,593	321	1,272
Long term investments	24,475	26,768	(2,293)
Other non-current assets	24,408	25,497	(1,089)
Total	**616,660**	**622,945**	**(6,285)**
Current assets			
Trade receivables	724,352	724,352	0
Margin accounts with brokers	254,273	264,038	(9,765)
Inventories	1,790,236	1,790,236	0
Advance payments to suppliers	380,047	380,047	0
Other current assets	292,819	263,985	28,834
Fixed deposits	163,580	163,580	0
Cash and bank balances	175,544	175,544	0
Fair value of derivative financial instruments	1,832,755	1,832,755	0
Total	**5,613,606**	**5,594,537**	**19,069**
Current liabilities			
Trade payables and accruals	519,853	519,853	0
Other current liabilities	51,863	34,904	16,959
Amount due to bankers	1,789,582	1,789,582	0
Medium term notes	70,000	70,000	0
Provision for taxation	24,578	24,578	0
Fair value of derivative financial instruments	2,010,994	2,010,994	0
Total	**4,466,870**	**4,449,911**	**16,959**
Net current assets	**1,146,736**	**1,144,626**	**2,110**
Non-current liabilities			
Deferred tax liabilities	0	(4,175)	4,175
Amount due to bankers	(935,125)	(935,125)	0
Medium term notes	(189,857)	(189,857)	0
Total	**(1,124,982)**	**(1,129,157)**	**4,175**
Net assets	**638,414**	**638,414**	**0**
Equity			
Share capital	704,870	704,870	0
Reserves	(66,456)	(66,456)	0
Non-controlling interest	0	0	0
Total equity	**638,414**	**638,414**	**0**

FY 2009 Comparison - Balance Sheet			
Figures in S$ '000s	**2009AR**	**Q4 2009**	**Change**
Non-current assets			
PPE	533,963	533,962	1
Intangible assets	127,538	127,538	0
Investments in jointly controlled entities	294,407	294,407	0
Investments in assocs	106,520	106,520	0
Long term investment	0	0	0
Deferred tax assets	74,704	74,704	0
Other non-current assets	11,154	23,627	(12,473)
Total non-current assets	**1,148,286**	**1,160,758**	**(12,472)**
Current assets			
Trade receivables	732,500	731,800	700
Margin accounts with brokers	64,839	64,839	0
Inventories	1,966,419	1,952,500	13,919
Advance payments to suppliers	277,683	277,683	0
Cash and short-term fixed deposits	533,818	531,295	2,523
Derivative financial instruments	349,796	336,078	13,718
Other current assets	342,075	344,155	(2,080)
Total current assets	**4,267,130**	**4,238,350**	**28,780**
Total assets	**5,415,416**	**5,399,108**	**16,308**
Current liabilities			
Trade payables and accruals	658,988	653,755	5,233
Margin accounts with brokers	0	0	0
Borrowings	1,869,640	1,838,434	31,206
Medium term notes	128,005	128,000	5
Derivative financial instruments	403,528	402,282	1,246
Provision for taxation	11,410	11,410	0
Other current liabilities	58,595	60,995	(2,400)
Total current liabilities	**3,130,166**	**3,094,876**	**35,290**
Non-current liabilities			
Deferred tax liabilities	62,812	62,812	0
Amounts due to bankers	1,008,312	1,038,995	(30,683)
Medium term notes	0	0	0
Convertible bonds	168,234	168,234	0
Total non-current liabilities	**1,239,358**	**1,270,041**	**(30,683)**
Total liabilities	**4,369,524**	**4,364,917**	**4,607**
Net assets	**1,045,892**	**1,034,191**	**11,701**
Equity			
Share capital	708,586	711,570	(2,984)
Reserves	337,260	322,575	14,685
Non-controlling interest	46	46	0
Total equity	**1,045,892**	**1,034,191**	**11,701**

FY 2010 Comparison - Balance Sheet			
Figures in S$ '000s	**2010AR**	**Q4 2010**	**Change**
Non-current assets			
PPE	1,054,166	1,054,166	0
Intangible assets	341,586	330,730	10,856
Biological assets	181,883	181,883	0
Investments in jointly controlled entities	195,958	195,958	0
Investments in assocs	271,279	290,031	(18,752)
Long term investment	18,752	0	18,752
Deferred tax assets	63,978	64,687	(709)
Other non-current assets	4,161	4,161	0
Total non-current assets	**2,131,763**	**2,121,616**	**10,147**
Current assets			
Trade receivables	976,781	976,709	72
Margin accounts with brokers	152,815	152,815	0
Inventories	2,584,046	2,537,894	46,152
Advance payments to suppliers	237,784	248,539	(10,755)
Cash and short-term fixed deposits	671,543	671,543	0
Derivative financial instruments	657,270	529,943	127,327
Other current assets	392,656	560,406	(167,750)
Total current assets	**5,672,895**	**5,677,849**	**(4,954)**
Total assets	**7,804,658**	**7,799,465**	**5,193**
Current liabilities			
Trade payables and accruals	648,391	659,509	(11,118)
Margin accounts with brokers	0	0	0
Borrowings	2,295,568	2,282,260	13,308
Derivative financial instruments	608,046	573,869	34,177
Provision for taxation	34,920	36,669	(1,749)
Other current liabilities	98,651	125,962	(27,311)
Total current liabilities	**3,685,576**	**3,678,269**	**7,307**
Non-current liabilities			
Deferred tax liabilities	140,861	129,740	11,121
Amounts due to bankers	1,228,312	1,241,618	(13,306)
Medium term notes	249,016	249,017	(1)
Convertible bonds	730,108	730,108	0
Total non-current liabilities	**2,348,297**	**2,350,483**	**(2,186)**
Total liabilities	**6,033,873**	**6,028,752**	**5,121**
Net assets	**1,770,785**	**1,770,713**	**72**
Equity			
Share capital	1,201,581	1,201,581	0
Reserves	570,348	570,276	72
Non-controlling interest	(1,144)	(1,144)	0
Total equity	**1,770,785**	**1,770,713**	**72**

FY 2011 Comparison - Balance Sheet			
Figures in S$ '000s	**2011AR**	**Q4 2011**	**Change**
Non-current assets			
PPE	1,576,715	1,576,715	0
Intangible assets	485,938	485,938	0
Biological Assets	453,168	453,168	0
Investments in jointly controlled entities	411,819	411,819	0
Investments in assocs	0	0	0
Long term investment	0	0	0
Deferred tax assets	43,053	43,053	0
Other non-current assets	10,004	10,004	0
Total non-current assets	**2,980,697**	**2,980,697**	**0**
Current assets			
Trade receivables	1,595,446	1,595,446	0
Margin accounts with brokers	457,133	457,133	0
Inventories	3,584,144	3,584,144	0
Advance payments to suppliers	222,207	222,207	0
Cash and short-term fixed deposits	872,247	872,247	0
Derivative financial instruments	2,310,144	2,310,144	0
Other current assets	558,118	558,118	0
Total current assets	**9,599,439**	**9,599,439**	**0**
Total assets	**12,580,136**	**12,580,136**	**0**
Current liabilities			
Trade payables and accruals	1,095,603	1,095,603	0
Margin accounts with brokers	0	0	0
Borrowings	3,610,043	3,610,043	0
Medium term notes	0	0	0
Derivative financial instruments	2,287,250	2,287,250	0
Provision for taxation	24,762	24,762	0
Other current liabilities	112,306	112,306	0
Total current liabilities	**7,129,964**	**7,129,964**	**0**
Non-current liabilities			
Deferred tax liabilities	177,283	177,283	0
Borrowings	2,970,527	2,970,527	0
Total non-current liabilities	**3,147,810**	**3,147,810**	**0**
Total liabilities	**10,277,774**	**10,277,774**	**0**
Net assets	**2,302,362**	**2,302,362**	**0**
Equity			
Share capital	1,577,110	1,577,110	0
Reserves	668,232	668,232	0
Non-controlling interest	57,020	57,020	0
Total equity	**2,302,362**	**2,302,362**	**0**

Income Statements

FY 2005 Comparison - Income Statement					
Figures in S$ '000s	**Restated**	**2005 AR**	**Difference**	**Q4 2005**	**Difference**
Revenue	3,369,237	3,369,237	0	3,369,237	0
Other income	5,718	13,123	(7,405)	13,123	0
Total	**3,374,955**	**3,382,360**	**(7,405)**	**3,382,360**	**0**
Costs & Expenses					
COGS	(2,635,527)	(2,642,932)	7,405	(2,642,932)	0
Shipping & Logistics	(463,059)	(463,059)	0	(463,059)	0
Commission and claims	(27,822)	(27,822)	0	(27,822)	0
Net gain from changes in fair value of biological assets	0	0	0	0	0
Employee benefit expenses	(51,521)	(50,406)	(1,115)	(50,406)	0
Depreciation	(7,551)	(7,551)	0	(7,551)	0
Net measurement of derivative instruments	0	0	0	0	0
Gain / (Loss) on FX	13,373	13,373	0	13,373	0
Other operating expenses	(77,572)	(77,572)	0	(77,572)	0
Finance costs	(51,485)	(51,485)	0	(51,485)	0
Total	**(3,301,164)**	**(3,307,454)**	**6,290**	**(3,307,454)**	**0**
Share of results from jointly controlled entities & associates	(3)	(3)	0	(3)	0
Profit before tax	**73,788**	**74,903**	**(1,115)**	**74,903**	**0**
Taxation	(7,878)	(7,878)	0	(7,878)	0
Profit for period	**65,910**	**67,025**	**(1,115)**	**67,025**	**0**
Attributable to:					
Owners of the company	65,910	67,025	(1,115)	67,025	0
Non-controlling interests	0	0	0	0	0

FY 2006 Comparison - Income Statement			
Figures in S$ '000s	**2006 AR**	**Q4 2006**	**Difference**
Revenue	4,361,102	4,361,102	0
Other income	16,675	16,675	0
Total	**4,377,777**	**4,377,777**	**0**
Costs & Expenses			
COGS	(3,372,172)	(3,372,172)	0
Shipping & Logistics	(573,454)	(573,454)	0
Commission and claims	(53,126)	(53,126)	0
Net gain from changes in fair value of biological assets	0	0	0
Employee benefit expenses	(66,455)	(66,455)	0
Depreciation	(12,144)	(12,144)	0
Net measurement of derivative instruments	507	507	0
Gain / (Loss) on FX	(9,688)	(9,688)	0
Other operating expenses	(100,033)	(100,033)	0
Finance costs	(94,704)	(94,704)	0
Total	**(4,281,269)**	**(4,281,269)**	**0**
Share of results from jointly controlled entities & associates	230	230	0
Profit before tax	**96,738**	**96,738**	**0**
Taxation	(9,531)	(9,531)	0
Profit for period	**87,207**	**87,207**	**0**
Attributable to:			
Owners of the company	87,232	87,232	0
Non-controlling interests	(25)	(25)	0

FY 2007 Comparison - Income Statement			
Figures in S$ '000s	**2007 AR**	**Q4 2007**	**Difference**
Revenue	5,455,508	5,455,508	0
Other income	22,125	22,125	0
Total	**5,477,633**	**5,477,633**	**0**
Costs & Expenses			
COGS	(4,275,889)	(4,275,889)	0
Shipping & Logistics	(661,891)	(661,891)	0
Commission and claims	(68,249)	(68,249)	0
Net gain from changes in fair value of biological assets	0	0	0
Employee benefit expenses	(95,478)	(95,478)	0
Depreciation	**(17,209)**	**(17,002)**	(207)
Net measurement of derivative instruments	(245)	(245)	0
Gain / (Loss) on FX	43,667	43,667	0
Other operating expenses	(128,696)	(128,903)	207
Finance costs	(147,072)	(147,072)	0
Total	**(5,351,062)**	**(5,351,062)**	**0**
Share of results from jointly controlled entities & associates	(385)	(385)	0
Profit before tax	**126,186**	**126,186**	**0**
Taxation	(17,165)	(17,165)	0
Profit for period	**109,021**	**109,021**	**0**
Attributable to:			
Owners of the company	109,047	109,047	0
Non-controlling interests	(26)	(26)	0

FY 2008 Comparison - Income Statement			
Figures in S$ '000s	**2008 AR**	**Q4 2008**	**Difference**
Revenue	8,111,910	8,111,910	0
Other income	40,525	40,525	0
Total	**8,152,435**	**8,152,435**	**0**
Costs & Expenses			
COGS	(6,519,233)	(6,519,233)	0
Shipping & Logistics	(879,506)	(879,506)	0
Commission and claims	(61,014)	(61,014)	0
Net gain from changes in fair value of biological assets	0	0	0
Employee benefit expenses	(169,163)	(169,163)	0
Depreciation	(33,771)	(33,771)	0
Net measurement of derivative instruments	11,023	11,023	0
Gain / (Loss) on FX	21,470	21,470	0
Other operating expenses	(155,714)	(155,714)	0
Finance costs	(201,395)	(201,395)	0
Total	**(7,987,303)**	**(7,987,303)**	**0**
Share of results from jointly controlled entities & associates	(163)	(163)	0
Profit before tax	**164,969**	**164,969**	**0**
Taxation	2,708	2,708	0
Profit for period	**167,677**	**167,677**	**0**
Attributable to:			
Owners of the company	167,704	167,703	1
Non-controlling interests	(27)	(26)	(1)

FY 2009 Comparison - Income Statement			
Figures in S$ '000s	**2009 AR**	**Q4 2009**	**Difference**
Revenue	8,587,932	8,587,932	0
Other income	138,452	138,452	0
Total	**8,726,384**	**8,726,384**	**0**
Costs & Expenses			
COGS	(6,980,032)	(6,959,702)	(20,330)
Shipping & Logistics	(825,720)	(827,879)	2,159
Commission and claims	(74,812)	(79,055)	4,243
Net gain from changes in fair value of biological assets	0	0	0
Employee benefit expenses	(184,603)	(184,603)	0
Depreciation	(40,532)	(40,532)	0
Net measurement of derivative instruments	61,114	33,779	27,335
Gain / (Loss) on FX	(39,423)	(32,418)	(7,005)
Other operating expenses	(186,287)	(179,885)	(6,402)
Finance costs	(239,179)	(239,179)	0
Total	**(8,509,474)**	**(8,509,474)**	**0**
Share of results from jointly controlled entities & associates	41,114	41,114	0
Profit before tax	**258,024**	**258,024**	**0**
Taxation	(5,995)	(5,995)	0
Profit for period	**252,029**	**252,029**	**0**
Attributable to:			
Owners of the company	252,029	252,029	0
Non-controlling interests	0	0	0

FY 2010 Comparison - Income Statement			
Figures in S$ '000s	**2010 AR**	**Q4 2010**	**Difference**
Revenue	10,455,032	10,455,032	0
Other income	241,240	241,240	0
Total	**10,696,272**	**10,696,272**	**0**
Costs & Expenses			
COGS	(8,465,914)	(8,465,914)	0
Shipping & Logistics	(1,012,091)	(1,012,091)	0
Commission and claims	(97,157)	(97,157)	0
Net gain from changes in fair value of biological assets	0	0	0
Employee benefit expenses	(238,553)	(238,553)	0
Depreciation	(68,530)	(68,530)	0
Net measurement of derivative instruments	77,915	77,915	0
Gain / (Loss) on FX	20,655	20,655	0
Other operating expenses	(277,851)	(277,851)	0
Finance costs	(227,475)	(227,475)	0
Total	**(10,289,001)**	**(10,289,001)**	**0**
Share of results from jointly controlled entities & associates	12,924	12,924	0
Profit before tax	**420,195**	**420,195**	**0**
Taxation	(60,466)	(60,446)	(20)
Profit for period	**359,729**	**359,749**	**(20)**
Attributable to:			
Owners of the company	359,469	359,469	0
Non-controlling interests	260	280	(20)

FY 2011 Comparison - Income Statement			
Figures in S$ '000s	**2011 AR**	**Q4 2011**	**Difference**
Revenue	15,734,945	15,734,945	0
Other income	193,193	193,193	0
Total	**15,928,138**	**15,928,138**	**0**
Costs & Expenses			
COGS	(13,126,857)	(13,126,857)	0
Shipping & Logistics	(1,230,110)	(1,230,110)	0
Commission and claims	(135,361)	(135,361)	0
Net gain from changes in fair value of biological assets	80,365	80,365	0
Employee benefit expenses	(341,106)	(341,106)	0
Depreciation	(91,471)	(91,471)	0
Net measurement of derivative instruments	28,117	28,117	0
Gain / (Loss) on FX	0	0	0
Other operating expenses	(285,260)	(285,260)	0
Finance costs	(344,358)	(344,358)	0
Total	**(15,446,041)**	**(15,446,041)**	**0**
Share of results from jointly controlled entities & associates	28,168	28,168	0
Profit before tax	**510,265**	**510,265**	**0**
Taxation	(65,697)	(65,697)	0
Profit for period	**444,568**	**444,568**	**0**
Attributable to:			
Owners of the company	429,841	429,841	0
Non-controlling interests	14,727	14,727	0

FY 2012 Comparison - Income Statement			
Figures in S$ '000s	**2012 AR**	**Q4 2012**	**Difference**
Revenue	17,093,751	17,093,751	0
Other income	51,473	51,473	0
Total	**17,145,224**	**17,145,224**	**0**
Costs & Expenses			
COGS	(13,866,578)	(13,866,578)	0
Shipping & Logistics	(1,439,984)	(1,439,984)	0
Commission and claims	(127,287)	(127,287)	0
Net gain from changes in fair value of biological assets	110,874	110,874	0
Employee benefit expenses	(426,170)	(426,170)	0
Depreciation	(128,691)	(128,691)	0
Net measurement of derivative instruments	21,163	21,163	0
Gain / (Loss) on FX	0	0	0
Other operating expenses	(450,557)	(450,557)	0
Finance costs	(437,550)	(437,550)	0
Total	**(16,744,780)**	**(16,744,780)**	**0**
Share of results from jointly controlled entities & associates	37,466	37,466	0
Profit before tax	**437,910**	**437,910**	**0**
Taxation	(34,085)	(34,085)	0
Profit for period	**403,825**	**403,825**	**0**
Attributable to:			
Owners of the company	370,908	370,908	0
Non-controlling interests	32,917	32,917	0

Recovery Model Assumptions

PPE	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Freehold land	427,457	95.0%	406,084	
Leasehold land and buildings	531,140	95.0%	504,583	
Plant and machinery	844,210	12.5%	105,526	Much of the machinery is in Africa so have used a blended rate
Other assets - office equip, cars, furniture + fittings	70,660	30.0%	21,198	
Capital work in progress	747,528	10.0%	74,753	
Total PPE recoverable	**2,620,995**	**42%**	**1,112,144**	

Intangibles	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Goodwill	149,356	0.0%	0	
Customer relationships	37,025	0.0%	0	
Brands and Trademark	115,125	50.0%	57,563	S$110m relates to "OK Foods" brand
Software	22,713	0.0%	0	
Water rights	230,170	75.0%	172,628	Purchased during a drought at the height of the market
Concession rights	78,628	0.0%	0	Written down fully by DLH and questionable why this was subsequently written up
Trademarks, marketing arrangements + non-compete fe	27,140	0.0%	0	
Total recoverable intangibles	**660,157**	**34.9%**	**230,190**	

Biological Assets	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Almond Orchards - USA + Australia	348,247	50.0%	174,123	Bio gains already taken will lead to eventuall bio loss
Annual Crop	140,862	0.0%	0	Harvested annually and mostly not owned or controlled
Forest Concessions	19,629	0.0%	0	Concessions are now included in intangibles
Livestock - NZSFU	104,272	85.9%	89,601	As at 30-06-12 owns 85.93%
Livestock - Rusmulco	21,204	0.0%	0	
Loss on foreign exchange	(2,875)	0.0%	0	
Total recoverable biological assets net of FX gains	**631,339**	**41.8%**	**263,725**	

Deferred tax assets	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Deferred tax assets	**37,735**	0.0%	**0**	

Deferred tax assets	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Other non-current assets	**9,163**	0.0%	**0**	No details provided

Jointly Controlled Entities	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Nauvu and Usicam	**255,772**	20.0%	**122,322**	It is assumed 80cents / dollar on the loan of S$152.9m is recoverable

Associates	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Open Country Dairy Limited	34,062	50.0%	17,031	Impairment for this Note 3.2f 2011AR and reduced by currency realignment and post-acquisition share reserves
PureCircle	182,000	80.0%	145,600	Shares in PureCircle as at 13 November 2012, reduced for liquidity.
Newcastle Agri Terminal	23,999	10.0%	2,400	Non-operational asset
Total recoverable shares in associates	**240,061**	**68.7%**	**165,031**	

Trade Receivables	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Asia, ME, Australia	617,697	65.0%	401,503	
Africa	301,394	0.0%	0	
Europe	367,806	80.0%	294,245	
Americas	309,899	85.0%	263,414	
Total recoverable trade receivables	**1,596,796**	**60.1%**	**959,162**	
Note - trade receivables have been apportioned based the proportion of revenue in each geography.				

Inventories	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Asia, ME, Australia	1,940,406	25.0%	485,102	
Africa	718,832	0.0%	0	
Europe	807,033	25.0%	201,758	
Americas	943,743	50.0%	471,871	
Total	**4,410,014**	**26.3%**	**1,158,731**	
Note - inventories have been apportioned based the proportion of sourcing from each geography.				

Advance payment to suppliers	Carrying amount	Haircut	Recoverable amount	Assumption
	S$000s	%	S$000s	
Advance payment to suppliers	**320,556**	**0.0%**	**0**	Appears to be financial assistance for farmers in Africa

Cash & short term fixed deposits	Carrying amount S$000s	Haircut %	Recoverable amount S$000s	Assumption
Cash at bank including overdrafts and structured deposits	1,001,962	100.0%	1,001,962	
Fixed deposits	108,894	100.0%	108,894	
Total recoverable cash	**1,110,856**	**100.0%**	**1,110,856**	

Derivatives	Carrying amount S$000s	Haircut %	Recoverable amount S$000s	Assumption
Derivative Assets	1,302,200			
Derivative Liabilities	(1,115,711)			
Net Derivatives and recoverable amount	**186,489**	**0.0%**	0	Level 3 derivatives create the net asset and are most likely overstated due to management discretion.

Other Current Assets	Carrying amount S$000s	Haircut %	Recoverable amount S$000s	Assumption
Staff advances	8,598	0.0%	0	
Deposits	25,469	75.0%	19,102	
Option premium receivable	9,551	75.0%	7,163	
Insurance receivables	13,623	100.0%	13,623	
Short-term investment	46,837	89.0%	41,704	Ektimo Relative Value Fund under Invenio Holdings - own 89.04%
Sundry receivables	81,827	25.0%	20,457	
Export incentives	111,029	0.0%	0	Companies finding it hard to get paid on these
Development costs	49,548	0.0%	0	Costs in development of SEZ in Gabon
Prepayments	298,825	NA	38,617	Prepayments at the parent company level are considered recoverable
Total recoverable other current assets	**645,307**	**21.8%**	**140,665**	

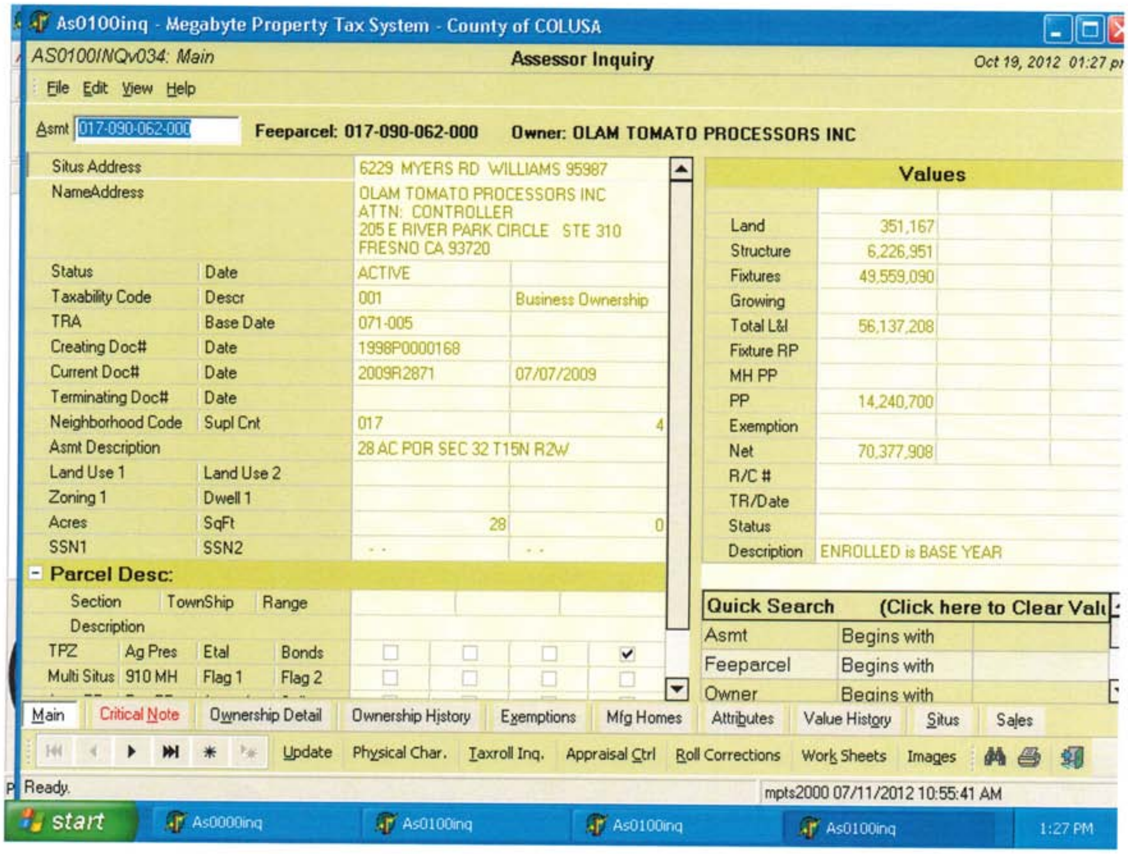
Total Recoverable Amount	**5,262,827**

Present Value at 15% discount rate over 2 years	**3,979,453**
Priority and Secured Creditors	577,796
Remaining assets	3,401,657
Unsecured Creditors	10,225,107
Recovery	**0.33**

Present Value at 15% discount rate over 5 years	**2,616,555**
Priority and Secured Creditors	577,796
Remaining assets	2,038,759
Unsecured Creditors	10,225,107
Recovery	**0.20**

Present Value at 15% discount rate over 7 years	**1,978,492**
Priority and Secured Creditors	577,796
Remaining assets	1,400,696
Unsecured Creditors	10,225,107
Recovery	**0.14**

Colusa County Application for Changed Assessment



Applicant opinion of value - #7,

BOE-305-AH (S1) REV. 6 (2-06)

APPLICATION NUMBER: 13-02

APPLICATION ~~FOR~~ CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

Colusa County Clerk of the Board of Supervisors
546 Jay Street
Colusa, California 95932
(530) 458-0508

PLEASE TYPE OR PRINT IN INK-SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME *(last, first, middle initial)*
Olam Tomato Processors, Inc.
STREET ADDRESS/P.O. BOX NUMBER *(MUST be applicant's mailing address)*
P.O. Box 160
CITY Lemoore STATE CA ZIP CODE 93245
DAYTIME PHONE (404) 209-2658 ALTERNATE PHONE (404) 209-2692 FAX NUMBER ( )
E-MAIL ADDRESS andy.kallenberg@olamnet.com

2. AGENT OR ATTORNEY FOR APPLICANT

PERSON TO CONTACT *(if other than above) (last, first, middle initial)*

STREET ADDRESS/P.O. BOX NUMBER

CITY STATE ZIP CODE

DAYTIME PHONE ( ) ALTERNATE PHONE ( ) FAX NUMBER ( )

E-MAIL ADDRESS

AGENT'S AUTHORIZATION

If the applicant is a corporation, the agent's authorization must be signed by an officer or authorized employee of the business entity. If the agent is not an attorney licensed in California or a spouse, child, or parent of the person affected, the following must be completed (or attached to this application-see instructions).

PRINT NAME OF AGENT AND AGENCY

is hereby authorized to act as my agent in this application and may inspect assessor's records, enter into stipulations, and otherwise settle issues relating to this application.

SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE

TITLE DATE

3. PROPERTY IDENTIFICATION INFORMATION
SECURED: ASSESSOR'S PARCEL NUMBER 017-090-062-000
UNSECURED: ACCOUNT/TAX BILL NUMBER

RECEIVED
SEP 07 2012
COUNTY OF COLUSA
BOARD OF SUPERVISORS

PROPERTY ADDRESS OR LOCATION
6229 Myers Rd.
Williams, CA 95987

PROPERTY TYPE:
☐ Single-Family Residence/Condo/Townhouse
☐ Apartments (Number of Units ______)
☒ Commercial/Industrial ☐ Vacant Land
☒ Agricultural ☐ Other ______
☐ Business Personal Property/Fixtures
Is this property an owner-occupied single-family dwelling?
☐ Yes ☒ No

4. VALUE	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	351,167	35,000	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	6,226951	625,000	
TREES & VINES			
FIXTURES	49,559,090	5,000,000	
PERSONAL PROPERTY	14,240,700	1,425,000	
TOTAL	70,377908	7,085,000	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED *(check one)*
IMPORTANT – SEE INSTRUCTIONS FOR FILING PERIODS
☒ Regular Assessment – Value as of January 1 of the current year
☐ Supplemental Assessment ROLL YEAR ______
Attach __1__ copies of Notice or Tax Bill
Date of Notice or Tax Bill ______
☐ Roll Change/Escape Assessment/Calamity Reassessment ROLL YEAR ______
Attach __1__ copies of Notice or Tax Bill
Date of Notice or Tax Bill ______

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

☐ A. Decline in Value: The assessor's roll value exceeds the market value as of January 1 of the current year.
B. Change in Ownership:
☐ 1. No change in ownership or other reassessable event occurred on the date of ______.
☐ 2. Base year value for the change in ownership established on the date of ______ is incorrect.
C. New Construction:
☐ 1. No new construction or other reassessable event occurred on the date of ______.
☐ 2. Base year value for the new construction established on the date of ______ is incorrect.
☐ D. Calamity Reassessment: Assessor's reduced value is incorrect for property damaged by misfortune or calamity.
E. Personal Property/Fixtures: Assessor's value of personal property and/or fixtures exceeds market value.
☐ 1. All personal property/fixtures.
☐ 2. Only a portion of the personal property/fixtures. Attach description of those items.
☐ F. Penalty Assessment: Penalty assessment is not justified.
☐ G. Classification: Assessor's classification and/or allocation of value of property is incorrect.
H. Appeal after an Audit: MUST include description of each property, issues being appealed, and your opinion of value. Please refer to instructions.
☐ 1. Amount of escape assessment is incorrect.
☐ 2. Assessment of other property of the assessee at the location is incorrect.
☐ I. Other: Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS ($ ______ per ______) ☒ Are requested ☐ Are not requested

8. ☒ Yes ☐ No Do you want to designate this application as a claim for refund? *Please refer to instructions first.*

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property–"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ______, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE [signature] Secretary
SIGNED AT CITY College Park STATE GA DATE 8-29-2012

NAME AND TITLE *(please type or print)* CHARLES K DAVIS
☐ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

9/10/12 - copy to Assessor & Co. Counsel

Lemoore Property Assessment Appeals

Rec'd ck# 11145
$1,600.

BOE-305-AH (S1) REV.6 (2-06)

APPLICATION NUMBER: 12-074

APPLICATION FOR CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

FINAL FILING DATE: SEPT. 17, 2012
Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

PLEASE TYPE OR PRINT IN INK–SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME (last, first, middle initial)
Olam Tomato Processors, Inc.
STREET ADDRESS/P.O. BOX NUMBER (MUST be applicant's mailing address)
P.O. Box 160
CITY: Lemoore STATE: CA ZIP CODE: 93245
DAYTIME PHONE: (559)924-6500 ALTERNATE PHONE: (404)209-2658 FAX NUMBER: ( )
E-MAIL ADDRESS: cody.kallenberg@olamnet.com

2. AGENT OR ATTORNEY FOR APPLICANT

PERSON TO CONTACT (if other than above) (last, first, middle initial)

STREET ADDRESS/P.O. BOX NUMBER

CITY STATE ZIP CODE

DAYTIME PHONE ( ) ALTERNATE PHONE ( ) FAX NUMBER ( )

E-MAIL ADDRESS

AGENT'S AUTHORIZATION

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PRINT NAME OF AGENT AND AGENCY

is hereby authorized to act as my agent in this application and may inspect assessor's records, enter into stipulations, and otherwise settle issues relating to this application.

SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE

TITLE DATE

3. PROPERTY IDENTIFICATION INFORMATION
SECURED: ASSESSOR'S PARCEL NUMBER
024-051-024-000
UNSECURED: ACCOUNT/TAX BILL NUMBER

PROPERTY ADDRESS OR LOCATION
1555 19th Ave
Lemoore, CA 93245

Filed with Kings County Clerk of the Board SEP 13 2012
Received by: Clerk of the Board AUG 13 2012

PROPERTY TYPE:
- ☐ Single-Family Residence/Condo/Townhouse
- ☐ Apartments (Number of Units ______)
- ☐ Commercial/Industrial ☐ Vacant Land
- ☒ Agricultural ☐ Other ______
- ☒ Business Personal Property/Fixtures

Is this property an owner-occupied single-family dwelling? ☐ Yes ☒ No

4. VALUE

	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	839,730	100,000	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	774,000	75,000	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY			
TOTAL	1,613,730	175,000	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED (check one)
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS
- ☐ Regular Assessment — Value as of January 1 of the current year
- ☒ Supplemental Assessment — ROLL YEAR 2009
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill 6/11/2012
- ☐ Roll Change/Escape Assessment/Calamity Reassessment — ROLL YEAR ______
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill ______

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

- ☐ A. **Decline in Value:** The assessor's roll value exceeds the market value as of January 1 of the current year.
- B. **Change in Ownership:**
  - ☐ 1. No change in ownership or other reassessable event occurred on the date of ______.
  - ☒ 2. Base year value for the change in ownership established on the date of 7/7/2009 is incorrect.
- C. **New Construction:**
  - ☐ 1. No new construction or other reassessable event occurred on the date of ______.
  - ☐ 2. Base year value for the new construction established on the date of ______ is incorrect.
- ☐ D. **Calamity Reassessment:** Assessor's reduced value is incorrect for property damaged by misfortune or calamity.
- E. **Personal Property/Fixtures:** Assessor's value of personal property and/or fixtures exceeds market value.
  - ☒ 1. All personal property/fixtures.
  - ☐ 2. Only a portion of the personal property/fixtures. Attach description of those items.
- ☐ F. **Penalty Assessment:** Penalty assessment is not justified.
- ☐ G. **Classification:** Assessor's classification and/or allocation of value of property is incorrect.
- H. **Appeal after an Audit:** MUST include description of each property, issues being appealed, and your opinion of value. Please refer to instructions.
  - ☐ 1. Amount of escape assessment is incorrect.
  - ☐ 2. Assessment of other property of the assessee at the location is incorrect.
- ☐ I. **Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS (<u>$45.00 per hour</u>) ☒ Are requested ☐ Are not requested

8. ☒ Yes ☐ No Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***CHECK ONLY ONE BOX***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property—"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ______, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE: [signature] SECRETARY
SIGNED AT CITY: Atlanta STATE: GA DATE: 8/6/2012
NAME AND TITLE (please type or print)

☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

Rec'd at # 11145
$1,600

BOE-305-AH (S1) REV.6 (2-06)

APPLICATION NUMBER: 12-075

APPLICATION FOR CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

FINAL FILING DATE: SEPT. 17, 2012
Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

PLEASE TYPE OR PRINT IN INK–SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME *(last, first, middle initial)*: Olam Tomato Processors, Inc.
STREET ADDRESS/P.O. BOX NUMBER *(MUST be applicant's mailing address)*: P.O. Box 160
CITY: Lemoore | STATE: CA | ZIP CODE: 93245
DAYTIME PHONE: (404)909-2658 | ALTERNATE PHONE: (404)209-2692 | FAX NUMBER: ( )
E-MAIL ADDRESS: andy.kallenberg@olamnet.com

2. AGENT OR ATTORNEY FOR APPLICANT
PERSON TO CONTACT *(if other than above) (last, first, middle initial)*:
STREET ADDRESS/P.O. BOX NUMBER:
CITY: | STATE: | ZIP CODE:
DAYTIME PHONE: ( ) | ALTERNATE PHONE: ( ) | FAX NUMBER: ( )
E-MAIL ADDRESS:

AGENT'S AUTHORIZATION

If the applicant is a corporation, the agent's authorization must be signed by an officer or authorized employee of the business entity. If the agent is not an attorney licensed in California or a spouse, child, or parent of the person affected, the following must be completed (or attached to this application–see instructions).

PRINT NAME OF AGENT AND AGENCY:

is hereby authorized to act as my agent in this application and may inspect assessor's records, enter into stipulations, and otherwise settle issues relating to this application.

SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE:
TITLE: | DATE:

3. PROPERTY IDENTIFICATION INFORMATION
SECURED: ASSESSOR'S PARCEL NUMBER: 024-051-025-000
UNSECURED: ACCOUNT/TAX BILL NUMBER:
PROPERTY ADDRESS OR LOCATION: 1175 S. 19th Ave Lemoore, CA 93245

Filed with Kings County Clerk of the Board AUG 13 2012 Received by: [signature]
Filed with Kings County Clerk of the Board SEP 13 2012 Received by: [signature]

PROPERTY TYPE:
☐ Single-Family Residence/Condo/Townhouse
☐ Apartments (Number of Units ______)
☐ Commercial/Industrial ☐ Vacant Land
☒ Agricultural ☐ Other ______
☒ Business Personal Property/Fixtures
Is this property an owner-occupied single-family dwelling? ☐ Yes ☒ No

4. VALUE

	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	429,000	40,000	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	7,257,260	725,000	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY			
TOTAL	7,686,260	765,000	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED *(check one)*
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS
☐ Regular Assessment — Value as of January 1 of the current year
☒ Supplemental Assessment — **ROLL YEAR** 2009
Attach 1 copy of Notice or Tax Bill
Date of Notice or Tax Bill 6/11/2012
☐ Roll Change/Escape Assessment/Calamity Reassessment — **ROLL YEAR** ______
Attach 1 copy of Notice or Tax Bill
Date of Notice or Tax Bill ______

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

☐ A. **Decline in Value:** The assessor's roll value exceeds the market value as of January 1 of the current year.
B. **Change in Ownership:**
☐ 1. No change in ownership or other reassessable event occurred on the date of ______.
☒ 2. Base year value for the change in ownership established on the date of 7/9/2009 is incorrect.
C. **New Construction:**
☐ 1. No new construction or other reassessable event occurred on the date of ______.
☐ 2. Base year value for the new construction established on the date of ______ is incorrect.
☐ D. **Calamity Reassessment:** Assessor's reduced value is incorrect for property damaged by misfortune or calamity.
E. **Personal Property/Fixtures:** Assessor's value of personal property and/or fixtures exceeds market value.
☒ 1. All personal property/fixtures.
☐ 2. Only a portion of the personal property/fixtures. Attach description of those items.
☐ F. **Penalty Assessment:** Penalty assessment is not justified.
☐ G. **Classification:** Assessor's classification and/or allocation of value of property is incorrect.
H. **Appeal after an Audit:** MUST include description of each property, issues being appealed, and your opinion of value. Please refer to instructions.
☐ 1. Amount of escape assessment is incorrect.
☐ 2. Assessment of other property of the assessee at the location is incorrect.
☐ I. **Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS (<u>$45.00 per hour</u>) ☒ Are requested ☐ Are not requested

8. ☒ **Yes** ☐ **No** Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***CHECK ONLY ONE BOX***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property—"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ______, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE: [signature] | SIGNED AT CITY: Atlanta | STATE: GA | DATE: 8/8/2012
NAME AND TITLE *(please type or print)*: Secretary

☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

BOE-305-AH (S1) REV.6 (2-06)

Rec'd ck # 11145 $1,600

APPLICATION NUMBER: 12-076 Filed with Kings County Clerk of the Board

APPLICATION FOR CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

FINAL FILING DATE: SEPT. 17, 2012
Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

SEP 7 2012 Received by: [signature]

PLEASE TYPE OR PRINT IN INK–SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME *(last, first, middle initial)*
Olam Tomato Processors Inc.
STREET ADDRESS/P.O. BOX NUMBER *(MUST be applicant's mailing address)*
P.O. Box 160
CITY Lemoore STATE CA ZIP CODE 93245
DAYTIME PHONE (404) 209-2658 ALTERNATE PHONE (404) 209-2692 FAX NUMBER ( )
E-MAIL ADDRESS andy.kallenberg@olamnet.com

2. AGENT OR ATTORNEY FOR APPLICANT

PERSON TO CONTACT *(if other than above) (last, first, middle initial)*

STREET ADDRESS/P.O. BOX NUMBER

CITY STATE ZIP CODE

DAYTIME PHONE ( ) ALTERNATE PHONE ( ) FAX NUMBER ( )

E-MAIL ADDRESS

AGENT'S AUTHORIZATION

If the applicant is a corporation, the agent's authorization must be signed by an officer or authorized employee of the business entity. If the agent is not an attorney licensed in California or a spouse, child, or parent of the person affected, the following must be completed (or attached to this application–see instructions).

PRINT NAME OF AGENT AND AGENCY

is hereby authorized to act as my agent in this application and may inspect assessor's records, enter into stipulations, and otherwise settle issues relating to this application.

SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE

TITLE DATE

3. PROPERTY IDENTIFICATION INFORMATION
SECURED: ASSESSOR'S PARCEL NUMBER 024-051-025-000
UNSECURED: ACCOUNT/TAX BILL NUMBER

PROPERTY ADDRESS OR LOCATION
1175 S. 19th Ave
Lemoore, CA 93245

Filed with Kings County Clerk of the Board SEP 13 2012 Received by [signature]

PROPERTY TYPE:
☐ Single-Family Residence/Condo/Townhouse
☐ Apartments (Number of Units ________)
☒ Commercial/Industrial ☐ Vacant Land
☒ Agricultural ☐ Other ________
☒ Business Personal Property/Fixtures
Is this property an owner-occupied single-family dwelling?
☐ Yes ☒ No

4. VALUE	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	440,875	44,000	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	72,174,125	7,250,000	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY	10,661,660	1,000,000	
TOTAL	83,276,660	8,294,000	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED *(check one)*
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS
☒ Regular Assessment — Value as of January 1 of the current year
☐ Supplemental Assessment **ROLL YEAR**
Attach 1 copy of Notice or Tax Bill
Date of Notice or Tax Bill ________
☐ Roll Change/Escape Assessment/Calamity Reassessment **ROLL YEAR**
Attach 1 copy of Notice or Tax Bill
Date of Notice or Tax Bill ________

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

☒ **A. Decline in Value:** The assessor's roll value exceeds the market value as of January 1 of the current year.
B. Change in Ownership:
☐ 1. No change in ownership or other reassessable event occurred on the date of ________
☐ 2. Base year value for the change in ownership established on the date of ________ is incorrect.
C. New Construction:
☐ 1. No new construction or other reassessable event occurred on the date of ________
☐ 2. Base year value for the new construction established on the date of ________ is incorrect.
☐ **D. Calamity Reassessment:** Assessor's reduced value is incorrect for property damaged by misfortune or calamity.
E. Personal Property/Fixtures: Assessor's value of personal property and/or fixtures exceeds market value.
☐ 1. All personal property/fixtures.
☐ 2. Only a portion of the personal property/fixtures. Attach description of those items.
☐ **F. Penalty Assessment:** Penalty assessment is not justified.
☐ **G. Classification:** Assessor's classification and/or allocation of value of property is incorrect.
H. Appeal after an Audit: MUST include description of each property, issues being appealed, and your opinion of value. Please refer to instructions.
☐ 1. Amount of escape assessment is incorrect.
☐ 2. Assessment of other property of the assessee at the location is incorrect.
☐ **I. Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS (<u>$45.00 per hour</u>) ☒ Are requested ☐ Are not requested

8. ☒ **Yes** ☐ **No** Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***CHECK ONLY ONE BOX***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property—"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ________, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE [signature] SIGNED AT CITY College Park STATE GA DATE 8/29/12

NAME AND TITLE *(please type or print)*
Charles K Davis
Secretary

☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

BOE-305-AH (S1) REV.6 (2-06)

Rec'd ck # 11145
$1,600

APPLICATION NUMBER: 12-077

Filed with Kings County Clerk of the Board

APPLICATION FOR CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

FINAL FILING DATE: SEPT. 17, 2012
Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

SEP 7 2012

Received by: [signature]

PLEASE TYPE OR PRINT IN INK–SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME *(last, first, middle initial)*
Olam Tomato Processors Inc.
STREET ADDRESS/P.O. BOX NUMBER *(MUST be applicant's mailing address)*
P.O. Box 160
CITY: Lemoore | STATE: CA | ZIP CODE: 93245
DAYTIME PHONE: (404) 209-2658 | ALTERNATE PHONE: (404) 209-2692 | FAX NUMBER: ( )
E-MAIL ADDRESS: andy.kallenberg@olamnet.com

2. AGENT OR ATTORNEY FOR APPLICANT
PERSON TO CONTACT *(if other than above) (last, first, middle initial)*
STREET ADDRESS/P.O. BOX NUMBER
CITY | STATE | ZIP CODE
DAYTIME PHONE ( ) | ALTERNATE PHONE ( ) | FAX NUMBER ( )
E-MAIL ADDRESS

AGENT'S AUTHORIZATION

If the applicant is a corporation, the agent's authorization must be signed by an officer or authorized employee of the business entity. If the agent is not an attorney licensed in California or a spouse, child, or parent of the person affected, the following must be completed (or attached to this application–see instructions).

PRINT NAME OF AGENT AND AGENCY

is hereby authorized to act as my agent in this application and may inspect assessor's records, enter into stipulations, and otherwise settle issues relating to this application.

SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE

TITLE | DATE

3. PROPERTY IDENTIFICATION INFORMATION
SECURED: ASSESSOR'S PARCEL NUMBER: 024-051-074-000
UNSECURED: ACCOUNT/TAX BILL NUMBER
PROPERTY ADDRESS OR LOCATION: 1555 19th Ave, Lemoore, CA 93245

Filed with Kings County Clerk of the Board SEP 13 2012 Received by: [signature]

PROPERTY TYPE:
- ☐ Single-Family Residence/Condo/Townhouse
- ☐ Apartments (Number of Units ______)
- ☒ Commercial/Industrial
- ☐ Vacant Land
- ☒ Agricultural
- ☐ Other ______
- ☒ Business Personal Property/Fixtures

Is this property an owner-occupied single-family dwelling? ☐ Yes ☒ No

4. VALUE

	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	862,974	86,000	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	795,425	79,500	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY			
TOTAL	1,658,399	165,500	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED *(check one)*
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS
- ☒ Regular Assessment — Value as of January 1 of the current year
- ☐ Supplemental Assessment — ROLL YEAR ______
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill ______
- ☐ Roll Change/Escape Assessment/Calamity Reassessment — ROLL YEAR ______
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill ______

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

- ☒ A. **Decline in Value:** The assessor's roll value exceeds the market value as of January 1 of the current year.
- B. **Change in Ownership:**
  - ☐ 1. No change in ownership or other reassessable event occurred on the date of ______.
  - ☐ 2. Base year value for the change in ownership established on the date of ______ is incorrect.
- C. **New Construction:**
  - ☐ 1. No new construction or other reassessable event occurred on the date of ______.
  - ☐ 2. Base year value for the new construction established on the date of ______ is incorrect.
- ☐ D. **Calamity Reassessment:** Assessor's reduced value is incorrect for property damaged by misfortune or calamity.
- E. **Personal Property/Fixtures:** Assessor's value of personal property and/or fixtures exceeds market value.
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  - ☐ 2. Only a portion of the personal property/fixtures. Attach description of those items.
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- ☐ G. **Classification:** Assessor's classification and/or allocation of value of property is incorrect.
- H. **Appeal after an Audit:** MUST include description of each property, issues being appealed, and your opinion of value. Please refer to instructions.
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  - ☐ 2. Assessment of other property of the assessee at the location is incorrect.
- ☐ I. **Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS ($45.00 per hour) ☒ Are requested ☐ Are not requested

8. ☒ Yes ☐ No Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***"CHECK ONLY ONE BOX"***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property—"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ______, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE: [signature] | SIGNED AT CITY: College Park | STATE: GA | DATE: 8/29/2012

NAME AND TITLE *(please type or print)*: Charles R. Davis, Secretary

☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

BOE-305-AH (S1) REV.6 (2-06)

Rec'd ck # 11145
$1,600

APPLICATION NUMBER: 12-078

Filed with Kings County Clerk of the Board

APPLICATION FOR CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

FINAL FILING DATE: SEPT. 17, 2012
Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

SEP 7 2012

Received by: [signature]

PLEASE TYPE OR PRINT IN INK–SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME (last, first, middle initial)
Olam Tomato Processors, Inc.

STREET ADDRESS/P.O. BOX NUMBER (MUST be applicant's mailing address)
P.O. Box 160

CITY: Lemoore | STATE: CA | ZIP CODE: 93245

DAYTIME PHONE: (404) 209-2658 | ALTERNATE PHONE: (404) 209-2692 | FAX NUMBER: ( )

E-MAIL ADDRESS: andy.kallenberg@okmnext.com

2. AGENT OR ATTORNEY FOR APPLICANT

PERSON TO CONTACT (if other than above) (last, first, middle initial)

STREET ADDRESS/P.O. BOX NUMBER

CITY | STATE | ZIP CODE

DAYTIME PHONE ( ) | ALTERNATE PHONE ( ) | FAX NUMBER ( )

E-MAIL ADDRESS

AGENT'S AUTHORIZATION

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PRINT NAME OF AGENT AND AGENCY

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SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE

TITLE | DATE

3. PROPERTY IDENTIFICATION INFORMATION

SECURED: ASSESSOR'S PARCEL NUMBER
024-051-025-000

UNSECURED: ACCOUNT/TAX BILL NUMBER

PROPERTY ADDRESS OR LOCATION
1175 S. 19th Ave
Lemoore, CA 93245

Filed with Kings County Clerk of the Board
SEP 13 2012
Received by: [signature]

PROPERTY TYPE:
- ☐ Single-Family Residence/Condo/Townhouse
- ☐ Apartments (Number of Units ______)
- ☒ Commercial/Industrial
- ☐ Vacant Land
- ☒ Agricultural
- ☐ Other
- ☒ Business Personal Property/Fixtures

Is this property an owner-occupied single-family dwelling?
☐ Yes ☒ No

4. VALUE

	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	11,211	1,000	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	1,179,830	117,000	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY			
TOTAL	1,191,041	118,000	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED (check one)
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS

- ☐ Regular Assessment — Value as of January 1 of the current year
- ☐ Supplemental Assessment — ROLL YEAR
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill
- ☒ Roll Change/Escape Assessment/Calamity Reassessment — ROLL YEAR 2010
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill 7/17/2012

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

- ☒ **A. Decline in Value:** The assessor's roll value exceeds the market value as of January 1 of the current year.
- **B. Change in Ownership:**
  - ☐ 1. No change in ownership or other reassessable event occurred on the date of ______
  - ☐ 2. Base year value for the change in ownership established on the date of ______ is incorrect.
- **C. New Construction:**
  - ☐ 1. No new construction or other reassessable event occurred on the date of ______
  - ☐ 2. Base year value for the new construction established on the date of ______ is incorrect.
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- **E. Personal Property/Fixtures:** Assessor's value of personal property and/or fixtures exceeds market value.
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- ☐ **G. Classification:** Assessor's classification and/or allocation of value of property is incorrect.
- **H. Appeal after an Audit:** MUST include description of each property, issues being appealed, and your opinion of value. Please refer to instructions.
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  - ☐ 2. Assessment of other property of the assessee at the location is incorrect.
- ☐ **I. Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS (<u>$45.00 per hour</u>) ☒ Are requested ☐ Are not requested

8. ☒ Yes ☐ No Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***CHECK ONLY ONE BOX***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property—"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ______, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE: [signature]

SIGNED AT CITY: College Park | STATE: GA | DATE: 8/29/12

NAME AND TITLE (please type or print)
Charles R. Davis
Secretary

☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

BOE-305-AH (S1) REV.6 (2-06)

Rec'd ck # 11145 $1,600 12-079 APPLICATION NUMBER:

Filed with KINGS COUNTY Clerk of the Board SEP 7 2012 Received by:

APPLICATION FOR CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

FINAL FILING DATE: SEPT. 17, 2012
Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

PLEASE TYPE OR PRINT IN INK–SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME (last, first, middle initial)
Olam Tomato Processors, Inc.
STREET ADDRESS/P.O. BOX NUMBER (MUST be applicant's mailing address)
P.O. Box 160
CITY: Lemoore | STATE: CA | ZIP CODE: 93245
DAYTIME PHONE: (404) 209-2658 | ALTERNATE PHONE: (404) 209-2692 | FAX NUMBER: ( )
E-MAIL ADDRESS: andy.kallenberg@olamnet.com

2. AGENT OR ATTORNEY FOR APPLICANT

PERSON TO CONTACT (if other than above) (last, first, middle initial)

STREET ADDRESS/P.O. BOX NUMBER

CITY | STATE | ZIP CODE

DAYTIME PHONE ( ) | ALTERNATE PHONE ( ) | FAX NUMBER ( )

E-MAIL ADDRESS

AGENT'S AUTHORIZATION

If the applicant is a corporation, the agent's authorization must be signed by an officer or authorized employee of the business entity. If the agent is not an attorney licensed in California or a spouse, child, or parent of the person affected, the following must be completed (or attached to this application–see instructions).

PRINT NAME OF AGENT AND AGENCY

is hereby authorized to act as my agent in this application and may inspect assessor's records, enter into stipulations, and otherwise settle issues relating to this application.

SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE

TITLE | DATE

3. PROPERTY IDENTIFICATION INFORMATION
SECURED: ASSESSOR'S PARCEL NUMBER
024-051-025-000
UNSECURED: ACCOUNT/TAX BILL NUMBER

PROPERTY ADDRESS OR LOCATION
1175 S. 19th Ave
Lemoore, CA 93245

Filed with KINGS COUNTY Clerk of the Board SEP 13 2012 Received by:

PROPERTY TYPE:
- ☐ Single-Family Residence/Condo/Townhouse
- ☐ Apartments (Number of Units ________)
- ☒ Commercial/Industrial
- ☐ Vacant Land
- ☒ Agricultural
- ☐ Other ________
- ☒ Business Personal Property/Fixtures

Is this property an owner-occupied single-family dwelling? ☐ Yes ☒ No

4. VALUE

	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	11,295	1,000	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	1,188,714	118,000	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY			
TOTAL	1,200,009	119,000	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED (check one)
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS
- ☐ Regular Assessment — Value as of January 1 of the current year
- ☐ Supplemental Assessment — ROLL YEAR ________
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill ________
- ☒ Roll Change/Escape Assessment/Calamity Reassessment — ROLL YEAR 2011
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill 7/7/2012

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

- ☒ A. **Decline In Value:** The assessor's roll value exceeds the market value as of January 1 of the current year.
- B. **Change In Ownership:**
  - ☐ 1. No change in ownership or other reassessable event occurred on the date of ________
  - ☐ 2. Base year value for the change in ownership established on the date of ________ is incorrect.
- C. **New Construction:**
  - ☐ 1. No new construction or other reassessable event occurred on the date of ________
  - ☐ 2. Base year value for the new construction established on the date of ________ is incorrect.
- ☐ D. **Calamity Reassessment:** Assessor's reduced value is incorrect for property damaged by misfortune or calamity.
- E. **Personal Property/Fixtures:** Assessor's value of personal property and/or fixtures exceeds market value.
  - ☐ 1. All personal property/fixtures.
  - ☐ 2. Only a portion of the personal property/fixtures. Attach description of those items.
- ☐ F. **Penalty Assessment:** Penalty assessment is not justified.
- ☐ G. **Classification:** Assessor's classification and/or allocation of value of property is incorrect.
- H. **Appeal after an Audit:** MUST include description of each property, issues being appealed, and your opinion of value. Please refer to instructions.
  - ☐ 1. Amount of escape assessment is incorrect.
  - ☐ 2. Assessment of other property of the assessee at the location is incorrect.
- ☐ I. **Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS (<u>$45.00 per hour</u>) ☒ Are requested ☐ Are not requested

8. ☒ Yes ☐ No Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***CHECK ONLY ONE BOX***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property—"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ________, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE: [signature] | SIGNED AT CITY: College Park | STATE: GA | DATE: 8/29/2012

NAME AND TITLE (please type or print): Charles K Dauts, Secretary

☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

BOE-305-AH (S1) REV.6 (2-06)

Rec'd Ck # 11145 $1,600

APPLICATION NUMBER: 12-080

Filed with Kings County Clerk of the Board

APPLICATION FOR CHANGED ASSESSMENT

This form contains all the requests for information that are required for filing an application for changed assessment. Failure to complete this application may result in rejection of the application and/or denial of the appeal. Applicants should be prepared to submit additional information if requested by the assessor or at the time of the hearing. Failure to provide information the appeals board considers necessary may result in the continuance of the hearing.

FINAL FILING DATE: SEPT. 17, 2012
Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

SEP 7 2012
Received by: [signature]

PLEASE TYPE OR PRINT IN INK–SEE INSTRUCTIONS FOR FURTHER INFORMATION

1. APPLICANT'S NAME *(last, first, middle initial)*
Olam Tomato Processors Inc.
STREET ADDRESS/P.O. BOX NUMBER *(MUST be applicant's mailing address)*
P.O. Box 160
CITY: Lemoore | STATE: CA | ZIP CODE: 93245
DAYTIME PHONE: (404) 209-2658 | ALTERNATE PHONE: (404) 209-2692 | FAX NUMBER: ( )
E-MAIL ADDRESS: andy.kallenberg@olamnet.com

2. AGENT OR ATTORNEY FOR APPLICANT

PERSON TO CONTACT *(if other than above) (last, first, middle initial)*

STREET ADDRESS/P.O. BOX NUMBER

CITY | STATE | ZIP CODE

DAYTIME PHONE ( ) | ALTERNATE PHONE ( ) | FAX NUMBER ( )

E-MAIL ADDRESS

AGENT'S AUTHORIZATION

If the applicant is a corporation, the agent's authorization must be signed by an officer or authorized employee of the business entity. If the agent is not an attorney licensed in California or a spouse, child, or parent of the person affected, the following must be completed (or attached to this application–see instructions).

PRINT NAME OF AGENT AND AGENCY

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SIGNATURE OF APPLICANT/OFFICER/AUTHORIZED EMPLOYEE

TITLE | DATE

3. PROPERTY IDENTIFICATION INFORMATION
SECURED: ASSESSOR'S PARCEL NUMBER
024-051-024-000
UNSECURED: ACCOUNT/TAX BILL NUMBER

PROPERTY ADDRESS OR LOCATION
1555 19th Ave
Lemoore, CA 93245

Filed with Kings County Clerk of the Board
SEP 13 2012
Received by: [signature]

PROPERTY TYPE:
☐ Single-Family Residence/Condo/Townhouse
☐ Apartments (Number of Units ______)
☒ Commercial/Industrial
☐ Vacant Land
☒ Agricultural
☐ Other ______
☒ Business Personal Property/Fixtures

Is this property an owner-occupied single-family dwelling?
☐ Yes ☒ No

4. VALUE	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	132,139	13,250	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	774,000	77,000	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY			
TOTAL	906,139	90,250	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED *(check one)*
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS
☐ Regular Assessment — Value as of January 1 of the current year
☐ Supplemental Assessment — **ROLL YEAR**
Attach 1 copy of Notice or Tax Bill
Date of Notice or Tax Bill ______
☒ Roll Change/Escape Assessment/Calamity Reassessment — **ROLL YEAR** 2010
Attach 1 copy of Notice or Tax Bill
Date of Notice or Tax Bill 7/17/2012

6. THE FACTS THAT I RELY UPON TO SUPPORT REQUESTED CHANGES IN VALUE ARE AS FOLLOWS: You may check all that apply. If you are uncertain of which item to check, please check "I. OTHER" and attach two copies of a brief explanation of your reason(s) for filing this application. PLEASE SEE INSTRUCTIONS BEFORE COMPLETING THIS SECTION.

☒ **A. Decline in Value:** The assessor's roll value exceeds the market value as of January 1 of the current year.
B. Change in Ownership:
☐ 1. No change in ownership or other reassessable event occurred on the date of ______.
☐ 2. Base year value for the change in ownership established on the date of ______ is incorrect.
C. New Construction:
☐ 1. No new construction or other reassessable event occurred on the date of ______.
☐ 2. Base year value for the new construction established on the date of ______ is incorrect.
☐ **D. Calamity Reassessment:** Assessor's reduced value is incorrect for property damaged by misfortune or calamity.
E. Personal Property/Fixtures: Assessor's value of personal property and/or fixtures exceeds market value.
☐ 1. All personal property/fixtures.
☐ 2. Only a portion of the personal property/fixtures. Attach description of those items.
☐ **F. Penalty Assessment:** Penalty assessment is not justified.
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☐ 1. Amount of escape assessment is incorrect.
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☐ **I. Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS (<u>$45.00 per hour</u>) ☒ Are requested ☐ Are not requested

8. ☒ Yes ☐ No Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***CHECK ONLY ONE BOX***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property—"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ______, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE: [signature]
SIGNED AT CITY: College Park | STATE: GA | DATE: 8/29/2012

NAME AND TITLE *(please type or print)*
Charles K. Davis
Secretary

☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected

BOE-305-AH (S1) REV.6 (2-06) Rec'd CL # 11145 APPLICATION NUMBER: 12-081

Filed with Kings County Clerk of the Board

APPLICATION FOR CHANGED ASSESSMENT

$1600

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Assessment Roll FY 2012-2013
Mail to: Clerk of the Board of Supervisors
1400 W. Lacey Blvd., Hanford, CA 93230

SEP 7 2012
Received by: [signature]

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DAYTIME PHONE: (404)209-2658 ALTERNATE PHONE: (404)209-2692 FAX NUMBER: ( )
E-MAIL ADDRESS: cindy.kallenberg@olamnet.com

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PERSON TO CONTACT *(if other than above) (last, first, middle initial)*

STREET ADDRESS/P.O. BOX NUMBER

CITY STATE ZIP CODE

DAYTIME PHONE ( ) ALTERNATE PHONE ( ) FAX NUMBER ( )

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TITLE DATE

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024-051-024-000
UNSECURED: ACCOUNT/TAX BILL NUMBER

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1555 19th Ave.
Lemoore, CA 93245

Filed with Kings County Clerk of the Board SEP 13 2012 Received by: [signature]

PROPERTY TYPE:
- ☐ Single-Family Residence/Condo/Townhouse
- ☐ Apartments (Number of Units ______)
- ☒ Commercial/Industrial
- ☐ Vacant Land
- ☒ Agricultural
- ☐ Other ______
- ☐ Business Personal Property/Fixtures

Is this property an owner-occupied single-family dwelling?
☐ Yes ☒ No

4. VALUE	A. VALUE ON ROLL	B. APPLICANT'S OPINION OF VALUE	C. APPEALS BOARD USE ONLY
LAND	133,134	13,300	
MINERAL RIGHTS			
IMPROVEMENTS/STRUCTURES	779,828	80,000	
TREES & VINES			
FIXTURES			
PERSONAL PROPERTY			
TOTAL	912,962	93,300	
PENALTIES			

5. TYPE OF ASSESSMENT BEING APPEALED *(check one)*
IMPORTANT — SEE INSTRUCTIONS FOR FILING PERIODS
- ☐ Regular Assessment — Value as of January 1 of the current year
- ☐ Supplemental Assessment — **ROLL YEAR** ______
  Attach 1 copy of Notice or Tax Bill
  Date of Notice or Tax Bill ______
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  Date of Notice or Tax Bill 7/17/2012

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- ☐ **I. Other:** Explain below or attach explanation.

7. WRITTEN FINDINGS OF FACTS (<u>$45.00 per hour</u>) ☒ Are requested ☐ Are not requested

8. ☒ **Yes** ☐ **No** Do you want to designate this application as a claim for refund? *Please refer to instructions first.* ***CHECK ONLY ONE BOX***

CERTIFICATION

I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct, and complete to the best of my knowledge and belief and that I am (1) the owner of the property or the person affected (i.e., a person having a direct economic interest in the payment of the taxes on that property–"The Applicant"), (2) an agent authorized by the applicant under Item 2 of this application, or (3) an attorney licensed to practice law in the State of California, State Bar No. ______, who has been retained by the applicant and has been authorized by that person to file this application.

SIGNATURE: [signature] SIGNED AT CITY: College Park STATE: GA DATE: 8/29/12

NAME AND TITLE *(please type or print)*
CHARLES K DAVIS ☒ Owner ☐ Agent ☐ Attorney ☐ Spouse ☐ Registered Domestic Partner ☐ Child ☐ Parent ☐ Person Affected
SECRETARY