Coldstream Downs Dairy Farm Limited

ANNUAL REPORT 2016/2017

ROGER DICKIE
NEW ZEALAND

TABLE OF CONTENTS

DIRECTORS ANNUAL REPORT

The final production for the 2016/2017 season was 317,991 kgMS achieved by our variable order sharemilker Jason Checketts. This was up 2.6% on the target of 310,000 kgMS and 0.9% up on last season. This is the second highest production for the farm, which is a very good achievement.

The final payout announced by Fonterra was $6.12/kgMS. We also received dividend payments totalling 40 cents per share for our 317,750 Fonterra Shares.

As at the balance date, the term loan had a balance of $1,228,000, and the interest rate for the term loan was 3.35%. Though there is an overdraft facility available to Coldstream at an interest rate of 7.67%, the directors resolved to operate at a zero balance and take advantage of the more favourable term loan interest rate, by drawing down from the available funds when needed. By taking this approach Coldstream did not utilise the available overdraft facility.

The $82,348 Fonterra interest free support loan that the directors took advantage of in the 2015/2016 season remained interest free until the 31st May 2017. Interest will begin to be charged from the 1st June 2017 at a rate of 2.45%. With such a favourable interest rate the directors have decided not to make any active repayments of the loan, but instead follow Fonterra's repayment plan. This will see an automatic repayment of $38,158.91 in October from the final retrospective payment and the balance being paid in October 2018.

A valuation of all land & buildings and stock was completed by Logan Stone Limited and PGG Wrightson Limited for the financial year and summary documents are included in this annual report. Coldstream was given a total value of $12,032,275. This was made up of the following values, land and buildings of $8,700,000, Fonterra Shares, of which we hold 317,750 and were valued at $6.00 each at the end of the financial year, totalling $1,906,500 in value and all stock for the operation at $1,425,775. It should be noted that this is a drop in value of $226,762 from the previous financial year. As the dairy industry continues to recover over the next twelve months we are confident that the asset value will increase.

The share value for Coldstream from the current accounts gives a net asset backing value of $2.55 per share.

For the 2016/2017 season the farm working expense (FWE) were $4.40/kgMS. With high production and a good milk price Coldstream has finished the season with a cash surplus of $453,843.00, which is a good result. The directors intend to pay a cash dividend of $315,000 be paid to shareholders. This equates to 7 cents per share plus imputation credits (Please note imputation credits only apply to New Zealand shareholders).

The total capital expenditure for the year was $37,399. This comprised of a $20,500 for a tip trailer, $9,330 for continuing the riparian fencing, $4,369 for continuing to clear drains on the farm and $3,200 for a new heat pump for the sharemilkers house.

This year also saw Richard Bourne and Kate Murdoch host another successful bi-annual Shareholders visit to Coldstream. The bi-annual visit gives our shareholders the opportunity to visit the farms and meet our sharemilker. We received very positive feedback from those that attended and they expressed how much the presentation of the farm had improved since the last visit, two years ago.

The end of the 2016/2017 season also saw the end of Jason Checketts time at Coldstream. After performing so well in his first and second year, we were very disappointed Jason announced late in the season that he was departing. This seems to be the nature of the dairy business and we have resolved to make sure new season contracts are signed earlier in future. It is normally our plan to offer a one year contract to new sharemilkers and follow up with a two or three year contract if we are happy with their performance. Jason would only sign a one year contract for his second year. We would like to wish him all the best with his next venture within the dairy industry.

I would like to take this opportunity to thank my fellow Directors Jeff Whitlock and Stephen Barr, our Variable Order Sharemilker Jason Checketts and Jack Ballam for their contributions over the past year.

Farm Update – Current Season

The production forecast for the 2017/2018 season has been set at 315,000 kgMS. For the 2017/2018 season Jack Ballam and I employed Peter Perkin as our new variable order sharemilker at Coldstream. Peter has worked in the dairy industry for 25 years and comes from a farm that has worked within the Jack Ballam management system for two to three years and considered him a reliable choice.

Currently production at Coldstream is tracking 9.2% behind last season. This is due to the 2016 Spring being unprecedented and resulted in outstanding early production.

For the current season, Fonterra has forecast a milk price for the 2017/2018 season of $6.75. As milk prices are starting to show stability we have established a maintenance schedule for the next three years to ensure we continue to improve the quality of the farm. At the end of the 2016/2017 season the farm dairy was not able to meet the MPI milk cooling requirements, as such we have had to install a snap chill unit for this coming season. The directors have also made the decision to install a Protrack automatic drafting system.

LIC who operate the systems are offering a twenty month interest free payment terms, which the directors have taken advantage of.

In a move to minimise the impact on the farm business the directors have agreed to continue no principal payments for the 2017/2018 season and stay with interest only repayments. We have also re-financed the loan which now has an interest rates of 3.80% floating.

I look forward to seeing you at the AGM.

Kind Regards

Roger Dickie
Director
Coldstream Downs Dairy Farm Limited

VOSM ANNUAL REVIEW – Jason Checketts

Well another season is now done and dusted, with some pleasing results with farm performance and also financial performance.

Good grass growth at the start of the season, allowed for cows to be fed very well over the start of spring and through mating. Good feed on hand meant that we were able to achieve strong early production at the right time of the year.

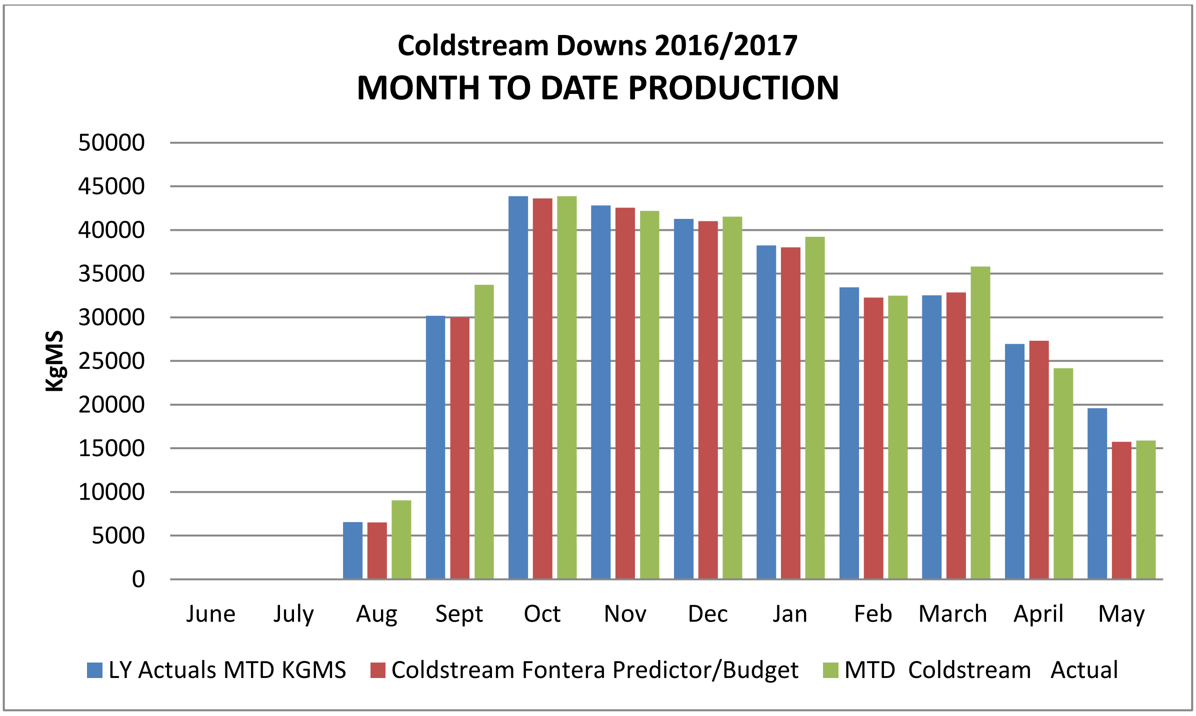
Summer finally arrived in early February, which gave us a great spell of weather which was very warm whilst also getting regular rain which made for excellent growing conditions.

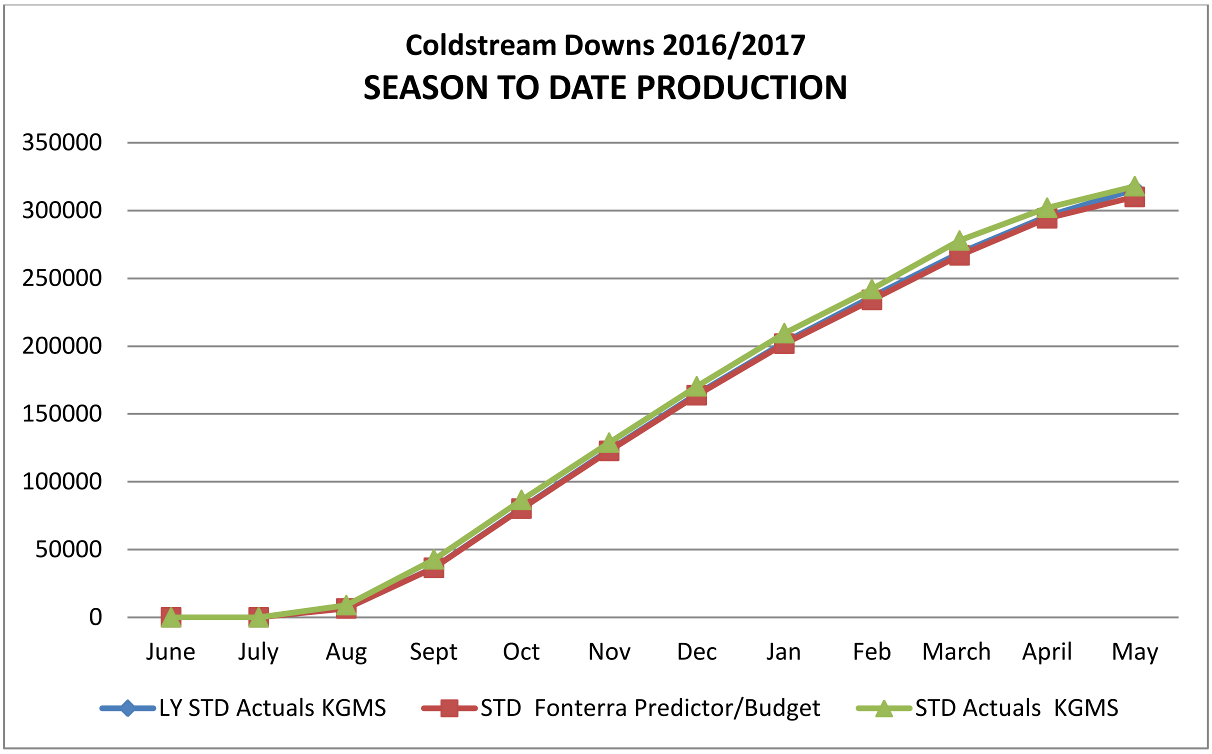
It was great to meet a number of you at our shareholders day back in March. The feedback was all positive, which is very satisfying for me personally and also my staff to know that our hard work is appreciated from the owners.

Since then the focus has been mainly on making sure the cows are in as best possible condition for the coming season.

Production

Final production for the season was 317,991kgMS, the second highest production for the farm and the highest with the current stocking rate. This season at Coldstream saw 765 cows peak milked on 287 hectares (ha) of land giving production comparisons of 416kgMS/cow and 1,108kgMS/ha.





I have thoroughly enjoyed the last two seasons here and wish the new sharemilker all the best, and hope that he can lift the farm and its performance even further.

Kind Regards

Jason Checketts

RESOLUTIONS

Appointment of Auditor

It is moved that Silks Audit Chartered Accountants of Wanganui be appointed auditors for Coldstream Downs Dairy Farm Limited.

Moved:	Jeff Whitlock	Director
Seconded:	Roger Dickie	Director

Appointment of Director

In accordance with the constitution Roger Dickie retires as a Director and Roger is available for re-appointment. That Roger Dickie is re-appointed as a Director.

VALUATIONS

Coldstream Downs Limited
1741 Waimea Valley Road
SOUTHLAND

Desktop Market Valuation prepared for:

Roger Dickie Limited

As at 31 May 2017

LOGANSTONE
PROPERTY ■ SOLUTIONS ■ VALUATION

Please note this is a summary document and a full valuation is available on the website.

Mtr No: 170531 5534 Coldstream Short report

1.0 INTRODUCTION

1.0.1 Further to instructions from Kate Murdoch we have undertaken a 'Desktop' market valuation appraisal on the above property in order to assess the market value for financial reporting purposes. As per instructions we have been advised not to re-inspect the property and have therefore relied on an inspection undertaken on 4 May 2015 and described in our previous full report dated 12 June 2015. We have been advised there have been no substantial changes to the property since this date and base our assessment on the property being in similar physical condition.

1.0.2 Due to not re-inspecting the property and not providing a full report this report does not comply with International Valuation Standards.

1.0.3 The report complies with NZ IAS 16 and can be relied upon by Silks Audit for financial reporting purposes.

1.0.4 Your instructions, as per our scope of work agreement, require us to make the following valuation assessments;

- Market Value as at 31 May 2017.

2.0 PROPERTY CONCLUSIONS

2.0.1 An estate in fee simple 349.9645 hectare dairy milking platform situated in the Nine Mile district of Northern Southland which has been converted some 16 years. Currently milking approximately 800 cows and producing circa 314,000 kg milk solids this season. From a dairying perspective location is regarded as fair. Climate is suited for seasonal supply dairy land use although summer dry spells are common. The land is mostly of undulating to rolling contour with predominantly deep soils showing good fertility levels. Overall layout is good being well subdivided into 50 paddocks, reticulated water supply and well raced. Housing includes three good quality dwellings with a further dwelling being warranted. The milking shed is of good capacity and condition. There are adequate supporting farm buildings. Overall a medium quality dairy platform due to location being tidily presented and achieving slightly below Southland average production based on a low supplement import system. We estimate average efficient production to be 314,000 kilograms of milk solids (1,003 kg ms / effective ha).

3.0 VALUATION CONCLUSIONS

3.0.1 The appropriate valuation approaches for estimating the market value of a dairy unit (where a dairy platform is deemed the highest and best land use) are the market approach and income approach.

3.0.2 Under the market approach umbrella we use two main methodologies;

i) A summation approach on a per hectare basis. In this approach we determine the relevant classes of land at a land value level and add the added value of improvements, and chattels and plant as appropriate. This is then compared at a market value per hectare level.

ii) A summation approach on a per kilogram of milk solids based on estimated average efficient production.

3.0.3 Under the income approach umbrella the two methodologies used are;

i) A capitalisation of the Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) under average efficient management after an allowance for Wages of Management. This capitalized sum provides an estimate of the Total Farm Capital required to operate the business as a standalone unit. Deduction for stock, plant and Fonterra shares are required to arrive at the appropriate realty basis that as dairy units normally transact in the market. The milk price is based on the average past five year actual and current forecast under average efficient management production levels.

ii) A multiplier of the milk price which is based on the average past five year actual and current forecast under average efficient management production levels.

3.0.4 The above approaches are supported by analysed benchmark levels from sales deemed most comparable in the market.

3.0.5 Our opinion of the quality of market evidence available is outlined in the below table:

Factor	Quality
Number of comparable sales	Poor
Recent time frame	Poor
Direct Comparability	Limited

3.0.6 When assessing the market value of the subject property we have considered the property features and compared the sales of other properties that have transacted recently and have adjusted those sales to reflect the location, standard of improvements, plantings, mixed age of plants and productive capacities compared to the subject property.

3.0.7 There have only six unconditional dairy unit sales for 2016 to date. This is a reflection of the low confidence in the dairy sector at present due to low global commodity prices flowing through to poor farm gate returns on a historical basis. From the limited recent sales evidence there appears to be a continued decline in dairy farm sale prices over the 2016 year. In general the value drop is less for well-located and good quality dairy units with dairy units of lower quality, inferior locations and larger scale impacted greater.

3.0.8 While farm gate returns have improved for the 2016/17 season allowing many dairy businesses to return to profitability, the improved outlook has not yet flowed through to an increase in the number of dairy farm sales. Many dairy farm businesses appear more focused on improving their balance sheets before undertaking expansion through further land acquisition.

3.0.9 However the overall high indebtedness of the dairy industry remains, and with forecast milk prices for the 2017/18 season recently announced by several main dairy companies at circa $6.50 per kg milk solids it will be difficult for many to significantly reduce debt. Therefore the threat of an oversupply of dairy units coming to the market remains, but so long as financiers view their clients positions to be not deteriorating, it is probable most will be given further time to improve their financial positions. From the demand side the improved projected farm gate returns do not yet appear at a sufficient level to stimulate investor interest from off farm investors especially as volatility of dairy commodity prices remains.

3.0.10 Partially offsetting the better farm gate returns are a rising trend in mortgage interest rates and some uncertainty of the impact of proposed water quality rules of Environment Southland currently under submission.

3.0.11 Our income based valuation methodologies are based on a an average of the five past seasons milk prices and the current forecast milk price which currently gives an average milk price of $5.87 per kg milk solids. The resultant estimate of market value from these approaches is now higher than the more traditional comparable sales summation approaches. However we are placing more weight on the market approaches as a guide to market value as we do not have market evidence, since the milk price forecasts for 2017/18 were announced, to support if real estate market has responded positively.

3.0.12 In the Southland dairy property market it is our observation that there are generally three categories of dairy unit which have broad ranges of value bands. These bands are mostly influenced by quality of property and infrastructure, location and production per hectare. We have graded these properties as A, B, and C. 'A' type properties are quality, good soil and contour units in the Central Southland and Southland Plains districts which generally show good consistent production per hectare. 'B' type units are basic, reasonably well located properties with Southland average type production. 'C' type units are poorer dairy units which may have issues with buildings, location, contour and shape etc.

3.0.13 In our opinion we assess the subject property as a B category.

3.0.14 Below is a summary of our market analysis and market value estimates under each approach:

Valuation Approach	Market Value Estimate
Per Hectare	$8,700,000
Per kg Milk Solids. Average Efficient	$8,792,000
Income Capitalisation	$9,495,000
Multiplier of Milk Income	$9,585,000

3.0.15 Our preferred valuation approach is the summated valuation approach based on establishing the land value and summating the added value of improvements and associated chattels and plant as outlined as we consider this a more accurate approach to factor all the attributes of the subject property.

3.0.16 In assessing the value of the property we have undertaken an analysis of the property in the market particularly looking at the strengths and weaknesses specific to this property and how this relates to the wider market and economic conditions prevailing at date of the valuation and over the short term that may influence the demand and value levels.

Strengths & Opportunities	Weaknesses & Threats
• Well laid out. Good shelter • Good soil fertility • Good pastures • Low input production system • Good centrally sited milking shed • More supplementary feeding for production	• One dwelling short • Northern Southland location • Climate has summer dry risk • Environmental regulations • Volatile milk price pay-out • Soft Real estate Market

4.0 MARKET VALUATION

4.0.1 After examining all factors and subject to the overriding conditions we conclude the market value of the property as at 31 May 2016 is:

EIGHT MILLION SEVEN HUNDRED THOUSAND DOLLARS ($8,700,000)

Apportioned as follows:		
Value of Improvements		
– Residential Improvements	$461,000	
– Productive Buildings	$774,000	
– Other Improvements	$545,000	
		$1,780,000
Land Value		$6,760,000
Realty Value – Land & Buildings		$8,540,000
Household & Farm Chattels		$20,000
Milking & Effluent Plant & Equipment		$140,000
Market Value		$8,700,000

The above valuation assessment is plus Goods and Services Tax (if any).

4.0.2 Unit analysis

Area	349.9645 ha	(313ha effective pasture)
Ave Efficient Production	314,000 kg milk solids	(1003 kg ms / effective ha)
Land Value	$19,316 /ha	$21.53 /kg ms
Market Value (*net of shares*)	$24,860 / ha	$28.66 / kg ms

4.0.3 Fonterra Shares are not included.

4.1 Certification

Experience

4.1.1 'The principal signatory has a minimum of five years' experience in valuing the subject class of asset, has all appropriate qualifications and registrations enabling them to practice as a Valuer and has not been subject at any stage to disciplinary action by the relevant professional governing body to prevent them acting as a Registered Valuer.'

Independence

4.1.2 The signatories have no direct or indirect pecuniary or other interests in the property being valued and are not aware of any other potential conflicts of interest.

Professional Indemnity Cover

4.1.3 We certify that Logan Stone Limited hold professional indemnity insurance for an amount of up to $5 million and note this may be less than the requirement for insurance cover as set by the lender.

5.0 OVERRIDING CONDITIONS

- Our valuation is subject to the attached Statement of General Valuation Policies.
- This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become of aware of any factors that have any effect on the valuation. Unless otherwise stated our assessments are made in New Zealand Dollar currency.

6.0 DISCLAIMER

6.0.1 Logan Stone Ltd prohibits the publication of this report in whole or in part, or any reference thereto, or to the valuation figures contained therein, or to the names and professional affiliations of the valuer, without the written approval of the valuer as to the form and context in which it is to appear.

6.0.2 Our valuation has been completed in compliance with International Valuation Standard framework. International Valuation Standards IVS 101 – *Scope of Work*, International Valuation Standard IVS 102 – *Implementation*, International Valuation Standard IVS 103 – *Reporting*. We confirm that:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge;

COLDSTREAM DOWNS DAIRY FARM LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2017

COLDSTREAM DOWNS DAIRY FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

Coldstream Downs Dairy Farm Limited

DIRECTORY

Nature of Business	Dairy Farming in the South Island of New Zealand
I R D Number	90-631-691
Date of Incorporation	19/06/2002
Company Number	1629645
Registered Office	87 Weraroa Road Waverley
Securities Registrar	Roger Dickie (N Z) Limited S H 3 Waverley
Directors	R R Dickie S J Barr J H Whitlock
Accountants	Markhams Waverley Limited Waverley
Solicitors	Kensington Swan Wellington Horsley Christie Wanganui
Auditors	Silks Audit Chartered Accountants Limited Wanganui
Bankers	Bank of New Zealand Wanganui

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

Coldstream Downs Dairy Farm Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY, 2017

The business of the company through its subsidiaries Coldstream Downs Ltd and Coldstream Downs Sharemilking Ltd is dairy farming.

	THIS YEAR	LAST YEAR
The operating surplus (deficit) of the company for the year ended 31st May 2017 was	758,427	(12,545)
Taxation charge for the year was	(200,209)	91,356
Dividends Paid & Provided were	-	-
Capital Repaid to Minority was	-	(86,523)
Retained Earnings at 1st June 2016 were	1,363,379	1,371,091
Retained Earnings at 31 May 2017	$ 1,921,597	$ 1,363,379

It is not proposed to make any transfer to reserves.

The state of the company's affairs at 31st May 2017 was:-

Assets totalled	$ 8,164,054	$ 7,413,615
and were financed by		
Shareholders equity of	6,321,597	5,763,379
and liabilities of	1,842,457	1,650,236
	$ 8,164,054	$ 7,413,615

The Board of Directors present their annual report, including the financial statements of the Company for the year ended 31 May 2017.

Directors interests:

Directors holding office during the year were R R Dickie, S J Barr and J H Whitlock

There were no company shares acquired or disposed of by directors during the year

No entries were made into the company's interest register during the year

Administration Services amounting to $15,077 were provided to the Group by Roger Dickie (NZ) in which Roger Dickie, a director, has a controlling interest. The services were provided on normal commercial terms.

Accounting Services amounting to $9,165 were provided to the Group by Markhams Waverley Ltd in which Jeff Whitlock, a director, is also a director. The services were provided on normal commercial terms.

Directors fees of $922 were paid to Steve Barr during the year, and no other remuneration was paid to directors during the year

There were no donations made by the company during the year

No employees or former employees were paid in excess of $100,000 in the year

For and on behalf of the Board of Directors

Director
11 October 2017

Director
11 October 2017

SILKS AUDIT LTD CHARTERED ACCOUNTANTS SA

Coldstream Downs Dairy Farm Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2017

	Notes	GROUP 2017 $	PARENT 2017 $	GROUP 2016 $	PARENT 2016 $
Operating Revenue					
Stock Proceeds		177,579	-	180,260	-
Less Stock Purchases		(39,186)	-	(26,730)	-
Change in Livestock Values		38,484	-	(304,404)	-
Gross Income from Livestock		176,877	-	(150,874)	-
Milk Proceeds		1,956,767	-	1,240,185	-
Dividends Received		95,896	-	146,823	-
Interest Received		-	-	245	-
Sundry Revenue		5,627		8,890	
Revaluation of Investments - Fonterra	16	47,662		324,105	
Revaluation of Investments - Other		1,251	-	-	-
		2,284,080	-	1,569,374	-
Operating Expenses					
Rates & Insurance		27,635	-	28,281	-
Interest & Finance Charges		47,621	-	66,172	-
Animal Health		80,240	-	84,663	-
Audit Fees		10,250	-	9,371	-
Directors Fees		922	-	1,380	-
Feed, Hay & Silage		137,778	-	144,503	-
Grazing Fees		368,969	-	437,986	-
Sharemilker Payments		374,477	-	346,118	-
Other Farm Working Expenses		138,658	-	178,431	-
Pasture Maintenance		208,604	-	165,868	-
Repairs & Maintenance		68,263	-	50,856	-
Depreciation	8	62,236	-	58,283	-
Revaluation of Investments - Fonterra	16	-	-	-	-
Revaluation of Investments - Other		-	-	10,007	-
		1,525,653	-	1,581,919	-
Operating Surplus (Deficit) before Tax		758,427	-	(12,545)	-
Income Tax Expense	4	200,209		(91,356)	
Operating Surplus (Deficit) after Taxation		558,218	-	78,811	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		558,218	-	78,811	-
Attributable to Owners of the parent company		558,218	-	76,458	-
Attributable to Minorities		-	-	2,353	-
		558,218	-	78,811	-

Coldstream Downs Dairy Farm Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2017

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2017 - Group			
Total Comprehensive Income for Year	-	558,218	558,218
Capital Contributed (Repaid)	-	-	-
	-	558,218	558,218
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	558,218	558,218
Equity at Beginning of Year	4,400,000	1,363,379	5,763,379
Equity at End of Year	4,400,000	1,921,597	6,321,597
31 May 2017 - Attributable to Owners of Parent Company			
Total Comprehensive Income for Year	-	558,218	558,218
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	558,218	558,218
Equity at Beginning of Year	4,400,000	1,363,379	5,763,379
Equity at End of Year	4,400,000	1,921,597	6,321,597
31 May 2017 - Attributable to Minorities			
Total Comprehensive Income for Year	-	-	-
Capital Contributed (Repaid)	-	-	-
	-	-	-
Less Dividends Paid & Provided	-		-
Total Movement in Equity	-	-	-
Equity at Beginning of Year	-	-	-
Equity at End of Year	-	-	-
31 May 2017 - Parent			
Total Comprehensive Income for Year	-	-	-
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	-	-
Equity at Beginning of Year	4,400,000	(226,399)	4,173,601
Equity at End of Year	4,400,000	(226,399)	4,173,601

SILKS AUDIT LTD CHARTERED ACCOUNTANTS SA

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2017

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2016 - Group			
Total Comprehensive Income for Year	-	78,811	78,811
Capital Contributed (Repaid)	(236,153)	(86,523)	(322,676)
	(236,153)	(7,712)	(243,865)
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	(236,153)	(7,712)	(243,865)
Equity at Beginning of Year	4,636,153	1,371,091	6,007,244
Equity at End of Year	4,400,000	1,363,379	5,763,379
31 May 2016 - Attributable to Owners of Parent Company			
Total Comprehensive Income for Year	-	76,458	76,458
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	76,458	76,458
Equity at Beginning of Year	4,400,000	1,286,921	5,686,921
Equity at End of Year	4,400,000	1,363,379	5,763,379
31 May 2016 - Attributable to Minorities			
Total Comprehensive Income for Year	-	2,353	2,353
Capital Contributed	(236,153)	(86,523)	(322,676)
	(236,153)	(84,170)	(320,323)
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	(236,153)	(84,170)	(320,323)
Equity at Beginning of Year	236,153	84,170	320,323
Equity at End of Year	-	-	-
31 May 2016 - Parent			
Total Comprehensive Income for Year	-	-	-
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	-	-
Equity at Beginning of Year	4,400,000	(226,399)	4,173,601
Equity at End of Year	4,400,000	(226,399)	4,173,601

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2017

		GROUP 2017 $	PARENT 2017 $	GROUP 2016 $	PARENT 2016 $
Current Assets					
Cash and Cash Equivalents	6	453,783	-	5,452	-
Accounts Receivable		495,570	-	300,416	-
Feed on Hand		57,676	-	11,903	-
Provision for Taxation		-	-	1,346	-
Cattle on Hand	7	1,425,775	-	1,387,291	-
Loan to Subsidiary			4,173,600		4,173,600
Total Current Assets		2,432,804	4,173,600	1,706,408	4,173,600
Non Current Assets					
Shares in Fonterra	16	1,906,500	-	1,858,838	-
Shares in Sundry Companies		19,693	-	18,495	-
Shares in Subsidiary		-	1	-	1
Property, Plant & Equipment	8	3,805,057	-	3,829,874	-
Total Non-Current Assets		5,731,250	1	5,707,207	1
Total Assets		8,164,054	4,173,601	7,413,615	4,173,601
Current Liabilities					
Provision for Taxation		72,303	-	-	-
Current Portion of Term Liabilities	9	182,699	-	-	-
GST Payable		45,824	-	19,167	-
Accounts Payable		141,557	-	174,909	-
Total Current Liabilities		442,383	-	194,076	-
Non-Current Liabilities					
Deferred Tax	4	272,425	-	145,812	-
Fonterra Support Advance	9	34,649		82,348	
Bank of New Zealand Term Loan	9	1,093,000	-	1,228,000	-
Total Non-Current Liabilities		1,400,074	-	1,456,160	-
Equity					
Attributable to Owners of parent company		6,321,597	4,173,601	5,763,379	4,173,601
Attributable to Minorities		-	-	-	-
		6,321,597	4,173,601	5,763,379	4,173,601
Total Liabilities & Equity		8,164,054	4,173,601	7,413,615	4,173,601

For and on behalf of the board

Director
11 October 2017

Director
11 October 2017

SILKS AUDIT LTD CHARTERED ACCOUNTANTS SA

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2017

	Notes	GROUP 2017 $	PARENT 2017 $	GROUP 2016 $	PARENT 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		1,953,827	-	1,300,690	-
Tax Refunded				-	
GST		12,021		875	
Dividends		95,896	-	115,619	-
Interest		-		245	
		2,061,744	-	1,417,429	-
Cash was applied to:					
Operating Expenses		(1,528,340)	-	(1,475,665)	-
Interest Paid		(47,621)	-	(69,645)	-
GST		-	-	-	-
Taxation Paid		(86)	-	(22,792)	-
		(1,576,047)	-	(1,568,102)	-
Net cash inflow (outflow) from operating activities	11	485,697	-	(150,673)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets		53	-	-	-
Sale of Investments		-	-	-	-
		53	-	-	-
Cash was applied to:					
Minority's shares in Subsidiary		-	-	(200,000)	-
Loan to Subsidiary		-	-	-	-
Purchase of Fixed Assets		(37,419)	-	(20,302)	-
Purchase of Investments		-	-	(261)	-
		(37,419)	-	(220,563)	-
Net cash inflow (outflow) from investing activities		(37,366)	-	(220,563)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Share Capital Subscribed		-	-	-	-
Loan Advances		-	-	187,640	-
		-	-	187,640	-
Cash was applied to:					
Dividends Paid		-	-	-	-
Loan Repayment		-	-	-	-
		-	-	-	-
Net cash inflow (outflow) from financing activities		-	-	187,640	-
Net increase (decrease) in cash held		448,331	-	(183,596)	-
Balance at beginning of year		5,452	-	189,048	-
Balance at end of year 31 May 2017	6	453,783	-	5,452	-

These Statements should be read in conjunction with the notes to the financial statements

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2017

1. Summary of Significant Accounting Policies

Reporting Entity

Coldstream Downs Dairy Farm Ltd is a company registered under the Companies Act 1993.

The group consists of the Parent company Coldstream Downs Dairy Farm Ltd, which is an issuer, and its wholly owned subsidiary Coldstream Downs Ltd, and 100% subsidiary Coldstream Downs Sharemilking Ltd.

These financial statements are for a scheme registered under the Financial Markets Conduct Act 2013, and the have been prepared in accordance with the Financial Markets Conduct Act 2013
The Board authorise the release of these financial statements on 11 October 2017.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the group, with the exception that certain assets as specified below have been revalued.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with New Zealand equivalents to International Financial Reporting Standards. The financial statements also comply with International Financial Reporting Standards. For this purpose the company has designated itself as profit-oriented.

The financial statements comprise the consolidated financial statements of the group and the separate financial statements of the parent company.

The information is presented in New Zealand dollars which is the functional and presentation currency.

All figures in the Financial Statements have been rounded to the nearest dollar.

Basis of Preparation

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2018 or later periods, but the group has not early adopted them:

NZ IFRS 9 (2010) - Financial Instruments (Effective from 1 January 2018)
NZ IFRS 9 Financial Instruments specifies how an entity should classify and measure financial assets, and financial liabilities. NZ IFRS 9 is intended to replace NZ IAS 39 - Financial Instruments: Recognition and Measurement. NZ IFRS 9 is effective for accounting periods beginning 1 January 2018.
The standard is not expected to have a material impact on the Group's financial statements.

NZ IFRS 15 - Revenue (Effective from 1 January 2018)
The new standard establishes principles for reporting about the nature, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, and what disclosures to make about revenue.
The standard is not expected to have a material impact on the Group's financial statements.

NZ IFRS - Leases (Effective from 1 January 2019)
NZ IFRS 16 Leases will replace NZ IAS 17 leases. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for all leases, with the optional exception of short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted, if IFRS 15 Revenue from Contracts with Customers has also been adopted. This is not expected to have a material impact on the group's financial statements.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of profit and the financial position have been applied.

(a) Basis of Consolidation

The consolidated financial statements include the parent company and its subsidiaries accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation. In the parent company's separate financial statements investments in subsidiaries are stated at cost less any impairment losses.

(b) Property, Plant and Equipment

The company has these classes of property, plant and equipment:
- Freehold Land;
- Freehold Buildings;
- Plant, equipment & Motor Vehicles;

All property plant and equipment is initially recorded at cost.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the income statement and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on a Diminishing Value basis on all tangible property, plant and equipment other than freehold land and capital work in progress, at depreciation rates calculated to allocate the assets' cost over their estimated useful lives.

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY, 2017 (CONT.)

Major Depreciation Periods are:

- Land Development	25 years
- Freehold Buildings	50 years
- Plant, equipment & Motor Vehicles	5 to 15 years

(c) Impairment

At each reporting date, the carrying amount of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If a revalued asset is determined to be impaired, the impairment if firstly applied against the related component of the revaluation reserve, with any remaining impairment loss expensed in the income statement. If the impairment loss is subsequently reversed, the reversal is firstly applied to the income statement to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve. For assets which are not revalued, an impairment loss is expensed immediately to the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(d) Share Capital

Ordinary shares are classified as equity. Direct costs of issuing shares are shown as a deduction from the proceeds of the issue.

(e) Taxation

The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:

- Taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and
- Deductible temporary differences to the extent that it is probable that they will be utilised.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profit to utilise the temporary differences.

(f) Financial Instruments

Financial instruments are recognised in the Statement of Financial Position when the Company becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings.

(g) Receivables and Payables

Receivables and payables are initially recorded at fair value and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). The resulting amount for receivables is not materially different from estimated realisable value.

(h) Investments

Investments are recorded at fair value.

(i) Borrowings

Borrowings are initially recorded at fair value net of transaction costs incurred, and subsequently at amortised cost using the effective interest method.

All borrowing costs are recognised as an expense in the period they are incurred.

(j) Revenue

Revenue on sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(k) Cashflows

For the purpose of the cash flow statement, cash includes cash on hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

(l) Goods and Services Tax

These accounts have been prepared exclusive of Goods and Services Tax, except for accounts payable and accounts receivable, which are GST inclusive

(m) Biological Assets

Biological assets managed for producing into agricultural produce or for transforming into additional biological assets are measured at fair value, with unrealised gains or losses reported in the statement of financial performance as part of operating revenue. The livestock is valued at market value by an independent livestock agent at balance date.

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY, 2017 (CONT.)

(n) Feed on Hand

Feed on Hand has been valued at cost price

Changes In Accounting Policies

There has been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years

2. Issued Shares

	Group 2017	Parent 2017	Group 2016	Parent 2016
Ordinary Shares Issued	4,500,000	4,500,000	4,500,000	4,500,000
Opening Paid Up Capital	4,400,000	4,400,000	4,400,000	4,400,000
Further Capital Paid Up	-	-	-	-
Closing Paid Up Capital	4,400,000	4,400,000	4,400,000	4,400,000

All ordinary shares have been issued. There are 100,000 unpaid ordinary shares (2016: 100,000). All shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

3. Retained Earnings

	Group 2017	Parent 2017	Group 2016	Parent 2016
Balance as at 1 June 2016	1,363,379	(226,399)	1,371,091	(226,399)
Operating surplus (deficit) attributable to the shareholders of the parent company	558,218	-	76,458	-
Operating surplus (deficit) attributable to minorities	-	-	2,353	-
	1,921,597	(226,399)	1,449,902	(226,399)
Dividends Paid - Shareholders of Parent	-	-	-	-
Dividends Paid - Minorities	-	-	-	-
Purchase of Minority Shareholding	-		86,523	
Balance as at 31 May 2017	1,921,597	(226,399)	1,363,379	(226,399)

4. Taxation

	Group 2017	Parent 2017	Group 2016	Parent 2016
Net profit/(Loss) for the year	758,427	-	(12,545)	-
Prima facie income tax at 28%	216,212	-	(3,512)	-
Add (subtract) taxation effect of permanent differences	(1,939)			
Revaluation of Investments	(13,696)	-	(87,947)	-
Herd Scheme Value non-taxable adjustment	-	-	-	-
Recognition of tax losses not previously recognised	-	-	-	-
Dividend Received from Subsidiary	-	-	-	-
Imputation Credits Received	(368)	-	103	-
Income Tax Expense	200,209	-	(91,356)	-
The income tax expense is represented by:				
Current Tax	73,596	-	-	-
Deferred Tax	126,613	-	(91,356)	-
Income Tax Expense	200,209	-	(91,356)	-

There are no unrecognised income tax losses and timing differences carried forward (2016:Nil) for set-off against future assessable income subject to Inland Revenue Department Assessment.

5. Imputation Credit Account

	Group 2017	Parent 2017	Group 2016	Parent 2016
Balance as at 1 June 2016	492,955	-	469,794	-
Tax Refunded	(1,207)	-	(1,856)	-
Tax Paid	1,293	-	24,648	-
Imputation Credits Received	-	-	369	-
Imputation Credits attached to Dividends Paid	-	-	-	-
Balance as at 31 May 2017	493,041	-	492,955	-

SILKS AUDIT SA CHARTERED ACCOUNTANTS

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY, 2017 (CONT.)

6. Cash and Cash Equivalents

	Group 2017	Parent 2017	Group 2016	Parent 2016
Bank of New Zealand Cheque Accounts	453,783	-	5,452	-
Bank of New Zealand Call Accounts	-	-	-	-
Balance as at 31 May 2017	453,783	-	5,452	-

The Coldstream Downs Ltd overdraft is secured by a first mortgage over the farm property and perfected security interest in all present and after acquired property, including livestock, of Coldstream Downs Limited and Mortgage over Dairy Company Shares in Fonterra Co-Operative Ltd. The limit is $300,000 and the interest rate at year end is 7.45%

7. Stock on Hand

	No.	Group 2017	Parent 2017	No.	Group 2016	Parent 2016
R1 Heifers	143	125,125	-	169	114,920	-
R2 Heifers and Mixed Age Cows	777	1,300,650	-	815	1,272,371	-
						-
	920	1,425,775	-	984	1,387,291	-

Stock is stated at market value as at 31 May 2017 based on a valuation by PPG Wrightson Limited, Gore, dated 31 May 2017. PPG Wrightson Limited are independent specialist dairy livestock agents.

Reconciliation of Numbers:	No.	$	No.	$
Opening Stock	984	1,387,291	1106	1,691,695
Purchases	19	39,186	14	26,730
Sales	-694	-177,579	-794	-180,260
Increase/decrease in values of cattle		176,877		-150,874
Natural Increase	624	0	729	0
Deaths & Missing	-13	0	-71	0
Closing Stock	920	1,425,775	984	1,387,291

8. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Motor Vehicles	Total
1 June 2016:						
Cost Price	2,888,612	716,317	201,022	456,089	117,251	4,379,291
Accumulated Depreciation	-	(163,482)	(66,981)	(256,264)	(62,690)	(549,417)
Net Book Value	2,888,612	552,835	134,041	199,825	54,561	3,829,874
Additions			13,699	3,220	20,500	37,419
Disposals	-	-	-	-	-	-
	2,888,612	552,835	147,740	203,045	75,061	3,867,293
Depreciation	-	14,851	8,364	29,608	8,793	61,616
Loss/(Gain) on Sale	-	-	-	371	249	620
Net Book Value	2,888,612	537,984	139,376	173,066	66,019	3,805,057
31 May 2017:						
Cost Price	2,888,612	716,317	214,721	457,951	136,726	4,414,327
Accumulated Depreciation	-	(178,333)	(75,345)	(284,885)	(70,707)	(609,270)
Net Book Value	2,888,612	537,984	139,376	173,066	66,019	3,805,057
1 June 2015:						
Cost Price	2,888,612	716,317	201,022	441,787	111,251	4,358,989
Accumulated Depreciation	-	(155,224)	(58,521)	(222,047)	(55,342)	(491,134)
Net Book Value	2,888,612	561,093	142,501	219,740	55,909	3,867,855
Additions	-	-	-	14,302	6,000	20,302
Disposals	-	-	-	-	-	-
	2,888,612	561,093	142,501	234,042	61,909	3,888,157
Depreciation	-	8,258	8,460	34,217	7,348	58,283
Loss/(Gain) on Sale	-	-	-	-	-	-
Net Book Value	2,888,612	552,835	134,041	199,825	54,561	3,829,874
31 May 2016:						
Cost Price	2,888,612	716,317	201,022	456,089	117,251	4,379,291
Accumulated Depreciation	-	(163,482)	(66,981)	(256,264)	(62,690)	(549,417)
Net Book Value	2,888,612	552,835	134,041	199,825	54,561	3,829,874

The parent company does not own any property, plant or equipment

9. Non Current Liabilities

	Group 2017	Parent 2017	Group 2016	Parent 2016
B N Z Term Loan - Current	135,000	-	-	-
B N Z Term Loan - Term	1,093,000	-	1,228,000	-
Fonterra Price Support Loan - Current	47,699			
Fonterra Price Support Loan - Term	34,649	-	82,348	-
	1,310,348	-	1,310,348	-

Repayable as follows:

	Group 2017	Parent 2017	Group 2016	Parent 2016
Less than 1 Year	182,699	-	-	-
Between 1 - 2 Years	214,649	-	82,348	-
Between 2 - 5 Years	913,000	-	1,228,000	-
Greater than 5 years	-	-	-	-
	1,310,348	-	1,310,348	-

a) The bank loans and overdraft are secured by a first mortgage over the farm property and perfected security interest in all present and after acquired property, including livestock, of Coldstream Downs Limited and Mortgage over Dairy Company Shares in Fonterra Co-Operative Limited, and perfected security interest in all present and after acquired property, including Livestock, of Coldstream Downs Sharemilking Limited.

b) The bank does not currently have any financial covenants in place.

c) The bank loans have a limit of $1,785,000 reducing quarterly instalment of $45,000 commencing 31 October 2017. The current interest rate is 3.35 pa. basis.

d) The Fonterra Price Support Loan has an interest rate of 2.47% from 1 June 2017, and repayments commence once the milk price reaches $6 per kilogram.

10. Financial Instruments

Credit risk

To the extent that the Group entities have a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject Group entities to credit risk principally consist of bank balances, receivables, other assets.

The Issuing Group manages its exposure to credit risk

Maximum exposures to credit risk at balance date are shown on the Statement of Financial Position as current and term assets. No collateral is held on these amounts.

Concentrations of credit risk

Group accounts receivable include $472,742 (2016: $229,928) receivable from Fonterra. The group does not have any other significant concentrations of credit risk.

Currency and interest rate risk

There is currency risk to the extent that income is dependant on the sale price achieved by Fonterra Co-Operative Group who in turn incurs currency risk. Group entities have exposure to interest rate risk to the extent that they borrow for a fixed term at fixed rates.

Fair values

The carrying values of financial instruments in the Statement of Financial Position are considered to be fair values and include interest accruals that are included in current receivables and payables.

Liquidity Risks

Liquidity risk represents the Issuing Groups ability to meet its financial obligations on time. For the most part the Company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls. The Issuing Group has a total bank overdraft facilities of $300,000. At balance date none (2016: Nil) of this has been borrowed by the Company.

Liquidity Forecasts

Management supervises liquidity by monitoring short-term and long-term cash flows for up to 5 years.

Interest Rate Risk

The Issuing Group has exposure to interest rate risk to the extent that it borrows for at floating interest rates.

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11. Reconciliation of Operating Surplus to Net Operating Cash Inflow/(Outflow)

	Group 2017	Parent 2017	Group 2016	Parent 2016
Net Surplus/(Deficit) after tax for the year	558,218	-	78,811	-
Add (less) non cash items:-				
- Revaluation of Investments	(48,913)	-	(314,098)	-
- Depreciation	61,616		58,283	
- (Gain)/Loss on Sale of Fixed Assets	620	-	-	-
	571,541	-	(177,004)	-
Add (less) movement in other working capital items:				
Increase (decrease) in accounts payable	(33,353)	-	(40,027)	-
(Increase) decrease in livestock on hand	(38,484)	-	304,404	-
(Increase) decrease in accounts receivable	(195,154)	-	(172,409)	-
(Increase) decrease in feed on hand	(45,773)	-	13,879	-
Increase (decrease) in GST payable	26,657	-	11,331	-
Increase (decrease) in Taxation Payable	73,650	-	509	-
Increase (decrease) in Deferred Tax payable	126,613	-	(91,356)	-
Net cash inflow (outflow) from operating activities	485,697	-	(150,673)	-

12. Contingent Liabilities & Contingent Assets

At 31 May 2017 the Company has no significant contingent assets or contingent liabilities. (2016: $Nil)

13. Capital Commitments & Non-Cancellable Operating Leases

The company contracted to purchase an LIC Protrack System for 78,850 + GST on 22 May 2017. $15,770 + GST is payable in July 2017, followed by 24 monthly instalments of $2,628

At 31 May 2017 there were no other capital commitments and no non-cancellable operating leases. (2016: $Nil)

14. Events After Balance Date

The current sharemilker was replaced from the commencement of 2018 season.

The Fonterra milk price forecast for the 2018 season is $6.75 as at 27 July 2017.

There were no other significant events occuring after balance date.

15. Investment in Subsidiaries

	2017	2016	Business
Coldstream Downs Limited	100%	100%	Dairy Farming
Coldstream Downs Sharemilking Limited	100%	100%	Non Trading

The Company owns 100 ordinary shares in Coldstream Downs Limited (unpaid), and Coldstream Downs Limited owns 100% (2016: 100%) of Coldstream Downs Sharemilking Limited.

16. Investment in Fonterra Co-operative Group Limited

	2017 No.	2017 $	2016 No.	2016 $
Shares held at 1 June 2016	317,750	1,858,838	317,750	1,534,733
Shares Purchased	-		-	
Revaluation of Shares	-	47,662	-	324,105
Shares held at 31 May 2017	317,750	1,906,500	317,750	1,858,838

17. Related Party Transactions

a) The subsidiary paid administration fees of $15,077 (2016: $77,734) to Roger Dickie (NZ) Ltd, in which Roger Dickie, a director, has a controlling interest. The amount owing at balance date was $16,720 (2016: $47,995).

b) Accounting Services amounting to $9,165 (2016 $14,220) were provided to the Group by Markhams Waverley Ltd in which Jeff Whitlock, a director, is also a director. The amount owing at balance date was $5,000 (2016: $7,000)

c) The subsidiary paid Steve Barr directors fees of $922. (2016: $1,380)

d) Coldstream Downs Limited has an advance from the parent of $4,173,600 (2016: $4,173,600). No interest has been charged on this advance

e) No related party debts have been written off or forgiven during the year.

18. Significant Judgements & Uncertainties

The preparation of financial statements of necessity involves judgement and estimation. The only significant estimation required for the year is the valuation of livestock. There is a ready market for diary livestock in the area, and the livestock is counted and valued annually by an independent expert, PPG Wrightson Limited

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INDEPENDENT AUDITORS REPORT

To the Shareholders of Coldstream Downs Dairy Farm Limited

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Coldstream Downs Dairy Farm Limited and its subsidiaries (the Group) on pages 3 to 13, which comprise the consolidated statement of financial position as at 31 May 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 May 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

Other information
The directors are responsible on behalf of the Group for the other information. The other information comprises the Annual Report and Directors Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based, on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors Responsibilities for the Financial Statements
The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A detailed description of the auditors' responsibilities including those related to assessment of risk of material misstatement, evaluation of appropriateness of going concern assumptions and determining key audit matters are available on the external reporting board website:
http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/

Restriction on Distribution or Use
This report is made solely to the Shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company Shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Other Matter
The Company did not have the 2017 financial statements and auditor's report filed with the Registrar for registration as required by paragraph 461h of the Financial Markets Conduct Act 2013 within 4 months of balance date.

Silks Audit

Cameron Town
Silks Audit Chartered Accountants Ltd
Whanganui, New Zealand

Date: 11 October 2017