

EASTBOURNE DAIRY FARM LIMITED

2017 VALUATION



**Eastbourne Dairy Farm Limited
11 Eastbourne Park Road
SOUTHLAND**

Desk Top Market Valuation prepared for:

Roger Dickie Limited

As at 31 May 2017



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APPENDICES

Appendix A Statement of General Valuation Policies

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1.0 INTRODUCTION

- 1.0.1 Further to instructions from Kate Murdoch we have undertaken a 'Desk Top' 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 A 170.8633 hectare dairy milking platform situated in the Thornbury district of Southland which has been converted approximately 12 years. Milking 490 cows and producing 228,000 kilograms of milk solids for the 2016/17 season. From a dairying perspective location is regarded as good. Climate is suited for seasonal supply dairy land use. The land is of flat to undulating contour and deep soils with pastures in good heart. Overall layout is good being well subdivided into 51 paddocks, bore reticulated water supply and well raced. Housing includes three dwellings which are of adequate number of fair to good quality. The milking shed is of adequate capacity and in good condition. There are adequate supporting farm buildings including a calving shed and feed pad for 240 cows. Overall a good quality dairy platform being tidily presented and achieving above Southland average production based on a higher supplement import system. We estimate average efficient production to be 218,000 kilograms of milk solids (1389 kg ms / effective ha).

3.0 VALUATION CONCLUSIONS

- 3.1.1 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.
- 3.1.2 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.

3.1.3 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.

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

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

Factor	Quality
Number of comparable sales	Fair
Recent time frame	Fair
Direct Comparability	Fair

3.1.6 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.

3.1.7 There have only six unconditional dairy unit sales for 2017 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.

3.1.8 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 focused on improving their balance sheets before undertaking expansion through further land acquisition.

3.1.9 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.

- 3.1.10 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.
- 3.1.11 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.
- 3.1.12 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.
- 3.1.13 In our opinion we assess the subject property as an A category.
- 3.1.14 Below is a summary of our market analysis and market value estimates under each approach:

Valuation Approach	Market Value Estimate
Per Hectare	\$6,550,000
Per kg Milk Solids. Average Efficient	\$6,540,000
Income Capitalisation	\$7,220,000
Multiplier of Milk Income	\$7,166,000

- 3.1.15 Our preferred valuation approach is the summated valuation approach based on establishing the land value and summing 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.
- 3.1.16 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 - Softening 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 2017 is:

SIX MILLION FIVE HUNDRED AND FIFTY THOUSAND DOLLARS
(\$6,550,000)

Apportioned as follows:

Value of Improvements	
– Residential Improvements	\$526,000
– Productive Buildings	\$374,000
– Other Improvements	\$590,000
	\$1,490,000
Land Value	
	\$4,950,000
Realty Value – Land & Buildings	\$6,440,000
Household & Farm Chattels	\$30,000
Milking & Effluent Plant & Equipment	\$80,000
Market Value	
	\$6,550,000

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

4.0.2 Unit analysis

Area	170.8633 ha	(157ha effective pasture)
Ave Efficient Production	218,000kg milk solids	(1389kg ms / effective ha)
Land Value	\$28,971/ha	\$22.71/kg ms
Market Value (<i>net of shares</i>)	\$38,335 ha	\$30.05/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 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;

- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property;
- The Valuer's fee is not contingent upon any aspect of this report;
- The valuation was performed in accordance with an ethical code and performance standards;
- The Valuer has satisfied professional educational requirements;
- The Valuer has experience in the location and category of the property being valued;
- The Valuer has made a personal inspection of the property; but not re-inspected for the purpose of this report.
- The Valuer holds an Annual Practicing Certificate; and
- No one except those specified in the report, has provide professional assistance in preparing the report.

6.0.3 Should you require any further advice, do not hesitate to contact us.

Yours faithfully

LOGAN STONE LTD



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7.0 VALUATION METHODOLOGY

7.0.1 The report complies with (but excluding re-inspection and full report);

International Valuation Standards (IVS)

- International Valuation Standards IVS 101 – *Scope of Work*
- International Valuation Standards IVS 102 – *Implementation*
- International Valuation Standards IVS 103 – *Reporting*
- International Valuation Standards IVS 230 – *Real Property Interests*

API & PINZ Valuation Guidance Notes (ANZVGN)

- Property Institute of New Zealand ANZVGN10 – *Valuation of Agricultural Properties*

PINZ Valuation Guidance Notes (NZVGN)

- Property Institute of New Zealand NZVGN1 – Valuations for use in New Zealand Financial Reports

API & PINZ Real Property Guidance Notes (ANZRPGN)

- Property Institute of New Zealand ANZRPGN1 – Disclaimer Clauses & Qualification Statements

IFRS (NZIAS Accounting Standards)

- IFRS 13 – Fair Value Measurement
- IFRS 16 – Property, Plant and Equipment

Highest and Best Use

7.0.2 Under the Market Value definition to establish the value of the asset consideration must first be given to the highest and best use of those assets. Also consideration and then determination of the marketing period in the present market conditions considering the wider economic and more specific market drivers that are occurring in this and the wider primary sectors at date of the valuation report to determine the likely realisation period. This is summarised as follows;

Asset	Highest and Best Use	Realisation Period Months	Alternate Highest and Best Use
11 Eastbourne Park Road	Dairy milking platform	6 to 8	Dairy Support

Market value is defined as:

7.0.3 “Market Value is the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion.”

7.0.4 In considering the willing buyer/willing seller definition we have determined that the marketing period in the present market conditions would be six to eight months. This time period considers the wider economic and more specific market drivers that are occurring in this and the wider primary sectors at date of the valuation report.

7.0.5 Most dairy unit sales are made including land and improvements, Fonterra shares, farm and household chattels, milking shed plant and equipment, effluent plant and supplements for a 1 June delivery. It is on this basis that we will assess the fair market value of the subject property (but excluding Fonterra shares and supplements).

Plant and Equipment

7.0.6 The valuation of the property includes the following items of plant and equipment:

-
1. Milking shed, plant and equipment.
 2. Effluent plant equipment.
 3. Farm chattels i.e. electric fence units.
 4. Household chattels - normal.
-

7.1 Shares

7.1.1 This property has been assessed excluding any Fonterra shareholding held by the owner (if any).

8.0 EMISSION TRADING SCHEME

8.0.1 Our valuation is made on the following basis in relation to ETS obligations based on information supplied:

- There are no pre 1990 forests associated with the property which will attract deforestation liabilities
- The property is not registered as a participant under the Climate Change Response Act 2002
- If, on the provision of further information, confirming areas, status or liabilities are different from our above assessments, Logan Stone reserves the right to alter the valuation assessment accordingly.

9.0 MARKET EVIDENCE

9.0.1 The valuation has been determined by comparison to known sales of similar properties initially in this locality but also further afield if required. These sales have been fully analysed into the various components that they contain with adjustments then made for size, floor areas, age and condition of improvements, location and date of sale.

9.0.2 From the available market evidence, the transactions highlighted red in the below comparable sales analysis summary are those considered to be the most relevant to the subject property. The sale information is information that is publicly available. We have applied our own estimates of average efficient production as these may alter from production levels as advertised with the property. Further information is likely to be held by Logan Stone on the analysed property. This information often collected from inspections and valuations has been provided to us on a confidential basis and is not deemed to be public and therefore cannot be reproduced within this document. The Net Sale Price includes land and improvements, household and farm chattels and milking shed plant and equipment but excludes Fonterra shares, the Net Sale Price per hectare is the Net Sale Price divided by the title area, while the Productive Land Value per hectare is the productive land value exclusive of the lifestyle component, if any, over the total area.

9.1 Comparable Sales

9.1.1 The below comparable sales summary are recent sales that we have relied on in establishing the market value of the subject property.

9.1.2 We have placed greater weight on those sales highlighted red.

														ROTFC (ave efficient) rolling 5yr plus forecast ave payout	MV Net as multiplier of Milk Price - ave eff. 5 yr ave plus forecast	
Address	Sale Date	Sale Price	Area (ha)	kg milk solids per ha	Sale Price per ha net of Shares	Sale price per kg milk solids net of Shares	SP / ave eff kg ms	Land value per ha	Land value per kg milk solids	LV/ave eff kg ms	Comments	Quality Ranking	Relationship to subject property			
119 Dobbie Road, Edendale	23/11/2016	\$8,010,000	182.5	1183	\$43,879	\$37.08	\$37.08	\$34,950	\$29.54	\$29.54	Purchased by Fonterra for factory liquid effluent. Premium paid. Run in conjunction with adjoining land and some land leased for tulip bulbs. Good Edendale soils dominant soil type. Good main dwelling and worker accommodation unit. 54 bail rotary. Adequate farm buildings.	A	Better	3.8%	6.60	
615 Omutu Road, Ermedale	1/02/2017	\$5,100,000	178.1	1003	\$28,633	\$28.54	\$28.39	\$22,375	\$22.30	\$22.19	Below average producing platform. Undulating / rolling Waimatuku, Woodlands, Oteramika and Makarewa soils. Two dwellings, 36 herringbone milking shed. Full range farm buildings.	B	Inferior location	5.4%	4.90	
1747 Bluff Hgwy, Bluff	14/02/2017	\$3,650,000	196	539	\$18,623	\$34.57	\$34.60	\$14,630	\$27.16	\$27.19	Semi self-contained dairy unit wintering 350 cows on. Sandy Riverton and Otaiatai soils with some Invercargill peat soils. Split level four bedroom dwelling and worker accommodation. 26 herringbone milking shed. Full range farm buildings. Milking platform land value analyses \$16,000/ha	C		4.4%	6.00	
194 Tiwai Road, Woodend	31/01/2017	\$2,600,000	116.5	773	\$22,318	\$28.89	\$30.66	\$17,811	\$23.06	\$24.47	Basic small scale, inferior quality and location dairy unit. Mostly flat Kapuaka soils with 12 hectares developing peat and 14 ha undeveloped peat. Average dwelling. 25 HB milking shed	B		4.0%	5.30	
5 Chewings Road, Mossburn	22/03/2017	\$19,500,000	801.9	873	\$24,317	\$27.86	\$27.59	\$18,543	\$21.24	\$21.04	Two adjoining large dairy platforms at Mossburn. Flat to rolling contour. Three dwellings plus large accommodation unit. 1 x 80 bail rotary and 1 x 60 bail rotary milking sheds. Full range of farm buildings.	B	Inferior location	5.2%	4.80	
74 Reid Road, Drummond	28/03/2017	\$3,175,000	80.9	988	\$39,228	\$39.69	\$38.83	\$28,868	\$29.21	\$28.57	Small Central Southland dairy unit. Flat contour. Braxton and Glenelg soils. Main four bedroom 1970s dwelling plus cottage. 40 herringbone milking shed and fair farm buildings.	A	Similar	3.7%	6.70	
69 Adam Fleming Road, Glenkennich	31/01/2017	\$7,725,000	241.5	846	\$32,054	\$37.87	\$36.99	\$25,852	\$30.54	\$29.83	Rolling contour. Superior main dwelling plus second home. High specification 40 bail rotary. Good farm buildings.	B	Inferior location	4.1%	6.40	
261 Middle Road, Kelso	26/01/2017	\$3,000,000	80.9	890	\$37,083	\$41.67	\$37.92	\$30,309	\$34.06	\$31.00	Basic 1 labour unit dairy platform. Deep flat soils. Average dwelling, 20 aside herringbone milking shed. Fair farm buildings.	B	Inferior location	4.0%	6.60	
251 Black Gully Rd, Crookston	25/07/2016	\$10,400,000	270.8	1174	\$38,402	\$32.70	\$34.72	\$25,552	\$21.76	\$23.11	Tidy West Otago unit with large cow barn set up wintering cows or extended milking. High feed imports. Rolling contour with deep silt loam soils. Three dwellings, 64 bail rotary milking shed and large range farm buildings.	B		4.3%	6.30	
42 Bushside Rd	3/06/2016	\$2,475,000	115.38	815	\$21,451	\$26.33	\$26.47	\$14,786	\$18.15	\$18.25	Basic milking platform which was part of a larger unit. Easy to rolling contour. Average dwelling and buildings.	C		4.5%	4.80	
1429 Glenkenich Road, Crossans Corner	6/12/2016	\$3,275,000	102.7	1038	\$31,874	\$30.72	\$31.47	\$23,403	\$22.56	\$23.11	Easy Rolling contour. Five year old brick four bedroom dwelling. 24 Herringbone milking shed and good other farm buildings.	B		4.0%	5.50	
59 Oware Road, Wyndham	2/12/2016	\$3,960,000	140.4	854	\$28,188	\$33.00	\$30.41	\$21,547	\$25.33	\$23.25	Small to mid-size dairy platform. Below average production. Two average average dwellings and 34 herringbone milking shed. Rolling Chaslands, Tokanui and Jacobstown soils.	B		4.40%	5.30	
260 Hillend Dipton Road	19/12/2016	\$9,700,000	255.9	1064	\$37,896	\$35.61	\$35.74	\$28,486	\$26.77	\$26.86	Part of larger 336 hectare self-contained unit. Title area of 255.9 ha, 15ha lost to river. Effective milking area assessed at 230.7 hectares. 40 ha grazing concession from Crown. Approx 75 hectares irrigated. Tidy unit with renovated 1960s main dwelling, 2006 4 bedroom dwelling and cottage. 60 Rotary milking shed (high spec), 11 bay calf shed, workshop implement shed plus sundry sheds. Mostly Winton and Riverdale soils on platform. Freehold dairy unit land value analysed at \$30,800 per hectare.	A	Similar	4.90%	6.20	
393 Lochiel Branxholme Rd	23/11/2016	\$7,200,000	162.3	1300	\$44,349	\$34.11	\$36.43	\$31,423	\$24.17	\$25.81	Part of a larger unit. Well located with good infrastructure. Flat Edendale and Pukemutu soils. Large main homestead with extensive surrounds, two other dwellings, 50 bail rotary milking shed, fert shed and large calf / store shed. Large silage pads.	A	Better	4.2%	6.30	
				Average	\$32,021	\$33.47	\$33.38	\$24,181	\$25.42	\$25.30					4.4%	5.84

10.0 VALUATION APPROACHES

10.0.1 We consider the following four valuation approaches the most appropriate for estimating the market value under current market sentiments.

10.1 Summation Valuation per Hectare

10.1.1 When assessing the market value of the subject property under this approach the land value for the appropriate range of land classes is established and the assessed added value of improvements is calculated. Chattels, milking plant and equipment, effluent plant and Fonterra shares are added on a similar basis if appropriate. The final summated figure is then compared with the comparable sales evidence at a similar benchmarked level.

Land Value

10.1.2 Land Value is determined by sales of property that have no or limited improvements contained on them. Where sales of this type are low in volume, sales of partially or fully developed properties, or listings, are analysed to derive a base land value. When there is a paucity of sales information from specific locations information is drawn from other locations to allow analysis to occur to derive a base land value. This base land value is then further analysed to the varying land classes or soil types, whichever approach the market is using to determine the value of the land at that time for the sector and location where the market activity is occurring. Further analysis is undertaken at a more cursory level on productive based measures i.e. stock units, kg milk solids, per hectare or by total property. This consideration has less weighting placed upon it due to the large variation that can occur due to management capability and capital utilised. Consideration is given to the deemed "average efficient" production levels that have been analysed for each sale and the subject property.

10.1.3 Based on the above approach the sales analysis indicates that properties in this locality have land values within the following range as a base land value. These land values are for the productive component only and exclude any lifestyle or building right premium that may be paid above the underlying productive component. If the property contains any lifestyle or building right premium this is then added to these underlying productive values. This approach is consistent with the approach adopted when analysing sales.

Land Type	Sale Value Range	Subject Property
Central Southland Deep	\$ 22,000– \$32,000/ha	\$29,000/ha

10.1.4 We have adopted a value at the mid-range due to the current production levels, location and general appearance and presentation of the land at inspection.

10.2 Improvements

- 10.2.1 When undertaking the assessment of the improvements contained on the property we have considered two methodologies:

Replacement Cost Approach

- 10.2.2 We have summated our estimate of the cost to replace the buildings and other improvements less an appropriate allowance for depreciation to reflect the unexpired portion of the economic life due to physical depreciation, functional obsolescence and any relevant external or environmental factors so as to arrive at a value. This approach is termed the Cost or Depreciated Replacement Cost Approach. This approach is often used as a fall back approach or for specialised assets when sales or other market derived information is not available.

Sales Approach

- 10.2.3 The Added Value Approach is derived from analysis of sales with apportionment of the improvement value based on the various improvement components or individual building values. It is a variation of the sales approach. This approach determines the added value of the buildings and other improvements to the property as determined by the current market situation and completed sales. It considers the value of the building improvements and other improvements based on utility and functionality they add to the property and how the market is reflecting those features at that time.
- 10.2.4 The Net Rate approach is based on the analysis of sales. The analysis considers the component parts of the improvements i.e. rate per m² of building, rate per metre of fencing, rate per tree/vine etc. These rates are then applied back to the subject property and the various improvements contained on that property to provide an additional approach to value of the improvements.
- 10.2.5 The combination of these approaches forms the basis of the improvement value assessment, with priority and more weighting placed on market based information.

Improvements Comment

- 10.2.6 Housing: Large fair quality manager's residence. Three staff dwellings of fair to good quality. The number of dwellings and accommodation numbers is inadequate. A further accommodation facility for staffing levels of this size property is warranted.
- 10.2.7 Milking shed: Well sited and in good condition with slight under capacity but manageable.
- 10.2.8 Productive farm buildings: Adequate range and condition
- 10.2.9 Fencing and subdivision: Good
- 10.2.10 Farm stock water supply: Good
- 10.2.11 Races and layout: Good
- 10.2.12 Effluent:

10.2.13 The below outlines our summation valuation worksheet under this approach:

Land	Description	Area	Unit Price	Provisional	Final		
	Flat to undulating deep Central Southland	170.8	29000	4953200			
				0			per ha
Total Land		170.8		4953200	4950000	\$4,950,000	\$28,971
Improvements							
Fencing	No Pdk	Av pdk size	Area	Rate		VTP	
	51	3.4	170	350	59500		
Water Supply			170	350	59500		
Races & Lanes			5450	25	136250		
Effluent			1	245000	245000		
Shelter			1	10000	10000		
Feed Pad			1	80000	80000		
Total Paddock Improvements				590250	590000	\$590,000	
Paddock Value						\$5,540,000	\$32,424
Building	Age	Condition	Qty	Rate		VTP	
Dwelling	1970s	G	146	1200	175200	\$175,000	
Carport	1970s	G	30	400	12000	\$12,000	
Surrounds			1	20000	20000	\$20,000	
Dwelling	1930s + additions	F/G	156	1000	156000	\$156,000	
Sleep out	1930s	F/G	23	750	17250	\$17,000	
Decking			45	100	4500	\$4,000	
Surrounds			1	15000	14000	\$14,000	
Dwelling	1960s	F/G	103	1100	113300	\$113,000	
Verandah			31	150	4650	\$5,000	
Surrounds			1	10000	10000	\$10,000	\$526,000
Milking shed	2003	G	40	6500	260000	\$260,000	
Workshop	1970s	G	90	150	13500	\$13,000	
Implement	1970s	F/G	76	50	3800	\$4,000	
Hay Barn	1980s	F/G	70	50	3500	\$4,000	
Calving Shed	1990s	G	387	100	38700	\$39,000	
Calf	1980s	G	133	50	6650	\$7,000	
Woolshed	1980s	G	165	100	16500	\$16,000	
Covered Yards	1980s	G	486	50	24300	\$24,000	
Calf	1980S	G	90	50	4500	\$4,000	
Old woolshed	1950s	F/G	135	20	2700	\$3,000	\$374,000
Total Buildings				901050	\$900,000	\$900,000	
Total Improvements						\$1,490,000	
Total Land & Improvements						\$6,440,000	\$37,691
Household Chattels						\$20,000	
Farm Chattels						\$10,000	
Milking and Effluent Plant & equipment						\$80,000	
Supplement							
Market Value net of Shares						\$6,550,000	\$38,335

10.3 Summation Valuation per kilogram Milk Solids

- 10.3.1 The common benchmark of analysis for dairy unit sales is the sale price per kilogram of milk solids (kg ms) produced. Caution needs to be taken with this approach as levels of production can vary significantly between properties as some are partly or totally self-contained and / or significant supplements can be brought onto the property which are used for lactation and can distort the property's underlying pasture based productive ability. In our opinion it is more appropriate to analyse sales and assess the property on an 'average efficient level of management' as this provides a better reflection of market sentiments and reduces the variability of benchmark range.
- 10.3.2 Most dairy platforms managers import supplementary feed to some degree as a tool to lengthen the milking season, improve herd condition scores, help with returning cows to get in calf and attain peak milk production. Other managers supplementary feed all season which is mostly determined by economics and the relationship between the milk price and cost of feed. In high payout years it is common for more supplementary feeding to be done. When determining average efficient production we do include some supplementary feeding. This is dependent on how we consider the market would likely manage the property based on many factors including feeding systems and facilities available, along with other physical characteristics of the property.
- 10.3.3 From the sales analysis summary the market reflects the below range and average:

Range per kg Milk Solids	Adopted Level for Subject Property
\$26 to \$38	\$30

- 10.3.4 We have adopted the level at slightly below the average of the comparable sales due to the location, production levels and quality of soils.
- 10.3.5 We can now estimate the market value as;

Average Efficient Production	Market Value per kg Milk Solids	Estimated Market Value
218,000 kg ms	\$30	\$6,540,000

10.4 Income Valuation Approach – Income Capitalisation Approach

- 10.4.1 This approach estimates the market value by capitalising the earnings before interest, tax depreciation and amortisation (EBITDA) after calculating Gross Farm Income, Farm Working Expenses and making an allowance for Wages of Management based on average efficient production. From the market evidence we analyse and determine an appropriate capitalisation rate. On capitalising the EBITDA we arrive at an estimate of Total Farm Capital required to run the property as a standalone unit. We then need to deduct the capital required for Fonterra shares, stock and plant if appropriate. The remainder is the estimate of market value of the subject property of land and improvements, chattels and

plant consistent with our other approaches adopted. This approach is the same as applied to our analysis of the market sales evidence.

10.4.2 Under this approach requires a number of key assumptions to be made. A key assumption is the milk price used in determining the gross farm income. We prefer the adoption of an average of the previous five year actuals and the Fonterra forecast at the time of valuation or sale. This allows a smoothing of volatility that can be shown with milk payouts but more importantly is a better fit for the description of a knowledgeable seller / buyer in the market value definition. The resultant milk price under this formula is also more in line with major rural financiers' long term payout projections when assessing credit applications.

10.4.3 The capitalisation rate, being the market analysed return on total farm capital, is determined from our sales analysis and is provided below:

Capitalisation Rate Range	Adopted for Property
3.7% to 5.4%	4.6%

10.4.4 We have adopted a capitalisation rate at slightly above the average due to the good location, size and location of the property.

10.4.5 Our workings of this methodology to estimate the market value are shown below.

	Av Eff ms		(5 yr ave at agreement date)	Total
Gross Farm Income	218,000	Milk Price	\$5.87 per kg ms	\$1,279,660
	218,000	Dividend	\$0.40 per kg ms	\$87,200
	218,000	Stock	\$0.35 per kg ms	\$76,300
		Other		
			GFI Total	\$1,443,160
Farm Working Expenses	218,000		\$4.10 per kg ms	\$893,800
			Total Expenses	\$893,800
Wages of Management			\$100,000	\$100,000
EBITDA				\$449,360
Market analysed capitalisation rate range				3.3% to 6.8%
Adopted capitalisation rate				4.6%
Total Farm Capital				\$9,768,696
		Number	Price	
less	Shares	218,000	\$6.00	\$1,308,000
	Cows	510	\$1,800	\$918,000
	R1 Heifers	130	\$800	\$104,000
	Plant	218,000	\$1.00	\$218,000
Land and Improvements, Chattels and Milking Plant				\$7,220,696
			say	\$7,220,000

10.5 Income Approach – Multiplier of Milk Price

10.5.1 This approach is a high level approach which enables the market value of land and improvements to be assessed as a multiplier of the milk income for the property. To establish the milk price we adopt of an average of the previous five year actuals and the Fonterra forecast at the time of valuation or sale. We prefer to use a milk price multiplier as this enables some comparison with other milk supply companies other than Fonterra. Milk price is also a better reflection of the trend in global dairy commodity prices.

10.5.2 The below is our estimate of market value using this approach;

Average Efficient production - kg milk solids	218,000
Average of 5 year historic plus Fonterra Forecast Milk Price at date of valuation	\$5.87
Total Milk Income	\$1,279,660
Market Analysed Range of Multiplier	4.6to6.8
Adopted Multiplier	5.6
Estimated Market Value of Land and Improvements, Chattels and Milking Plant Equipment	\$7,166,096
Say	\$7,166,000

10.6 Valuation Approach Summary

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

Valuation Approach	Market Value Estimate
Per Hectare	\$6,550,000
Per kg Milk Solids. Average Efficient	\$6,540,000
Income Capitalisation	\$7,220,000
Multiplier of Milk Income	\$7,116,000

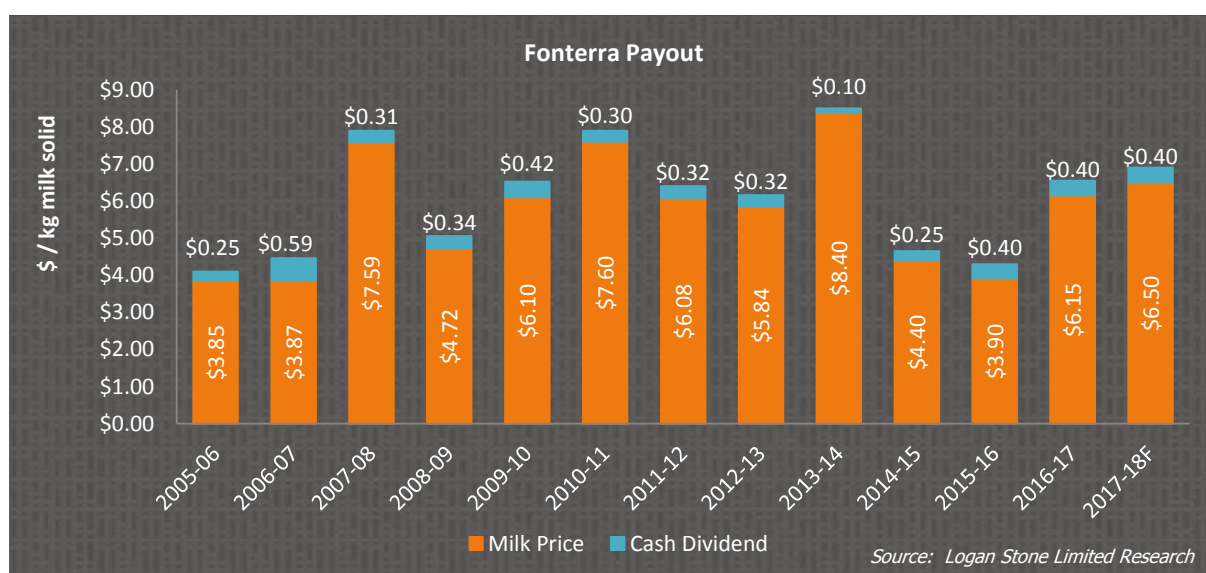
10.6.2 While all the above approaches arrive at a reasonable range, our preferred valuation approach is the summated valuation approach based on establishing the land value and summing the added value of improvements and associated chattels and plant as outlined as we consider this a more accurate methodology.

10.6.3 We therefore adopt the market value at \$6,550,000.

11.0 MARKET COMMENTARY

New Zealand Dairy Industry

- 11.0.1 The New Zealand dairy industry produces circa 19 million tonnes of milk and exports some 95% of milk produced. This accounts for approximately 33% of cross border traded dairy products globally yet New Zealand's production only accounts for 2% of total global dairy production. As a consequence shifts in the supply / demand equation of global dairy commodities can cause considerable farm gate milk price volatility both up and down. While dairy unit sale prices do not necessarily immediately reflect changes to current farm gate milk prices, any investor in a dairy unit should be aware of the volatility of farm income that can occur in the industry.
- 11.0.2 The New Zealand dairy industry is dominated by Fonterra which is a supplier owned co-operative. Fonterra was formed in 2001 with the objective of maximising returns to its supplier owners through economies of scale and the ability to be a dominant participant in the global dairy trade. At the time of formation Fonterra processed around 92% of the New Zealand milk supply and is currently at approximately 87%.
- 11.0.3 Since the formation of Fonterra there have been several start up processing companies enter the market in addition to the existing companies such as Open Country Dairy, Westland Dairy Co-op and Tatua. Most of these companies operate in geographically isolated areas.
- 11.0.4 With Fonterra being the dominant processor/ marketer, together with their willingness to publically release actual and forecast farm gate payout information, disclose results of their global dairy trade auction and comment on the state of the dairy industry and factors' affecting their performance, their commentary is relevant to the dairy real estate market. Their pay out is consistent across New Zealand to supplier shareholders.

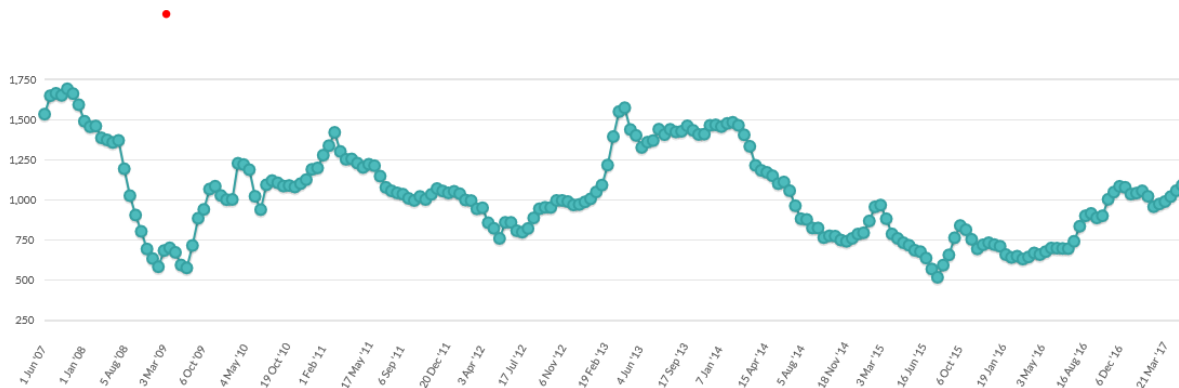


- 11.0.5 At the time of writing, Fonterra's current forecast payout projection for the 2016/17 season for both the milk price and distributable profit as announced at the 24th May 2017 is \$6.55 / kg milk solids. This announcement was a 15 cent per kilogram milk solids increase on previous season forecast announcements due to stronger dairy commodity sale prices. Industry commentators suggest the outlook remains uncertain due to global economic conditions. The above graph demonstrates a roughly three year cycle of farm

gate prices peaking. Current commentary suggests the down cycle will be extended to four years and possibly longer.

11.0.6 On the 24 May 2017 Fonterra announced the forecast milk price for the 2017/2018 season will be \$6.50 per kg milk solids. This confirms the low cycle period will be extended with the historic peaks not as noticeable.

11.0.7 Recent 'global Dairy Trade' auctions have shown a steady improvement through 2017. Volatility in dairy commodity prices has been a theme of many commentators over recent seasons. This is shown in the below Global Dairy Trade Price Index over 10 years as provided by Global Dairy Trade.



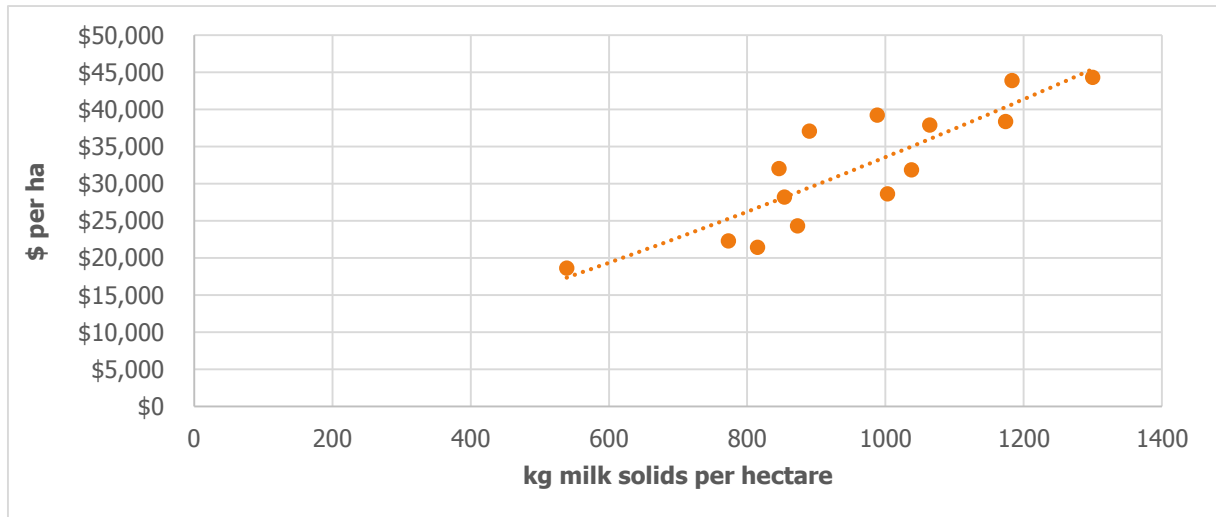
The Southland Dairy Industry

- i. The number of dairy farms in Southland has grown dramatically over the past thirteen years from 602 in 2002 to 990 in 2016 and now represents around 11.5% of the national herd and 12% of the national milk solids production. The effective hectares in dairy production have risen from 100,658 ha in 2002 to 210,915 ha in 2016 (Source: LIC 2015/16 statistics).
- ii. The majority of dairy units are seasonal supply. The average effective property size is 213 ha with most platforms milking around 2.73 cows per effective hectare. Average production is 1,056 kg milk solids per effective hectare with average cow production 395 kg milk solids / cow (Source: LIC 2015/16).
- iii. Features of dairying in Southland are;
 - Shorter growing season requiring supplement feeding at the beginning and end of season to extend lactation
 - General heavy soils requiring sub surface drainage to improve utilisation. These heavy soils need careful management when waterlogged to avoid soil and pasture damage.
 - Relatively high wintering costs, with many cows and dry stock wintered off farm.
 - Strict environmental protection of waterways requiring good effluent storage and discharge systems.
 - Preferred locations within region based on climate, contour, soil type and proximity to services.
 - Larger average herd size allowing economy of scale for off farm investors to invest and allow managers or share-milkers to operate.
- iv. Currently Southland dairy farmers can supply Fonterra or Open Country Dairy (if they can secure supply contracts).

Key Factors which influence dairy farm sale prices

11.1 Production

- 11.1.1 Production per hectare is a key influence on sale price. The below graph demonstrates the relationship between per hectare sale price net of shares and the production per hectare. The graph sample is from the comparable sales listed.



- 11.1.2 Care needs to be taken when analysing sales as production per hectare is influenced by how properties are utilised (i.e. platforms or degree of self-containment), managed (e.g. good or bad), the amount of supplement feeding for lactation (i.e. are supplements grown on the property or brought in, N fertiliser use) and the suitability / reliability of climate and soils.

Farm Gate Returns

- 11.1.3 Dairy farm transactions are largely based on the outlook for farm gate returns. For a seasonal supply dairy milking platform circa 90 to 95% of income is derived from milk sales (expressed as per kilogram of milk solids). The payout is mainly determined by world commodity dairy prices, the exchange rate, and the downstream processor and marketer's performance. The most influential determinant is world commodity dairy prices.

Availability of Credit

- 11.1.4 Most dairy property transactions involve some degree of debt financing with many leveraging to maximum levels. The attitude and lending criteria of the main rural financiers has a strong influence on the strength of the property market. The current lending environment is more controlled than pre the global financial crisis. Emphasis is now placed on viability, positive cash flows and a degree of interest cover. With a larger proportion of equity required to meet viability, equity partnerships have been noticeably more predominant as purchasers especially for larger scale units.

Location

11.1.5 Location has a strong influence on sale price per hectare in Southland. While there are exceptions the location differences are mainly related to climate, contour and soil type factors. Preference is given to flat to undulating well set up units with good infrastructure in the Central Southland Plains and districts between Edendale and Riverton which have reliable summer rainfall and productive soils. These units tend to have higher production per hectare as a result of good climate and soils. Areas outside the above transact at lower levels per hectare depending on quality of unit. Historically Eastern Southland, Northern Southland and Western Southland do not achieve the sale prices enjoyed by the Central Southland areas mentioned above.

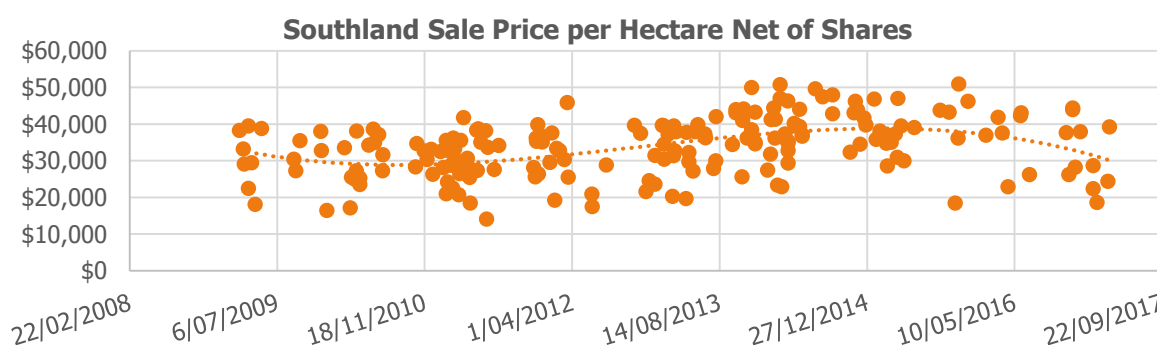
Recent Dairy Real Estate Market History in Southland

11.1.6 The below table is our mean analysis of dairy units sales in Southland over recent years which shows the annual variation of the mean sale price net of shares on both a per hectare and per kilogram of milk solids basis. The 2017 year is for known unconditional sales to date.

Year	No Sales	Ave SP/ha net of shares	Variation
2007	46	\$25,071	
2008	33	\$37,261	49.0%
2009	14	\$30,639	(18.0%)
2010	17	\$30,172	(2.0%)
2011	37	\$30,647	1.5%
2012	15	\$29,623	(3.0%)
2013	37	\$35,389	19.0%
2014	33	\$38,914	10.0%
2015	19	\$37,795	(2.9%)
2016	13	\$34,257	(9.4%)
2017	6	\$29,500	(13.9%)

11.1.7 The average sale price has decreased during the 2017 season year compared to 2016 however the low number of sales being influenced by a high proportion of inferior quality dairy units distorts the reliability of the extent of drop so far in 2017.

11.1.8 The below graph shows the trend of Southland dairy unit sales analysed to a sale price per hectare net of shares over recent years which better demonstrates the trend:



Current Market Observations

- 11.1.9 The below table is a summary of the market and wider economic conditions impacting on the dairy real estate market in Southland and relevant to the subject property;

Item	Comment
Number of sales	Low by historic levels. Indicates a gap between buyers and seller expectations.
Number Properties listed for sale	Normal but non-traditional marketing period.
Buyers in market	Limited, especially for large scale operations. Some overseas interest. Limited syndication / off farm investor / corporate interest. Limited owner operator unless buying and selling in same market to improve land holding scale.
Property supply and demand	Unless dairy viability returns, high probability of property supply exceeding demand
Dairy profitability	Holding but with improving outlook. Some restoration of balance sheets required to make up for previous years' debt funded losses.
Mortgage Interest Rates	At low levels but now increasing
Availability of credit	Good for viable, strong cash flow propositions
Higher land use opportunities	None obvious on large scale in current market
Lower supporting land use	Dairy support. Value gap is significant as some dairy infrastructure would be obsolete. Sheep and beef still below dairy support.
Impact of New Environmental Rules	Limiting for new dairy. Further rules to be announced. Impacts still unclear.

- 11.1.10 The below table is an outline of the number of dairy units currently listed for sale in Southland on the Trade Me and Real Estate.co.nz websites for dairy farms. It should be noted there are limitations to the figures supplied as some properties may be listed several times within the one website, property may be in the wrong category or region and the genuine motivation of sellers is not qualified. The number of listings can be compared with past years sales activity to get a high level feel for the supply / demand forces at play.

	Number	%
Approx. Number of Dairy Farms In Southland	990	
Listed Trade Me	51	5%
Listed Real Estate.co.nz	77	8%
Average Number dairy farm sales per year last 10 years	26	3%
Highest number sales per year	46	5%
Lowest number sales per year	13	1%

- 11.1.11 Given the current number of farm sales has been at the low end of the range in recent years, with farm sales numbers for 2017 to date showing a similar trend, then unless the volume of dairy farm sales increases, it may take several years to clear the current listed stock. It is a characteristic of the real estate cycle when coming out of a trough stage that the volume of farm sales will increase

before the price of farms rises. This is because the unsold stock needs to be absorbed before prices will increase (Hargraves & McCarthy New Zealand Valuers' Journal March 1995).

Conclusion

- 11.1.12 In the absence of higher land use alternatives and a gap to the lower supporting land use, which is also influenced by dairy farm viability, dairy unit values will largely be determined by dairy farm profitability. While current farm gate returns have improved it may take some time to determine if the real estate market considers the return on capital to be a satisfactory return and flows through to improved farm sale prices. Based on the low number of farms sold in the past two years, the dairy farm market supply and demand balance is likely to remain weighted with supply exceeding demand, but to a lesser degree with improving farm gate returns. In the short term it is difficult to envisage any significant improvement of dairy farm sale prices, at best values may hold, but there remains a bias for a downward price correction, especially if the supply of dairy farms to the market is increased due to financially distressed vendors which is not matched by buyer demand.

12.0 PROPERTY DETAILS

12.1 Legal Description

12.1.1 We refer to the attached Computer Freehold Registers ("titles") at Appendix B contained within the Southland Land Registration District. To summarise:

Registered Proprietor	Description	Title Identifier	Area (ha)
Eastbourne Dairy Farm Limited	Lot 2 Deposited Plan 365806	266668	37.7185 ha
Eastbourne Dairy Farm Limited	Lot 1 Deposited Plan 8865	SL4A/1340	0.1676 ha
Eastbourne Dairy Farm Limited	Lot 1 Deposited Plan 10497	SL6B/836	65.2965 ha
Eastbourne Dairy Farm Limited	Part Section 10 Block XII Jacobs River Hundred	SL6B/837	34.3498 ha
Eastbourne Dairy Farm Limited	Lot 1 Deposited Plan 6340	SLA1/1342	33.3309 ha
Total Land Area			170.8633 ha
Tenure	Freehold – Fee Simple		

12.1.2 The following interest or registration is deemed to be of relevance when considering the property from a valuation perspective. Any material impact of these interests has been taken into account in our valuation assessment.

- There are no registrations that materially impact on value

12.2 Rating Valuation

<i>The Rateable Values assessed as at 1 September 2015:</i>				
Property	Land Area (ha)	Value of Improvements	Land Value	Capital Value
44 Eastbourne Park Road	170.8633	\$1,240,000	\$4,810,000	\$6,050,000

12.3 Resource Consents

12.3.1 The below resource consents have been provided from the Regional Council. Our market value assessment is based on these consents transferring with the property to enable the property to transact at its highest and best use as outlined in this report.

Owner	Eastbourne Dairy Farm Limited	Eastbourne Dairy Farm Limited
Consent No	301034	301035
Type	Discharge Permit to discharge dairy shed and wintering barn effluent to land. This consent excludes effluent from winter milking.	Water Permit to take ground water for a dairy operation
Source	Dairy Shed and Wintering barn	Bore/well E46/0234
Rate	Max 599 cows dairy shed; Max 240 cows wintering barn; 3172m ³ storage	Shall not exceed 71,880L/day
Expires	15 March 2022	15 March 2022

12.4 Production

12.4.1 The property was converted to dairy in 2001 and production for the past six seasons has been:

Year	kg ms	Area (total)	Eff ha	per ha	per eff ha	Cows	cows/eff ha	kg ms / cow
2010.11	218654	170.8	157	1280	1393	510	3.25	429
2011.12	226154	170.8	157	1324	1440	510	3.25	443
2012.13	211000	170.8	157	1235	1344	510	3.25	414
2013.14	230000	170.8	157	1347	1465	520	3.31	442
2014.15	208446	170.8	157	1220	1328	490	3.12	425
2015.16	237994	170.8	157	1393	1516	490	3.12	486
2016.17	228000	170.8	157	1335	1452	490	3.01	465

12.4.2 The current cows are breed is mainly Jersey Friesian Cross.

12.4.3 The following is our assessment of the production under an average efficient operator:

Effective Platform Ha	157
Peak Cows	510
Cows / ha	3.25
Base pasture production - kg DM per ha	14,500
Utilisation	85%
kg DM : kg ms conversion	10.5
Base pasture production - kg MS	184,288
N Fert - kg N per eff ha	110
kg DM Response per kg N	10
Production from N - kg MS	13,980
Production from Pasture Grown -kg MS	198,269
Supplement Imports % Total Production	10.0%
Production Attributable to supplement imports -kg MS	19,827
Total Ave Efficient Production -kg MS	218,095
Say	218,000
kg MS per ha	1,389
kg MS per cow	427

Appendix A

Statement of General Valuation Policies

STATEMENT OF GENERAL VALUATION POLICIES

1. Our responsibility in connection with this valuation report is limited to the person to whom the report is addressed and we disclaim all responsibility to any other party without reference to us.
2. This report may not be reproduced, in whole or in part, without our prior written approval.
3. This report has been prepared for the purpose stated in the report and may be relied upon for that purpose only. Assumptions made in the preparation of the report are as expressly stated in the report or set out below.
4. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we cannot accept responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate departments.
5. We have made no survey of the property and unless otherwise stated assume that all improvements lie within the Computer Freehold Register boundaries. No guarantee is given that the land is not subject to statutory rights not recorded on the relevant Computer Freehold Register and not apparent from normal inspection of the property. We assume no responsibility in connection with such foregoing matters.
6. We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances.
7. Unless otherwise stated our report is subject to there being no detrimental registration(s) affecting the land other than those appearing on the Computer Freehold Register(s) valued in this report. Such registrations may include Wahi Tapu registrations and Historic Places Trust registrations.
8. We have not obtained from the territorial authority a Land Information Memorandum. Our valuation has been made on the basis that such Memorandum if obtained would not have disclosed information which would have affected adversely our opinion of the market value of the property.
9. No environmental audit has been undertaken, although contaminants present on the site and obvious to us on inspection may have been noted in the report. No warrant is given, or is to be implied, in this report that the property is free from contaminants.
10. While in the course of inspection due care is taken to note building defects, no structural survey has been made and no undertaking is given about the absence of rot, termite or pest infestation, deleterious substances such as asbestos or calcium chloride or other hidden defects. We can give no guarantee as to outstanding requisitions in respect to the subject building.
11. In preparing the valuation it has been assumed hot and cold water systems, electrical systems and other devices, fittings and conveniences as are in the building to be in proper working order and functioning for the purpose for which they were designed.
12. Where a property is leased, this report records the nature of the information supplied. That information has been accepted and relied upon at face value. It has been assumed that the information supplied is complete and accurate, and that the lease is fully enforceable.
13. Unless otherwise stated in our report our valuation is on the basis that the property complies with the Building Act 1991, Health and Safety in Employment Act 1992, Evacuation of Buildings Regulations 1992 and Disabled Persons Community Welfare Act 1975 or that the legislation has no significant impact on the value of the property.
14. We certify that Logan Stone Limited holds professional indemnity insurance.
15. Unless otherwise stated our valuation assessment is expressed in New Zealand Dollar currency.

Appendix B

Computer Freehold Registers and Resource Consents



COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952




R. W. Muir
Registrar-General
of Land

Search Copy

Identifier 266668
Land Registration District Southland
Date Issued 11 April 2006

Prior References

SL135/128 SL137/93 SL7D/343

Estate Fee Simple
Area 37.7185 hectares more or less
Legal Description Lot 2 Deposited Plan 365806

Proprietors

Eastbourne Dairy Farm Limited

Interests



COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952




R. W. Muir
Registrar-General
of Land

Search Copy

Identifier SL4A/1340
Land Registration District Southland
Date Issued 07 November 1974

Prior References

SLA1/1369

Estate	Fee Simple
Area	1676 square metres more or less
Legal Description	Lot 1 Deposited Plan 8865

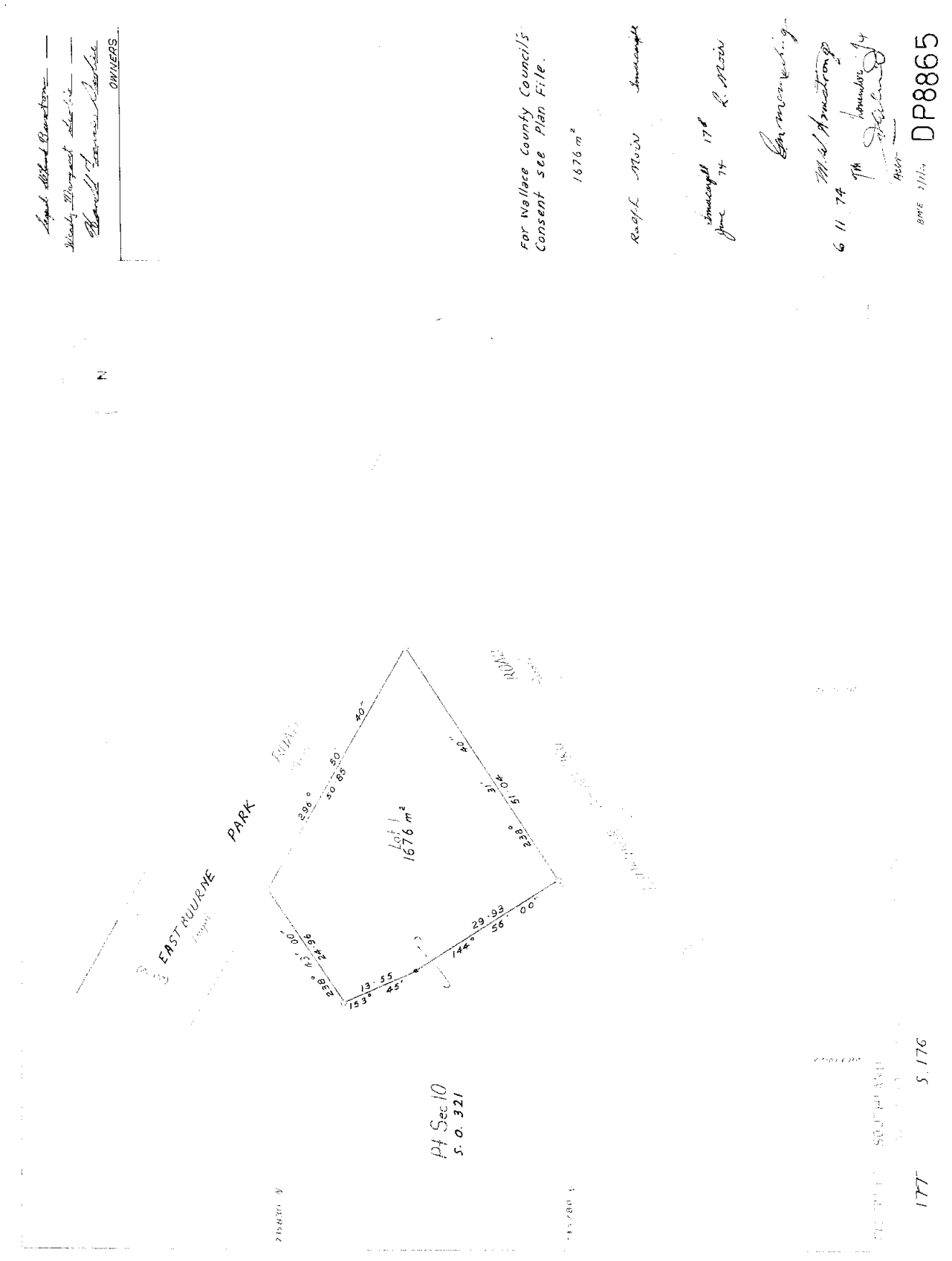
Proprietors

Eastbourne Dairy Farm Limited

Interests

Identifier

SL4A/1340





COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952




R. W. Muir
Registrar-General
of Land

Search Copy

Identifier SL6B/836
Land Registration District Southland
Date Issued 15 April 1981

Prior References

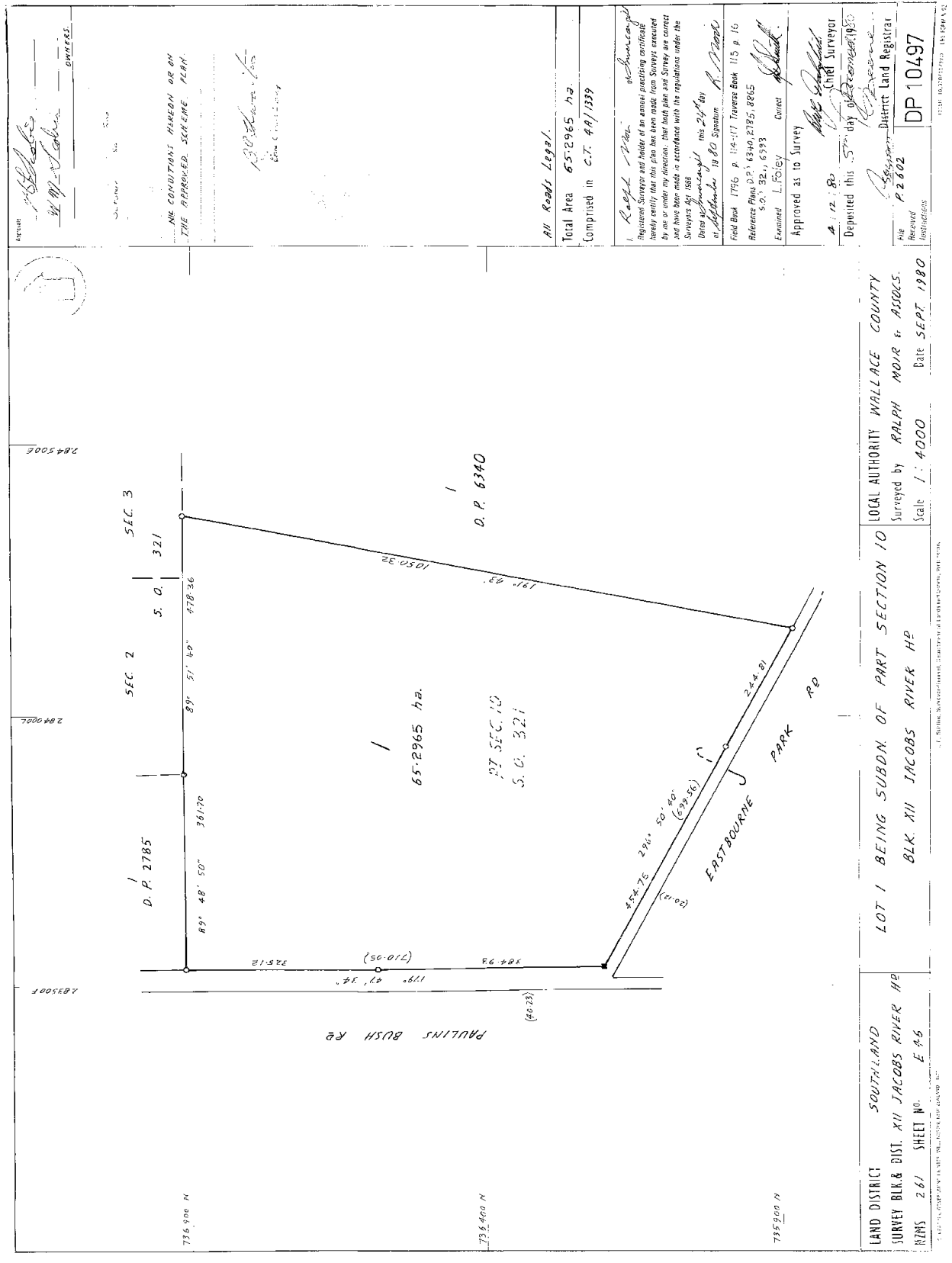
SL4A/1339

Estate	Fee Simple
Area	65.2965 hectares more or less
Legal Description	Lot 1 Deposited Plan 10497

Proprietors

Eastbourne Dairy Farm Limited

Interests





COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952




R. W. Muir
Registrar-General
of Land

Search Copy

Identifier SL6B/837
Land Registration District Southland
Date Issued 15 April 1981

Prior References

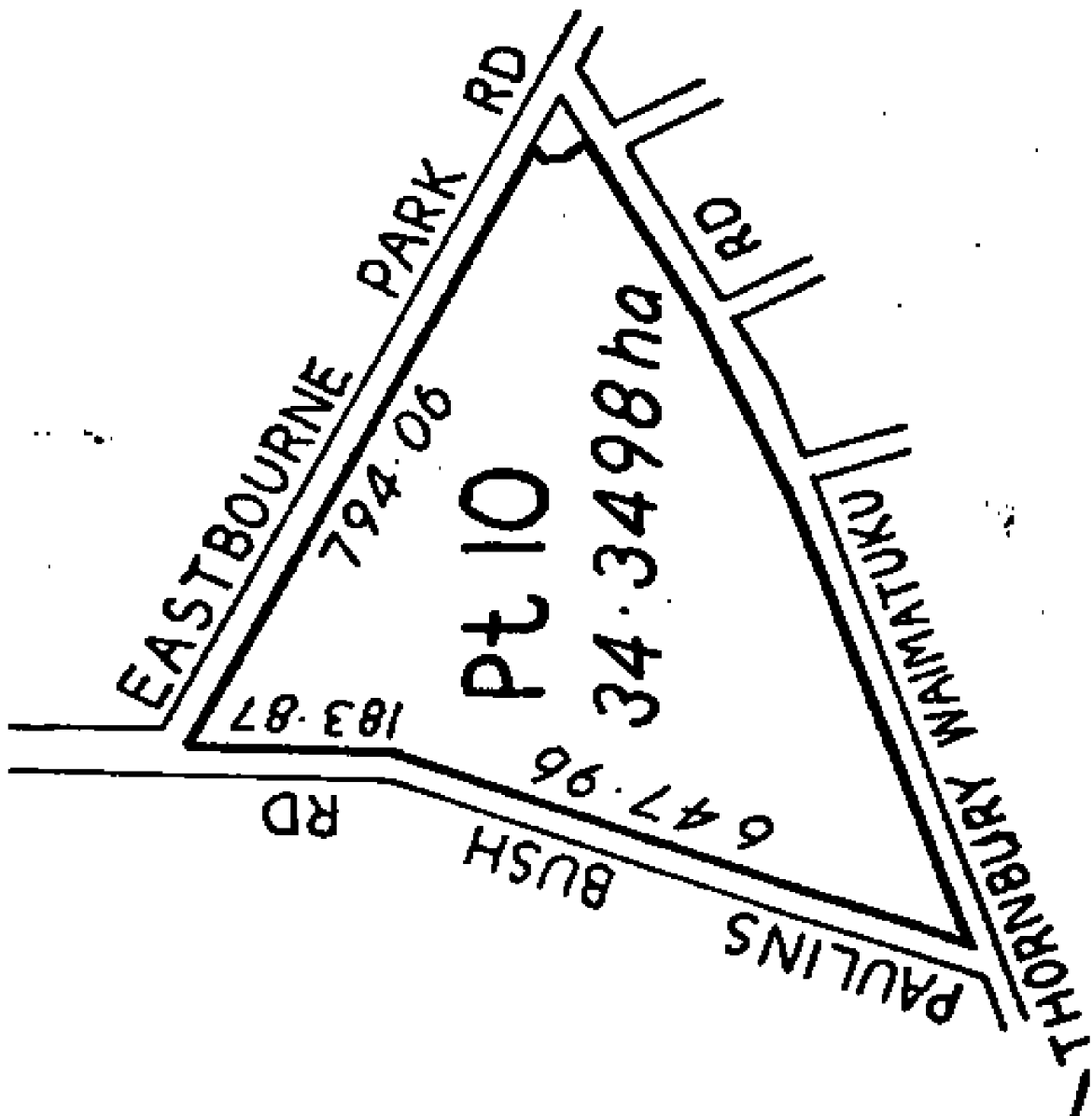
SL4A/1339

Estate	Fee Simple
Area	34.3498 hectares more or less
Legal Description	Part Section 10 Block XII Jacobs River Hundred

Proprietors

Eastbourne Dairy Farm Limited

Interests





COMPUTER FREEHOLD REGISTER UNDER LAND TRANSFER ACT 1952




R. W. Muir
Registrar-General
of Land

Search Copy

Identifier SLA1/1342
Land Registration District Southland
Date Issued 31 May 1963

Prior References

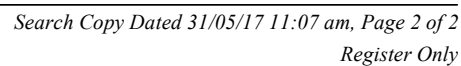
SL151/15

Estate	Fee Simple
Area	33.3309 hectares more or less
Legal Description	Lot 1 Deposited Plan 6340

Proprietors

Eastbourne Dairy Farm Limited

Interests



Transfer of Discharge Permit to discharge dairy shed effluent to Land

The **Southland Regional Council** has received notification of the transfer of the Discharge Permit number 301034.

From: Tamrin Farm Holdings Ltd

of: 11 Eastbourne Park Road, Thornbury

To: Eastbourne Dairy Farm Limited

of: 11 Eastbourne Park Road, Flints Bush, R D 3, Otautau 9683

(Please note your responsibilities as a permit holder under the following schedule of conditions)

Details of Permit

Purpose for which permit is granted: To discharge dairy shed and wintering barn effluent to land

Location	- site locality	11 Eastbourne Park Road, Thornbury
	- map reference	E46:350-266
	- receiving environment	Land
	- catchment	Aparima River

Legal description of land at the site: Lot 1 DP 10497, Lot 1 DP 6340, Lot 2 DP 365806 and Part Section 10 Block XII Jacobs River Hundred

Expiry date: 15 March 2022

Schedule of Conditions

These conditions should be read in conjunction with the best practice recommendations that are appended. These will reduce the risk of non-compliance with the consent conditions.

1. This consent is granted for a period of 10 years and shall commence on the surrender or expiry of Resource Consent 201769.

(Note: Pursuant to Sections 123 and 124 of the Resource Management Act 1991, a new consent will be required at the expiration of this consent. The application will be considered in accordance with the plans in effect at that time, and the adverse effects of the proposed activity.)

2. (a) This consent authorises the discharge of dairy shed and wintering barn effluent onto land, via a land disposal system, as described in the application, on land known as Lot 1 DP 10497, Lot 1 DP 6340, Lot 2 DP 365806 and Part Section 10 Block XII Jacobs River Hundred.

(Note: The effluent disposal area shown in Appendix 1 can be altered and/or extended, subject to the approval of the Director of Environmental Management, if the consent holder submits a new plan showing the new effluent disposal area, and providing the written approval(s) of any person whose property boundary will be closer to that area. In the event that written approval cannot be obtained, the effluent disposal area can only be amended by way of limited notification.)

- (b) This consent excludes effluent from winter milking.
3. (a) No dairy shed or wintering barn effluent shall be discharged to any surface watercourse by overland flow, run-off, or via a pipe, nor shall there be any surface run-off/overland flow, ponding or contamination of water resulting from the exercise of this consent. **See Best Practice Notes 1, 2 & 3**

- (b) The land disposal system shall be operated and maintained to ensure that there is no offensive or objectionable odour beyond the property boundary, or any spray drift into or beyond the buffer zones specified in condition 5.

- (c) The consent holder shall install and maintain an alarm and automatic switch-off system as a contingency measure in the event of an effluent system failure such as a sudden pressure drop, irrigator stoppage or breakdown. **See Best Practice Note 4**

4. Subject to condition 3(a), the land disposal system is limited to the following:

- (a) a maximum depth of application of 25 mm for each individual application, at an instantaneous rate not exceeding 10 mm/hour;

(Note: The application depth needs to be less than the soil-water deficit (i.e. the depths above are maximum depths and as soil moisture levels approach field capacity, smaller depths will be necessary to avoid losses of contaminants from the root zone. When soil moisture levels reach field capacity, irrigation will need to cease completely to prevent these losses.)

- (b) the maximum loading rate of nitrogen onto any land area shall not exceed 150 kg of nitrogen per hectare per year from dairy shed and wintering barn effluent. **See Best Practice Note 5**

5. Effluent may be applied to the land as described in the application and generally as shown in Appendix 1, but the following specific buffers shall be observed:

- (a) 20 metres of any surface watercourse;
- (b) 100 metres of any potable water abstraction point;
- (c) 20 metres of any property boundary (unless the adjoining landowner's consent is obtained to do otherwise); and
- (d) 100 metres of any residential dwelling other than residential dwellings on the property.

Where there is conflict between Appendix 1 and these specified buffers, the latter shall apply.

6.
 - (a) The amount of dairy shed effluent disposed of onto land shall not exceed that from 599 cows.
 - (b) The amount of wintering barn effluent disposed of onto land shall not exceed that from 240 cows.
7. By 1 June 2012, the consent holder shall provide at least 3,172 m³ of effluent storage for the purpose of:
 - (a) avoiding irrigation of effluent when soils are at or above field capacity; **see Best Practice Note 8**
 - (b) providing a contingency measure when the irrigation system is inoperative; and/or
 - (c) for primary treatment when it is necessary for the proper operation of the effluent disposal system.

(Note: The storage volume is equivalent to 60 days of effluent based on 50 litres/cow/day for dairy shed effluent and 16 litres/cow/day for dairy shed 90 days storage of wintering barn effluent.)

8. The consent holder shall notify the Council, by 17 April 2012, of the person who is in charge of the operation of the effluent disposal system. If the person in charge of the effluent system changes during the term of this consent, the consent holder shall notify the Council of the new operator no later than five working days after that person takes responsibility. **See Best Practice Notes 6 & 7**

(Note: The person identified by condition 8 will be the primary contact for Council staff for monitoring purposes and/or in the event of an incident. Nothing in this condition removes or limits the consent holder's liability to ensure compliance with the consent and its conditions.)

9. The Southland Regional Council may serve notice of its intention to review the conditions of this consent, in accordance with the conditions of this resource consent and Sections 128 and 129 of the Resource Management Act 1991, during the period 1 February to 30 September each year, or within two calendar months of the completion of any enforcement action (prosecution or infringement notice), for the purposes of:
 - (a) dealing with any adverse or cumulative effects, including the adverse effects of high stocking rates, on the environment which may arise from the exercise of this consent;
 - (b) considering any changes to information on the effects of land disposal of dairy shed and wintering barn effluent;
 - (c) complying with the requirements of a regional plan;
 - (d) amending monitoring requirements; or
 - (e) imposing a notification requirement for potential effects on registered drinking water supplies.
10. The consent holder shall pay an annual administration and monitoring charge to the Southland Regional Council, collected in accordance with Section 36 of the Resource Management Act. This charge may include the costs of inspecting the three times each year (or otherwise as set by the Council's Annual Plan), and of monitoring the effects of the

discharge on groundwater by taking representative samples of the bore water, from Bore E46/0234 once every six months and analysing for:

- chloride
- electrical conductivity
- nitrate nitrogen concentration
- *E. coli* concentration

Except that the first sample shall also be analysed for Total Iron concentration.

(Note: The Administration Charges are payable for the costs of the Council's administration, monitoring and supervision of this resource consent. For new conversions, the first monitoring inspection by the Council, in accordance with the Council's Annual Plan, of the exercise of the resource consent shall be carried out following installation of the effluent disposal system.)

11. If an event (such as effluent overflow to water, significant over-application on a free-draining area or pond collapse) occurs that may have significant adverse effect on water quality at the abstraction point of a registered drinking-water supply, the consent holder shall notify, as soon as reasonably practicable, the following:

- Environment Southland's Compliance Manager (ph 03 211 5115 or 03 211 5225 after hours)
- Southland District Council (ph 0800 732 732)

(Note: the consent holder is advised to contact Environment Southland's Compliance Manager in the event of any unexpected event that may result in non-compliance with the conditions of this resource consent or the rules of a regional plan.)

for the **Southland Regional Council**



Vin Smith
Director of Policy, Planning, and Regulatory Services

Best Practice and Explanatory Notes

1. Dairy shed effluent should not be discharged onto any land area that has been grazed within the previous 5-10 days. Where there has been significant damage to soil during grazing, it is recommended that effluent not be applied until that damage has been repaired.
2. To avoid contaminating water directly or indirectly, the consent holder should not apply effluent to land when the soils are at or above field capacity. Moisture content is to be determined by either actual monitoring on site or by reference to the appropriate Council monitoring site. The Council's soil moisture monitoring sites can be viewed at <http://www.es.govt.nz> and following the "Farming", "Dairy Advisor" and "Soil Moisture Map" links.
3. For the purposes of this condition, ponding is the accumulation of effluent on the soil surface resulting from the application of effluent to saturated soils, or the application of effluent inducing saturated soil conditions. It does not refer to the temporary accumulation of effluent on the soil surface resulting from the application of effluent at a rate that exceeds the soil infiltration rate.
4. Where the effluent reticulation system is installed in such a way that effluent can be siphoned when pumping ceases, the consent holder should install and maintain an anti-siphon device in the effluent pipe line.
5. A loading of 150 kg N/ha/year is approximately equivalent to a loading of dairy shed effluent to land of 4 ha/100 cows. However, there are significant benefits to having a larger effluent disposal area in terms of managing potassium. Further, scientific research has highlighted decreased nitrogen use efficiency and increased nitrogen leaching losses at annual nitrogen loading rates (from combined fertiliser and effluent N) greater than 150 kg/N/ha/yr. Extreme caution should therefore be taken when applying nitrogen fertiliser to the effluent disposal area. It is recommended that a nutrient budget is used to check that nitrogen and potassium application rates to the effluent disposal area are not excessive.
6. The consent holder should prepare and comply with a Farm Environmental Management Plan. The plan should:
 - specify and implement a nutrient budgeting system for the property;
 - provide for the management of effluent disposal to avoid applications when soils are at or above field capacity;
 - identify, as far as is practicable, the drains in the effluent disposal area, so that appropriate management procedures can be taken to avoid contamination of the drains by effluent;
 - if relevant, provide for the operation and management of any feedlot and/or wintering pad;
 - include the provision for monitoring application rates to ensure the consent requirements are being met;
 - include the monitoring requirements specified in this consent; and
 - address ancillary matters such as protecting well-head(s) from contamination; preventing leachate from any silage pits entering water, including groundwater; preventing soil damage; controlling runoff from lanes; and preventing stock access to and maintaining the riparian margins of any watercourses on the property.

A template may be viewed at:

<http://www.es.govt.nz/media/4831/dairy-farm-plan-consent-template.pdf>

7. The consent holder should display, in a prominent place in the dairy shed, a copy of the resource consent and relevant limits about the operation of the effluent disposal system that must be complied with. The material to be displayed will be provided by the Council on laminated sheets suitable for display purposes.
8. Storage ponds should be operated at low levels when conditions for effluent disposal are suitable in order to maintain storage for wet weather periods. In particular, storage ponds should be emptied in late summer/early autumn to ensure sufficient storage capacity for the following late winter/early spring period.
9. Storage ponds should not, for practical purposes, leak. This resource consent does not authorise the discharge of contaminants due to leaks or failure of the storage ponds. If an existing storage pond is modified (such as by increasing the embankment height to increase storage), the modification will require resource consent.

Environment Southland*

(03) 211 5115

Toll Free 0800 76 88 45 (Southland only)

or

Emergency After Hours (03) 211 5225

**if you have an effluent or pollution problem,
call us**



**environment
SOUTHLAND**

Held by: Eastbourne Dairy Farm Limited

- the total milking herd cannot exceed 599 cows.
- The amount of wintering barn effluent disposed of onto land shall not exceed that from 240 cows.
- effluent may only be applied within the area shown on the attached map, as detailed in the application for the Consent.
- effluent cannot be applied within 20 metres of the property boundary.
- if there are waterways within the approved area, effluent cannot be applied within 20 metres of the waterways and ditches.
- a maximum depth of application of 25 mm for each individual application, at an instantaneous rate not exceeding 10 mm/hour;
- the contingency plan consists of:
 - 3,172 m³ effluent storage pond for deferred irrigation.

(the above is a synopsis. You should ensure you understand the full consent. If you do not have a copy, contact Environment Southland*)

Problem Solving

- the number of cows intended to be milked exceeds the consent limit **Contact Environment Southland for a Variation to the Consent**

If you have any effluent or pollution problems, please contact Environment Southland at the following numbers: Environment Southland: (03) 211 5115 or 0800 76 88 45 during office hours or 03 211 5225 (emergency response) after hours.

Transfer of Water Permit

The **Southland Regional Council** has received notification of the transfer of the Water Permit number 301035.

From: **Tamrin Farm Holdings Ltd**

of: 11 Eastbourne Park Road, Thornbury

To: **Eastbourne Dairy Farm Limited**

of: 11 Eastbourne Park Road, Flints Bush, R D 3, Otautau 9683

(Please note your responsibilities as a permit holder under the following schedule of conditions)

Details of Permit

Purpose for which permit is granted: To take groundwater for a dairy operation

Location	- site locality	11 Eastbourne Park Road, Thornbury
	- map reference	E46:350-266
	- groundwater zone	Lower Aparima
	- catchment	Aparima River

Legal description of land at the site: Lot 1 DP 10497

Expiry date: 15 March 2022

Schedule of Conditions

1. This consent is granted for a period of 10 years and shall commence on the surrender or expiry of Resource Consent 201770.

(Note: Pursuant to Sections 123 and 124 of the Resource Management Act 1991, a new consent will be required at the expiration of this consent. The application will be considered in accordance with the plans in effect at that time, and the adverse effects of the proposed activity).

2. This consent authorises the abstraction of water from bore/well E46/0234 at about NZMS 260 E46:350-266.

3. The rate of abstraction shall not exceed 71,880 litres per day.
4. The consent holder shall install a backflow prevention device or take other appropriate measures to ensure water and/or contaminants cannot return to the water source.
5. The consent holder shall monitor water usage to ensure compliance with condition 3 of this consent, as follows:
 - (a) by installing flow meters:
 - (i) able to continuously measure the amount of water taken;
 - (ii) capable of accuracy to within 5% of the true flow rate, on each abstraction;
 - (iii) that shall record volumes in litres;
 - (iv) in accordance with the manufacturer's instructions;
 - (v) that are sealed and as tamper proof as practicable;
 - (vi) in a location that measures all water taken;
 - (vii) that are suited to the qualities of the water it is measuring (such as temperature, algae content and sediment content);
 - (b) by recording the volume of abstraction, at or about the same time each month when the consent is being exercised

A copy of this record is to be provided to the Council's Compliance Manager by 31 May each year (escompliance@es.govt.nz).
6. The consent holder shall pay an administration and monitoring charge to the Southland Regional Council collected in accordance with Section 36 of the Resource Management Act, payable in advance on the first day of July each year.
7. The Council may, in accordance with Sections 128 and 129 of the Act, serve notice, during the period 1 February to 30 September each year, of its intention to review conditions for the purpose of:
 - (a) dealing with any adverse effects on the environment which may arise from the exercise of this consent;
 - (b) requiring monitoring of the rate of, or the effects of, the abstraction;
 - (c) requiring efficiency of water use; and/or
 - (d) complying with the requirements of a regional plan.

for the **Southland Regional Council**



Vin Smith
Director of Policy, Planning, and Regulatory Services